April 17, 2023
Intrinsic Value Team
Todd Asset Management

Todd Q1 2023 International Intrinsic Value Opportunity Review

	1Q 2023	1 Year	3 Year*	5 Year*	7 Year*	Since Inception* (07/01/14)
International IV Opportunity (Gross)	0.8%	-5.7%	14.3%	1.2%	4.2%	1.6%
International IV Opportunity (Net)	0.6%	-6.5%	13.3%	0.4%	3.4%	0.8%
MSCI ACWI ex-US (Net)	6.9%	-5.1%	11.8%	2.5%	5.9%	2.8%
MSCI ACWI ex-US Value (Net)	5.2%	-4.0%	13.8%	1.3%	5.0%	1.4%

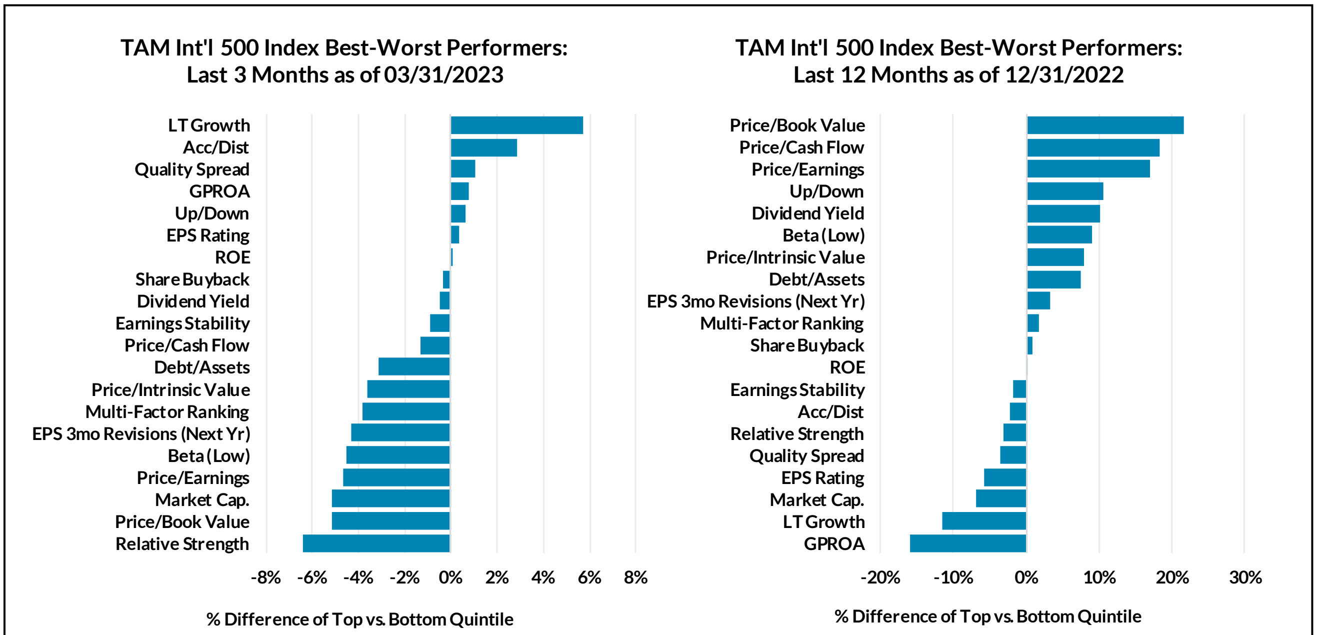
* *Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

