

A Little Like Watching Poker

Todd Global Intrinsic Value Equity Income Review

	3Q 2017	YTD	1 Year	3 Years *	5 Years *	Since Inception * (01/01/11)
Global Intrinsic Value Equity Income (Gross)	4.5%	13.5%	15.9%	6.1%	10.5%	10.7%
(Net)	4.4%	13.0%	15.2%	5.4%	9.8%	10.0%
MSCI ACWI	5.3%	17.8%	19.3%	8.0%	10.8%	8.8%

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

Ever watch poker on TV? Tune in and you'll see a few people around a table trying not to let others guess what they are thinking. Those that are best at estimating probabilities and guessing what others are thinking tend to win the games. Market action this year is a little like watching poker. News outlets and many strategists have been concerned about any number of things, but the market has sized them up like a poker player and decided the probability of them occurring is low. Poker is a game based on incomplete information and odds. Information is more incomplete recently than it had been in the past, given the political gaming we see. Still, the market is advancing steadily with low volatility, which indicates to us that investors are focused on earnings and growth rather than the political side of the equation. The press does not know how to deal with incomplete information (or probabilities) and has been focused a number of concerns including:

- North Korea unleashing a nuclear device (low probability in our opinion)
- Chinese debt downgrades leading to a financial crisis (low probability in our opinion)
- A hard Brexit (Brexit likely happens, but nobody wins in a hard one)
- Washington drama (Debt Ceiling/ACA/Tax Reform) and Presidential Tweets
- Thirteen percent of Germans voted for an extreme right wing nationalist party
- Hurricanes, natural disasters (unpredictable and transitory)

While those items may make for headlines, we believe the market is focused on more positive outcomes as worldwide economies are in a synchronized recovery.

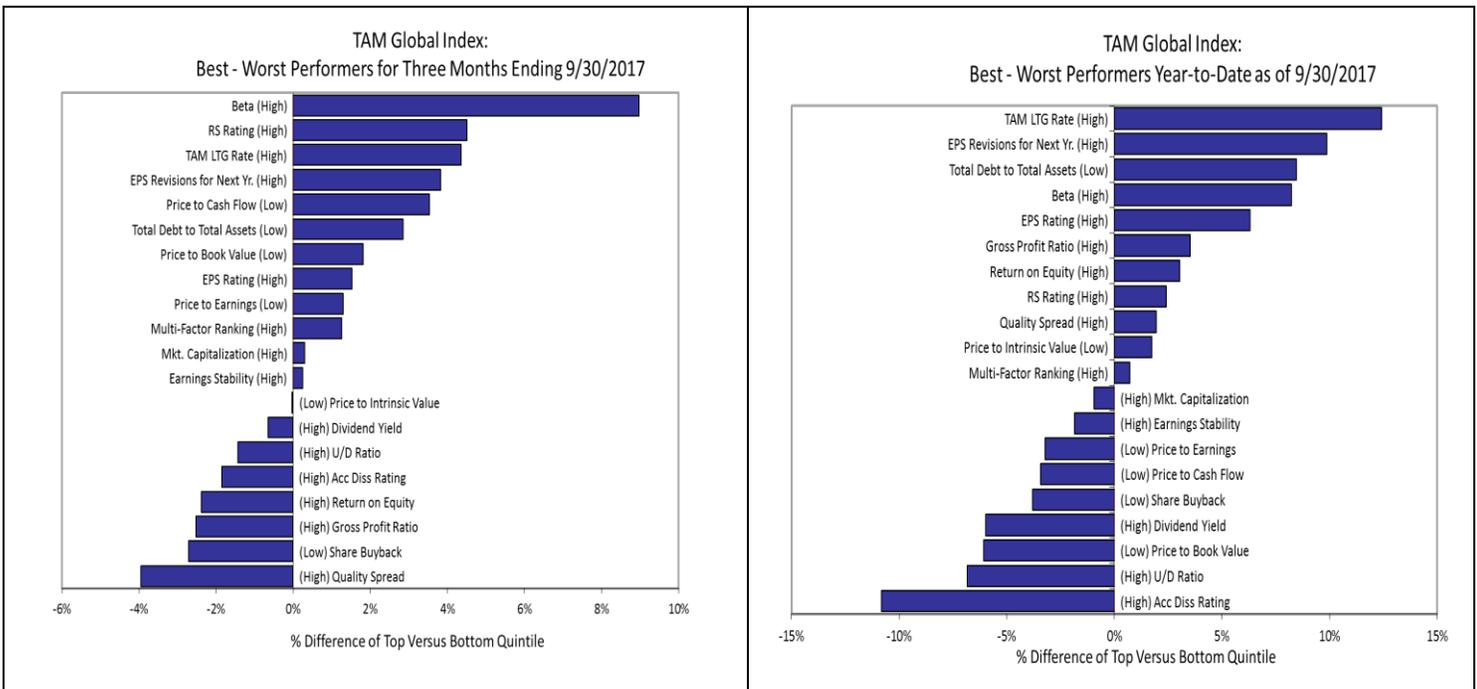
- The economic outlook is improving globally
- Earnings are recovering as the "Great Reset" is over (See "The Great Reset" on the TAM website) and pent up demand exists
- Central banks are tiptoeing away from quantitative easing and normalizing rates
- Inflation remains low, even as commodities look more constructive
- Potential for tax reform in the US, labor reform in Europe, and political reform in Latin America are adding to global confidence.

