

Emerging Markets

 Country Selection Update | March 2020

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 - February 28, 2023	Top Value Strategy	EM Equally Weighted	MSCI EM Index
Number of Months	410	410	410
Average Monthly Return (%)	1.67	1.24	0.89
Compound Annual Return (%)	18.47	13.52	8.44
Number of Winning Months	255	247	244
Highest Monthly Return (%)	32.8	25.7	19.0
Probability of Monthly Gain (%)	62.2	60.2	59.5
Average Gain in Winning Months (%)	5.67	4.86	4.89
Expectation of Monthly Gain (%)	3.53	2.93	2.91
Number of Losing Months	155	163	166
Lowest Monthly Return (%)	-29.5	-27.5	-28.9
Probability of Monthly Loss (%)	37.8	39.8	40.5
Average Loss in Losing Months (%)	4.90	4.25	4.99
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	5.97	6.45
Monthly Risk-Adjusted Return (Kepler Ratio)	0.90	0.74	0.44
Monthly Volatility-Adjusted Return (Sharpe Ratio)	0.24	0.21	0.14
2014	-12.6	-2.9	-2.2
2015	-16.9	-15.9	-14.9
2016	16.3	13.7	11.2
2017	33.9	32.8	37.3
Annual Returns (%) 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
2022	-6.7	-7.2	-20.1
Year to date	4.1	2.3	0.9

KEPPLER ASSET MANAGEMENT INC. | NEW YORK

Updated through: February 28, 2023

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Recent Developments & Outlook

After a strong start in January, emerging markets equities gave up a large part of their previous month's gains. The MSCI Emerging Markets Index (ND) declined 4.7 % in local currencies, 6.5 % in US dollars and 4.2 % in euros. The MSCI EM Index (January 1988 = 100) now stands at \$ 1,594 and € 1,657, respectively. Over the last fourteen months, the EM benchmark declined 14.2 % in local currencies, 19.4 % in US dollars and 13.5 % in euros. The average emerging market—as shown by the KAM Equally Weighted (EW) EM Index—has performed much better, however, both last month and in the last fourteen months. Compared with the end of 2021, the KAM EW EM Index is up 2.7 % in local currencies, up 1.8 % in euro and down only 5.1 % in US dollars. The euro reversed its recent recovery in February, dropping 2.4 % vs. the US dollar to 1.0605. Compared with its year-end 2021 level of 1.1372 it is down 6.7 %.

Seven markets advanced last month and seventeen markets declined. The Czech Republic (+11.7 %), Greece (+11.6 %) and Turkey (+6.1 %) performed best, while Colombia (-12.7 %), China (-9.9 %) and Saudi Arabia (-7.4 %) performed worst. Over the last fourteen months, twelve markets are up and twelve markets are down. The biggest winners in that period were Turkey (+162.9 %), Egypt (+54.7 %) and Greece (+31.6 %). China (-20.1 %), Poland (-18.4 %) and Hungary (-18.3 %) performed worst. Interestingly enough, due to the poor performance of its currency, Egypt's outsized gain in its local currency turned into double-digit losses in both US dollars and in euros. 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, again outperformed its benchmark—this time, however, by losing less: It declined 3.0 % in local currencies, 5.5 % in US dollars and 3.2 % in euros. It now stands at \$ 32,689 and € 33,979. In the last fourteen months, it was up 4.5 % in local currencies and up 4.1 % in euros. Due to the strong US dollar, however, it was down 2.9 % in dollar terms. There was no change in our performance ratings last month. Our **Top Value Model Portfolio** continues to hold the eight “Buy”-rated markets Brazil, Chile, China, Korea, Malaysia, Mexico, Poland and Taiwan. 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 February 28, 2023 based on selected valuation and return measures:

	Valuation Ratios			Rates of Return (%)		
	PBV	PCF	PE	DY	CFRoE	RoE
EM Top Value Model Portfolio	1.35	5.4	8.5	5.14	25.1	15.8
MSCI Emerging Markets Index	1.59	8.2	12.0	3.32	19.3	13.3
MSCI World Index (DM)	2.77	12.1	18.2	2.15	22.9	15.2
MSCI EM Growth Index	3.08	12.0	18.7	1.55	25.5	16.4

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 28 % compared to the MSCI Emerging Markets (Standard) Index, by 55 % compared to the MSCI World Index of the developed markets (DM) and by 59 % compared to the MSCI EM Growth Index. This extreme undervaluation is not justified by the underlying fundamentals. Therefore the recent outperformance of the **Top Value Portfolio** is expected to continue over the next three to five years.

