January 19, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q4 2023 International Intrinsic Value Review

	4Q2023	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	6.92%	14.89%	14.89%	4.71%	10.20%	7.80%	4.48%
International Intrinsic Value (Net)	6.70%	13.93%	13.93%	3.84%	9.28%	6.90%	3.61%
MSCI ACWI ex-US (Net)	9.75%	15.62%	15.62%	1.55%	7.08%	6.33%	3.83%
MSCI ACWI ex-US Value (Net)	8.43%	17.31%	17.31%	5.80%	6.34%	5.29%	2.93%

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

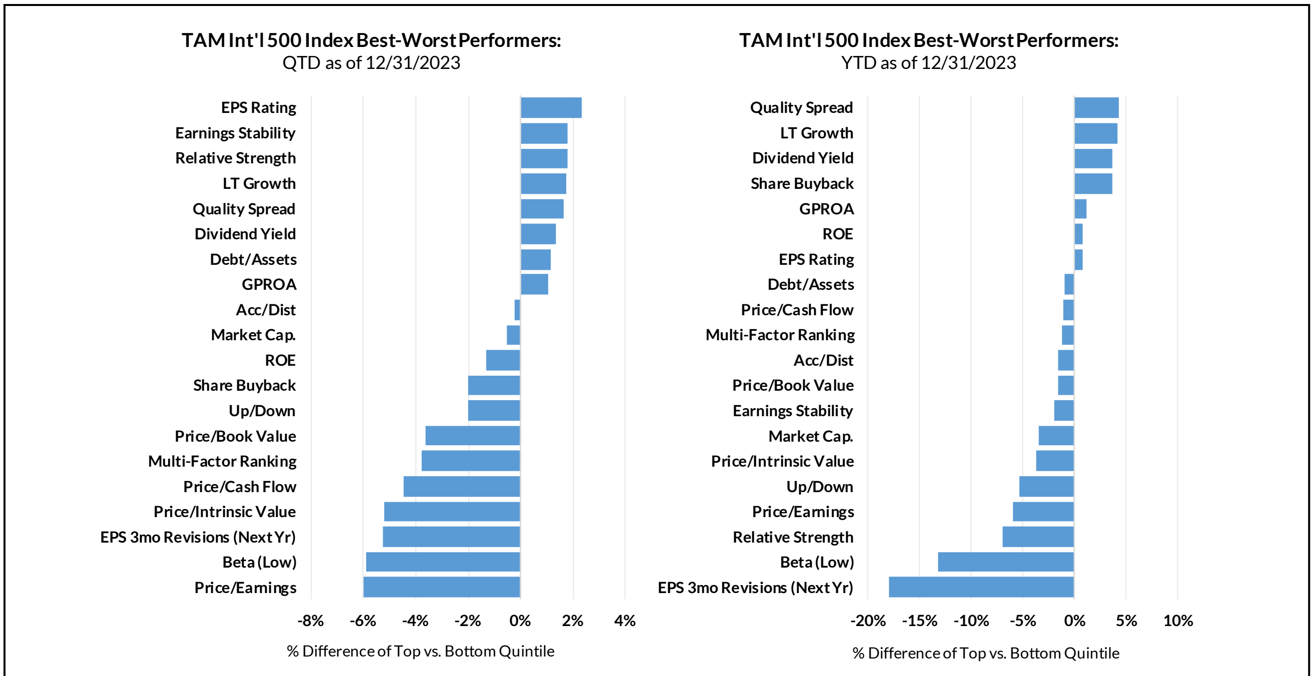
Performance Review

The fourth quarter was a mirror image of the third quarter in some ways. Our International IV strategy's outperformance in 3Q was broad based and the same was true of our underperformance in 4Q. This is typically the case when macro-drivers are more prominent and that is exactly what we saw in the last few months as interest rates fell sharply in anticipation of global central banks adjusting policy rates lower in 2024. This reversal in rates drove various other reversals from the prior quarter. Factor leadership as well as Value/Growth flipped. Sector performance reversed with Energy and Technology alternating roles as top/bottom performers between the third and fourth quarters. All of this weighed on our strategy's relative performance, particularly in December, bringing our full year return behind the ACWI ex-US. As you can see in the table above, longer-term numbers remain ahead of the benchmark as we enter the new year.

In the past few quarterly letters we have highlighted the fact that the economy continued to outperform consensus expectations, thus forcing investors and economists to push out their recessionary forecasts all year long. This finally came to a head in the fourth quarter as the market spent November and December getting more optimistic about the prospects for growth in 2024. The bears seem to have gone quiet at the moment as expectations for policy rate cuts and downward trending inflation readings dramatically lifted investors' spirits to end the year. Central banks seemed to fully embrace pivoting policy rates lower which drove several major indices to all time or multi-decade highs into year end (e.g. German DAX, Japan's Nikkei, France's CAC).

