Asset Management

April 19, 2022
Intrinsic Value Team
Todd Asset Management

Todd Q1 2022 International Intrinsic Value Review

	1Q2022	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-4.9%	-2.1%	10.2%	7.7%	5.3%	6.4%
(Net)	-5.2%	-2.9%	9.3%	6.8%	4.4%	5.5%
MSCI ACWI ex-US (Net)	-5.4%	-1.5%	7.5%	6.8%	5.2%	5.6%
MSCI ACWI ex-US Value (Net)	0.1%	3.3%	5.4%	4.7%	3.7%	4.2%

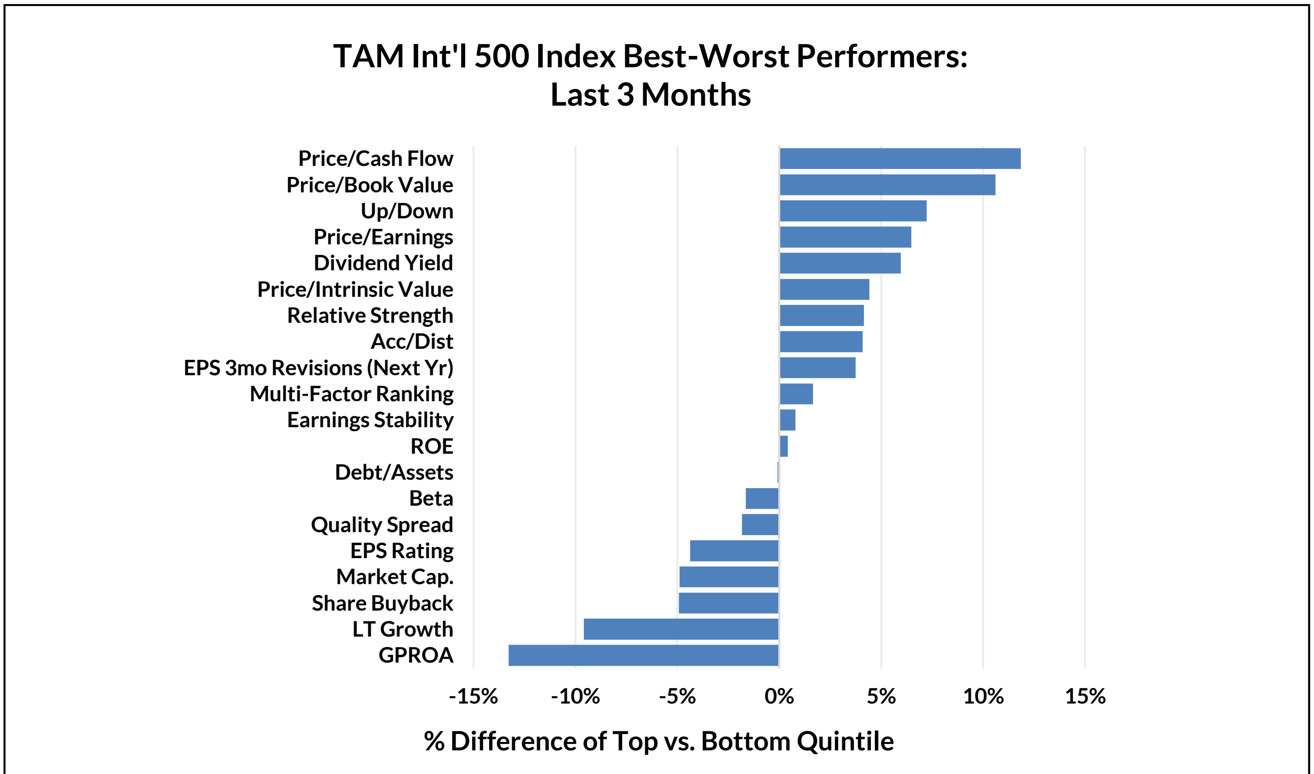
** Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

Performance Review

After a volatile few months, the International IV strategy finished the quarter +0.5% ahead (gross) of the ACWI ex-US. Both developed and emerging markets suffered alike, however it was the Value indices that offered material outperformance relative to Growth. This was the first time we've seen meaningful outperformance from Value in a down quarter since the last Value cycle. We've noted the rotation to Value being witnessed in international markets for well over a year now. Recent leadership through a market decline further suggests to us that the cycle has changed and has a number of years left to run. This rotation has provided a nice tailwind to the strategy and we remain ahead of the benchmark on a 3, 5, 7, and 10yr (gross) basis.

We just finished quite a quarter with a number of market concerns piling up. Inflation readings continued to run hot forcing many central banks to pivot to more hawkish policies. Russia's invasion of Ukraine and the ensuing war/sanctions further ignited commodity prices, particularly for food and energy. China also began to deal with an Omicron wave, causing a number of cities to lock down due to their "zero-Covid" policy. The end result was a mark down of growth expectations, renewed supply chain concerns and rising recession risks. The inverted yield curve in the US seemed to be the icing on the cake for the bear camp. Adding insult to injury, this was actually one of the worst quarters for global bond returns in over 30 years with the Bloomberg Global Agg down more than -6%. Seemingly investors hated everything. When this is the case, we find it useful to ask what could go right. The inversion of the yield curve in the US garnered much attention, as it should have, however the 2-10 only inverted for a few days while other US curves (3mo-10yr, Fed Funds-10yr, etc.) and curves for international bonds continued to steadily steepen. This is hardly sending a recessionary message. Nominal growth remains quite strong around the globe. This looks to be translating into better company sales and profits as earnings estimates in Europe for 2022 and 2023 continue to march higher. Energy, Materials and Financials are the 3 leading sectors YTD as of the time of this writing. Cyclical leadership certainly sends a different message from the gloom and doom consensus seems to be projecting. Finally, as mentioned above, Value has continued to outpace Growth in international markets. The market seems to be looking through these concerns and into the next few quarters which could see inflation easing, rebounding services activity and easing supply chain issues that allow inventory rebuilding to continue. While markets may remain choppy as we deal with various headwinds, we continue to see a number of signals that keep us constructive.

