



# Developed Markets ---

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 Country Selection Update | June 2023

SUPERIOR PERFORMANCE THROUGH COMMITMENT TO VALUE

KEPPLER ASSET MANAGEMENT INC.

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## Risk & Return Characteristics

Returns with Net Dividends Reinvested in Local Currencies

December 31, 1969 - May 31, 2023	Top Value Strategy	World Equally Weighted	MSCI World Index	
Number of Months	641	641	641	
Average Monthly Return (%)	1.10	0.88	0.74	
Compound Annual Return (%)	12.66	9.92	8.22	
Number of Winning Months	412	413	407	
Highest Monthly Return (%)	35.3	17.3	14.0	
Probability of Monthly Gain (%)	64.3	64.4	63.5	
Average Gain in Winning Months (%)	3.56	3.11	3.07	
Expectation of Monthly Gain (%)	2.29	2.01	1.95	
Number of Losing Months	229	228	234	
Lowest Monthly Return (%)	-19.4	-24.4	-19.6	
Probability of Monthly Loss (%)	35.7	35.6	36.5	
Average Loss in Losing Months (%)	3.31	3.17	3.30	
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 (%)	4.62	4.10	4.03	
<b>Monthly Risk-Adjusted Return</b> (Kepler Ratio)	0.93	0.78	0.62	
<b>Monthly Volatility-Adjusted Return</b> (Sharpe Ratio)	0.24	0.21	0.18	
<b>Annual Returns (%)</b>	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
	2022	-5.4	-8.3	-16.0
	Year to date	4.9	5.9	8.9

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Updated through: May 31, 2023

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## Recent Developments & Outlook

Last month, the MSCI World Index (ND) declined 0.2 % in local currencies and 1.0 % in US dollars. Due to renewed euro weakness, however, it advanced 2.5 % in euros. Year-to-date, the world equity benchmark is up 8.9 %, 8.5 % and 8.6 % in local currencies, US dollars and euros, respectively. The MSCI World Index (December 1969 = 100) now stands at LC 6,793, \$ 8,667 and € 4,313. Value Indices continued their recent poor performance. In May, the MSCI World Value Index was down 1.2 % compared to a gain of 6.0 % for the MSCI World Growth Index (in euros). The year-to-date underperformance of value vs. growth now stands at an unprecedented 21.6 percentage points. The euro lost 3.4 % versus the US dollar in May. It now stands at 1.0661, pretty much unchanged from its year-end 2022 level of 1.0673.

Twenty out of the twenty-three markets included in the MSCI World Index declined last month. Only three markets were higher. Japan (+4.5 %), the Netherlands (+4.3 %) and the US (+0.6 %) performed best, while Hong Kong (-8.9 %), Belgium (-7.6 %) and Portugal (-6.5 %) finished at the bottom of the list. Year-to-date, sixteen markets were up and seven were down. Ireland (+19.8 %), the Netherlands (+16.2 %) and Japan (+15.0 %) performed best, while Hong Kong (-10.1 %), Finland (-8.9 %) and Belgium (-3.9 %) 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 May at LC 58,327 (-3.4 %), \$ 39,270 (-6.0 %) and € 19,544 (-2.7 %). The performance of the **Top Value Strategy** suffered under the poor development of value vs. growth both in May and year-to-date. 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 how the **Top Value Model Portfolio** compares to three Developed Markets MSCI Indices as of the end of May 2023 based on selected valuation and return measures:

	Valuation Ratios			Rates of Return (%)		
	PBV	PCF	PE	DY	CFRoE	RoE
<b>DM Top Value Model Portfolio</b>	<b>1.20</b>	<b>5.7</b>	<b>9.8</b>	<b>4.30</b>	<b>21.0</b>	<b>12.2</b>
MSCI World Index	2.82	12.8	19.2	2.11	22.0	14.7
MSCI World Growth Index	6.12	20.7	31.2	0.94	29.5	19.6
MSCI USA Index	4.07	15.3	22.0	1.60	26.6	18.4

The **Developed Markets Top Value Portfolio** is now undervalued by 53 % compared to the MSCI World Index, by 63 % compared to the MSCI USA Index and by 75 % 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 mean-revert and resume its outperformance from 2022.

