TODD
Asset Management

July 19, 2021
Intrinsic Value Team
Todd Asset Management

Todd Q2 2021 Intrinsic Value Opportunity Review

	2Q 2021	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	5.2%	21.4%	48.9%	12.6%	12.5%	7.9%	10.8%
(Net)	5.0%	20.9%	47.7%	11.7%	11.5%	7.0%	10.0%
S&P 500	8.6%	15.3%	40.8%	18.7%	17.7%	14.1%	14.8%
Russell 1000 Value	5.2%	17.0%	43.7%	12.4%	11.9%	9.4%	11.6%

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

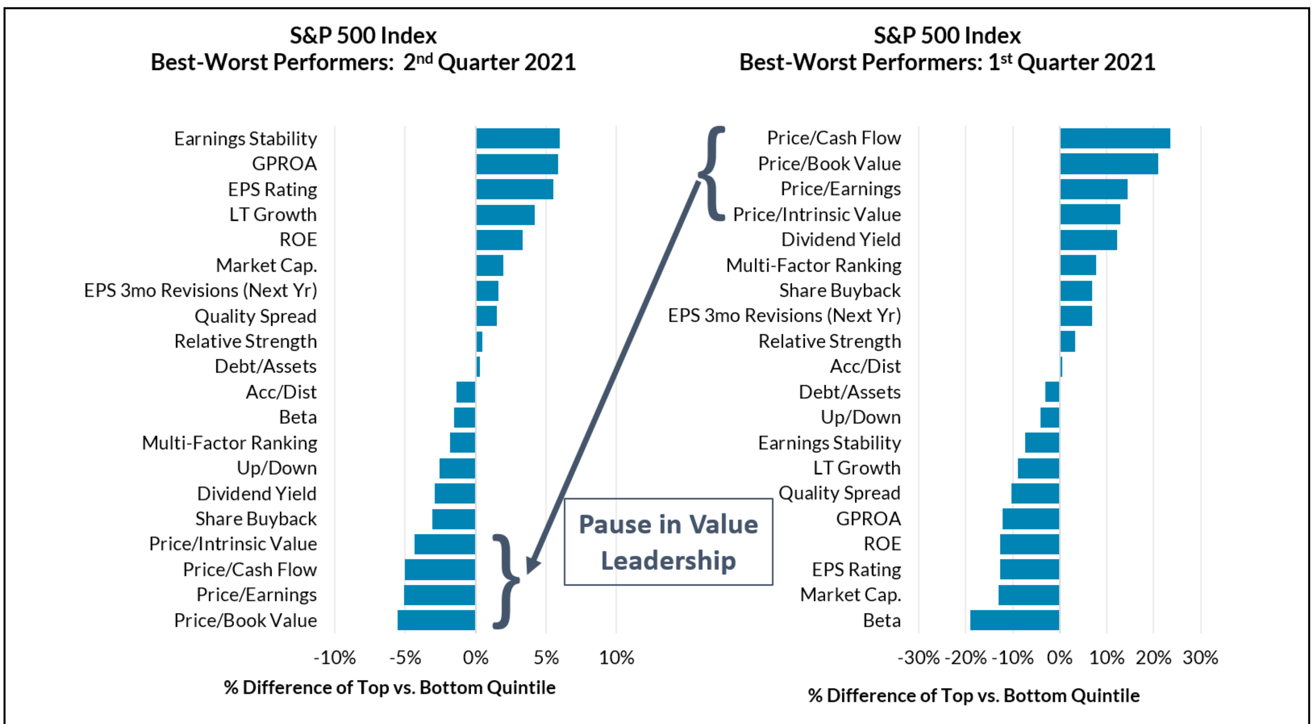
Performance Review

The Intrinsic Value Opportunity (gross) strategy underperformed the S&P 500 by -3.3% and was in line with the Russell 1000 Value. The leadership seen in Value and Cyclicals since the announcement of vaccines in November of last year took a pause during the quarter as concerns around reopening arose. The sharp underperformance of Value vs. Growth in the month of June weighed on performance. The strategy remains nicely ahead of both benchmarks on a YTD and 1yr basis.

