October 18, 2022
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Todd Asset Management

Peak Chaos?

Todd Asset Management Q3 2022 International Review and Outlook Chartbook

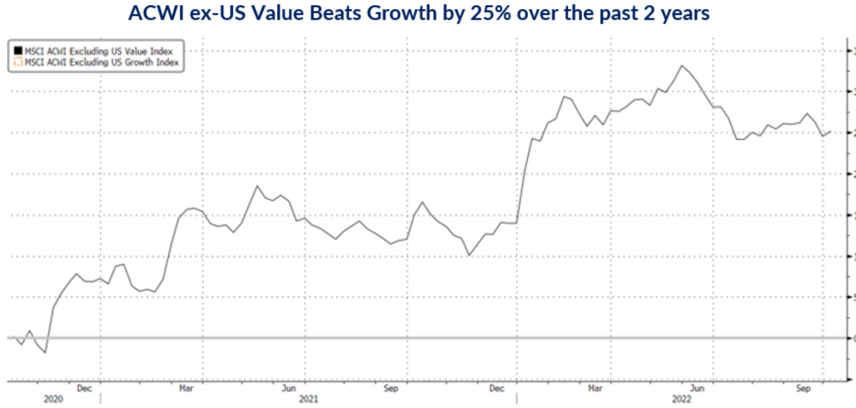
	3Q 2022	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
MSCI ACWI ex-US (Net)	-9.9%	-26.5%	-25.2%	-1.5%	-0.8%	3.3%	3.0%
MSCI ACWI ex-US Value (Net)	-10.4%	-21.0%	-20.0%	-2.2%	-2.1%	2.2%	1.9%
MSCI ACWI (Net)	-6.8%	-25.6%	-20.7%	3.8%	4.4%	7.4%	7.3%
MSCI ACWI Value (Net)	-7.7%	-19.1%	-14.0%	1.3%	1.7%	5.3%	5.4%

* *Annualized Total Returns.*

Have we hit "Peak Chaos" yet? A recent Bloomberg article highlighted that chaos was on the rise in Q3: the war in the Ukraine was increasing in intensity, OPEC+ reducing output with energy prices remaining high, Chinese lockdowns slowed activity, a hawkish Federal Reserve and Midterm Elections in the US pointing to some change in the balance of power. The largest sign of chaos was the abrupt U-turn the new British government executed on their tax reduction plan after their bond markets collapsed. Fears are running high right now, and market have already priced in a recession. ***A "chaos" driven recession might occur in 2023, but markets already reflect that.*** Now the question becomes "Can uncertainty ease from here?" While we think over the coming year there are potential resolutions to uncertainty: Europe should find new energy suppliers, Central Banks probably stabilize rates, China likely recovers post lockdowns and Britain figures things out. Timing is uncertain and until we get clarity, we are probably in a rangebound market that ebbs, and flows based on earnings and economic outlooks. We think markets are closer to the bottom end of the range right now, so don't get too bearish. ***In our experience, when nothing looks good, you should buy the best-looking trend out there. Currently, that is the value rotation.*** Value stocks are probably leaders for the next several years.

Opportunity- Value Winning in New Regime

ACWI ex-US Value Beats Growth by 25% over the past 2 years



The new regime is favoring banks, energy , commodity and other value-oriented stocks. We believe this new cycle is durable and should last.

Source: Todd Asset Management, Bloomberg
The noted indexes are 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.

The Major points from the last quarter are:

- International stocks fell, discounting a moderate recession with a 31% cumulative drawdown. Investors worry a recession is inevitable. Post market declines like this, returns usually rebound.
- The dollar surged as the US recommitted to raising rates to control inflation. Investors are worried this will result in an overshoot on rates that breaks part of the financial system and are vigilant for a financial crisis.
- European governments announced major programs to shield electorates from higher energy costs. European storage is full and gas prices have moderated before the winter chill sets in.
- China appointed President Xi to a third term, and he remains committed to zero-Covid, which has hurt their economy.

All these developments sound bearish, and September/October are seasonally weak periods. We would urge you not to become too bearish though. A lot of bad news is priced into markets, and they typically have strong rebounds after 30%+ drawdowns like we have seen recently. Few observers believe anything constructive can occur over the near term, but we believe there is potential for inflation readings to moderate, Central banks to complete this phase of rate increases, and perhaps see a better earnings season than many fear it will be. Once central banks indicate they are willing to wait and see how their tightening is impacting the economy, markets should breathe a sigh of relief for a while at least. In the meanwhile, make sure your portfolios have enough value and quality orientation, because that is likely to be the leadership for the next 7-year cycle.

