

**Small Cap Growth Composite
 4th Quarter 2011 Results**

	TVAM Small Cap Growth (net) ¹	Russell 2000 Growth ²	Russell 2000 ²	S&P 500 ²
4Q11	9.56%	14.99%	15.48%	11.81%
YTD 2011	-13.81%	-2.92%	-4.17%	2.11%
1 Year	-13.81%	-2.92%	-4.17%	2.11%
3 Year	15.45%	19.00%	15.63%	14.11%
5 Year	-0.75%	2.08%	0.15%	-0.25%
7 Year	-0.39%	3.92%	3.20%	2.63%
10 Year	-0.38%	4.48%	5.62%	2.91%
Since Inception (06/89)	11.26%	6.44%	8.39%	8.62%

In 2011, we saw the third year out of the past 4 where we experienced a spike in correlations above the 80% level (see chart below). This is unprecedented. Prior to the great recession of 2007-2009, we had only seen this once since 1974, which was the crash of 1987. To put this in perspective, there were 44 days in which the market experienced a 90% up, or down day in volume. That was the most since 1946 when there were 46 occurrences. To our surprise, there were only 35 occurrences in 2008. There were only 29 in the entire decade of the 1990's, all according to Jason Goepfort of the sentimentrader.com. In such an environment, it is tough for us to even come close to adding any alpha. Prior to August, when our illustrious leaders in Washington decided to even further act like children and cause the Standard and Poor's to downgrade our debt, we had been holding our own and were lagging our benchmark by only 55 bps. When you throw in the games between all of the EU members, it was the perfect storm. The silver lining is, as the chart on the following page illustrates, these times offer great rewards looking out one to two years.

The correlation of stocks in the S&P 500 to the index itself, is at a level only seen after the 1987 crash.

