April 17, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q1 2024 International Intrinsic Value Review

	1Q2024	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	6.31%	16.29%	3.79%	8.84%	7.48%	5.28%
International Intrinsic Value (Net)	6.09%	15.33%	2.92%	7.93%	6.58%	4.40%
MSCI ACWI ex-US (Net)	4.69%	13.26%	1.94%	5.97%	5.88%	4.25%
MSCI ACWI ex-US Value (Net)	3.40%	15.34%	4.58%	5.36%	4.83%	3.20%

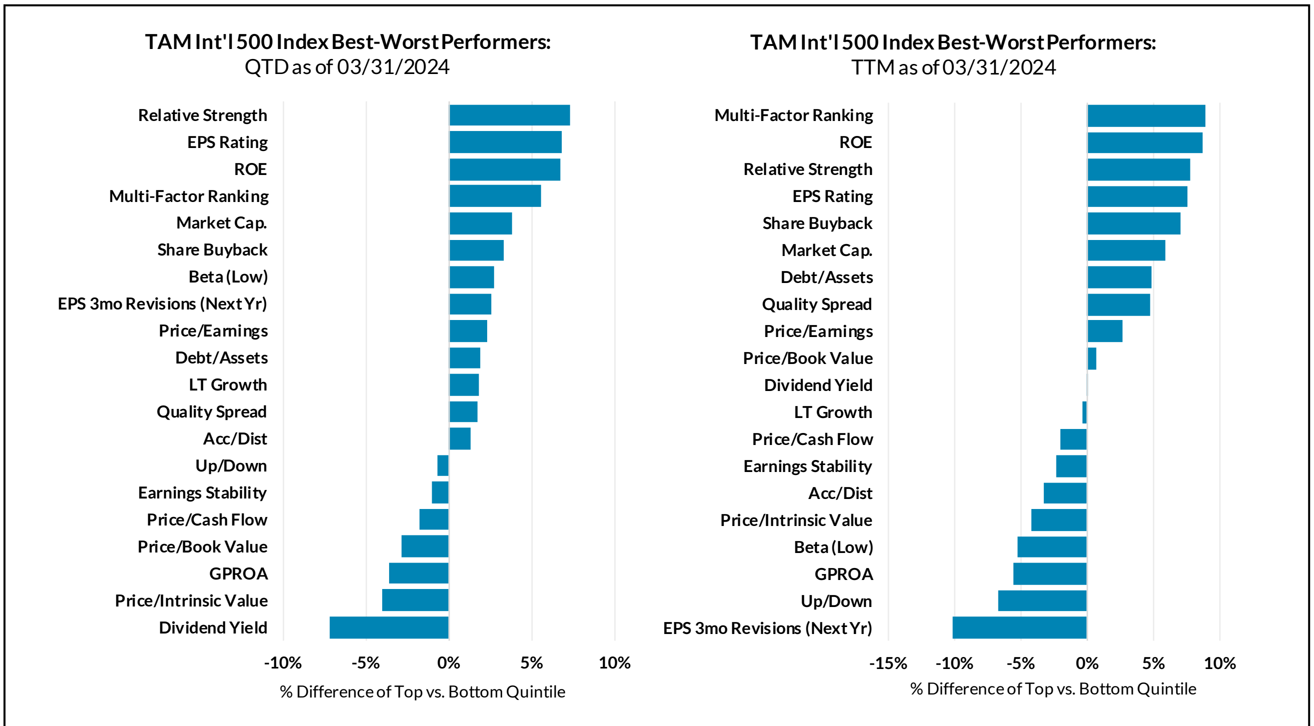
** Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

Performance Review

Our IIV strategy finished the quarter ahead of the ACWI ex-US as markets continued to take on a more optimistic tone. Investors have gotten a lot more comfortable with the economic backdrop as central banks pivot policy to be more accommodative and manufacturing activity continues to recover from weak levels that persisted through most of last year. Markets broadened out in response, and we've seen a number of indices break out to new all-time highs (Japan, Europe, etc.). We've benefitted from this shift as the discipline has highlighted Developed Markets and more economically sensitive sectors like Financials, Industrials and Technology (all of which outperformed in the quarter). As for results, we are now ahead of the ACWI ex-US Index on 1, 3, 5, 7 and 10 year time frames.

Much attention has been paid to the evolving stances of global central banks (and rightfully so) as inflation moves closer to target in most regions and has allowed for policy to recalibrate toward less restrictive levels. Europe remains on track to cut rates in June while Japan officially exited their negative interest policy in March. (The Bank of Japan technically raised rates, but this was still a move toward normalization given the odd impact of negative interest rates.) Inflation has been less cooperative in the US coming in higher than expected for several months, which makes the case for rate cuts difficult at this time. However, as we've pointed out over the past few quarters, the powerful undertow of the global manufacturing cycle has been moving under the surface as well and is further supporting economic growth expectations and risk assets. JPMorgan's Global Manufacturing PMI bottomed last summer and moved back into expansionary territory this past quarter. Dr. Copper, as the industrial metal is affectionately called in the investment circles for having a "PhD in Economics", also seems to be confirming this continued recovery in global manufacturing activity after trending higher over the past few quarters. South Korean exports are another barometer of global growth that have turned higher recently. As we mentioned earlier, this has all largely driven the leadership of more economically sensitive areas of the market that our strategy has a nice presence in. Could this be the start of the secular bull, which has been persistent in the US since 2013, going global? Time will tell, but the trends and themes we've highlighted in the past few letters (new capital spending cycle, reshoring, new technology innovation, capital discipline in Energy, Financial earnings reset, etc.) all look like they're being rewarded in the current market environment and have room to run.