Positive- 30%+ ACWI ex-US Drawdowns Historically Recover

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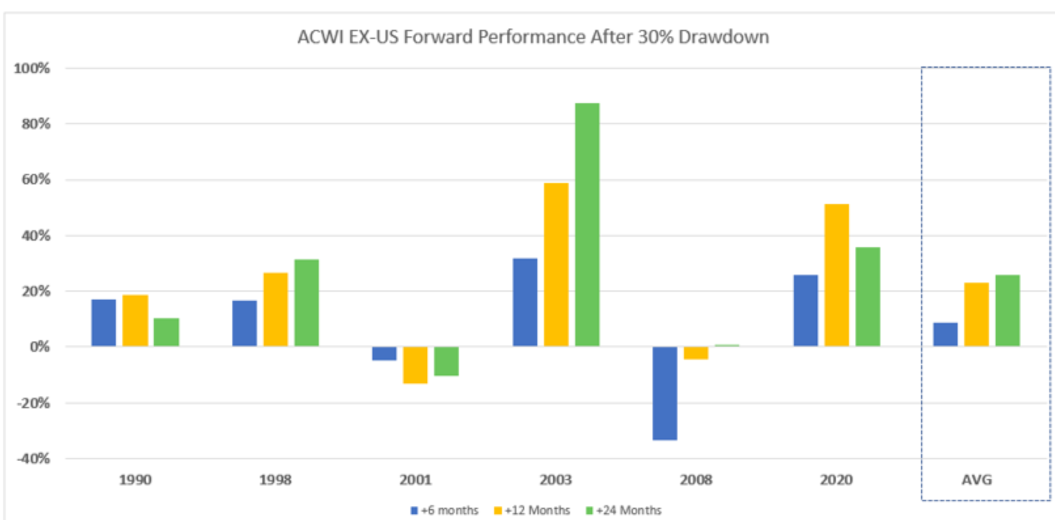


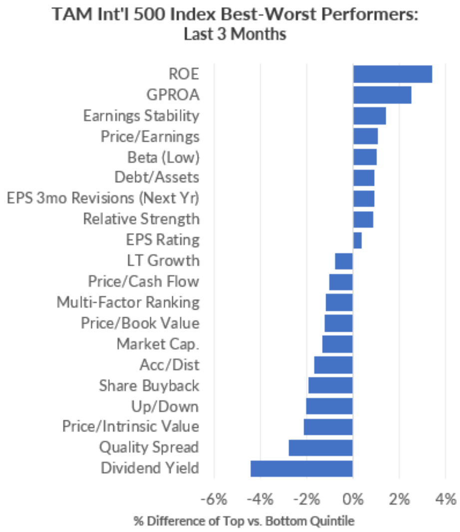
Average returns following 30%+ drawdowns were 9% over 6 months, 23% over the next 12 months and 26% over the next 2 years. Don't get too bearish.

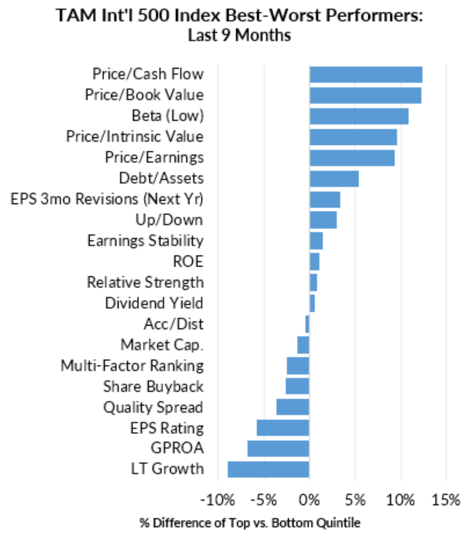
Source: Todd Asset Management, Bloomberg 9/30/22
Commentary is based on information as of the date of this presentation. There can be no assurance that developments will transpire as forecast. Information contained herein has been obtained from sources believed to be reliable but are not guaranteed. Information contained herein has been obtained from sources believed to be reliable but are not guaranteed.

