



# Developed Markets ---

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 Country Selection Update | September 2022

**SUPERIOR PERFORMANCE THROUGH COMMITMENT TO VALUE**

KEPPLER ASSET MANAGEMENT INC.

350 WEST 57 STREET | NEW YORK, NY 10019 | [WWW.KAMNY.COM](http://WWW.KAMNY.COM)



## Risk & Return Characteristics

Returns with Net Dividends Reinvested in Local Currencies

December 31, 1969 - August 31, 2022	Top Value Strategy	World Equally Weighted	MSCI World Index	
Number of Months	632	632	632	
Average Monthly Return (%)	1.10	0.87	0.74	
Compound Annual Return (%)	12.65	9.87	8.19	
Number of Winning Months	407	408	402	
Highest Monthly Return (%)	35.3	17.3	14.0	
Probability of Monthly Gain (%)	64.4	64.6	63.6	
Average Gain in Winning Months (%)	3.54	3.10	3.05	
Expectation of Monthly Gain (%)	2.28	2.00	1.94	
Number of Losing Months	225	224	230	
Lowest Monthly Return (%)	-19.4	-24.4	-19.6	
Probability of Monthly Loss (%)	35.6	35.4	36.4	
Average Loss in Losing Months (%)	3.31	3.18	3.29	
Expectation of Monthly Loss (%)	1.18	1.13	1.20	
Longest Losing Streak (# Months)	7	8	7	
Largest Drawdown from Previous High (%)	54.4	53.6	50.8	
Standard Deviation of Monthly Returns (%)	4.62	4.09	4.01	
<b>Monthly Risk-Adjusted Return</b> (Kepler Ratio)	0.94	0.78	0.62	
<b>Monthly Volatility-Adjusted Return</b> (Sharpe Ratio)	0.24	0.21	0.18	
<b>Annual Returns (%)</b>	2013	19.9	21.4	28.9
	2014	1.5	6.6	9.8
	2015	4.8	6.1	2.1
	2016	7.0	5.4	9.0
	2017	20.4	17.3	18.5
	2018	-10.0	-10.6	-7.4
	2019	17.8	22.4	27.3
	2020	-4.7	1.2	13.5
	2021	15.9	21.4	24.2
	Year to date	-9.8	-11.8	-14.8

KEPPLER ASSET MANAGEMENT INC. | NEW YORK

Updated through: August 31, 2022

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## Recent Developments & Outlook

Developed markets equities suffered another setback last month, making August the sixth out of the last eight months with negative returns. The MSCI World Index (ND) declined 3.5 % in local currencies, 4.2 % in US dollars and 2.8 % in euros last month. Year-to-date, the MSCI World Index with net dividends reinvested has lost 14.8 %, 17.8 % and 7.0 % in local currencies, in US dollars and in euros, respectively. The Index (December 1969 = 100) now stands at LC 6,330, \$ 8,021 and € 4,232. The euro finished August down 1.4 % at 1.0056 versus the US dollar. Compared with its end-of-2021 level of 1.1372 it has lost 11.6 %.

Five markets were up and eighteen markets declined in August. Value outperformed growth again last month, bringing year-to-date outperformance to double digits. Ireland, Israel (both up 3.3 %) and Norway (+1.3 %) performed best in August, while the Netherlands (-8.9 %), Austria (-8.0 %) and Denmark (-6.6 %) came in last. Year-to-date, three markets were up and twenty markets declined. Norway (+10.5 %), Portugal (+9.8 %) and the United Kingdom (+3.9 %) were the only advancing markets, whereas Austria (-31.1 %), the Netherlands (-25.2 %), and Germany (-22.7 %) performed worst year-to-date. Performance is in local currencies unless mentioned otherwise.

The *Top Value Model Portfolio*, which is based on the *Top Value Strategy* (December 1969 = 100) using national MSCI country indices as hypothetical investment vehicles, finished August at LC 53,012 (-2.7 %), \$ 34,911 (-4.7 %) and € 18,420 (-3.4 %). Year-to-date, the *Top Value Model Portfolio* is down 9.8 % in local currencies, 20.0 % in US dollars and 9.5 % in euros. For details on the recent performance of national MSCI indices, benchmarks and strategies in local currencies, US dollars and euros, please see page 6.

