

# Emerging Markets

Country Selection Update | December 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 - November 30, 2022	Top Value Strategy	EM Equally Weighted	MSCI EM Index
Number of Months	407	407	407
Average Monthly Return (%)	1.67	1.25	0.90
Compound Annual Return (%)	18.48	13.56	8.52
Number of Winning Months	254	246	243
Highest Monthly Return (%)	32.8	25.7	19.0
Probability of Monthly Gain (%)	62.4	60.4	59.7
Average Gain in Winning Months (%)	5.65	4.86	4.88
Expectation of Monthly Gain (%)	3.53	2.94	2.91
Number of Losing Months	153	161	164
Lowest Monthly Return (%)	-29.5	-27.5	-28.9
Probability of Monthly Loss (%)	37.6	39.6	40.3
Average Loss in Losing Months (%)	4.93	4.27	5.00
Expectation of Monthly Loss (%)	1.85	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 (%)	7.08	5.98	6.45
<b>Monthly Risk-Adjusted Return</b> (Kepler Ratio)	0.90	0.74	0.44
<b>Monthly Volatility-Adjusted Return</b> (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
<b>Annual Returns (%)</b> 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	-6.6	-7.0	-19.0

KEPPLER ASSET MANAGEMENT INC. | NEW YORK

Updated through: November 30, 2022

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## Recent Developments & Outlook

In November, emerging markets equities had their highest monthly return since May 2009: The MSCI Emerging Markets Index (ND) gained 11.7 % in local currencies, 14.8 % in US dollars and 10.2 % in euros. The MSCI EM Index (December 1988 = 100) now stands at \$ 1,602 and € 1,716, respectively. Markets that had recently performed poorly, e.g. China and Taiwan, recovered strongly in November. Year-to-date, however, the EM benchmark is still down 13.8 % in local currencies, 19.0 % in US dollars and 10.5 % in euros. The one-month superior performance of the largest markets—as measured by their market capitalization—did not, however, change the overall picture: Smaller markets still dominate, as shown by the year-to-date performance of the KAM Equally Weighted EM Index: +2.3 % in local currencies, -7.0 % in US dollars and +2.7 % in euros. In November, the euro had its highest gain versus the US dollar since July 2020, climbing 4.2 % to 1.0297. This gain nevertheless still leaves the euro down 9.5 % compared with its end-of-2021 level of 1.1372.

China (+28.4 %), Turkey (+22.5 %) and Egypt (+22.4 %) performed best last month, while Saudi Arabia (-7.1 %), Qatar (-3.3 %) and Brazil (-2.7 %) were the only three losing markets. Year-to-date, thirteen markets are up and eleven are down. The biggest winners this year are Turkey (+146.8 %), Chile (+28.8 %) and Indonesia (+19.7 %), while China (-24.3 %), Poland (-23.6 %) and Korea (-17.4 %) 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 10.1 % in local currencies, 14.0 % in US dollars and 9.4 % in euros. It now stands at \$ 31,427 and € 33,646. Year-to-date, it is up 2.1 % in local currencies and 3.1 % in euros, but due to the strong US dollar it is down 6.6 % if performance is measured in dollars. 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 November 30, 2022 based on selected valuation and return measures:

	Valuation Ratios			Rates of Return (%)		
	PBV	PCF	PE	DY	CFRoE	RoE
<b>EM Top Value Model Portfolio</b>	<b>1.37</b>	<b>5.4</b>	<b>8.1</b>	<b>4.78</b>	<b>25.4</b>	<b>16.8</b>
MSCI Emerging Markets Index	1.61	8.4	12.5	3.37	19.1	12.9
MSCI World Index (DM)	2.84	12.1	18.0	2.08	23.5	15.8
MSCI EM Growth Index	2.94	11.8	18.6	1.69	25.0	15.8

According to our analyses, the asset class *Emerging Markets Equities* is now undervalued by 36 % compared to the MSCI World Index of the developed markets. Moreover, the **Emerging Markets Top Value Portfolio** is now undervalued by 29 % compared to the MSCI Emerging Markets (Standard) Index, by 55 % compared to the MSCI World Index of the developed markets (DM) and by 57 % compared to the MSCI EM Growth Index. This extreme undervaluation is not justified by the underlying fundamentals and therefore the recent outperformance of the **Emerging Markets Top Value Portfolio** is expected to continue over the next three to five years.

