July 17, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q2 2024 International Intrinsic Value Review

	2Q2024	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-0.31%	5.98%	12.39%	2.86%	7.97%	6.63%	4.68%
International Intrinsic Value (Net)	-0.52%	5.54%	11.45%	1.99%	7.07%	5.74%	3.80%
MSCI ACWI ex-US (Net)	0.96%	5.69%	11.62%	0.46%	5.55%	5.17%	3.84%
MSCI ACWI ex-US Value (Net)	1.26%	4.70%	13.44%	3.54%	5.29%	4.41%	2.76%

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

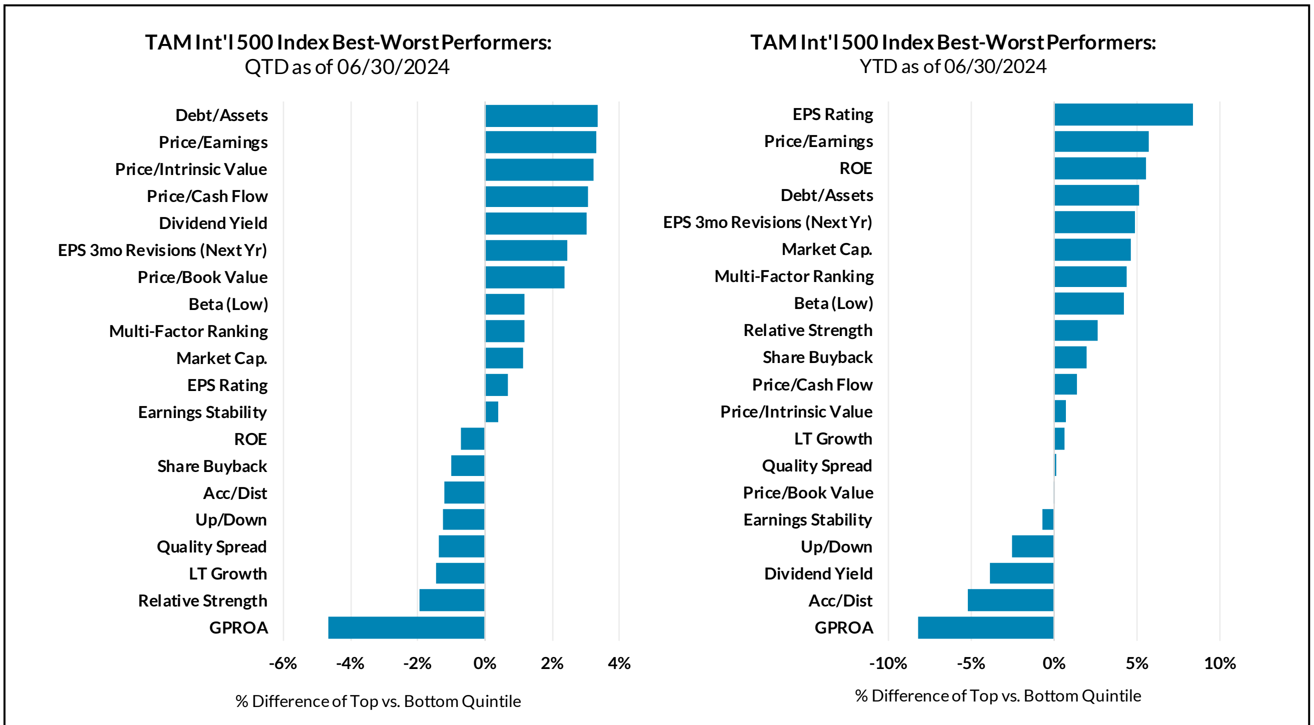
Performance Review

Our IIV strategy underperformed the ACWI ex-US in the second quarter with much of this lag occurring in the month of June as the market narrowed. While not as egregious as the S&P 500 where concentration among the top 5 names is historically high, the largest companies in the international universe outperformed in the last few weeks of the quarter as investors started to question the resiliency of the global economy. We remain constructive on several secular and cyclical dynamics that should support growth going forward.

