TODD
Asset Management

January 18, 2022
Intrinsic Value Team
Todd Asset Management

Todd Q4 2021 Intrinsic Value Opportunity Review

	4Q 2021	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	15.7%	37.4%	22.3%	12.8%	8.0%	12.7%
(Net)	15.4%	36.3%	21.3%	11.9%	7.1%	11.8%
S&P 500	11.0%	28.7%	26.1%	18.5%	14.9%	16.6%
Russell 1000 Value	7.8%	25.2%	17.6%	11.2%	9.7%	13.0%

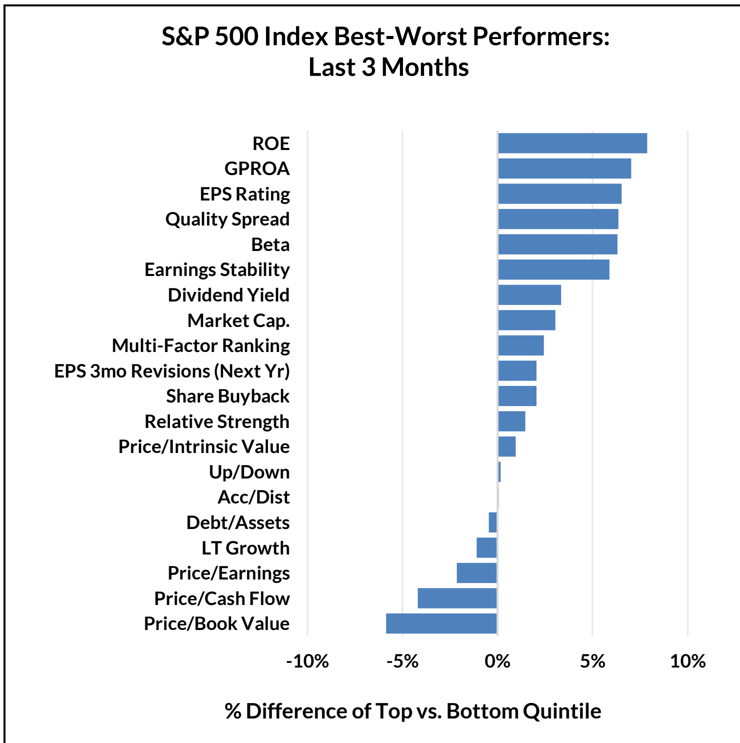
** Annualized Total Returns. Please refer to the attached Performance Disclosure for further information*

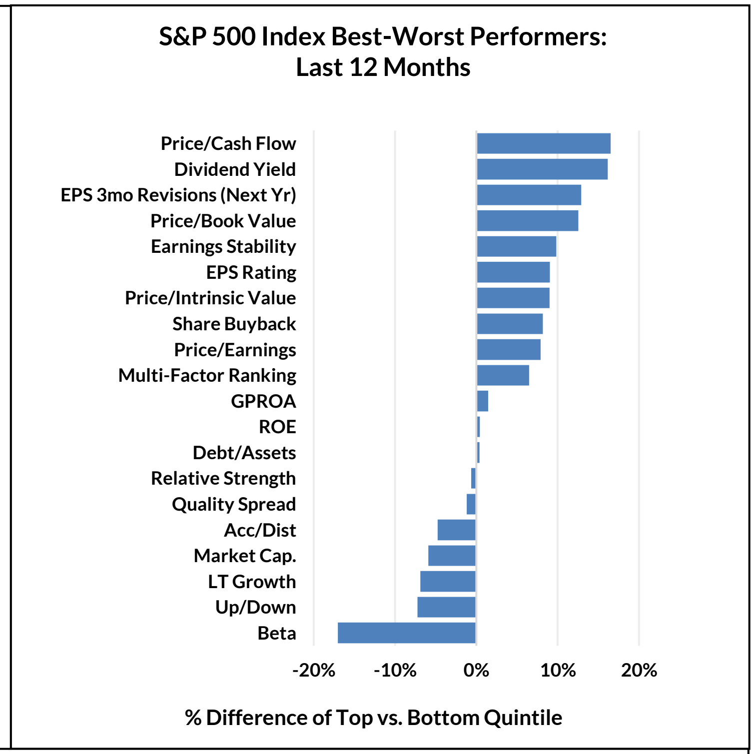
Performance Review

The IV Opportunity (gross) strategy outperformed both the S&P 500 and Russell 1000 Value during the quarter by +4.6% and +7.9% respectively. The strategy finished the full year 2021 ahead of the S&P 500 by +8.7% and ahead of the Russell 1000 Value by +12.2%. This was despite the style headwinds from Growth outperforming Value last year in the US. Given the strategy's more concentrated and deeper value exposure, it was our stock specific drivers in economically sensitive industries that drove performance in 2021.

