October 19, 2023
Intrinsic Value Team
Todd Asset Management

Todd Q3 2023 International Intrinsic Value Review

	3Q2023	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-0.82%	7.45%	26.89%	9.03%	4.92%	6.62%	4.60%
International Intrinsic Value (Net)	-1.03%	6.78%	25.84%	8.12%	4.04%	5.73%	3.73%
MSCI ACWI ex-US (Net)	-3.77%	5.34%	20.39%	3.74%	2.58%	4.73%	3.35%
MSCI ACWI ex-US Value (Net)	-0.08%	8.19%	25.17%	9.56%	2.29%	4.57%	2.58%

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

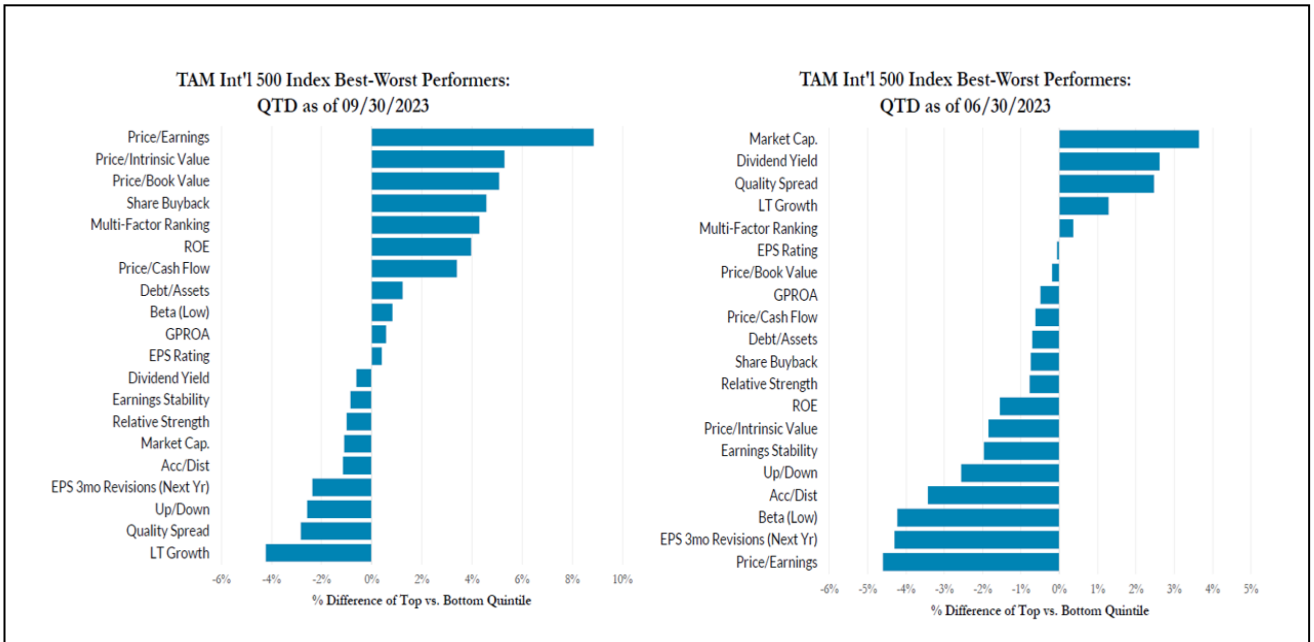
Performance Review

The relative performance momentum we spoke to last quarter continued this quarter as we outperformed the ACWI ex-US by more than +250bps. We are now nicely ahead year-to-date and over all other longer-term time frames (1, 3, 5, 7 and 10yr). This was also the first negative return quarter we've seen since last year, making this the 5th consecutive down quarter that we've outperformed the index (3Q23, 3Q22, 2Q22, 1Q22 and 3Q21). It's a profile that gets lost in some of the MPT statistics, but also likely speaks to the changing leadership regime we've witnessed internationally since the start of the pandemic as Value started to consistently outperform Growth. We are nearly 3 years into this new international Value cycle, which started with the vaccine announcements in November of 2020. That cycle paused earlier this year with banking sector turmoil, but resumed in recent months as interest rates broke out again. Energy led the way this quarter as oil and gas prices are both up sharply in recent months.

In our last quarterly letter, we highlighted how markets were being forced to push out recessionary forecasts into next year as employment, profits and activity remained resilient despite building pressures from tighter policy. Soft PMI readings and the lack of bazooka stimulus out of China remain headwinds, although we are starting to see more green shoots on both of these fronts. Most developed market central banks have signaled that they've reached terminal policy rate levels and are set to pause for some time. Manufacturing PMI data, which have been in recessionary territory for some time look like they're trying to bottom in most regions. Historically, that has proven to be quite good for stock prices over the following year.

