April 19, 2016
Jack White, CFA
Partner, Senior Portfolio Manager

Disconnected

Todd Large Cap Intrinsic Value Review

	1Q 2016	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	-2.8%	-7.2%	9.2%	9.6%	15.1%	6.5%
(Net)	-2.9%	-7.7%	8.6%	9.0%	14.4%	5.9%
S&P 500	1.3%	1.8%	11.8%	11.6%	17.0%	7.0%
Russell 1000 Value	1.6%	-1.5%	9.4%	10.3%	16.3%	5.7%

* *Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

The LCIV discipline underperformed the benchmarks during the first quarter, declining roughly -2.8% (gross) compared with the S&P index return of 1.3% and Russell 1000 Value index return of 1.6%. Over the trailing one year period, the returns were a loss of approximately -7.2% (gross) for the accounts, compared with the S&P return of 1.8%, and the Russell 1000 Value loss of approximately -1.5%.

"Disconnected" seems to be the best word to describe market performance for the quarter. After a narrowly led market dominated the scenes in the US last year (June-December), and most international markets were already well off their highs, worldwide markets went into a tailspin in January on recession fears. With oil declining dramatically as well, the global Central Banks responded. These actions drove a dramatic recovery in February and March to leave most indexes wildly unchanged for the quarter. Against a backdrop of a modest European Recovery, low US unemployment, and a reinvigorated China, stocks disconnected from fundamentals and tumbled. Skeptics will point out Japan and Latin America are in recession, however, we would suggest Europe, China and the US are still expanding, albeit more slowly than policymakers want. Beneficiaries of the volatility this quarter were the Energy and Materials stocks, which recovered with oil after February. Also, the January defensive winners, Telecoms, Utilities and Staples, maintained their outperformance for the entire quarter. Unfortunately, none of those sectors rank well on our work due to either high valuations or suspicious fundamentals, so they were significantly underweighted in our portfolios.

Some of the major items impacting the quarter were as follows:

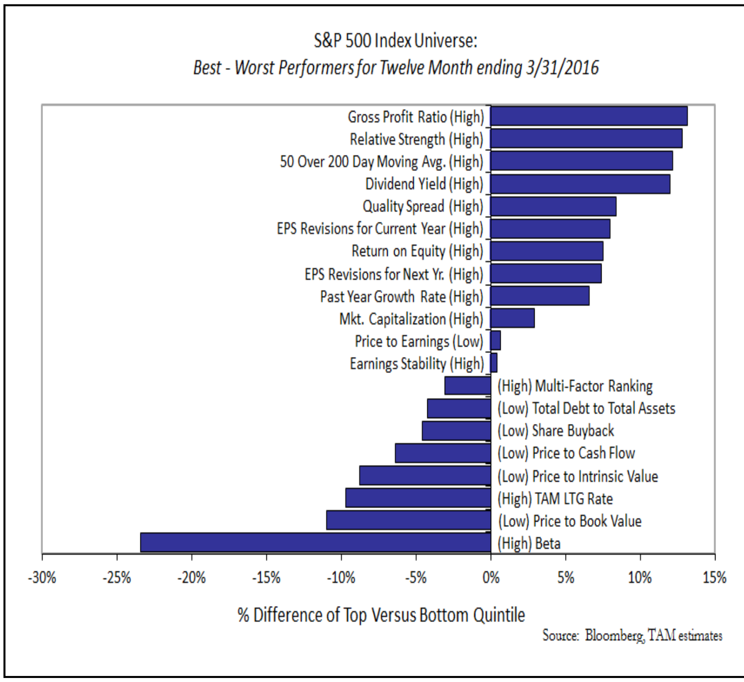
- January market performance was very weak followed by just as dramatic a recovery in February and March. The US market dropped over 14% off the prior high, while the ACWI ex-US index bottomed at over 27% off its' high. Both markets rebounded approximately 13% off the lows, but sector leadership still indicates cautious attitudes among investors.
- Oil found new lows as excess supply from years of overinvestment collided with sluggish market demand. Oil declined from the $36/bbl to the $26/bbl before recovering to over $40/bbl. It appears the price of oil is bottoming, and our sense is the worst is behind us. Stay tuned.

