October 21, 2024
Intrinsic Value Team
Todd Asset Management

Todd Q3 2024 International Intrinsic Value Review

	3Q2024	YTD	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	7.61%	14.04%	21.93%	6.13%	9.90%	6.64%	5.76%
International Intrinsic Value (Net)	7.39%	13.34%	20.93%	5.24%	8.99%	5.74%	4.87%
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%

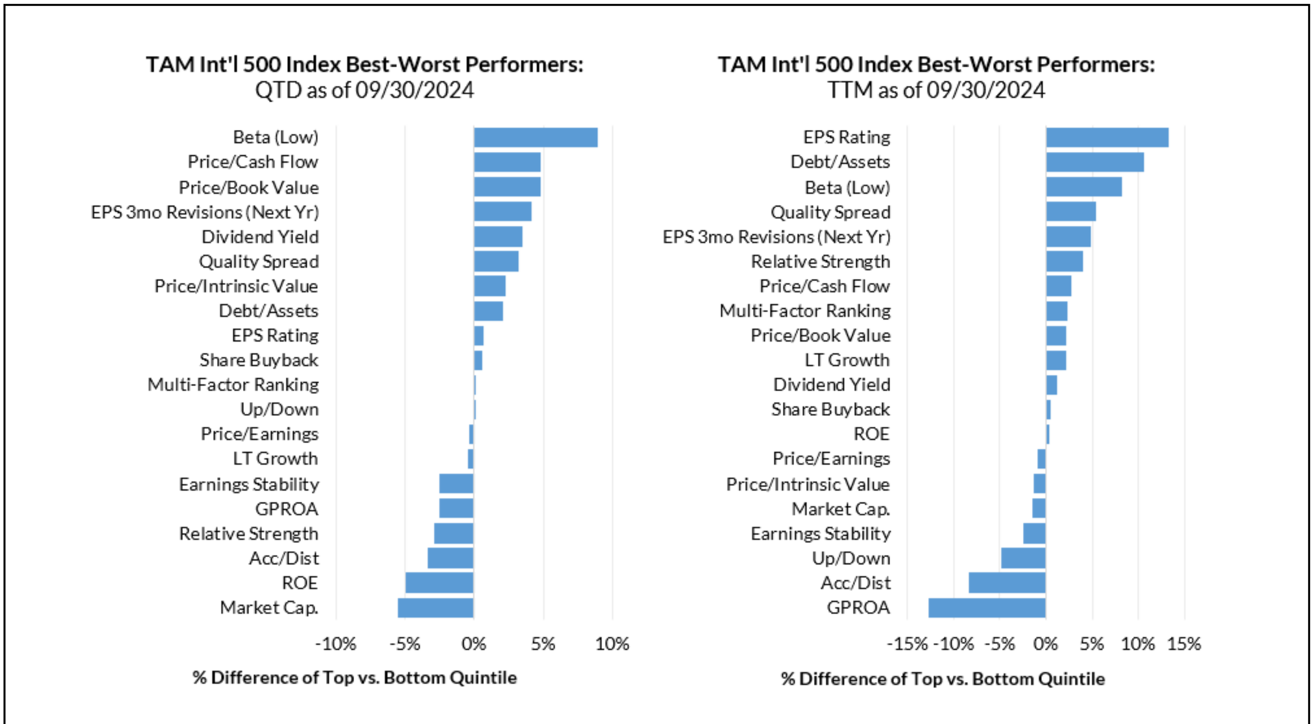
* *Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

Performance Review

The Int'l IV 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. While many of these names have since given back much of this move, this took our YTD number slightly behind the benchmark through quarter end. We remain ahead of the ACWI ex-US on most longer-term time frames.

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 market 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). Beyond this, several of the quality metrics have lagged and our Multi-Factor Ranking has been in the middle of the pack for the past year, modestly outperforming.

Performance Attribution

Collectively our slight underperformance in the quarter was equally driven by both stock selection and our sector allocation. From a sector perspective, Technology, Industrials and Financials were our best performing areas in the quarter as IT Services, Infrastructure and Banking names in these areas outperformed. Energy posed the largest headwind to performance as oil and gas prices sold off through most of the quarter. Communication Services and Utilities were other areas of weakness. Regionally, stock selection was more of a benefit to the strategy but offset by our relative geographic weights. Europe and the UK were our two top performing regions. Emerging Markets was mixed through the quarter as we are steeply underweight here, but held a number of names that participated in the runup at the end of September. Canada and Pacific ex-Japan were the two regions that detracted the most from our performance.

Our top five performing companies for the quarter were CRH, Fujitisu, JD.com, Alibaba and Compagnie de Saint-Gobain. CRH reported earnings in early August that surprised most investors as continued strength in the US infrastructure market has kept pricing firm and allowed management to raise guidance. Shares of Fujitsu were relatively unphased by the yen-carry unwind early in the quarter, finishing up over +30%. While the company's hardware business continue to work through headwinds, their IT Services business (Uvance) is running ahead of expectations with a strong order backlog and pricing that have boosted margins for the segment. JD.com and Alibaba were two of our Chinese holdings that participated in the epic melt-up in late September after policy makers finally made some much awaited monetary and fiscal stimulus announcements. The moves were impressive with these names rising by around ~50% in just a few weeks, which speaks to how depressed sentiment has become around Chinese equities. Saint-Gobain rounds out our top five performers in the quarter. The company is starting to see a cyclical recovery unfold in the European residential construction market and posted record high margins in the first half of the year despite soft volumes. The prospects for better activity and some accretive M&A has lifted expectations for margins to continue improving on a more structural basis.

Our bottom five included NXP Semiconductor, Stellantis, Marubeni, Repsol and Tokyo Electron. Our bottom two performers in the quarter were both tied into the auto market, which has seen a slew of negative headlines over the past few months. This is the largest end market for NXP Semiconductor and caused forward guidance to weaken as higher lending rates are impacting consumer demand for autos and electric vehicles. Stellantis is our other auto related name that saw shares sell off. The company is in the midst of a restructuring initiative and bloated inventories, which have led to lower pricing on some new releases, has increased uncertainty and weighed heavily on the outlook for profits in 2025. Two of our Japanese holdings, Marubeni and Tokyo Electron, did see weakness associated with the unwind of the yen-carry trade and broader strength in the yen during the quarter. Marubeni also posted underwhelming results driven by weakness in their agriculture business. Shares of Tokyo Electron have also corrected as capex from some of the advanced semiconductor manufacturers has slowed recently along with some insourcing from China. Finally, shares of Repsol (along with most of the other Energy names) sold off through the quarter along with brent crude oil prices. The expectation for incremental oil production/supply to come online over the next few months (particularly from Saudi Arabia) has been a headwind for oil prices. Repsol is also seeing additional pressure on refining margins.

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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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 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.

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