Michael Keppler,  
New York, December 2, 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
<b>BUY CANDIDATES (Top Value)</b>	1.37	5.4	8.1	4.78	25.4	16.8
Brazil	1.57	3.9	5.7	14.07	40.7	27.7
Chile	1.36	4.9	6.3	6.06	27.9	21.6
China	1.34	12.6	14.3	2.52	10.6	9.4
Korea	0.95	5.2	9.7	2.30	18.2	9.8
Malaysia	1.49	9.0	16.9	3.97	16.6	8.8
Mexico	1.97	7.0	13.8	3.49	28.3	14.3
Poland	0.90	2.7	5.4	3.99	33.4	16.4
Taiwan	2.13	7.5	11.0	4.45	28.2	19.4
Turkey	1.57	5.8	5.2	2.15	27.2	30.1
<b>SELL CANDIDATES</b>	2.42	10.0	20.4	2.09	24.3	11.9
India	3.73	17.6	25.9	1.23	21.2	14.4
Indonesia	2.63	7.4	15.4	2.84	35.6	17.1
Kuwait	2.66	8.4	22.9	2.26	31.5	11.6
Philippines	1.84	10.4	19.3	1.61	17.6	9.6
Thailand	2.02	10.6	21.9	2.52	19.0	9.2
<b>NEUTRALLY RATED MARKETS</b>	1.45	5.9	8.7	4.00	24.8	16.7
Colombia	1.08	3.6	5.2	7.24	30.2	20.8
Czech Republic	2.15	4.5	7.7	8.55	47.6	28.1
Egypt	1.78	8.6	8.4	3.10	20.7	21.3
Greece	0.90	6.1	9.0	2.28	14.7	10.0
Hungary	0.83	2.7	4.8	1.54	31.4	17.5
Peru	1.85	10.0	11.7	3.82	18.5	15.7
Qatar	1.89	9.1	14.6	3.53	20.8	12.9
Saudi Arabia	2.26	8.7	15.6	2.77	25.9	14.5
South Africa	1.76	7.5	11.0	3.91	23.5	16.0
United Arab Emirates	1.84	10.8	12.9	3.23	17.0	14.3
<b>MSCI EM Index (CW)</b>	1.61	8.4	12.5	3.37	19.1	12.9
<b>KAM EM Index (EW)</b>	1.49	5.5	8.8	4.26	26.8	16.9
<b>EM Asia Index</b>	1.58	9.5	13.9	2.62	16.7	11.4
<b>EM EMEA Index</b>	1.79	7.0	11.5	3.24	25.7	15.6
<b>EM Latin America Index</b>	1.64	4.6	7.0	10.19	36.1	23.7