Normalization was a major topic in our last quarterly letter as we noted inflation and policy rates in most of the developed world were becoming less restrictive. This continued in the second quarter as the ECB (European Central Bank) started its rate cutting cycle in early June and longer-term Japanese interest rates continued to move higher into positive territory. Policy easing/normalization has historically been positive for stock returns over the next 12 months, as we've illustrated in the past. However, investor concerns started to accumulate in the last few weeks of June as several soft economic data readings raised questions around the self-sustaining momentum of global growth. These concerns are more observable below the surface as most major country indices continue to trade at or near all-time highs. We witnessed more selectivity from investors in June as Technology was a disproportionate outperformer among sectors (up nearly 9% while most other sectors were down -2% or -3%). As we will highlight in the factor attribution section, the largest names also handily outperformed the rest of the universe. One common denominator among these narrow observations is the AI trade. This has led to large dispersions in the US with the Nasdaq dramatically outperforming the rest of the market this year as growth expectations increased for many of the early beneficiaries of AI. Most of the names in this subset have very elevated multiples so while we have our fair share of companies that benefiting from this trend, we are underweight Tech more broadly in the strategy which has been a headwind.

Our exposure to other secular trends (new capital spending cycle, reshoring, infrastructure, defense, etc.) continues to support many of our Industrial, Energy and Financial holdings. These groups should also benefit from the cyclical recovery occurring as earnings and manufacturing activity rebound and policy rates normalize. We remain constructive on the prospects for growth and thus believe more widespread participation in this bull market should return.

Factor Performance[1]



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

Value leadership resumed as every Value metric outperformed in the quarter. Quality measures along with several Technical metrics (Relative Strength, Up/Dow and Accumulation/Distribution) ranked at the bottom of the list. While not shown here, Market Cap was the top performing metric in the month of June. This coincided with a narrowing of the market in the last few weeks of the quarter that saw the largest names in both the US and international universes outperform on macro and political uncertainty. Our Multi-Factor Ranking was modestly positive in the quarter and remains additive year-to-date.

Performance Attribution

Stock selection was the main driver of our underperformance in the quarter as our sector allocation was additive. This was most pronounced in the month of June. Industrials was really the only sector where stock selection was positive. This is a reversal from the first quarter where stock selection was broadly positive for the strategy. Within Industrials, our Japanese trading companies and capital spending beneficiaries in Europe led the way. Information Technology and Communication Services were our largest areas of underperformance. Capital spending in technology has been skewed toward AI applications, which has crowded out other discretionary areas of the capex budget in the near term. Some macro uncertainty, particularly in China, has also resulted in some weakness for our Communication Services names. Regionally, our underperformance was primarily driven by Emerging Markets and Europe. Japan was our best performing area.

Our top five performing companies for the quarter were Taiwan Semiconductor, Hitachi, Itochu, Standard Bank and AstraZeneca. Taiwan Semi continues to benefit from the ramp in spending around AI and advanced chips. The company's pricing strategy was also brought into the spotlight during the quarter after several comments were made by their management team around raising prices, particularly for Nvidia. Hitachi has been among our best performers for the past few quarters as the company continues its transformation toward more digital services (Lumada). This is increasing expectations around their margin profile. Itochu saw shares rise in the quarter as increased levels of growth capex are expected to boost earnings over the next few years. Shares of Standard Bank recovered following a weak update in April. The bank had seen headwinds from credit losses and foreign exchange volatility in Africa. Management expects that consumer related strains in South Africa (their local market) likely peaked in 1H24 and is guiding for improvements in the second half. Rounding out our top five was AstraZeneca who reported a very strong 1Q24 in late April that raised expectations for the rest of the year. Most of their product lines saw double-digit revenue growth and the investor day event in May reiterated their strong ambitions to continue this success through the end of the decade.

Our bottom five included Vipshop, CRH, Nippon Telephone and Telegraph, Shionogi and Capgemini. Soft Chinese consumer sentiment and increased competition have both weighed on shares of Vipshop recently. Pricing promotions had been more intensified at the larger eCommerce giants, but that has now spilled over into the specialty and discount retail marketplaces. Shares of CRH consolidated during the quarter after posting an impressive run since the start of last year. Housing data in the US has been soft recently which likely contributed to the pullback. Longer-term tailwinds from infrastructure spending and mega-projects remain in place. Nippon has been weak as profits missed expectations due to a difficult operating environment. The Japanese telecom is having to ramp spending on their network to handle increased AI utilization while also attempting to drive subscriber growth through promotional activity. This is all geared to spur growth over the next year, but the strategy will likely weigh on profits in the short-term. Shionogi is a Japanese pharmaceutical company that issued disappointing trial data on a weight-loss drug that likely halts its development potential. Finally, Capgemini has seen some cyclical headwinds as discretionary spending in many of their end markets slows ahead of various elections around the world and macro uncertainty.

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

07/17/2024
MSCI ACWI ex-US (Net) – 317
MSCI ACWI ex-US Value (Net) – 188

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 reflects 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, 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.

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.