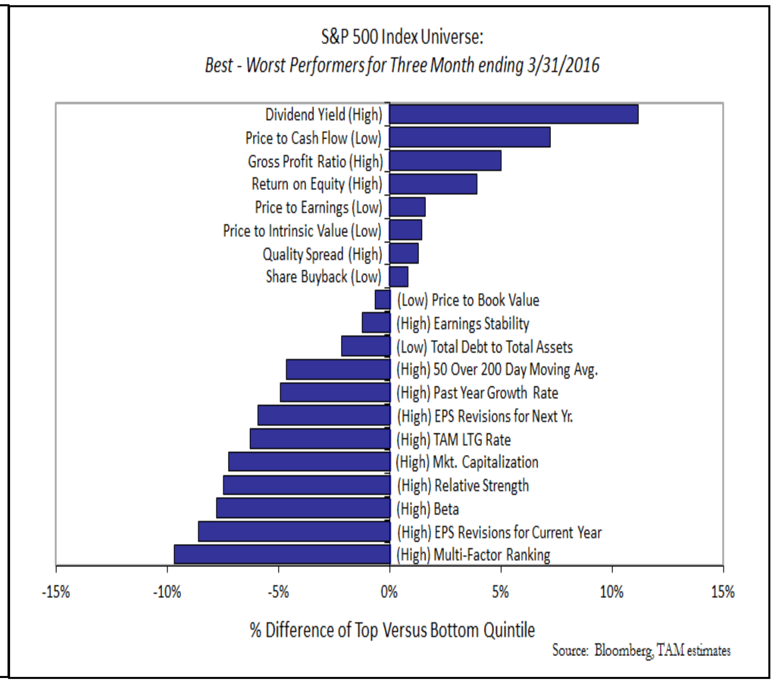
- Earnings were disappointing, as US profits declined for the second quarter in a row, and guidance for future earnings was lackluster, a dismal combination. Analysts expect this to persist, but we think the dollar stabilization from year ago levels could help earnings more than analysts expect.
- Bond yields plunged worldwide on recession fears. Europe and Japan pursued additional easing measures. GDP estimates declined dramatically for the quarter, leading to worries of a US, European and/or Chinese recession. Japan and Latin America are already in recession.
- The Dollar weakened despite lower international rates as the Fed deferred rate increases and investors came to believe the pace of any rate increases will be much slower than previously anticipated.
- Confidence is fragile and it appears investors are waiting for a "Black Swan" event to unfold. Potential black swans would include:
  - Britain or Greece opting to exit the Eurozone
  - Continuing populist developments in the US election, New anti-inversion rules in the US
  - China potentially devaluing their currency
  - Continued or accelerating deflation in the EU and Japan, or,
  - More experiments with negative rates by central banks.

Some positive developments occurred during February and March. The Saudis indicated willingness to speak about an oil production cap. While nothing occurred, it prompted better oil prices and helped equity prices in the process. For the first quarter, the direction of oil prices and stock prices were closely correlated. It appears investors (or high frequency traders) consider oil prices to be the best instant gauge of economic activity.

After large run-ups from 2011 to 2014, most world markets have been in trading ranges or bear markets for the past two years. Central bank policies may be less potent as easy money can only do so much to bolster economic activity. Investors may be waiting for some pro-growth fiscal policies before we start the next leg of the secular bull. This cycle could be underway now with China, Japan, Europe and the US moving away from austerity and towards fiscal stimulus, but it is painfully slow.