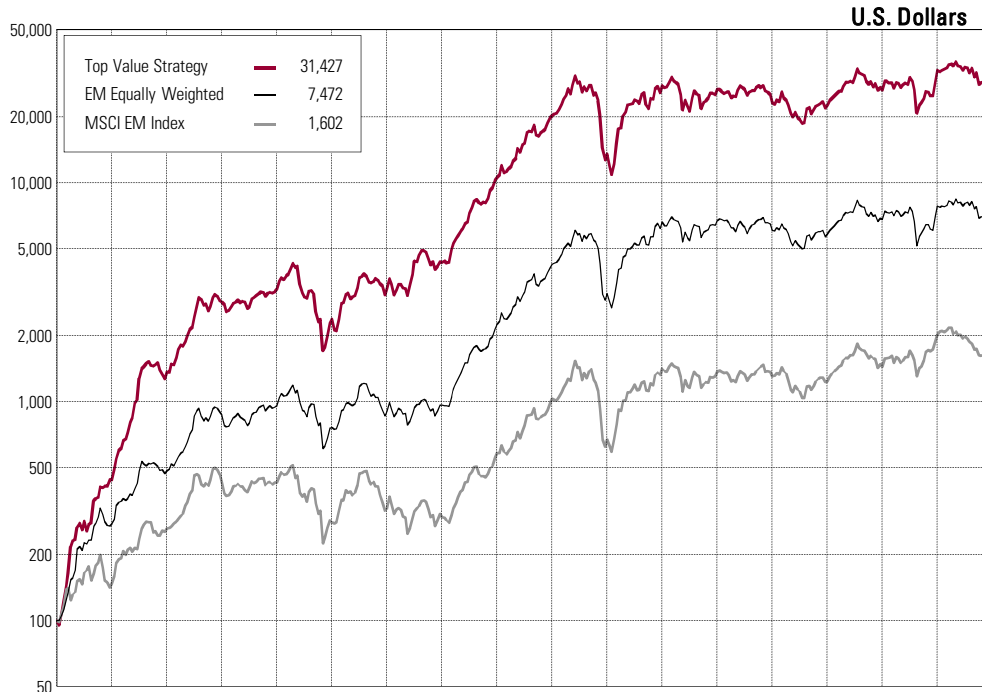


# Top Value Strategy Performance History\* versus the MSCI EM Index

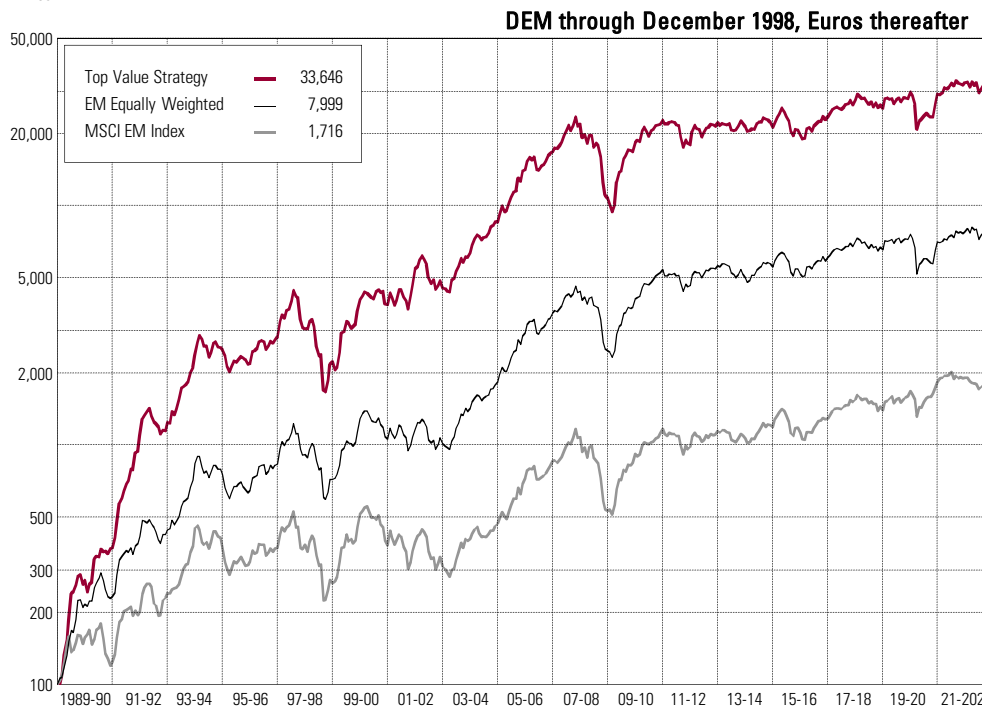
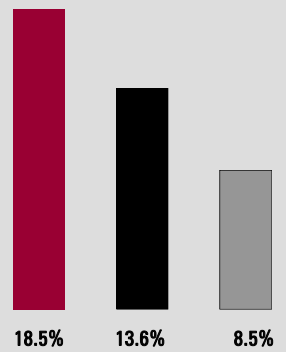
Total & Compound Annual Returns with Net Dividends Reinvested

