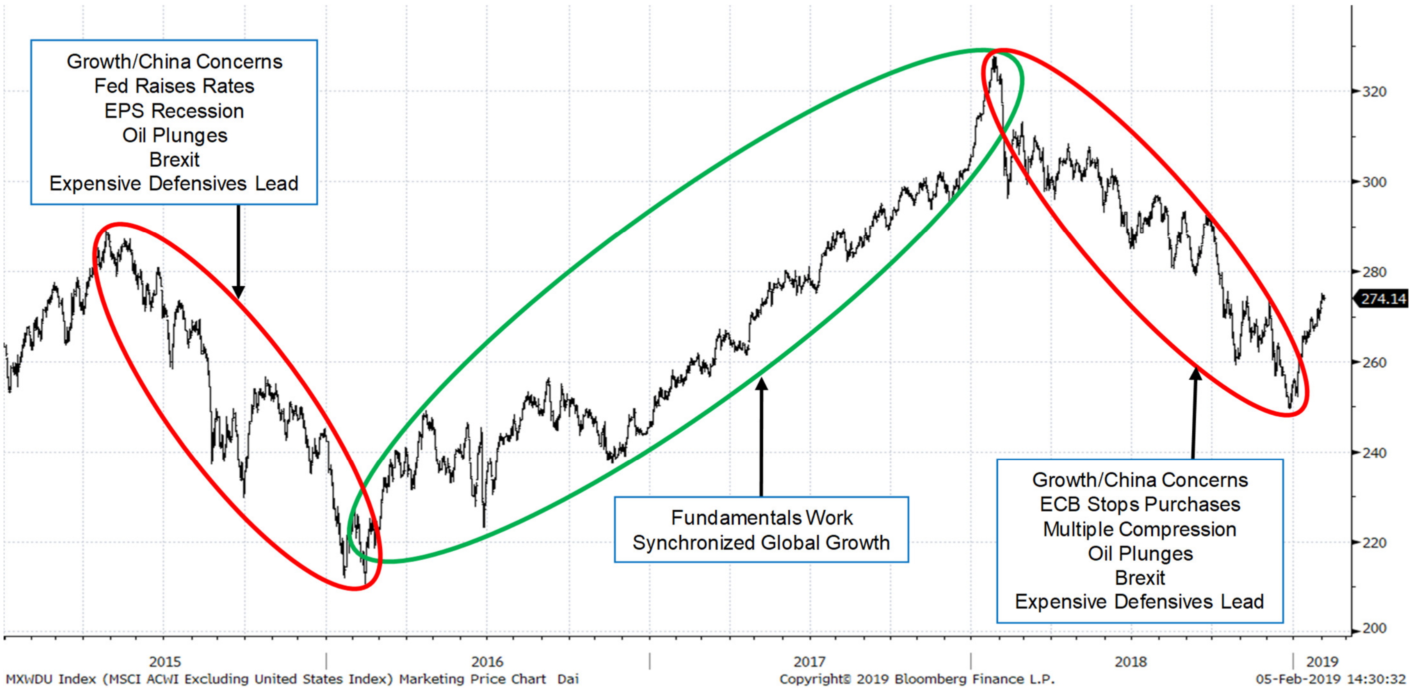
Todd Asset Management LLC

Todd's Chart of Interest

February 7, 2019

Echoes of 2016

MSCI ACWI ex-US Index
12/31/2014 – 2/4/2019



Source: MSCI and Todd Asset Management

- Recent market volatility has felt like an "echo" of 2015-16 with many of the same concerns causing heightened fears of a deep recession.

- Slowing global growth, monetary tightening, commodity weakness and uncertainty over Brexit led to a fear trade that saw Defensive leadership in both periods. This leadership change occurred despite the fact that defensive sectors were expensive, both relative to history and vs. Cyclical sectors.

- Like 2016, we think coming resolutions to many of these concerns should set up 2019 to be better than investors initially feared as trade deals likely get struck, monetary policy becomes unrestrictive, fiscal policy initiatives kick in, a Brexit outcome unfolds and US Dollar tailwinds abate.

- Our fundamentally oriented discipline continues to highlight more Cyclical and economically sensitive parts of the market, which are more attractively valued with better earnings growth profiles than their Defensive counterparts. These areas led after the 2016 trough as fears subsided and growth recovered. We think we are set up for a similar "echo" recovery over the coming quarters.

The index used in the chart is unmanaged, and not available for direct investment; they include reinvestment of dividends; they do not reflect management fees or transaction costs: **MSCI ACWI ex-U.S. Index** is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. The ACWI ex-U.S. includes both developed and emerging markets. For investors who benchmark their U.S. and international stocks separately, this index provides a way to monitor international exposure apart from U.S. investments.

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