October 18, 2022
Intrinsic Value Team
Todd Asset Management

Todd Q3 2022 International Intrinsic Value Opportunity Review

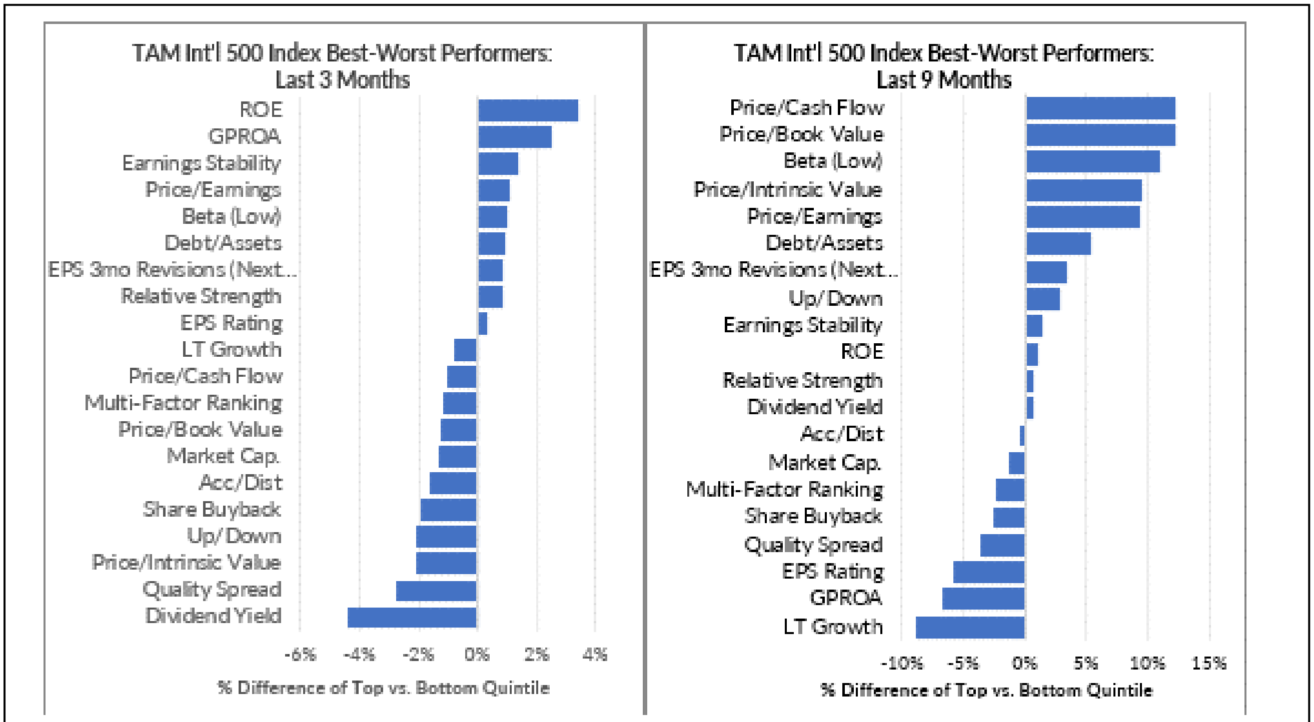
	3Q 2022	YTD	1 Year	3 Year*	5 Year*	7 Year*	Since Inception* (07/01/14)
International IV Opportunity (Gross)	-9.6%	-21.0%	-21.5%	-0.4%	-1.9%	2.2%	-0.6%
International IV Opportunity (Net)	-9.8%	-21.5%	-22.2%	-1.2%	-2.8%	1.3%	-1.4%
MSCI ACWI ex-US (Net)	-9.9%	-26.5%	-25.2%	-1.5%	-0.8%	3.3%	0.5%
MSCI ACWI ex-US Value (Net)	-10.4%	-21.0%	-20.0%	-2.2%	-2.1%	2.2%	-1.0%

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

Markets continued to sell off as growth concerns intensified and inflationary pressures remained. Our I-IVO strategy outperformed in the quarter and remains ahead of the MSCI ACWI ex-US year-to-date. Energy, Staples and Financials are outperforming year-to-date while Technology and Discretionary lag. This leadership profile through the bear market remains a polar-opposite from what we saw last cycle.

Last quarter we spoke to the various headwinds that were weighing on markets, including tightening central bank policy, war and China's 'Zero-Covid' policy. It felt as though investors were searching for potential off-ramps from each of these policy stances. Well… the search continues. Inflation readings continue to run hot forcing central banks to double down on their rapid tightening campaign. The Russia/Ukraine War has escalated in recent weeks with phony referendums in Russian controlled territories and the destruction of critical infrastructure (i.e. the bridge to Crimea and the Nord Stream pipeline). Despite some easing of restrictions, Xi Jinping continues to defend China's 'Zero-Covid' policy as the 20th Party Congress solidified his third term. As if those weren't enough, we also saw tensions flare in Taiwan after a visit from the highest ranking US official (Speaker Pelosi) in 25 years, OPEC cut oil production in an act of defiance to the US and the UK bond market rioted following newly elected PM Liz Truss's fiscal package causing interest rates to explode higher. This all kept a bid under the US dollar, which is at multi-decade highs against several major currencies. Fortunately, markets are discounting mechanisms and are already pricing in a recession. We think the potential for things to get less chaotic remains as central banks rapidly approach a peak (at least intermediately) in their policy rates, the UK is in the process of a policy U-turn to calm debt markets and stimulus/reopening in China remain underappreciated. Seasonally, markets typically act much better once we get through October. Forward returns have also been strong historically when markets are already off more than -30% and sentiment is extremely depressed. Ebbing tail risks would certainly help bring these historical analogs into play. It may be difficult to find reasons to be constructive and uncertainty is very high, however much of this is the result of a new regime we've entered that is being defined by higher rates and inflation. Two years into this new regime has seen Value emerge as leadership at the expense of Growth. We've found it to be more useful at the portfolio level to focus on this trend which continues to become entrenched.

