January 21, 2026
Jack White, CFA
Todd Asset Management

Cutting Rates into a Boom

TAM US Q4 2025 Review and Outlook Chartbook

We remain constructive on the U.S. stock market, as it is supported by solid economic fundamentals, resilient consumer spending, and healthy corporate earnings. The Federal Reserve is expected to continue cutting rates later this year, as nominal GDP growth is booming. The primary uncertainties lie in political and geopolitical developments, which could drive short-term volatility. On balance, we anticipate another positive year for equities, but there are concerns that could lead to occasional periods of weakness. We summarize our outlook on the important market drivers below.

Economic Growth

Economic growth has outperformed expectations and appears likely to stay above trend as consumption is firm and capital spending remains strong. Tariff impacts were smaller than expected: Q3 GDP was strong (recent nominal GDP growth was over 8%) and Q4 should be strong as well. Inflation is behaving and is below 3%, though still above the Fed's 2% target. Job growth slowed last year amid tariff and immigration-related disruptions, but consumer spending should stay strong, and manufacturing should recover in 2026 as the economy rebounds from the government shutdown and benefits from the OBBB tax cuts and higher tax refunds help demand.

Federal Reserve Policy

Fed policy is likely to turn more accommodative than markets expect. Markets expect two Fed rate cuts in 2026. Given the decline in inflation and job market softness cuts appear warranted. With a new Fed Chair taking office in May, the bias may shift toward more aggressive cuts, especially if job growth continues to moderate and inflation remains stable. Historically, new chairs face early market tests, so volatility may increase as investors gauge policy direction.

Long Term Interest Rates

Long-term interest rates may stay elevated even as short-term rates decline. Persistent funding needs from deficit spending, infrastructure, and capital investment, particularly in AI, reshoring, and energy, will keep demand for capital high. The M&A and credit markets are also expected to remain active. *Our early warning signal that markets are worried about inflation or US government debt/spending becoming unmanageable is the 10-year treasury yield*. If the market loses faith in sustainability of the current situation, rates will increase. Rates have been in a trading range for some time now, but the equity market tolerance for higher yields may fade if the 10-year Treasury exceeds roughly 4.5%, which could become a pressure point.

Earnings Growth

Corporate earnings remain strong and broadly supported by above-trend nominal GDP growth. S&P 500 earnings rose over 12% in 2025, accounting for most of the year's market gains, and consensus forecasts call for another 13.5% increase in 2026. Sector leadership is expected to broaden beyond technology, communications, and financials to include industrials, materials, and healthcare. Key risks include slowdown in capital spending, rising labor or input costs, and a broader economic slowdown.

Technical Outlook
Market momentum remains positive, with the S&P 500 breaking above its 2025 consolidation range and over 65% of its stocks trading above their 200-day moving averages. Strength has rotated away from technology toward other sectors, while Nasdaq shows relative weakness. Gold and other precious metals are in strong uptrends, while oil remains rangebound. Historically, sustained rallies in precious metals can foreshadow equity market weakness, but we do not believe that inflection point has arrived.

Valuation
Equity valuations are elevated, with the forward earnings yield minus the 10-year Treasury yield (equity risk premium) near its lowest level since 2002. While high valuations suggest limited margin for error, they are not immediate sell signals. If sales growth remains solid and productivity improvement continues (particularly through AI adoption), markets could grow into current multiples over time.

Politics and Geopolitics
Political and geopolitical risks remain a key source of uncertainty. Global tensions are elevated, and domestic policy shifts could unsettle markets. President Trump's populist measures, ranging from restrictions on defense contractors to caps on credit card rates and limits on institutional real estate investment, may raise concerns about renewed regulation and Fed independence. With midterm elections ahead and the potential for another government shutdown, policy-driven volatility could be a recurring theme this year.