Factor performance



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

Above is our customary factor analysis that compares the performance of the best 100 and worst 100 companies within the TAM Int'l 500 index (or the 500 largest companies in our international universe) for each of the 20 factors shown above. Value metrics topped the list, which was consistent with the outperformance from Value indices. Several quality and growth metrics lagged. Dividend yield was again one of the best performing factors and has been for the past year. Our Multi-Factor ranking was also positive for the quarter.

Our more economically sensitive stance helped drive performance for the quarter, specifically our positioning in Materials and Energy. These areas, which became dramatically under-owned in recent years, continue to benefit from tight commodity markets and persistently hot inflation readings. Our discipline is beginning to highlight more opportunities in Healthcare. While we were underweight this sector at quarter end we've been adding to it recently with funding coming from Consumer Discretionary and Industrials, two sectors that have deteriorated some on our work. Regionally, we remain quite underweight in Emerging Markets. Our exit from all of our Russian names prior to the invasion took our exposure to -10% relative to the index, the most we allow according to our buy/sell controls. This leaves us overweight Europe, UK and Japan, all regions that helped to drive performance for the quarter.

Oil, gas and commodity prices all soared in the first quarter. Strong demand and tight supply had already pushed prices to multi-year highs in 2021. Russia's invasion of Ukraine in February exacerbated these imbalances and prices spiked. Our top performing names this quarter each benefitted from higher commodity prices in one way or another. The top five names were Equinor, Vale, Rio Tinto, Itau and Anglo American. Equinor is the second largest supplier of natural gas to Europe and thus greatly benefitted from extremely tight supplies that sent prices to historic highs on the continent. Momentum continued for iron ore prices due to supply issues from Russia/Ukraine (which are meaningful sources of production) with Chinese stimulus providing further support. Vale and Rio Tinto have a majority of their revenue exposure tied to iron ore and saw shares move higher with prices for the metal. The commodity rally also lifted the Brazilian Real given the country is a large exporter of oil, soybeans and other commodities. Currency strength and the benefit from higher interest rates both drove shares of Itau, a large Brazilian bank, higher. Recent guidance from management calls for a continuation of strong loan growth in 2022. Anglo American was our 4th commodity player that helped to drive performance in the quarter, benefitting from strong price realization across their metals portfolio. Anglo is heavily exposed to platinum and diamonds where Russia accounts for 40% and 30% of global supply respectively. They obviously stand to benefit from Russian supply being taken offline.

Russia's invasion of Ukraine and the ensuing sanctions levied against the country explained most of the underperformance of our laggards for the quarter. Our bottom five names were Sberbank, Lukoil, AerCap, ING and Ashtead. We completely eliminated each of our Russian holdings (including Sberbank and Lukoil) from the portfolio in February prior to the invasion. While we could not have foreseen the magnitude of the coordinated response from the West to Russia's invasion, geopolitical risks were unquantifiable and we were happy to eliminate our Russian names at substantially higher prices than what prevailed in the market as the war ensued. Shares of AerCap sold off following the invasion as the company was the largest lender of aircraft to Russia. This represented a very small portion of their overall book (less than 5%), however the coming impairment will cause a one-time hit to profits. ING was one of the more exposed European banks to Russia and Ukraine with roughly $8 billion in loans outstanding. The decline in shares has erased roughly -$20B from the market cap of the company, more than accounting for the likely provision coming next month. Finally, while the rate environment for Ashtead is the best in years due to strong demand and tight supply, investors began to price in late cycle fears. P/E multiples for the company were historically high and increased talk of recessions in Europe and the US caused the multiple to contract by -8-10 points in the quarter.

In summary, market participants are worried about the headlines we are seeing regarding war, inflation, Covid disruptions in China, potential recession and monetary tightening. We believe the lasting message investors should take from the recent market action is that there's a new regime in place. Rates have backed up, and likely need to go higher, just to get to normal levels. If we can see this occur without the global economy sliding into a recession, we believe this sets the stage for Value to continue the recovery it has seen. We are watching first quarter earnings closely to get a sense for what company managements think, and thus far we do not hear that a recession is imminent. If investors embrace that thought, we expect another leg up in the Value versus Growth trade.

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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04/19/2022
MSCI ACWI ex-US (Net) – 274
MSCI ACWI ex-US Value (Net) – 270

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
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. Registration of an investment adviser does not imply any level of skill or training.

Specific stocks discussed in this presentation 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. A complete listing of the holdings as of the period end is available upon request. 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.

Todd Asset Management LLC ("TAM") is a registered investment adviser. 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, 2021. 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, 2021. 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 0.80% applied monthly. Prior to January 2007, the management fee schedule applied to the composite was 0.60%. 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 benchmarks. 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) 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.