

Emerging Markets

 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



Risk & Return Characteristics

Returns with Net Dividends Reinvested in US Dollars

December 31, 1988 - August 31, 2022	Top Value Strategy	EM Equally Weighted	MSCI EM Index
Number of Months	404	404	404
Average Monthly Return (%)	1.66	1.24	0.90
Compound Annual Return (%)	18.33	13.46	8.65
Number of Winning Months	252	244	242
Highest Monthly Return (%)	32.8	25.7	19.0
Probability of Monthly Gain (%)	62.4	60.4	59.9
Average Gain in Winning Months (%)	5.62	4.83	4.84
Expectation of Monthly Gain (%)	3.50	2.91	2.90
Number of Losing Months	152	160	162
Lowest Monthly Return (%)	-29.5	-27.5	-28.9
Probability of Monthly Loss (%)	37.6	39.6	40.1
Average Loss in Losing Months (%)	4.90	4.24	4.97
Expectation of Monthly Loss (%)	1.84	1.68	1.99
Longest Losing Streak (# Months)	5	6	6
Largest Drawdown from Previous High (%)	64.7	55.7	61.6
Standard Deviation of Monthly Returns (%)	7.05	5.95	6.41
Monthly Risk-Adjusted Return (Kepler Ratio)	0.90	0.74	0.45
Monthly Volatility-Adjusted Return (Sharpe Ratio)	0.24	0.21	0.14
2013	0.6	-6.6	-2.6
2014	-12.6	-2.9	-2.2
2015	-16.9	-15.9	-14.9
2016	16.3	13.7	11.2
Annual Returns (%)	33.9	32.8	37.3
2018	-12.5	-12.0	-14.6
2019	14.6	13.8	18.4
2020	7.4	1.2	18.3
2021	3.4	2.6	-2.5
Year to date	-14.1	-12.5	-17.5

KEPPLER ASSET MANAGEMENT INC. | NEW YORK

Updated through: August 31, 2022

This publication is for your private information only. It is not intended as an offer or a solicitation with respect to the purchase or sale of any security. The opinions expressed are based upon historical research with data deemed to be reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. There is no guarantee that future results will conform to past performance or be profitable. Our research products should be used only by sophisticated investors who are aware of the risks in global equity investing. Kepler Asset Management, Inc. and/or their officers, directors and employees may, from time to time, have long or short positions in, and buy or sell securities, options, or index futures mentioned herein.

Recent Developments & Outlook

By losing less, emerging markets equities have performed a little better than the developed markets since the recent downturn started at the beginning of this year. In August, the MSCI Emerging Markets Index (ND) gained 1.2 % in local currencies, 0.4 % in US dollars and 1.8 % in euros. The MSCI EM Index (December 1988 = 100) now stands at \$ 1,631 and € 1,788, respectively. Year-to-date, the EM benchmark is down 12.5 % in local currencies, 17.5 % in US dollars and 6.7 % in euros. As shown by the KAM Equally Weighted EM Index, smaller markets have performed better than the larger ones since the beginning of the year. 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 %.

Fourteen markets included in the MSCI Emerging Markets Index advanced in August, nine markets declined and one market (Kuwait) was unchanged. Turkey (+24.6 %), Brazil (+6.1 %) and Indonesia (+5.3 %) performed best last month, while Poland (-12.1 %), the Czech Republic (-8.3 %) and Mexico (-6.2 %) came in at the bottom of the range. Year-to-date, eleven markets are up and thirteen are down. The biggest winners this year are Turkey (+66.9 %), Chile (+31.7 %) and Kuwait (+15.6 %), while Poland (-33.7 %), Hungary (-26.2 %) and Egypt (-24.2 %) performed worst. Performance is in local currencies unless mentioned otherwise.

The *Emerging Markets Top Value Model Portfolio*, which is based on the *Top Value Strategy* (December 1988 = 100) using national MSCI country indices as hypothetical investment vehicles, advanced 1.7 % in local currencies, 1.1 % in US dollars and 2.5 % in euros in August and now stands at \$ 28,918 and € 31,701. Year-to-date, it is down 5.6 % in local currencies, 14.1 % in US dollars and 2.9 % in euros, thus outperforming its EM benchmark by between 3.4 and 6.9 percentage points, depending on the currency. There is no change in our performance ratings last month. The *Top Value Model Portfolio* continues to hold the nine “Buy”-rated markets Brazil, Chile, China, Korea, Malaysia, Mexico, Poland, Taiwan and Turkey. According to our analyses, an equally weighted combination of these most attractively valued markets offers the highest expectation of long-term risk-adjusted performance. For the recent performance of the national and regional MSCI EM indices, benchmarks and strategies, please see page 6.