Michael Keppler,
New York, March 6, 2023

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)	1.35	5.4	8.5	5.14	25.1	15.8
Brazil	1.46	3.6	5.3	13.04	40.3	27.4
Chile	1.29	4.4	5.7	7.84	29.6	22.7
China	1.40	12.6	14.3	2.40	11.1	9.7
Korea	0.93	4.9	8.9	2.32	18.9	10.5
Malaysia	1.44	8.7	15.9	3.84	16.6	9.1
Mexico	1.98	7.0	13.1	3.82	28.1	15.1
Poland	0.98	3.2	6.1	3.63	30.9	16.0
Taiwan	2.17	7.7	11.2	4.27	28.4	19.4
SELL CANDIDATES	2.08	8.4	12.6	2.38	24.9	16.5
India	3.30	15.9	23.4	1.37	20.7	14.1
Indonesia	2.41	7.0	13.8	3.03	34.6	17.5
Kuwait	2.07	7.3	21.0	2.39	28.3	9.9
Philippines	1.89	9.7	18.5	1.90	19.4	10.2
Thailand	1.99	10.1	22.2	2.53	19.7	9.0
Turkey	1.55	5.8	4.7	3.10	26.8	33.1
NEUTRALLY RATED MARKETS	1.45	6.4	8.8	4.00	22.6	16.4
Colombia	0.92	6.2	5.5	8.50	14.8	16.6
Czech Republic	2.66	5.8	9.1	6.98	45.6	29.2
Egypt	2.41	12.3	11.0	2.31	19.5	22.0
Greece	1.18	7.3	11.2	1.81	16.2	10.5
Hungary	0.76	2.2	4.3	1.59	34.1	17.8
Peru	1.64	10.8	10.8	4.05	15.1	15.2
Qatar	1.64	9.2	12.9	4.33	17.9	12.8
Saudi Arabia	2.09	8.8	14.2	2.80	23.9	14.7
South Africa	1.73	7.5	10.9	4.07	23.1	15.9
United Arab Emirates	1.66	8.4	10.1	3.60	19.7	16.4
MSCI EM Index (CW)	1.59	8.2	12.0	3.32	19.3	13.3
KAM EM Index (EW)	1.46	5.7	8.6	4.37	25.6	17.0
EM Asia Index	1.58	9.2	13.4	2.62	17.1	11.7
EM EMEA Index	1.69	6.9	10.6	3.38	24.4	16.0
EM Latin America Index	1.57	4.4	6.7	9.54	35.5	23.5