There are no changes in our country ratings this month. The *Top Value Model Portfolio* continues to hold the eight "Buy"-rated markets Austria, Germany, Hong Kong, Italy, Japan, Norway, Spain and the United Kingdom. According to our analyses, an equally weighted combination of these markets offers the highest expectation of long-term risk-adjusted performance.

While world economic growth has slowed recently, inflation has continued to rise, which means further policy tightening by the Federal Reserve is still widely expected. Growth rates of fundamentals have started to come down from their peak in March due to tough year-over-year comparisons, and so are no longer offering support for stock prices. The table below shows the annual percentage change of the reported cash flows, earnings and dividends in local currencies and total returns in euros for key indices and the *Top Value Model Portfolio* as of August 31, 2022:

	12-Month Growth Rates (%)			
	Cash Flows	Earnings	Dividends	TR (ND)
<b>DM Top Value Model Portfolio</b>	<b>36.9</b>	<b>61.2</b>	<b>35.8</b>	<b>- 6.7</b>
MSCI World Index	13.9	18.0	13.4	- 0.3
MSCI World Value Index	18.1	24.8	16.6	+ 8.6
MSCI World Growth Index	6.0	8.3	12.3	- 9.5

The *Developed Markets Top Value Model Portfolio* is now undervalued by 49 % compared to the MSCI World Index, by 59 % compared to the MSCI USA Index and by 71 % compared with the MSCI World Growth Index. This extreme undervaluation, however, is not justified by the underlying fundamentals. We therefore expect the *Top Value Model Portfolio* to continue to outperform over the next three to five years.