Michael Keppler  
New York, June 5, 2023

## Developed Markets



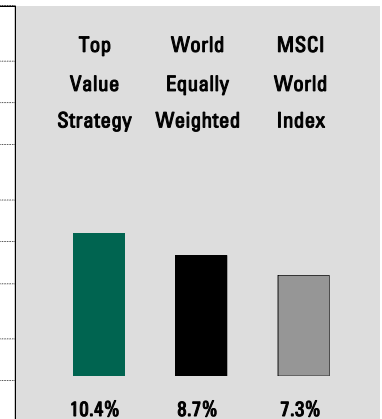
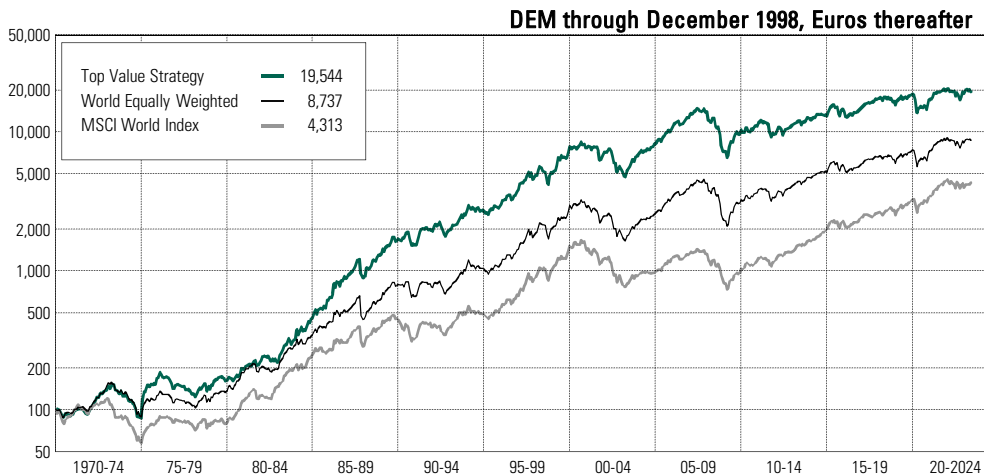
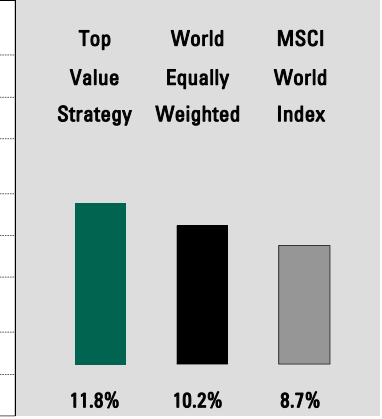
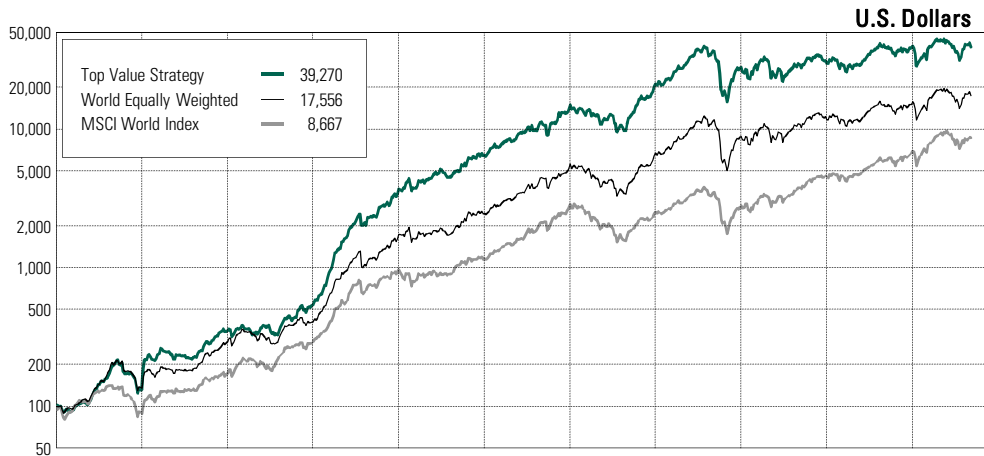
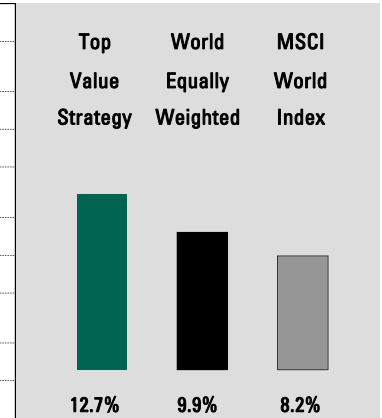
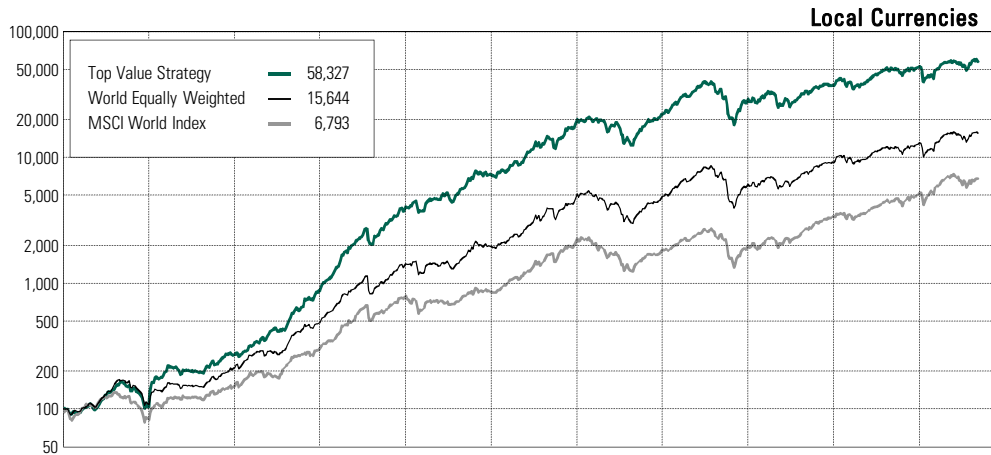
## Current Ratings & Valuation Characteristics