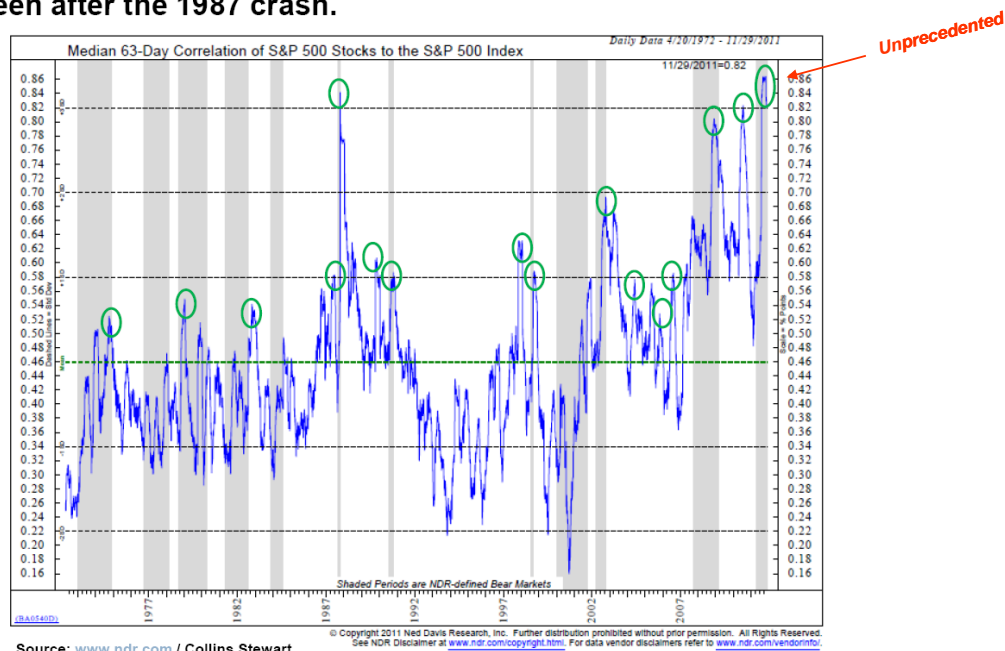


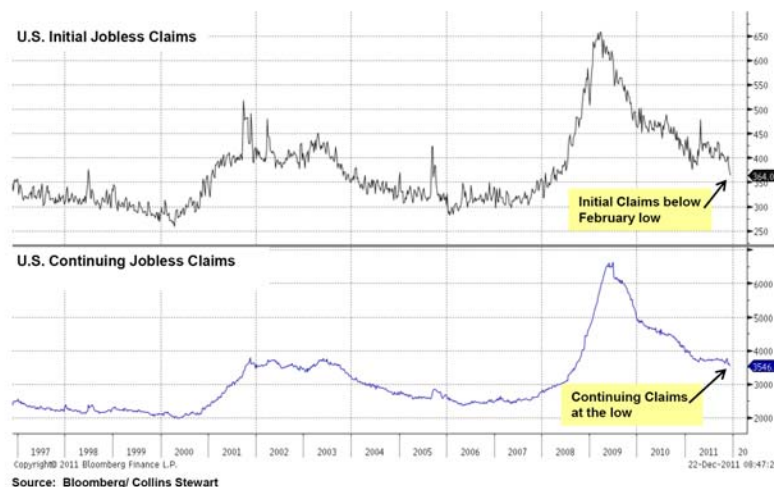
Exhibit 1 – Spikes in Daily Volatility to Current Degree Have Long-term Implications



That all changed as the instantaneous risk on risk off mindset took hold. When one is in a deflationary environment and Zero coupon bonds are up 35% on the ten-year and 58% on the 30-year and utilities are the best performing sector at plus 20%, it is not going to be a good year for us. I think it is safe to say that 2011 will be looked back on as an outlier. Our mistake was we were still looking at the economic data and by almost every measure we felt the double dip scenario was off the table. In retrospect we were right, but that didn't matter. The question that we get is, what if correlations remain this high? Let us lay out the potential scenarios that can alleviate this pressure and allow stock pickers like us to excel once again.

First, the U.S. labor market is now breaking out to the upside. The chart below depicts jobless claims breaking down and U.S. non-farm payrolls blowing out to the upside. Keep in mind; this is all happening as for the fourth year in a row housing starts are still hovering at the 500,000 mark, well below the 50 year average of 1.5 million. Every 250,000 starts represent 1 million construction jobs. That is potentially north of 300,000 jobs per month alone if we were to get back to the average. Now, that's not going to happen, but it tells you that this recovery is not as bad as the media leads one to believe with no bounce in housing. In fact, the most recent job numbers revealed that we added more construction jobs in a month than we have since late 2006. We are now down to 7 months of existing inventory. That number will certainly go up by March but the key will be the absorption rate this spring, which could provide an unexpected boost to the economy that would not go unnoticed by the market.

Both Initial Jobless Claims and Continuing Claims are well off the 2009 peak and dropping fast



Secondly, the U.S. is in the midst of possibly the most seminal election in our country's history. The electorate is now keenly focused on our debt and entitlement problems after we have witnessed what has happened in Europe. The market will begin to sniff out if a political change is coming that will offer a credible long term plan to deal with our structural problems. This is not without precedent. Our country was in a similar situation as we exited WWII when our debt to GDP ratio stood at 100%, as it will here within a couple of years. The FED, then as now, kept interest rates low for over seven years as we grew our way out of the problem. Our current problems can be fixed, but they must be addressed starting next year.

Thirdly, the Supreme Court is agreeing to hear arguments as to whether the healthcare mandate is constitutional or not. A final ruling is expected by June and could be the catalyst both politically and economically. If that were to occur, that would almost assure a change in the White House and the market would surely discount that going into November.

