TODD
Asset Management

October 19, 2021
Intrinsic Value Team
Todd Asset Management

Todd Q3 2021 Intrinsic Value Opportunity Review

	3Q 2021	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	-2.1%	18.8%	35.7%	9.6%	10.6%	7.2%	12.3%
(Net)	-2.3%	18.1%	34.6%	8.7%	9.7%	6.3%	11.4%
S&P 500	0.6%	15.9%	30.0%	16.0%	16.9%	14.0%	16.6%
Russell 1000 Value	-0.8%	16.1%	35.0%	10.1%	10.9%	9.3%	13.5%

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

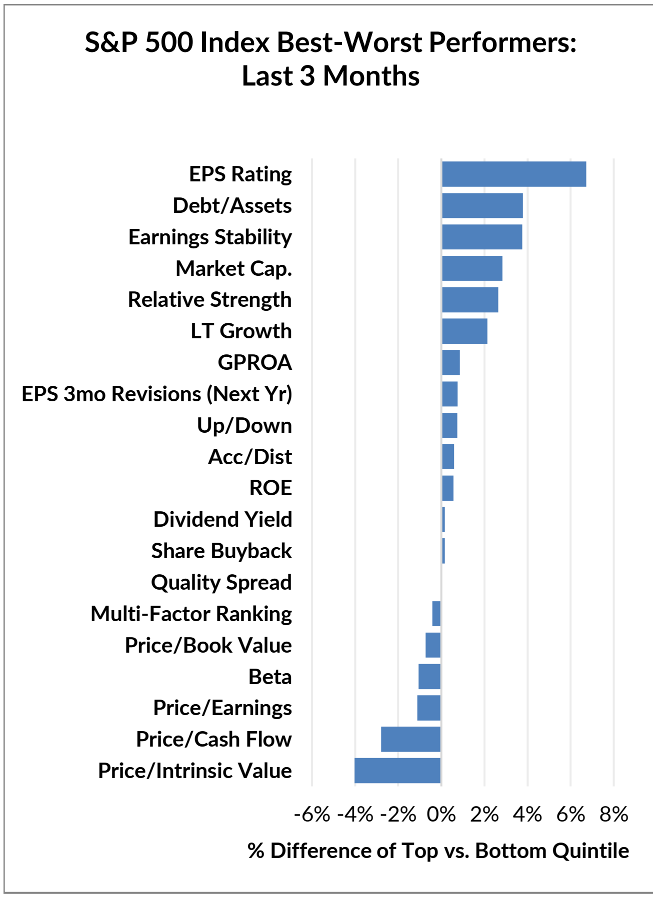
Performance Review

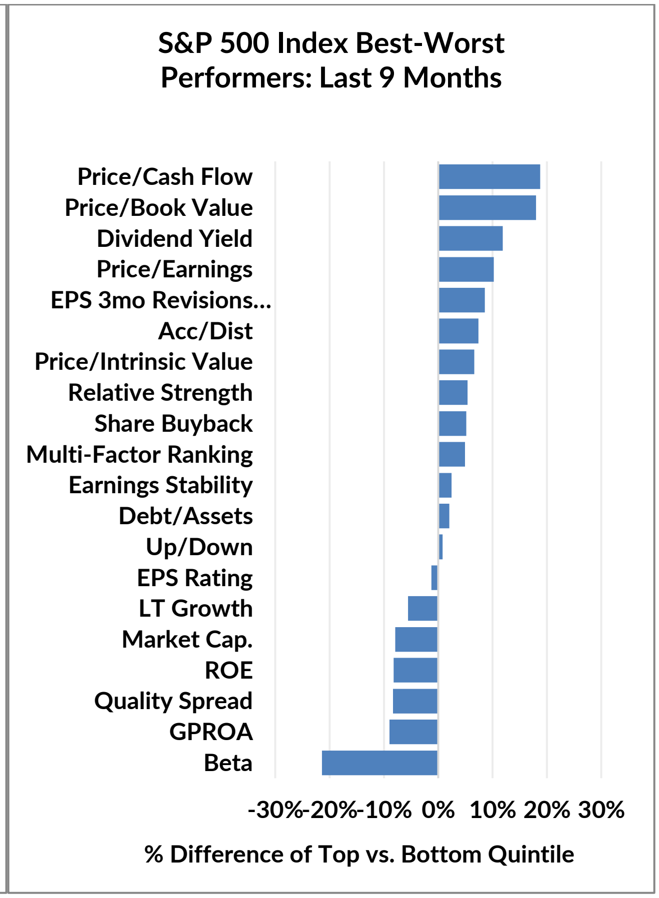
The Intrinsic Value Opportunity (gross) strategy underperformed both the S&P 500 and Russell 1000 Value for the quarter as the pause in Value and Cyclical leadership continued in the third quarter. The strategy (gross) remains ahead of both benchmarks on a YTD and 1yr basis while longer term numbers repair.

