TODD Asset Management

April 17, 2024
Jack White, CFA
Todd Asset Management

New Highs as Easing Cycle Starts

TAM International Q1 2024 Review and Outlook Chartbook

The Japanese and many major European markets hit new highs in Q1, as investors embraced the soft landing thesis and saw evidence of a manufacturing recovery. ***Our International Intrinsic Value and International Intrinsic Value Opportunity strategies outperformed in the quarter as you'll see in the following charts.*** Look for the individual strategy reviews (available separately at www.toddasset.com) for specific details. **Investors are starting to believe renewed growth is likely after the misguided recession calls of 2023. New market highs are occurring, market breadth is expanding, recession calls are being rescinded and profits are reaching new highs**. Manufacturing is exiting a soft period, and the economic cycle looks more like it is early in a recovery than late. Many markets have had a big run, and nobody should be surprised if they pull back and digest the recent gains. Still, in our view this bull looks like it still has some time to run. Other points to note from the quarter:

- **Easing has started**. Central banks paused, and now easing actions are more prevalent than tightening. Investors may have gotten carried away at year end 2023, expecting 6 rate cuts from the ECB, but expectations have moderated recently. ***The ECB is likely to ease before the Fed***.
- **Manufacturing is recovering.** Global PMIs improved, showing a manufacturing expansion is starting. Higher rates and weaker goods demand caused an inventory drawdown last year, prompting a manufacturing recession***. Rebuilding inventories, renewed capital spending, and consumer demand support this.*** Recent commodities and oil rallies support this thesis.
- **Japan and several major European markets are at new highs and may be breaking out of their secular bear markets.** Japan outperformed the US in the first quarter. Both regions are seeing companies adopting more shareholder friendly practices. A manufacturing recovery should offer better operating leverage for these industrial oriented economies.
- **China has been disappointing.** Stimulus measures feel half-hearted, long on verbiage but short on cash. ***Technical chart analysis is suggesting that market may be bottoming***, and a global manufacturing recovery should help them.

During the quarter**, the Bank of Japan finally moved away from negative rates**, signalling that they believe a "virtuous cycle" may be unfolding where profit gains are allowing wage gains. As this unfolds and they work their way out of the persistent deflation that has prevailed there for decades, ***we believe they are poised to see a sustained secular bull market***. We published a number of Charts of Interest during the quarter (also available on our website, www.toddasset.com) highlighting positive trends.

Concerns exist. Inflation is still running hot, and recent numbers have investors concerned some central banks may not ease this year. We have hot wars in Europe and the Middle East, and a cold war everywhere else. US fiscal spending is too high. Long term rates are rising on a secular basis, as the government is issuing ever larger amounts of debt, while buyers of bonds are becoming scarcer. Still, we believe the nascent manufacturing recovery is durable and our themes from this new capital cycle, i.e. infrastructure spending, reshoring manufacturing, technological innovation, higher rates helping financials, and structurally higher defense needs are playing out. These themes have helped us against index returns thus far in 2024, as illustrated below. Please review our specific strategy commentary (available separately) for the International Intrinsic Value or the International Intrinsic Value Opportunity Fund to get complete details. We believe the investment and productivity enhancements left in this cycle should offer equity investors a good environment for some time.

IIV Annualized Returns (%)

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All Periods Ending 3/31/2024

Inception Date: October 1, 2005

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	10 Yrs.
International Intrinsic Value *(Net)*	**6.09**	**6.09**	**15.33**	**2.92**	**7.93**	**6.58**	**4.40**
MSCI ACWI ex-US Net	4.69	4.69	13.26	1.94	5.97	5.88	4.25
IIV Net Excess Return	+1.40	+1.40	+2.07	+0.98	+1.96	+0.70	+0.15
International Intrinsic Value *(Gross)*	**6.31**	**6.31**	**16.29**	**3.79**	**8.84**	**7.48**	**5.28**
MSCI ACWI ex-US Net	4.69	4.69	13.26	1.94	5.97	5.88	4.25
IIV Gross Excess Return	+1.62	+1.62	+3.03	+1.85	+2.87	+1.60	+1.03

Data Source: Todd Asset Management and MSCI Barra. QTD and YTD returns are not annualized. **Past performance does not provide any guarantee of future performance, and one should rely on the composite as an indication of future performance.** 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.