Value stocks are starting to lead as markets are recognizing their relative fundamental improvement compared to the Large Cap Technology stocks. Large Cap Technology earnings are good but decelerating, while EPS are rising for (and creating interest in) the other 493 stocks in the S&P 500. Broadening market participation is likely to be a major theme this year and should allow Banks, Industrials, Health care and even Materials groups to act better. ***Investors still have too much concentration in the old growth leadership and should consider adding to other disciplines with more emphasis on Value and International investing.***

We present the performance of our two domestic strategies below for your review. Both emphasize large capitalization and high-quality applications of our intrinsic value process. The Large Cap Intrinsic Value is a diversified application of the strategy, using risk controls and sell disciplines with a long-term holding period. The Intrinsic Value Opportunity Fund is a more concentrated, unconstrained, higher turnover adaptation of the style. **Please look on our website, www.toddasset.com, for more information and quarterly reviews for each of these strategies** or call us if you would like to discuss them in more detail. If you are interested in our international strategies, please look at the International chartbook and strategy reviews that are on the website as well.

Large Cap Intrinsic Value Annualized Returns (%)

All Periods Ending 12/31/2025

TODD Asset Management

Inception Date: January 1, 1981

	QTD	YTD	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.
Large Cap Intrinsic Value *(Net)*	**4.34**	**18.72**	**16.87**	**13.41**	**14.95**	**12.21**
S&P 500	2.66	17.88	23.01	14.42	17.29	14.82
LCIV Net Excess Return	1.68	0.84	-6.14	-1.01	-2.34	-2.61
Russell 1000 Value	3.81	15.91	13.90	11.33	12.10	10.53
LCIV Net Excess Return	0.53	2.81	2.97	2.08	2.85	1.68
Large Cap Intrinsic Value *(Gross)*	**4.49**	**19.41**	**17.55**	**14.08**	**15.63**	**12.87**
S&P 500	2.66	17.88	23.01	14.42	17.29	14.82
LCIV Gross Excess Return	1.83	1.53	-5.46	-0.34	-1.66	-1.95
Russell 1000 Value	3.81	15.91	13.90	11.33	12.10	10.53
LCIV Gross Excess Return	0.68	3.50	3.65	2.75	3.53	2.34

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.

Intrinsic Value Opportunity Annualized Returns (%)

All Periods Ending 12/31/2025

TODD Asset Management

Inception Date: April 1, 2006

	QTD	YTD	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.
Intrinsic Value Opportunity *(Net)*	**2.22**	**19.66**	**21.33**	**18.26**	**17.17**	**11.96**
S&P 500	2.66	17.88	23.01	14.42	17.29	14.82
IVO Net Excess Return	-0.44	1.78	-1.68	3.84	-0.12	-2.86
Russell 1000 Value	3.81	15.91	13.90	11.33	12.10	10.53
IVO Net Excess Return	-1.59	3.75	7.43	6.93	5.07	1.43
Intrinsic Value Opportunity *(Gross)*	**2.43**	**20.65**	**22.34**	**19.24**	**18.14**	**12.90**
S&P 500	2.66	17.88	23.01	14.42	17.29	14.82
IVO Gross Excess Return	-0.23	2.77	-0.67	4.82	0.85	-1.92
Russell 1000 Value	3.81	15.91	13.90	11.33	12.10	10.53
IVO Gross Excess Return	-1.38	4.74	8.44	7.91	6.04	2.37

