TODD
Asset Management

October 17, 2019
Intrinsic Value Team
Todd Asset Management

Todd Q3 2019 Large Cap Intrinsic Value Review

	3Q 2019	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	0.6%	15.7%	-3.3%	11.7%	7.3%	11.0%	11.3%
Large Cap Intrinsic Value (Net)	0.5%	15.2%	-3.9%	11.1%	6.7%	10.4%	10.7%
S&P 500	1.7%	20.6%	4.3%	13.4%	10.8%	13.3%	13.2%
Russell 1000 Value	1.4%	17.8%	4.0%	9.4%	7.8%	11.3%	11.5%

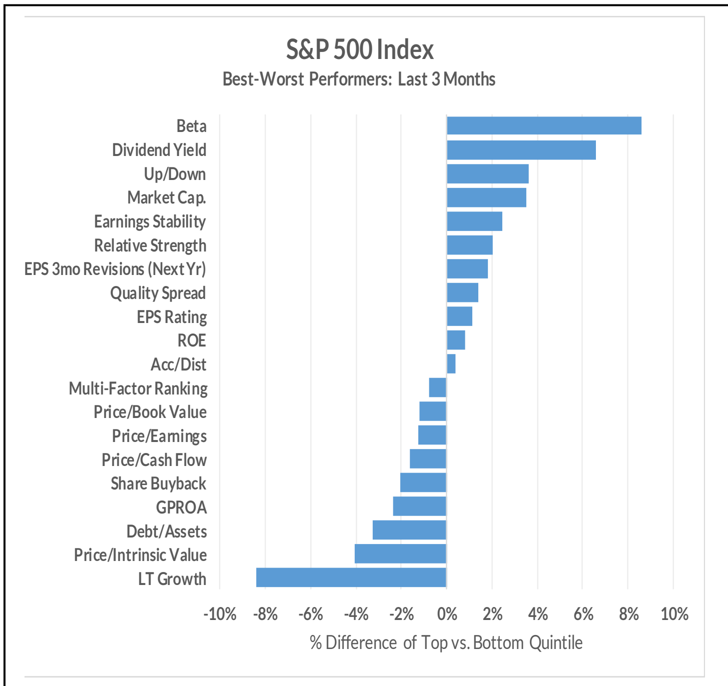
** Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

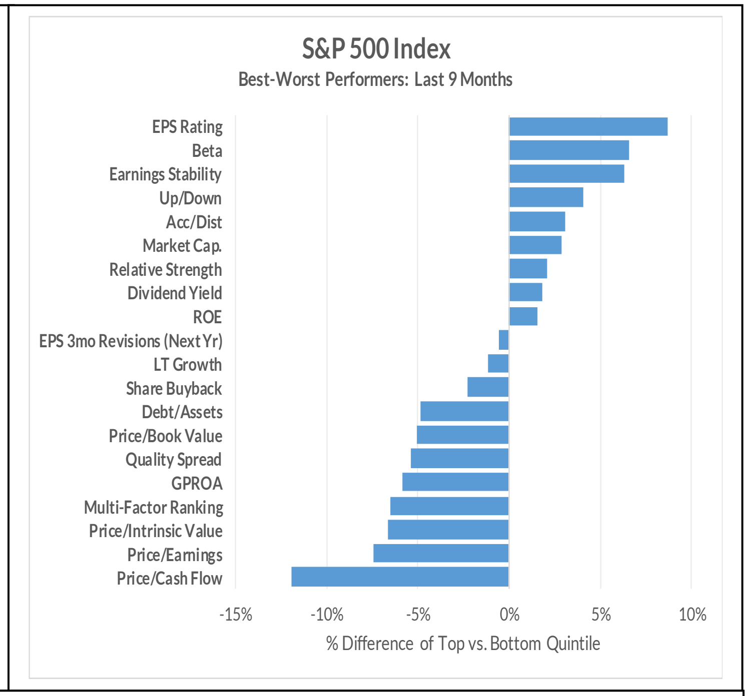
Performance Review

Recession worries have dominated conversation for the past few months. Concerns around trade and geopolitical events continued to mount and were further validated during the quarter by weakening leading indicators and manufacturing indices. As a result, investors have largely continued to favor "growth-at-any-price" and shunned value for much of the quarter. However, we have witnessed a notable shift in sentiment in August as interest rates bottomed at the height of Brexit uncertainty and hawkish US/China trade rhetoric. A rotation back into Value from Growth and into Cyclicals from Defensives unfolded in September and gave us an indication that these stretched trades may unwind if recession is averted, due to: lower rates from the Fed, a resilient US consumer, bottoming of manufacturing activity and resolution to Brexit and US/China trade.

