Todd Q1 2020 Large Cap Intrinsic Value Review

	1Q 2020	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	-29.4	-18.2	-2.0	1.2	5.8	7.5
(Net)	-29.6	-18.7	-2.6	0.6	5.2	6.9
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

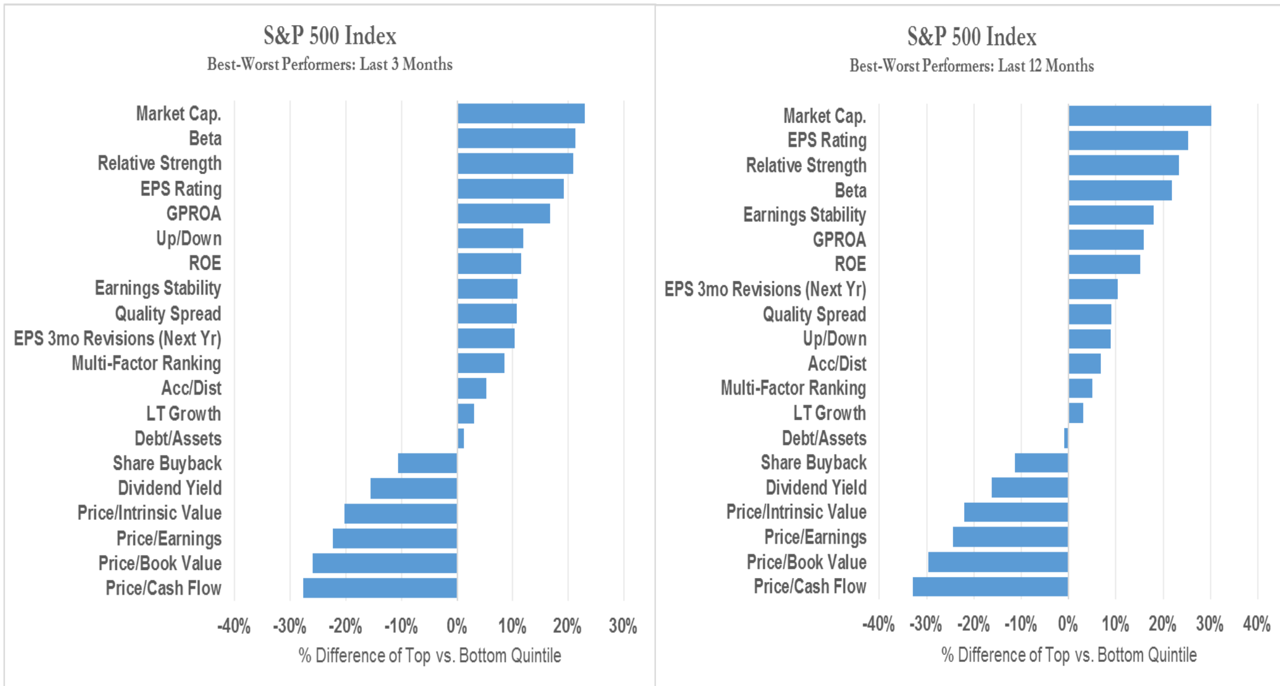
* *Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

Performance Review

The LCIV strategy underperformed the S&P 500 and modestly underperformed 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 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.

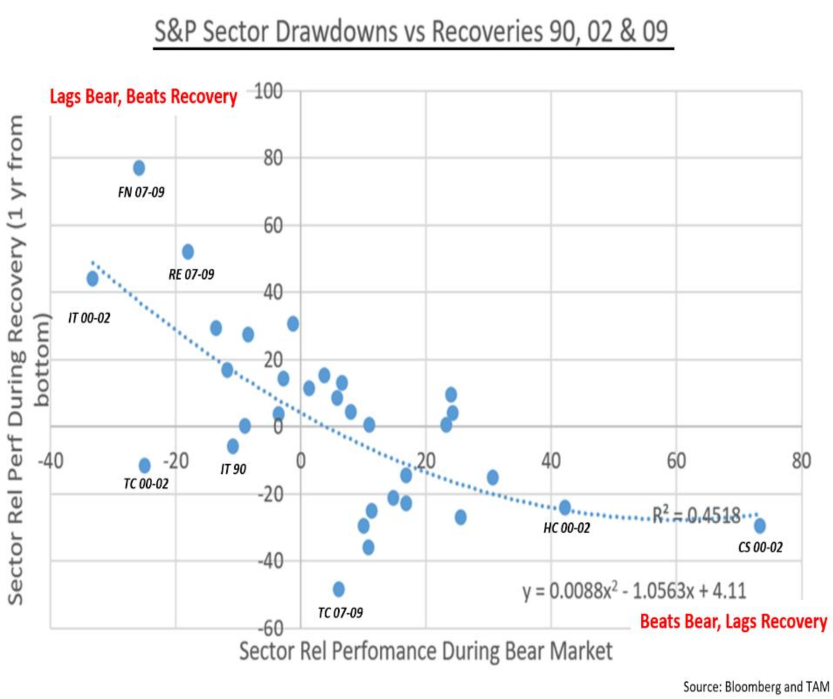
We have written many times over the past few years that we believed the economy was closer to mid-cycle than late-cycle as we didn’t observe the excesses that a late-cycle economy typically has, mainly excessive debt financed business and consumer spending. Our portfolio positioning reflected this belief and the early stages of a recovery in manufacturing activity seemed to be under way as we entered 2020. However, a Black Swan changed this and the global pandemic that ensued short-circuited this recovery and is officially putting an end to the longest economic cycle on record. Our sector positioning continues to be cyclically oriented as those are the areas our discipline is finding the most value and opportunity. While this has been a headwind to performance year-to-date, as policy makers and healthcare officials start laying out plans to re-open the economy and investors start to look through to the other side of this crisis, these are the areas that historically lead as we exit a recessionary bear market. We remain overweight Financials, Energy, Consumer Discretionary and Industrials. We remain underweight defensive sectors like Consumer Staples, Communication Services, Utilities and Real Estate. We are also underweight Technology.

