TODD
Asset Management

October 19, 2023
Intrinsic Value Team
Todd Asset Management

Todd Q3 2023 International Intrinsic Value Opportunity Review

	3Q 2023	YTD	1 Year	3 Year*	5 Year*	7 Year*	Since Inception* (07/01/14)
International IV Opportunity (Gross)	1.66%	6.60%	27.86%	8.29%	4.06%	4.59%	2.15%
International IV Opportunity (Net)	1.45%	5.92%	26.80%	7.39%	3.18%	3.72%	1.29%
MSCI ACWI ex-US (Net)	-3.77%	5.34%	20.39%	3.74%	2.58%	4.73%	2.50%
MSCI ACWI ex-US Value (Net)	-0.08%	8.19%	25.17%	9.56%	2.29%	4.57%	1.59%

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

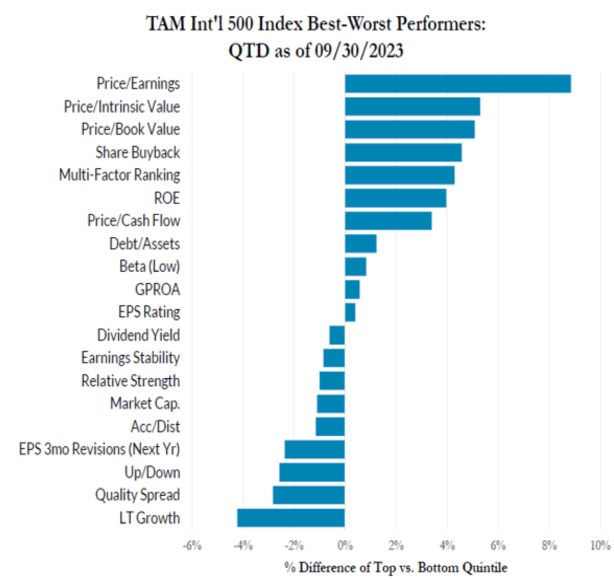
Performance Review

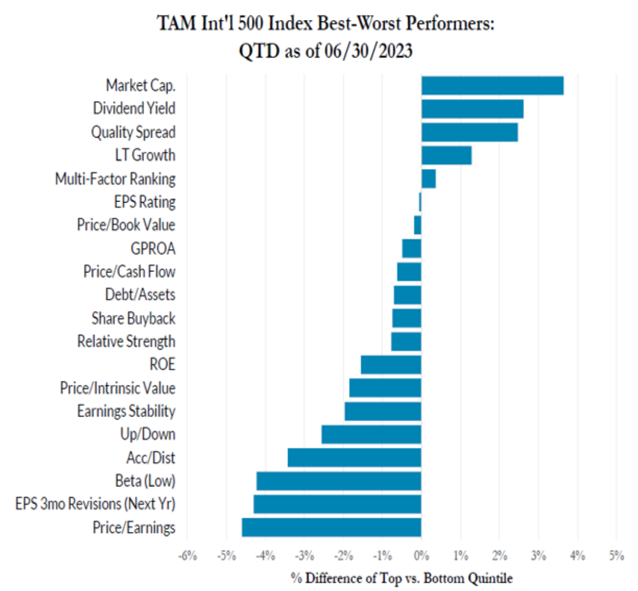
Our International Intrinsic Value Opportunity strategy was positioned favorably coming into the 3rd quarter as the factor work led us to be heavily overweight Energy. This led the strategy to outperform the ACWI ex-US by more than +5% during the quarter. We are nearly 3 years into this new international Value cycle, which started with the vaccine announcements in November of 2020. That cycle paused earlier this year with banking sector turmoil, but resumed in recent months as interest rates broke out again. Energy led the way this quarter as oil and gas prices are both up sharply in recent months.

In our last quarterly letter, we highlighted how markets were being forced to push out recessionary forecasts into next year as employment, profits and activity remained resilient despite building pressures from tighter policy. Soft PMI readings and the lack of bazooka stimulus out of China remain headwinds, although we are starting to see more green shoots on both of these fronts. Most developed market central banks have signaled that they've reached terminal policy rate levels and are set to pause for some time. Manufacturing PMI data, which have been in recessionary territory for some time look like they're trying to bottom in most regions. Historically, that has proven to be quite positive for stock prices over the following year.