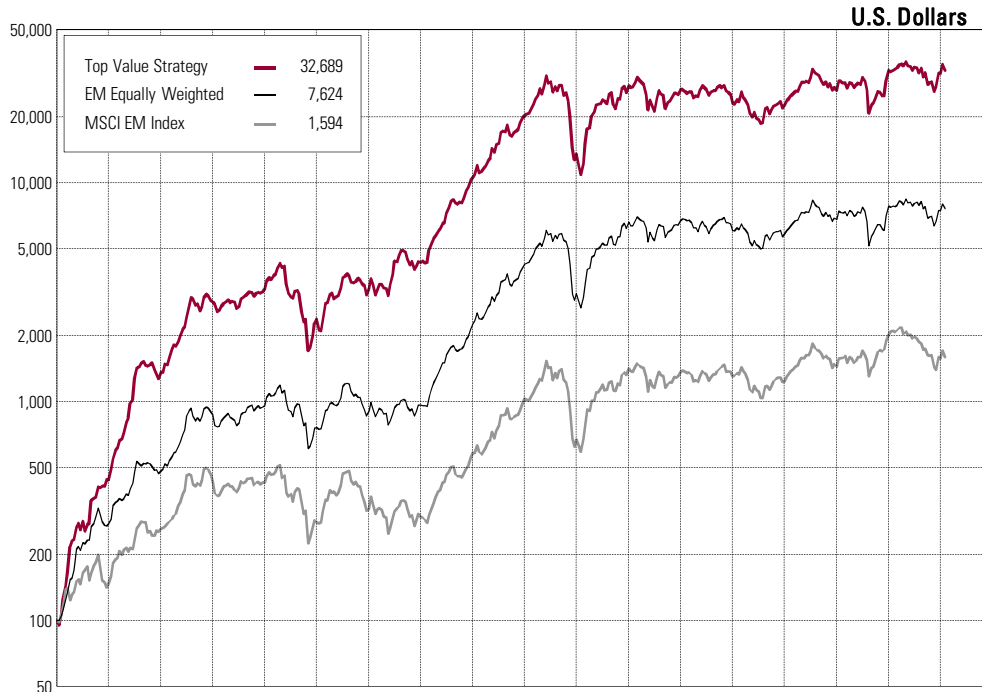


Top Value Strategy Performance History* versus the MSCI EM Index

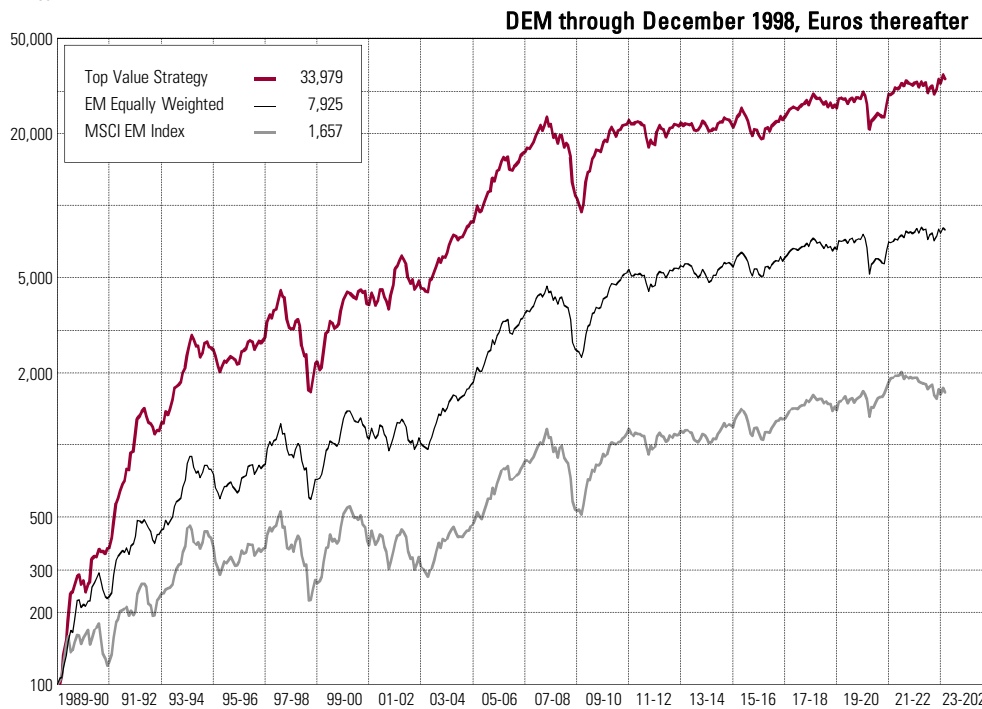
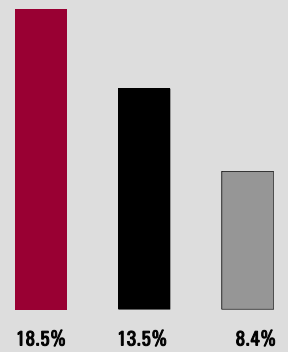
Total & Compound Annual Returns with Net Dividends Reinvested

