TODD
Asset Management

April 17, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q1 2024 Large Cap Intrinsic Value Review

	1Q 2024	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	13.31%	29.84%	10.80%	14.51%	12.40%	11.14%
Large Cap Intrinsic Value (Net)	13.15%	29.09%	10.14%	13.83%	11.73%	10.48%
S&P 500	10.56%	29.87%	11.49%	15.05%	14.09%	12.96%
Russell 1000 Value	8.99%	20.27%	8.12%	10.32%	9.15%	9.01%

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

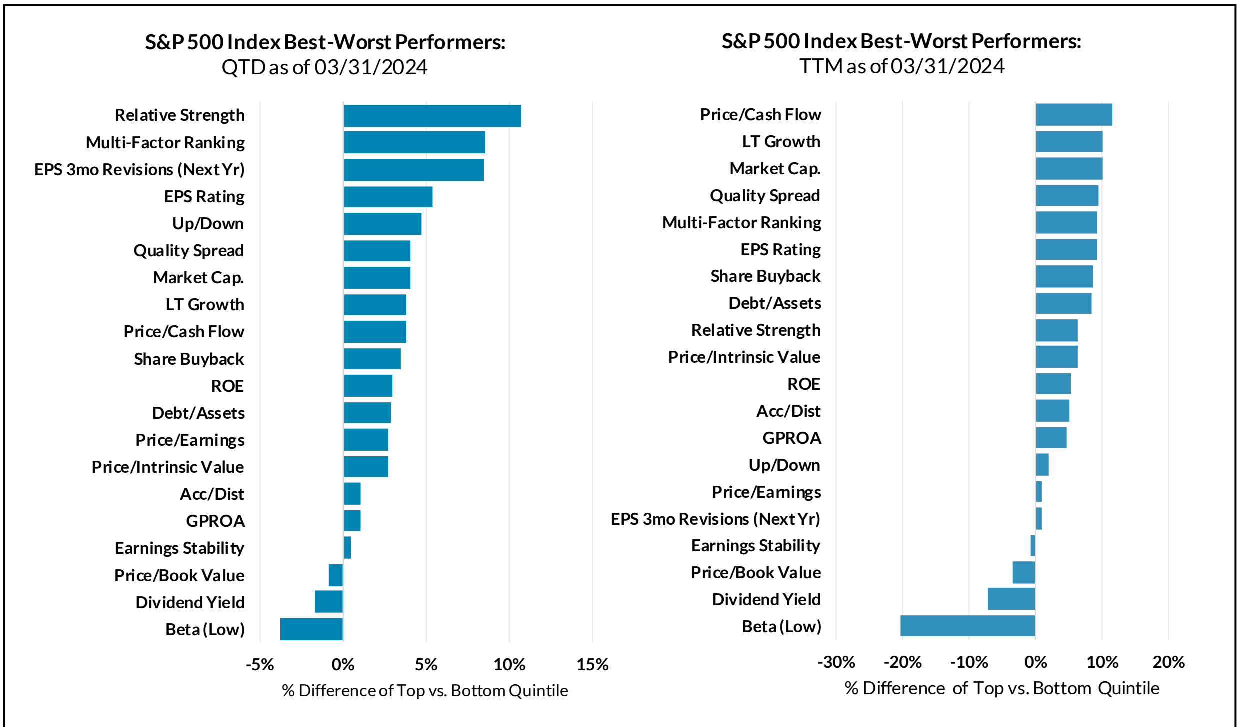
Performance Review

Our LCIV strategy finished the quarter ahead of both the S&P 500 and Russell 1000 Value as markets continued to take on a more optimistic tone. Investors have gotten a lot more comfortable with the economic backdrop as most central banks are set to pivot policy to be more accommodative and manufacturing activity continues to recover from weak levels that persisted through most of last year. Markets continued to broaden out in response, and we saw a number of economically sensitive sectors like Financials, Industrials and Technology lead the way, all of which benefitted the strategy in the quarter.

Late last year, a move lower in long-term interest rates and hopes of the Fed cutting policy rates sparked the current run in the stock market as consensus priced in a soft/no landing scenario. Interestingly, while rates and the odds of the Fed cutting rates both moved in the opposite direction this quarter, the market remained unfazed as it marched to new all-time highs. There are likely a few things driving this divergence. The improved economic outlook and strong labor market have both given the Fed cover to take their time before cutting rates. (We tried to emphasize the underappreciated underlying strength in the economy in our last quarterly letter that is being driven by stimulus, employment and rebounding manufacturing activity.) The more challenging dynamic that has pushed rates higher is the fact that we've now received 4 consecutive inflation prints that have come in above expectations with the most recent reading for March coming in between 3.5-3.8%, depending on which measure you look at. This has been trending sideways to higher since August of last year and remains well above the Fed's stated target of 2.0%. Consequently, with inflation somewhat stalling at these levels, we've actually seen a growing chorus of economists that now expect NO rate cuts in 2024. This is a dramatic change from the start of the year where the market was pricing in nearly 7 rate cuts. The market has obviously been able to tolerate these changing expectations quite well with the S&P 500 rising above 5200 to new all-time highs. There may be some further digestion necessary if the odds of rate cuts continue to come off the table, however this again speaks to the resiliency of the broader economy which is increasingly set to benefit from recovering manufacturing activity.

