July 18, 2023
Intrinsic Value Team
Todd Asset Management

Todd Q2 2023 Intrinsic Value Opportunity Review

	2Q 2023	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	5.30%	7.75%	20.48%	20.29%	10.77%	11.21%	9.60%
IV Opportunity (Net)	5.09%	7.31%	19.50%	19.30%	9.85%	10.29%	8.70%
S&P 500	8.74%	16.89%	19.59%	14.60%	12.30%	13.38%	12.86%
Russell 1000 Value	4.07%	5.12%	11.55%	14.30%	8.10%	8.94%	9.22%

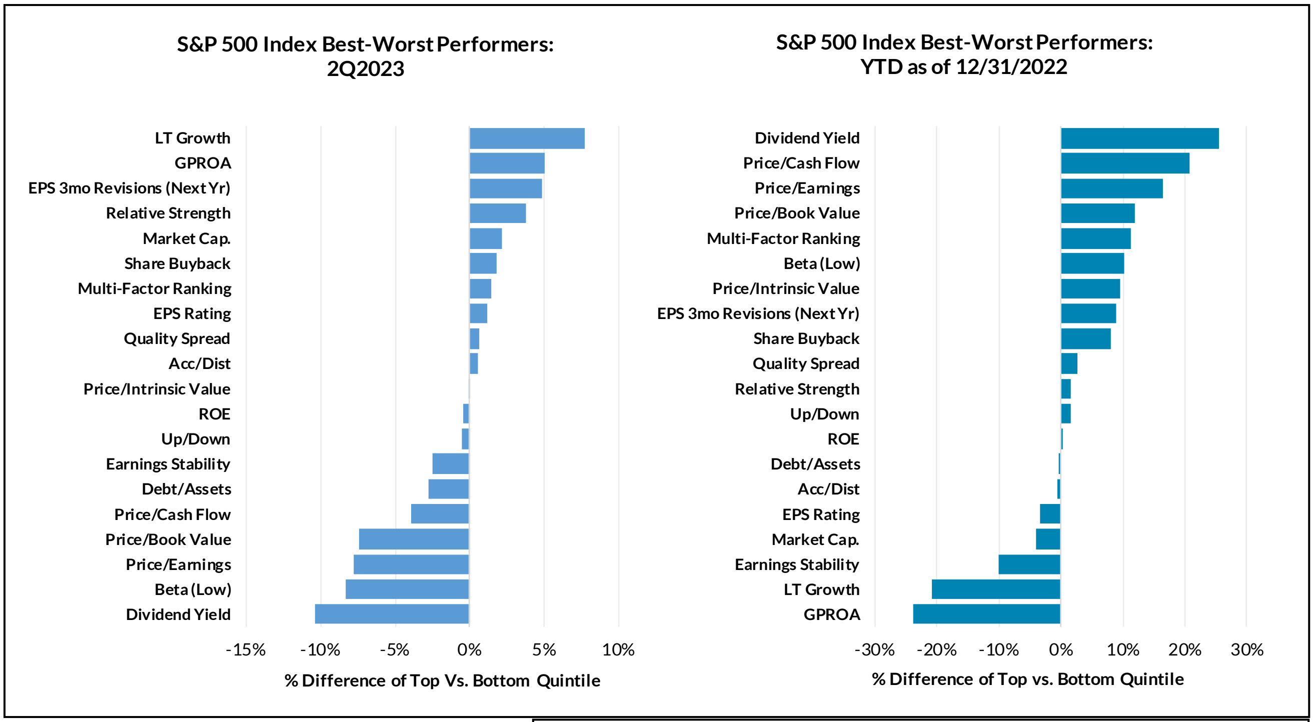
** Annualized Total Returns. Please refer to the attached Performance Disclosure for further information*

