



# Developed Markets ---

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 Country Selection Update | December 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 - November 30, 2022	Top Value Strategy	World Equally Weighted	MSCI World Index	
Number of Months	635	635	635	
Average Monthly Return (%)	1.11	0.88	0.74	
Compound Annual Return (%)	12.72	9.95	8.23	
Number of Winning Months	409	410	404	
Highest Monthly Return (%)	35.3	17.3	14.0	
Probability of Monthly Gain (%)	64.4	64.6	63.6	
Average Gain in Winning Months (%)	3.56	3.11	3.06	
Expectation of Monthly Gain (%)	2.29	2.01	1.95	
Number of Losing Months	226	225	231	
Lowest Monthly Return (%)	-19.4	-24.4	-19.6	
Probability of Monthly Loss (%)	35.6	35.4	36.4	
Average Loss in Losing Months (%)	3.33	3.19	3.31	
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 (%)	4.63	4.11	4.03	
<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	-3.9	-6.1	-11.5

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Updated through: November 30, 2022

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## Recent Developments & Outlook

After another strong performance in November, developed markets equities fully recovered what they had lost in the previous two months. The MSCI World Index (ND) advanced 5.7 % in local currencies, 7.0 % in US dollars and 2.7 % in euros last month. Year-to-date, however, the MSCI World Index (ND) is still down 11.5 %, 14.5 % and 5.6 % in local currencies, US dollars and euros, respectively. The Index (December 1969 = 100) now stands at LC 6,571, \$ 8,340 and € 4,298. In November, the euro had its highest gain versus the US dollar since July 2020, climbing 4.2 % to 1.0297. This nevertheless still leaves the euro down 9.5 % compared with its end-of-2021 level of 1.1372.

Twenty-two markets included in the MSCI World Index were up last month and one market (Israel) was down. Year-to-date, five markets advanced, seventeen declined and one market (Spain) was unchanged. Value outperformed growth again in most countries in November, if only by a small margin. Year-to-date, however, the outperformance is huge: between 15.4 percentage points in Europe and 25.2 percentage points in the US. Given the poor growth rates of the fundamentals of the growth indices worldwide over the last seven years and the fact that growth indices are still substantially overvalued compared to the value indices, this outperformance may be only the beginning of a long-term trend. Hong Kong (+23.8 %), Austria (+13.0 %) and the Netherlands (+12.8 %) were the biggest winners in November, while Israel (-3.8 %), Norway (+2.2 %) and Switzerland (+2.7 %) performed worst. Year-to-date, the United Kingdom (+8.7 %), Norway (+6.8 %) and Portugal (+6.5 %) performed best. Ireland (-19.2 %), Austria (-19.0 %) and the Netherlands (-18.3 %), on the other hand, came in last. 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 the most attractively valued national MSCI country indices as hypothetical investment vehicles, finished November at LC 56,511 (+9.1 %), \$ 37,748 (+13.3 %) and € 19,451 (+8.7 %). Year-to-date, however, the **Top Value Model Portfolio** is still down by 3.9 % in local currencies, by 13.5 % in US dollars and by 4.4 % in euros. For details on the recent performance of national MSCI indices, benchmarks and strategies, please see page 6. There is no change 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.

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 the **Top Value Model Portfolio** and for key indices as of the end of November:

	12-Month Growth Rates (%)			
	Cash Flows	Earnings	Dividends	TR (ND)
<b>DM Top Value Model Portfolio</b>	<b>33.6</b>	<b>44.8</b>	<b>27.8</b>	<b>- 1.0</b>
MSCI World Index	14.2	11.9	11.6	- 2.6
MSCI World Value Index	18.3	17.5	14.0	+11.7
MSCI World Growth Index	4.7	3.9	11.8	- 15.9

The **Developed Markets Top Value 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 is not justified by the underlying fundamentals. We therefore expect the **Top Value Model Portfolio** to continue its outperformance in the next three to five years.