We now enter the 4th quarter with interest rates breaking out to new multi-year highs. Rates in the UK are back above levels we saw when the bond market vigilantes aggressively sold Gilts in the fall of 2022. Trying to distill the signal from this move seems to be a Catch-22. On one hand, given that inflation readings continue to move lower and more resilient economic activity has provided more cushion for central bankers to keep rates higher for longer, the signal is a positive one more driven by higher growth expectations. On the other hand, higher rates weigh on market multiples and raise the risk of something breaking in the economy. We've been getting conflicting signals from the market all year and it doesn't look like there is any reprieve on the horizon until we're ultimately able to answer the questions around a recession. Until then, we'll play the ball as it lies. The leadership we saw this quarter felt more like a normalization of market sentiment toward groups that suffered in the initial panic driven months after the collapse of Silicon Valley Bank. Our focus in recent quarters has been on several secular trends that all revolve around a new capital spending cycle in infrastructure, defense, energy, commodities, etc. The market has been very receptive to these areas, and we are hopeful that continues through year end absent some major exogenous event.

Factor performance[1]





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

We noted a broadening out in our factor work in the last quarterly letter. That continued through the third quarter with 11 of the 20 metrics we track posting positive returns (left chart). This is a nice change from the narrow factor returns we saw in the second quarter (right chart). We generally expect most of these metrics to work under normal circumstances so the signal we get from this broadening out of factor returns is one of more comfort in the current environment. Value metrics and Share Buybacks led the way this quarter. The move higher in interest rates seems to have reoriented the investor community back to paying attention to valuation. In this context, it is no surprise that Long-term Growth ranked at the bottom of the list as the worst performing metric in the quarter.

Regionally, the strategy's outperformance during the 3rd quarter was driven mostly by stock selection within Emerging Markets, Europe & Middle East, and the UK. Japan detracted from performance while Canada and the Asian Pacific saw modest outperformance within the strategy. The regions where we saw the largest outperformance were predominantly driven higher by Energy linked names that benefitted from higher oil prices during the quarter. Japanese equities were weighed down by profit taking in September, with foreign investors being net sellers of Japanese equities during the month for the first time since the banking sector turmoil in March of this year. Other regions were mixed with Energy mainly outperforming while Discretionary names were up for sale.

Our top five performers for this quarter were Capri Holdings, Imperial Oil, Repsol, Equinor, and Petroleo Brasileiro (PetroBras). Four out of the top five names this quarter were Energy companies. Imperial Oil, Repsol, Equinor, and Petrobras all rallied as brent crude prices surged as high as $97/barrel during the quarter after key OPEC+ producers extended supply cuts for at least another 3 months, keeping an additional ~1.5 million barrels/day off the market through the end of the year. Crude remained bid into the end of the third quarter but has since reversed lower in the first week of the fourth quarter. Our top performing name during the quarter was Capri Holdings. Capri shares surged higher after Tapestry announced a bid to acquire Capri for $8.5 billion in early August, which was a ~60% premium to where shares were trading at the time of the announcement.

Our bottom five performers for this quarter were Marubeni, STMicroelectronics, Gildan Activewear, YPF, and Bayerische Motoren (a.k.a. BMW). Marubeni sold off with the rest of Japanese equities during the quarter as global investors took profits and amid speculation around Bank of Japan currency intervention. STMicroelectronics shares were weaker after reporting 2Q earnings that didn't impress, with notable weakness in demand trends in personal electronics. Gildan Activewear shares sold off during the quarter alongside many other Consumer Discretionary names as investors worried about a weaker consumer as student loan payments are set to resume in October, likely eating into discretionary purchases. YPF is the largest integrated oil and gas company in Argentina and downside in this name was almost entirely driven by the weak Argentinian Peso as presidential candidates tout dollarization. BMW shares faltered as sales declined in China, the car manufacturers largest market.

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

10/18/2023
MSCI ACWI ex-US (Net) – 261
MSCI ACWI ex-US Value (Net) – 1,198

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 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.

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 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, 2022. 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, 2022. 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 considers 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.

Risks - Investments involve varying degrees of risk, and there can be no assurance that this product is suitable for your investment portfolio. The International Opportunity product is designed for long-term investors who are willing to accept short-term price fluctuations. This product generally holds 30 securities and is rebalanced every 3 months, thus it is more concentrated and may generate more investment turnover than other products. It is not required to be diversified by sector, and should be considered a more sector concentrated, aggressive application of the price to intrinsic value investment philosophy. 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.

The MSCI information may only be used for your internal use, may not be reproduced or redisseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or crediting any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).