October 21, 2024
Jack White, CFA
Todd Asset Management

I Love It When a Plan Comes Together

TAM US Q3 2024 Review and Outlook Chartbook

Fans of the 1980's TV series "The A Team" will remember the catchphrase the team leader had after one of their convoluted schemes worked, "I love it when a plan comes together!" Our guess is **that's exactly how Jay Powell feels after achieving a soft landing and seeing inflation return to normal levels.** Quarter and year to date returns for the S&P have been excellent, showing investors expected a favorable outcome despite the chorus of economists that still seem to expect a recession. Other major points we took from the quarter include:

- **The Federal Reserve reduced interest rates** by 50 basis points to become the latest central bank to join in the global easing cycle. We believe this cycle is backed up by lower inflation and stable growth, so the Fed should have leeway to lower rates further.
- **Yield curves un-inverted** and long-term interest rates declined from the cycle peak. The market is augmenting the Feds actions and lower interest costs for borrowers should be a tailwind for economic growth. **<u>We do not expect a recession and are in a soft landing.</u>**
- **Corporate earnings were ahead of estimates**, and analysts still expect double digit earnings growth from the S&P 500 for 2025 and 2026.
- **Investor sentiment has shifted from recession to recovery** several times this year. Recovery (i.e. soft landing) has become more entrenched recently as a lower federal fund rate, lower market rates and good earnings are digested. As a result**, the market rally broadened out**.

Despite having no official recession, the rate increases from central banks last year broke a lot of things, including corporate earnings (we had an earnings recession), housing, auto production and manufacturing. **Lower rates should allow for a recovery in those areas**, especially as consumers and corporations have relatively healthy finances. The capital expenditures that have grown are those related to infrastructure, reshoring and artificial intelligence capacity. We believe those trends still have room to continue their uptrends to accompany any recovery in those other depressed areas.

Politics are a concern as the US election is coming up. We have heard one of our favorite economists describe **current economic conditions as "the pre-election freeze",** where corporations and consumers are waiting to make larger purchases until they get a clear indication of where government policies are heading. Next month (we hope) we will know who the winner is, eliminating that uncertainty. Historically, **the final months of an election year are usually pretty good** as a relief rally takes hold. We believe that is likely the case this year as well. There will be a period in the future where the US is going to have to deal with the deficit and debt, but markets are not forcing that issue yet.

There are other concerns that markets are ignoring. Geopolitics have seen new fronts emerge in the Middle East and the Ukrainian wars. Markets have not been concerned though and have powered to new highs despite these escalations. **There is a lot of cash on the sidelines earning 5% currently, and if the Fed reduces rates, could that cash move to stocks to fuel the bull market?** It's possible, so despite being expensive, stocks can continue to act well.

<u>Charts we are sharing with our clients this quarter</u>- *Please see our separate quarterly commentaries on our website for more details on these domestic strategies.*

Large Cap Intrinsic Value Annualized Returns (%)

All Periods Ending 09/30/2024

TODD Asset Management

Inception Date: January 1, 1981

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.
Large Cap Intrinsic Value *(Net)*	**8.25**	**20.98**	**33.54**	**11.14**	**14.63**	**11.34**	**10.59**
S&P 500	5.89	22.08	36.35	11.91	15.98	14.49	13.37
LCIV Net Excess Return	+2.36	-1.10	-2.81	-0.77	-1.35	-3.15	-2.78
Russell 1000 Value	9.43	16.68	27.76	9.03	10.69	9.53	9.23
LCIV Net Excess Return	-1.18	+4.30	+5.78	+2.11	+3.94	+1.81	+1.36
Large Cap Intrinsic Value *(Gross)*	**8.40**	**21.50**	**34.30**	**11.80**	**15.31**	**12.00**	**11.24**
S&P 500	5.89	22.08	36.35	11.91	15.98	14.49	13.37
LCIV Gross Excess Return	+2.51	-0.58	-2.05	-0.11	-0.67	-2.49	-2.13
Russell 1000 Value	9.43	16.68	27.76	9.03	10.69	9.53	9.23
LCIV Gross Excess Return	-1.03	+4.82	+6.54	+2.77	+4.62	+2.47	+2.01

Data Source: Todd Asset Management, Standard and Poor's® and Russell® Indexes. QTD and YTD returns are not annualized. Past performance does not provide any guarantee of future performance, and one should not rely on the composite as an indication of future performance. There is no guarantee that this investment strategy will work under all market conditions. Refer to the Performance Disclosure and Additional Disclosures for more information on the performance numbers and benchmark data presented. These notes are an integral part of this chart and should not be reproduced or duplicated without these notes.

