

Emerging Markets

 Country Selection Update | November 2022

SUPERIOR PERFORMANCE THROUGH COMMITMENT TO VALUE

KEPPLER ASSET MANAGEMENT INC.

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Risk & Return Characteristics

Returns with Net Dividends Reinvested in US Dollars

December 31, 1988 - October 31, 2022	Top Value Strategy	EM Equally Weighted	MSCI EM Index	
Number of Months	406	406	406	
Average Monthly Return (%)	1.64	1.22	0.86	
Compound Annual Return (%)	18.07	13.22	8.10	
Number of Winning Months	253	245	242	
Highest Monthly Return (%)	32.8	25.7	19.0	
Probability of Monthly Gain (%)	62.3	60.3	59.6	
Average Gain in Winning Months (%)	5.62	4.83	4.84	
Expectation of Monthly Gain (%)	3.50	2.91	2.88	
Number of Losing Months	153	161	164	
Lowest Monthly Return (%)	-29.5	-27.5	-28.9	
Probability of Monthly Loss (%)	37.7	39.7	40.4	
Average Loss in Losing Months (%)	4.93	4.27	5.00	
Expectation of Monthly Loss (%)	1.86	1.69	2.02	
Longest Losing Streak (# Months)	5	6	6	
Largest Drawdown from Previous High (%)	64.7	55.7	61.6	
Standard Deviation of Monthly Returns (%)	7.06	5.96	6.43	
Monthly Risk-Adjusted Return (Kepler Ratio)	0.88	0.72	0.43	
Monthly Volatility-Adjusted Return (Sharpe Ratio)	0.23	0.20	0.13	
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 (%)	2017	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	-18.1	-16.9	-29.4	

KEPPLER ASSET MANAGEMENT INC. | NEW YORK

Updated through: October 31, 2022

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Recent Developments & Outlook

Emerging markets equities continued to lose ground, while value strategies continued to outperform. The MSCI Emerging Markets Index (ND) lost 2.6 % in local currencies, 3.1 % in US dollars and 4.0 % in euros. This is rather unusual, given the fact that twenty out of the twenty-four markets in the index had positive results last month. The MSCI EM Index (December 1988 = 100) now stands at \$ 1,395 and € 1,556, respectively. Heavily influenced by the poor performance of China, the EM benchmark is down 22.8 % in local currencies, 29.4 % in US dollars and 18.8 % in euros year-to-date. As shown by the KAM Equally Weighted EM Index, the average emerging market—and therefore the smaller markets in particular—again have performed much better than the larger ones this year, gaining 5.5 % in local currencies and in US dollars and 4.6 % in euros last month alone. The euro finished October up 0.9 % versus the US dollar at 0.9884. But compared with its end-of-2021 level of 1.1372 it has lost 13.1 %.

Egypt (+25.9 %), Turkey (+23.5 %) and Colombia (+14.9 %) performed best last month, while China (-16.4 %), repeating September's poor results, Taiwan (-3.7 %) and Qatar (-1.8 %) came in at the bottom of the range. Year-to-date, twelve markets are up and twelve are down. The biggest winners this year are Turkey (+101.5 %), Chile (+27.8 %) and Indonesia (+18.0 %), while China (-41.1 %), Poland (-32.6 %) and Taiwan (-29.2 %) 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, fared rather well in October, advancing 5.2 % in local currencies, 5.9 % in US dollars and 5.0 % in euros. It now stands at \$ 27,565 and € 30,744. Year-to-date, it is down 7.3 % in local currencies, 18.1 % in US dollars and 5.8 % in euros, thus outperforming its EM benchmark by between 11.3 and 15.5 percentage points, depending on the currency. There are no changes 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 October 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	1.28	5.0	7.7	5.03	25.5	16.6
MSCI Emerging Markets Index	1.49	7.4	11.1	3.75	20.1	13.4
MSCI World Index (DM)	2.75	11.8	17.4	2.17	23.3	15.8
MSCI EM Growth Index	2.71	10.4	16.8	1.90	26.0	16.1

According to our analyses, the asset class *Emerging Markets Equities* is now undervalued by 40 % compared to the MSCI World Index of the developed markets. Moreover, the *Emerging Markets Top Value Model Portfolio* is now undervalued by 26 % compared to the MSCI Emerging Markets (Standard) Index, by 56 % compared to the MSCI World Index of the developed markets (DM) and by 55 % compared to the MSCI EM Growth Index. This extreme undervaluation is not justified by the underlying fundamentals and therefore the recent outperformance of the *Top Value Model Portfolio* is expected to continue over the next three to five years.