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>	1.20	5.7	9.8	4.30	21.0	12.2
<b>Austria</b>	0.84	3.4	5.7	5.55	24.9	14.7
<b>Germany</b>	1.36	7.1	16.2	3.43	19.1	8.3
<b>Hong Kong</b>	1.02	11.3	25.2	3.79	9.0	4.0
<b>Italy</b>	1.13	4.6	7.6	5.27	24.6	15.0
<b>Japan</b>	1.34	8.9	16.7	2.41	15.1	8.0
<b>Norway</b>	1.51	3.9	6.3	5.98	39.1	23.8
<b>Spain</b>	1.16	6.3	9.7	4.02	18.4	11.9
<b>United Kingdom</b>	1.63	7.6	11.8	3.97	21.5	13.8
<b>SELL CANDIDATES</b>	2.75	15.4	20.0	2.47	17.8	13.8
<b>Denmark</b>	5.42	14.5	19.8	1.58	37.4	27.3
<b>Netherlands</b>	3.00	17.7	26.1	1.98	17.0	11.5
<b>Singapore</b>	1.36	17.8	16.6	4.18	7.6	8.2
<b>Switzerland</b>	3.14	13.0	17.9	3.02	24.1	17.6
<b>U.S.A.</b>	4.07	15.3	22.0	1.60	26.6	18.4
<b>NEUTRALLY RATED MARKETS</b>	1.88	9.7	14.9	3.12	19.4	12.7
<b>Australia</b>	2.10	9.8	14.0	4.94	21.5	15.0
<b>Belgium</b>	1.44	12.1	21.2	2.61	11.9	6.8
<b>Canada</b>	1.80	9.0	13.9	3.34	20.0	12.9
<b>Finland</b>	1.89	6.7	9.4	4.01	28.0	20.1
<b>France</b>	1.84	9.4	16.0	2.96	19.5	11.5
<b>Ireland</b>	1.81	11.3	18.4	1.62	16.1	9.8
<b>Israel</b>	1.62	10.4	10.5	2.46	15.5	15.4
<b>New Zealand</b>	2.91	16.8	26.2	2.39	17.3	11.1
<b>Portugal</b>	2.10	6.3	15.1	3.53	33.3	13.9
<b>Sweden</b>	1.94	12.8	16.7	3.35	15.1	11.6
<b>MSCI World Index (CW)</b>	2.82	12.8	19.2	2.11	22.0	14.7
<b>KAM World Index (EW)</b>	1.60	8.1	13.1	3.55	19.6	12.2
<b>MSCI EAFE Index</b>	1.67	9.1	15.0	3.24	18.4	11.1
<b>MSCI Europe Index</b>	1.83	9.0	14.4	3.30	20.4	12.8