Europe will certainly still be in the spotlight as Italy has a major round of refinancing in February. It is our feeling that the three year LTRO (long term refinancing operations) that the ECB instituted in December, which is very similar to the FED's TARP operation, is the beginning stages of quantitative easing (QE) in Europe as the ECB balance sheet has already swelled to \$2.7 trillion Euros. This will have a very positive effect on the confidence in European bond markets and should start to lessen the correlations between asset classes and ultimately within stocks.

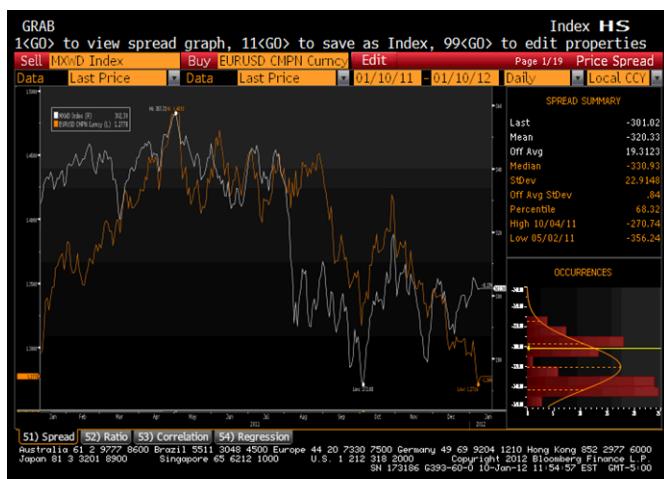
Another positive which has enormous implications is the tight oil (shale) phenomenon that is going on domestically in several regions of the country, but is most predominant in the Bakken region of North Dakota and eastern Montana. North Dakota has now become a larger producer of oil than Ecuador, a member of OPEC. For the first time since 1949, the U.S. became a net exporter of oil. Horizontal drilling and shale oil fracking technology has enabled these gains. We have several investments in these areas. Mobile computing and communications are exploding, which is driving tremendous productivity gains not only in North America but around the world. Thus, there are a lot of positives that the negative prone media and the bears on Wall Street fail to address or in most cases just don't want to address.

As for the portfolio, in keeping with past dramatic moves off the bottom, we trailed in the fourth quarter as November saw a resumption of the downtrend after the big move in October only to be followed by a flattish December both by us and the market. Our biggest loser in the quarter was Rovi, the fully integrated digital entertainment company. Rovi lowered guidance in November due to the fall off in some legacy business from the Sonic Solutions business, which as you may recall was one of our biggest holdings and winners from 2010. We had cut this position back in September just to reduce our risk. The stock was down 43% in the fourth quarter and cost us 73 bps. We still hold this position because we believe the core digital business is still growing in the high teens, while generating 35% EBITDA margins. This is an \$800 million revenue company that has over \$1 billion in advertising potential as they control the IP on every TV guide in America and the digital cloud is just now rolling out among numerous players. This opportunity also carries 90% margins on every incremental dollar that comes in and all at 10 times earnings. Rovi also earned the distinction of being our worst name of the year as well.

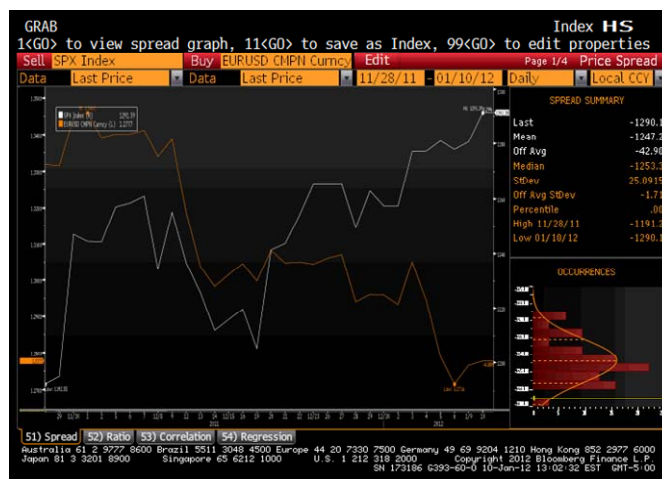
Our best name for the quarter was also our second largest position, Akorn, a generic pharmaceuticals company that has continued to put up solid quarters and enjoy a deep pipeline of drugs coming to market.

