Todd Q4 2022 International Intrinsic Value Review

	4Q2022	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	18.1%	-11.1%	3.3%	3.1%	5.3%	5.2%
International Intrinsic Value (Net)	17.9%	-11.9%	2.4%	2.2%	4.4%	4.3%
MSCI ACWI ex-US (Net)	14.3%	-16.0%	0.1%	0.9%	4.8%	3.8%
MSCI ACWI ex-US Value (Net)	15.7%	-8.6%	0.1%	-0.1%	4.2%	2.7%

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

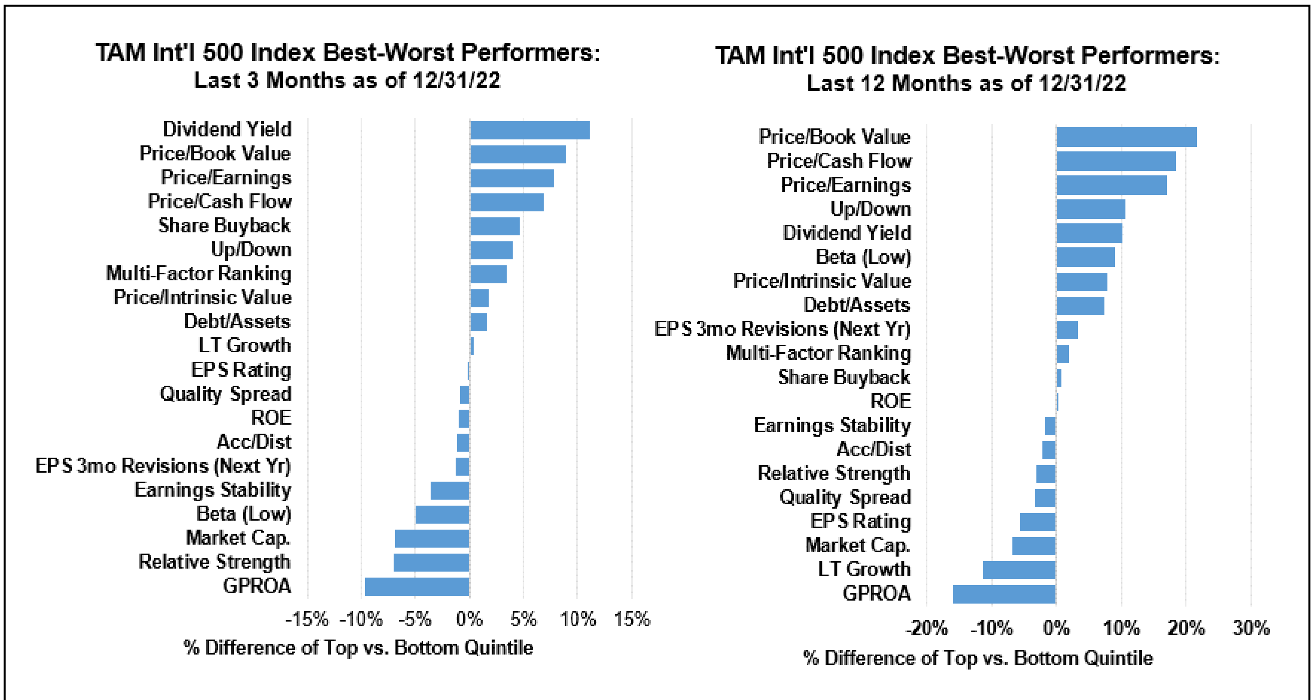
Performance Review

Markets bounced in the 4th quarter pushing International markets ahead of the US for the full year. The rolling over of the largest weights in US indices, reopening in China and a mild winter in Europe thus far are several of the drivers that pushed stocks higher in recent months. Value padded it's lead in the quarter as well to cap off the full year nearly 15% ahead of it's Growth counterpart, the second straight year Value has led internationally. We've written about this repeatedly, but we see this as part of a larger regime change that likely plays out over a number of years.

"Feel vs. real" is a saying in golf that explains the difference between what you think your swing looks like (the feel), and what your actual motion is (the real). You obviously didn't come here for swing tips (if you did you're in the wrong spot!), but this seems to be a fitting analogy given the sentiment around international markets. Things have felt bad on the international front for some time. China's regulatory campaign and zero-covid restrictions, the Russia/Ukraine war, Europe's energy security and exploding natural gas prices and Japan's policy track record all fed that narrative for most of the past year. We have begun to see some of these headwinds come off the boil as China aggressively dismantled restrictions as part of reopening efforts and successfully stockpiled natural gas inventories (and mild winter) in Europe seems to have taken a worse case scenario off the table. Japan's monetary policy is still in flux and the war in Ukraine may muddle on for some time, but it's interesting to see a more constructive message coming from the markets. European earnings estimates for next year, in $ terms, have actually moved *higher* in recent months and are in fact at the highest levels we've seen over the past year. Chinese stocks have staged an impressive rally from depressed levels as the policy pendulum swings quickly back to more accommodation. More broadly, the ACWI ex-US (unlike the S&P 500) has broken the trend of lower highs with the 50-day moving average rising above the 200-day moving average (a Golden Cross as it's called in technician jargon). Under the surface, there is leadership coming from European banks, industrial metals, semiconductors, Energy and other groups that are likely benefitting from the larger structural regime change that continues to play out. The US Dollar has also started to retreat since peaking in late September, an interesting, welcome and overdue dynamic as we see it.