What Worked… And What Didn't





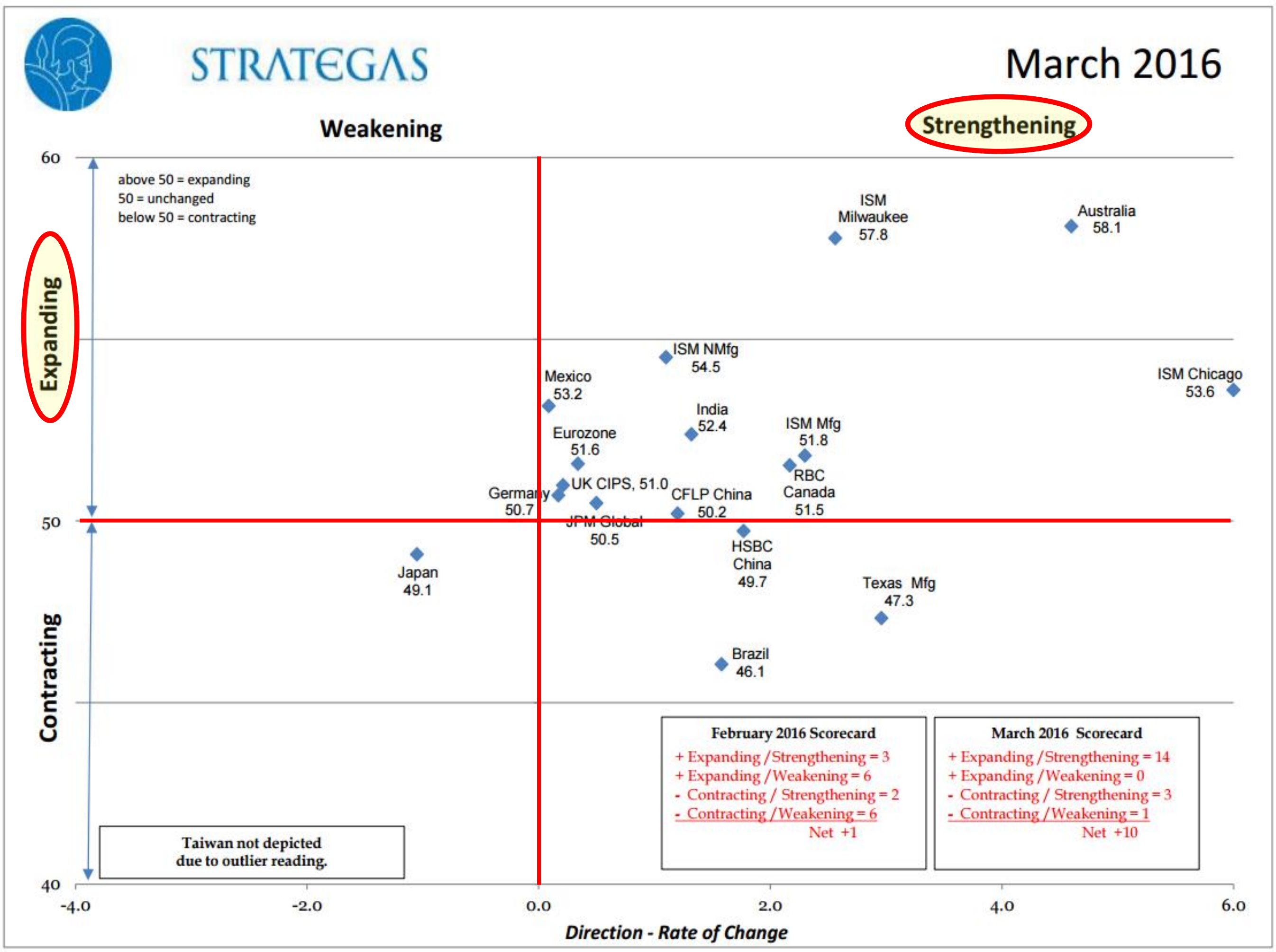
Market preferences did a complete turnabout in the first quarter, with investors shifting favor to visibility and value from last year's favorites of growth and momentum. Dividend yield was at the bottom of the rankings in 2015 but was rewarded this quarter. Unfortunately, one of the performance casualties this quarter was our multi-factor model, a key reason we lagged. This indicates to us that stock prices and fundamentals remain disconnected.

