TODD
Asset Management

April 17, 2023
Intrinsic Value Team
Todd Asset Management

Todd Q1 2023 International Intrinsic Value Review

	1Q2023	1 Year	3 Year*	5 Year*	7 Year*	10 Year*
International Intrinsic Value (Gross)	5.0%	-1.8%	16.5%	4.0%	6.6%	5.3%
International Intrinsic Value (Net)	4.8%	-2.6%	15.5%	3.1%	5.7%	4.4%
MSCI ACWI ex-US (Net)	6.9%	-5.1%	11.8%	2.5%	5.9%	4.2%
MSCI ACWI ex-US Value (Net)	5.2%	-4.0%	13.8%	1.3%	5.0%	3.1%

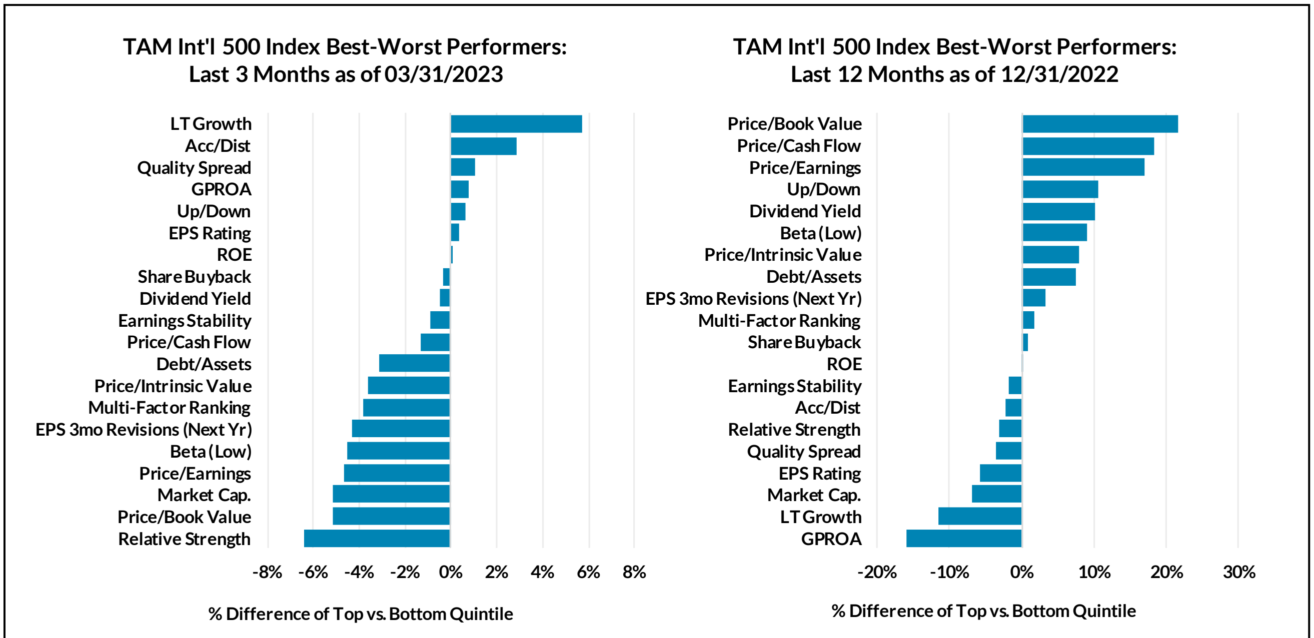
* *Annualized Total Returns. Please refer to the attached Performance Disclosure for further information.*

<u>Performance Review</u>

Performance for the first quarter was largely a 180 degree reversal from 2022 as the groups that worked through last year were among the largest laggards and vice-versa. Interest rates, which had been on an impressive move higher, took a breather in March and actually finished the quarter slightly lower than the start of the year in most developed markets. This coincided with various stresses that cropped up in the banking sector and increased the odds that rate hiking campaigns in the US and other areas would likely come to an end soon. This anticipation likely drove much of the outperformance from Technology and Consumer areas that were beaten down last year as policy got increasingly more restrictive. Bank stresses also revealed the impact that tighter policy has had on the real economy. As Warren Buffet once quipped, "only when the tide goes out do you learn who has been swimming naked." Credit Suisse and several speculative US banks were the bad actors that were revealed this cycle. While this raised questions around systemic risk and overall credit health in the banking sector, things look to be contained. Credit default swaps, which are a good barometer of risk, have risen but are nowhere near levels we saw back in the Great Financial Crisis (2008) or European Debt Crisis (2010-11) on the banks we track. Capital positions at these banks also look to be much healthier than they were 15 years ago and offer more protection against any further stresses that may crop up. Stay tuned but the upcoming earnings season will give us all a good, timely glimpse at how sturdy the outlooks are for various parts of the market.

