TODD Asset Management

July 22, 2025
Intrinsic Value Team
Todd Asset Management

Todd Q2 2025 Large Cap Intrinsic Value Review

	2Q 2025	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	8.18%	5.62%	12.32%	15.43%	16.60%	11.43%	11.00%
Large Cap Intrinsic Value (Net)	8.02%	5.31%	11.67%	14.75%	15.92%	10.78%	10.34%
S&P 500	10.94%	6.20%	15.16%	19.71%	16.64%	14.39%	13.64%
Russell 1000 Value	3.79%	6.00%	13.70%	12.77%	13.93%	9.59%	9.19%

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

Performance Review

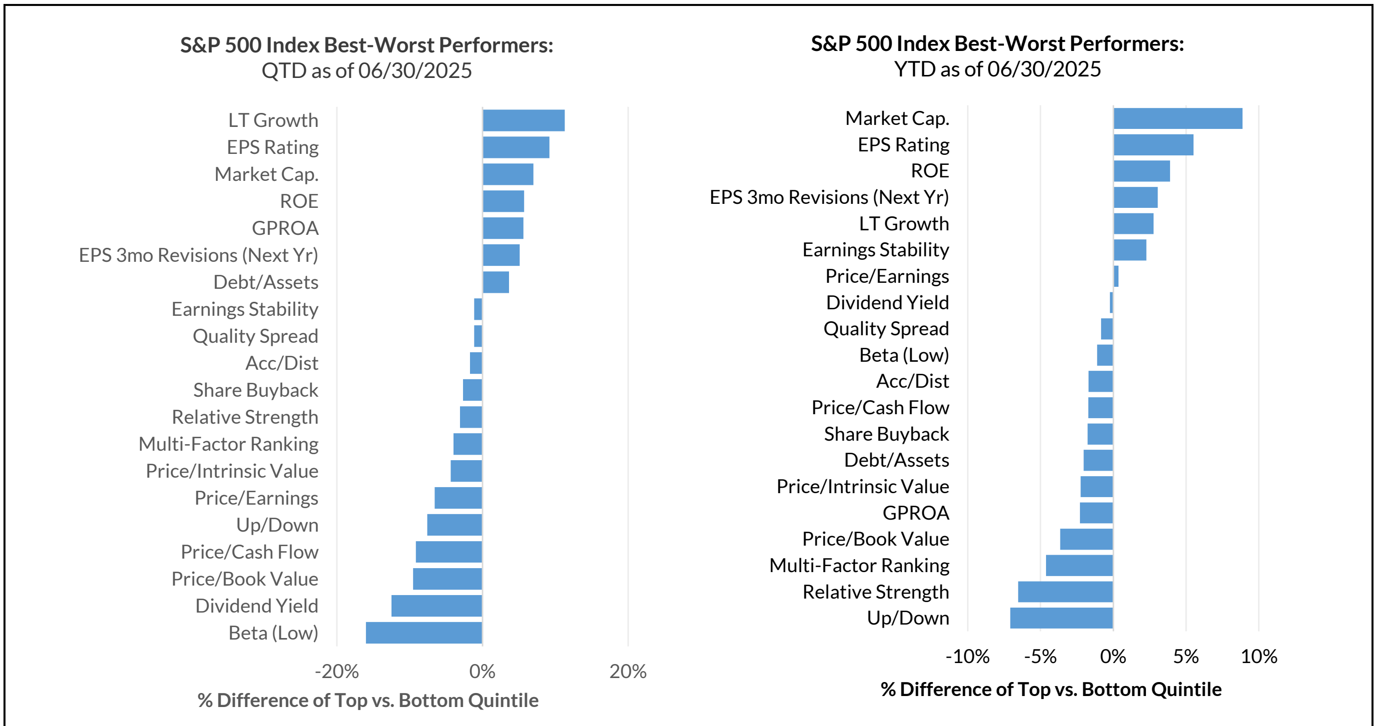
While the more defensive parts of Value were the predominant areas that worked in the first quarter, the market rotated strongly from the April lows once initial tariff announcements were paused for 90 days. Since then the market has taken on a much more cyclical tone that benefited our Large Cap Intrinsic Value strategy. We finished the second quarter ahead of the Russell 1000 Value and lagged the S&P 500.

The recovery from the post-"Liberation Day" lows has been historic, with most global stock markets breaking out to new all-time highs. What's interesting is that these returns have come in the face of unprecedented policy uncertainty. It's not uncommon for stocks to climb the proverbial "wall of worry", however it's interesting when the market is reacting in ways that you don't expect. For example, when tensions between Israel and Iran climaxed with the US entering the fray by bombing several Iranian nuclear facilities, prices of brent crude oil actually FELL more than -15% from the peak and remain below $70/bbl. Equity markets also quickly marched on to new highs over the following week. Similarly, it was interesting to see the US Dollar continue to decline in a quarter that was marked by so much volatility, which runs counter to what most investors would expect from a global safe haven. Perhaps this past quarter more than any highlights the importance of using technical analysis in your investment discipline. We incorporate technical indicators into our fundamental approach particularly because we believe there is information imbedded within the price of markets that is often hard to discern from solely interpreting financials statements.

So what is the message that is being communicated by the market? Time will ultimately tell, but in spite of the fact that geopolitical tensions have risen this year and trade deals are resulting in higher/rising tariff rates, the market seems to be broadly embracing the secular bull market which started more than 10 years ago in the US. The tax cut extensions and debt ceiling were both resolved much earlier in the calendar than most political analysts expected. Focus now seems to have shifted to the potential for regulatory relief for the banking sector and, irrespective of the drama surrounding the Fed, policy rates are expected to come down later this year.