Odds favor equity markets continuing their advance. As the economic outlook remains firm, bond rates are rising. Investors are hard pressed to make low bond returns meet their long term



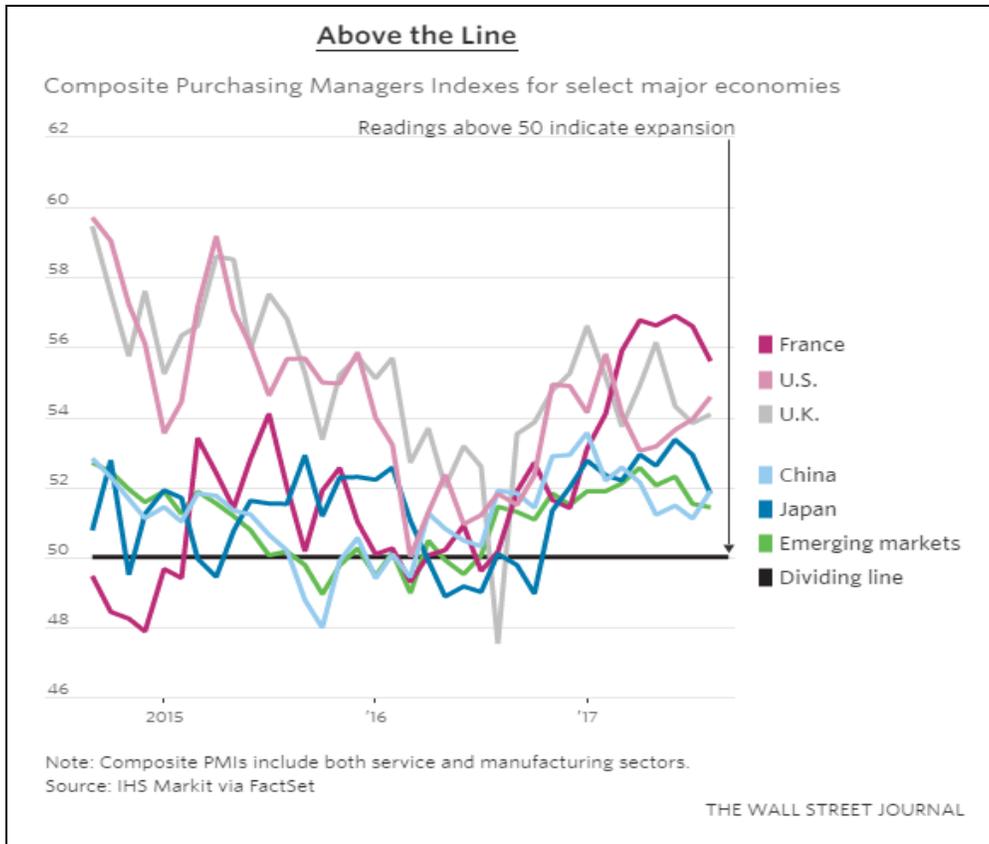
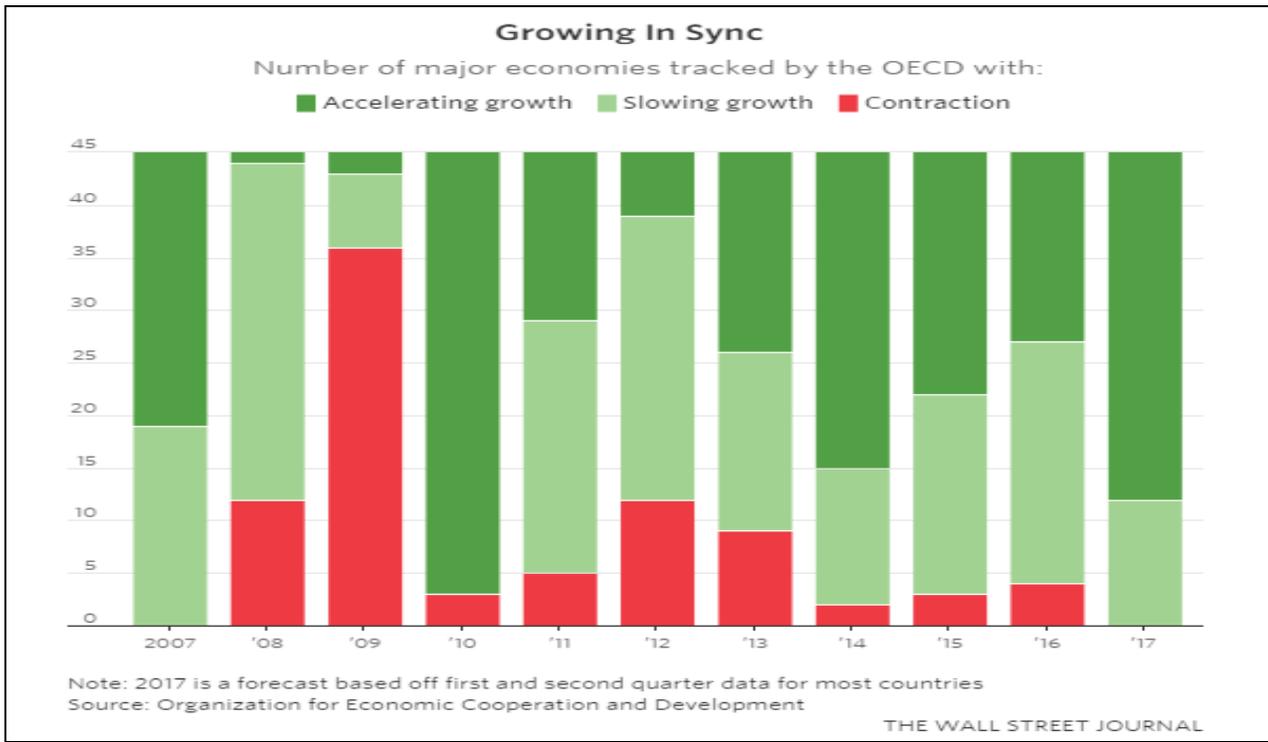
goals and they need to consider stocks. Investor sentiment remains poor, indicating to us that probabilities of being at a market top are low.