IIVO Annualized Returns (%)

TODD Asset Management

All Periods Ending 3/31/2024

Inception Date: July 1, 2014

	QTD	YTD	1 Yr.	3 Yrs.	5 Yrs.	7 Yrs.	Since Inception
International IV Opportunity *(Net)*	**6.13**	**6.13**	**22.47**	**5.46**	**7.39**	**5.21**	**2.80**
MSCI ACWI ex-US Net	4.69	4.69	13.26	1.94	5.97	5.88	3.84
IIVO Net Excess Return	+1.44	+1.44	+9.21	+3.52	+1.42	-0.67	-1.04
International IV Opportunity *(Gross)*	**6.35**	**6.35**	**23.49**	**6.34**	**8.30**	**6.09**	**3.67**
MSCI ACWI ex-US Net	4.69	4.69	13.26	1.94	5.97	5.88	3.84
IIVO Gross Excess Return	+1.66	+1.66	+10.23	+4.40	+2.33	+0.21	-0.17

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Int'l Factor Analysis- Visibility and Growth worked in Q1

As of 3/31/2024

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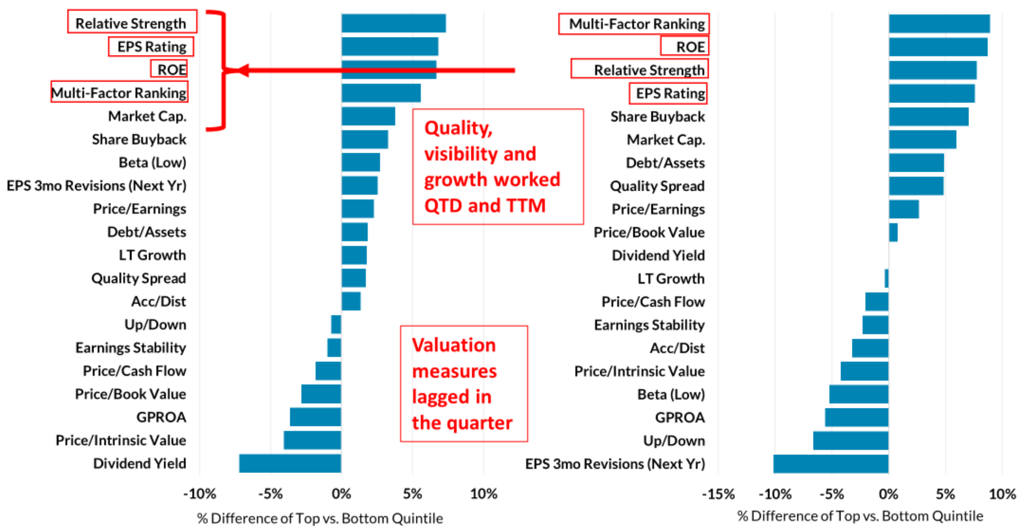
TAM Int'l 500 Index Best-Worst Performers: QTD as of 03/31/2024

TAM Int'l 500 Index Best-Worst Performers: TTM as of 03/31/2024



Data Source: Bloomberg, William O'Neill & Co. and TAM. 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.
The noted 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.

Regional Returns- Japan Led the List of New Highs

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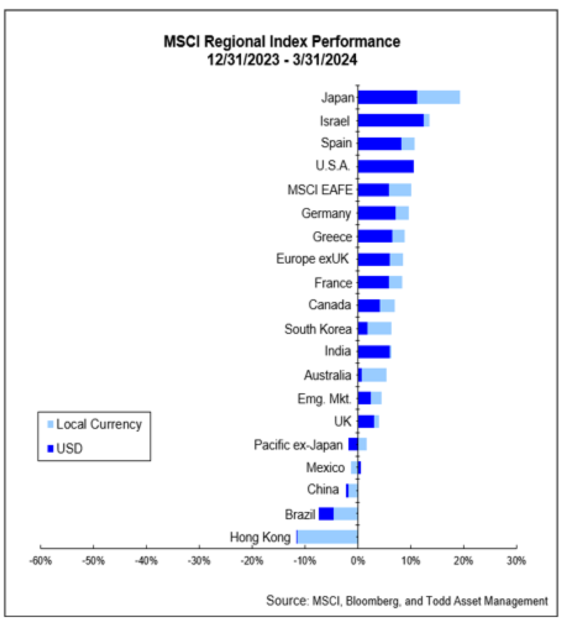

