October 21, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q3 2024 International Intrinsic Value Opportunity Review

	3Q 2024	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International IV Opportunity (Gross)	7.35%	12.51%	23.49%	7.41%	9.32%	5.28%	4.59%
International IV Opportunity (Net)	7.12%	11.80%	22.46%	6.51%	8.40%	4.39%	3.71%
MSCI ACWI ex-US (Net)	8.07%	14.21%	25.35%	4.14%	7.59%	5.44%	5.22%
MSCI ACWI ex-US Value (Net)	9.26%	14.40%	24.04%	7.49%	7.78%	4.87%	4.28%

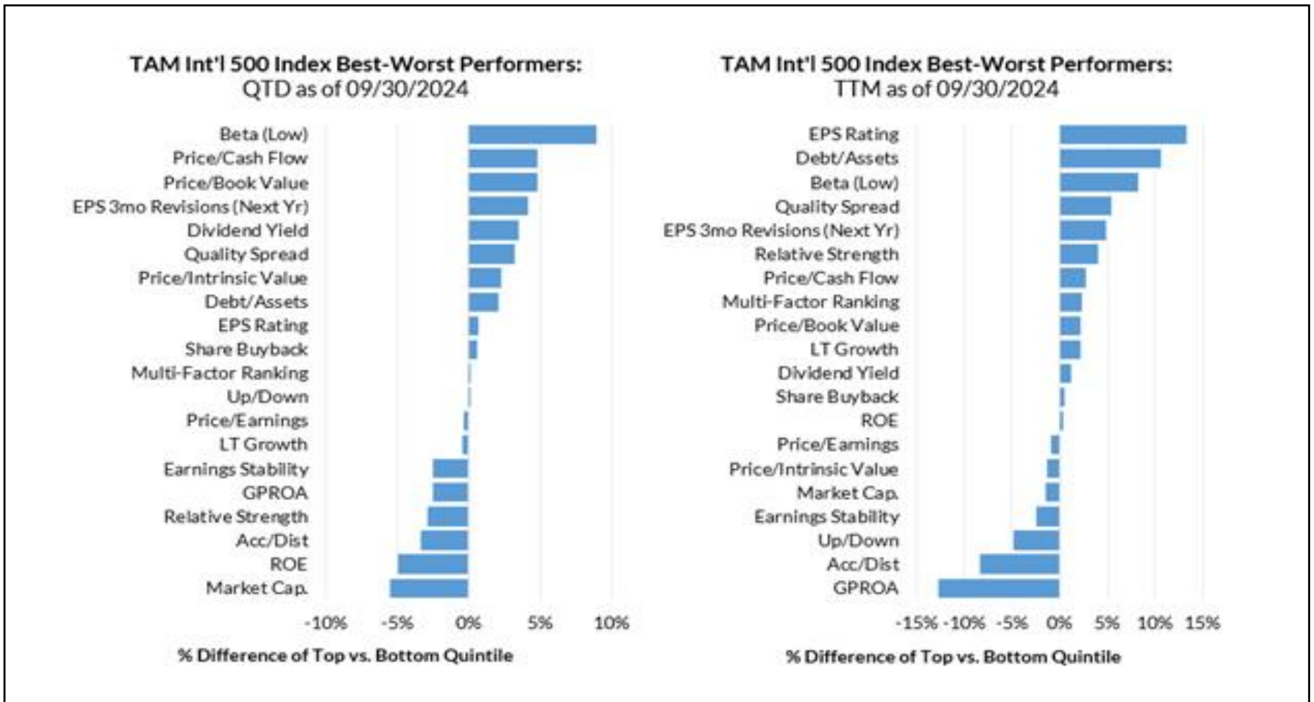
* *Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

Performance Review

The Int'l IV Opportunity strategy finished the third quarter slightly behind the ACWI ex-US as Chinese and other Emerging Market equities staged an impressive rally the final weeks of the quarter following several stimulative announcements. The strategy has been underweight Emerging Markets this year and overweight Energy, which has driven much of the strategy's lag against the benchmark year-to-date.