Total Returns
December 1988 = 100

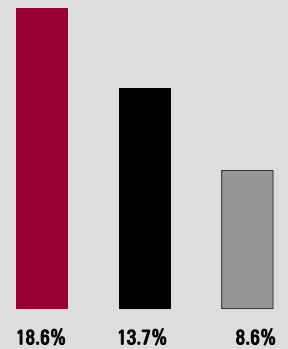
Compound Annual Returns
December 1988 - February 2023



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.

Emerging Markets



Recent Performance*

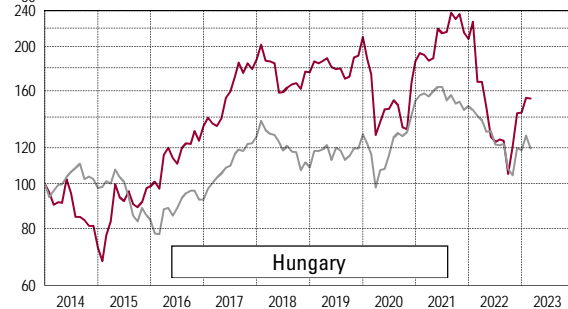
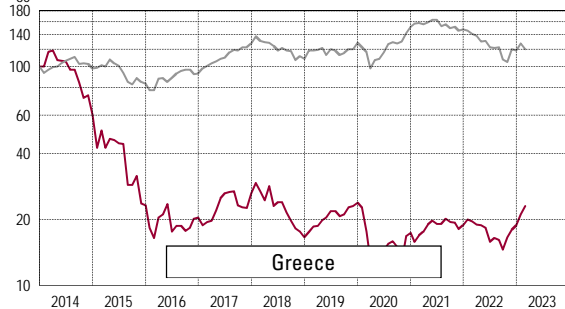
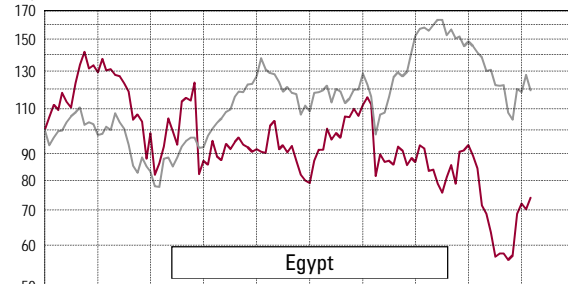
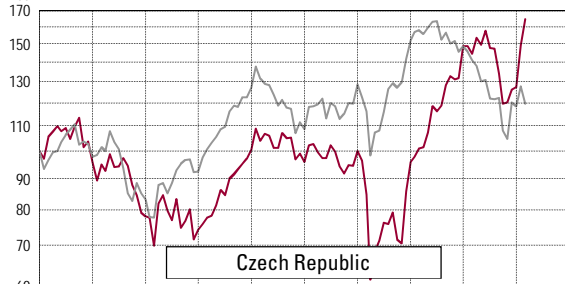