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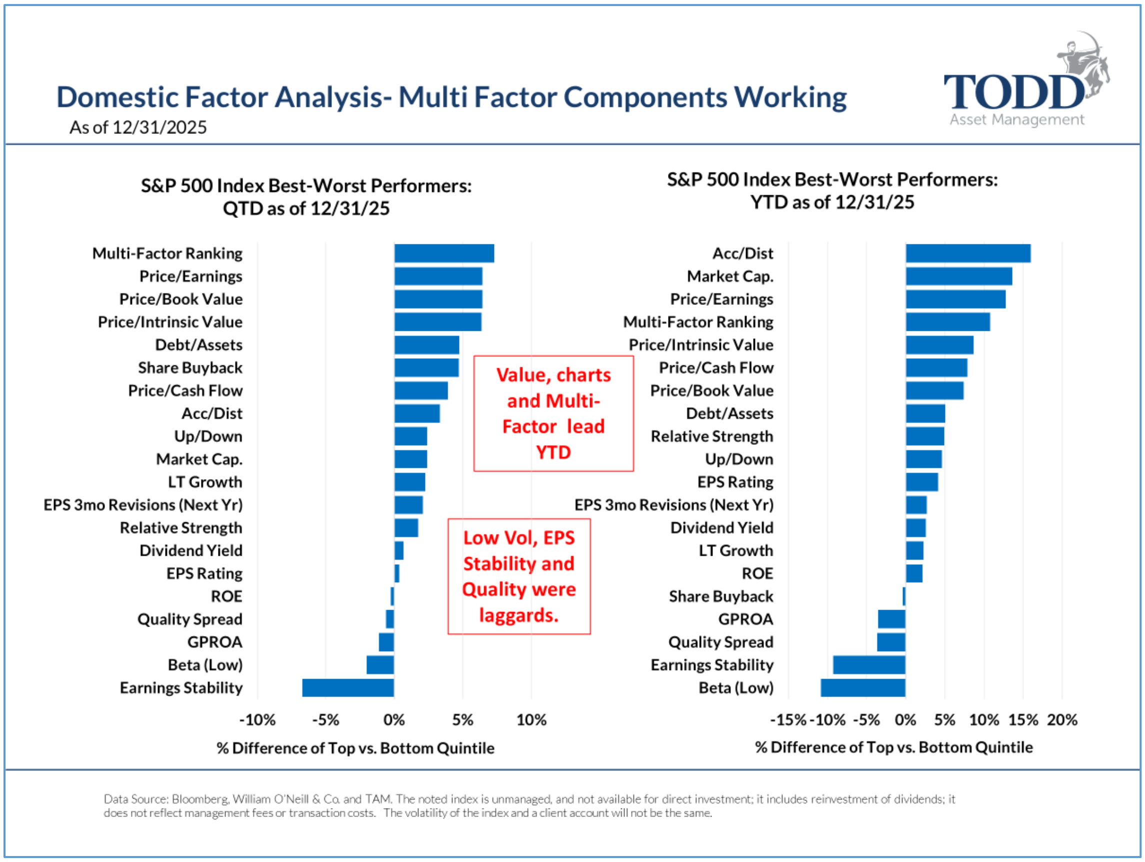
Factor Analysis



Markets have shifted to favoring attractive valuations over both the past quarter and year. The Multi-Factor Ranking we use as a screening tool has also performed well over those time periods. *We screen stocks seeking three things when managing our strategies, attractive valuation, solid/improving fundamentals and attractive charts*. We find stocks with those characteristics by combining seven factors into our proprietary Multi-Factor Ranking where a high rating indicates good probability of success and vice versa. *Our selection process is to then fundamentally evaluate stocks that rank highly on our Multi-Factor Ranking and see if they have the long-term potential to outperform their peers on a fundamental basis*. When this factor is outperforming, we should have the wind at our backs for performance.

The factors performing poorly over the last quarter and year were Low Volatility (beta), Earnings Stability and Quality ranking. Real Estate and Staples were two of the worst performing groups in the S&P 500 during the year, and they were joined by Utilities in the fourth quarter. We believe that helped skew these factors negatively, as those groups are typically considered dependable, high quality and lower volatility investments.

Charts we are sharing with clients this quarter:

GDP Estimates Recovering Post Trade Deals

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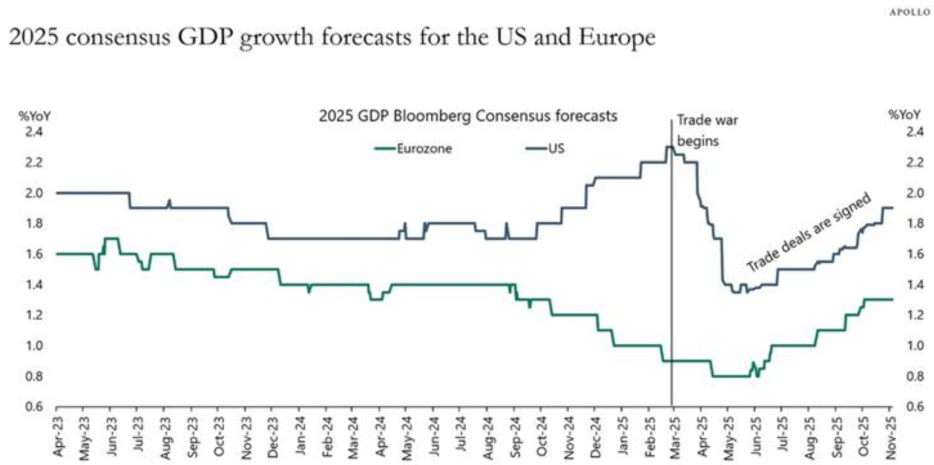