Whatever sectors worked in 2009 and 2010 were relegated to the basement for 2011. The theme was defensive in nature as everyone feared the potential for a double dip recession that didn't come. Nevertheless, we did an extremely poor job in our technology investing. We were more positioned for economic expansion with more semiconductors, as opposed to being defensive as anything software related was modestly up for the year. This area was down 40.5% for the year, costing us just over 1000 bps. Our healthcare position was exactly the opposite as it was up 34% and added 365 bps. The industrial position was down 11% detracting 355 bps, as anything economically sensitive was thrown out. Our consumer staples position, which consisted of Elizabeth Arden and Hain Celestial was up 41% and added 92 bps. Financials were down 15% costing 127 bps. This area is a mixed bag of a lot of things, but the chief culprit to the downside was our exposure to various hotel REITS. One bright spot was Post Properties, a multi family apartment operator, which is enjoying one of its best years ever. Finally, energy and materials both were up on the year 2% and 10% respectively. The energy segment was driven by our exposure to the oil fracking phenomenon with names like Basic Energy and Key Energy, while the materials segment was driven by names such as Zagg, the maker of protective materials for smart phones and Kronos, a maker of titanium oxide that was in short supply last year.

While 2011 was a disappointing year, it has not tempered our enthusiasm for 2012 and beyond, as we outlined several of the positives earlier in this letter. We feel we are positioned in several fast growing areas and the overall portfolio is trading at 16 times next year's earnings which are forecasted to grow by over 25%. This compares to 20 times for the index and earnings growth at a much slower pace. The \$64,000 question is whether we are going to get back to some sense of normalcy and what that does to correlations. Two charts we want to leave you with are a longer term and shorter term view of the S&P 500 and the Eurodollar. For the past three years there has been a strong inverse relationship with the market and the dollar. In other words, as the dollar goes up, the market and the Euro go down and vice versa. As you can see, this relationship started to change at Thanksgiving and we are hopeful that this is the start of a trend. If so, our thesis has a good chance of working.



Source: Bloomberg



Source: Bloomberg

The following charts detail our sector exposure and top holdings as of December 31, 2011:

Sector	Pct.
Consumer Discretionary	23.45
Information Technology	21.99
Health Care	15.20
Industrials	11.96
Energy	8.64

Source: APX

Securities	Pct.
Elizabeth Arden Inc	3.14
Akorn Inc	3.00
Post Properties Inc	2.57
Dycom Industries Inc	2.55
Cepheid	2.23

One final note regarding the growth investment team here at TVAM; we are proud to announce that John Prys and Katherine Kuntz, formerly analysts, were named members of the portfolio management team as of January 1st. Charlie, Mike, John and Katherine will be responsible for specific sectors and work individually with Tony Weber, the Chief Investment Officer, in building the portfolio within those sectors. It simply flattens our structure while giving them more responsibility. We look forward to a very prosperous 2012.

If anyone has any questions please feel free to call.

B. Anthony Weber

Charles F. Mercer, Jr., CFA

Michael E. Johnson, CFA

Refer to the 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.

This publication contains the current opinions of the author but not necessarily those of Todd-Veredus Asset Management, LLC. Such opinions are subject to change without notice. This publication has been distributed for informational purposes only and should not be considered as investment advice or a recommendation of any particular security, strategy, or investment product. Information contained herein has been obtained from sources believed to be reliable but not guaranteed. No part of this publication may be reproduced in any form, or referred to in any other publication, without express written permission of Todd-Veredus Asset Management LLC. © 2012.

