

Todd Q1 2020 Intrinsic Value Opportunity Review

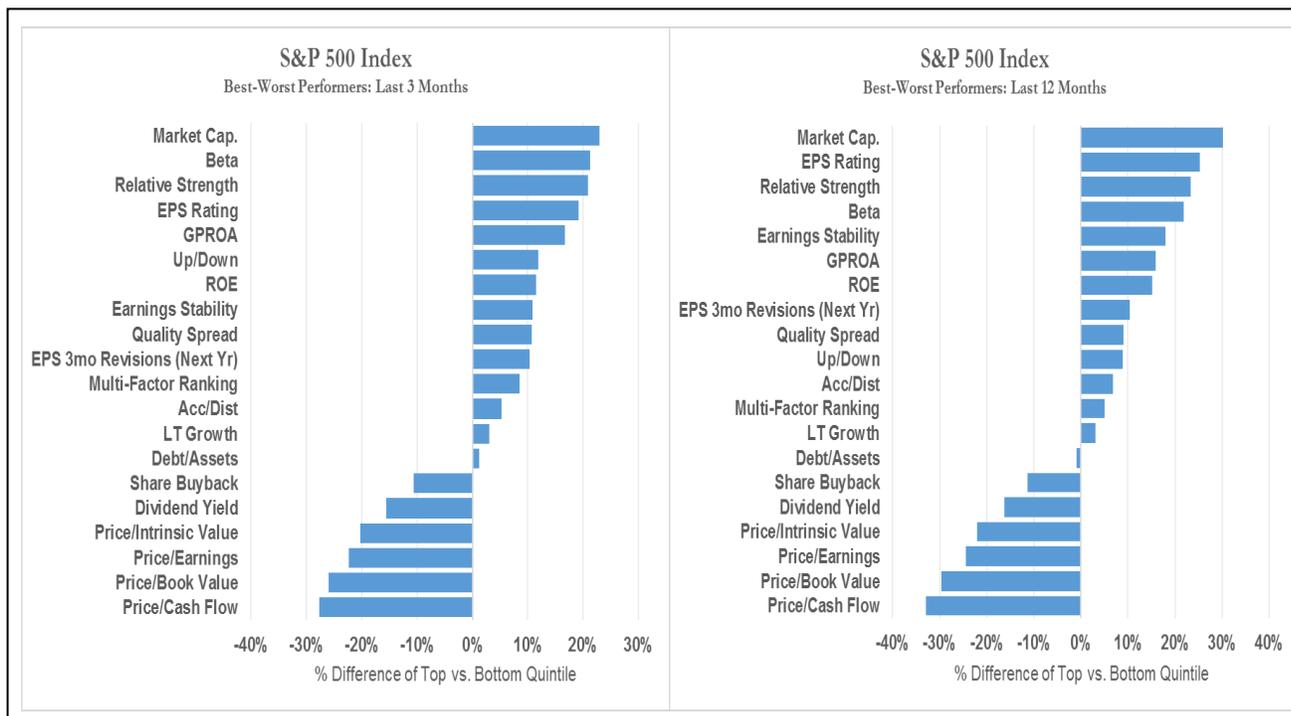
	1Q 2020	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	-32.9	-22.2	-5.6	-3.7	2.9	5.9
(Net)	-33.0	-22.9	-6.4	-4.5	2.1	5.1
S&P 500	-19.6	-7.0	5.1	6.7	9.6	10.5
Russell 1000 Value	-26.7	-17.2	-2.2	1.9	5.6	7.7

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

Performance Review

The IVO strategy underperformed the S&P 500 and the Russell 1000 Value indexes during the quarter as economic forecasts were slashed and the worldwide economy was regulated into recession. Our long term numbers compare more favorably with the Value index than the S&P 500 as Value has been out of favor for quite some time, and we do manage to an Intrinsic Value discipline. Over the past 5 years, we have seen the markets price in recessions twice before without having a recession ensue, and the portfolio recovered after the economic concerns eased. The current recession was a surprise to most investors, gauging from the speed and severity of the decline. The Coronavirus lockdown is prompting the fastest bear market ever and a record breaking economic decline. We anticipate it should be followed by a very sharp recovery starting over the next few months, due to the Fiscal and Monetary stimulus being applied. We believe that as the market begins to anticipate that recovery that current results probably represent the low point for our relative performance and the Strategy should be able to recover from the recent underperformance as it has in other instances of recession worries.