While the LCIV underperformed the S&P 500 and Russell 1000 Value for the quarter, stock selection was actually additive but more than offset by our sector allocation. Specifically, our underweight position in defensive, yield oriented sectors (like Consumer Staples, Utilities and Real Estate) as well as our overweight in Energy were the main detractors of performance. Stock selection in Consumer Discretionary, Energy and Communication Services were the most additive to performance for the quarter. Our factor work continues to show that value remains out of favor for the most recent quarter and year, although value did have a brief reprieve in September as investors rotated out of growth and momentum. Our Multi-Factor Ranking moderately detracted for the quarter and year-to-date mainly weighed down by our valuation metrics, including Price/Intrinsic Value. (see below)

Factor Analysis





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

Our discipline continues to point us toward more economically sensitive sectors, including Financials, Energy, Consumer Discretionary and Industrials, where we remain overweight. We are underweight defensive sectors like Consumer Staples, Communication Services, Utilities and Real Estate.

Our top five contributors to performance during the quarter were Apple, PulteGroup, Home Depot, Alphabet and Medtronic. New product (iPhone) and service (TV+) releases in September were well received as Apple further monetizes their user base. Delays of additional tariffs for several months (thru mid-Dec) also gave shares a lift. Mortgage rates have come down considerably which has led to better order growth and demand at PulteGroup. Lower mortgage rates also led to increase refinancing activity which is likely feeding savings into more home improvement, benefiting Home Depot. Alphabet reported a strong 2Q with revenues up +22% driven by mobile search, YouTube and Cloud. Their Cloud business is now at a $8B annual run rate. Medtronic reported strong results with operating margins well ahead of consensus and their Diabetes business was better than expected. Interest is growing around their product pipeline, specifically Robotics.

Our worst five detractors from performance during the quarter were Rio Tinto, Anthem, Cisco Systems, Royal Dutch Shell and Oshkosh. Iron ore prices sold off in early August as production recovered in some markets and global growth expectations fell, which weighed on shares of Rio

Tinto. Elevated medical costs (particularly Medicaid) overshadowed an otherwise solid 2Q for Anthem where guidance was raised. Elizabeth Warren's surge in primary polls have also weighed on the group due to higher odds of a "Medicare-for-All" proposal. Cisco issued soft guidance on their 2Q call citing weakness in China related to the trade dispute. Lower gas prices and weaker chemical margins led results for Royal Dutch Shell to miss consensus estimates. Free cash flow was also light and debt rose, which was a concern to investors. Oshkosh's order backlog declined within their Access Equipment business, specifically within US and Europe, which weighed on shares.

We continue to believe recession concerns are overstated. Manufacturing activity, which has undoubtedly slowed, is due for a cyclical recovery. The Fed should continue to ease policy. Lower rates paired with strong employment should continue to support the US consumer and spending going forward. Finally, US/China trade rhetoric looks to be easing as a "phase 1" deal was recently announced. While modest, we think this signals a de-escalation that could lead to more progress as we enter a presidential election cycle. If recession concerns abate, we believe our strategy should find more traction.

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

10/16/19
S&P 500 – 2,999
Russell 1000 Value – 1,256

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.

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 quarterly 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 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.

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, 2018. 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, 2018. A complete list and description of TAM composites and/or the verification and performance examination reports are available upon request by contacting TAM at 1-888-544-8633, or write Todd Asset Management LLC, 101 South Fifth Street, Suite 3100, Louisville, Kentucky 40202, or contact us through our Web site at www.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.
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.