Todd Q2 2024 Intrinsic Value Opportunity Review

	2Q 2024	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	-1.19%	11.63%	16.67%	10.89%	14.01%	11.25%	8.77%
IV Opportunity (Net)	-1.40%	11.16%	15.70%	9.97%	13.06%	10.33%	7.86%
S&P 500	4.28%	15.29%	24.56%	10.01%	15.04%	14.27%	12.85%
Russell 1000 Value	-2.17%	6.62%	13.06%	5.53%	9.01%	8.61%	8.23%

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

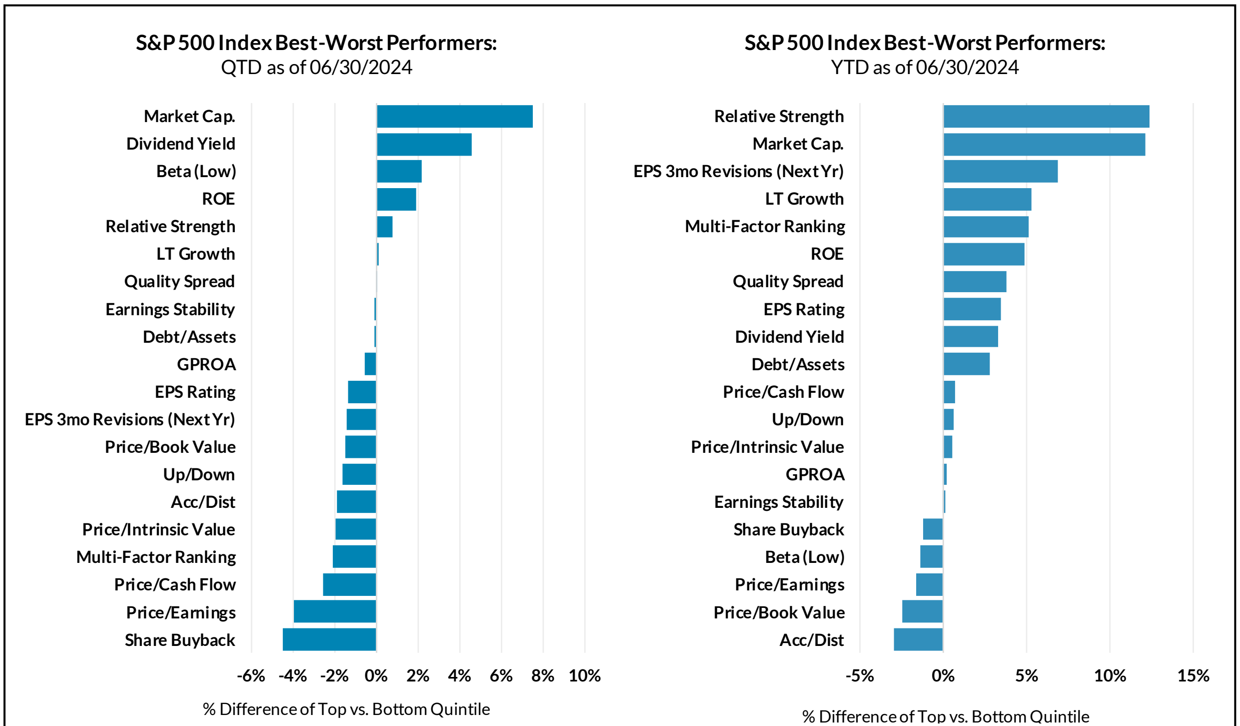
Performance Review

Our IV Opportunity strategy extended its year-to-date lead against the Russell 1000 Value in the quarter but fell behind the S&P in May and June which we now lag. The 'Magnificent 7'[1] and higher multiple AI beneficiaries caught a bid as rates moved lower. While we remain ahead of the Russell 1000 Value over most time frames, breadth in the market has really deteriorated recently. This is a reversal from first 4 months of the year which saw the market broaden out as we spoke to in our last quarterly letter. Less than 25% of the stocks in the S&P 500 are outperforming the broader index this year. This is the lowest reading in over 40 years and highlights the challenge that active managers and Value oriented strategies have in this current environment where breadth is so narrow.

Interest rates peaked for the quarter in late April and their steady decline over the past two months has coincided with a resurgence from the mega-cap Tech names, which continue to propel the S&P 500 to new all-time highs. Cooling inflation readings along with a string of softer economic data have pushed rates lower. Following the CPI print last week that came in below expectations (lowest monthly reading since the pandemic), it seems increasingly likely that the Fed will begin their rate cutting cycle in September. While this has historically been positive for stock returns over the following year, questions have cropped up regarding the US labor market with unemployment trending higher. The level of unemployment remains very low by historical standards, but the upward trend has caused some uncertainty. The irony of highlighting labor market uncertainty while the S&P 500 making new all-time highs is almost a daily occurrence isn't lost on us. However, market breadth has unquestionably deteriorated in recent months as the 'Magnificent 7'[1] outperformed the rest of the market by a wide margin in May and June. As we highlighted earlier, fewer names in the S&P 500 are outperforming the overall index than any other time in the past 40 years. The AI trade is also driving these divergences wider with the Nasdaq dramatically outperforming the rest of the market this year as growth expectations increased for many of the early beneficiaries of AI. Most of the names in this subset have very elevated multiples so while we have our fair share of companies that are benefiting from this trend, we are underweight Tech more broadly in the strategy which has been a headwind.