Performance Review

Looking back at the first half, March and April saw a tremendous amount of pessimism get priced in as banking sector stress pulled recessionary fears forward. Sentiment is actually coming off some of the most historically negative levels looking at the AAII survey. Bears outnumber Bulls in the survey by more than 40% last October, having registered 2 of the 5 worst readings in the survey's 30+ year history. Expectations that the Fed would pause rate hikes and resilient labor market data eased these concerns in the back half of the 2nd quarter. That coincided with the strategy outperforming the Russell 1000 Value. Performance continues to lag the S&P 500 as Growth rebounded and index concentration in a handful of mega-cap Tech stocks returned to extreme levels we last saw in 2021. If June was any indication, the repricing of lower immediate recessionary risks should continue to benefit our strategy in the second half of the year.

The transmission mechanism for Fed policy looks like it is impaired again. In the period following the Great Financial Crisis (GFC), financial repression was a result of the inability for historically easy monetary policy to spur growth and inflation. The banking system was shelled during the crisis and as corporate and consumer balance sheets repaired, there was little appetite or capacity left to productively utilize nearly free money. The common metaphor used to describe this phenomenon was "pushing on a string". We seem to be experiencing the complete opposite dynamic today. Policy has been ratcheted tighter at a historic pace (e.g. Fed Funds increased over +500bps in a little over a year, Money Supply is shrinking year-over-year, yield curve is deeply inverted, etc.) yet aggregate measures of the economy remain resilient with very tight labor markets and better than expected growth. Once again the economy isn't cooperating with conventional wisdom but for very different reasons from the GFC. Housing is a major channel through which monetary policy is transmitted to the consumer, and unlike 2008-09 this sector is a source of strength in the economy. While mortgage rates have exploded above 7% currently, the vast majority of homeowners still hold mortgages with rates below 4-5% or own their home outright. This has dried up existing home supply and spurred new home construction, supporting employment in this traditionally cyclical industry. Consumers are also still sitting on several trillion dollars of excess savings that were passed out during the pandemic and money supply, while having declined over the past year, still remains about $2 trillion above trend as well. There have certainly been casualties that suffered from the Fed's tightening campaign (e.g. several west coast banks, commercial real estate, crypto exchanges, etc.), but analysts that estimated an imminent recession have been forced to push those projections out into next year and beyond in some cases. If policy was "pushing on a string" after the GFC, I suppose an appropriate metaphor to today would be like "pulling on a Kleenex" as there is considerably more in the box than you think. We will eventually run out of tissues, but there seems to be a surprising amount of capacity in the economy to withstand tighter policy.

Factor performance



Source: Bloomberg, William O'Neill + Co. and Todd Asset Management

Value metrics ranked toward the bottom of the list for the second consecutive quarter. Growth, large cap and other earnings-related measures continued to outperform. This is a complete reversal from what we saw in 2022 where Valuation metrics led and Growth dramatically lagged. We started to see some rotation in the month of June as economic anxieties eased. Our Price-to-Intrinsic Value measure was largely neutral in the quarter though the other profitability, momentum and financial strength measure relevant to the strategy did perform well.

Outperformance relative to the Russell 1000 Value in the quarter was driven completely by stock selection, most notably in Health Care, Technology and Financials. Within Healthcare, two hospitals and a drug distributer were responsible for most of the performance. Our Technology sector benefited from several hardware names that ran with the broader sector on optimism around AI demand. Our two Financials holdings were consumer finance servicers whose shares rose as employment data remained strong. On the downside Energy, Industrials and Communication Services were our worst performing sectors. Prices of crude oil hovered around

$70 and natural gas prices failed to move materially higher in the quarter. This weighed on our Energy names, a sector where we were most overweight vs. the index. Within Industrials, a staffing company in the strategy saw weakness as temporary worker employment continues to decline.