While the S&P 500 is at all time highs and sentiment has clearly improved from quite depressed levels, the breadth of the market (meaning how broad based is participation from each of the companies in the market) is still somewhat constrained. The S&P 500 remains top-heavy, with Nvidia **alone** approaching 8% of the index with a market cap that exceeds $4 Trillion. We are constructive on the cyclical leadership that has emerged since the April lows, but would also expect participation to continue to broaden out if the market continues to trade to new highs.

Factor Performance



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

Growth factors as well as Large Cap stocks ranked at the top of the list in the second quarter, largely driven by the resurgence from the Hyperscalers and AI beneficiaries. The Russell 1000 Growth beat the Russell 1000 Value by around +14% in the quarter as well. This also explains why all of the Value factors, as well as Dividend Yield, ranked at the bottom of the list for the quarter. Low Beta names, similar to the International list, were the worst performers. This is likely driven by the historic rally of the April lows which had a strong pro-cyclical bias as the market rotated away from some of the more Defensive areas that led in the first quarter.

Performance Attribution

Against the S&P 500, our underperformance this quarter was primarily driven by our underweight positions in Communication Services and Technology. The Magnificent 7 was up more than +20% in the second quarter and make up a large part of these two sectors. Commodity related sectors, Energy and Materials, also weighed on performance as most commodity prices weakened. We remain underweight in several Defensive sectors, like Real Estate, Staples and Utilities, which was the most additive

Against the Russell 1000 Value, our outperformance was mostly driven by stock selection though sector allocation was also additive. Technology, Health Care and Discretionary were our biggest drivers of relative performance. Several of our Technology hardware holdings are major beneficiaries of ramping spending on AI. Within Health Care, it was a combination of Providers as well as drug producers and distributors that drove performance. Our top Discretionary holdings were tied to Apparel and Travel, which both saw strong gains over the past few months. Industrials and Materials were our worst performing areas as weak commodity prices and concerns around tariffs weighed on both sectors.

Our top five performing companies for the quarter were Broadcom, Jabil, Oracle, Dell Technologies and JPMorgan. The Artificial Intelligence (AI) trend was clearly back in favor this quarter with four of our top five companies tying into this theme in some way. Concerns around tariffs leading to IT supply chain disruptions eased as the Hyperscalers continued to report strong demand and elevated capital spending plans. Broadcom reiterated these dynamics when it reported earnings in the quarter, as it continues to expect rapid growth for AI semiconductors over the next few years. Broadcom remains the main beneficiary of rising demand for custom AI chips that are used to train and run large language models (LLMs). Jabil is also seeing very strong demand from cloud and datacenter end markets which led the management team to upgrade earnings guidance. Exposure to these high growth/high margin areas has risen in recent years which is driving cash flow generation and shareholder returns. Oracle was another AI beneficiary that posted blowout earnings noting a business backlog that is expected to double over the next year due to strong cloud bookings. This ramp in activity is expected to support revenue growth for years into the future. Shares of Dell have been weak for the past year on concerns over higher spending needs to accommodate rising demand. These concerns faded as investors became more confident in operating efficiency initiatives that should help support profit margins. Rounding out the top five is JPMorgan. Bank shares have performed particularly well off the April lows as investors began to anticipate deregulatory efforts by the Administration. JPMorgan also issued very reassuring commentary and results in the midst of the market sell-off in April that reiterated their strong capital position.

Our bottom five performing companies for the quarter were Fiserv, UnitedHealth Group, Oneok, Eastman Chemical and AbbVie. Fiserv posted disappointing results in April that raised questions about decelerating activity in their Clover business, which is a point-of-sale system for retailers. Shares took another leg down in May as the management team indicated that the headwind, while temporary, would likely persist for another quarter. UnitedHealth Group saw extreme pressure in April and May as their billing and claims processes came under scrutiny and the profit outlook was dramatically reduced. We eliminated UnitedHealth from the portfolio as a result of this uncertainty. Shares of Oneok have traded down this year as lower oil and gas production activity have raised the bar for the company's recent acquisitions to become accretive and meet their synergy targets. Eastman Chemical has been negatively impacted by the uncertainty around global trade and destocking in some of their end markets, particularly in building and construction where high interest rates are restrictive activity. Finally, AbbVie rounds out the bottom five as shares remain pressured as investors away a reacceleration of earnings growth following Humira's patent expiration. While the company has been successful with several new drugs, Humira sales have deteriorated faster than expected due to increased generic/biosimilar competition. Drug pricing negotiations and additional tariff announcements on the pharmaceutical industry have also been headwinds.

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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07/21/25
S&P 500 – 6,305.68
Russell 1000 Value – 1,926.46

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

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.

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 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. The minimum account size for this Composite is $1 million.

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, 2024. 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, 2024. 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 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. 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 or profitable for your investment portfolio. The LCIV product is designed for long-term investors, who are willing to accept short-term market price fluctuations. Stock market and business risks are general risks associated with the product. 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.

At acceptance, TAM will provide all clients with a copy of our current Form ADV, Part 2A ("Disclosure Brochure"), Form ADV Part 2Bs, which are the Brochure Supplements for each advisory person supporting a particular client, and, if an individual investor, the Form ADV Part 3 (client Relationship Summary or Form CRS). You may also obtain a copy of these disclosures on the SEC website at http://adviserinfo.sec.gov.