We are officially in a global easing cycle. Central banks are normalizing policy rates from extraordinary levels as inflationary pressures have eased. This is an important environmental change as policy makers pivot (to steal a buzz word from last year) to become more supportive of economic activity. While concerns around labor market weakness underpinned a consensus call for recession in the next few quarters, the most recent employment report in the US seems to have driven a much larger contingent that now embrace a soft landing. There have certainly been areas of weakness like autos, manufacturing, durable goods, etc. However, these are also inherently more interest rate sensitive businesses which should benefit from easing financial conditions. The path of earnings estimates, which continue to improve after contracting through the first part of 2023, also suggests that economic momentum is on much more stable footing. This is important because the historical analog for markets after Central Banks start to cut rates is quite strong in non-recessionary times (e.g. 1988, 1995, 1998 in the US) with the market up around +20% over the next 12 months. This isn't to say we shouldn't expect some volatility. We certainly had more than our fair share this past quarter from two epic margin calls with the unwind of the Yen-Carry trade in late-July/early-August and the short squeeze of Chinese stocks in late-September. We have more comments on these moves in the Market Commentary pieces, but they were both ultimately reactions to policy normalization as Japan continues to push interest rates into positive territory and China starts to get off the sidelines with more forceful monetary and fiscal support for their economy. The message we distill from this is that policy is becoming increasingly accommodative and the global economy is on a better trajectory than most investors thought. This helps to explain why most major markets indices are at or near all-time highs. Our strategy should stand to benefit from this improved sentiment and the broadening out we're witnessing as well.

Factor Performance[1]



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

Market Cap ranks as the worst performing factor for both the domestic and international universes this quarter. We've spoken in the past about the market broadening out from mega-cap names, which has been a global phenomenon but much more pronounced in the US. Low Beta ranked as one of the best performing factors for both the quarter and trailing 12mo periods. This is interesting given the strong returns the market has had over the past year. Value factors were also in favor and mostly ranked toward the top of the list for the third quarter. Value beat Growth internationally by around +2.5% in the quarter and is ahead year-to-date (albeit modestly) for the 4th consecutive year. This takes the cumulative outperformance of Value over Growth internationally to nearly +50% since the end of October 2020 (just before the global reopening phase began).

Performance Attribution

The strategy's underperformance during the third quarter was driven mostly by stock selection in the Materials sector and an overweight in the Energy sector. The regions that detracted the most from performance were Pacific - ex. Japan and Europe where we had exposure to several Energy related equities that underperformed. Other regions were mixed with Energy largely underperforming while Japanese equities and an overweight Healthcare allocation provided tailwinds. An underweight in the Industrials sector also detracted from performance where the sector was led higher by aerospace and defense stocks as tensions in the Middle East rose.

Our top five contributors to performance for this quarter were Alibaba, Chugai Pharmaceutical, Natwest Group, Vipshop Holdings, and Ahold Delhaize. Alibaba and Vipshop both rallied towards the end of the quarter as Chinese officials unveiled a raft of stimulus measures designed to inject confidence back into China's deflating economy. This sent Chinese equities rallying more than 20% in September. Chugai Pharmaceutical rallied during the quarter as the company sharply increased its Hemlibra (largest drug by revenue) exports sales to Roche. This was paired with optimism building around its pipeline GLP-1 drug, orforglipron, which saw positive phase 2 trials. Phase 3 results due in mid-2025 are expected to be a key catalyst. Natwest Group shares grinded higher during the quarter after reporting 2Q earnings that beat on every line, with impressive NIM growth and a sizeable upgrade to FY2024 guidance which was well ahead of consensus levels. Ahold Delhaize saw strong performance during the quarter, driven by strong growth in the retail pharmacy channel along with continued strength in the Food Lion and Hannaford brands, which are leading US performance.

Our top five detractors from performance for this quarter were PDD Holdings, Repsol, BP, Frontline, and Equinor. PDD Holdings reported earnings during the quarter and the company came up short of an optimistic top-line number and talked down margin targets due to increased spending to maintain market share in the face of increased global competition. Repsol, BP, Frontline, and Equinor were all caught in the crossfire that was rising crude inventories and OPEC lowering their crude oil demand forecasts for FY24 and FY25. This caused the global benchmark Brent Crude to sell-off ~17% during the quarter, dragging equities within the Energy sector along with it.

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

10/21/2024
MSCI ACWI ex-US (Net) – 326
MSCI ACWI ex-US Value (Net) – 332

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 reflects 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, 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 Opportunity Composite has been examined for the periods July 1, 2014 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, 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.

At acceptance, TAM will provide all clients with a copy of our current Form ADV, Part 2A ("Disclosure Brochure"), Form ADV Part 2Bs, which are the Brochure Supplements for each advisory person supporting a particular client, and, if an individual investor, the Form ADV Part 3 (client Relationship Summary or Form CRS). You may also obtain a copy of these disclosures on the SEC website at http://adviserinfo.sec.gov.