Michael Keppler,
New York, November 4, 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)	1.28	5.0	7.7	5.03	25.5	16.6
Brazil	1.60	4.0	6.0	13.45	39.9	26.6
Chile	1.42	5.4	7.0	6.14	26.4	20.3
China	1.10	9.8	11.3	3.17	11.2	9.7
Korea	0.89	4.5	8.0	2.46	19.8	11.1
Malaysia	1.46	8.6	16.3	4.05	17.0	9.0
Mexico	1.95	6.7	13.7	3.59	29.2	14.3
Poland	0.80	2.3	4.5	4.54	33.9	17.5
Taiwan	1.90	6.5	9.6	5.22	29.3	19.8
Turkey	1.47	5.4	5.5	2.63	27.4	26.9
SELL CANDIDATES	2.35	10.0	20.1	2.15	23.4	11.7
India	3.69	16.8	24.5	1.23	22.0	15.0
Indonesia	2.67	7.7	15.8	2.85	34.6	16.9
Kuwait	2.54	8.5	22.2	2.35	29.8	11.5
Philippines	1.69	10.8	18.9	1.76	15.7	8.9
Thailand	2.00	10.2	21.4	2.57	19.7	9.4
NEUTRALLY RATED MARKETS	1.40	5.8	8.7	3.94	24.3	16.1
Colombia	1.13	3.7	5.4	7.37	30.5	20.7
Czech Republic	2.09	5.4	9.0	6.42	39.0	23.2
Egypt	1.48	7.8	6.9	3.74	18.9	21.3
Greece	0.88	6.1	10.4	2.37	14.4	8.4
Hungary	0.78	2.6	4.7	1.75	30.1	16.5
Peru	1.75	7.6	10.7	4.21	23.0	16.3
Qatar	1.97	9.3	14.9	3.41	21.3	13.3
Saudi Arabia	2.49	9.3	16.9	2.58	26.9	14.7
South Africa	1.59	6.7	9.9	4.35	23.9	16.1
United Arab Emirates	1.85	10.8	13.2	3.24	17.1	13.9
MSCI EM Index (CW)	1.49	7.4	11.1	3.75	20.1	13.4
KAM EM Index (EW)	1.41	5.4	8.6	4.33	26.3	16.4
EM Asia Index	1.43	8.1	11.9	2.99	17.6	11.9
EM EMEA Index	1.79	6.8	11.6	3.27	26.4	15.4
EM Latin America Index	1.65	4.6	7.2	10.09	36.0	23.0

