TODD
Asset Management

January 19, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q4 2023 Intrinsic Value Opportunity Review

	4Q 2023	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	8.21%	12.62%	12.62%	14.04%	14.56%	10.20%	8.12%
IV Opportunity (Net)	7.99%	11.69%	11.69%	13.09%	13.64%	9.28%	7.23%
S&P 500	11.69%	26.28%	26.28%	10.00%	15.68%	13.41%	12.03%
Russell 1000 Value	9.50%	11.47%	11.47%	8.86%	10.91%	8.32%	8.40%

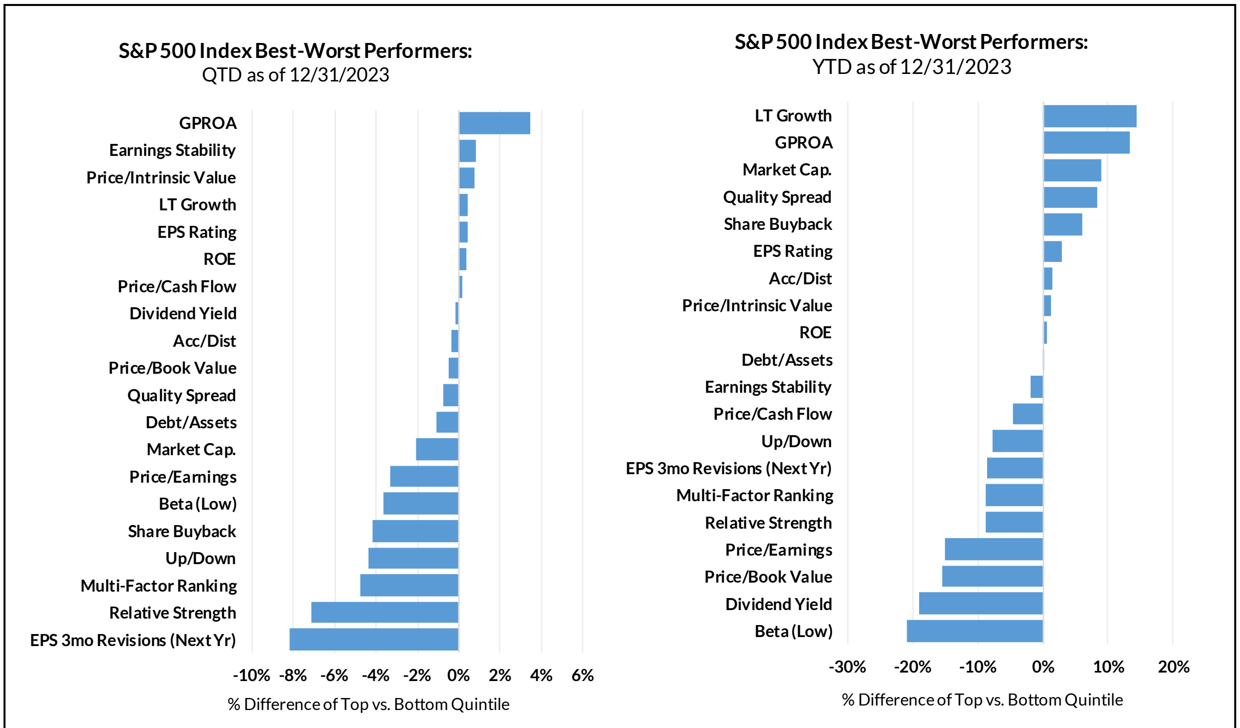
** Annualized Total Returns. Please refer to the attached Performance Disclosure for further information*

Performance Review

Our IV Opportunity strategy's returns finished the year slightly ahead of the Russell 1000 Value while lagging the S&P 500, which was led (disproportionately) by the Magnificent 7[1]. We were encouraged to see the year end with broader participation outside of the largest names in the market as investors spent November and December getting more optimistic about the prospects for growth in 2024. Market breadth, as measured by the percent of companies trading above longer-term moving averages, is as good as it's been in a few years. We would (perhaps selfishly) expect that to continue if this newfound optimism persists as Mega-cap Tech names shouldn't be seen as the only game in town. This would also have repercussions on the Value/Growth cycle which continues to reconcile. We continue to think the stage is set for Value to outperform through the coming cycle (e.g. it's already happening internationally and in small caps).