- **A long list of markets made new highs in the first quarter.** Japan, the US, Germany, France, Italy, Canada and India all made new highs. The UK is not far from a new high.
- Emerging markets lagged during the quarter as investor remained concerned about the Hong Kong and Chinese economies. Brazil suffered from political worries.
- Generally, **markets are acting mid or early cycle while monetary policy is late cycle. Easing, if not accompanied by recession, would likely help most equity markets.**

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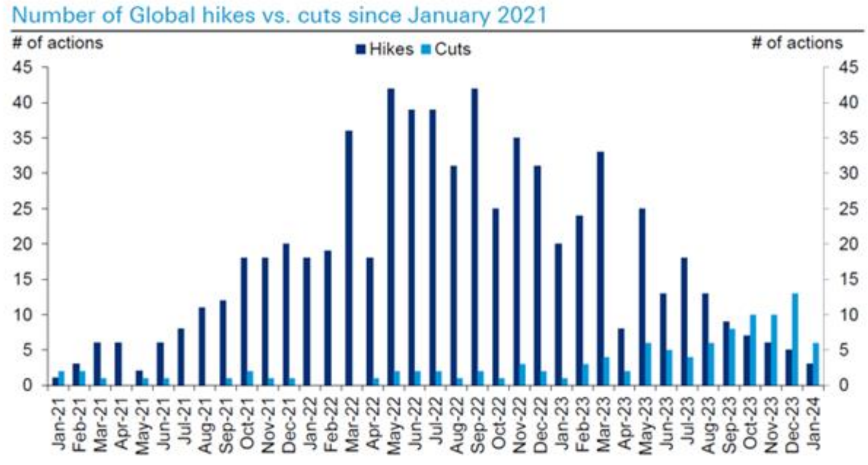
The Easing Cycle Has Started



Source: Various Central Banks, Haver Analytics, Deutsche Bank; Last update: January 26

A global easing cycle is beginning. Many EM countries are already lowering rates and most DM central banks should begin doing so within the next few months.

Source: Deutsche Bank
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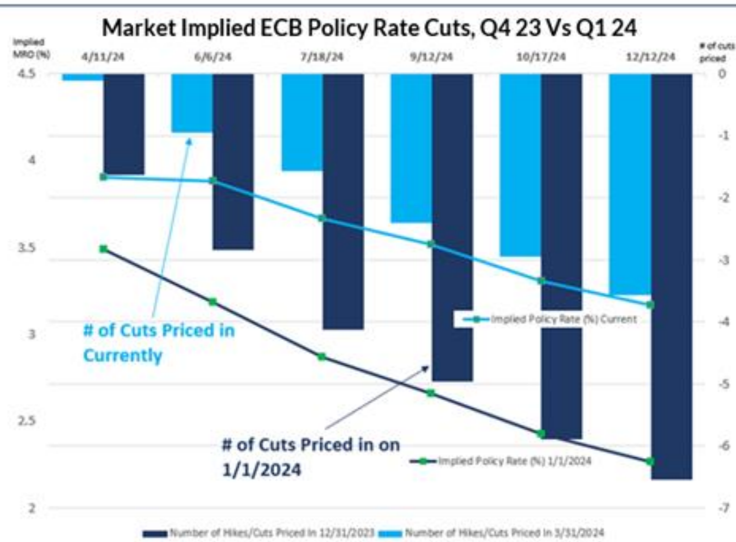
Soft Landing Tempers Expectations for ECB Rate Cuts



A Soft-Landing, (better economic results, declining inflation) have led markets to discount 3 rate cuts now, instead of 6 at year end. The ECB may Ease before the Fed!