**Total Returns**  
December 1988 = 100

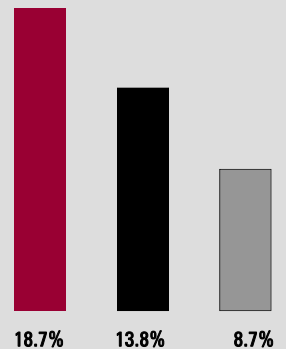
**Compound Annual Returns**  
December 1988 - November 2022



Top Value Strategy	EM Equally Weighted	MSCI EM Index
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Top Value Strategy	EM Equally Weighted	MSCI EM Index
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\*From January 2003: Using MSCI national market indices as hypothetical investment vehicles. Prior to 2003, S&P/IFCI national market indices.

Updated through: November 30, 2022



## Recent Performance\*

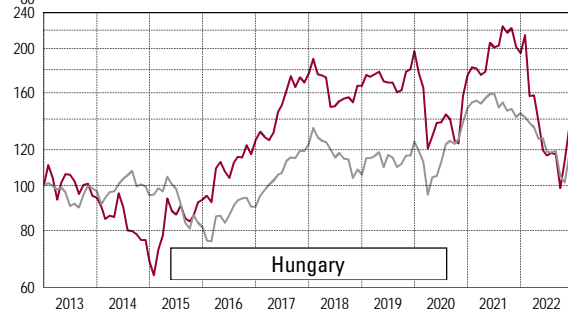
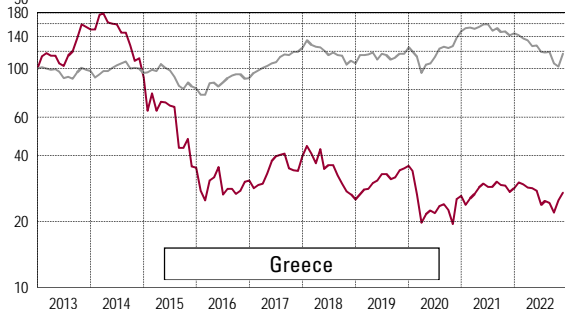
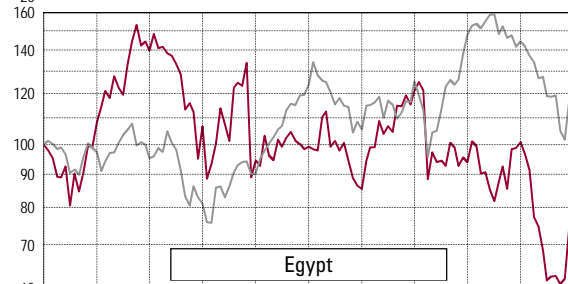
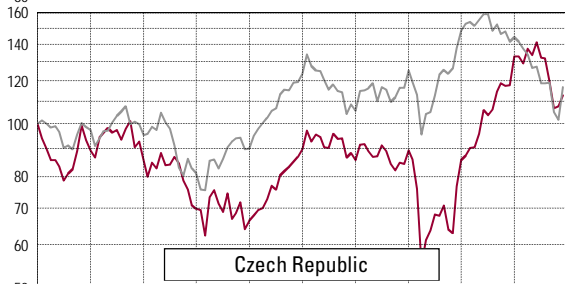
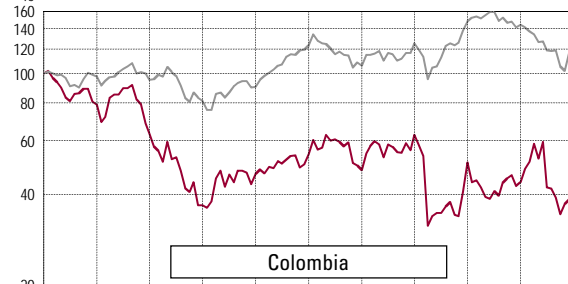
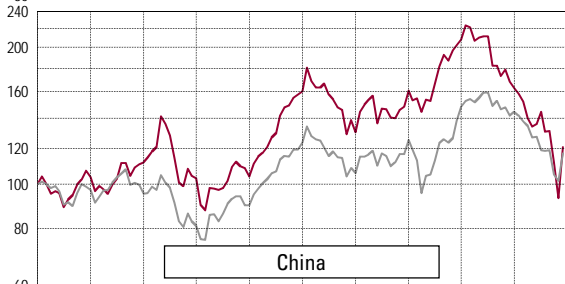
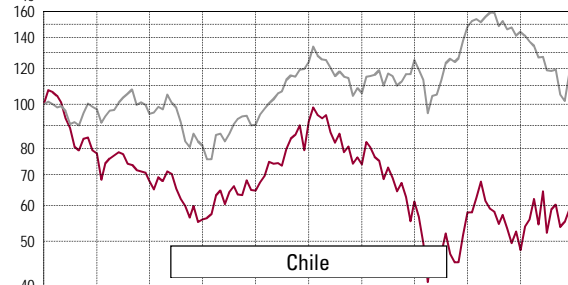
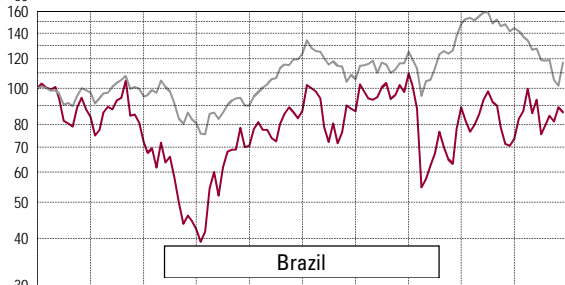
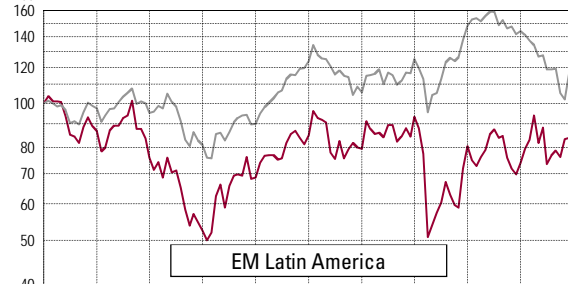
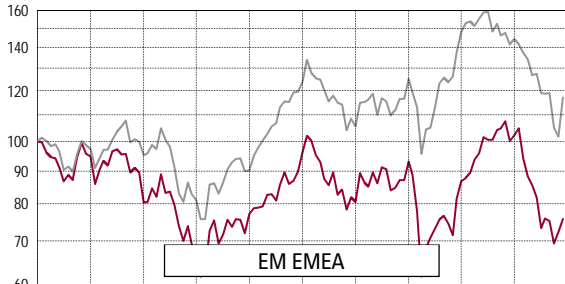
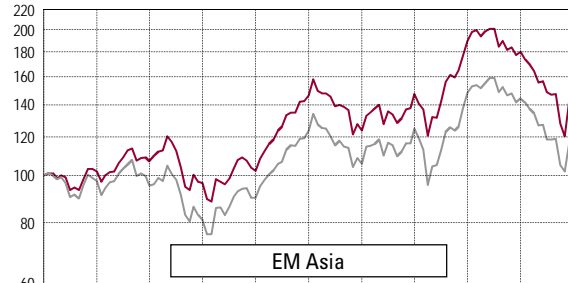
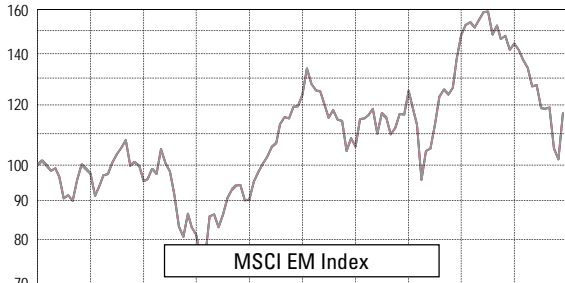
Total Returns based on Indices  
with Net Dividends Reinvested

