TODD Asset Management

April 19, 2021
Intrinsic Value Team
Todd Asset Management

Todd Q1 2021 Intrinsic Value Opportunity Review

	1Q 2021	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	15.4%	75.9%	12.4%	9.9%	7.4%	10.5%
(Net)	15.1%	74.5%	11.4%	9.0%	6.5%	9.7%
S&P 500	6.2%	56.3%	16.8%	16.3%	13.6%	13.9%
Russell 1000 Value	11.2%	56.1%	11.0%	11.7%	9.4%	11.0%

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

Performance Review

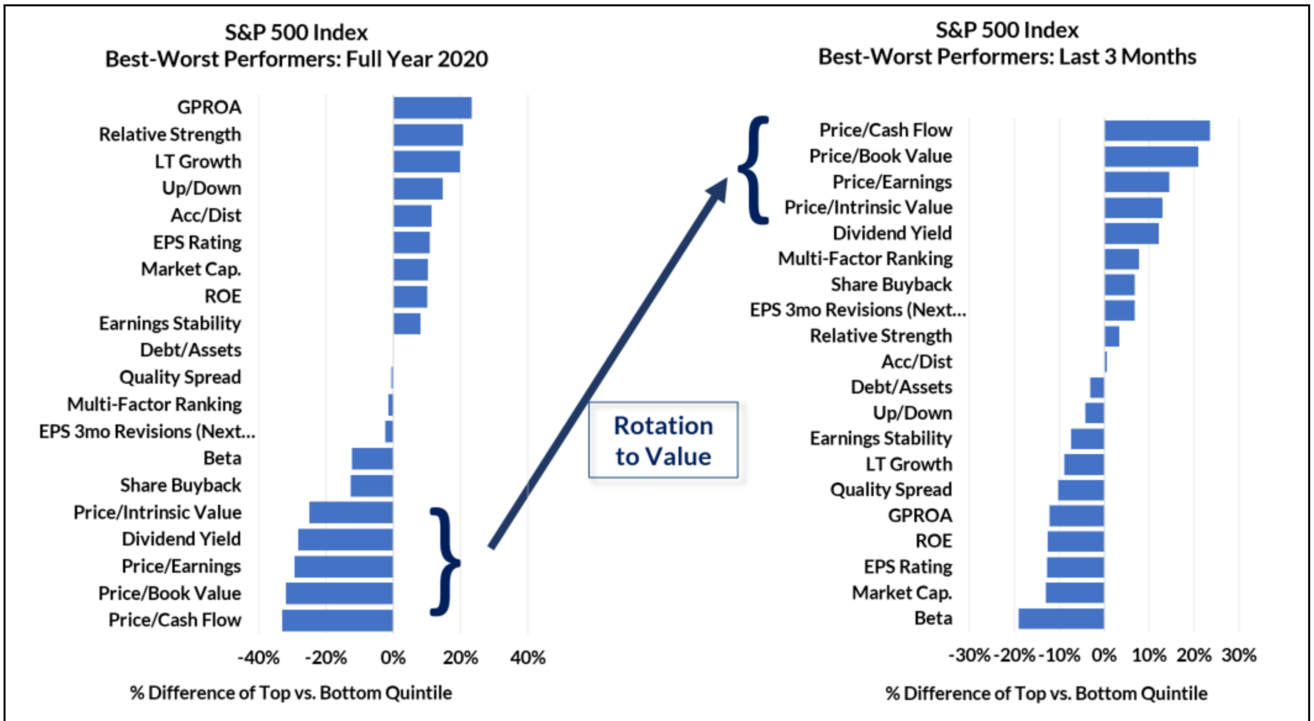
The Intrinsic Value Opportunity (gross) strategy outperformed the S&P 500 by +9% and the Russell 1000 Value by +4% during the quarter. The strong rotation that began in November of last year continued in the first quarter and drove the strategy's returns given the heavy value orientation and cyclical exposure present in our allocation. Our trailing 1 year return, which basically takes you back to the market bottom in March of 2020, is up +76% (gross) and has outperformed both the S&P 500 and Russell 1000 Value by nearly +20%.