Source: Apollo Chief Economist- Torsten Slok 11-20-25
Commentary contains subjective judgements, management opinions and assumptions subject to change without notice. Commentary is based on information as of the period covered by this material. There can be no assurance that developments will transpire as forecast. Information contained herein has been obtained from sources believed to be reliable but not guaranteed.

The Fed Should Be Cutting

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2 Yr minus Fed Funds indicates Market Expectations for future cuts (now 50 BPs) over the coming 2 years.

- The Fed's dual mandate is to limit inflation, and support employment.
- Bloomberg's Labor and Inflation indexes have been surprising to the downside this year, while market rates indicate low expectations for Fed cutting.

Source: BCA 2026 Outlook, Don't Fight the Trump 12-2-25
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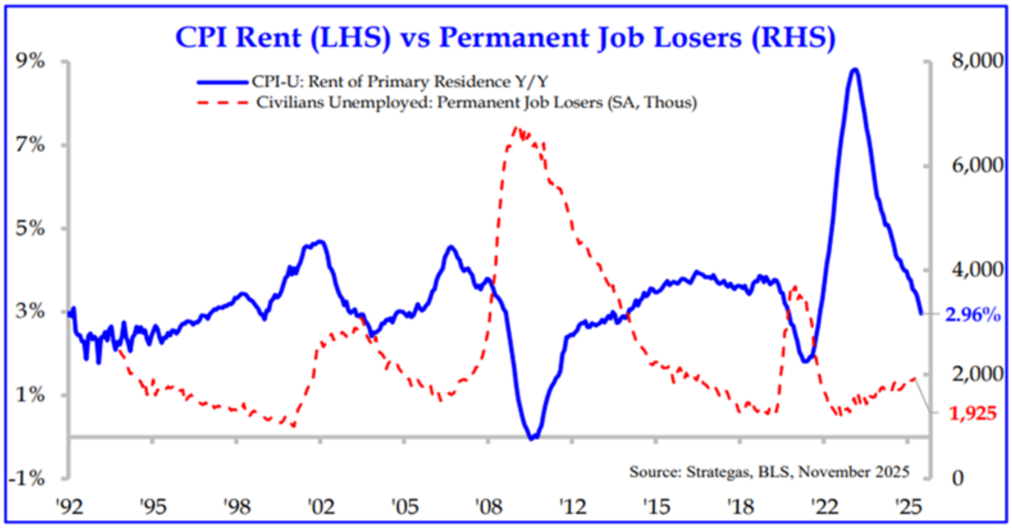
Inflation- Rent Increases Cool as Job Losses Rise



Source: SRP- Quarterly Review in Charts 1-5-26
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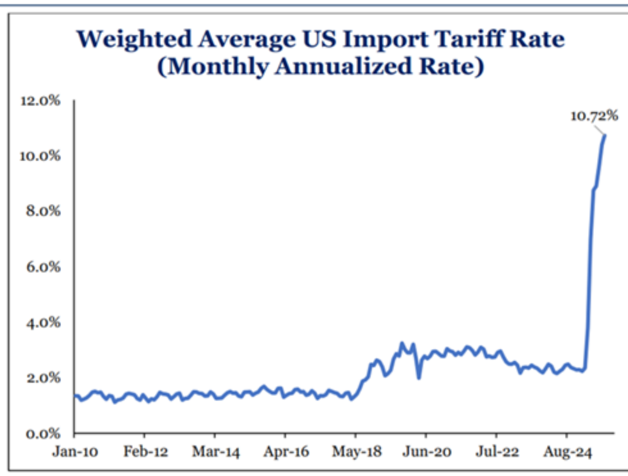
Tariffs- Not as Bad as Feared



- Investors expected much higher tariffs (mid to high teens %).
- Tariffs are generating $200B thus far, offsetting some OBBB impact.