The move away from recessionary calls didn't benefit the Energy space. Despite the fact that there is a war in the Middle East, blockages in the Red Sea and continued sanctions imposed on Russia (the #3 oil producing country in the world), energy prices still fell sharply in the last few months of the year with prices of Brent crude trading around the same levels as they did earlier in 2023 when recession fears peaked. This seems to have been driven more by supply side dynamics and probably further fueled the soft/no landing narrative. OPEC's production cuts have been met with skepticism, especially after Angola (+1 million barrels/day of production) left the bloc to start the year. Sanctions on both Russia and Iran have largely been evaded. Russian oil production is back above pre-invasion levels and Iran quietly ramped production by more than +500k barrels/day last year. US oil production also made a new all-time high to end the year (13.2 million barrels/day), rising by more +1 million since July 2023. The move in rates was unquestionably the story of the fourth quarter as it brought back a level of optimism we haven't seen in a few years. To the extent that this suggests a better environment for growth in 2024, we would expect demand expectations to ratchet higher and balance out the narrative on the oil & gas front and support some of our Energy names that have underperformed recently. We also remain optimistic on the secular tailwinds in capital spending that should reinforce the turnaround in manufacturing activity we're seeing across the world.

Factor Performance[1]



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

Our factor work showed a pretty sizable rotation out of Value in the quarter. Broadly speaking, what worked well in the third quarter lagged in fourth quarter and visa-versa. One of the main narratives from the quarter was the changing stance of central banks that pushed longer-term interest rates lower. Most developed markets saw 10 year yields fall by more than -100bps in the quarter. This drove most of the underperformance we saw in Value metrics internationally. This also led to a rally in higher Beta names and companies with the sharpest declines in Earnings Revisions, a dynamic that didn't benefit our strategy. Earnings Growth, Yield and Quality metrics led in the quarter and for the full year. Our Multi-Factor Ranking struggled as most of the seven inputs to the ranking underperformed.

Performance Attribution

For the quarter Materials and Discretionary were the two bright spots in our sector performance, which was more than offset by weakness elsewhere. As is usually the case, stock selection drove the vast majority of our returns. Energy, Financials, Communication Services and Industrials were the main areas that detracted for our strategy. Regionally, Japan contributed positively to performance while Europe, UK and Emerging Markets all detracted. For the full year performance was much more balanced, being led by Financials, Materials, Real Estate and Staples. The biggest areas that detracted from performance were Discretionary, Technology, Health Care and Industrials. Regionally, the UK and Emerging Markets were responsible for most of the performance headwinds while Japan, Europe and Asia Pacific ex-Japan all positively contributed to the strategy's returns.

The sharp move higher we saw in markets in the final two months of the year certainly had a risk-on flavor to them with several major indices closing at all time or multi-decade highs, as mentioned earlier. Our top fiver performers for the quarter were CRH, Tokyo Electron, UBS, Itau and Saint-Gobain. Shares of CRH led our portfolio in the 4th quarter as the company remains a major beneficiary of the historic amount of spending on major infrastructure projects in the US and around the world that is set to ramp over the next few years. Tokyo Electron posted solid results during the quarter that saw stronger than expected demand out of China. This led management to raise forward guidance and looks to have put a bottom in earnings estimates. UBS is in our top five for the second straight quarter and investors continue to gain confidence in the management team's ability to successfully integrate the Credit Suisse business into a wealth management powerhouse. Itau, the largest bank in Brazil, posted solid results during the quarter and management had positive comments on shareholder returns and credit origination within their higher income client base. Saint-Gobain, much like CRH, is benefitting from a secular construction tailwind. Spending on renovations to upgrade buildings to become more energy efficient is driving growth, particularly in Europe.

Our bottom five performers were Repsol, SLB, ZTO, Baidu and Ping An. Prices of Brent crude oil fell nearly -25% in the 4th quarter, leading most Energy names lower. Both Repsol and SLB (Schlumberger) underperformed with this broader oil price weakness. We continue to see capex ramping across the energy space as well. Capital allocation continues to be much more shareholder friendly than in years past, but investors seem to be asking more questions around the longevity of share buyback programs in the face of rising capex and softer oil prices. Repsol has one of the higher total shareholder returns in the group at ~15%. As for SLB, while the multi-year outlook remains robust, growth has slowed in the US which has seen lower drilling activity. The other three names that round out our worst detractors are all Chinese listings that continued to see pressure from soft economic activity. ZTO Express posted disappointing results in November as pricing competition intensified. The company has historically been able to gain share in these environments from smaller players, though volume gains were very modest this quarter which disappointed investors. Baidu is also dealing with increased competition as various AI tools may eat away at their market share leadership position in search. Margins are also expected to see additional pressure as slower growth hurts ad revenue and rising development costs for their ERNIE AI tool weigh on profits in 2024. Finally, shares of Ping An continued to sell off due to concerns over their property market exposure in China. We eliminated Ping An from the portfolio in late November.

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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01/18/2024
MSCI ACWI ex-US (Net) – 278
MSCI ACWI ex-US Value (Net) – 283

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.