The table below shows how the *Emerging Markets Top Value Model Portfolio* compares to three alternatives as of August 31, 2022 based on selected valuation and return measures:

	Valuation Ratios			Rates of Return (%)		
	PBV	PCF	PE	DY	CFRoE	RoE
EM Top Value Model Portfolio	1.33	5.3	7.9	4.91	25.2	16.9
MSCI Emerging Markets Index	1.64	8.4	12.4	3.33	19.7	13.2
MSCI World Index (DM)	2.79	12.2	18.0	2.12	22.9	15.6
MSCI EM Growth Index	3.10	12.2	19.3	1.64	25.4	16.1

According to our analyses, the asset class *Emerging Markets Equities* is now undervalued by 35 % compared to the MSCI World Index of the developed markets. Moreover, the *Emerging Markets Top Value Model Portfolio* is now undervalued by 31 % compared to the MSCI Emerging Markets (Standard) Index, by 56 % compared to the MSCI World Index of the developed markets (DM) and by 60 % compared to the MSCI EM Growth Index. This extreme undervaluation is not justified by the underlying fundamentals and therefore is expected to lead to a significant outperformance of the *Top Value Model Portfolio* over the next three to five years.

Michael Keppler,
New York, September 3, 2022

P.S. Mainly due to liquidity issues and geopolitical risks, we are deviating from straight equal weighting of markets in the portfolios we advise.



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
BUY CANDIDATES (Top Value)	1.33	5.3	7.9	4.91	25.2	16.9
Brazil	1.55	3.8	5.6	14.26	41.2	27.6
Chile	1.50	5.9	7.6	5.25	25.2	19.6
China	1.41	12.9	14.6	2.37	10.9	9.6
Korea	0.94	4.7	8.4	2.36	19.9	11.2
Malaysia	1.53	9.1	17.1	4.01	16.8	9.0
Mexico	1.74	6.3	12.4	3.92	27.6	14.0
Poland	0.83	2.7	4.9	4.45	31.0	16.8
Taiwan	2.20	7.8	11.3	4.39	28.3	19.6
Turkey	1.22	4.5	4.6	3.18	27.0	26.8
SELL CANDIDATES	2.37	11.3	22.7	1.94	20.9	10.4
India	3.70	17.2	24.7	1.22	21.6	15.0
Kuwait	2.52	8.7	23.4	2.39	28.9	10.8
Philippines	1.83	12.0	20.7	1.67	15.3	8.8
Thailand	2.10	10.3	22.3	2.47	20.3	9.4
NEUTRALLY RATED MARKETS	1.43	5.9	10.1	3.82	24.2	14.2
Colombia	1.15	3.5	5.5	6.46	32.7	20.8
Czech Republic	2.26	6.5	10.2	5.86	34.5	22.1
Egypt	1.18	5.7	5.4	4.66	20.7	21.8
Greece	0.83	6.2	-37.5	2.23	13.3	-2.2
Hungary	0.77	2.7	5.2	1.76	28.6	14.9
Indonesia	2.59	8.0	15.7	2.92	32.3	16.4
Peru	1.52	6.9	9.3	5.07	22.1	16.4
Qatar	2.17	9.8	16.3	3.23	22.2	13.3
Saudi Arabia	2.62	9.6	17.7	2.45	27.2	14.7
South Africa	1.66	6.8	10.0	4.24	24.3	16.5
United Arab Emirates	1.88	10.9	13.5	3.18	17.2	13.9
MSCI EM Index (CW)	1.64	8.4	12.4	3.33	19.7	13.2
KAM EM Index (EW)	1.46	5.6	8.9	4.16	26.0	16.4
EM Asia Index	1.62	9.4	13.6	2.57	17.3	11.9
EM EMEA Index	1.85	7.0	12.4	3.20	26.2	14.9
EM Latin America Index	1.58	4.4	6.7	10.73	36.2	23.5