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>Brazil</b>			-2.7	3.5	11.1	-2.9	2.0	17.6	-6.8	-0.4	29.9
<b>Chile</b>			0.8	-2.2	28.8	6.1	-2.6	22.4	1.9	-4.9	35.2
<b>China</b>			28.4	-7.8	-24.3	29.7	-7.8	-25.8	24.5	-10.0	-18.0
	<b>Colombia</b>		1.8	7.1	3.7	3.2	-1.6	-12.4	-0.9	-3.9	-3.3
	<b>Czech Republic</b>		0.1	-8.6	-8.4	4.8	-5.8	-15.3	0.6	-8.1	-6.5
	<b>Egypt</b>		22.4	52.2	15.3	20.4	19.1	-26.2	15.6	16.3	-18.5
	<b>Greece</b>		3.9	8.9	5.7	8.3	11.5	-4.3	3.9	8.9	5.7
	<b>Hungary</b>		13.4	14.2	-15.7	18.2	14.7	-31.4	13.4	12.0	-24.2
	<b>India</b>		3.5	3.5	6.7	5.2	1.0	-2.6	1.0	-1.4	7.5
	<b>Indonesia</b>		1.5	6.2	19.7	0.6	0.2	8.4	-3.4	-2.1	19.8
<b>Korea</b>			6.4	0.4	-17.4	14.9	1.8	-25.5	10.3	-0.6	-17.7
	<b>Kuwait</b>		4.0	1.2	17.0	4.6	1.2	14.8	0.4	-1.2	26.8
<b>Malaysia</b>			2.4	0.5	-1.2	8.8	1.1	-7.4	4.5	-1.3	2.2
<b>Mexico</b>			3.5	15.8	-0.5	6.0	20.2	5.1	1.7	17.4	16.1
	<b>Peru</b>		12.6	25.1	19.3	12.6	25.1	19.3	8.1	22.2	31.8
	<b>Philippines</b>		10.6	2.6	-2.5	13.3	1.9	-12.1	8.8	-0.5	-2.9
<b>Poland</b>			12.9	15.3	-23.6	18.7	19.1	-32.2	13.9	16.3	-25.1
	<b>Qatar</b>		-3.3	-9.4	4.4	-3.3	-9.4	4.4	-7.2	-11.6	15.3
	<b>Saudi Arabia</b>		-7.1	-11.4	-1.7	-7.2	-11.4	-1.8	-10.9	-13.5	8.4
	<b>South Africa</b>		10.6	11.9	6.6	19.6	12.2	0.1	14.8	9.6	10.5
<b>Taiwan</b>			17.2	-0.9	-17.0	22.2	-2.4	-25.7	17.3	-4.7	-17.9
	<b>Thailand</b>		2.5	1.4	6.8	10.6	4.9	1.2	6.2	2.4	11.7
<b>Turkey</b>			22.5	47.8	146.8	22.5	44.7	76.3	17.6	41.3	94.7
	<b>United Arab Emirates</b>		0.4	-1.4	-0.2	0.4	-1.4	-0.2	-3.6	-3.7	10.3
<b>MSCI EM Index (CW)</b>			11.7	-1.5	-13.8	14.8	-1.8	-19.0	10.2	-4.1	-10.5
<b>KAM EM Index (EW)</b>			8.0	6.7	2.3	11.9	6.3	-7.0	7.4	3.8	2.7
<b>MSCI EM Asia Index</b>			15.2	-2.6	-15.1	18.7	-3.0	-20.5	13.9	-5.3	-12.1
<b>MSCI EM EMEA Index</b>			2.0	0.4	-17.8	4.6	0.6	-26.0	0.4	-1.7	-18.3
<b>MSCI EM Latin America Index</b>			-0.5	6.7	8.5	0.5	6.6	13.5	-3.6	4.1	25.4
<b>EM Top Value Strategy</b>			10.1	8.2	2.1	14.0	8.7	-6.6	9.4	6.1	3.1

\* 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: November 30, 2022

# MSCI National Markets vs. MSCI Emerging Markets Index

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