Performance Review

Performance for the first quarter was largely a 180 degree reversal from 2022 as the groups that worked through last year were among the largest laggards and vice-versa. Interest rates, which had been on an impressive move higher, took a breather in March and actually finished the quarter slightly lower than the start of the year in most developed markets. This coincided with various stresses that cropped up in the banking sector and increased the odds that rate hiking campaigns in the US and other areas would likely come to an end soon. This anticipation likely drove much of the outperformance from Technology and Consumer areas that were beaten down last year as policy got increasingly more restrictive. Bank stresses also revealed the impact that tighter policy has had on the real economy. As Warren Buffet once quipped, "only when the tide goes out do you learn who has been swimming naked." Credit Suisse and several speculative US banks were the bad actors that were revealed this cycle. While this raised questions around systemic risk and overall credit health in the banking sector, things look to be contained. Credit default swaps, which are a good barometer of risk, have risen but are nowhere near levels we saw back in the Great Financial Crisis (2008) or European Debt Crisis (2010-11) on the banks we track. Capital positions at these banks also look to be much healthier than they were 15 years ago and offer more protection against any further stresses that may crop up. Stay tuned but the upcoming earnings season will give us all a good, timely glimpse at how sturdy the outlooks are for various parts of the market.

It is interesting that despite the anxiety the market digested in March, the ACWI ex-US finished the quarter up +7% and most developed market equity indices beat the S&P 500. That's against a headwind from a resurgence of concentration in US markets that was largely driven by the FANG and Friends (which drove nearly 90% of the S&P 500's return YTD). China's reopening and improving GDP growth estimates in Europe are two meaningful offsets to various headwinds that cropped up in the quarter. Effects from the removal of "Zero Covid" restrictions in China late last year continue to show up with Non-Manufacturing PMI data rising to the highest level in more than 5 years. Chinese leadership has been reluctant to release much stimulus so this recovery is likely to be more organic and not as juiced as reopening episodes in the US. The dramatic drop in natural gas prices and Europe's successful navigation of the winter months have been big drivers of growth estimate upgrades. This improved sentiment seems to be finding its way into industrial metals and some emerging market currencies as well. Prices of copper and iron ore are both up sharply over the past 6 months. Most emerging market currencies are up vs the US Dollar over the past 6 months as well. Oil prices have been trending lower since last summer, however the OPEC production cuts of several million barrels helped to lift prices of Brent over $85/bbl. Our positioning ultimately should benefit from stronger commodity prices and better growth prospects in Europe as we are generally overweight in those areas.

Factor performance[1]



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

Our customary factor work picked up on the outperformance of Growth over Value in the quarter. This is a complete reversal from 2022, which you can see in the chart on the right. Growth was the best performing factor for the quarter along with a few Quality measures while Value and Relative Strength ranked at the bottom. Value underperformed mostly in March as Financial and Energy stocks got hit the hardest when banking stress became elevated. Only 6 of the 20 factors we follow were additive for the quarter, which also reflects the narrowing we mentioned earlier. Large cap, lower Beta stocks lagged in the quarter.

Most of the strategy's underperformance in the quarter came in the month of March, specifically from our European and UK holdings. Those regions make up much of our commodity and Financial exposure, two areas that were hit hard late in the quarter. From a sector perspective, performance headwinds were pretty broad based but most notable in Energy, Technology, Materials and Communication Services. These were all more cyclically oriented areas that struggled with concerns around US economic growth following banking stress in March.

Our top 5 names contributing to performance this quarter were Carrefour, Tokyo Electron, Gildan Activewear, Adidas AG, and Vipshop. Carrefour shares rallied during the quarter along with other European grocers as investors turned more bullish on the space. Carrefour specifically touted higher than expected sales growth towards the end of last year as growth in E-commerce was particularly strong. Tokyo Electron benefitted as semiconductor names came back into favor during Q1 as some of the large players in the industry had very optimistic outlooks on future demand for advanced chips relating to AI applications. This bodes well for Tokyo Electron as this improves the demand picture for its semiconductor manufacturing equipment. Gildan Activewear experienced a strong rebound in performance during the quarter, with shipments to international markets rising year-over-year due to accelerated replenishment of inventory levels by European distributors, showing some confidence in the outlook ahead. Adidas AG rallied as China reopened and management laid out plans to return to 10% top-line growth and higher operating margins. Since China was >20% of sales pre-pandemic, Adidas should benefit as the region continues to reopen and demand comes back on-line. Vipshop outperformed during the quarter thanks to a strong earnings report and higher-than-anticipated margin guidance, coupled with ongoing reopening optimism in China.

