Todd Q3 2022 International Intrinsic Value Review

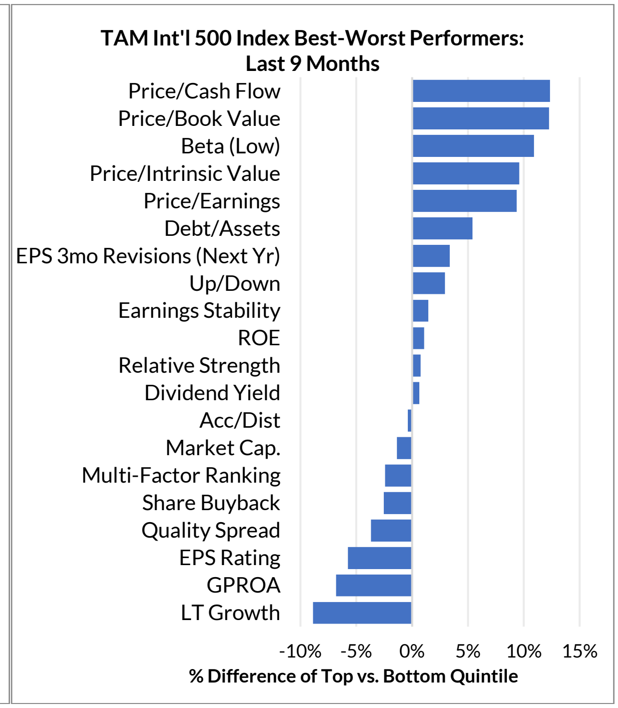
	3Q2022	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	-9.3%	-24.8%	-22.8%	1.2%	0.3%	3.5%	4.1%
International Intrinsic Value (Net)	-9.5%	-25.3%	-23.5%	0.3%	-0.6%	2.6%	3.2%
MSCI ACWI ex-US (Net)	-9.9%	-26.5%	-25.2%	-1.5%	-0.8%	3.3%	3.0%
MSCI ACWI ex-US Value (Net)	-10.4%	-21.0%	-20.0%	-2.2%	-2.1%	2.2%	1.9%

* *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 IIV strategy outperformed the MSCI ACWI ex-US in the quarter and remains ahead 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 outperformance was broadly driven by sector allocation while stocks selection detracted, most notably in Health Care where a few of our names had disappointing releases. Our top performing sectors were Energy, Communication Services and Financials which generically benefitted from higher energy prices and interest rates. Health Care and Consumer Staples were our worst performing areas. Regionally, our geographic bets more than offset stock selection to drive performance for the quarter. Emerging Markets names were our best performers (specifically our non-Chinese EM holdings) followed by the United Kingdom. Europe and Japan were our biggest detractors for the quarter.

Our top five performers for the quarter were Petrobras, Itau, DBS Group, Ashtead and HDFC Bank. It was interesting to see mostly Emerging Market related names (3 of which are banks) among the top 5 in a quarter that ended with a tremendous amount of anxiety around credit risk and global growth concerns. 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. Itau has been outperforming other Brazilian banks with strong loan growth, net interest income (benefitting from higher rates) and better asset quality as non-performing loans have been more stable vs. domestic peers that saw deterioration. DBS Group, a Singapore-based bank, is also benefiting from higher rates, resilient loan growth and asset quality. Management sees the bank's profitability (e.g. ROE) continuing to improve through next year which would allow excess capital to be returned to shareholders via dividends. Despite higher interest rates, strength in the non-residential construction market has supported demand for equipment rentals which continues to drive results for Ashtead. Infrastructure spending and onshoring of manufacturing to the US (where Ashtead has large exposure via Sunbelt Rentals) are longer-term drivers that management sees supporting their growth outlook. HDFC Bank is seeing strong growth in both their Retail and SME lending segments in India. Solid asset quality, like our other top performing banks, has also been a highlight on recent results with non-performing retail loans below pre-pandemic levels.

Our bottom five performers were Repsol, Toyko Electron, Sanofi, Horizon Therapeutics and Komatsu. 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. Tokyo Electron sold off with other semiconductor names as supply chain issues caused delays of some product deliveries. While management maintained guidance and hasn't seen demand deteriorate, visibility is cloudy in their end markets (particularly in the consumer electronics space). Shares of Sanofi dropped following a series of lawsuits aimed at Zantac, an antacid that was pulled from the market in 2019 due to potential adverse health effects. Horizon Therapeutics also saw shares drop following a disappointing announcement of their top drug, Tepezza, which fell well short of expectations and led to a material cut to sales guidance for the drug over the next year. We eliminated Horizon from the portfolio in September. Rising input costs and production constraints weighed on Komatsu in the quarter as Covid lockdowns in Shanghai impacted shipments. Falling commodity prices also pushed the stock lower. Order backlog remains healthy though mgmt. does see some slowdown in US and Europe end markets.

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.

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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10/18/2022
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.

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. 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.