Source: SRP- Quarterly Review in Charts 1-5-26
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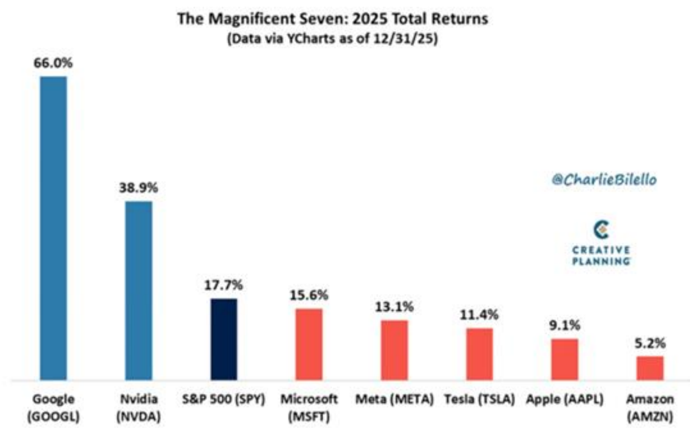
Most of the Mag 7 Underperformed in 2025



The largest tech names generally underperformed in 2025, as their valuations compressed. We are watching to see if new leadership occurs.

Source: Charlie Bilello on X Posted in Spilled Coffee Substack by Eric Soda 1-3-23
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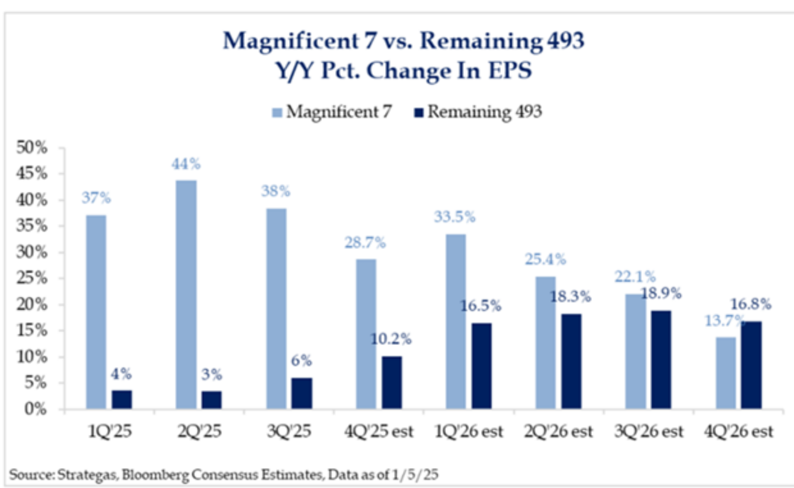
Earnings- Mag 7 Strong but Decelerating and the 493 Strengthen



- Despite decelerating, Mag 7 earnings growth is robust.
- The other 493 accelerate into 2026.

Source: SRP- Grabinski 2026 Outlook 1-5-26
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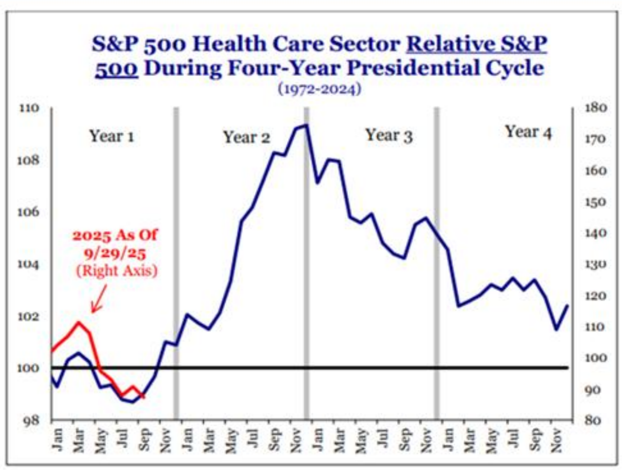
Consumer Balance Sheets In Good Shape

- Household debt as a percent of disposable income peaked in 2008 with the Global Financial Crisis.
- Since then, this ratio has declined by approximately 1/3.
- Consumers are in good shape, though we suspect this is somewhat biased by older demographics and high income versus the lower income households.