Michael Keppler  
New York, September 3, 2022

## Developed Markets



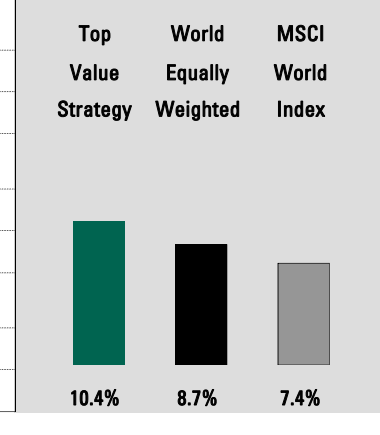
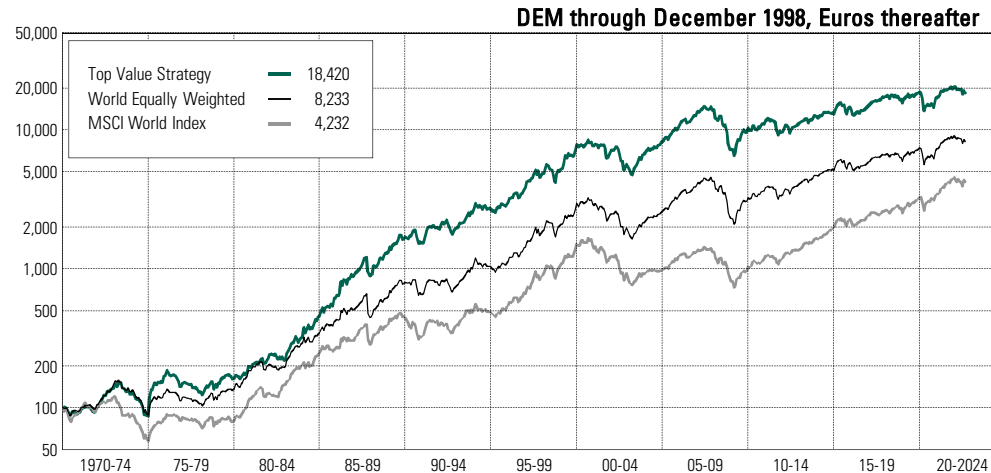
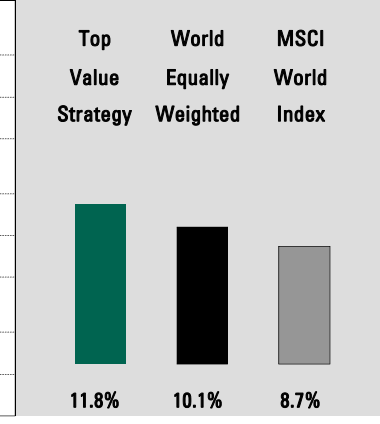
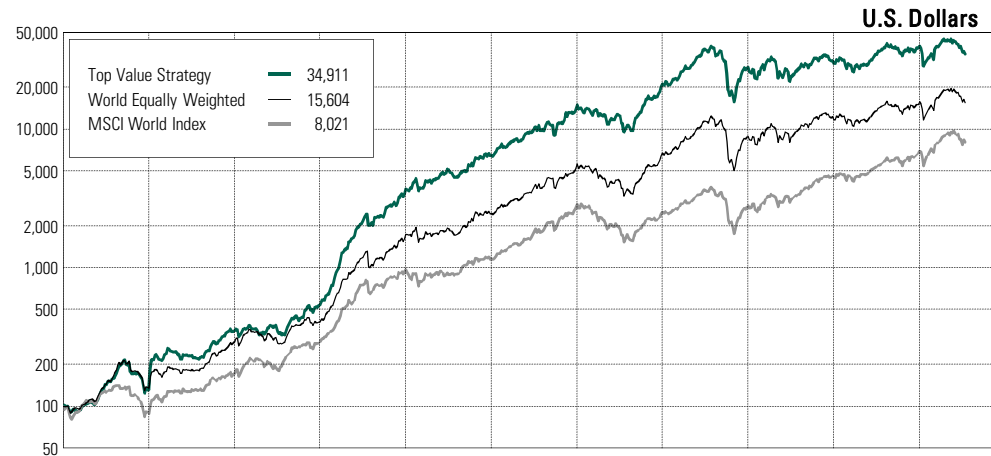
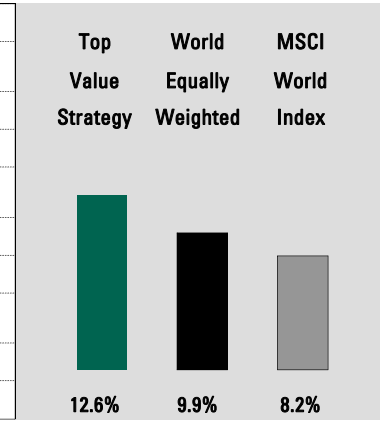
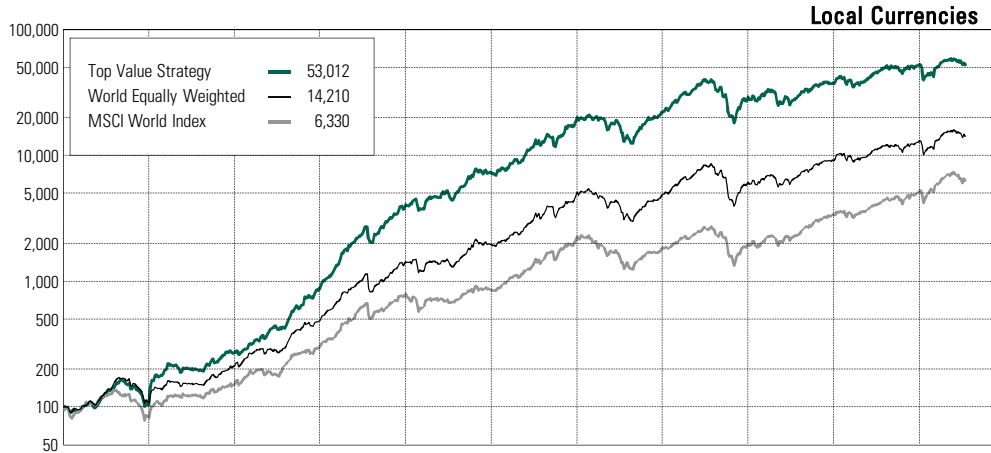
## Current Ratings & Valuation Characteristics

