

Emerging Markets

 Country Selection Update | April 2023

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 - March 31, 2023	Top Value Strategy	EM Equally Weighted	MSCI EM Index
Number of Months	411	411	411
Average Monthly Return (%)	1.67	1.24	0.90
Compound Annual Return (%)	18.47	13.53	8.51
Number of Winning Months	256	248	245
Highest Monthly Return (%)	32.8	25.7	19.0
Probability of Monthly Gain (%)	62.3	60.3	59.6
Average Gain in Winning Months (%)	5.65	4.85	4.88
Expectation of Monthly Gain (%)	3.52	2.93	2.91
Number of Losing Months	155	163	166
Lowest Monthly Return (%)	-29.5	-27.5	-28.9
Probability of Monthly Loss (%)	37.7	39.7	40.4
Average Loss in Losing Months (%)	4.90	4.25	4.99
Expectation of Monthly Loss (%)	1.85	1.68	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 (%)	7.07	5.96	6.44
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
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	5.7	3.4	4.0

KEPPLER ASSET MANAGEMENT INC. | NEW YORK

Updated through: March 31, 2023

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Recent Developments & Outlook

The MSCI Emerging Markets Index (ND) advanced 2.2 % in local currencies, 3.0 % in US dollars and 0.6 % in euros. The MSCI EM Index (January 1988 = 100) now stands at \$ 1,642 and € 1,666, respectively. Over the last fifteen months, the EM benchmark declined 12.3 % in local currencies, 16.9 % in US dollars and 13.0 % in euros. The average emerging market—as shown by the KAM Equally Weighted (EW) EM Index—has performed much better, however, in the last fifteen months. Compared with the end of 2021, the KAM EW EM Index is up 1.8 % in local currencies, up 0.4 % in euro and down 4.1 % in US dollars. The euro gained 2.4 % versus the US dollar in March—just as much as it had lost in February. It now stands at 1.0865, up 1.8 % year-to-date, but still down 4.5 % compared with its year-end 2021 level of 1.1372.

Eleven markets advanced last month and thirteen markets declined. Saudi Arabia (+5.8 %), China (+4.3 %) and Peru (+4.1 %) performed best, while Greece (-7.7 %), Hungary (-6.3 %), Chile and Poland (both down 5.6 %) performed worst. Over the last fifteen months, twelve markets are up and twelve markets are down. The biggest winners in that period were Turkey (+149.3 %), Egypt (+46.2 %) and Greece (+21.5 %). Hungary (-23.4 %), Poland (-23.0 %) and China (-16.7 %) performed worst. Due to the poor performance of their currencies, Egypt’s outsized gain in local currency turned into double-digit losses in both US dollars and in euros, and Turkey’s performance was hurt significantly if converted into dollars or 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, could not escape the poor performance of the value investment style last month. It declined 0.4 % in local currencies and 0.8 % in euros. Due to the weak US dollar, however, it gained 1.6 % in dollar terms. It now stands at \$ 33,209 and € 33,695. In the last fifteen months, it was up 4.0 % in local currencies and up 3.3 % in euros, but lost 1.3 % due to the strong US dollar over that period. There was one change in our performance ratings last month: Turkey was upgraded to “Neutral” from “Sell”. This had no influence on the constituents of our **Top Value Model Portfolio**, however, which 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 March 31, 2023 based on selected valuation and return measures:

	Valuation Ratios			Rates of Return (%)		
	PBV	PCF	PE	DY	CFRoE	RoE
EM Top Value Model Portfolio	1.34	5.5	8.6	5.28	24.5	15.6
MSCI Emerging Markets Index	1.61	8.5	12.4	3.32	18.9	13.0
MSCI World Index (DM)	2.82	12.8	19.1	2.11	22.1	14.7
MSCI EM Growth Index	3.14	12.5	19.4	1.59	25.1	16.2

According to our analyses, the asset class *Emerging Markets Equities* is now undervalued by 37 % compared to the MSCI World Index of the developed markets. Moreover, the **Emerging Markets Top Value Portfolio** is now undervalued by 30 % 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. Therefore the recent outperformance of the **Top Value Portfolio** is expected to continue over the next three to five years.