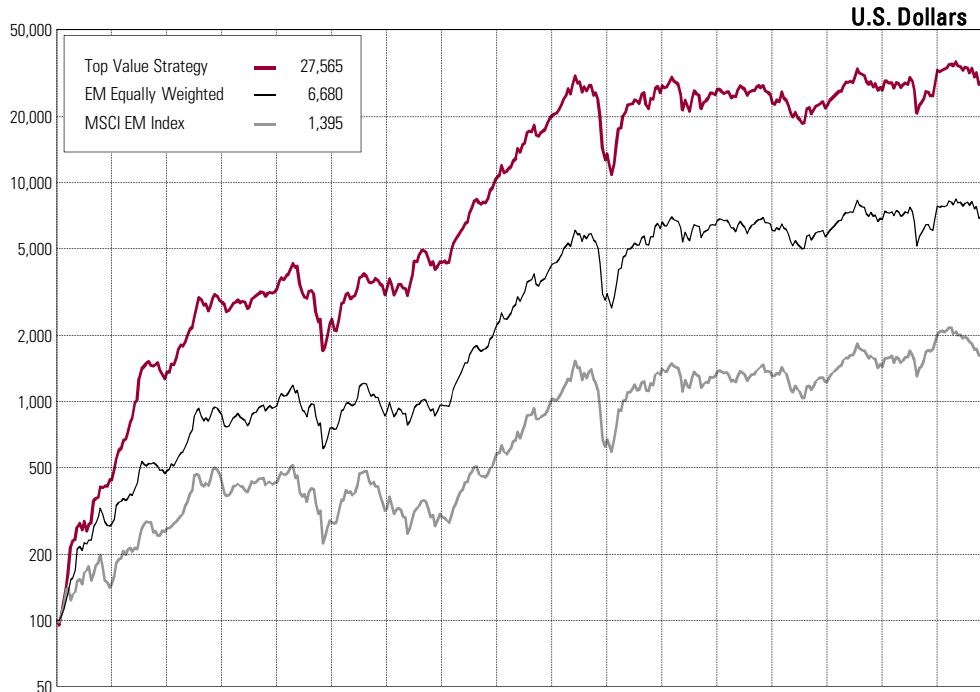


Top Value Strategy Performance History* versus the MSCI EM Index

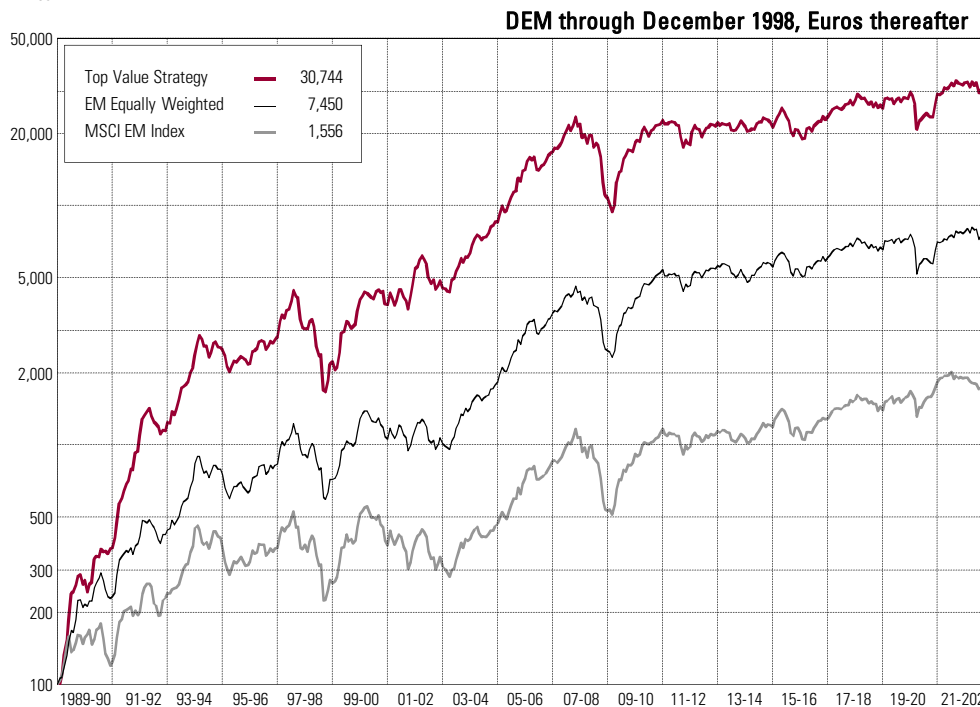
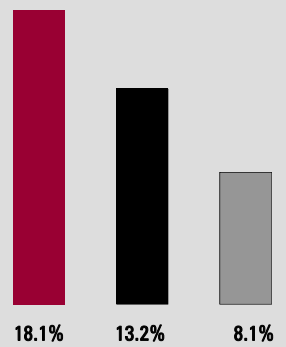
Total & Compound Annual Returns with Net Dividends Reinvested