Intrinsic Value Opportunity Annualized Returns (%)

All Periods Ending 09/30/2024

TODD Asset Management

Inception Date: April 1, 2006

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.
Intrinsic Value Opportunity *(Net)*	**9.89**	**22.16**	**31.92**	**14.38**	**14.66**	**11.76**	**8.66**
S&P 500	5.89	22.08	36.35	11.91	15.98	14.49	13.37
IVO Net Excess Return	+4.00	+0.08	-4.43	+2.47	-1.32	-2.73	-4.71
Russell 1000 Value	9.43	16.68	27.76	9.03	10.69	9.53	9.23
IVO Net Excess Return	+0.46	+5.48	+4.16	+5.35	+3.97	+2.23	-0.57
Intrinsic Value Opportunity *(Gross)*	**10.11**	**22.91**	**33.00**	**15.33**	**15.62**	**12.70**	**9.57**
S&P 500	5.89	22.08	36.35	11.91	15.98	14.49	13.37
IVO Gross Excess Return	+4.22	+0.83	-3.35	+3.42	-0.36	-1.79	-3.80
Russell 1000 Value	9.43	16.68	27.76	9.03	10.69	9.53	9.23
IVO Gross Excess Return	+0.68	+6.23	+5.24	+6.30	+4.93	+3.17	+0.34

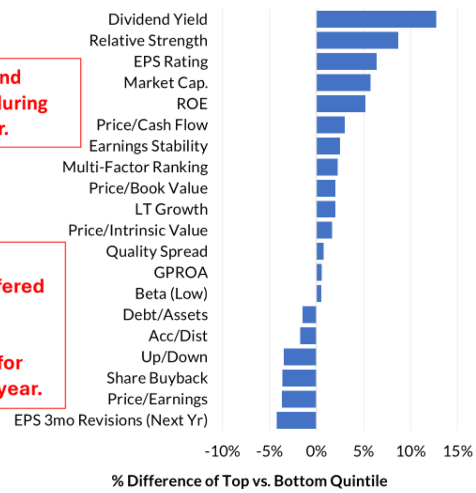
Data Source: Todd Asset Management, Standard and Poor's® and Russell® Indexes. QTD and YTD returns are not annualized. Past performance does not provide any guarantee of future performance, and one should not rely on the composite as an indication of future performance. There is no guarantee that this investment strategy will work under all market conditions. Refer to the Performance Disclosure and Additional Disclosures for more information on the performance numbers and benchmark data presented. These notes are an integral part of this chart and should not be reproduced or duplicated without these notes.

Domestic Factor Analysis- Rotation from Growth in Quarter

As of 9/30/2024

S&P 500 Index Best-Worst Performers:
QTD as of 09/30/2024

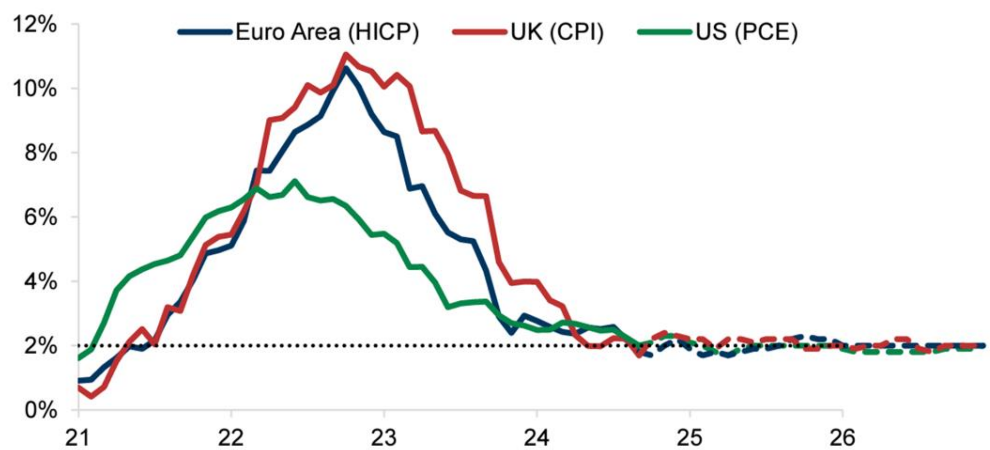
S&P 500 Index Best-Worst Performers:
TTM as of 09/30/2024