What would you call a worldwide economy where most of the constituents have accelerating growth in manufacturing activity? We think the correct term for that is recovery.

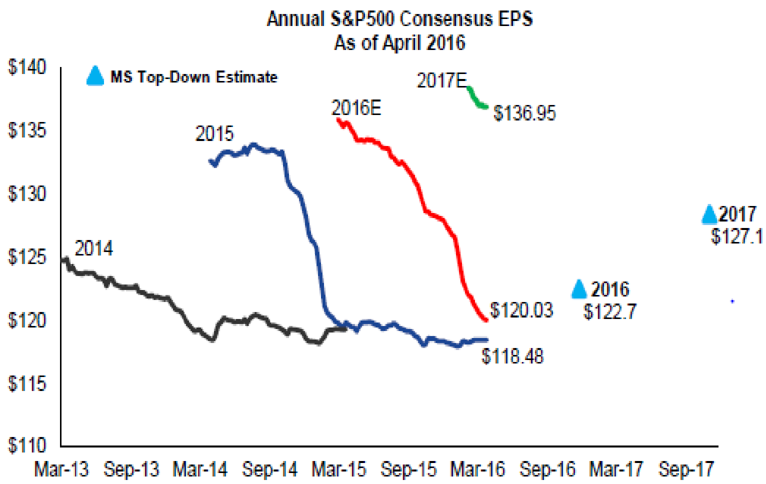
The chart below depicts the Purchasing Managers Index, a system used worldwide to determine if economic activity is expanding or contracting. Readings over 50 show expansion, while readings under 50 are contraction.

In March, most global readings indicated expanding activity at an accelerating pace.

Selected PMI Indexes



Earnings Estimates Have Declined for 2016



Source: Morgan Stanley

S&P Earnings estimates had a reset last year, as a higher dollar and weaker oil related capital spending probably cost US companies a years' worth of earnings growth. Note how S&P EPS started declining in early 2015 right after dollar strength and weaker oil capex hurt the outlook.

The dollar is actually below where it peaked one year ago, and much of the decline in oil capex is probably in estimates currently.

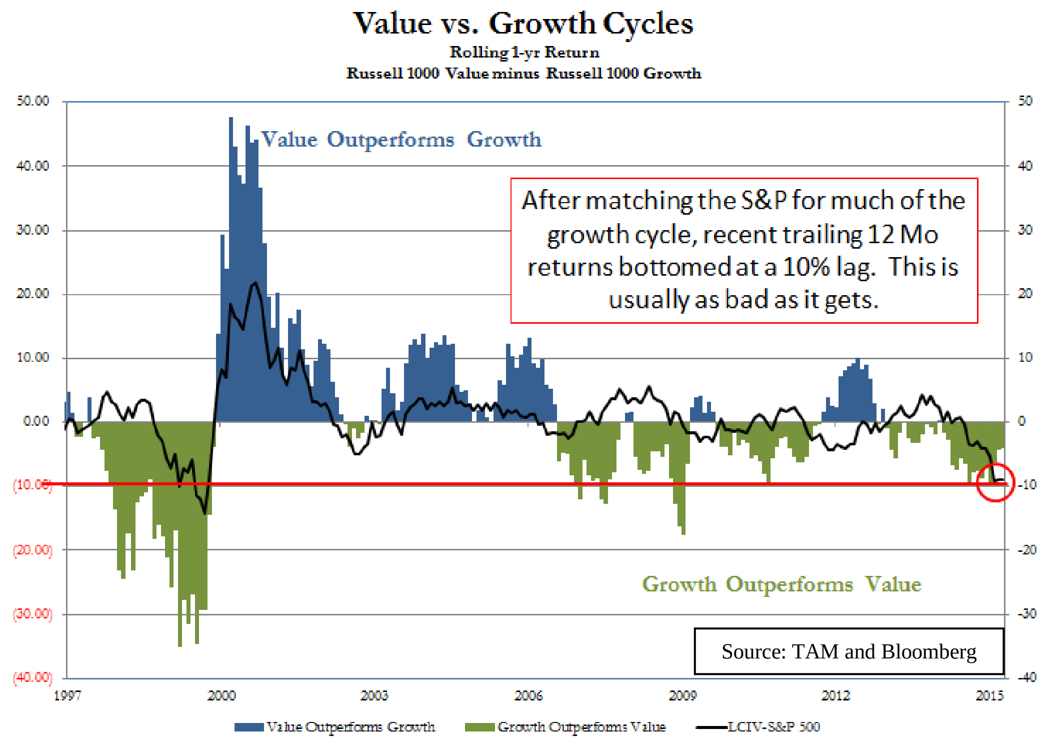
Our sense is that the declines in EPS estimates are mostly finished. Company guidance with first quarter earnings reports should let us know if that is correct.