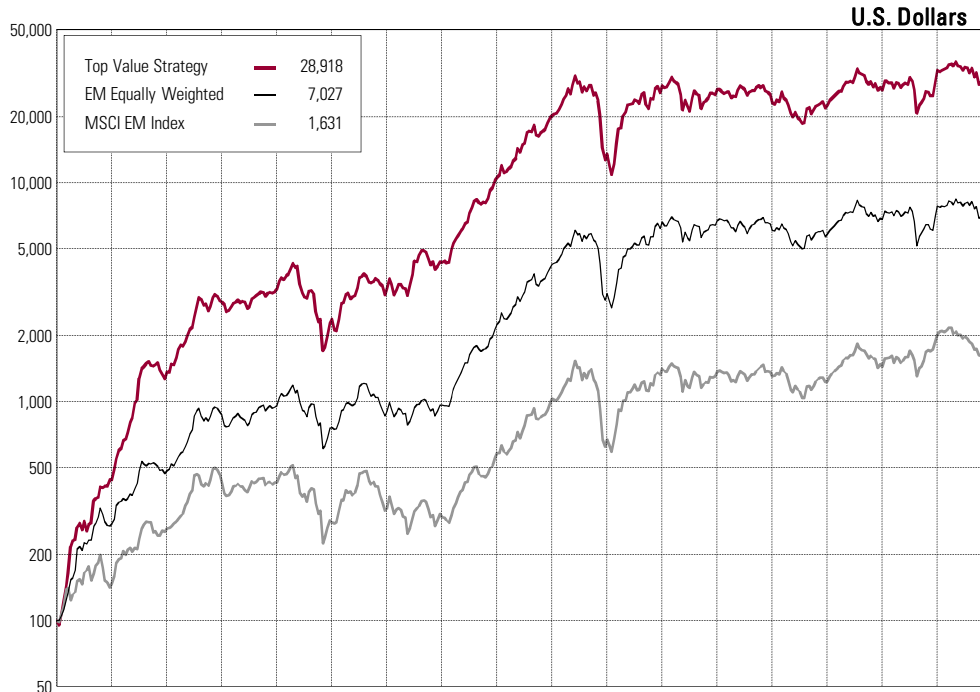


Top Value Strategy Performance History* versus the MSCI EM Index

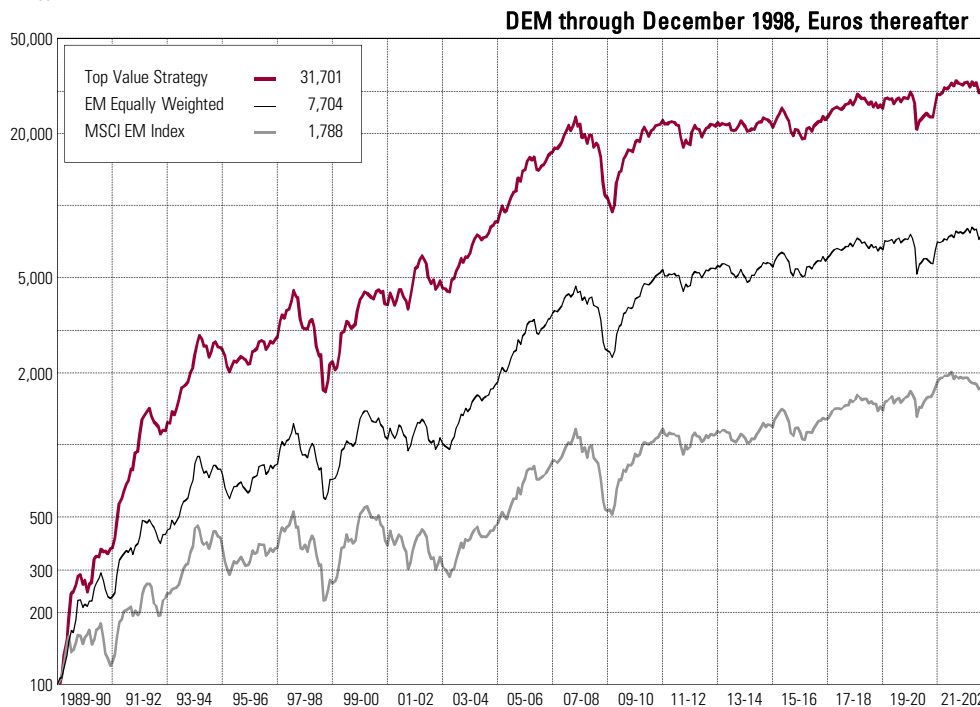
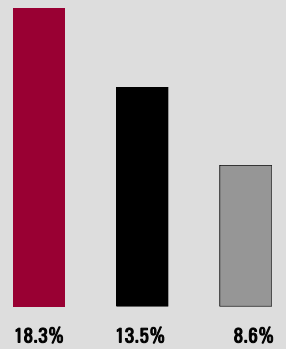
Total & Compound Annual Returns with Net Dividends Reinvested