Michael Keppler,
New York, April 4, 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)	1.34	5.5	8.6	5.28	24.5	15.6
Brazil	1.41	3.5	5.1	13.48	40.9	27.9
Chile	1.25	3.8	5.0	8.47	33.0	24.9
China	1.44	12.7	14.5	2.34	11.4	10.0
Korea	0.98	5.5	10.4	2.22	17.9	9.5
Malaysia	1.36	8.9	16.0	4.01	15.2	8.5
Mexico	1.99	7.2	13.4	3.69	27.5	14.8
Poland	0.96	3.7	6.7	3.86	26.2	14.3
Taiwan	2.20	8.4	12.6	4.14	26.1	17.6
SELL CANDIDATES	2.20	8.9	18.7	2.53	24.8	11.8
India	3.29	16.0	23.2	1.35	20.6	14.2
Indonesia	2.39	6.7	13.5	3.86	35.4	17.7
Kuwait	2.01	7.2	20.3	2.79	28.0	9.9
Philippines	1.87	9.8	18.4	1.98	19.1	10.2
Thailand	1.96	9.2	21.5	2.69	21.3	9.1
NEUTRALLY RATED MARKETS	1.38	6.0	7.7	4.14	23.0	17.9
Colombia	0.86	5.5	5.2	9.06	15.8	16.6
Czech Republic	2.67	5.9	9.1	6.96	45.1	29.2
Egypt	2.21	9.7	9.8	1.89	22.9	22.5
Greece	1.05	5.5	7.4	2.50	19.3	14.3
Hungary	0.74	2.4	5.1	1.70	30.9	14.7
Peru	1.70	13.1	11.8	3.92	13.0	14.4
Qatar	1.56	8.9	12.1	4.49	17.5	12.9
Saudi Arabia	2.17	9.8	15.5	3.07	22.2	14.0
South Africa	1.68	7.2	10.2	4.24	23.4	16.4
↑ Turkey	1.39	4.7	3.9	4.03	29.6	35.3
United Arab Emirates	1.45	7.5	9.2	3.70	19.4	15.8
MSCI EM Index (CW)	1.61	8.5	12.4	3.32	18.9	13.0
KAM EM Index (EW)	1.43	5.7	8.5	4.59	25.2	16.8
EM Asia Index	1.61	9.7	14.2	2.58	16.6	11.3
EM EMEA Index	1.65	6.9	10.3	3.64	23.8	16.0
EM Latin America Index	1.54	4.3	6.4	9.73	35.9	23.9