Performance Review

The LCIV discipline underperformed both benchmarks during the first quarter, declining roughly -2.8% (gross) compared with the S&P index return of 1.3% and Russell 1000 Value index return of 1.6%. Over the trailing one year period, the returns were a loss of approximately -7.2% (gross) for the accounts, compared with the S&P return of 1.8%, and the Russell 1000 Value loss of approximately -1.5%.

We have seen this type of underperformance in the past, and believe performance is likely to recovery. Growth disciplines have been in favor for some time, as central bank intervention prompted investors to seek growth at the expense of other factors. The "Fed Put" (i.e., the idea that the Fed would do anything to prevent market weakness or volatility) has been in place. The bad news about this is our performance has lagged as value disciplines have been out of favor. The good news is that we usually rebound from this type of extreme level and go on to outperform for some time after that. What could prompt this? Well, the Fed has raised rates, and labor markets have tightened enough to see them continue raising rates after they get past this holding period. The economy continues to expand at a slow rate, and some wage pressures are likely to build up. Our sense is that our value oriented disciplines should do better because the "Fed Put" is being cancelled, which would encourage investors to look for cheap stocks again.

Todd Asset Management LLC



As the Fed normalizes monetary conditions, it is probable that investors start believing the US economic expansion is sustainable and they are likely to reward our strategy. The discipline is unchanged and continues to purchase attractively valued stocks that have solid fundamentals and good looking charts. Our discipline has been in place since 1986, and will have ebbs and flows. In our view, patience should be rewarded and the LCIV should regain traction, generating good performance as it has in past cycles. Investing is a cyclical business, and this cycle has probably run its' course against us.

Last year, a narrow group of growth stock winners dominated performance and investors did not want any stocks with a value orientation. **Our performance was behind the S&P index, but in line with both the Russell 1000 Value and Equal Weighted S&P 500 indexes.** That narrow market morphed into a panic in January, as investors worried lower global growth would cause a recession in the US. **"Shoot first, ask questions later" was the operative rule for investors.** During January, we lagged as our worst 10 performers suffered price reductions of 22% on earnings reductions of approximately 4%. Our portfolio did play some catch up during February and March, but not enough to overtake the indexes.

Last year, the dollar strengthened and oil weakened. Both of these factors contributed to investors being uncertain about how earnings would hold up and sentiment got nicked for companies that could be impacted by either development. Most of those companies were economically sensitive stocks, like the ones our discipline is pointing us to now. We have anniversaried the negative currency conversion impact of the strong dollar, and oil looks like it is bottoming. In any event, many of the cuts in capital spending for oil are already recognized by the market. Those significant earnings headwinds will lessen through the course of this year.