The top five contributors towards performance during the quarter were Universal Health Services, KLA Corp, NetApp., McKesson, and Synchrony Financial. Universal Health Services ascended after reporting first quarter results that sharply beat on the top and bottom lines as pent-up demand following Covid-19 led to a sharp rise in admissions. KLA Corp. shares also benefited from revenue and earnings beats and rose after management gave an outlook for its fiscal fourth quarter that was sharply ahead of the street's outlook. Positive sentiment surrounding AI also bolstered KLA Corp. and other AI related names in the quarter. NetApp shares were aided by a strong earnings report that featured beats on the top and bottom lines and which highlighted strong cost controls that allowed for a sharp earnings beat despite a challenging demand backdrop. McKesson slightly beat on revenue and earnings but gave long term guidance for each of its business lines that was sharply above analysts' forecasts, which sent shares higher. Synchrony Financial shares were aided by steady credit metrics and higher loan growth than anticipated.

Our five worst detractors from performance were Valero Energy, APA Corp., Gilead Sciences, Qualcomm, and Robert Half. Valero underperformed as refining margins moderated and as investors showed concern over demand. APA shares saw price weakness after natural gas prices were lower in the quarter, prompting the company to lower its 2023 production guidance. Gilead Sciences shares slid after reporting earnings that missed analysts' outlooks, largely on weaker product sales and higher R&D spending. However, on a positive note, its forward guidance was unchanged. Qualcomm shares underperformed as Apple inventory levels rose amid weaker than anticipated iPhone demand which prompted management to guide for a weaker Q3 than analysts were anticipating. Robert Half reported revenue and earnings that came in below consensus and cited that clients are pulling back on hiring activity and taking longer with hiring decisions.

We are always available via email or phone and welcome your calls. If you have any questions, please feel free to contact any of us for further information.

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

07/18/2023
S&P 500 – 4,555
Russell 1000 Value – 1,578

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
INTRINSIC VALUE OPPORTUNITY 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. There is no guarantee that this investment strategy will work under all market conditions.

Specific stocks discussed are included to help demonstrate the investment process or, as a review of the Composite's 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. The compilation of information contained herein may reflect the views and opinions of TAM financial professionals at the time of creation which may change at any time without prior notification. There is no guarantee that any forward-looking opinions will occur.

Todd Asset Management LLC ("TAM") is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. The performance presented represents a composite of fully discretionary accounts invested in equity securities within the S&P 500 Index with the objective to seek capital appreciation. This goal is pursued by investing in a portfolio of securities that are in the least expensive third of the S&P 500 Index using a rules-based process based on financial strength, profitability strength and market acceptance.

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 Intrinsic Value Opportunity Composite contains fully discretionary, taxable and tax-exempt accounts that use either the S&P 500 Index or the Russell 1000 Value Index as the benchmark. 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 December 31, 2022. 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 Intrinsic Value Opportunity Composite has been examined for the periods January 1, 2011 through December 31, 2022. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. To receive additional information regarding TAM, including a GIPS Composite Report for the strategy presented, contact Monica Slyter at 1-888-544-8633, or write Todd Asset Management LLC, 101 South Fifth Street, Suite 3100, Louisville, Kentucky 40202, or mslyter@toddasset.com.

The performance information is presented on a trade date basis, both gross and net of management fees, net of transactions costs, and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of .80% applied monthly. From October 2009 to March 2014 the management fee schedule applied to the composite was 0.70%. Prior to October 2009, the management fee schedule applied to the composite was .60%. 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 indexes are unmanaged, and not available for direct investment; they include reinvestment of dividends; they do not reflect management fees or transaction costs. The volatility of the index and a client account will not be the same.

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.

Risks – Investments involve varying degrees of risk, and there can be no assurance that this product is suitable for your investment portfolio. The Opportunity product is designed for long-term investors who are willing to accept short-term price fluctuations. Stock market and business risks are general risks. This product generally holds 30 securities and is rebalanced every 3 months, thus it is more concentrated and may generate more investment turnover than other products. It is not required to be diversified by sector, and should be considered a more sector concentrated, aggressive application of the price to intrinsic value investment philosophy. There are times the overall market may not favor value-style investing, and it is possible the intrinsic value of the underlying stocks may never be realized.