Our customary charts that illustrate the factors being rewarded within the marketplace during the third quarter of 2017 and the year-to-date periods are presented below. The number of factors being rewarded continues to expand off of the very low levels we saw in 2016. The quarter felt like a “risk on” period as the reflation trade from late last year returned. High dividend stocks underperformed in both the recent quarter as well as year-to-date. Beta was rewarded, along with fundamentals, longer term technical and many valuation measures. Quality, several financial strength and shorter term technical measures were out of favor in the quarter. For the year-to-date period, fundamental growth, quality and longer term technical measures were rewarded. Shorter term technical measures and some valuation metrics were under pressure thus far in 2017. These trends are similar to the US.

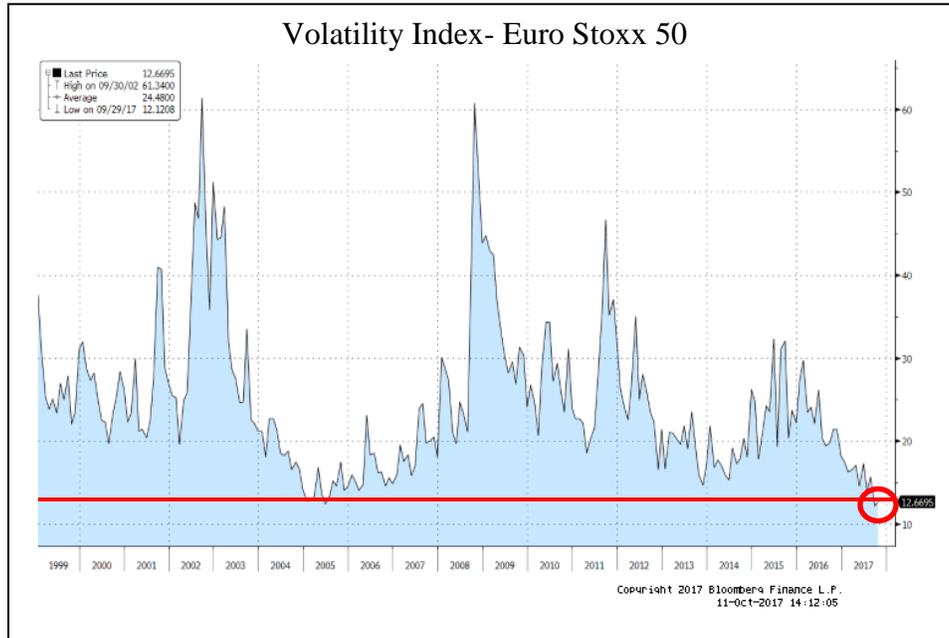


Source: Bloomberg, TAM

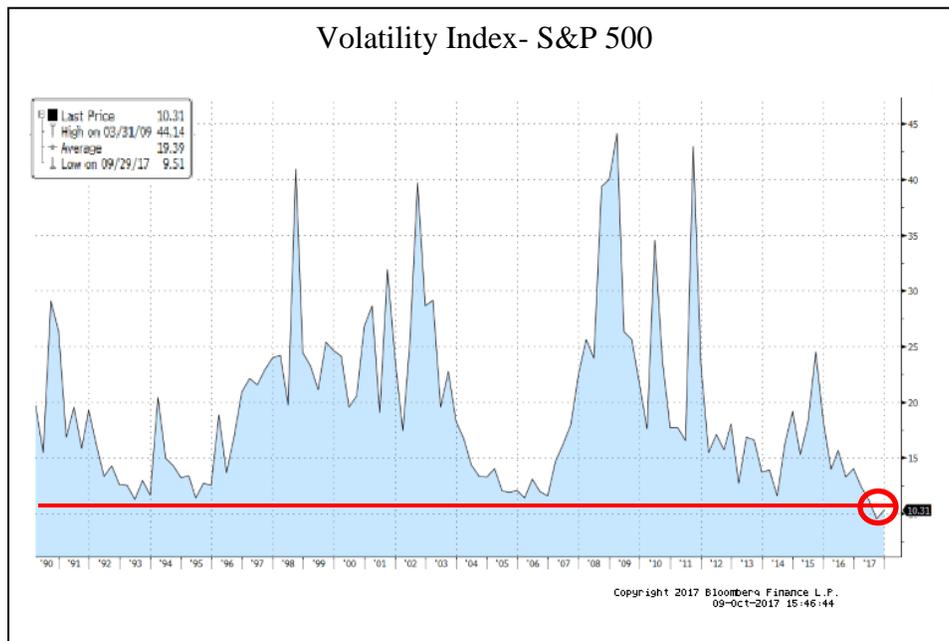
Interesting Charts We Saw This Quarter

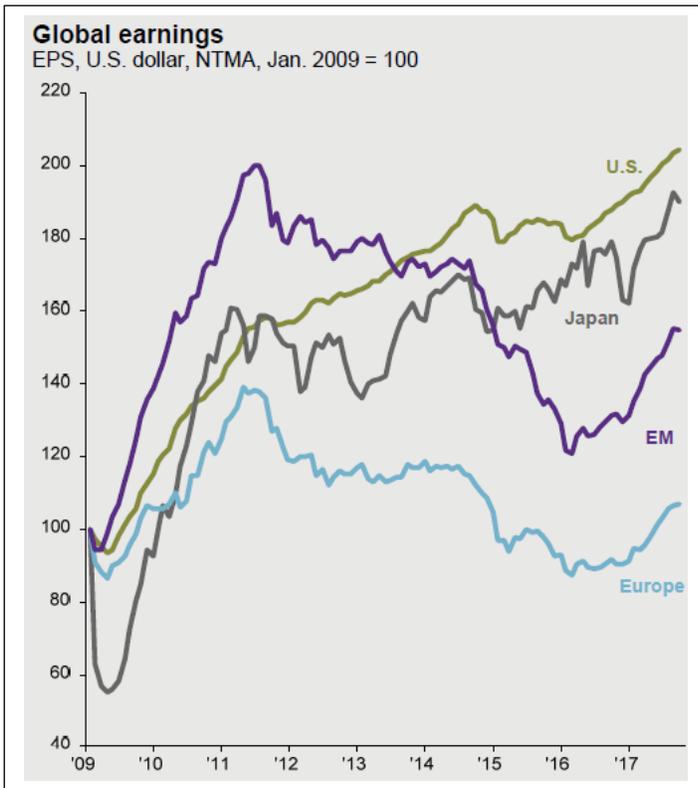
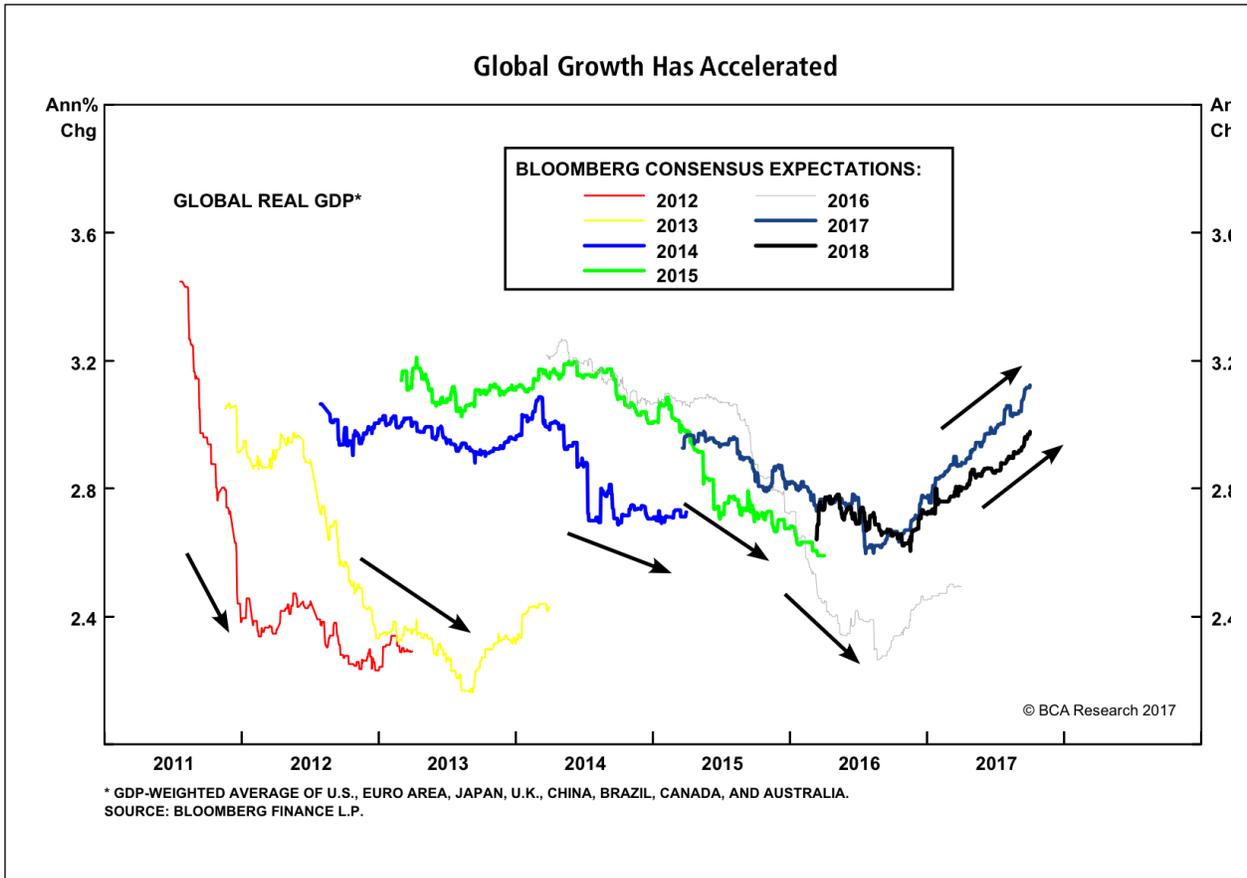