We got mixed messages through the quarter as equity markets made new all-time highs, yet bond yields (particularly 10yr treasuries) collapsed in June. The dramatic move in interest rates signaled that investors were increasingly concerned about resurging Covid cases, led by the more transmissible Delta variant. Data continues to show that vaccines are very effective at protecting from all variants, however investors clearly began to question the reopening/reflation narrative that persisted since last November. Falling rates and increased uncertainty fueled a rebound in Growth names, specifically the FANGs, which came at the expense of Value. We think this dynamic is likely transitory for a few reasons. First, the rotation to Value since late last year was probably due for a pause, given that the Russell 1000 Value outpaced the Russell 1000 Growth by more than +20% in just 8 months through mid-May. Second, the cautious stance investors seemed to embrace in June didn't show up in traditional defensive sectors as Utilities and Consumer Staples continued to underperform. Also, despite the rush into US Treasuries, credit market also weren't signaling any impending trouble brewing. High yield spreads are currently trading at their tightest levels since the Great Financial Crisis. This all suggests to us that the sharp reversal we saw in the markets during the quarter was more positioning and technical in nature and not a sign of a larger problem that would derail the economic recovery.

Stock selection drove most of our underperformance against the S&P 500. Technology (specifically Tech Hardware and Semiconductors), Discretionary and Industrials were the largest detractors for the quarter. These were all areas that had been beneficiaries of reopening and consequently lagged as this was brought into question in June. The rebalance at the start of the quarter kept us out of Utilities and Consumer Staples, two of the worst performing sectors for the quarter, which served as the most additive area of performance. Positioning within the newly rebalanced portfolio for the 3rd quarter remains exposed to Semiconductors, Retailers and names that play into the Housing and Construction industries. We have also seen more emphasis within Healthcare, particularly in Services and Facilities.

Factor performance



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

Our factor work had previously highlighted the sharp rotation in performance that followed the vaccine announcements back in November 2020, which was led by Value. This rotation paused in the second quarter as Value measures were among the worst performing factors. Most of this reversal occurred in June. Quality and Growth related factors led the way as uncertainty increased and investors reverted back to the defensive stance we saw through most of the early stages of the pandemic. The Russell 1000 Growth outperformed the Russell 1000 Value by nearly +7.5% in the month of June alone. There was also a return to the concentrated FANG names, as the NYFANG index outperformed the broader S&P 500 by nearly +7.5% as well in June.

Our top five contributors towards performance during the quarter were Target, Johnson Controls International, Ebay, The Gap and NetApp. Target has been able to maintain sales momentum both through the pandemic and as the economy reopens by gaining market share and leveraging their successful digital channel. Share gains in Home and Apparel have helped to drive margins higher. 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. Ebay was a beneficiary of Covid-related restrictions as more people looked online to make purchases. Renewed concerns in June that drove investors back to work-from-home beneficiaries likely gave shares a boost, however mgmt. has also been successful at improving user engagement and payments on their platform. Earnings estimates for the Gap inflected higher during the quarter as some of their higher margin brands (i.e. Old Navy and Athleta) are gaining market share. NetApp, which provides data storage and analytic services, posted strong results and raised guidance as they see their cloud business accelerating across new and existing clients.

Our five worst detractors from performance during the quarter were Citrix Systems, WW Grainger, United Rentals, HP Inc. and Hanesbrands. Citrix Systems posted disappointing results that made investors question the guidance as the company transitions to more subscription based revenues. The defensive pivot we saw markets take in the last few months weighed on both WW Grainger and United Rentals, as both play into the more cyclical heavy equipment industry. Concerns about WW Grainger's ability to push through higher input and shipping costs to their larger customers is also tempering margin expectations. Supply chain issues also weighed on HP Inc., which despite seeing strong demand, is facing higher component costs and constrained supply which may limit results through year end. Finally, despite announcing longer-term plans to improve revenue growth, new management at Hanesbrands rebased guidance lower as margins are expected to see pressure through year end.

The recent rotation to bonds, and safety growth stocks does not "feel" right to us as we look at anticipated economic growth rates. We think investor psychology is still scarred from the post-GFC decade of deleveraging induced subpar growth and the recent Covid-19 depression. We think second quarter earnings reports during July could change investors' perception and allow the economically sensitive sectors that we favor to get reinvigorated. There is still a tremendous amount of monetary and fiscal stimulus that has yet to be fully expended. We are still in the early stages of a new economic cycle with further reopening efforts set to continue as we progress through the rest of this year. The benefits of pent up demand and historically high savings should last for years and would reinforce the self-sustaining nature of economic growth. More broad based growth would also suggest that investors may return to Value, moving away from Growth and the FANGs, as reopening continues. These dynamics would be favorable for our style and strategy.

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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7/19/21
S&P 500 – 4,258
Russell 1000 Value – 1,521

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.