Charts We Are Sharing with Our Clients

International Factors- Value Leading YTD

As of 09/30/2022

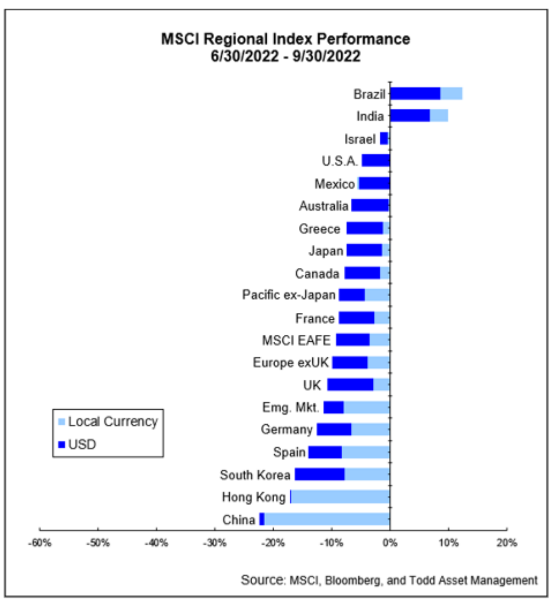




Data Source: Bloomberg, William O'Neill & Co. and TAM
This chart measures the performance of the best 100 stocks versus the least attractive 100 stocks within the largest 500 international stocks in our database, ranked by factor over the defined time frames noted in the charts.

Quarterly Regional Performance

As of 09/30/2022



- Brazil and Mexico benefitted recently as their currencies strengthened compared to the USD. India and Israel are benefitting from a strong local economies. The US is seen as a safer haven as well.

- China and Hong Kong are suffering as lockdowns hurt and global economic weakness raises export concerns. South Korea is also getting hurt on export worries. Europe is weaker on their energy crisis concerns

Source: Todd Asset Management, MSCI and Bloomberg as of September 30, 2022
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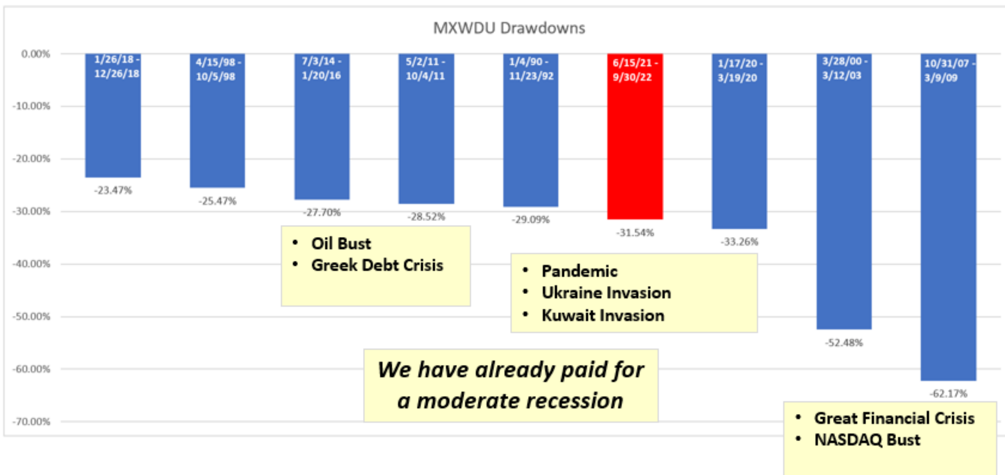
Current Bear Market Discounts Recession

ACWI ex-US Drawdowns



Source: Todd Asset Management, MSCI, and Bloomberg as of September 30, 2022
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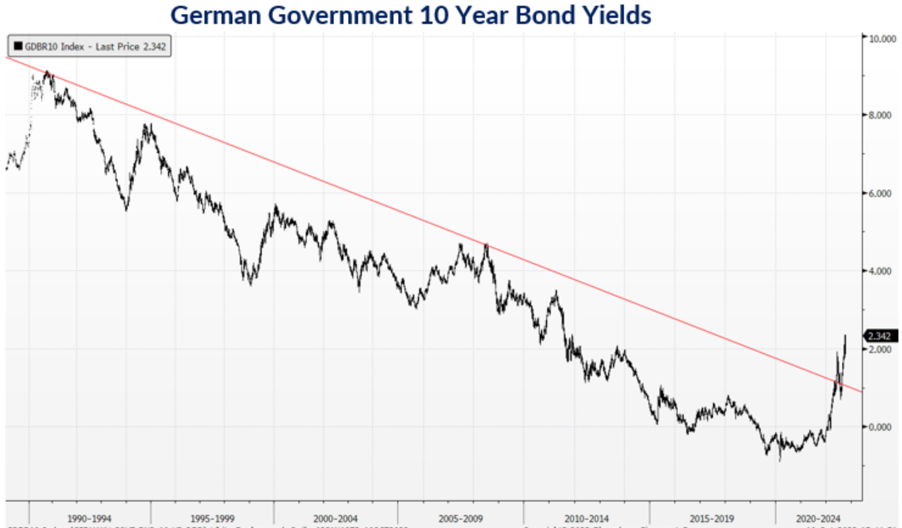
New Regime- German 10-Yr Yields Just Broke a 32 Year Downtrend

German Government 10 Year Bond Yields



The bond bubble has burst. This does not mean rates have to move higher immediately, but market forces (margin calls) are pressuring them that way.