Michael Keppler  
New York, December 3, 2022

## Developed Markets



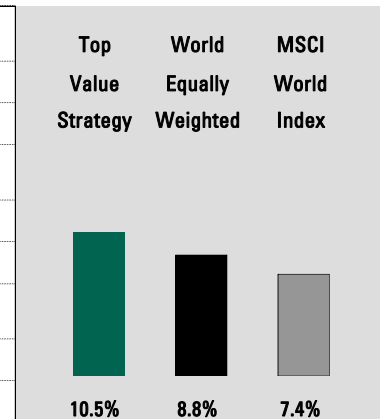
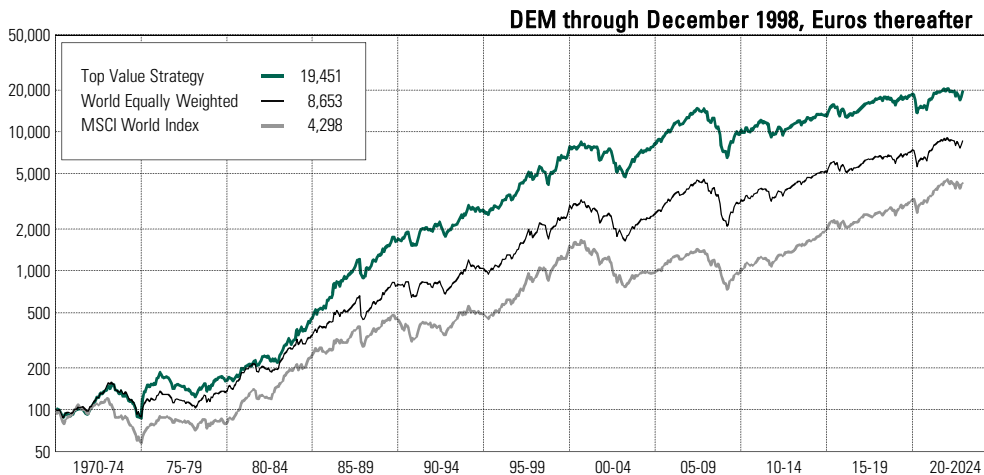
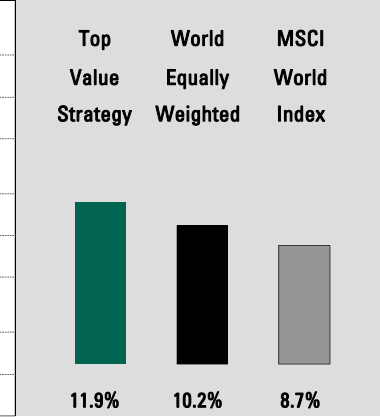
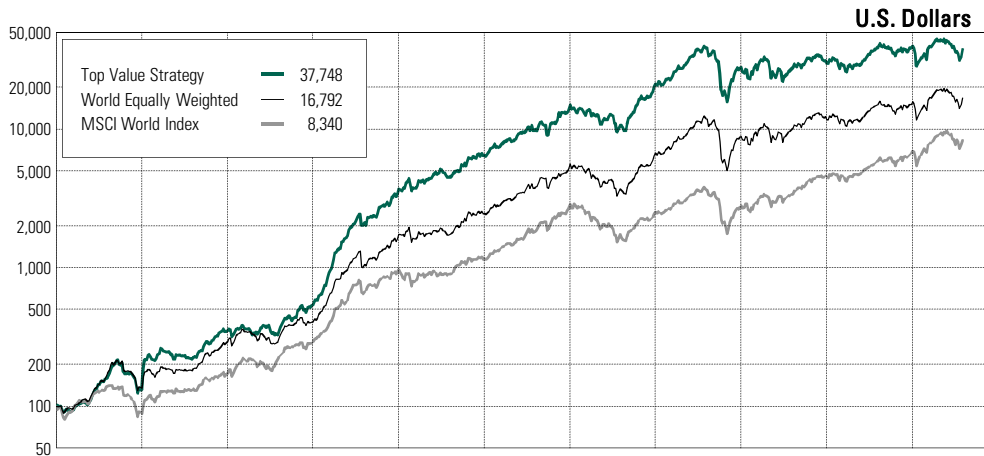
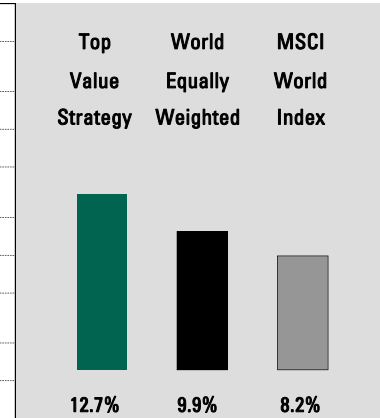
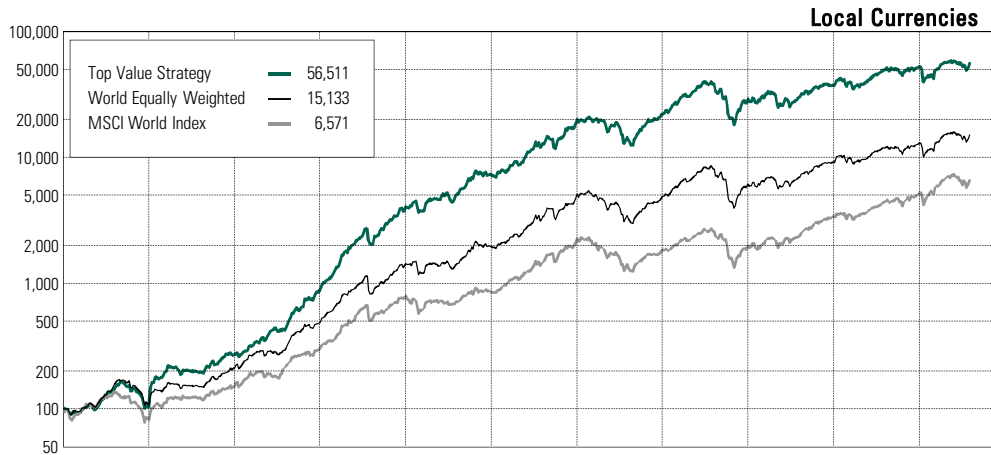
### Current Ratings & Valuation Characteristics