Factor Performance[1]



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

Our factor work showed further broadening in the first quarter as 13 of the 20 metrics we follow were additive. This compares to only 7 that worked in 2023. The preference in the quarter was geared toward both earnings and price momentum (e.g. Relative Strength and EPS Rating). Other Large cap and Quality metrics also outperformed. Value lagged Growth in the 1st quarter by a little more than 2% and was one if the worst performing factors as well with Dividend Yield and 3 of the 4 Value metrics ranking at the bottom of the list. Our Multi-Factor Ranking was among the top performing metrics in the quarter and was the top metric over the past 12 months.

Performance Attribution

Overall stock selection was the main driver of our outperformance in the quarter though sector and regional positioning was also additive. Performance was quite broad in this regard with only a few pockets that meaningfully detracted (Discretionary, Energy and Healthcare). As we mentioned earlier, the improvement in market sentiment around the economic growth backdrop broadly benefitted the strategy. Financials and Industrials were our top performing sectors followed by Staples, Technology and Materials. Our performance within Financials this past quarter was interestingly driven by a handful of Asian and UK banks as the European banks (which have performed very well over the past year or so) took a breather. Our Industrials sector was driven by capital spending beneficiaries with aerospace, defense, machinery and technology. Regionally, our Developed Market names in Europe, Japan, Pacific ex-Japan and the UK drove performance while Emerging Markets was our only detractor.

Our top five performing companies for the quarter were CRH, Tokyo Electron, Hitachi, Taiwan Semiconductor and KB Financial. Two of these names are holdovers from the 4th quarter (CRH and Tokyo Electron) as secular trends continue to support results. Shares of CRH led our portfolio again as the company beat elevated expectations and guidance for 2024 indicated a continuation of strong pricing, backlog and margins. Spending on major infrastructure projects in the US and around the world should continue to support this company over the next few years. Tokyo Electron also posted strong results during the quarter and raised guidance again driven by demand out of China and a continued recovery in parts of the memory market. Hitachi continues to see their margin profile improve, driven by their services business unit Lumada. The company also announced a partnership with Nvidia to develop AI systems that are applicable in the infrastructure and industrial markets. The broader AI trade also boosted shares of Taiwan Semi and spending continues to ramp in this field and is increasingly becoming a larger part of the company's revenue base. Rounding out our top five is KB Financial which saw share rise sharply for a variety of reasons. The Korean authorities took a page out of Japan's book with the announcement of their "Corporate Value Up" program which is aimed at addressing the persistent discount of Korean equities via more shareholder friendly policies. KB dovetailed off of this by signaling large share buybacks and dividend payouts over the coming year that caused shares to re-rate higher.

Several resource oriented names were among our weakest performers. Our bottom five included Vale, Rio Tinto, Standard Bank, Equinor and HDFC Bank. Iron ore prices fell by around -20% in the first quarter, dragging down shares of Vale and Rio Tinto. Headwinds from China's real estate sector have led to an overcapacity of steel in the country which has weighed on iron ore. More specific to Vale, a succession process is underway to find a replacement for their CEO (who will formally phase at the end of 2025) and disbursements related to a dam collapse in Brazil have also increased uncertainty and weighed on shares. As for Rio, lagging inflationary costs tied to their copper and iron ore operations caused the company to lower profit and free cash flow guidance for 2024. Standard Bank actually posted solid results for 2023, however credit losses did build and could remain a headwind in 2024. Net interest margin is also expected to compress this year. Shares of Equinor have been weak as European natural gas prices fell back to the lowest levels we've seen since Russia's invasion of the Ukraine. Mild weather and record high storage levels have weighed on prices and as the largest exporter of natural gas into Europe, Equinor has absorbed this weakness. While cash flow generation and returns have been robust, investors are looking out past 2025 and questioning the longevity of these returns. Finally, HDFC Bank shares sold off after reporting results in January that saw net interest margins disappoint and deposit growth moderated, which may limit loan growth going forward.

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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04/17/2024
MSCI ACWI ex-US (Net) – 292
MSCI ACWI ex-US Value (Net) – 294

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 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, 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, 2023. 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, 2023. 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.

Risks - Investments involve varying degrees of risk, and there can be no assurance that this product is suitable or profitable for your investment portfolio. The IIV product is designed for long-term investors, who are willing to accept short-term market price fluctuations. 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.