Source: Todd Asset Management, Bloomberg
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Europe- Rate Cuts Usually Mark DAX bottom

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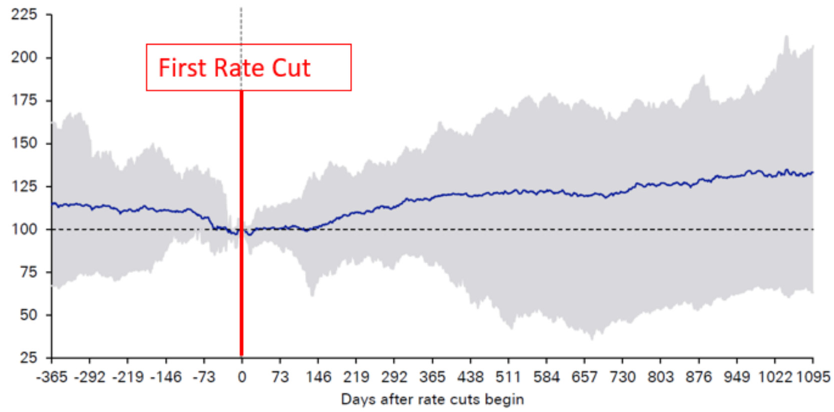
Average DAX Performance after Bundesbank/ECB rate cut cycles since 1960



Source: Bloomberg Finance LP, Deutsche Bank

History suggests the DAX Index performs better after easing begins. This should bode well for European shares if the ECB cuts in June.

Source: Deutsche Bank
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European Surprise Index Now Leads US

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Citi Economic Surprise Indexes 2022-Current

- European economic surprises have varied more widely than the US over the past two years.
- The recovery in European positive surprises since mid-2023 has surpassed the US index, which has remained consistently positive.

Source: TAM and Bloomberg 3-11-24
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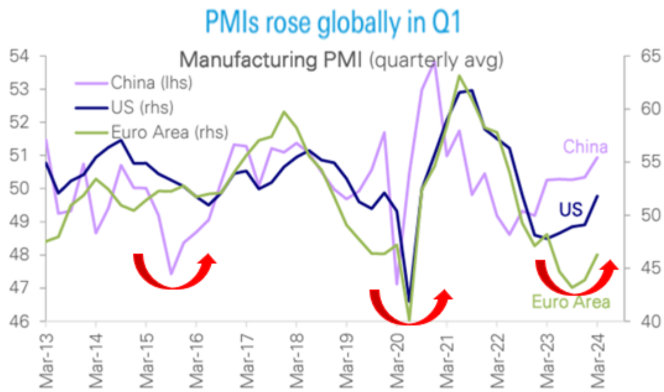
Manufacturing Recovery Started in Q1



Source : S&P Global, Haver, Deutsche Bank Asset Allocation

- Manufacturing is recovering globally.
- Expectations of easing, governments industrial policies, inventory restocking, and the new capital cycle are all playing into this recovery.

Source: Deutsche Bank
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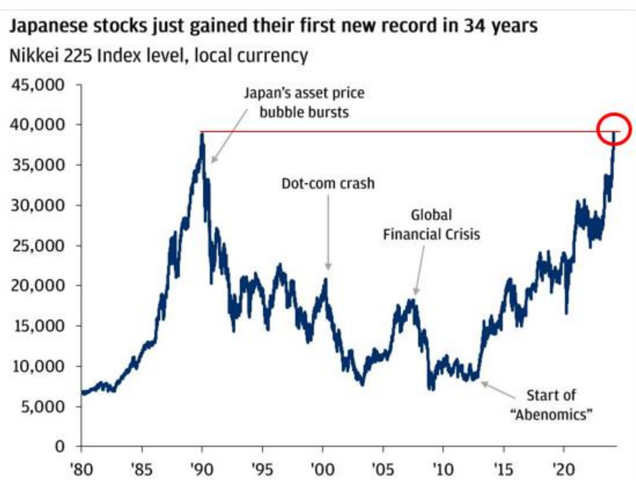
Japan- A Sustainable Bull Market



Source: Bloomberg Finance Data as of February 22, 2024.

