TODD Asset Management

April 21, 2025
Intrinsic Value Team
Todd Asset Management

Todd Q1 2025 International Intrinsic Value Review

	1Q2025	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	11.42%	10.26%	7.99%	15.17%	6.57%	6.12%
International Intrinsic Value (Net)	11.19%	9.34%	7.09%	14.21%	5.67%	5.23%
MSCI ACWI ex-US (Net)	5.23%	6.09%	4.48%	10.92%	4.47%	4.98%
MSCI ACWI ex-US Value (Net)	8.57%	11.35%	7.23%	13.62%	4.57%	4.71%

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

Performance Review

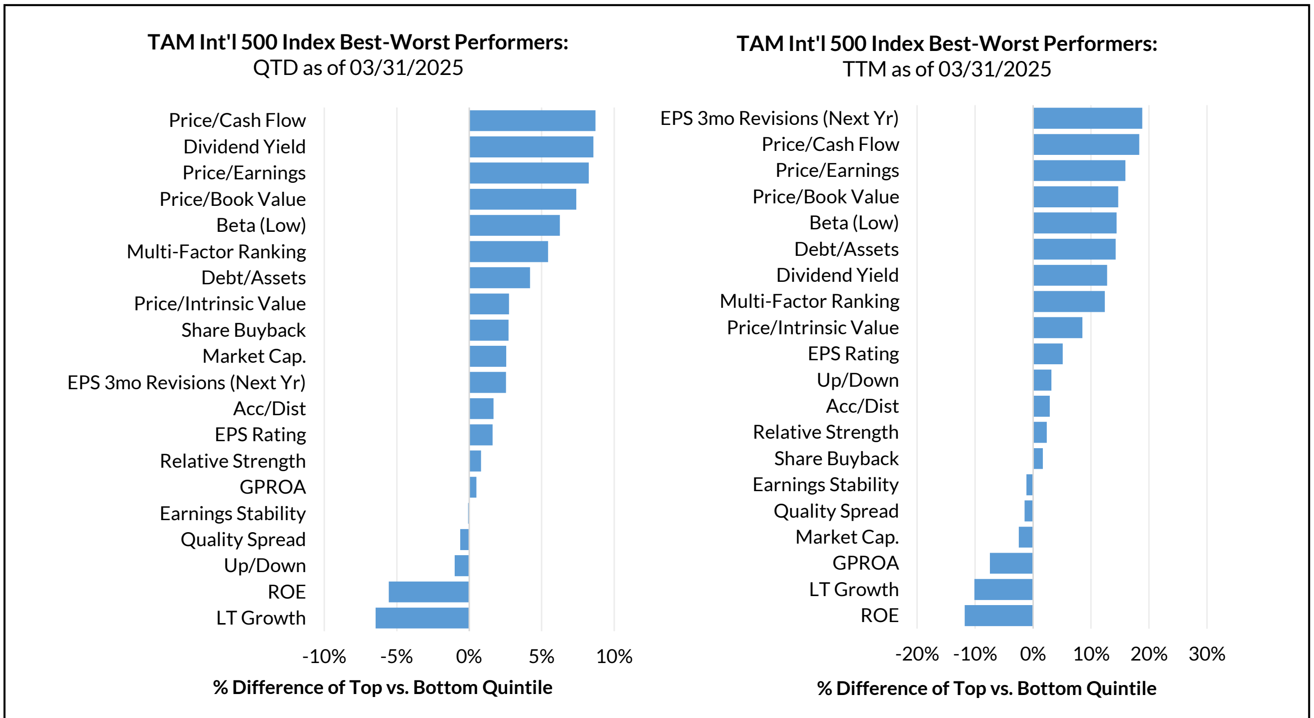
Our International Intrinsic Value strategy got off to a very strong start to the year, posting returns that were well ahead of the ACWI ex-US year-to-date. Cyclical leadership in international markets persisted through the first parts of the year before giving way in March (and the first week of April) as US trade policy took center stage with tariff announcements on April 2nd which were worse than most economists "worst-case-scenario". Despite this, international markets continue to outperform US markets year-to-date. The renewed interest in international equities has been a long time coming and stands in stark contrast to the sentiment at the beginning of the year which centered around "US Exceptionalism".

The specific details of US trade policy are likely to be different by the time this note hits the press, so we'll keep it high level. Confidence in US policy is being challenged as decades of status quo arrangements (trade, security, etc.) are being reformed. Look no further than the bond and forex markets, where the US Dollar and Treasuries have both seen weakness. Time will tell whether this was driven by foreigners selling US assets or the unwind of a large levered bet, but it certainly got the administration's attention. While there may be offsetting measures enacted later this year, this marks a huge sea change on the policy front as the US becomes much more restrictive after years of aggressive stimulus. And as the Trump administration attempts to pick up the proverbial "can" that has been kicked down the road for decades as it relates to trade, debt and government largess, international economies are starting to become much more accommodative. The German election feels like it was ages ago, but the enormous fiscal package and lifting of their "debt brake" in March is emblematic of the much more pro-growth stance Europe and other international economies are taking to revive their economies. Trade policy is ruling the day right now, but the shift from Europe to take a more proactive approach to their economic growth engine is a big deal that could have a lasting impact on markets.

In a highly volatile market being driven by news flow, it's always interesting to ask yourself what has and hasn't changed. We have the benefit of viewing this volatility through our investment discipline which demands a focus on fundamentals as well as cyclical and secular growth drivers.