Source: Todd Asset Management, Bloomberg
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The volatility of the index and a client account will not be the same.

Europe- Gas Storage is Full and Futures Prices are Down

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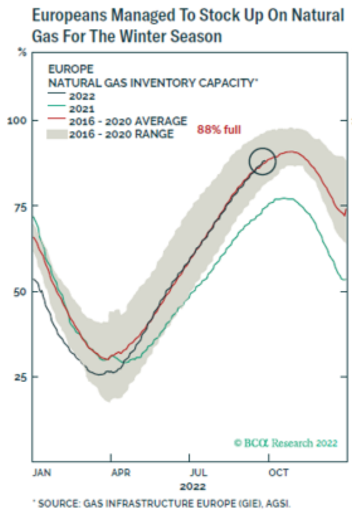

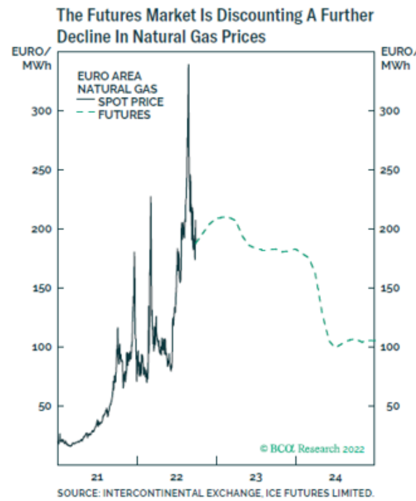

Current economic conditions are poor in Europe, because of the energy price spike. This seems to be alleviating with new suppliers and weaker demand .

Source: BCA Research

US and Global Inflation: Pressures Easing, Just Not Fast Enough

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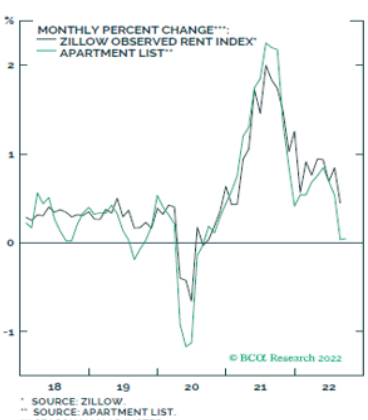
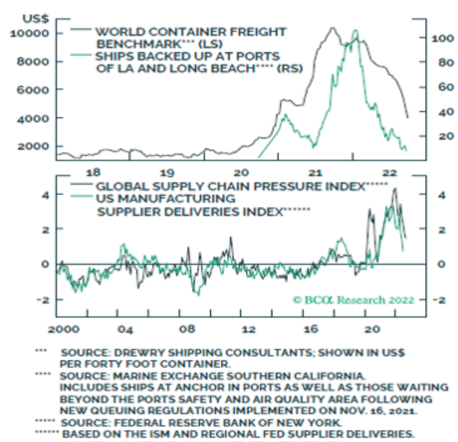
Rents are Easing



Freight Rates and Supply Chains are Easing



Some pandemic inflation pressures are easing. These have not worked their way into statistics the Central Banks are monitoring yet.

Source: BCA Research

Economy: US Weaker YTD, Other Regions Mixed

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Real GDP Comparisons Q/Q Seasonally Adjusted Annual Rate

	Q1 22 F	Q2 22 P	FY22 Est	Mkt Perf YTD 9/29/22*
United States	-1.6%	-0.9%	1.6%	-23%
Eurozone	0.6%	0.7%	2.9%	-32%
Japan	-0.5%	2.2%	1.6%	-25%
China	1.3%	-2.0%	3.4%	-29%

- The US experienced an inventory related slowdown in Q1 and Q2. Europe and Japan largely avoided this. China experienced a Zero-Covid related Q2 slowdown.
- The US has seen much better performance (in dollars) than other markets despite having weaker GDP growth.