It is interesting that despite the anxiety the market digested in March, the ACWI ex-US finished the quarter up +7% and most developed market equity indices beat the S&P 500. That's against a headwind from a resurgence of concentration in US markets that was largely driven by the FANG and Friends (which drove nearly 90% of the S&P 500's return YTD). China's reopening and improving GDP growth estimates in Europe are two meaningful offsets to various headwinds that cropped up in the quarter. Effects from the removal of "Zero Covid" restrictions in China late last year continue to show up with Non-Manufacturing PMI data rising to the highest level in more than 5 years. Chinese leadership has been reluctant to release much stimulus so this recovery is likely to be more organic and not as juiced as reopening episodes in the US. The dramatic drop in natural gas prices and Europe's successful navigation of the winter months have been big drivers of growth estimate upgrades. This improved sentiment seems to be finding its way into industrial metals and some emerging market currencies as well. Prices of copper and iron ore are both up sharply over the past 6 months. Most emerging market currencies are up vs the US Dollar over the past 6 months as well. Oil prices have been trending lower since last summer, however the OPEC production cuts of several million barrels helped to lift prices of Brent over $85/bbl. Our positioning ultimately should benefit from stronger commodity prices and better growth prospects in Europe as we are generally overweight in those areas.

Factor Performance[1]



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

Our customary factor work picked up on the outperformance of Growth over Value in the quarter. This is a complete reversal from 2022, which you can see in the chart on the right. Growth was the best performing factor for the quarter along with a few Quality measures while Value and Relative Strength ranked at the bottom. Value underperformed mostly in March as Financial and Energy stocks got hit the hardest when banking stress became elevated. Only 6 of the 20 factors we follow were additive for the quarter, which also reflects the narrowing we mentioned earlier. Large cap, lower Beta stocks lagged in the quarter, as did our Multi-Factor Ranking.

When looking at attribution for the quarter, not much helped as detractors were pretty broad based. This usually means that performance was dictated by more macro and style drivers. The strategy gave up its YTD lead on the index in March as Energy, Technology and Discretionary weighed the most on performance. Our overweight in Energy, underweight in Discretionary and exposure to some of the IT service providers within Technology were the main drivers in these areas. Regionally, our overweight position in Europe and the UK explained most of the underperformance and more than offset positive contributions from Pacific ex-Japan and Emerging Markets.

Our top five performers for the quarter were CRH, UBS, NXP Semiconductor, Baidu and Santander. CRH is a concrete and building materials company who expects volumes and pricing to remain supportive in 2023 and beyond due to tailwinds from various infrastructure spending initiatives. Management also announced a large increase in share repurchases. UBS, despite it's shotgun marriage with Credit Suisse, finished the quarter near multi-year highs. Their Wealth Management division is seeing strong asset growth (+8% to $2.8T) and Personal/Corporate Banking division results have been better than expected as well. Demand from Auto end markets remains strong for NXP Semiconductor. Content gains continue and pricing was up +14% in 2022, driving revenue growth and margins. Cost reduction initiatives at many Chinese "tech" companies have helped earnings beat estimates recently. While Ad revenue was soft at Baidu, other businesses (autonomous driving, AI/Chat-GPT-like product, etc.) continue to make progress. Management also announced a $5B share repurchase program. Santander posted results and guidance that were ahead of consensus calling for ROE greater than 15% and capital ratios above 12%. This was reiterated following the US bank related stress in March.

Out bottom five performers for the quarter were JD.com, Equinor, British American Tobacco, Jazz Pharmaceutical and Roche. Sales at JD.com were weak and while cost saves drove an earning/margin beat, the announced subsidy program ($1.5B) highlighted how stiff competition is in the space and made investors question how well margins would hold up in 2023. Equinor is a European oil and gas company with a high level of exposure to spot pricing. As a result the plunge in EU natural gas prices has weighed on 2023 EPS estimates. Cigarette volumes have been weak at British American Tobacco and regulatory issues (e.g. menthol bans) have weighed on the stock. Competition in the vapor market has also increased and may weigh on pricing. Jazz Pharmaceuticals is in the midst of a transition from Xyrem (off patent) to Xywav, two drugs that treat narcolepsy. The company announced a ramp in R&D spending which brought some their longer-term margin expansion targets into question. Finally, revenues at Roche have been declining and management expects this to continue in 2023 as Covid-revenue rolls off. Several late-stage pipeline readouts also underwhelmed recently. We eliminated Roche from the portfolio in March.

Investors seem to be warming up to international investing, something that we think makes sense. We believe the recent reprieve that growth stocks have seen is a rally within a secular bear market. Earnings season will probably give us a good read on fundamental trends within the market. Europe is expected to have better earnings trend than the US and Asia, something that should increase investor interest in those markets. Many strategists are very bearish on economic prospects globally. We believe economic growth in international markets is probably poised to improve as China reopens their economy. Until the US and European recession questions are resolved, markets probably track sideways in a range. Higher rates have led to higher recession risk (and bank risk), but if we resolve the recession/soft landing debate and get into a recovery next year, the outlook for equities should be good after that. Until then, a trading range with rotation towards value is our base case, and international stocks should do well in that environment.

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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04/17/2023
MSCI ACWI ex-US (Net) – 305
MSCI ACWI ex-US Value (Net) – 169

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, 2022. 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, 2022. 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.