Data Source: Bloomberg, William O'Neill & Co. and TAM. The noted index is unmanaged, and not available for direct investment; it includes reinvestment of dividends; it does not reflect management fees or transaction costs. The volatility of the index and a client account will not be the same.

Mission Accomplished for Central Banks?

Inflation falling to at or below Central Bank targets
Headline Inflation % change y/y



Source: Goldman Sachs Macro at a Glance 10-7-24
Commentary contains subjective judgements, management opinions and assumptions subject to change without notice. Commentary is based on information as of the period covered by this material. There can be no assurance that developments will transpire as forecast. Information contained herein has been obtained from sources believed to be reliable but not guaranteed.

Most Central Banks Are Easing

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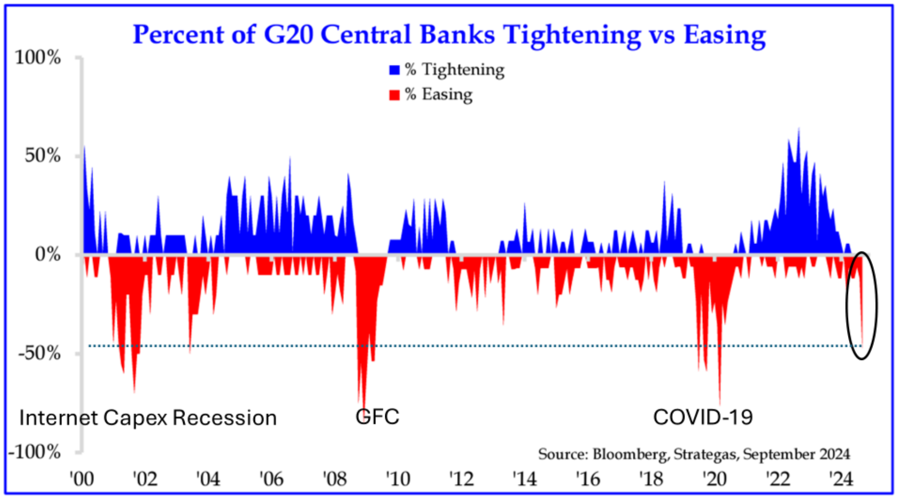

Slower inflation and a soggy manufacturing economy has ~ half of central banks pursuing an easing cycle. This should continue for some time.

Source: Strategas Quarterly Review in Charts 10-4-24
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US Leading Indicators Bottomed in April 2024

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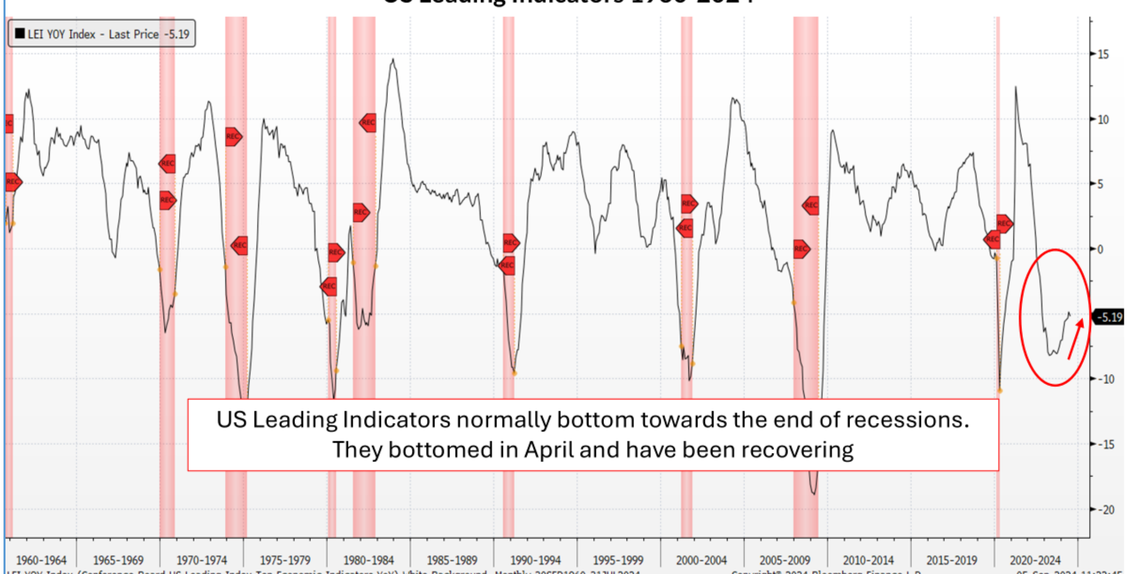
US Leading Indicators 1960-2024