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>	1.25	6.0	10.2	3.82	20.7	12.3
<b>Austria</b>	0.96	4.5	7.2	4.16	21.2	13.4
<b>Germany</b>	1.33	6.2	14.3	3.53	21.5	9.3
<b>Hong Kong</b>	1.07	9.9	18.3	3.54	10.7	5.8
<b>Italy</b>	1.13	4.4	7.7	4.78	25.9	14.7
<b>Japan</b>	1.27	8.0	14.1	2.50	15.9	9.0
<b>Norway</b>	1.91	4.8	7.2	4.49	39.8	26.5
<b>Spain</b>	1.11	6.9	10.2	3.89	16.2	10.9
<b>United Kingdom</b>	1.70	7.4	11.6	3.70	23.1	14.7
<b>SELL CANDIDATES</b>	2.71	14.6	19.2	2.41	18.6	14.1
<b>Denmark</b>	4.64	12.3	16.8	1.90	37.7	27.5
<b>Netherlands</b>	2.73	15.8	22.4	2.08	17.3	12.2
<b>Singapore</b>	1.44	21.7	20.9	3.56	6.6	6.9
<b>Switzerland</b>	3.10	12.1	16.7	2.92	25.6	18.5
<b>U.S.A.</b>	4.12	14.3	20.4	1.59	28.7	20.2
<b>NEUTRALLY RATED MARKETS</b>	2.01	10.4	17.3	3.13	19.3	11.7
<b>Australia</b>	2.20	10.1	14.9	4.89	21.8	14.7
<b>Belgium</b>	1.53	13.9	21.5	2.34	11.0	7.1
<b>Canada</b>	1.93	9.2	13.7	3.08	20.9	14.0
<b>Finland</b>	2.23	12.7	20.9	3.29	17.6	10.7
<b>France</b>	1.80	9.3	15.5	2.81	19.4	11.6
<b>Ireland</b>	1.90	10.7	19.3	1.74	17.8	9.9
<b>Israel</b>	1.67	6.2	8.5	4.18	26.9	19.6
<b>New Zealand</b>	2.86	19.1	34.4	2.44	14.9	8.3
<b>Portugal</b>	2.82	8.2	26.2	3.35	34.5	10.8
<b>Sweden</b>	1.94	15.8	22.4	3.18	12.3	8.6
<b>MSCI World Index (CW)</b>	2.84	12.1	18.0	2.08	23.5	15.8
<b>KAM World Index (EW)</b>	1.64	8.5	13.4	3.27	19.4	12.3
<b>MSCI EAFE Index</b>	1.65	8.6	14.3	3.20	19.1	11.6
<b>MSCI Europe Index</b>	1.83	8.7	14.1	3.19	21.1	13.0