Total Returns
December 1988 = 100

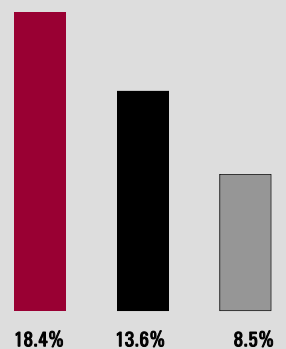
Compound Annual Returns
December 1988 - October 2022



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*

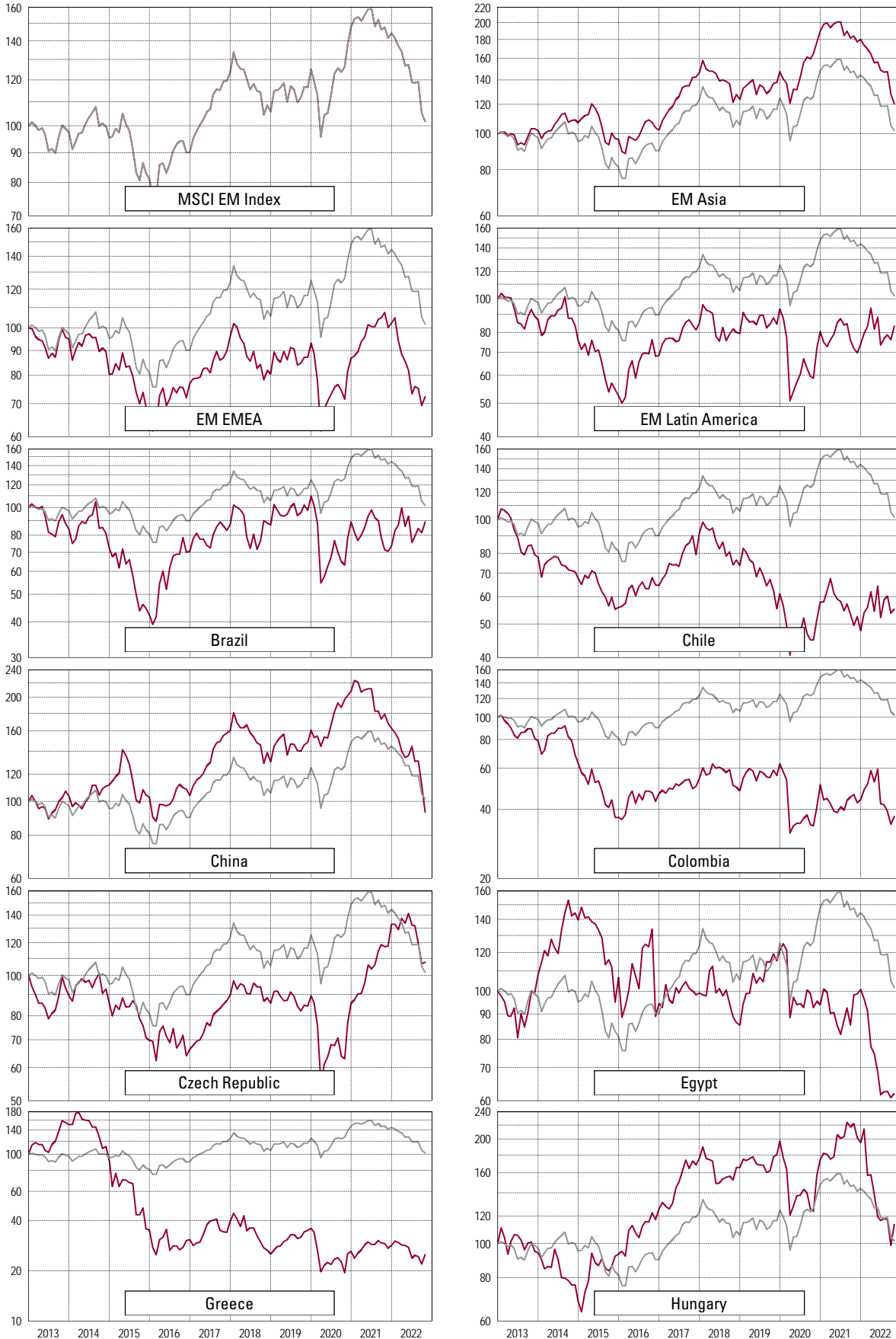
Total Returns based on Indices
with Net Dividends Reinvested