Factor Analysis



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

Our factor attribution summary unsurprisingly showed a preference for Quality and lower Volatility (both for stock prices and earnings) for the quarter. Several of the Value metrics and shareholder returns (yield and buybacks) took a breather after having led for some time. Year-to-date the work above shows the new leadership profile of Value and the underperformance of Growth metrics. Our Multi-Factor Ranking has slightly underperformed this year. Another interesting feature is the outperformance of Lower Beta, which is complementing all of the Value metrics we track. Signs of rotation have been plentiful over the past few years, but it was a few short years ago that Value was pegged as "High Beta" while Growth was prevalent in many "Low Vol." baskets. This has changed as volatility seems to be a function of market preference for the cycle and this cycle looks to clearly have shifted to favor Value.

Performance Attribution

Attribution for the quarter showed that our performance was driven by sector allocation while stocks selection detracted, most notably in Industrials. Our top performing sectors were Energy, Financials and Communication Services which generically benefitted from higher energy prices and interest rates. Industrials and Materials were our worst performing areas, weighed down by recessionary fears. Regionally, negative stock selection in Europe basically offset contributions from other geographies. Emerging Markets names were our best performers (specifically our

Brazilian holdings) followed by Canada and the United Kingdom. Europe and Japan were our biggest detractors for the quarter.

Our top 5 names contributing to performance this quarter were Petrobras, Banco do Brasil, Ovintiv, Gildan Activewear, and Willis Towers Watson. Petrobras announced dividend payments in July that were well ahead of consensus and equivalent to a ~20% yield. Downstream operations also continue to run full tilt (i.e. high utilization rates) as oil & gas demand remain strong. Banco do Brasil management was optimistic on strong ROE sustainability and expects the positive profitability and net interest income momentum to continue in the medium term. Emphasis was put on the company's digital transformation and expanding the credit portfolio to include more profitable lines. Ovintiv reduced debt by $846 million in the first half of 2022, cutting leverage to less than 1x. This has cleared the road for management to use ~50% of post-dividend free cash flow for share repurchases going forward. Gildan saw strength in the Activewear segment during the quarter, specifically in North America, which was driven by higher pricing and lower levels of promotional discounting. Willis Towers Watson reported better than expected margins during the quarter, driven by cost savings and more book of business sales than forecasted. Management also gave positive 2H22 guidance on organic growth rates and margins.

Our top 5 detractors this quarter were Adidas, Leonardo SpA, Repsol, Carrefour, and Seagate. Adidas has large sales exposure to the Asia-Pacific region, where lockdowns and weak demand had a negative impact on demand and the company's overall margin profile. Leonardo, a European defense company, has been dealing with political uncertainties in Italy. Orders could see a slight dip as a result. The political backdrop, coupled with underwhelming 2Q earnings led to underperformance during the quarter. Despite the price of oil falling by roughly -25% in the quarter, the overall Energy sector did relatively well as the 2nd best performing sector in the index. Shares of Repsol underperformed the rest of the Energy sector as a court ruling in Peru left open a lawsuit tied to a refinery spill. Plans to sell 25% of their Upstream Oil & Gas business to fund also raised questions around their growth outlook. Carrefour faced headwinds during the quarter owing to the jump in inflation across Europe and the impact this had on European consumer spending. These consumer headwinds were paired with Carrefour dealing with their own dose of cost-inflation, resulting in the weak performance during the quarter. Seagate Technology saw notable demand weakness, which led management to lower their outlook.

Summary

The profile of what works when the market sells off and investor anxiety gets priced in continues to be very different from the prior cycle. We've highlighted this in prior letters, but we think the market is sending a message that we're in a different regime that favors a different profile. That profile is one that is defined by less multiple risk, better pricing power and higher quality that benefits from higher rates and inflation. Said differently, the profile that is working is consistent with Value and is coming at the expense of higher multiple Growth names. At a time when uncertainty is running high we find it productive to listen to the messages being sent by the market and to focus on what is working. The more Value oriented profile we just walked through has been in favor for roughly 2 years and we think the environment is likely to continue to do so as inflationary pressures remain. This has benefitted our discipline and we welcome the changing leadership regime.

Curt Scott, CFA
Jack White, CFA
Jack Holden CFA
Shaun Siers, CFA

10/18/22
MSCI ACWI ex-US (Net) – 224
MSCI ACWI ex-US Value (Net) – 140

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.

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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 OPPORTUNITY 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.

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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 using a rules based process based on intrinsic value, financial strength, profitability strength, and market acceptance. The objective is to seek capital appreciation.

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 Opportunity Composite contains fully discretionary accounts that use the MSCI ACWI ex-US Index as the benchmark. 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 Opportunity Composite has been examined for the periods July 1, 2014 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, both gross and net of management fees, 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. 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 takes into account the impact of tax withholdings on dividend income.

MSCI ACWI Value (net) Index is a float-adjusted index of securities exhibiting overall value style characteristics across both developed and emerging markets. 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.