Cyclical risks have unquestionably risen as sentiment, which was already on shaky footing, is being challenged. On the margin we've added to some of the more defensive sectors and continued to walk down our weight in Energy. However, the fundamental and secular backdrop for several of the areas that our discipline has been highlighting has only been further reinforced over the past few weeks. The capital spending cycle that we've talked so much about is becoming more entrenched as the US retreats from various multilateral arrangements and Europe and Asia pursue more fiscally oriented growth policies. This deglobalization movement is leading to a necessary ramp in capital spending to resurrect manufacturing bases which had been outsourced to the far east for decades, driving investment into the industrial bases of various economies. Financials should also ultimately benefit from these stimulative efforts as banks have largely reset capital levels and we move into a better interest rate environment. It remains to be seen if April 2nd (and the days that followed) was the point of maximum pain on global trade and volatility could stay elevated. Earnings, employment and progress on trade negotiations all bear close watching.

Factor Performance[1]



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

Value factors continued to exert their leadership in international markets during the first quarter with each Price ratio (P/E, P/B, P/S and P/CF) and Dividend Yield ranking at the top of the list. In broader terms the ACWI ex-US Value index outperformed the ACWI ex-US Growth by +6.75% through March. In that same light and perhaps unsurprisingly, Growth metrics were among the worst performing factors in the quarter. It was also interesting to see such broad breadth among the factors in a quarter that was capped off with uncertainty on the US policy front. As a result, our Multi-Factor Ranking was among one of the better performing metrics.

Performance Attribution

Another example of the great quarter the strategy posted is the breadth of performance drivers with all but one sector (Communication Services) positively contributing to returns. Financials, Consumer Discretionary, Energy and Industrials were our top performing groups and speak to the more cyclically oriented leadership we saw in the early part of the year. These also play into several of the more thematic trends playing out at the macro level which we highlighted earlier. Within Communication Services, our headwinds came from America Movil and Baidu which underperformed more on geopolitical concerns (e.g. Mexico and China) and were eliminated from the portfolio during the quarter. Regionally, performance breadth was equally broad based with every region positively contributing to returns. Europe, Emerging Markets, the UK and Japan were the top performing areas during the quarter as investors allocated to equities overseas.

Our top five performing companies for the quarter were Banco Santander, Thales, BNP Paribas, Alibaba and BAE Systems. European Banks, Defense Contractors, Infrastructure plays and Chinese eCommerce companies all reflect some of the more thematic areas of the portfolio which were well accepted in the first quarter. Banco Santander posted very strong results in early February which increased expectations for profits this coming year. The management team expects to return €10 billion to shareholders via buybacks through next year, which represents around 10% of the company's market cap. Shares of European defense contractors, including Thales and BAE Systems, gapped higher following the German elections and the rapid passage of a large defense/infrastructure spending package in their lame duck session. This followed commentary from the new US administration that put more pressure on European NATO countries to increase their defense spending burden. BNP Paribas also posted results that were better than expected and reiterated guidance for improvements in their ROE and earnings growth for the next 2 years. Given the political uncertainty in France recently, this relieved investors who were expecting a potential cut in profit guidance. Alibaba rounds out our top five performers as shares benefitted from a much more conciliatory tone from China's leadership toward their tech sector. Alibaba has been making progress on their various AI initiatives as well which further improved sentiment around the company.

Our bottom five included Teva Pharmaceutical, Taiwan Semiconductor, Prysmian, Itochu and Ashtead. Teva Pharmaceutical, which was one of our top performing names last quarter, had a disappointing earnings release in late January that sees profits in 2025 coming in lower than expected. The company is increasing spending in their pipeline which could cause some additional volatility to results in the near-term. Shares of Taiwan Semi have seen pressure this year along with the rest of the AI ecosystem as investors question the level of capital spending being poured into the space. Uncertainty around geopolitics (e.g. tariffs on Taiwan?) and whether increased investment in the US and a possible JV with Intel have caused some additional headwinds recently as investors try to get more clarity on profit margins. Prysmian has also seen some pressure as investors recalibrate their expectations for AI/datacenter spending in the US. Prysmian makes power cables that have been in heavy demand across the globe due to grid upgrades to handle increasing electrification demand. While demand remains robust, the company is expecting to see some margin pressure in parts of their low/medium voltage end markets. Shares of Itochu dipped in February after expectations for profits in 2025 were brought down slightly. Investors also seemingly became concerned over the potential to invest in Seven & i holdings which could negatively impact debt levels if it gets into a bidding war (Canada's Couche-Tard is also looking to acquire the retail business). Ashtead, for the second straight quarter, was among our bottom five performers as rising growth worries in the US have dampened expectations for construction activity, particularly in smaller markets as developers look for more clarity on the policy and interest rate front.

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

04/21/2025
MSCI ACWI ex-US (Net) – 319.92
MSCI ACWI ex-US Value (Net) – 336.63

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, 2024. 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, 2024. 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. 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.

At acceptance, TAM will provide all clients with a copy of our current Form ADV, Part 2A ("Disclosure Brochure"), Form ADV Part 2Bs, which are the Brochure Supplements for each advisory person supporting a particular client, and, if an individual investor, the Form ADV Part 3 (client Relationship Summary or Form CRS). You may also obtain a copy of these disclosures on the SEC website at http://adviserinfo.sec.gov