

## Todd Q2 2020 Intrinsic Value Opportunity Review

	2Q 2020	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	24.3%	-16.6%	-5.1%	1.3%	1.0%	5.3%	9.6%
(Net)	24.0%	-16.9%	-6.0%	0.4%	0.2%	4.5%	8.8%
S&P 500	20.5%	-3.1%	7.5%	10.7%	10.7%	12.1%	14.0%
Russell 1000 Value	14.3%	-16.3%	-8.8%	1.8%	4.6%	7.1%	10.4%

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

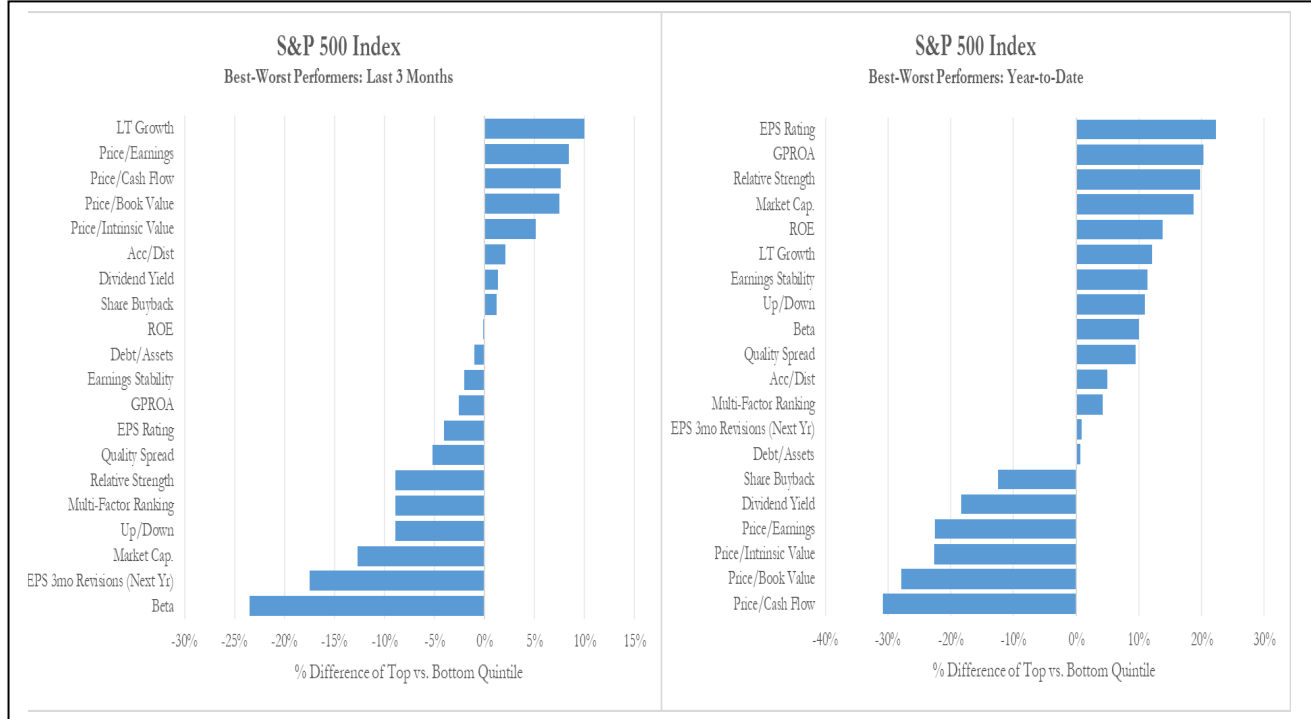
### Performance Review

The IVO (gross) outperformed the S&P 500 by nearly 4% and beat the Russell 1000 Value by +10% during the quarter as lockdowns were lifted and economic activity began to recover following the fastest and one of the deepest recessions on record.

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.

We finally got the recession everyone was worried about. For the past five years, investors have been worrying about, and waiting for a recession. We had seen several periods when these worries resulted in a complete loss of confidence surrounding the outlook for the more inexpensive value oriented stocks that we focus on. Growth stocks have reached significant extremes compared to Value stocks. We believe the extraordinary actions being taken by the government to keep the base of the economy intact, coupled with more significant stimulus programs to recover from the Covid-19 induced recession, are indicative that a durable economic expansion is beginning. The last five recoveries lasted an average of eight years. Our portfolio is positioned for the recovery to come.

## Factor performance



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

Factor analysis for the quarter continues to highlight the wide spread between Growth and Value. Despite the fact that Value factors performed much better during the quarter as markets recovered, **the Russell 1000 Value has underperformed the Russell 1000 Growth by -26% year-to-date.** The only other time over the past 40 years where we can find a performance dispersion between Growth and Value this wide was at the height of the Tech Bubble in early 2000. While market performance continues to be dominated by this dynamic, we did see a rotation elsewhere as factors that underperformed in the 1<sup>st</sup> quarter outperformed in the 2<sup>nd</sup> quarter. Beta and Market Cap had the largest reversals.

Stock selection and sector positioning both contributed to our underperformance during the quarter. Financials and Consumer Discretionary were the biggest drivers of performance, consisting mainly of large retailers and banks. Following the recent rebalance, the strategy is putting an increased focus on Technology, specifically semiconductors. Other areas of focus include retailers, pharmaceutical companies, healthcare services and banks.

Our top five contributors to performance during the quarter were eBay, Lowe's, Best Buy, Ameriprise and Robert Half. eBay experienced significantly better sales volumes through the quarter and raised their full year growth outlook. Lowe's shares recovered sharply from March lows as historically low mortgage rates and generous stimulus payments from the government have boosted home improvement spending. Similar dynamics helped drive shares of Best Buy higher as demand for consumer electronics has been strong throughout the pandemic.

Ameriprise shares rebounded with the broader market and asset flows into higher margin parts of their business were positive. Robert Half, a staffing company, saw a dramatic improvement following a turnaround in employment as payrolls started to rise again in May and June.

Our worst five detractors from performance during the quarter were Nordstrom, Seagate, Lockheed Martin, Northrop Grumman and Bristol Myers Squibb. Nordstrom failed to see much of a recovery during the quarter as lockdown restrictions dramatically impaired their ability to service debt. Despite efforts to boost liquidity (i.e. store closures, cancelling dividend, etc.) concerns continued to mount as some of their peers went on to file for bankruptcy. Seagate continues to see pricing pressure in the memory and storage markets as a demand recovery may occur later in the second half as enterprise spending picks up after working through existing inventory. Lockheed Martin and Northrop Grumman are both defensive oriented holdings that outperformed during the bear and lagged during the recovery. Rising US deficits could possibly constrain budgets moving forward and investors are likely lowering their longer-term growth outlook on defense spending as a result. Bristol Myers shares also outperformed during the bear market, but lagged during the recovery as their business was less impacted by lockdowns.

We believe the economy is entering a new expansion following one of the largest recessions in history. Bear markets and recessions usually result in a change of leadership. Growth has outperformed Value for the past decade and recent performance has pushed this differential to extremes only matched during the height of the Tech Bubble. Index concentration is also reminiscent of the late 1990's and early 2000's. Government stimulus has boosted consumer wealth despite high levels of unemployment. While uncertainties around the election and a potential second wave of the virus could be headwinds, we believe this secular bull market is still intact, and we are probably at the beginning of a long economic expansion. Increased visibility and confidence that the cycle is indeed restarting should help performance broaden out, supporting Value and cyclically oriented parts of the market.

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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7/17/20  
S&P 500 - 3,225  
Russell 1000 Value - 1,156

*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](http://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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