Source: BCA 2026 outlook, Don't Fight the Trump 12-2-25

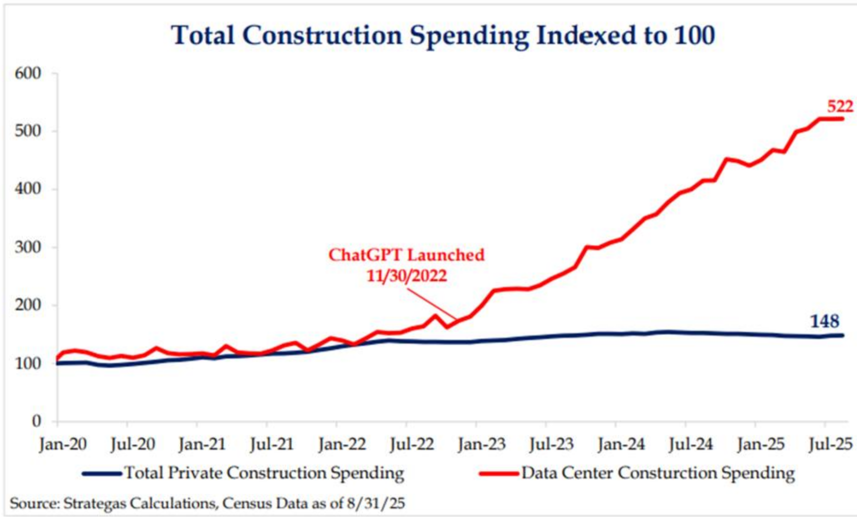
Health Care- Entering the Best Part of the Presidential Cycle



Health care generally rallies during the second year of a presidential term. We suspect the lead up to mid term elections plays a role in this.

Source: SRP Quarterly Review in Charts 10-1-25

AI Spending Continues Unabated



Source: SRP- Quarterly Review in Charts 1-5-26
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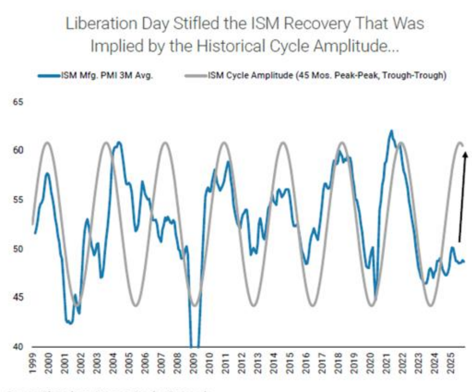
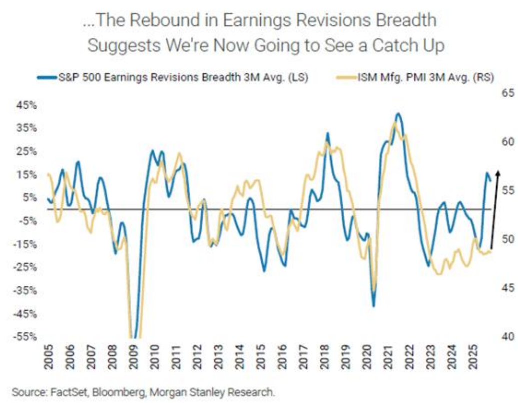
Industrials- Tariffs Delayed a Manufacturing Recovery





ISM cycles tend to last 45 months peak to peak (chart Left above). Liberation day delayed that, but lower rates and oil prices as well as better earnings revision breadth suggest manufacturing is poised to recover.

Source: Morgan Stanley Wilson- Synergistic Drivers Facilitate the Rolling Recovery 1-5-26
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Curt Scott, CFA
Jack White, CFA
Jack Holden CFA
Shaun Siers, CFA

01/20/26
S&P 500 – 6,796.86
Russell 1000 Value – 2,124.96

The UBS Magnificent 7 tracks a group of 7 of the largest mega-cap tech stocks listed in the US, this includes Apple, NVIDIA, Microsoft, Alphabet, Amazon, Meta and Tesla.

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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, 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. 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.

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.

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