BUY	NEUTRAL	SELL	% Change								
			in Local Currencies			in U.S. Dollars			in Euros		
			during Oct 22	last 3 mths.	Year to date	during Oct 22	last 3 mths.	Year to date	during Oct 22	last 3 mths.	Year to date
Brazil			5.4	12.8	14.1	8.6	11.7	21.1	7.7	15.3	39.4
Chile			1.1	-1.3	27.8	2.6	-5.7	15.4	1.7	-2.8	32.7
China			-16.4	-27.7	-41.1	-16.8	-28.8	-42.8	-17.5	-26.5	-34.2
	Colombia		14.9	1.2	1.8	8.0	-10.8	-15.1	7.1	-8.0	-2.4
	Czech Republic		-0.6	-16.3	-8.4	0.6	-18.4	-19.2	-0.3	-15.8	-7.0
	Egypt		25.9	26.4	-5.7	1.9	-1.0	-38.7	1.0	2.2	-29.5
	Greece		12.9	4.1	1.7	13.9	0.9	-11.6	12.9	4.1	1.7
	Hungary		10.3	1.1	-25.7	14.9	-3.5	-41.9	13.8	-0.5	-33.2
	India		4.4	4.3	3.1	2.6	-0.1	-7.4	1.7	3.1	6.5
	Indonesia		2.8	10.2	18.0	0.3	4.8	7.8	-0.5	8.1	24.0
Korea			7.9	-6.1	-22.4	8.3	-14.4	-35.2	7.4	-11.7	-25.5
	Kuwait		5.4	-2.6	12.5	5.5	-3.6	9.8	4.5	-0.5	26.3
Malaysia			5.0	-0.8	-3.5	2.9	-6.6	-14.9	2.0	-3.6	-2.1
Mexico			12.4	5.0	-3.8	13.9	7.7	-0.8	12.8	11.1	14.1
	Peru		13.6	9.3	5.9	13.6	9.3	5.9	12.6	12.7	21.9
	Philippines		7.8	-3.0	-11.9	9.1	-7.7	-22.4	8.1	-4.8	-10.8
Poland			12.1	-10.3	-32.4	16.0	-12.8	-42.9	15.0	-10.0	-34.3
	Qatar		-1.8	-4.6	8.0	-1.8	-4.6	8.0	-2.6	-1.6	24.2
	Saudi Arabia		3.2	-2.7	5.9	3.2	-2.7	5.8	2.2	0.4	21.7
	South Africa		5.3	-0.7	-3.7	3.0	-10.0	-16.3	2.1	-7.1	-3.7
Taiwan			-3.7	-15.2	-29.2	-5.1	-21.2	-39.2	-6.0	-18.7	-30.1
	Thailand		2.1	3.6	4.2	1.2	0.2	-8.5	0.3	3.3	5.2
Turkey			23.5	50.4	101.5	23.0	44.9	43.8	21.9	49.4	65.5
	United Arab Emirates		4.4	-3.6	-0.6	4.4	-3.6	-0.6	3.5	-0.5	14.4
MSCI EM Index (CW)			-2.6	-10.7	-22.8	-3.1	-14.1	-29.4	-4.0	-11.4	-18.8
KAM EM Index (EW)			5.5	0.0	-5.2	5.5	-4.6	-16.9	4.6	-1.5	-4.3
MSCI EM Asia Index			-5.1	-14.3	-26.2	-5.9	-18.0	-33.0	-6.7	-15.4	-22.9
MSCI EM EMEA Index			4.8	-1.5	-19.4	4.3	-4.6	-29.3	3.4	-1.6	-18.7
MSCI EM Latin America Index			7.2	9.5	9.0	9.7	9.0	13.0	8.7	12.4	30.0
EM Top Value Strategy			5.2	-0.1	-7.3	5.9	-3.6	-18.1	5.0	-0.6	-5.8

* 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: October 31, 2022

MSCI National Markets vs. MSCI Emerging Markets Index

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