↕↕ Arrows indicate direction of change in rating

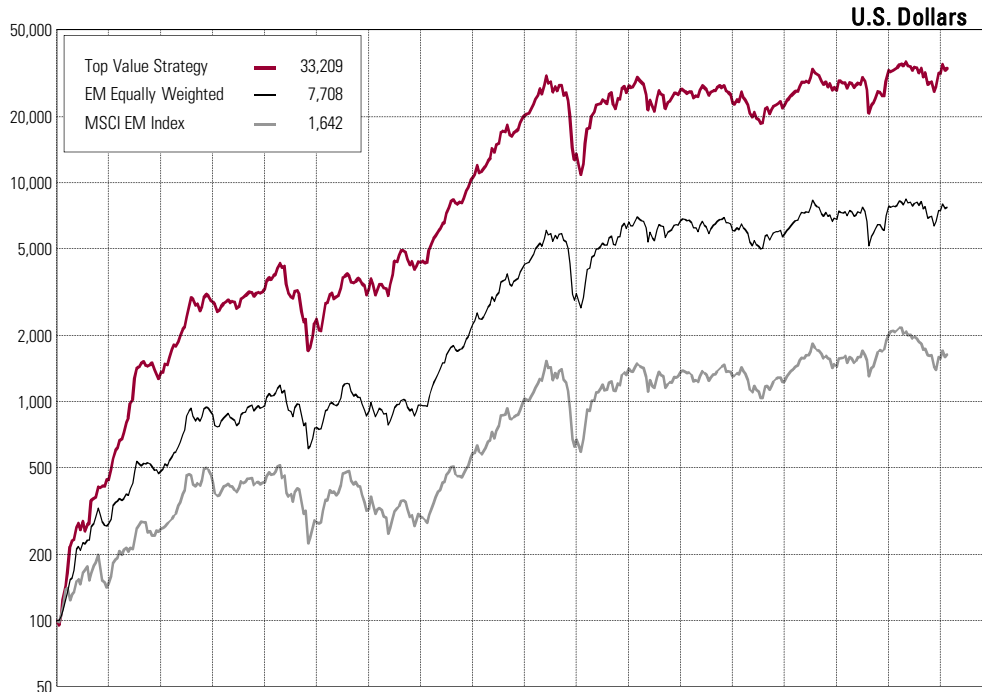


Top Value Strategy Performance History* versus the MSCI EM Index

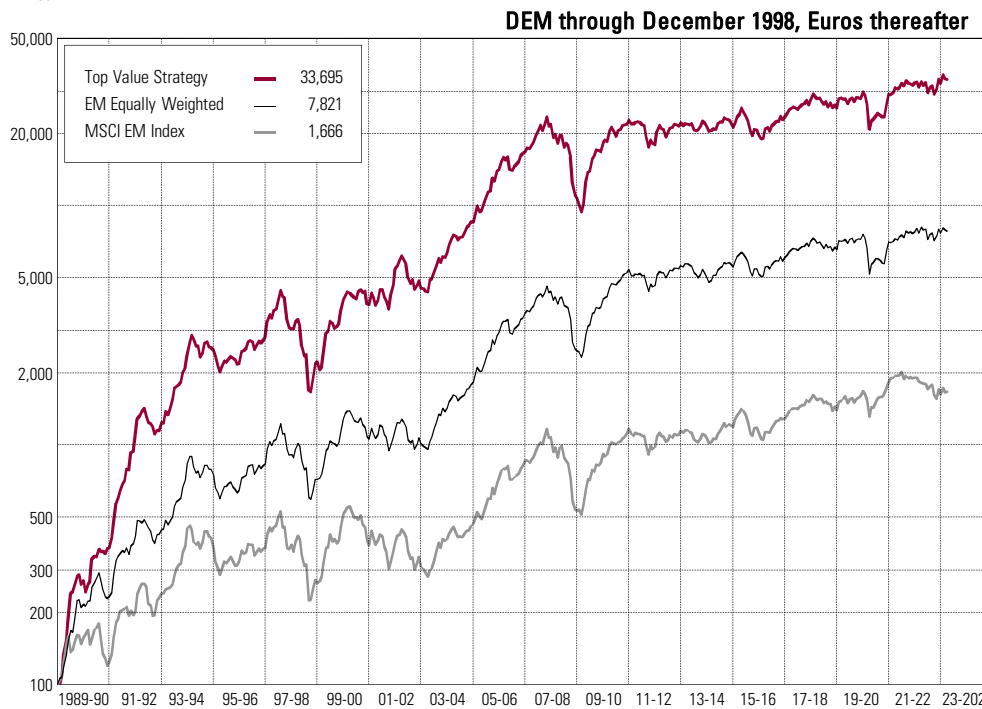
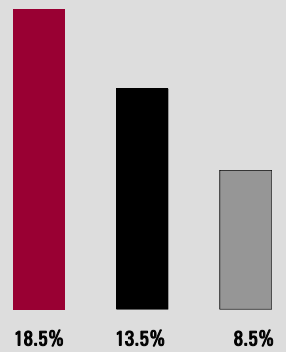
Total & Compound Annual Returns with Net Dividends Reinvested

Total Returns
December 1988 = 100

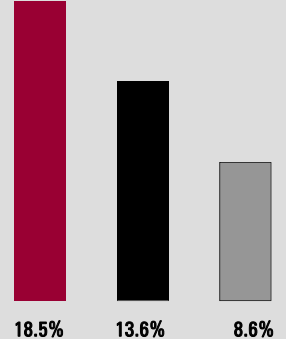
Compound Annual Returns
December 1988 - March 2023



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.

