TODD
Asset Management

January 16, 2025
Intrinsic Value Team
Todd Asset Management

Todd Q4 2024 Intrinsic Value Opportunity Review

	4Q 2024	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
IV Opportunity (Gross)	9.64%	34.76%	34.76%	13.29%	15.38%	12.98%	9.52%
IV Opportunity (Net)	9.41%	33.65%	33.65%	12.35%	14.43%	12.04%	8.61%
S&P 500	2.41%	25.02%	25.02%	8.94%	14.52%	13.83%	13.10%
Russell 1000 Value	-1.98%	14.37%	14.37%	5.63%	8.68%	8.41%	8.49%

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

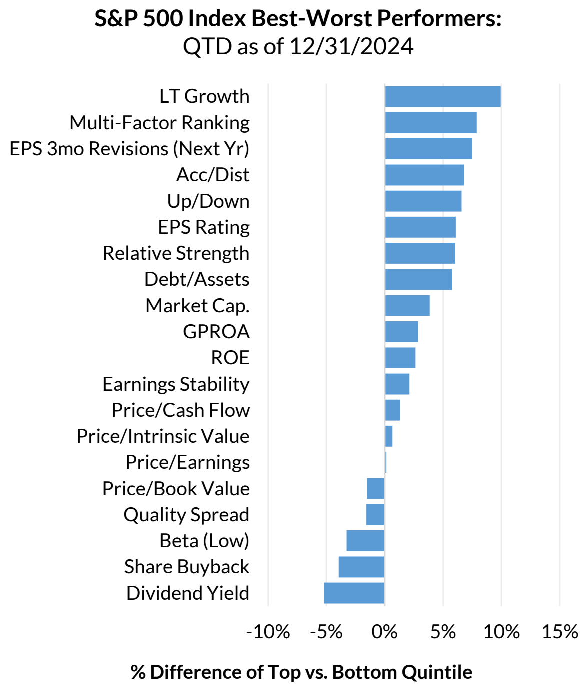
Performance Review

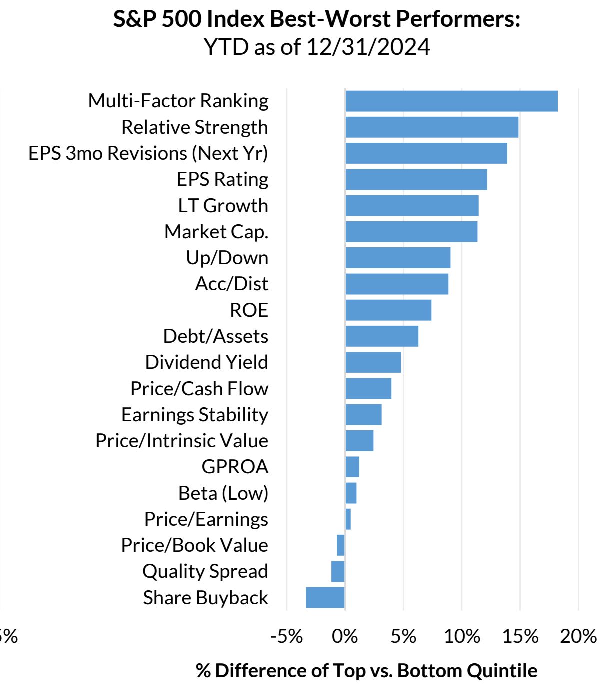
This year was again marked by an extremely wide dispersion between Growth and Value (for the second straight year). While the market finished the year with a bit of a stumble, the trend remains intact in our opinion. Despite the market's continued preference for Growth over Value, the strategy had a great year with broad based performance. While market concentration has stubbornly intensified, we are still seeing investors favor the profile of the names in this strategy.

Solid US economic data continues to come in, particularly on the employment front. Despite a cooler than expected CPI print earlier this week, inflation is still a ways away from the Fed's 2% target. These dynamics have greatly watered down expectations for further rate cuts from the Fed, who are likely set to bring their brief rate cutting cycle to a close sooner than later. Long-term interest rates have responded in a meaningful way with the 10 year treasury rising by more than +100bps since the Fed started cutting rates in September. Is the market suggesting that the Fed is done? Or that the neutral policy rate is higher than previously thought? Are the bond market vigilantes expressing concern with either our budget deficit or upcoming treasury issuance? Or is the move in rates simply a product of higher nominal growth? There are several reasons that could explain why long-rates are rising in the US, but one has to wonder when higher rates start to bother parts of the US equity market that carry higher multiples (e.g. Magnificent 7[1]/AI plays). Time will tell if the recent pressure we've seen on these areas lasts. Fortunately the market continues to have more of a pro-cyclical bias and profit growth is expected to widen out with more contributions outside of large cap Technology. We would hope this translates into broader stock participation this year as well, particularly if manufacturing activity firms up.