The market favored Utilities, Telecommunications and Consumer staples stocks during the first quarter as they did not see earnings estimates marked down. We have been underweight those groups because they are expensive based on our Intrinsic Value calculation. Our work has been leading us to overweight the Consumer Discretionary, Financial, Industrial and Health Care stocks.

Compared to the S&P 500, our specific stock selections in Consumer Discretionary, Financials and Energy stocks cost us the most performance in the quarter, while our selections in Health Care, and Staples helped us the most. The underweighting of Utilities and overweighting of Financials hurt performance while our overweight in Industrials helped it.

Compared to the Russell 1000 Value index, our specific stock selections in Consumer Discretionary, Financials and Energy stocks cost us the most performance in the quarter, while our selections in Staples and Utilities helped us the most. Our sector weightings in Financial (underweight) and Consumer Discretionary (overweight) helped the most while our underweights in Utilities and Telecommunications hurt our performance.

Our best five contributors to return were United Health, Illinois Tool Works, Public Service Enterprise Group, CBS and Stryker. United Health, a managed care organization, gave upbeat guidance based on expanded product offerings and good Medicare Advantage rates. Illinois Tool Works, a diversified industrial company, reaffirmed guidance in a sector where earnings were generally downgraded. Public Service Enterprise group is an electric utility, and benefitted from increasing their estimates of earnings for their merchant power group. CBS, a broadcaster, posted good results and gave positive guidance during an analyst day. Stryker, an orthopedic joint replacement company, gave excellent guidance as patients seem to be undergoing surgery more often now that insurance coverage is available.

Our five biggest detractors were Express Scripts, Marathon Petroleum, Lincoln National, Penske Automotive Group and McKesson. Express Scripts supplies pharmacy services to Anthem, who is asking for significant price concessions. Marathon Petroleum operates refineries and pipelines. They indicated higher investments into pipelines are required, lowering the distributions they would take. Lincoln National, an insurer and annuity company, weakened despite good earnings as investors worried market weakness would crimp sales of variable annuities. Penske Automotive noted higher incentives were required to generate car sales, creating earnings worries. We sold this position. McKesson, a drug distributor, indicated a weaker outlook on lower generic drug profitability and some lost contracts.

TODD
ASSET MANAGEMENT LLC

Review and Outlook

In our last letter, we said "We are in the midst of an old fashioned correction within a secular bull market." We believe this is still the case and a trading range remains in place until some uncertainties are resolved. Elections in the US, the fears of Britain, Greece or Denmark exiting the EU, concerns on Chinese growth and the effectiveness of Japanese efforts to revive a moribund economy are all concerns that could hold back markets. Against that backdrop, over the next couple of weeks the talking heads are going to begin the "Sell in May and Go Away" speeches.

Stocks have been climbing a wall of worry, and there are still many items to worry about. History suggests that US markets tend to meander in election years until there is some clarity about the outcome. Offsetting that uncertainty, there are economic recoveries continuing in the US, China and Europe. Selling probably won't lean too heavily on stocks while most stocks yield more than 10 year treasuries and the yield curve is positive and sentiment is nowhere near euphoric. Stocks can still have a positive year, but may not match the 11.5% annual returns we have seen over the past 5 years. Stocks probably still outpace bonds, as any gains are better than a current yield of less than 2% for most government bonds.

As always, we are here to assist you. If you need any additional information, please feel free to contact any of us.

Curt Scott, CFA
Jack White, CFA
Jack Holden, CFA
Shaun Siers, CFA

Todd Asset Management LLC

4-19-2016
S&P 500 – 2,101
Russell 1000 Value – 1,000

Refer to Performance Disclosure on the following page for more information on the performance numbers presented. These notes are an integral part of this letter and should not be reproduced or duplicated without these notes.