Total Returns
December 1988 = 100

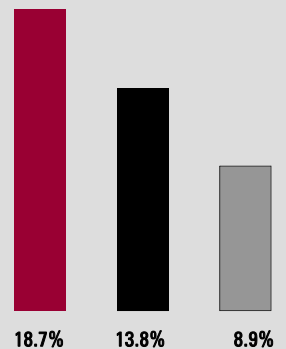
Compound Annual Returns
December 1988 - August 2022



Top Value Strategy	EM Equally Weighted	MSCI EM Index
--------------------	---------------------	---------------



Top Value Strategy	EM Equally Weighted	MSCI EM Index
--------------------	---------------------	---------------



*From January 2003: Using MSCI national market indices as hypothetical investment vehicles. Prior to 2003, S&P/IFCI national market indices.



Recent Performance*

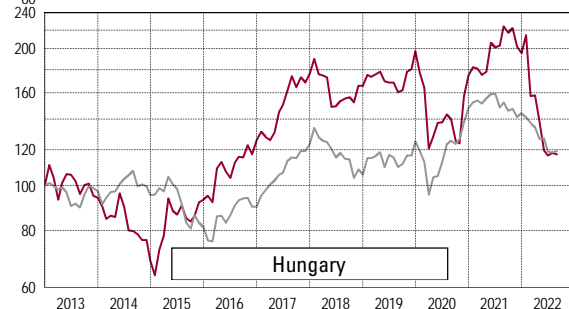
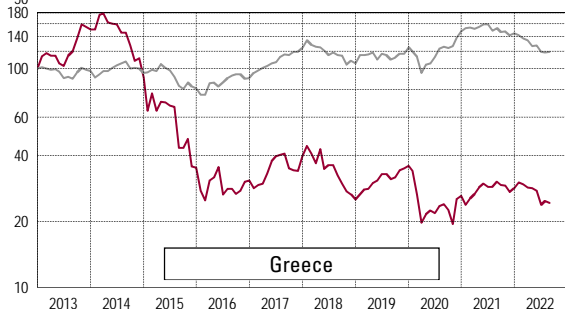
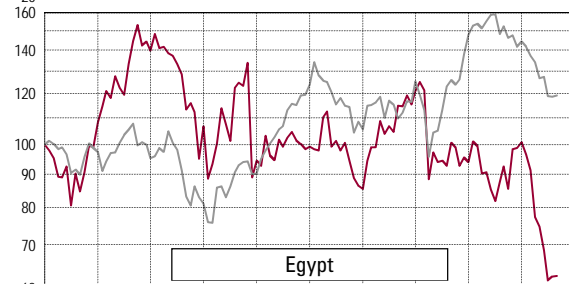
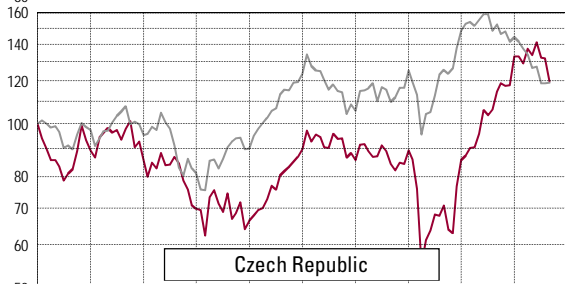
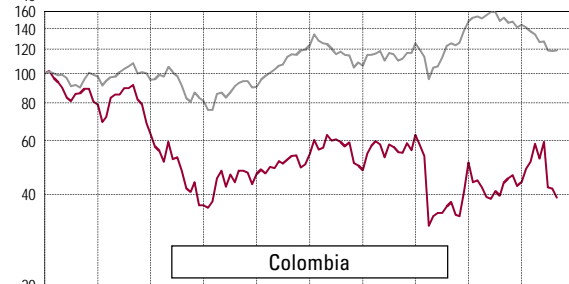
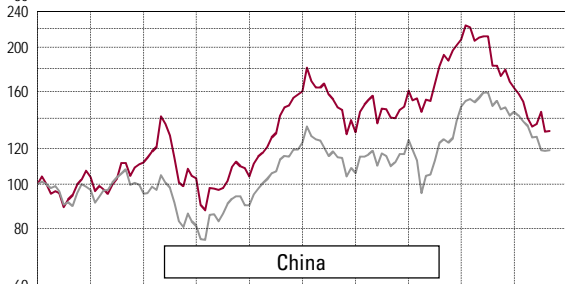
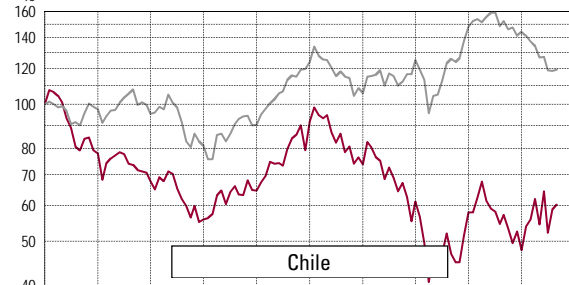
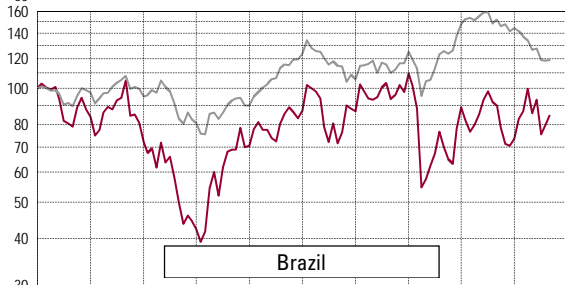
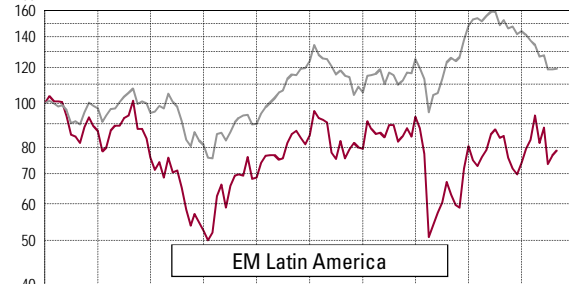
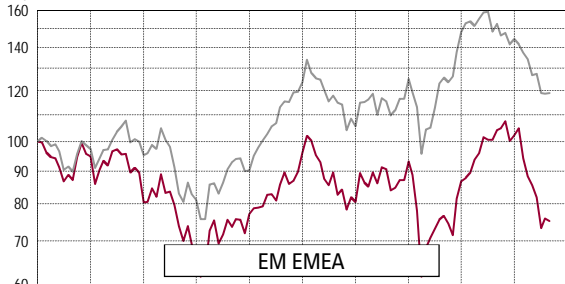
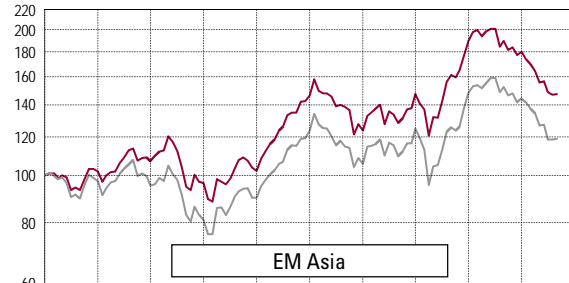
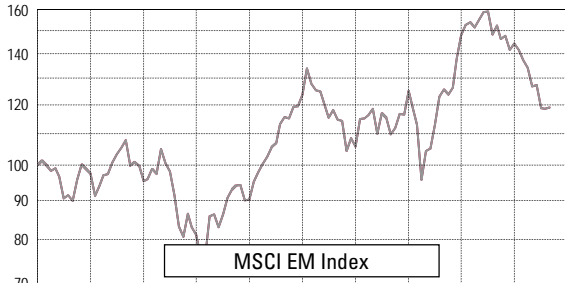
Total Returns based on Indices
with Net Dividends Reinvested