CURRENT RATINGS	Valuation Ratios			Rates of Return (%)		
	Price/ Book Value	Price/ Cash Flow	Price/ Earnings	Dividend Yield	Cash-Flow Re- turn on Equity	Return on Equity
<b>BUY CANDIDATES (Top Value)</b>	1.21	6.1	10.2	3.97	19.9	11.8
<b>Austria</b>	0.85	3.8	5.9	4.89	22.3	14.4
<b>Germany</b>	1.22	5.8	12.4	3.90	21.1	9.8
<b>Hong Kong</b>	1.09	10.6	16.3	3.41	10.3	6.7
<b>Italy</b>	1.02	4.2	7.7	5.27	24.4	13.2
<b>Japan</b>	1.31	8.8	16.2	2.50	14.9	8.1
<b>Norway</b>	2.17	6.1	9.9	3.92	35.7	21.8
<b>Spain</b>	1.10	7.0	9.7	3.98	15.7	11.3
<b>United Kingdom</b>	1.72	8.1	13.0	3.85	21.3	13.2
<b>SELL CANDIDATES</b>	2.59	14.5	18.2	2.48	17.9	14.2
<b>Denmark</b>	4.57	12.7	16.0	2.01	36.1	28.6
<b>Netherlands</b>	2.39	14.2	19.0	2.23	16.9	12.6
<b>Singapore</b>	1.39	23.5	21.0	3.61	5.9	6.6
<b>Switzerland</b>	3.04	11.9	16.2	2.96	25.5	18.7
<b>U.S.A.</b>	4.00	14.3	20.1	1.61	27.9	19.8
<b>NEUTRALLY RATED MARKETS</b>	1.98	10.5	16.9	3.21	18.9	11.7
<b>Australia</b>	2.14	9.5	13.8	5.17	22.5	15.5
<b>Belgium</b>	1.40	12.7	17.1	2.59	11.0	8.2
<b>Canada</b>	1.88	9.2	13.2	3.21	20.4	14.3
<b>Finland</b>	2.27	13.0	21.8	3.33	17.4	10.4
<b>France</b>	1.70	8.9	15.3	3.00	19.0	11.1
<b>Ireland</b>	1.98	11.1	20.3	1.79	17.8	9.7
<b>Israel</b>	1.75	6.5	8.7	3.91	26.9	20.0
<b>New Zealand</b>	2.77	16.4	27.4	2.52	16.9	10.1
<b>Portugal</b>	2.79	10.0	44.5	3.22	27.9	6.3
<b>Sweden</b>	1.94	14.5	20.2	3.34	13.4	9.6
<b>MSCI World Index (CW)</b>	2.79	12.2	18.0	2.12	22.9	15.6
<b>KAM World Index (EW)</b>	1.58	8.4	13.0	3.41	18.8	12.1
<b>MSCI EAFE Index</b>	1.63	8.8	14.5	3.32	18.4	11.2
<b>MSCI Europe Index</b>	1.77	8.7	14.0	3.36	20.4	12.6



# Top Value Strategy Performance History\* versus the MSCI World Index

Total & Compound Annual Returns with Net Dividends Reinvested



\*Using MSCI National Market Indices as hypothetical investment vehicles.

