January 16, 2025
Intrinsic Value Team
Todd Asset Management

Todd Q4 2024 Large Cap Intrinsic Value Review

	4Q 2024	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
Large Cap Intrinsic Value (Gross)	-1.89%	19.20%	19.20%	7.25%	12.31%	10.39%	10.42%
Large Cap Intrinsic Value (Net)	-2.04%	18.51%	18.51%	6.61%	11.64%	9.74%	9.77%
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.*

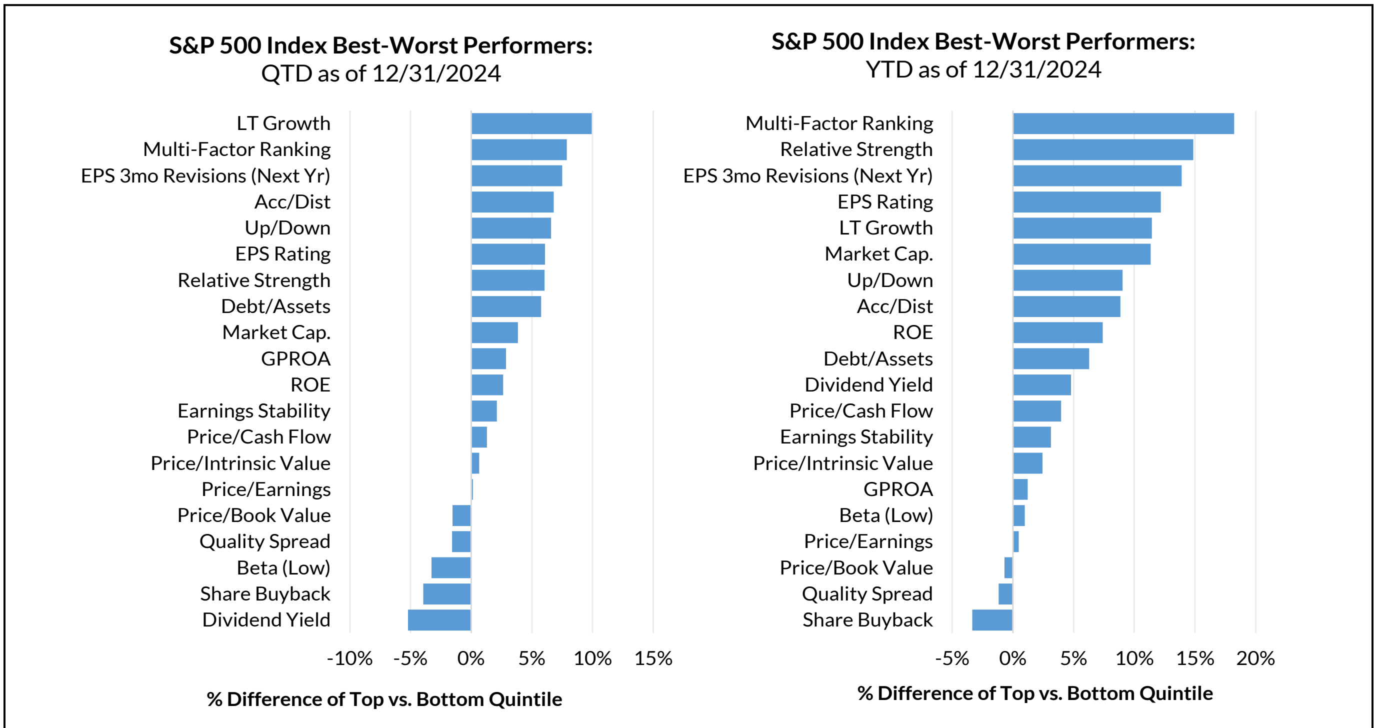
Performance Review

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. Given the outperformance from AI and Growth areas of the market, we find our returns for the year and longer-term periods shown above behind the S&P 500 and ahead of the Russell 1000 Value.

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. 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. We were also happy to see our Multi-Factor Ranking as the top performing metric for the full year and #2 for the quarter. Another dynamic that implies we are in a more favorable environment for our discipline.

Performance Attribution

Against the S&P 500, our underperformance this quarter was mainly driven by stock selection within Technology and Consumer Discretionary, which consequently are the two groups most impacted by the Magnificent 7. Financials was our biggest offset here as the top performing sector. For the full year, Technology, Energy and Materials were the sources of our biggest headwinds while Financials and our underweight positions in Staples and Real Estate were our top performing areas.

Against the Russell 1000 Value, our performance was essentially a wash in the quarter. Financials and Discretionary were our top performers (mainly stock selection) though offset by Industrials, Technology and Health Care. For the full year, our outperformance was entirely driven by stock selection particularly in Technology, Financials and Discretionary. This was slightly offset by Energy and Materials which both underperformed the broader market last year.

Our top five performing companies for the quarter were Broadcom, Apollo Global Management, Tapestry, Morgan Stanley and JPMorgan Chase. Shares of Broadcom exploded higher in mid-December, taking the company through the $1 Trillion market cap level, after reporting AI chip sales well ahead of expectations and suggesting that their addressable market in data centers would be ~$90B in just a few years time. Following the results of the US Presidential Election, a number of Financial Services companies saw shares rallying in anticipation of an easier regulatory environment. This benefitted Apollo Global, Morgan Stanley and JPMorgan Chase, three of our Financials holdings that made it into the top five this quarter. Aside from the election, Apollo has seen momentum in their fee based income pick up in recent quarters driven by strength in their Asset Management business. Morgan Stanley has also seen solid momentum in their Wealth Mgmt. division and is also benefitting from a recovery in Investment Banking activity (which ground to a halt in 2022 and 2023. JPMorgan is benefitting from recovering Investment Bank activity as well as higher interest rates and a steepening yield curve. Following the termination of the deal with Capri, Tapestry announced an accelerated share repurchase program which would be worth around 12-13% of the company's market value. The market applauded this as turnaround efforts for Kate Spade are expected to accelerate as well.

HCA Healthcare, First Solar, Eastman Chemical, Elevance Health and United Rentals were our bottom five performing companies in the quarter. The election definitely had its' fingerprints on several of our top and bottom performers this quarter. HCA Healthcare posted disappointing results that were negatively impacted by several hurricanes. However rising concerns over cost headwinds, lower subsidies following the election and normalizing utilization rates following several years above trend following the pandemic are broader risks that investors have been pricing in. First Solar is another name that has seen pressure over the past few months over concerns around the rollback of stimulus programs and subsidies tied to renewable energy in the new administration. While many of those programs disproportionately benefit red leaning states, which should lower the odds of full repeals, efforts to cut government spending could weigh on First Solar's margins in tax credits are rolled back. Natural gas prices approached $4 at the end of the year, which weighed on chemical producers like Eastman Chemical who rely on natural gas as key input for their operations. Eastman also sells a large amount of their product overseas in areas where economic momentum has softened. Shares of Elevance fell sharply following the release of disappointing results in mid-October as rising costs and higher utilization of healthcare plans have pressured margins. Scrutiny has intensified on this group from a regulatory perspective and we eliminated Elevance from the portfolio in the quarter. Finally, shares of United Rentals sold off following a guidance cut by their largest competitor in the US, Ashtead, who cited higher rates causing a slowdown in construction activity. While United Rentals has already provided cautious forward commentary, the sentiment carried over and weighed on shares.

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.

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01/16/25
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

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.

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.

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, 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.

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.