Factor performance



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

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.



To illustrate this, we prepared the chart to the left. The horizontal axis measures a sector's relative performance during bear markets, while the vertical axis measures the sector relative performance over the year following a market bottom. The pattern shows that the worst laggards during a bear market are usually among the best performers over the year following the market bottom, and vice versa. The worst laggards of this bear market have been the traditional value groups, so on this measure, some rotation is likely if we have seen the market bottom.

Our top five contributors to performance during the quarter were Biogen, Coresite Realty, Progressive, Intel and Verizon. 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. Biogen rallied early in the quarter after winning a patent suite a competitor filed against one of its main Multiple Sclerosis drugs (Tecfidera). The severity of the illnesses that Biogen's drugs treat have also kept demand for their product lineup fairly stable during this lockdown phase. Coresite Realty, which is a REIT that runs datacenters in the US, began to outperform as the market sold off given the defensive nature of their business. Progressive, the property and casualty insurer, has strong underwriting margins and while lower interest rates are a headwind to their investment income, the lockdown likely lowers the amount of car accidents and claims they'll experience over the next few months. This has allowed shares to outperform during this downdraft. Intel started to outperform later in the quarter as investor confidence in forward guidance firmed as impacts of working and schooling from home have the potential to drive higher demand for PCs and servers. Verizon generates most of its revenues from monthly service and data packages, which are not seeing much of an impact from the current environment. Industry wide 5G network rollout plans are also largely intact.

Our worst five detractors from performance during the quarter were Citizens Financial, Carnival, JPMorgan Chase, Aptiv and Bank of America. 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 banks in the quarter. A third headwind to the banks 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. Share buybacks were a significant source of demand for bank shares and a large part of their overall shareholder return so this suspension, albeit temporary, further weighed on the group. Citizens Financial, JPMorgan Chase and Bank of America all suffered from these dynamics during the quarter. Carnival saw shares come under pressure throughout the quarter as travel restrictions intensified and government agencies issued guidance against cruises. This caused solvency to come into question as future bookings dried up. We eliminated Carnival from the portfolio as a result of these issues. Finally, Aptiv saw shares decline as the prospects for auto production deteriorated substantially. As an auto parts supplier, this caused a large hit to earnings estimates for 2020 given auto production plant closures and overall auto demand weakness that is likely to persist for the next few quarters.

We have experienced a fast and deep bear market as the government mandated economic shutdown will likely lead to record breaking economic declines. Fortunately, governments and central banks have stepped up forcefully and quickly to relieve some of the stresses that will result from mass unemployment and business closures. Not all of the stresses will be alleviated, and we expect that further stimulus programs will be undertaken by governments worldwide. Markets have reacted with strong rallies off of depressed levels, even without having seen most of the negative economic reports arising from the lockdown. Our sense is that now some patience is needed as markets probably need to get some economic information, and clarity on when economies will reopen. We believe economies should start to recover sometime in the third quarter (between July and September) which should mean that the March 23 low is probably the bottom of the market. Given the extraordinary amount of government support globally for the economy, visibility for growth should improve once the economy is reopened. If that is the case, then the recovery should have further to go before year end, and will likely have new value oriented leadership.

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.

TODD
Asset Management

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.

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 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.

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, 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 Large Cap Intrinsic Value 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 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.
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.