

## Todd Q3 2019 International Intrinsic Value Opportunity Review

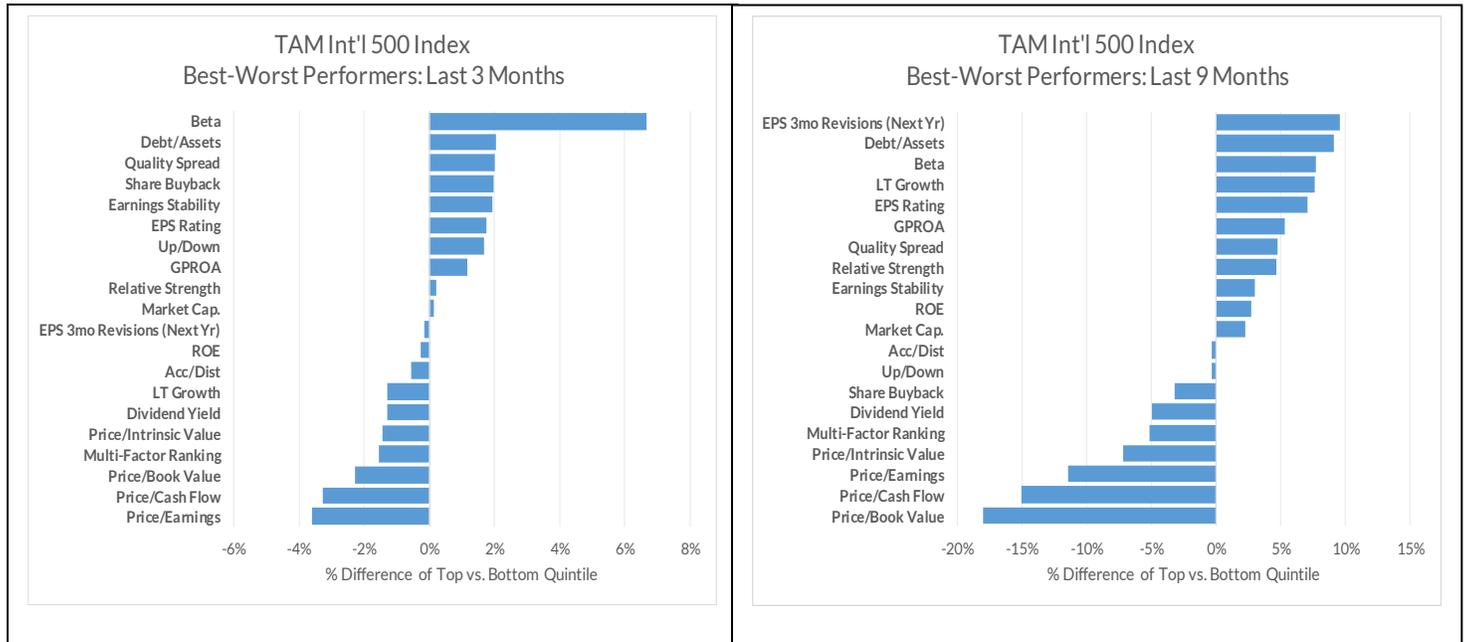
	3Q 2019	YTD	1 Year	3 Year*	5 Year*	Since Inception* (07/01/14)
International IV Opportunity (Gross)	-3.7%	11.9%	3.5%	2.7%	0.1%	-0.7%
International IV Opportunity (Net)	-3.9%	11.2%	-4.3%	1.8%	-0.8%	-1.6%
MSCI ACWI ex-US (Net)	-1.8%	11.6%	-1.2%	6.3%	2.9%	1.7%

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

### Performance Review

The global slowdown in manufacturing activity continued to weigh on investor sentiment. When paired with uncertainty around US/China trade, Brexit and the VAT tax in Japan, economic growth downgrades and recession scenarios became abundant. Despite these concerns, we believe we may be closer to a trough in activity as a globally coordinated response from Central Banks to lower rates, paired with policy stimulus in China and Europe could serve to reaccelerate economic growth as we enter 2020. We witnessed a notable shift in international sentiment in August as global interest rates bottomed at the height of Brexit uncertainty and hawkish US/China trade rhetoric. While still deeply negative European rates have moved higher and the US dollar has moved lower in recent weeks as worst case outcomes for Brexit and trade have become less likely. Time will tell if these recent moves have legs and resolution to the concerns mentioned above should determine the path of economic growth going forward.

Much like the domestic universe, our factor work continues to show little interest in value metrics for the most recent quarter and year. Price/Intrinsic Value detracted for the quarter while our profitability and financial strength measures were additive. Low beta and high quality outperformed for the quarter.



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

Strategy exposure remains well diversified and is most overweight in Consumer Discretionary, Technology and Energy. Specific industry exposure is in Autos, Apparel, Semiconductors, Banks and Integrated Oil & Gas. Regionally, the strategy is overweight Canada and Emerging Markets and underweight Europe.

Our top five contributors to performance during the quarter were Frontline, New Oriental Education, Vipshop, Ahold Delhaize and Magna International. Frontline shares rallied as the company purchased 10 additional oil tankers, which positions it well as ocean freight rates recover ahead of next year's marine fuel emission standards change. New Oriental Education's quarterly results were much better than expected due to stronger operating margins. K-12 revenues are expected to grow +40% yoy on new facility expansions and improving retention rates. Vipshop posted stronger than expected revenue growth and better margins due to more of an emphasis on higher-value apparel. Investors are encouraged by margin enhancement initiatives (technology and eCommerce) will be successful for Ahold Delhaize. The defensive nature of this company also benefited from market uncertainty in the third quarter. Magna International posted results that were better than feared given macro concerns and investors were further reassured by mgmt. reiterating profit and cash flow guidance into year end.

Our worst five detractors from performance during the quarter were Micro Focus International, Lenovo, Banco do Brasil, Qudian and Veon. Micro Focus issued a profit warning and lowered revenue guidance in late August as end markets are slowing IT spend due to macro concerns. These concerns, specifically around China's economy, weighed on Lenovo as they

may pose a threat to their growing PC business. Memory price recovery would also pressure margins next year. Loan growth has slowed for Banco do Brasil, declining -2% yoy in the second quarter on lighter Corporate loans, causing mgmt. lower loan guidance for the year. Qudian, an online Chinese credit company, saw share weaken as a result of perceived credit risk as the Chinese economy continues to slow. Veon shares sold off as investors questioned the safety of their dividend, which is currently over 12%.

We believe we could be in the midst of a bottoming of global economic activity as the stimulative impacts from coordinated Central Bank policy easing and fiscal stimulus serve to boost growth. Better than expected outcomes for Brexit (talks have intensified ahead of the October 31<sup>st</sup> deadline) and US/China trade (potential de-escalation as “phase 1” announced) would also help place a bottom in activity. All of this would improve the economic outlook, weaken the US dollar and could drive International markets to outperform the US, like they did in 2017.

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

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10/16/19  
MSCI ACWI ex-US (Net) - 234

***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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## 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.

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 quarterly 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.

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 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, 2018. 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, 2018. A complete list and description of TAM composites and/or the verification and performance examination reports are available upon request by contacting TAM at 1-888-544-8633, or write Todd Asset Management LLC, 101 South Fifth Street, Suite 3100, Louisville, Kentucky 40202, or contact us through our Web site at [www.toddasset.com](http://www.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. As of 12/31/2017, the benchmark was changed to the MSCI ACWI ex-U.S. (net) index, from the MSCI ACWI ex-U.S (gross) index. The ACWI (net) is computed net of foreign taxes withheld on dividends, this is consistent with the composite.

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:

**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.



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