TODD ASSET MANAGEMENT LLC
LARGE CAP INTRINSIC VALUE COMPOSITE DISCLOSURE

Past performance does not provide any guarantee of future performance, and one should not rely on the composite or any security's performance as an indication of future performance. Investment return and principal value of an investment will fluctuate so that the value of the account may be worth more or less than the original invested cost.

Specific stocks discussed in this presentation are included to help demonstrate the investment process or as a review of the Composite's quarterly results and are not and were not recommendations for purchase or sale by investors. All or some of the specific stocks mentioned may have been purchased or sold by accounts within the Composite during the period, or since the period, and may be purchased or sold in the future. A complete listing of the holdings as of the period end is available upon request.

Todd Asset Management LLC ("TAM") is a registered investment adviser. The performance presented represents a composite of tax-exempt fully discretionary intrinsic value accounts, invested primarily in large cap domestic equity securities with the objective to seek capital appreciation. This goal is pursued by investing in a diversified portfolio of equity securities that TAM believes are trading at a discount to their intrinsic value.

Todd Asset Management LLC, formerly Todd-Veredus Asset Management LLC began operations on June 1, 1998 as Veredus Asset Management LLC (VAM). Effective May 1, 2009, VAM combined with Todd Investment Advisors, Inc. (TIA). TIA (and its predecessors) was founded in 1967 by Bosworth M. Todd. Upon the combination of VAM and TIA in 2009, Veredus Asset Management LLC changed its name to Todd-Veredus Asset Management LLC (TVAM). On February 28, 2013, after a change in ownership involving some VAM unitholders, TVAM changed its name to Todd Asset Management LLC. The firm continues to offer the same strategies managed by individuals using the process founded under TIA.

The Large Cap Intrinsic Value Composite contains fully discretionary, tax-exempt accounts that use either the S&P 500 Index or Russell 1000 Value Index as the benchmark. Prior to April 1, 2010, this composite was known as the Relative Value Equity Composite; no changes in the strategy were made in conjunction with the name change. All fee-paying, fully discretionary portfolios under our management are included in a composite. Accounts are eligible for inclusion in the composite at the beginning of the first calendar quarter after the month of initial funding and upon being fully invested.

TAM claims compliance with the Global Investment Performance Standards (GIPS®). The Firm has been verified for the period January 1, 2008 through December 31, 2015 by Ashland Partners & Company LLP and for the period July 1, 1989 through December 31, 2007 by a previous verifier. TIA's compliance with the GIPS® standards has been verified for the period January 1, 1993 through April 30, 2009 by Ashland Partners & Company LLP. In addition, a performance examination was conducted on the Large Cap Intrinsic Value Composite for the period January 1, 2011 through December 31, 2015. To receive a complete list and description of TAM composites and/or a full disclosure presentation which complies with the GIPS® standards, please contact TAM at 1-888-544-8633, or write Todd Asset Management LLC, 101 South Fifth Street, Suite 3100, Louisville, Kentucky 40202, or contact us through our Web site at www.toddasset.com

The performance information is presented on a trade date basis, both gross and net of management fees, net of transaction costs and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of .60% applied monthly. Prior to September 2001, the management fee schedule applied to the composite was .50%. Actual investment advisory fees incurred by clients may vary. The currency used to calculate and express performance is U.S. dollars. All cash reserves and equivalents have been included in the performance.

The composite performance has been compared to the following benchmarks. The index(es) are unmanaged, and not available for direct investment; they include reinvestment of dividends; they do not reflect management fees or transaction costs.

S&P 500 Index is a widely recognized index of market activity based on the aggregate performance of a selected portfolio of publicly traded common stocks. The performance data was supplied by Standard & Poor's. It is included to indicate the effect of general market conditions.

Russell 1000 Value Index is a widely recognized index of market activity based on the aggregate performance of common stocks from the Russell 1000 Index, with lower price-to-book ratios and lower forecasted growth values. The performance data was supplied by Frank Russell Trust Company.