The incoming Trump administration is set to take office in the next week and, if the first term was any indication, will look to shake things up on various fronts on day 1. Trade and immigration have consistently been major points of emphasis by the incoming administration. Policy announcements here will be important to watch as they could both have implications on inflation expectations. While tax policy is expected to remain business/consumer friendly, there will be a lot for Congress to chew through this year and volatility could rise over the next few months. We remain comfortable with the portfolio's positioning going into the new year.

Factor Performance





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

The fourth quarter saw a large spread between Growth and Value extend even further, with the Russell 1000 Growth outperforming the Russell 1000 Value by 9% (mostly in December). For the full year this was even more egregious with Growth beating Value by 19%. This showed up in our factor work as well. Shareholder return measures, Value, Quality and Lower Beta all ranked at the bottom of the list for the quarter and full year. Despite this the strategy was able to post a very strong year. Growth, Earnings Momentum, Market Cap (not surprising given the concentration of the S&P intensified) and several Technical measures all ranked at the top of the list. Another observation is that while market breadth has notably weakened over the past few weeks (e.g. fewer % of names that are trading above their 50 and 200 day moving averages), factor breadth was very healthy with the majority of the metrics we follow showing positive performance. We'll be watching how this develops in the first few months of the year.

Performance Attribution

Our outperformance this quarter was primarily driven by strong stock selection in the Consumer Discretionary and Communication Services sectors, which more than offset the challenges faced in the Energy and Industrial sectors. From an allocation perspective, the IVO benefitted from its underweight position in Health Care and its overweight allocation to Financials. However, these gains were partially offset by an underweight stance in Information Technology and an overweight position in Consumer Discretionary.

The top contributors to our outperformance this quarter were Lululemon, Royal Caribbean, Synchrony Financial, Deckers Outdoor, and Expedia Group. Lululemon's performance was driven by robust international sales, particularly in China, which helped offset weaker results in the U.S. Additionally, improved product margins due to lower costs further supported performance. Royal Caribbean saw its shares rise following a debt rating upgrade and an improved earnings growth outlook, driven by strong demand and expectations for share repurchases. Synchrony Financial benefitted from favorable market sentiment following the Presidential Election, with investors anticipating fewer regulatory burdens under the Trump administration. This could allow the company to generate higher fee income without the risk of fee caps. Deckers Outdoor also outperformed, as quarterly results surpassed expectations, and the company raised its outlook for both 2025 sales and earnings, buoyed by the strong performance of its Hoka and UGG footwear brands. Similar to Royal Caribbean, Expedia Group benefited from a positive outlook for 2025 travel.

On the downside, the worst performers this quarter were Best Buy, Masco Corp, United Rentals, Phillips 66, and Qualcomm. Best Buy's shares fell after disappointing quarterly results, both on the top and bottom lines, and a reduced fiscal 2025 outlook. Concerns over potential tariff increases on international electronics under the Trump administration also weighed on the stock. Masco shares declined following weaker-than-expected results and a lowered outlook due to weak demand, although the company demonstrated strong cost control efforts. United Rentals posted a miss on both revenue and earnings but maintained its guidance, despite a broader slump in its peer group. Phillips 66 traded lower, despite strong earnings, as lower refining margins led to reduced cash flow expectations. Qualcomm shares faced downward pressure amid concerns that Apple and ARM might stop using Qualcomm components.

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.

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

01/16/2025
S&P 500 – 5,937
Russell 1000 Value – 1,873

1. Magnificent 7 includes Apple, NVIDIA, Microsoft, Alphabet, Amazon, Meta and Tesla.

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.

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 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, 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 Intrinsic Value Opportunity 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 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.

Risks – Investments involve varying degrees of risk, and there can be no assurance that this product is suitable for your investment portfolio. The Opportunity product is designed for long-term investors who are willing to accept short-term price fluctuations. Stock market and business risks are general risks. This product generally holds 30 securities and is rebalanced every 3 months, thus it is more concentrated and may generate more investment turnover than other products. It is not required to be diversified by sector, and should be considered a more sector concentrated, aggressive application of the price to intrinsic value investment philosophy. 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.