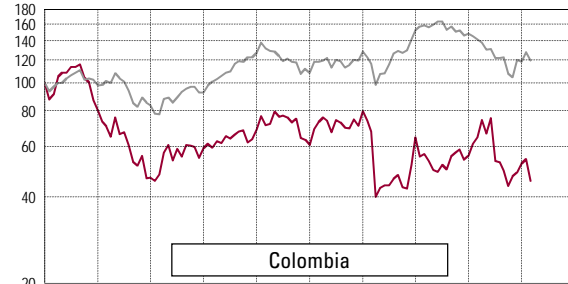
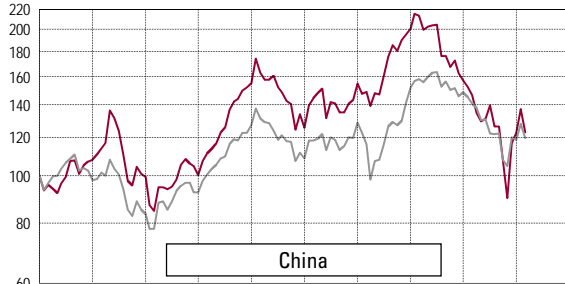
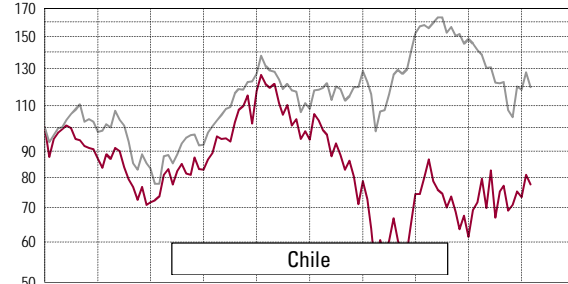
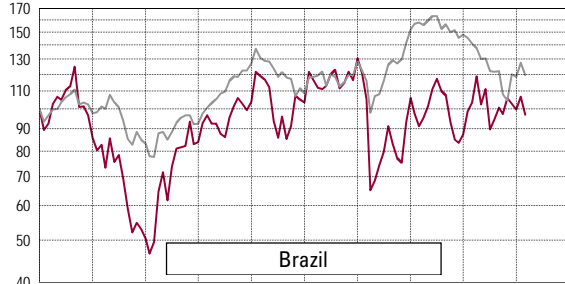
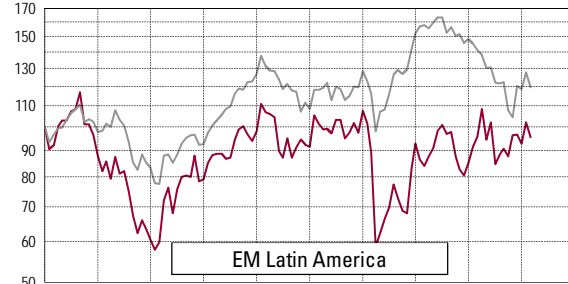
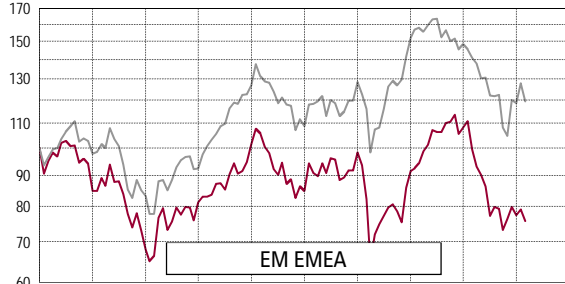
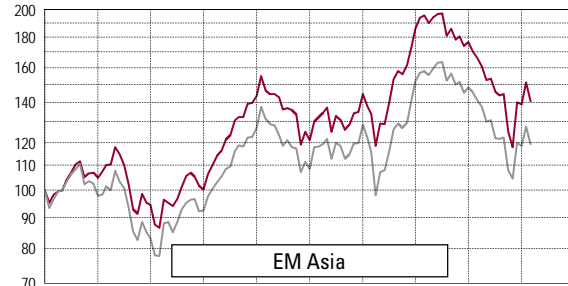
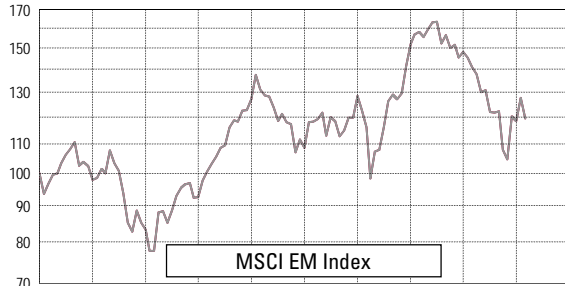
Total Returns based on Indices
with Net Dividends Reinvested