Source: Todd Asset Management, Bloomberg Data as of 9-5-24. US Recessions Shaded
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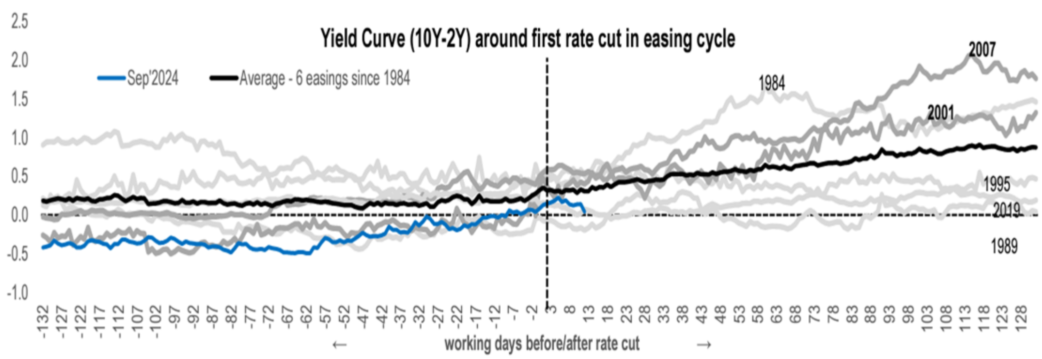
Where is the Slowdown?

US Real GDP growth has confounded economists who have been calling for recession. We believe we are in a soft landing that should last for some time.

Source: Apollo Chief Economist 10-1-24

Yield Curve Usually Steepens After Easing Begins



Source: J.P. Morgan Equity Macro Research, Bloomberg Finance L.P.

- The US 10 yr – 2 yr yield curve has steepened and un-inverted.
- History suggests that steepening continues, though some questions remain if shorter term rates will decline as much as investors expect.

Source: JPM- US Equity Strategy 10-8-24

Corporate and Consumer Balance Sheets in Good Shape.

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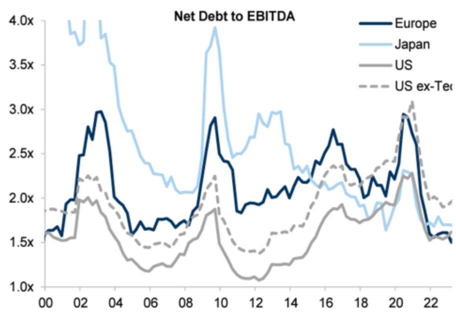
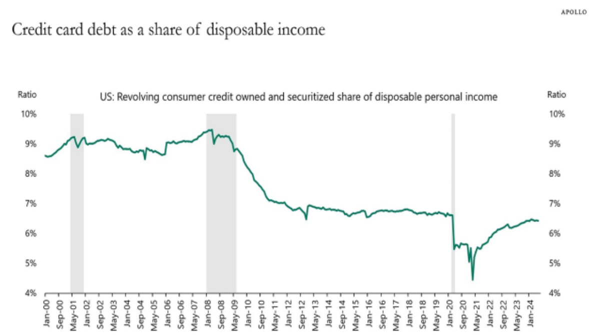
Corporate Debt/EBITDA Lower Globally



Credit Card Debt to Personal Income is Low



- Corporate (left chart) and Consumer (right chart) debt service measures are generally low.
- Corporate earnings are recovering, and consumer wages are growing
- This argues for continued soft landing.