The ultimate path forward for the market is unclear as tighter policy and slowing growth need to reconcile. Rather than get too caught up in placing probabilities on recession scenarios we find it more useful to listen to the message coming from the market. To borrow another golf analogy, you've got to "play the ball as it lies." Things may not feel great, but there are meaningful changes afoot that should offer opportunities longer term. Leadership looks to have structurally changed and is favoring groups that are better equipped to handle higher interest rates and inflation or that benefit from increased capital spending plans.

Factor performance



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

We saw preference shift back to shareholder returns (Dividend Yield and Share Buyback) and other Value metrics this quarter. Value and Dividend Yield were also the top performing factors for the full year as higher interest rates and inflation have shifted leadership back to shorter duration names that don't carry multiple risk. The worst performing factors for the quarter were Quality (GPROA, Earnings Stability, ROE, etc.), Relative Strength and Market Cap. For the full year Quality and Large Cap Growth metrics ranked at the bottom of the list as the regime change from Growth to Value continued to play out. Value outperformed Growth for a second straight year and by nearly +15% in 2022. Our Multi-Factor Ranking was additive in both the quarter and full year.

Outperformance for the quarter was pretty broad based though driven primarily by stock selection. Financials, Discretionary and Energy were our top performing sectors as higher rates in Europe, easing Covid restriction in China and elevated oil/gas prices supported performance respectively in these sectors. Communication Services and Health Care were our worst performing sectors. Regionally, Emerging Markets, Europe and the UK were our top performers while Pacific ex-Japan was the only region that detracted from performance for the quarter.

Much like last quarter our top performers for the quarter have a much more economically sensitive flavor to them, seemingly running counter to consensus expectations of much weaker growth ahead. The top 5 names for the quarter were TotalEnergies, Vipshop, Repsol, UBS and ING Groep. Energy stocks continued to exhibit leadership, diverging from oil prices which traded lower for most of the last quarter. TotalEnergies posted a better than expected quarter with strong cash flow generation driven by strong gas and refining profits, which was used to boost the dividend and pay down debt. Shares of Vipshop rose sharply in November and December as China began to dismantle their Zero-Covid policies and restrictions. This did wonders to improve sentiment in this space. Repsol, like TotalEnergies, also posted a solid quarter driven by better downstream results that allowed for an increase in shareholder returns (both dividends and share buybacks). Rounding out the top five are two European banks that are benefiting from higher interest rates. Shares of UBS continued to outperform as net flows into their Wealth Management business increased by an impressive +$17B despite turbulent markets. Cost controls have also helped to support profitability and capital levels remain very healthy. ING also posted good results in the quarter where costs have been contained and asset quality remains healthy as well.

Our 5 biggest detractors for the quarter were SQM, Itau, America Movil, Baidu and Roche. SQM is a Chilean miner of lithium and fertilizer products and a new name in the portfolio. While global supplies of lithium for electric vehicles is likely to remain tight for some time, labor strikes and inventory levels raised questions about production and realized pricing guidance. Itau, along with other Brazilian equities, slumped following the presidential election that saw the less market friendly Lula da Silva defeat incumbent Jair Bolsonaro in a runoff. More specifically to Itau, credit quality also weakened in the most recent quarter as non-performing loans increased and loan growth slowed. More defensive oriented sectors lagged in the 4th quarter, including America Movil (AMX) and Baidu within Communication Services. Subscriber additions were a little light for AMX overall, however results on postpaid plans and user revenues were both solid. Despite reopening efforts in China weaker economic activity continue to weigh on both ad and cloud revenues at Baidu. Finally, shares of Roche moved sideways in the quarter as their early Alzheimer's pipeline drug failed to meet it's endpoint in a trial. Investors had been somewhat hopeful after seeing Biogen's Alzheimer's drug succeed in reducing disease progression a few months prior.

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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01/17/23
MSCI ACWI ex-US (Net) – 269
MSCI ACWI ex-US Value (Net) – 1,191
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
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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, 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 .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.

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