Narrow breadth can reconcile in a few ways. Either the rest of the market catches up or the mega-caps falter/consolidate (or some combination of the two). We remain constructive on the prospects for growth and thus continue to think participation in this bull market should be more widespread. Much of our exposure in the consumer sectors should benefit from the cyclical recovery occurring as earnings and manufacturing activity rebound and policy rates normalize.

Factor Performance



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

Our factor work narrowed again in the second quarter and was led by Market Cap. This is no surprise as the largest Tech/AI related names have dramatically outperformed this year. This is yet another area where the narrow breadth and heightened selectivity we're seeing the marketplace can be observed. Dividend yield, Low Beta, ROE and Relative Strength round out the factors that worked this quarter. At the bottom of the list was Share Buybacks and Value metrics.

Performance Attribution

Our outperformance against the Russell 1000 Value in the quarter was primarily related to stock selection in the Consumer Discretionary, Information Technology, and Health Care sectors. This was partially offset by stock selection headwinds in the Industrials sector. From an allocation perspective, the IVO faced headwinds from our outsized weighting in Consumer Discretionary, which was more than offset by our strong stock selection within this sector.

This quarter's top performers in our IVO were NetApp, Broadcom, Qualcomm, NRG Energy, and Royal Caribbean. The top three (NetApp, Broadcom, and Qualcomm) are all from the Information Technology sector and were aided from strong demand for AI technology, especially AI chips. NetApp surged on robust enterprise storage sales driven by the massive data storage needs of AI-powered businesses, while also exceeding analyst expectations for revenue and earnings growth. Broadcom's stock rose after beating analyst estimates on both revenue and earnings and reporting a smoother-than-expected integration of VMWare, prompting management to raise their annual revenue forecast significantly. Qualcomm also delivered strong financials and a positive outlook for its advanced AI oriented chips powering high-end smartphones. NRG Energy's stock climbed on a combination of factors, receiving help from high energy prices and after announcing plans to expand its generation capacity, a move poised to significantly boost profitability in the coming years. Royal Caribbean's robust performance reflects booming cruise demand in Europe and the Caribbean, allowing them to capitalize on favorable pricing.

Jabil, Paccar, DR Horton, APA Corp., and Corpay rounded out the bottom five performers this quarter. Jabil's shares plunged after the company placed its CEO on leave pending an investigation. However, Jabil maintained its 2024 revenue and EPS outlook and even raised free cash flow expectations, emphasizing the investigation is unrelated to financials. Paccar's stock dipped following a guidance cut for 2024 heavy truck sales, though the company expects vocational truck sales to partially offset the weakness. DR Horton's stock sold off despite exceeding earnings and revenue expectations early in the quarter. This decline stemmed from reports questioning the quality of its homes and news of the founders' passing. Concerns about near-term shareholder returns arose after APA Corp. increased capital expenditure expectations for the year due to its Callon integration. Corpay's stock price fell despite meeting quarterly targets. The company lowered its 2024 expectations due to currency headwinds and a weak lodging industry.

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 Shaun Siers, CFA

07/00/2024
S&P 500 – 5,588
Russell 1000 Value – 1,797

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.

1. Magnificent 7 includes: Apple, Microsoft, Nvidia, Amazon, Alphabet, Meta and Tesla.

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.

Specific stocks discussed 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. The compilation of information contained herein reflects the views and opinions of TAM financial professionals at the time of creation which may change at any time without prior notification. There is no guarantee that any forward-looking opinions will occur.

Todd Asset Management LLC ("TAM") is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training. 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, 2023. 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, 2023. 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. The volatility of the index and a client account will not be the same.

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.

Risks – Investments involve varying degrees of risk, and there can be no assurance that this product is suitable for your investment portfolio. The Opportunity product is designed for long-term investors who are willing to accept short-term price fluctuations. Stock market and business risks are general risks. This product generally holds 30 securities and is rebalanced every 3 months, thus it is more concentrated and may generate more investment turnover than other products. It is not required to be diversified by sector, and should be considered a more sector concentrated, aggressive application of the price to intrinsic value investment philosophy. There are times the overall market may not favor value-style investing, and it is possible the intrinsic value of the underlying stocks may never be realized.