# 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 May 23	last 3 mths.	Year to date	during May 23	last 3 mths.	Year to date	during May 23	last 3 mths.	Year to date
	<b>Australia</b>		-2.8	-1.2	2.8	-4.8	-5.2	-1.9	-1.4	-5.7	-1.8
<b>Austria</b>			-5.3	-13.3	-1.0	-8.6	-12.8	-1.1	-5.3	-13.3	-1.0
	<b>Belgium</b>		-7.6	-7.9	-3.9	-10.8	-7.4	-4.0	-7.6	-7.9	-3.9
	<b>Canada</b>		-5.3	-2.8	1.9	-5.5	-2.6	1.5	-2.1	-3.1	1.6
		<b>Denmark</b>	-0.8	6.9	12.4	-4.1	7.4	12.1	-0.7	6.9	12.2
		<b>Finland</b>	-5.6	-9.0	-8.9	-8.9	-8.6	-9.0	-5.6	-9.0	-8.9
		<b>France</b>	-4.2	-0.6	11.1	-7.5	-0.1	11.0	-4.2	-0.6	11.1
<b>Germany</b>			-2.3	1.0	12.1	-5.6	1.5	12.0	-2.3	1.0	12.1
<b>Hong Kong</b>			-8.9	-7.3	-10.1	-8.7	-7.1	-10.4	-5.5	-7.6	-10.3
		<b>Ireland</b>	-0.8	3.3	19.8	-4.2	3.8	19.7	-0.8	3.3	19.8
		<b>Israel</b>	-2.2	-3.3	-1.4	-4.0	-4.7	-5.0	-0.5	-5.2	-4.9
<b>Italy</b>			-3.4	-2.3	11.8	-6.7	-1.8	11.7	-3.4	-2.3	11.8
<b>Japan</b>			4.5	9.0	15.0	1.9	6.3	8.6	5.5	5.7	8.7
		<b>Netherlands</b>	4.3	4.0	16.2	0.8	4.5	16.1	4.4	4.0	16.2
		<b>New Zealand</b>	-5.5	-1.5	5.1	-8.3	-4.7	-0.4	-5.0	-5.2	-0.3
<b>Norway</b>			-4.1	-4.3	-2.1	-8.0	-11.1	-13.5	-4.7	-11.6	-13.4
		<b>Portugal</b>	-6.5	-0.3	-2.7	-9.7	0.3	-2.8	-6.5	-0.3	-2.7
		<b>Singapore</b>	-5.3	-2.0	0.3	-6.5	-2.5	-0.6	-3.2	-3.0	-0.5
<b>Spain</b>			-2.3	-2.3	12.3	-5.7	-1.7	12.2	-2.3	-2.3	12.3
		<b>Sweden</b>	-2.9	-0.8	9.0	-8.5	-4.9	4.4	-5.2	-5.4	4.5
		<b>Switzerland</b>	-2.0	2.9	6.9	-4.6	5.5	8.2	-1.2	5.0	8.3
<b>United Kingdom</b>			-5.2	-4.5	1.3	-6.6	-2.2	4.4	-3.2	-2.7	4.5
		<b>U.S.A.</b>	0.6	5.4	9.6	0.6	5.4	9.6	4.2	4.9	9.7

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

<b>MSCI World Index (CW)</b>	-0.2	3.9	8.9	-1.0	3.8	8.5	2.5	3.3	8.6
<b>KAM World Index (EW)</b>	-2.9	-1.1	5.9	-5.5	-1.6	4.4	-2.1	-2.1	4.5
<b>MSCI EAFE Index</b>	-1.6	1.2	8.2	-4.2	0.9	6.8	-0.8	0.4	6.9
<b>MSCI Europe Index</b>	-3.0	-0.5	7.9	-5.9	0.4	8.4	-2.5	-0.2	8.5
<b>Top Value Strategy*</b>	-3.4	-3.0	4.9	-6.0	-3.6	2.9	-2.7	-4.2	3.0

\* 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, 2013 = 100  
Updated Through: May 31, 2023

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# MSCI National Markets vs. MSCI World Index

Total Returns in Local Currencies with Net Dividends Reinvested