Source: Bloomberg, Todd Asset Management
* YTD market performance measured in dollars for the S&P 500, Euro Stoxx 50, Nikkei and CSI 300
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Problem: The Dollar has Broken Out

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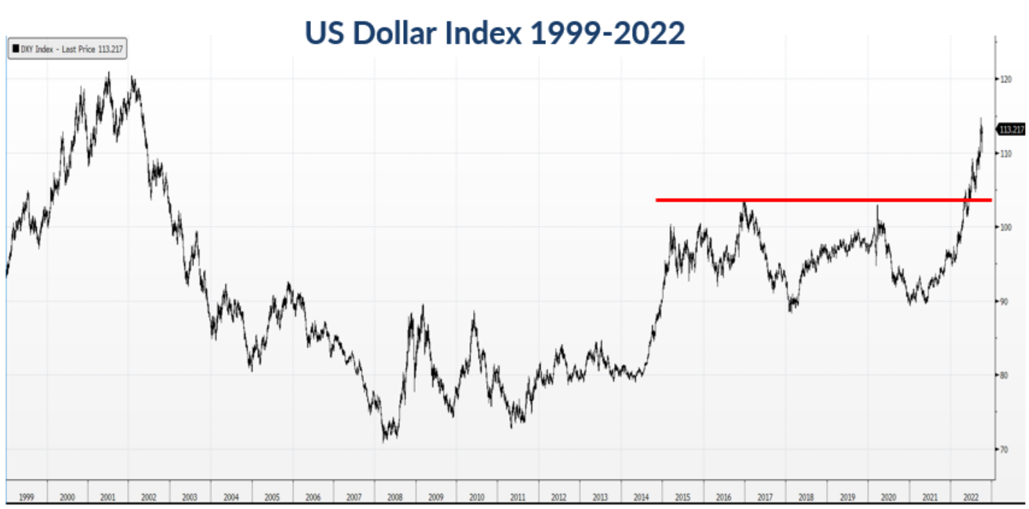

Fed rate increases and heightened global uncertainty led to a stronger dollar. We suspect the dollar should weaken over time as other DM Central Banks catch up or the US budget deficit deteriorates with interest rates climbing.

Source: Bloomberg as of 10-10-22. Commentary is based on information as of the date of this presentation. There can be no assurance that developments will transpire as forecast. Commentary may contain subjective judgements and assumptions subject to change without notice. Commentary is based on information as of the date of this presentation.

Theme: Industrial Metals- Low Supply Meets High Demand

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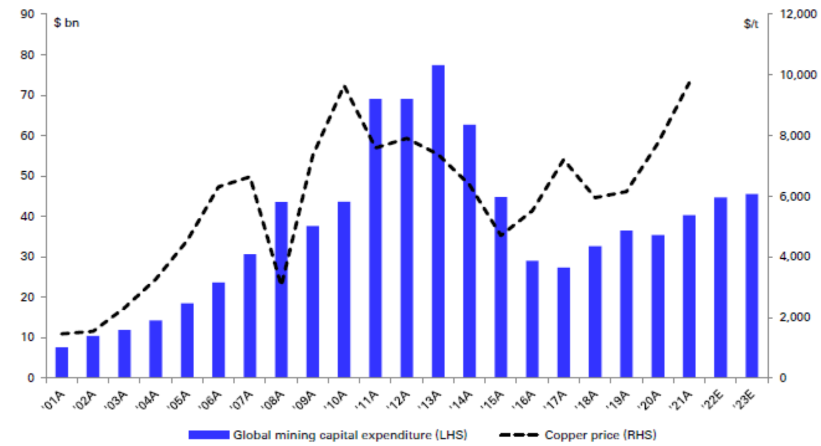
- Capex has been low for industrial metals despite high prices.
- Demand has risen for de-carbonization projects.
- Ex a recession, there is no quick fix for this imbalance.