# Developed Markets



## Recent Performance\*

Total Returns based on Indices  
with Net Dividends Reinvested

BUY	NEUTRAL	SELL	% Change								
			in Local Currencies			in U.S. Dollars			in Euros		
			during Aug 22	last 3 mths.	Year to date	during Aug 22	last 3 mths.	Year to date	during Aug 22	last 3 mths.	Year to date
	<b>Australia</b>		0.7	-3.0	-1.8	-1.0	-7.3	-7.4	0.4	-1.2	4.7
<b>Austria</b>			-8.0	-17.0	-31.1	-9.3	-22.1	-39.1	-8.0	-17.0	-31.1
	<b>Belgium</b>		-6.1	-7.0	-13.8	-7.4	-12.7	-23.8	-6.1	-7.0	-13.8
	<b>Canada</b>		-2.0	-6.7	-8.1	-4.1	-9.9	-11.3	-2.7	-4.0	0.3
		<b>Denmark</b>	-6.6	0.5	-7.1	-7.8	-5.7	-17.9	-6.5	0.5	-7.1
		<b>Finland</b>	-0.7	-0.3	-10.0	-2.1	-6.4	-20.4	-0.7	-0.3	-10.0
		<b>France</b>	-5.0	-4.9	-12.3	-6.3	-10.7	-22.4	-5.0	-4.9	-12.3
<b>Germany</b>			-5.1	-11.7	-22.7	-6.4	-17.1	-31.7	-5.1	-11.7	-22.7
<b>Hong Kong</b>			-3.5	-5.8	-9.1	-3.5	-5.9	-9.7	-2.2	0.3	2.1
		<b>Ireland</b>	3.3	-3.1	-20.7	1.9	-9.0	-29.9	3.3	-3.1	-20.7
		<b>Israel</b>	3.3	2.3	-13.4	5.0	2.3	-17.0	6.5	9.0	-6.1
<b>Italy</b>			-3.3	-10.8	-18.1	-4.6	-16.3	-27.6	-3.3	-10.8	-18.1
<b>Japan</b>			1.1	2.2	-1.1	-2.6	-5.1	-17.9	-1.2	1.1	-7.1
		<b>Netherlands</b>	-8.9	-5.6	-25.2	-10.2	-11.2	-33.6	-8.9	-5.4	-24.9
		<b>New Zealand</b>	-0.7	2.8	-12.2	-2.9	-3.2	-21.4	-1.6	3.1	-11.1
<b>Norway</b>			1.3	-2.6	10.5	-1.3	-7.7	-1.8	0.1	-1.7	11.1
		<b>Portugal</b>	-2.2	2.4	9.8	-3.5	-3.8	-2.9	-2.2	2.4	9.8
		<b>Singapore</b>	-1.0	-2.3	-12.3	-1.8	-3.7	-14.9	-0.4	2.6	-3.7
<b>Spain</b>			-2.9	-9.9	-6.4	-4.2	-15.4	-17.2	-2.9	-9.9	-6.4
		<b>Sweden</b>	-6.2	-6.8	-21.8	-10.0	-14.2	-33.4	-8.8	-8.6	-24.7
		<b>Switzerland</b>	-3.1	-6.3	-15.2	-5.5	-8.0	-20.8	-4.1	-2.0	-10.4
<b>United Kingdom</b>			-1.3	-3.1	3.9	-5.6	-10.5	-10.8	-4.3	-4.7	0.9
		<b>U.S.A.</b>	-4.0	-3.8	-17.4	-4.0	-3.8	-17.4	-2.6	2.5	-6.6

### Developed Markets Regions, World and Country Selection Strategy

<b>MSCI World Index (CW)</b>	-3.5	-3.9	-14.8	-4.2	-5.5	-17.8	-2.8	0.6	-7.0
<b>KAM World Index (EW)</b>	-3.6	-5.7	-11.8	-5.3	-10.4	-20.1	-4.0	-4.5	-9.7
<b>MSCI EAFE Index</b>	-2.3	-3.7	-8.8	-4.7	-9.3	-19.6	-3.4	-3.4	-9.0
<b>MSCI Europe Index</b>	-3.9	-5.8	-11.8	-6.2	-11.4	-22.0	-4.9	-5.6	-11.8
<b>Top Value Strategy*</b>	-2.7	-7.3	-9.8	-4.7	-12.5	-20.0	-3.4	-6.8	-9.5

\* Using MSCI National Market Indices as hypothetical investment vehicles.

# MSCI National Markets vs. MSCI World Index

Total Returns in Local Currencies with Net Dividends Reinvested



December 31, 2012 = 100  
 Updated Through: August 31, 2022

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# MSCI National Markets vs. MSCI World Index

Total Returns in Local Currencies with Net Dividends Reinvested