The defensive stance we noted in last quarter's letter persisted through much of the fourth quarter. The most recent source of anxiety came from rising Covid cases, which exploded higher in a number of countries as the more transmissible (though less severe) Omicron variant caused disruptions. The market largely shrugged this off and inflation came back into center view as we received several hot readings and reports indicated that the labor market was likely close to full employment. This caused much more hawkish commentary from the Fed, who is now quickly bringing to a close their asset purchase program and is likely to raise rates for the first time in March. Prospects of Fed tightening caused interest rates to move sharply higher, having moved from 1.35% on the US 10yr right before Christmas to 1.75% at the time of this writing. This sharp move caused a derating of Growth names, who had previously avoided any material multiple contraction. Historically as the economy transitions to mid-cycle and interest rates move higher, multiples tend to contract and Value outperforms Growth. The risk of multiple contraction is likely highest in large cap Tech names. Any pressure here would certainly be felt at the index level given the high amount of concentration in the S&P 500, however the fundamentals for the economy and many of the sectors our strategy has exposure to remain pretty solid. Tightening from the Fed is likely to cause some volatility, however easing supply chain bottlenecks and strong demand should keep the economy and market on solid footing this year.

Stock selection was responsible for all of our outperformance for the quarter (and the year). Specifically our selection in Industrials, Technology and Consumer Discretionary drove performance. This consisted of heavy equipment, building products that serve the housing industry, tech hardware and semiconductors and autos. The largest detractor to performance was from Financials which suffered from rates falling in the first part of the quarter. The newly rebalanced portfolio has maintained a very similar sector allocation, though there is more of an emphasis on commodity oriented names in Energy and Materials. This makes some sense given rising commodity prices and heightened concerns around inflation in the US. Retail, Healthcare Facilities, Semiconductors and Tech Hardware remain notable weights in the strategy, all of which likely benefit from receding pandemic disruptions.





Data Source: Bloomberg, William O'Neil + Co. and Todd Asset

The defensive tilt to the market in the 4th quarter (left chart above) can be seen in our factor work as well. Quality, visibility and shareholder returns were leadership while Value was pressured by concerns around the Omicron variant. For the full year 2021 (right chart above), interestingly Value metrics were among the best performers despite the fact that the Russell 1000 Value underperformed the Russell 1000 Growth by -2.5% last year. This speaks to the concentration of US indices where the top 7 names represent 28% of the weight in the S&P 500 and 45% of the Russell 1000 Growth. Notably, each metric that feeds screening process for this strategy were additive for the quarter and year. This would certainly help explain the strong performance for last year.

Our top five contributors to performance during the quarter were Teradyne, Ford Motor, Qualcomm, HP Inc. and Seagate Technology. Teradyne makes testing equipment for the semiconductor industry and is experiencing very strong demand for their products given in growing complexity and innovation of next generation chips. Ford reported strong results in October as they've been one of the few auto manufacturers to have success procuring semiconductor chips which led to a dramatic improvement in vehicle production. The company also upgraded plans to roll out more electric vehicles, like their EV pickup truck (Ford Lightning). Qualcomm posted better than expected results highlighted by market share gains in China and higher-end Android devices, which management expects to continue through 2022. HP Inc, which makes printers and computer equipment, posted very strong results in the quarter as solid pricing helped to drive revenues and profits ahead of expectations. Finally, Seagate is benefiting from increased demand from cloud and enterprise customers for their hard-drives where pricing has been a tailwind to overall margins.

Our worst five detractors from performance during the quarter were Charter Communication, DXC Technology, eBay, Invesco and Davita. Estimates for broadband subscriber growth were brought down for Charter Communication due to increased competition and the fact that much of the demand for additional wireless services were pulled forward over the past few years as people spent more time at home during the pandemic. DXC Technology is an IT services consultant that is in the midst on a turnaround as the transition by many clients to the cloud has weighed on their IT Outsourcing business. Their new CEO has laid out a plan to navigate through this new environment, however investors tend to give turnarounds a short leash and results posted in the quarter showed disappointing bookings. eBay was a beneficiary of the pandemic as more time spent at home led to more activity on their marketplace. Reopening has had the opposite effect and the company is now facing tough comparisons from last year and seeing a decline in the number of active buyers on their platform. Asset flows have been pretty solid for Invesco, however shares sold off with the broader market in November and the larger mix of flows to passive ETFs (lower fee) is a headwind to profit growth. Davita offers dialysis treatment and has seen their patient population severely impacted by the pandemic. Management once again lowered guidance due to the increased mortality rate of the Delta variant of Covid

The economic recovery is young. There will be bumps along the way, and we would not be surprised to see market weakness surrounding the first rate hike from the Fed. We would suggest the Fed is raising rates because they believe economic momentum is sustainable and it is likely to wring some speculation out of the markets. Once that speculation is wrung out, we believe markets will be on solid footing to improve on the back of an improving economy driven by rebuilding of inventories, capital spending, improvement in employment and rebound in services.

We would love to hear from you. If you have any questions please feel free to contact any of us for a conversation or further information. 502-585-3121.

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01/18/2022
S&P 500 – 4577
Russell 1000 Value – 1646

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. 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.