# 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 Nov 22	last 3 mths.	Year to date	during Nov 22	last 3 mths.	Year to date	during Nov 22	last 3 mths.	Year to date
	<b>Australia</b>		7.1	6.9	5.0	12.2	4.4	-3.3	7.7	2.0	6.8
<b>Austria</b>			13.0	17.6	-19.0	17.7	20.4	-26.7	13.0	17.6	-19.0
	<b>Belgium</b>		5.2	8.4	-6.6	9.6	11.0	-15.4	5.2	8.4	-6.6
	<b>Canada</b>		5.4	7.0	-1.6	6.1	3.4	-8.4	1.8	1.0	1.2
		<b>Denmark</b>	7.6	5.8	-1.7	12.2	8.4	-11.0	7.7	5.8	-1.7
		<b>Finland</b>	6.8	3.6	-6.8	11.2	6.1	-15.6	6.8	3.6	-6.8
		<b>France</b>	7.3	9.3	-4.1	11.8	11.9	-13.2	7.3	9.3	-4.1
<b>Germany</b>			9.4	11.0	-14.2	14.0	13.7	-22.3	9.4	11.0	-14.2
<b>Hong Kong</b>			23.8	-2.9	-11.8	24.5	-2.4	-11.9	19.5	-4.7	-2.7
		<b>Ireland</b>	4.0	1.8	-19.2	8.4	4.3	-26.9	4.0	1.8	-19.2
		<b>Israel</b>	-3.8	-4.3	-17.2	-2.5	-6.8	-22.6	-6.4	-8.9	-14.5
<b>Italy</b>			9.0	15.5	-5.4	13.6	18.3	-14.4	9.0	15.5	-5.4
<b>Japan</b>			3.0	1.9	0.7	9.7	1.2	-16.9	5.3	-1.1	-8.2
		<b>Netherlands</b>	12.8	9.2	-18.3	17.3	11.7	-25.8	12.6	9.1	-18.1
		<b>New Zealand</b>	6.4	6.1	-6.9	13.7	7.4	-15.5	9.2	4.9	-6.7
<b>Norway</b>			2.2	-3.4	6.8	6.6	-3.9	-5.6	2.3	-6.1	4.3
		<b>Portugal</b>	4.4	-3.0	6.5	8.7	-0.7	-3.6	4.4	-3.0	6.5
		<b>Singapore</b>	8.3	3.8	-9.0	11.5	5.5	-10.2	7.0	3.0	-0.8
<b>Spain</b>			5.1	6.8	0.0	9.5	9.4	-9.4	5.1	6.8	0.0
		<b>Sweden</b>	7.1	8.3	-15.3	11.0	8.0	-28.1	6.6	5.5	-20.6
		<b>Switzerland</b>	2.7	1.4	-14.0	7.9	3.9	-17.7	3.5	1.4	-9.1
<b>United Kingdom</b>			7.1	4.6	8.7	10.8	7.1	-4.5	6.3	4.6	5.5
		<b>U.S.A.</b>	5.4	3.1	-14.8	5.4	3.1	-14.8	1.2	0.7	-5.9