Economic growth and earnings estimates continued to rise throughout the quarter, fueling the outperformance of Cyclicals and Value over Growth. This increased optimism occurred despite some setbacks overseas as vaccine rollouts were fumbled in Europe. The dramatic rise in interest rates (US 10yr Treasury rose from below 1% at year end to around 1.75% at the end of the quarter) caused some angst for investors, however this was mostly felt by Growth stocks. We welcome this move higher in rates, as does our discipline, as they are currently indicating stronger growth expectations and aren't near levels that have historically been problematic for forward returns. As we've mentioned in past letters, we believe the global economy is still in the early innings of a new economic expansion. These expansions tend to last many years and often mark a longer term inflection point in Value vs. Growth. As reopening efforts gain more traction, the lagged effect of historic stimulus and pent up demand should usher in period of synchronized global growth that could support markets for some time and continue to fuel the rotation we've witnessed since November. As a deeper value strategy that continues to favor early cycle areas like Retail, Semiconductors, Homebuilders and Industrials, this should continue to serve as a nice tailwind.

Stock selection drove all of our outperformance against the S&P 500. Our best performing sectors for the quarter were Technology, Discretionary and Industrials. These 3 sectors were beneficiaries in some way of reopening optimism and rising growth expectations. Our worst performing areas were within Healthcare and Financials. Several of the Healthcare names operate in areas that have struggled during the pandemic, which has disrupted their operations. Within Financials, our underexposure to Banks which outperformed with rising rates weighed on performance.

Positioning within the newly rebalanced portfolio remains exposed to Semiconductors, Retailers and names that play into housing. The early cycle nature of the economy, which continues to reaccelerate, should benefit each of these groups.

Factor performance



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

Factor returns above showcase the dramatic rotation in performance which started in November and continued in the 1st quarter. Value factors became the best performers once vaccine announcements were made and the economic outlook improved. Higher Beta and smaller cap names continue to outperform their low Beta, large cap counterparts. Shareholder return metrics (Share Buybacks and Dividend Yield) also moved up the list.

Our top five contributors towards performance during the quarter were Applied Materials, Lennar, DR Horton, Johnson Controls International and HP Inc. Applied Materials, like many other companies in the semiconductor space, saw continued strength after posting a very strong quarter and guiding to 2nd half results that were well ahead of expectations. Low mortgage rates and resilient personal incomes are creating strong housing market dynamics that are benefitting Lennar and DR Horton, both homebuilders. Each company is experiencing order growth that has exceeded estimates and solid pricing. Johnson Controls International, which makes HVAC, fire and security systems for commercial/residential buildings, is gaining market share and introducing new air quality control products that are supporting growth. Finally, HP Inc. released quarterly results highlighting retained momentum in consumer demand for notebooks and printers which forced analysts to continue upgrading earnings estimates for the coming year.

Our five worst detractors from performance during the quarter were Qualcomm, Cerner, Davita, Dollar General and Teradyne. Qualcomm reported disappointing quarterly results due to weaker Licensing revenues than expected. Supply constraints also negatively impacted their Handset business revenues. Cerner, which offers IT systems and data management for hospitals and other medical practices, has seen their customer base negatively impacted by the pandemic. This has weighed on results and the stock price. Davita's patient population is at a higher risk of Covid related illness and patient mortality has remained elevated through this pandemic. Despite vaccine rollouts, management expects this dynamic to continue in the first half of 2021. Dollar General saw some weakness after posting quarterly results that disappointed as sales growth decelerated following a surge in activity last year in the early months of the pandemic when consumers stockpiled goods. Teradyne, which produces testing equipment for the semiconductor industry, has seen share weakness due to concerns over supply constraints in that industry that have dampened their outlook.

We continue to believe the global economy is in the early stages of a new economic expansion. It seems apparent that investors more broadly have come around to this realization as well as evidenced by the strong rotation in markets since November of last year. Higher interest rates, inflation expectations and rising growth estimates are all confirming the strength and sustainability of the recovery. Historic stimulus and a resumption of consumption and spending patterns, which have been pent up for over a year, should continue to support the economy for years. Our portfolio maintains exposure to early cycle areas of the market that stand to benefit from reaccelerating growth.

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
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4/19/21
S&P 500 – 4,155 (Intraday)
Russell 1000 Value – 1,536 (Intraday)

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. 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 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, 2020. 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, 2020. 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:
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.