Emerging Markets



Recent Performance*

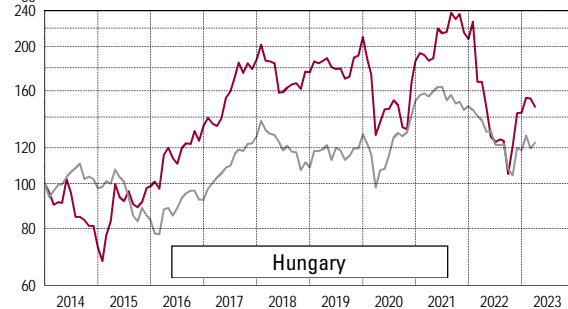
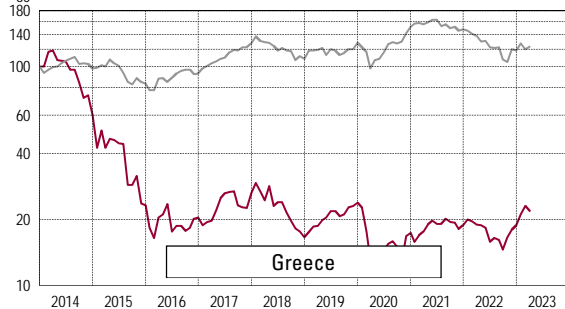
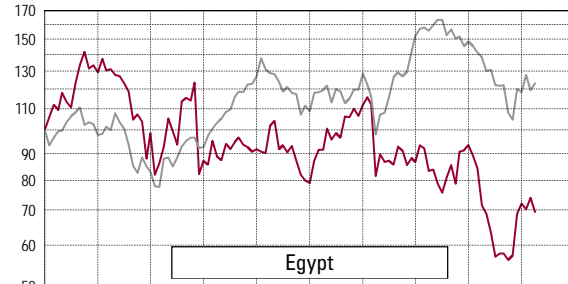
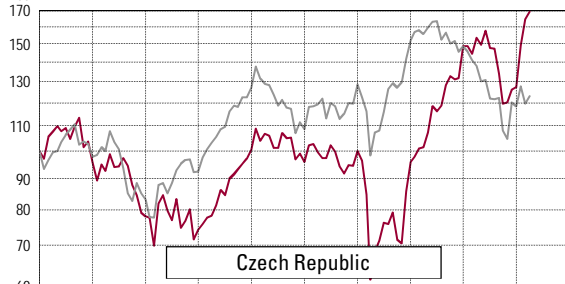
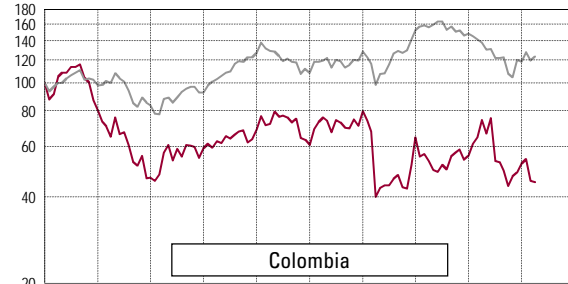
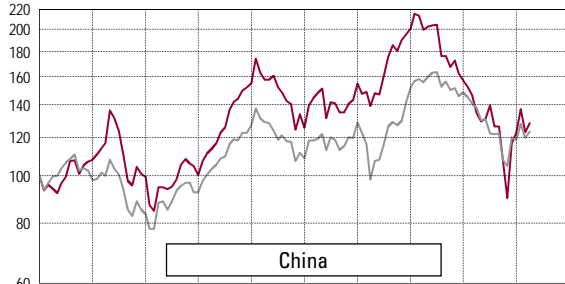
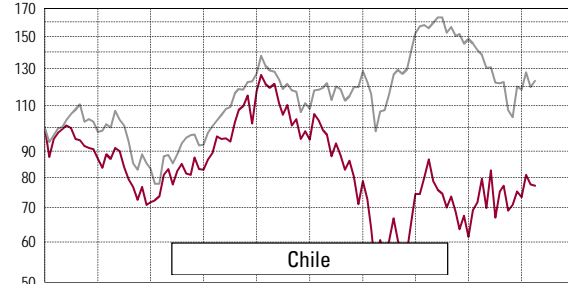