We now enter the 4th quarter with interest rates breaking out to new multi-year highs. Rates in the UK are back above levels we saw when the bond market vigilantes aggressively sold Gilts in the fall of 2022. Trying to distill the signal from this move seems to be a Catch-22. On one hand, given that inflation readings continue to move lower and more resilient economic activity has provided more cushion for central bankers to keep rates higher for longer, the signal is a positive one more driven by higher growth expectations. On the other hand, higher rates weigh on market multiples and raise the risk of something breaking in the economy. We've been getting conflicting signals from the market all year and it doesn't look like there is any reprieve on the horizon until we're ultimately able to answer the questions around a recession. Until then, we'll play the ball as it lies. The leadership we saw this quarter felt more like a normalization of market sentiment toward groups that suffered in the initial panic driven months after the collapse of Silicon Valley Bank. Our focus in recent quarters has been on several secular trends that all revolve around a new capital spending cycle in infrastructure, defense, energy, commodities, etc. The market has been very receptive to these areas, and we are hopeful that continues through year end absent some major exogenous event.

Factor Performance[1]



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

We noted a broadening out in our factor work in the last quarterly letter. That continued through the third quarter with 11 of the 20 metrics we track posting positive returns (left chart). This is a nice change from the narrow factor returns we saw in the second quarter (right chart). We generally expect most of these metrics to work under normal circumstances so the signal we get from this broadening out of factor returns is one of more comfort in the current environment. Value metrics, Share Buybacks and our Multi-Factor Ranking led the way this quarter. The move higher in interest rates seems to have reoriented the investor community back to paying attention to valuation. In this context, it is no surprise that Long-term Growth ranked at the bottom of the list as the worst performing metric in the quarter.

When looking at our sector attribution, performance drivers were very broad based with most of the 11 sectors positively contributing to our outperformance for the quarter. This was mostly driven by stock selection, particularly within Energy, Financials and Materials. This is an interesting leadership group considering the market was down in the quarter, however commodity prices and interest rates are up sharply since June which has helped to drive these group. The breadth of our performance also speaks to the fact that Value outperformed Growth internationally by a wide margin (+7%) in the quarter. Consumer Discretionary was the only sector that materially detracted during the quarter due to weakness in several retail-oriented names. Regionally, Developed Markets again drove performance with Europe ex-UK contributing the most. Most of our Energy names and many of the Financials that lead this quarter are domiciled in Europe. Japan and Pacific ex-Japan were also additive while Emerging Markets and the UK were our worst performing regions.

As we just mentioned, with rates and oil prices up sharply since June, our top contributors were heavily skewed toward Energy and Financials. Our best five performers this quarter were, UBS, Repsol, TotalEnergies, SLB and Mitsubishi UFJ Financial. UBS had been in the penalty box following the acquisition of their troubled Swiss competitor, Credit Suisse. However, confidence in UBS's ability to successfully integrate the bank grew during the quarter. Investors now see loss provisions as being more than enough to navigate this transaction and are looking to the other side at a wealth management powerhouse. Repsol, along with the next two companies in the Energy sector, benefitted from prices of Brent crude oil increasing from $75 in June to more than $95 in late September. The company also reported strong results with better production in their Upstream division with refining margins expected to boost Downstream results next quarter. This has driven total shareholder returns (dividends + share repurchases) to roughly 13%. TotalEnergies also reinforced their ability to drive free cash flow going forward at their capital markets day in September. This will fuel both shareholder returns, and capital spending aimed toward their renewable energy business. Higher oil prices are also helping to drive returns and profitability at SLB to cycle highs. This has raised the starting point for longer-term drivers of earnings to begin kicking in as digitization and international/offshore activity ramp over the next few years. That is a long-winded way of saying that their 3-5 year growth outlook remains robust. Finally, shares of Mitsubishi UFJ finished the quarter near multi-year highs as the Bank of Japan continues to normalize monetary policy by allowing interest rates to rise further.

China was overrepresented in our bottom 5 last quarter. No Chinese domiciled names made it in this quarter, however several still have indirect ties into China and the disappointing recovery we've seen thus far. Our worst detracting names were Amdocs, Louis-Vuitton, America Movil, Itochu and Naspers. Shares of Amdocs slid after reporting results that highlighted the cautious spending environment among their major carrier clients due to economic uncertainty. Disappointing data out of China weighed on many European luxury names in the quarter. Louis-Vuitton generates around 25-30% of their sales from the Chinese consumer. While company specific commentary has been more constructive on Chinese spending, this dynamic ultimately ended up weighing on earnings estimates which had been in an upward revision cycle since last September. America Movil is the largest telecom provider in Latin America and has seen shares weaken in recent months. While the company continues to see rising broadband subscriptions and higher mobile revenue per user, they have lost some market share to some smaller player that are offering pre-paid plans. Mexican regulators are also looking at the industry as part of an anti-trust review which likely caused additional anxiety for shareholders of the country's largest carrier. Itochu saw shares decline through the quarter. Fundamentally there weren't really any concerning developments and shares were likely due to consolidate for some time after the runup they had into the end of the second quarter. Naspers is in the midst of unwinding a confusing cross-holding share structure with Prosus, which is being well received by the investor community. However, shares declined in recent months in line with weakness at the Chinese e-commerce giant Tencent, which represents a very large portion of their revenue. While green shoots have emerged and the government crackdown on the tech sector is in the rear-view mirror, the lack of a meaningful consumer targets stimulus package has continued to weigh on sentiment.

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

10/18/23
MSCI ACWI ex-US (Net) – 261
MSCI ACWI ex-US Value (Net) – 1,198

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 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 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, 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, 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 Composite has been examined for the periods January 1, 2011 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, 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.

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.