- Breaking to a new high after 34 years shows more strength is likely.
- Abenomics (fiscal, monetary and governance reform) has worked and marks the beginning of this uptrend.

Source: JP Morgan
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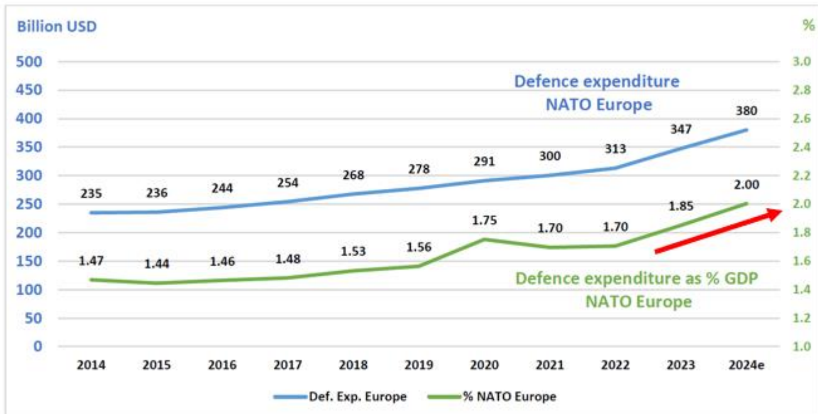
Defense Spending is Fiscal Stimulus

Defence expenditure in 2015 prices and as a % of GDP NATO Europe



- Europe (and Japan, Korea and other Asia Pacific countries) is re-arming quickly.
- This is fiscally stimulative, and a key part of our new capital cycle thesis.

Source: 22V Research
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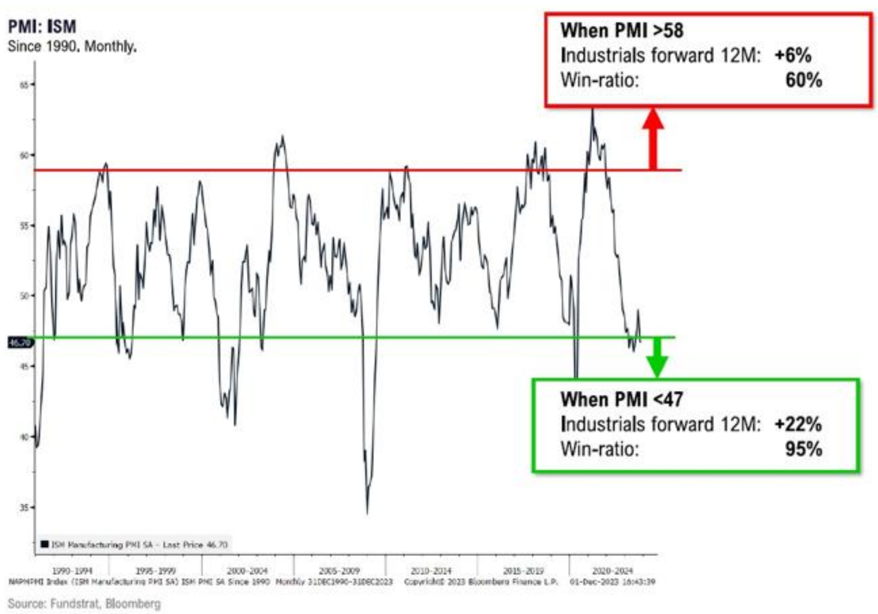
Theme- Industrials Rebound After PMI's Bottom