Source: Goldman Sachs Macro at a Glance 10-7-24, Apollo Chief Economist 10-13-14

When Do Interest Payments Become a Problem?

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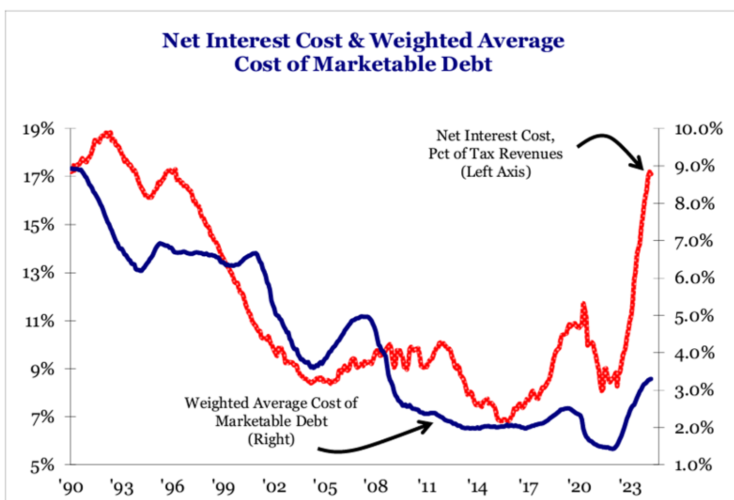
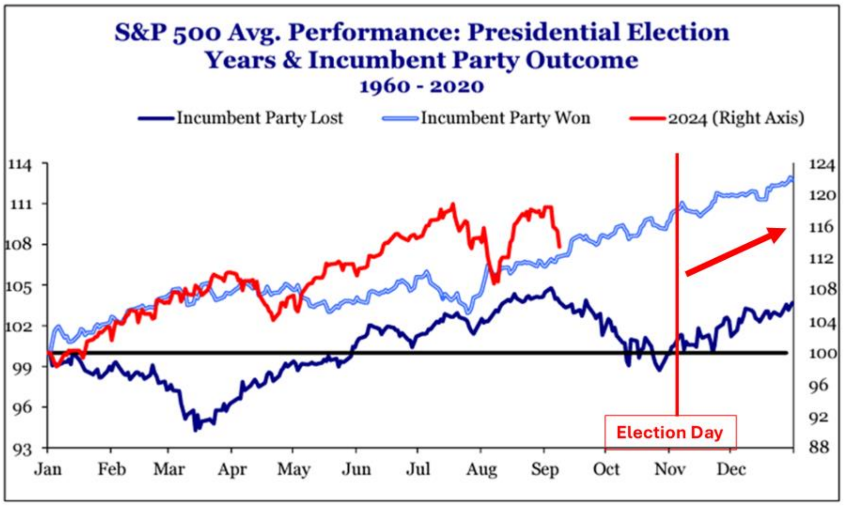


Net interest costs as a percent of tax revenues are the highest in 25 years, and there is an impending debt ceiling. Congress needs to address this.

Source: Strategas Quarterly charts in Review 10-4-24

Election- Uncertainty Usually Leads to Year End Rally



Post Election Day, markets usually rally into year end

Source: Strategas- Dan Clifton 9-9-24

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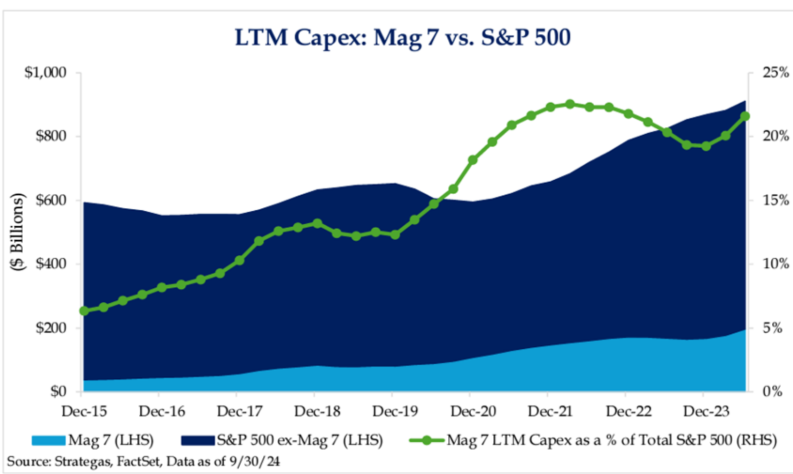
CAPEX-Both Tech and Non-Tech are Growing