September has a reputation for bringing increased uncertainty and this past month certainly had enough negative headlines to deliver. Supply chain issues, the most recent Covid Delta wave, the US debt ceiling deadline, plans by central banks to taper asset purchases as well as property market and regulatory headwinds in China all contributed to a reduction in growth expectations for the third quarter. These downgrades have largely been specific to the third quarter as most economists expect a reacceleration in the fourth quarter and beyond. Markets seem to have warmed up to this transitory slowdown narrative as rates and cyclicals both rose materially in late September. Supply constraints are still the main culprit for restrained activity. Pent-up demand already exists and the continuation of stimulus (with two sizable spending packages in the queue) should further support demand for some time. This dynamic (constrained supply chains and robust demand) could very well lengthen the recovery as pent-up demand takes more time to get unleashed and inventories more time to rebuild.

Stock selection drove most of our underperformance against the S&P 500. Technology again was our largest detractor, specifically Tech Hardware and Semiconductors. Industrials and Healthcare also weighed on performance. Supply chain constraints were the common denominator amongst our names in Tech and Industrials that lagged as these issues are either constraining activity and weighing on sales expectations or they are pushing up costs and weighing on margins. Consumer Discretionary was our best performing sector. The new rebalance at the start of the quarter had less of an emphasis on Consumer areas, like Food and Retail, and fewer Banks. The strategy did pick up more commodity names in Energy and Materials.

Factor performance





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

The pause in Value leadership and resurgence of Growth that we highlighted last quarter continued through the middle of September before reversing. This can be seen in the 3rd quarter factor returns on the left chart above as Value metrics were among the worst performers. The preference toward Growth, Quality and Large cap is consistent with the leadership we saw for most of the quarter from some of the largest Tech names in the S&P 500. Year-to-date (right chart) we still observe Value factors at the top of the list.

Our top five contributors towards performance during the quarter were HCA Healthcare, Autozone, Oracle, Fifth Third Bancorp and NetApp. HCA Healthcare posted results that were well ahead of consensus driven by higher hospital admissions and surgeries. This recovery in hospital activity from the lows in the pandemic is expected to continue, which led management to raise forward guidance as well. Autozone reported results late in the quarter highlighted by market share gains with same store sales growth well ahead of the industry average. Shares of Oracle rose on expectations that growth in their Cloud business would continue to accelerate. The move higher in rates lifted shares of Fifth Third Bank as did more optimistic commentary from management around loan growth, particularly in Autos and C&I

loans. NetApp, a data storage and analytic services provider, posted strong results and raised guidance much like they did last quarter. They continue to see their cloud business accelerating and expect gross margins to move higher as revenues in this segment ramp.

Our five worst detractors from performance during the quarter were Fedex, Teradyne, DXC Technology, Cigna and WW Grainger. Fedex shares were weak all quarter as pressure from labor shortages (both restricting efficiency/volumes and increasing costs) weighed on earnings. Supply chain constraints weighed on the semiconductor industry in general, and Teradyne specifically. These shorter-term supply chain issues have weighed more heavily on investors minds than the structural tailwinds (i.e. increased semiconductor testing around 5G rollouts and industrial automation/robotics) that should support results for the company longer term. DXC Technology, an IT consultant, had analysts downgrade expectations for the company given concerns around increased competition and slower growth of their legacy business. Cigna also saw a downgrade of estimates after reporting quarterly results that showed continued cost headwinds from Covid. Finally, WW Grainger continues to see higher input and shipping costs weigh on results.

In summary, the economic recovery is continuing and should benefit from a Grand Re-opening v.2.0. Consumer demand remains firm, capital spending is starting to recover, and manufacturing is catching up. There are some issues slowing the recovery, notably a lack of workers, inflation concerns and supply chain breakdowns. The good news is that most of these issues are addressable and should contribute to a longer economic recovery as demand has been deferred not destroyed. There are likely to be bumps along the way as the market shifts from the aggressive growth-oriented leadership of the past five years to a more value-oriented leadership. We still believe we are in the second half of a secular bull market that has years to run. The rotation and better economic visibility are probably what powers the second half of that secular bull.

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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10/19/21
S&P 500 – 4520
Russell 1000 Value – 1611

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.

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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. 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.