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
Brazil			6.1	-0.8	7.3	6.4	-9.2	15.4	7.9	-3.3	30.5
Chile			1.7	1.3	31.7	2.7	-6.6	25.7	4.1	-0.5	42.2
China			0.6	-2.8	-18.0	0.2	-3.3	-19.5	1.6	3.0	-9.0
	Colombia		-3.8	-23.1	-3.3	-6.5	-34.4	-11.0	-5.1	-30.1	0.7
	Czech Republic		-8.3	-10.4	0.3	-9.1	-15.2	-10.1	-7.9	-9.6	1.7
	Egypt		1.6	-5.9	-24.2	0.1	-8.9	-38.0	1.5	-2.9	-29.9
	Greece		-0.7	-6.0	-2.9	-2.1	-11.8	-14.1	-0.7	-6.0	-2.9
	Hungary		0.4	5.8	-26.2	-0.6	-2.0	-40.2	0.7	4.4	-32.4
		India	4.4	8.6	3.1	4.1	6.1	-3.5	5.6	13.1	9.1
		Indonesia	5.3	0.2	12.7	5.2	-1.5	8.2	6.7	4.9	22.4
Korea			-0.5	-8.3	-17.7	-3.3	-15.2	-26.8	-2.0	-9.6	-17.2
		Kuwait	0.0	0.5	15.6	-0.4	-0.1	13.4	1.0	6.4	28.3
Malaysia			1.1	-3.4	-1.6	0.5	-5.5	-8.4	1.9	0.7	3.5
Mexico			-6.2	-12.6	-14.0	-5.0	-14.4	-12.5	-3.7	-8.8	-1.1
		Peru	-1.6	-15.8	-4.6	-1.6	-15.8	-4.6	-0.2	-10.3	7.9
		Philippines	4.6	-2.9	-5.0	2.7	-9.4	-13.7	4.1	-3.5	-2.4
Poland			-12.1	-17.1	-33.7	-13.2	-24.5	-43.1	-11.9	-19.6	-35.6
		Qatar	1.9	1.5	15.3	1.9	1.5	15.3	3.3	8.2	30.4
		Saudi Arabia	2.0	-3.6	11.0	2.0	-3.8	10.9	3.4	2.4	25.4
		South Africa	-1.9	-8.1	-4.8	-4.1	-16.0	-10.9	-2.7	-10.5	0.8
Taiwan			0.3	-8.6	-16.3	-1.3	-12.8	-23.9	0.1	-7.1	-13.9
		Thailand	4.6	1.1	5.3	5.6	-5.1	-3.5	7.1	1.1	9.1
Turkey			24.6	20.9	66.9	22.7	8.9	21.8	24.4	16.0	37.8
		United Arab Emirates	-1.8	-7.6	1.2	-1.8	-7.6	1.2	-0.5	-1.6	14.5
MSCI EM Index (CW)			1.2	-3.3	-12.5	0.4	-6.5	-17.5	1.8	-0.4	-6.7
KAM EM Index (EW)			1.2	-3.5	-4.1	0.4	-9.3	-12.5	1.8	-3.4	-1.1
MSCI EM Asia Index			1.3	-2.9	-12.8	0.4	-5.7	-18.0	1.8	0.4	-7.2
MSCI EM EMEA Index			0.0	-4.8	-18.1	-0.8	-8.2	-26.5	0.6	-2.2	-16.9
MSCI EM Latin America Index			2.2	-4.7	1.8	2.7	-11.1	6.5	4.2	-5.3	20.4
EM Top Value Strategy			1.7	-3.3	-5.6	1.1	-8.8	-14.1	2.5	-2.8	-2.9

* Using MSCI National Market Indices as hypothetical investment vehicles.

MSCI National Markets vs. MSCI Emerging Markets Index

Total Returns in U.S. Dollars with Net Dividends Reinvested



December 31, 2012 = 100 (unless shown otherwise)
Updated Through: August 31, 2022

MSCI National Markets vs. MSCI Emerging Markets Index

Total Returns in U.S. Dollars with Net Dividends Reinvested