Capital spending continues to expand for both AI technology and non-technology companies.
The Chips, Infrastructure and Inflation Reduction Acts continue to support this trend.

Source: Strategas- quarterly Review In Charts 10-4-24

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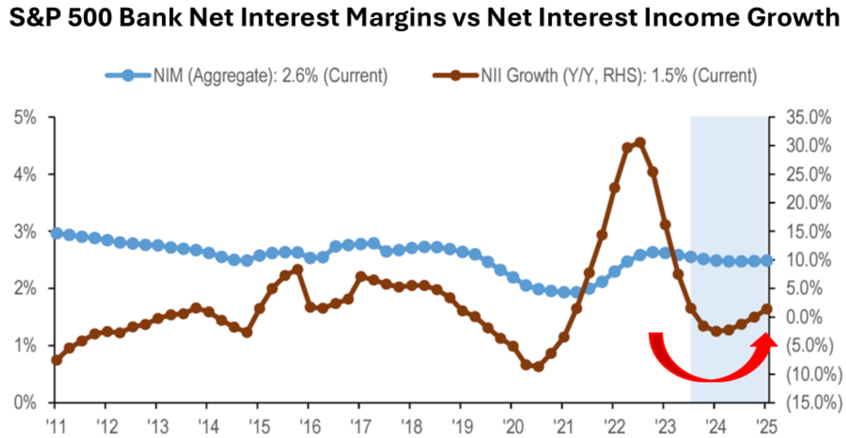
Banks Net Interest Income Growth Resumes



Financials have been leading this year and are Net Interest Income is growing again. A soft landing should improve demand for bank loans.

Source: JPM- US Equity Strategy 10-8-24
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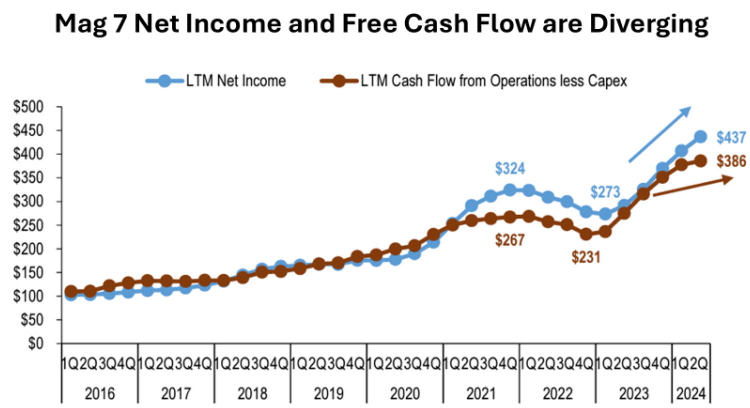
Wider Gap Between FCF and Earnings for the Mag 7*



It is becoming more expensive to be a Mag 7 AI player, as they now invest more than 10% of revenue for AI Capital Investment and that is accelerating. The companies need to see some return on that investment.

Source: JPM- US Equity Strategy 10-8-24
* Magnificent 7 includes: Apple, Microsoft, Nvidia, Amazon, Alphabet, Meta and Tesla.
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We appreciate your support and attention. As always, if you need any additional information, please feel free to contact any of us.

Curt Scott, CFA
Jack White, CFA
Jack Holden CFA
Shaun Siers, CFA

10/21/2024
S&P 500 – 5,854
Russell 1000 Value – 1,889

TODD ASSET MANAGEMENT LLC

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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.

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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, 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 Large Cap intrinsic Value 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 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. Prior to September 2001, the management fee schedule applied to the Composite was .50%. 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.

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