Our bottom 5 names from performance this quarter were Capri Holdings, Tenaris, Equinor, KT Corp, and Logitech. Capri shares traded down after a very poor earnings update, missing revenue and profit estimates. Inventory levels were up significantly year-over-year, and the FY24 outlook was lowered due to weak wholesale trends. Tenaris shares traded lower in the quarter, along with many other steel manufacturers, as industrial commodity prices fell sharply in early March due to China's more cautious economic outlook. Equinor is a European oil and gas company with a high level of exposure to spot pricing. As a result the plunge in EU natural gas prices has weighed on 2023 EPS estimates. KT Corp underperformed after South Korean President Yoon came out and made remarks about introducing more competition in the space and stating that players in the telecom industry should be sharing the burden of inflationary cost pressures, which ultimately hits pricing and margins for KT. Logitech trended down from elevated levels after posting a disappointing earnings report that highlighted ongoing macroeconomic and geopolitical headwinds, decreasing enterprise and consumer purchasing demand, and focus on cost-cutting rather than growth in a competitive environment.

Investors seem to be warming up to international investing, something that we think makes sense. We believe the recent reprieve that growth stocks have seen is a rally within a secular bear market. Earnings season will probably give us a good read on fundamental trends within the market. Europe is expected to have better earnings trend than the US and Asia, something that should increase investor interest in those markets. Many strategists are very bearish on economic prospects globally. We believe economic growth in international markets is probably poised to improve as China reopens their economy. Until the US and European recession questions are resolved, markets probably track sideways in a range. Higher rates have led to higher recession risk (and bank risk), but if we resolve the recession/soft landing debate and get into a recovery next year, the outlook for equities should be good after that. Until then, a trading range with rotation towards value is our base case, and international stocks should do well in that environment.

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

04/17/2023
MSCI ACWI ex-US (Net) – 305
MSCI ACWI ex-US Value (Net) –169

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.

1. TAM Int'l 500 Index is a list of the 500 largest US listed international companies by market cap. This list is used for factor analysis where the index is ranked/sorted by a certain factor then divided into quintiles. Returns are then calculated on a monthly basis for each quintile.

TODD ASSET MANAGEMENT LLC
INTERNATIONAL INTRINSIC VALUE OPPORTUNITY COMPOSITE DISCLOSURE

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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 may reflect 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 primarily in large cap internationally domiciled, US traded equity securities using a rules-based process based on intrinsic value, financial strength, profitability strength, and market acceptance. The objective is to seek capital appreciation.

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 International Intrinsic Value Opportunity Composite contains fully discretionary accounts that use the MSCI ACWI ex-US 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, 2022. 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 International Intrinsic Value Opportunity Composite has been examined for the periods July 1, 2014 through December 31, 2022. 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 foreign withholding taxes, and includes the reinvestment of all income. Net of fee performance was calculated using the applicable annual management fee schedule of 0.80% applied monthly. 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 benchmark. The index is unmanaged, and not available for direct investment; it includes reinvestment of dividends; it does not reflect management fees or transaction costs. The volatility of the index and a client account will not be the same.

MSCI ACWI ex-U.S. (net) Index is a float-adjusted market capitalization index that is designed to measure the combined equity market performance of developed and emerging market countries excluding the United States. The ACWI ex-U.S. includes both developed and emerging markets. For investors who benchmark their U.S. and international stocks separately, this index provides a way to monitor international exposure apart from U.S. investments. The net index considers the impact of tax withholdings on dividend income.

MSCI ACWI Value (net) Index is a float-adjusted index of securities exhibiting overall value style characteristics across both developed and emerging markets. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

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