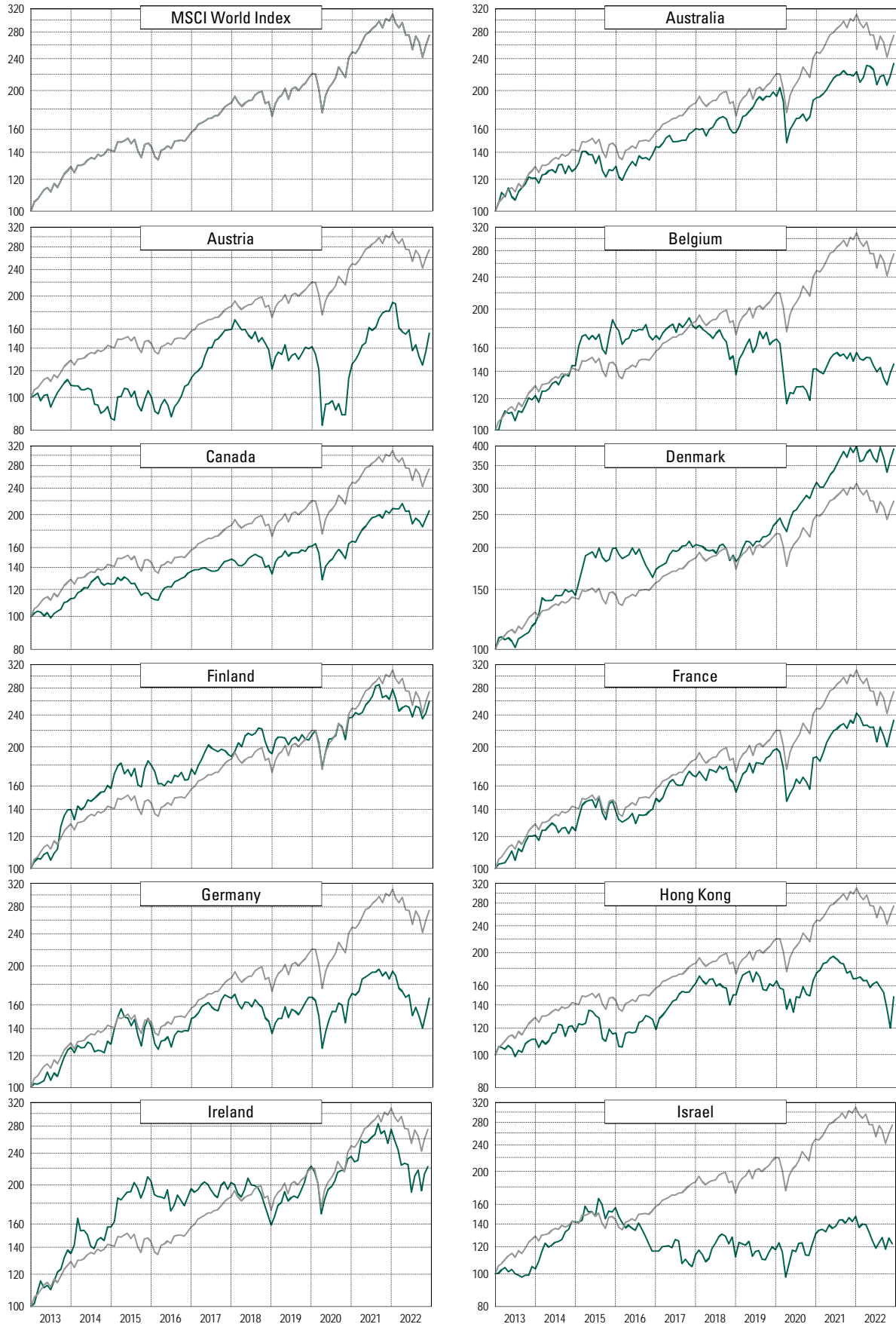
### Developed Markets Regions, World and Country Selection Strategy

<b>MSCI World Index (CW)</b>	5.7	3.8	-11.5	7.0	4.0	-14.5	2.7	1.5	-5.6
<b>KAM World Index (EW)</b>	7.9	6.5	-6.1	11.7	7.6	-14.1	7.2	5.1	-5.1
<b>MSCI EAFE Index</b>	6.4	5.1	-4.1	11.3	6.3	-14.5	6.8	3.8	-5.6
<b>MSCI Europe Index</b>	7.0	6.6	-6.0	11.4	9.0	-15.1	6.9	6.4	-6.2
<b>Top Value Strategy*</b>	9.1	6.6	-3.9	13.3	8.1	-13.5	8.7	5.6	-4.4

\* 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: November 30, 2022

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# MSCI National Markets vs. MSCI World Index

Total Returns in Local Currencies with Net Dividends Reinvested