Global Mining capital expenditure has decoupled from prices: the capital cycle remains very supportive of prices over the medium term



Source : Deutsche Bank estimates, Bloomberg Finance L.P., company data

Source: Deutsche Bank Metals and Mining Outlook October 4, 2022

Theme: Manufacturing Capital Spending is Picking Up

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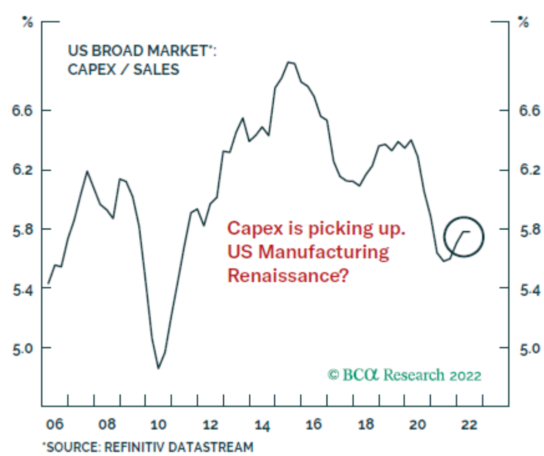
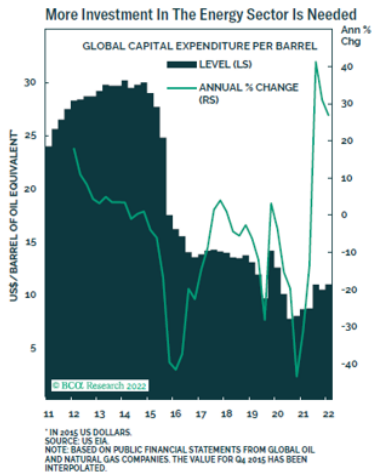
Capital Expenditures (Capex) to Sales

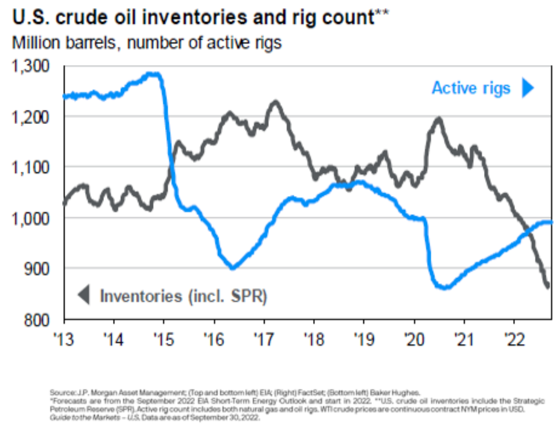


The Supply Chain Snafus of the Pandemic show that current manufacturing sites are too far from home markets. Expect a re-building to help Capex.

Source: BCA Research

Energy- Underinvestment Suggests Higher Prices





Investment per barrel of oil and US Rig Count have each declined by 2/3 since 2014 (charts above). US inventories are down significantly as well. More investment is needed, and higher prices probably prompt that.

Source: BCA Research, JP Morgan

It's Autumn and investors are nervous. Markets have been volatile, and inflation has remained high. Markets have discounted a recession, and some parts of the world are in one. We think that means the market is in a show me mode, and the focus is on high quality value stocks. Fortunately, that is what we emphasize. What advice would we offer investors? Don't get too bearish! Much of the bad news is already discounted in the markets. Can more unforeseen threats emerge? Sure, but if we already have a nuclear threat on the table, it will need to be something on the order of intergalactic warfare to beat that. In the meanwhile, some measures of inflation are easing, and according to central banks, their tightening should be paused over the next six months as they assess their impact. That should give markets a reason to lift as we move through what historically is the best season to invest in.

As always, if you need any additional information, please feel free to contact any of us.

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

10/18/2022
MSCI ACWI ex-US (Net) – 224
MSCI ACWI (Net) – 298
MSCI ACWI ex-US Value (Net) – 140

Refer to the following page for more information on the commentary presented. This is pertinent to this letter and should not be reproduced or duplicated without this disclosure.

The indexes are unmanaged, and not available for direct investment; they include reinvestment of dividends; they do not reflect management fees or transaction costs.

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 foreign tax withholdings on dividend income.

MSCI ACWI (net) Index is a float-adjusted market capitalization index that is designed to measure the equity market performance of developed and emerging markets.

MSCI ACWI ex-U.S. Value (net) Index captures large and mid-cap securities exhibiting overall value style characteristics across 22 Developed and 26 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.

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. The net index considers the impact of tax withholdings on dividend income.

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2. The indexes used in the chart are unmanaged, and not available for direct investment. They do not include the reinvestment of dividends, nor do they reflect management fees or transaction costs. The S&P 500 is a widely recognized index of market activity based on the performance of common stocks within the S&P 500 Index. The MSCI ACWI ex-US is a widely recognized index of market activity based on the performance of common stocks within the MSCI ACWI ex-US Index. The MSCI EAFE is a widely recognized index of market activity based on the performance of common stocks within the MSCI EAFE Index.