BUY	NEUTRAL	SELL	% Change								
			in Local Currencies			in U.S. Dollars			in Euros		
			during Feb 23	last 3 mths.	last 14 mths.	during Feb 23	last 3 mths.	last 14 mths.	during Feb 23	last 3 mths.	last 14 mths.
Brazil			-6.9	-6.5	3.9	-9.2	-5.8	10.8	-7.0	-8.5	18.8
Chile			-0.1	-4.1	23.5	-4.1	3.3	26.4	-1.8	0.3	35.6
China			-9.9	5.5	-20.1	-10.4	5.4	-21.8	-8.2	2.3	-16.1
	Colombia		-12.7	-6.0	-2.6	-16.3	-6.5	-18.1	-14.3	-9.2	-12.2
	Czech Republic		11.7	22.5	12.3	10.4	30.6	10.6	13.0	26.8	18.6
	Egypt		7.0	34.1	54.7	5.4	7.5	-20.7	7.9	4.4	-14.9
	Greece		11.6	24.5	31.6	9.0	28.2	22.8	11.6	24.5	31.6
	Hungary		-1.3	-3.1	-18.3	-0.3	8.0	-25.9	2.1	4.9	-20.5
	India		-3.7	-11.2	-5.2	-4.6	-12.5	-14.8	-2.3	-15.0	-8.6
	Indonesia		0.8	-5.3	13.4	-1.0	-2.3	5.9	1.4	-5.2	13.6
Korea			-0.1	-0.5	-17.8	-7.0	-0.9	-26.2	-4.8	-3.8	-20.8
	Kuwait		-0.5	-5.2	10.9	-1.1	-4.8	9.2	1.3	-7.6	17.1
Malaysia			-2.4	-2.0	-3.2	-7.2	-2.9	-10.1	-5.0	-5.7	-3.6
Mexico			-2.7	3.0	2.5	-0.2	8.9	14.4	2.2	5.7	22.7
	Peru		-3.7	-4.7	13.8	-3.7	-4.7	13.8	-1.3	-7.4	22.0
	Philippines		-3.9	-4.2	-6.6	-5.1	-2.1	-13.9	-2.9	-4.9	-7.7
Poland			-2.3	6.9	-18.4	-4.4	9.3	-25.9	-2.1	6.2	-20.5
	Qatar		-1.7	-10.6	-6.6	-1.7	-10.6	-6.7	0.6	-13.2	0.1
	Saudi Arabia		-7.4	-8.7	-10.2	-7.4	-8.5	-10.2	-5.1	-11.2	-3.7
	South Africa		-3.2	-0.1	6.4	-8.1	-7.5	-7.5	-5.8	-10.2	-0.8
Taiwan			0.3	3.8	-13.8	-1.1	5.3	-21.8	1.3	2.3	-16.1
	Thailand		-2.8	-2.1	4.6	-9.2	-2.3	-1.1	-7.0	-5.1	6.0
	Turkey		6.1	6.5	162.9	5.8	4.9	84.9	8.3	1.9	98.3
	United Arab Emirates		1.4	-8.3	-8.5	1.4	-8.3	-8.5	3.9	-11.0	-1.9
MSCI EM Index (CW)			-4.7	-0.4	-14.2	-6.5	-0.5	-19.4	-4.2	-3.4	-13.5
KAM EM Index (EW)			-1.9	0.4	2.7	-4.2	2.0	-5.1	-1.9	-0.9	1.8
MSCI EM Asia Index			-4.9	0.4	-14.7	-6.9	0.3	-20.2	-4.6	-2.6	-14.4
MSCI EM EMEA Index			-2.6	-3.3	-20.5	-4.3	-5.1	-29.8	-1.9	-7.8	-24.7
MSCI EM Latin America Index			-5.2	-3.6	4.6	-6.2	-1.1	12.3	-3.9	-4.0	20.4
EM Top Value Strategy			-3.0	2.3	4.5	-5.5	4.0	-2.9	-3.2	1.0	4.1

* 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, 2013 = 100 (unless shown otherwise)
 Updated Through: February 28, 2023

MSCI National Markets vs. MSCI Emerging Markets Index

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