Source: Fundstrat 2024 outlook 12 -7-23
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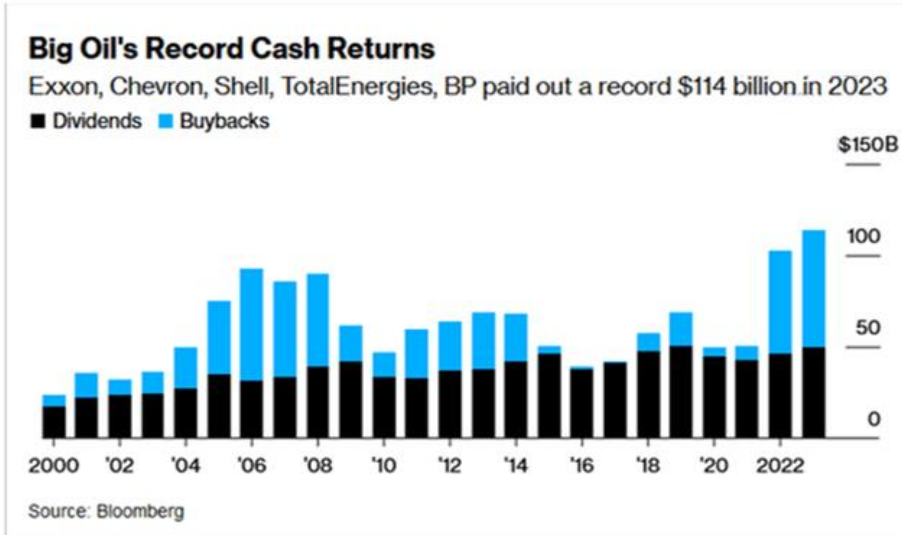
Theme- Energy Companies Return Cash



Source: Bloomberg, The Daily Shot
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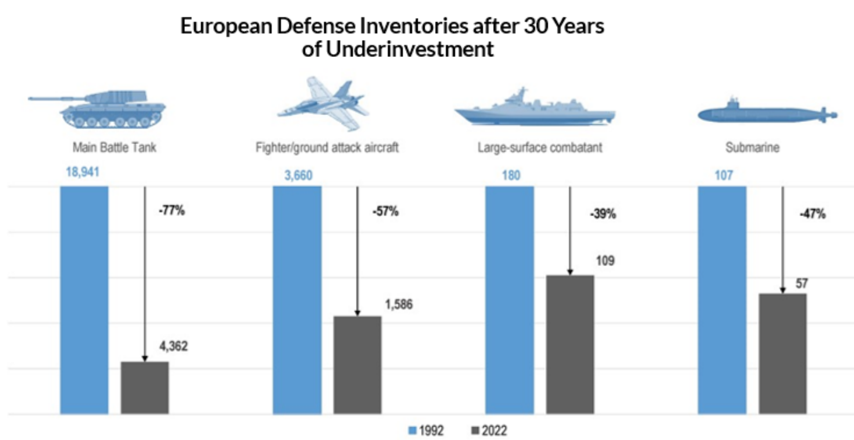
Theme- Defensive Capabilities Need Reinvestment



Source: McKinsey (December 2022); The Military Balance
Note: Countries include France, Germany, Italy, Netherlands, Norway, Poland, Spain, Turkey and UK. Fighter/ground attack aircraft include fighter jets and bombers. Large-surface combatant includes cruisers, destroyers and frigates

- President of the European Council, Charles Michel, “If we want peace, we must prepare for war.”
- “We can no longer count on others” - Defense spending is secularly growing.

Source: JP Morgan European Defence Team
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We appreciate your support and attention.   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

04/17/2024
MSCI ACWI ex-US (Net) – 292
MSCI ACWI (Net) – 403
MSCI ACWI ex-US Value (Net) – 294
MSCI ACWI Value (Net) – 328

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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, with the objective to seek capital appreciation. This goal is pursued by investing in a diversified portfolio of these equities which 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 International Intrinsic Value Composite contains fully discretionary, taxable, and tax-exempt accounts that use either the MSCI ACWI ex-US or the MSCI EAFE Index as the benchmark. Prior to April 1, 2010, this composite was known as the International 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 International 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, gross and net of management fees, and 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 .80% applied monthly. Prior to January 2007, 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 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 ex-US Value (net) Index captures large and mid-cap securities exhibiting overall value style characteristics across developed and emerging markets countries. 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. The net index takes into account the impact of tax withholdings on dividend income.

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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 IIV product is designed for long-term investors, who are willing to accept short-term market price fluctuations. There are general and market risks involved in this product, along with the risks of ownership in a foreign security (ADR, or similar securities) including political instability, confiscation of property, reduced legal protection, market liquidity, and adverse changes in currency exchange rates. Investing in emerging market securities can magnify these risks due to their smaller economies. 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.

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