“For the first time in a decade, the world’s major economies are growing in sync, a result of lingering low-interest-rate stimulus from central banks and the gradual fading of crises that over years ricocheted from the US to Greece, Brazil and beyond.”- *WSJ August 23, 2017*

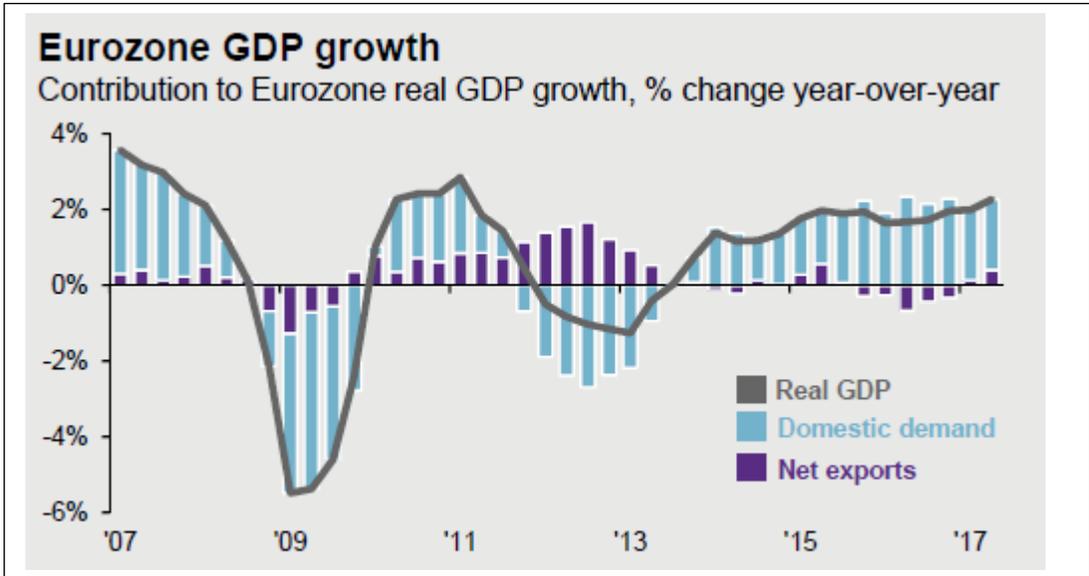


The Volatility Index, or VIX as it is known on Wall Street, is a measure of expected market volatility for an index over the next 30 days. We present Euro Stoxx 50 VIX in the chart above. The comparable measure for the S&P 500 VIX is presented below. Both measures recently set record lows, indicating investors worldwide are less worried than headlines would suggest. This measure can stay low for years at a time.

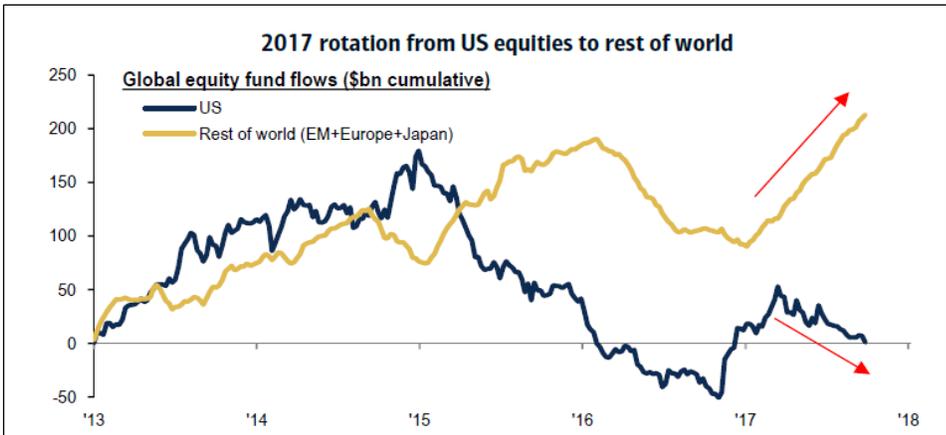




The chart above, from BCA Research, illustrates how consensus estimates of global real GDP growth have progressed for each year since 2012. Through 2015, the pattern was generally for analysts to cut estimates (sometimes dramatically) through most of the year. Something interesting happened in mid-2016, and estimates began being revised upwards for 2016, 2017 and 2018. Those GDP growth estimates are among the highest over the past 5 years, and are still being revised upwards. Global earnings estimates, shown in the chart to the left from JP Morgan, also hit an inflection point in mid-2016 and are improving for all regions.