The Intrinsic Value Opportunity strategy starts with the most attractive third of the S&P 500 based on our Intrinsic Value calculation. From that third, we select the most attractive stocks based on measures of Financial Strength, Profitability efficiency and Relative strength in three sleeves. The account is rebalanced quarterly. It should be considered a deeper value strategy and is designed to look for valuable stocks that have reasons to recognize that value.



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

In the 4th quarter we had witnessed a resurgence of Value factors as most of the valuation metrics we follow were the best performers. That proved to be short lived and the underperformance of Value in the 1st quarter was as dramatic as we can recall in such a short period of time. Names with Value or shareholder return dynamics suffered as the economy was locked down. Visible growth oriented metrics along with quality led during the quarter. Traditionally, bear markets lead to leadership changes, which we believe should result in a value cycle unfolding.

Stock selection was the main detractor of our underperformance during the quarter. This was most prevalent within Consumer Discretionary, Technology and Financials consisting of companies with a physical retail presence, IT hardware and banks. Each of these types of businesses saw dramatic disruptions from lockdowns and market volatility. The newly rebalanced portfolio contains similar sector allocations as last quarter, however there is more of an emphasis on Healthcare and Defense and less of an allocation to Technology.

Our top five contributors to performance during the quarter were Eli Lilly, Oracle, Cerner, Fastenal and Lam Research. Most of these names have business lines that are relatively insulated from the mandated country wide lockdown, which caused them to outperform as the overall market sold off. Eli Lilly has a high degree of exposure to retail or mail drug distribution channels and was therefore far less exposed to disruption from hospital system stress. Oracle generates the vast majority of its sales from their Software business, where they provide “mission-critical” database applications that are unlikely to see meaningful cuts from IT spending during this downturn. Cerner provides electronic healthcare records and software to hospitals. This business offers very highly visible recurring revenues which warrant a premium during times of economic uncertainty. Fastenal reported much better than expected sales for the month of

February. Their relatively clean balance sheet and stable demand for Safety products gave investors confidence in their ability to weather this downturn. Shares of Lam Research rallied in late March with other semiconductor companies and their strong free cash flow generation and ample cash position (zero net debt) helped support shares during the drawdown.

Our worst five detractors from performance during the quarter were Nordstrom, Howmet Aerospace (formerly Arconic), Synchrony Financial, Comerica and Xerox. Nordstrom, with its large physical retail presence, was hit hard by rolling closures and “shelter-in-place” directives. As a result, the company discontinued their dividend to preserve cash and liquidity. Howmet Aerospace (formerly Arconic) is an aircraft parts company that is obviously seeing demand dry up as aircraft production had ground to a halt. While spending from Defense businesses may remain fairly stable, commercial aircraft demand will take more time to recover. The deterioration in economic forecasts caused an unprecedented rush into US Treasuries, driving interest rates to historic lows. The collapse in rates as well as heightened credit risk due to economic uncertainty weighed heavily on financials in the quarter. A third headwind to the financials was the suspension of shareholder returns (mainly a halt of share buybacks) during this crisis to free up capital for lending capacity and boost liquidity. These dynamics weighed on both Synchrony Financial (a consumer finance company) and Comerica. Xerox saw its bid for HP Inc. fall apart due to uncertainty related to the COVID-19 outbreak and now faces a weak enterprise spending environment for the next few quarters.

Even in a Coronavirus lockdown, we are here to support you. We are 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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04/20/20
S&P 500 – 2823
Russell 1000 Value – 1052

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.

Registration of an investment adviser does not imply any level of skill or training.

Specific stocks discussed in this presentation are included to help demonstrate the investment process or, as a review of the Composite's quarterly 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. A complete listing of the holdings as of the period end is available upon request.

Todd Asset Management LLC ("TAM") is a registered investment adviser. 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, 2019. 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, 2019. A complete list and description of TAM composites and/or the verification and performance examination reports are available upon request by contacting TAM at 1-888-544-8633, or write Todd Asset Management LLC, 101 South Fifth Street, Suite 3100, Louisville, Kentucky 40202, or contact us through our Web site at www.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:



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.

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