¹ Past performance does not provide any guarantee of future performance, and one should not rely on the composite 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. In 1999, the performance of the composite was in large part attributable to the investment in technology holdings. Investors should realize that favorable conditions for technology stocks may not be repeated in the future.

Specific stocks discussed above are included solely as part of 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. Investors should not construe the Composite's performance or any security as predictive of future results. A complete listing of the holdings as of the period end is available upon request.

Todd-Veredus Asset Management LLC ("TVAM" or "the Company") is a registered investment adviser. The performance presented represents a composite of corporate retirement accounts, foundations, municipalities, IRA's, and mutual funds, invested primarily in small cap domestic equity securities with the objective to seek capital appreciation. This goal is pursued by investing in a diversified portfolio of equity securities, including relatively new or unseasoned securities, that TVAM believes are likely to achieve growth in earnings. This growth is typically generated by increasing unit volume and expanding margins derived from developing new products, services and markets. This investment strategy is more aggressive and could result in higher volatility than other investment strategies.

Beginning operations June 1, 1998, Veredus Asset Management, LLC ("VAM"), had several corporate retirement accounts assigned to it from SMC Capital, Inc. ("SMC"). Prior to the formation of VAM, the principals of the company were primarily responsible for the management of the corporate accounts, as well as a mutual fund for SMC and related entities from July 1, 1989 to May 29, 1998. Mr. Weber, who is the President and Chief Investment Officer of VAM, served as the President and Senior Portfolio Manager of SMC. Prior to the formation of SMC, Mr. Weber managed three common trust funds for Shelby County Trust Bank. The investment objectives, policies and strategies for SMC are substantially similar to those of VAM. SMC has provided written authorization allowing VAM use of the performance history for this report. On May 1, 2009, VAM combined with Todd Investment Advisors, Inc. ("Todd") through a series of transactions in which Veredus acquired substantially all of the assets and identified liabilities of Todd in exchange for 45% of the equity units of VAM. VAM then changed its name to Todd-Veredus Asset Management, LLC. TVAM will continue to offer the same products that each individual firm offered prior to the combination, managed by the same individuals and process.

As of December 31, 2011, TVAM provided investment management services for accounts totaling approximately \$3.2 billion in assets. The total assets in the composite as of this same date are \$136.1 million.

This composite represents all eligible accounts managed using the strategy described above. The composite excludes accounts that are sector specific accounts, focused on stocks with larger capitalization accounts, managed to minimize income taxes, and hedge funds. Accounts are eligible for inclusion in the composite at the beginning of the first calendar quarter after the month of initial funding. Closed accounts are included in the composite through the completion of the last full month under management, and the historical information on the account remains part of the composite. Prior to April 1, 2009, this composite was known as Core Growth Equity Composite, no changes in the strategy were made in conjunction with the name change.

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

The performance information is presented on a trade date basis, net of management fees and transaction costs. The currency used to calculate and express performance is U.S. dollars. Performance is computed on a total rate of return with the reinvestment of all income. All cash reserves and equivalents have been included in the performance. From July 1, 1989 through December 31, 1991, the composite used a quarterly, linked, time-weighted rate of return calculation method. Beginning January 1, 1992, the computation method was changed to a monthly, linked, time-weighted rate of return calculation. The time-weighted rate of return method measures the change in market value and income earned during the month or quarter by equating the beginning market value and all cash flows to the ending market value.

² The composite performance has been compared to the following benchmarks (all shown with dividends reinvested):

Russell 2000 growth index is a widely recognized index of market activity based on the aggregate performance of common stocks from the Russell 2000 Index, with higher price-to-book ratios and higher forecasted growth values. The performance data was supplied by Frank Russell Trust Company.

Russell 2000 index is a widely recognized index of market activity based on the aggregate performance of small to mid sized publicly traded common stocks. The performance data includes reinvested dividends and was supplied by Frank Russell Trust Company.

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