The chart above, from J.P. Morgan, shows the sources of real GDP growth in the Eurozone. Domestic demand has accounted for most of the economic growth since 2014. Since 2015, the Euro has appreciated versus the Chinese Yuan. This suggests that imports will be higher.



Source: BofA Merrill Lynch Global Investment Strategy, EPFR Global

Fund flows are a good measure of sentiment. Fund flows to international markets are picking up compared to US flows which are declining.

Performance Review

The GIVEI strategy increased **+4.5%** (gross) during the quarter, underperforming the MSCI ACWI index return of **+5.3%**. The third quarter saw a risk-on trade as global economic data continues to improve causing our high quality, yield oriented strategy to lag. We continue to see a broadening out of investor preference for fundamental characteristics, which should benefit this discipline over time.

Stock selection drove our underperformance during the quarter. Our best performing sectors during the quarter were Financials, Health Care and Energy. Regionally, Europe ex-UK and Canada were our best performing areas. Our worst performing areas were Consumer Staples, Industrials, Technology, Consumer Discretionary and the US. Factor analysis shows that investors are rewarding a broader list of characteristics, particularly those related to earnings momentum. High quality and shareholder returns (yield and share buybacks) detracted from performance.

We are overweight the Financials, Consumer Staples, Materials and Energy sectors. We are underweight the Technology, Health Care, Industrials and Consumer Discretionary. Regionally, we are overweight the UK, Canada, and Europe. We are underweight Emerging Markets and Japan.

Our top five contributors to performance during the quarter were LyondellBasell, Sun Life Financial, Intel, Allianz and AbbVie. LyondellBasell posted record results during the quarter as favorable input pricing helped to boost margins in their largest business segment. Sun Life posted a solid quarter as their asset management division recovered and investment gains were better than expected. Intel released its newest generation processor and seems to be asserting itself in several emerging technology areas, like automated driving. Allianz is posting a solid recovery from last year as PIMCO, their asset management arm, is seeing inflows and their property and casualty business is much more profitable. AbbVie received a favorable patent ruling that improved the outlook for their largest drug, Humira.

Our worst five detractors from performance during the quarter were Altria, Coach, Eaton, British American Tobacco and GlaxoSmithKline. Altria and British American Tobacco shares both sold off as the FDA moved to cut level of nicotine in cigarettes. Coach posted disappointing results as promotional activity weighed on margins in their Coach branded products. This caused investors to pause and question the brands recovery story. Eaton shares sold off on pricing concerns after posting a poor second quarter that saw margins pressured again. GlaxoSmithKline shares were weak as the management team tries to refocus their drug pipeline and spending. Investors are also concerned about competition in their HIV business.



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

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Todd Asset Management LLC

10-18-2017
MSCI ACWI – 495

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.

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TODD ASSET MANAGEMENT LLC GLOBAL INTRINSIC VALUE EQUITY INCOME 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 intended as recommendations of said securities and carry no implications about past or future performance. 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 fully discretionary accounts invested in a diversified portfolio of attractively valued domestic and international equity securities with a goal to seek dividend income along with growth of that income and capital appreciation. The international securities are internationally domiciled, US traded equity securities.

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 Global Intrinsic Value Equity Income Composite contains fully discretionary, taxable, and tax-exempt accounts that use the MSCI ACWI (Gross) Index as the benchmark. The Composite does not include accounts with social restrictions. 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 independently verified for the periods January 1, 2008 through June 30, 2017. VAM was verified 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. The Global Intrinsic Value Equity Income Composite has been examined for the periods January 1, 2011 through June 30, 2017. A complete list and description of TAM composites and/or the verification and performance examination reports are available upon request by contacting 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 0.60% applied monthly. 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 benchmark. The index is unmanaged, and not available for direct investment; it includes reinvestment of dividends; it does not reflect management fees or transaction costs:

MSCI ACWI (Gross) Index is a float-adjusted market capitalization index that is designed to measure the equity market performance of developed and emerging markets.