Sentiment improved into year end from some of the most historically bearish levels we've seen in the first half of the year. Obviously the growing expectation that the Fed will recalibrate policy rates lower in 2024 had the big effect on pushing long rates lower and equity markets higher into year end. The market is pricing in the first cut in March with a total of 5 cuts being priced in for all of 2024. This, along with tight labor market data, seems to have silenced the bears for the time being. Not to downplay monetary policy, however the underlying strength in the economy continues to be greater than consensus gives it credit for. Stimulus flowing into the economy, employment trends, rebounding manufacturing activity from depressed levels and slowing inflation readings are all important drivers that are working to offset the lagged effects of higher rates. While the market may have gotten overzealous in it's expectations for Fed rate cuts, the table is still set for financial conditions to ease. This along with the tailwinds just mentioned point to a scenario where economic growth continues to outperform expectations this year. We should also not lose sight that this is a presidential election year. The market historically does quite well in an election year with an incumbent on the ticket, regardless of the political party. As we mentioned at the top of the letter if both the market and the economy are set up to perform well into 2024, broader participation should be a feature that would benefit active, fundamentally oriented strategies.

Factor Performance



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

Our factor work narrowed considerably in the fourth quarter as a single profitability metric (Gross Profit/Return on Assets) was the only notable outperformer. Most other metrics were either a wash or performed poorly to finish the year. This is interesting given the market itself broadened out with more participation outside of the Magnificent 7. Sentiment improved dramatically into year end. The narrow factor analysis implies that the sharp rally in November and December included a fair share of bounces in names that were both fundamentally or technically weak. This led Earnings Revisions and several technical metrics to rank as the worst performing factors for the quarter. When looking at the full year, the dramatic spread between Growth and Value is very prominent. Most Value metrics rank toward to bottom of the list for the year while Large Cap and Growth are among the top performing factors.

Performance Attribution

Our underperformance in the quarter was primarily related to sector allocation and our outsized exposure to the Energy sector as the overall sector faced pressure chiefly related to lower energy prices. We also faced allocation headwinds from our lower than benchmark allocations to the Information Technology, Financials, and Real Estate sectors, although our stock selection in Information Technology and Financials offset our under-allocation headwinds to these sectors. Notably, our stock selection in Health Care also aided performance.

The top five contributors to performance during the quarter came largely from the semiconductor industry. Broadcom and Qualcomm shares were elevated as investors began to price tailwinds from artificial intelligence growth in 2024 and beyond. United Rentals shares rose as investors expectations for strong end market demand in 2024 improved, which should support strong rental rates and fleet utilization. Like Broadcom and Qualcomm, KLA Corp. benefited from expected 2024 AI strength, but also by being less exposed to the less profitable memory segment unlike some peers. Synchrony Financial shares rose after an announcement to sale its pet insurance business for a large gain that should allow for significant share repurchases and investments in organic growth.

The five worst detractors from performance during the quarter were largely in the Energy sector, which suffered from increasingly lower energy prices as the quarter progressed. This was the primary reason Exxon and APA Corp. underperformed in the quarter. Charter Communications shares sold off after its CFO indicated they expect near-term weakness in the broadband business that should lead to negative net-adds in Q4. Like its peers, SLB (Schlumberger) and Marathon shares suffered from weaker energy prices, although SLB saw some tailwinds from international growth and Marathon announced an increase to its dividend and share repurchase program..

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

01/18/2024
S&P 500 – 4,781
Russell 1000 Value –1,600

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
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.

1. Magnificent 7 refers to seven of the largest companies in the S&P 500: Apple, Microsoft, Nvidia, Amazon, Alphabet, Meta and Tesla.