We've been of the mind for some time that we've entered into a new regime where rates and inflation are higher than the prior cycle. What we're seeing in the data currently is consistent with this view and the portfolio should be well positioned for this type of environment. Despite the fact that Value underperformed Growth again in the quarter, we are pleased to see the market broaden out and many of the themes we've mentioned in the past that our discipline has highlighted get rewarded (new capital spending cycle, Financials, new technology participants, etc.).

Factor Performance



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

Our factor work broadened out considerably from the 4th quarter, which saw only one single metric that notably outperformed. 17 out of the 20 factors that we follow contributed positively, led by a handful of Earnings, Quality and Market Recognition metrics. This confirms the broader rotation we've witnessed out of the Magnificent 7 as the market seem to be rewarding a larger subset of names that our discipline has been highlighting. Relative Strength was the top performer followed by our Multi-Factor Ranking and two Earnings measures (Earnings Revisions and EPS Rating). The three detracting factors for the quarter were Low Beta, Dividend Yield and Price/Book Value.

Performance Attribution

Stock selection was the main driver of our return in the quarter, responsible for over 90% of the strategy's outperformance. This was mostly driven by Discretionary, Industrials, Technology and Financials. Strong labor markets, consumer spending, capital spending and broadly improving economic growth prospects are all working to support our names in these sectors. Materials, Energy and Communication Services were our worst performing sectors. While oil prices held up well in the quarter, iron ore and natural gas prices have been weak which weighed on some of our Materials and Energy names.

Our top five performing companies for the quarter were Dell Technologies, Dick's Sporting Goods, United Rentals, Broadcom and KLA Corp. Three of these names are holdovers from the 4th quarter (United Rentals, Broadcom and KLA Corp), which speaks to the momentum of their business and the structural nature of the tailwinds driving demand in the end markets they serve. Dell posted a blowout quarter in late February that sent shares soaring higher due to their outlook which was highlighted by a large AI order backlog and much higher enterprise margins. Dick's Sporting Goods also posted a blowout quarter in March where the economics of their new store concepts were revealed and are much higher margin and higher return than previously estimated. The massive boom in infrastructure and non-residentials construction has continued to benefit United Rentals and the equipment rental space at large. Demand has supported utilization and rental rates over the past year. Broadcom continues to see strong momentum and accelerating demand for AI chips and solutions and upgraded their AI revenue estimate for 2024 to $10 billion. Rounding out our top five is KLA Corp, which continues to see increasing demand for advanced testing technologies due to the growth of increasingly complex chips that serve AI and other new applications.

Our bottom five performing companies for the quarter were Vale, Onsemi, Rio Tinto, Equinor and Akamai Technologies. Iron ore prices fell by around -20% in the first quarter, dragging down shares of Vale and Rio Tinto. Headwinds from China's real estate sector have led to an overcapacity of steel in the country which has weighed on iron ore. More specific to Vale, a succession process is underway to find a replacement for their CEO (who will formally phase at the end of 2025) and disbursements related to a dam collapse in Brazil have also increased uncertainty and weighed on shares. Onsemi again deviated from our other semiconductor names this quarter as the outlook for next year disappointed again, reflecting softer EV production and lower utilization rates. While operating margins have held up well, the weaker outlook caused earnings estimates to decline again and weighed on shares. As for Rio, lagging inflationary costs tied to their copper and iron ore operations caused the company to lower profit and free cash flow guidance for 2024. Shares of Equinor have been weak as European natural gas prices fell back to the lowest levels we've seen since Russia's invasion of the Ukraine. Mild weather and record high storage levels have weighed on prices and as the largest exporter of natural gas into Europe, Equinor has absorbed this weakness. While cash flow generation and returns have been robust, investors are looking out past 2025 and questioning the longevity of these returns. Finally, Akamai reported solid quarterly results, however guidance disappointed as the company expects security spending to decelerate next quarter and content delivery profits to continue declining.

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.

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04/17/2024
S&P 500 – 5,022
Russell 1000 Value –1,668

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
LARGE CAP INTRINSIC VALUE 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 tax-exempt fully discretionary intrinsic value accounts, invested primarily in large cap domestic equity securities with the objective to seek capital appreciation. This goal is pursued by investing in a diversified portfolio of equity securities that TAM believes are trading at a discount to their intrinsic value. The minimum account size for this composite is $1 million.

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 Large Cap Intrinsic Value Composite contains fully discretionary, tax-exempt accounts that use either the S&P 500 Index or Russell 1000 Value Index as the benchmark. Prior to April 1, 2010, this composite was known as the Relative Value Equity Composite; no changes in the strategy were made in conjunction with the name change. 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, 2023. 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 Large Cap intrinsic Value Composite has been examined for the periods January 1, 2011 through December 31, 2023. 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 transaction costs and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of .60% applied monthly. Prior to September 2001, the management fee schedule applied to the composite was .50%. 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 or profitable for your investment portfolio. The LCIV product is designed for long-term investors, who are willing to accept short-term market price fluctuations. Stock market and business risks are general risks associated with the product. 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.