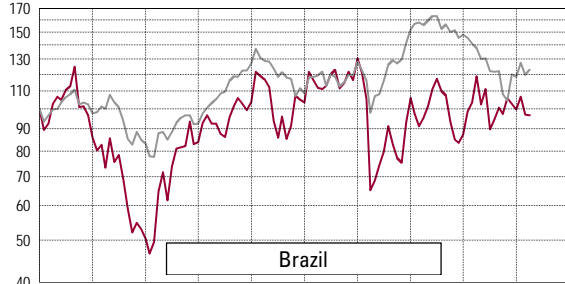
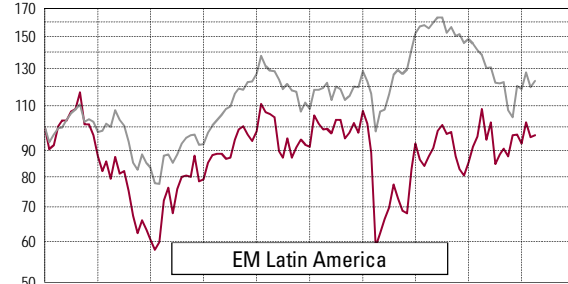
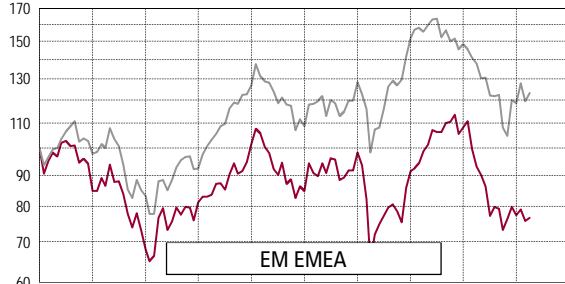
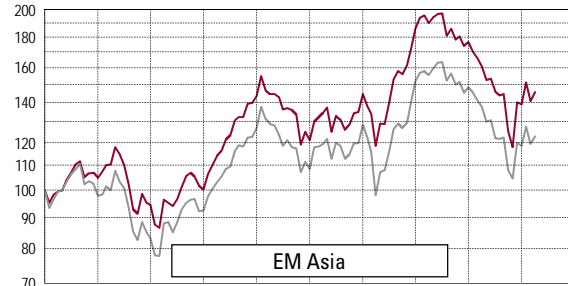
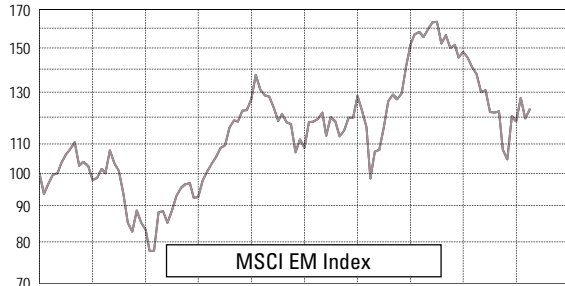
Total Returns based on Indices
with Net Dividends Reinvested

BUY	NEUTRAL	SELL	% Change								
			in Local Currencies			in U.S. Dollars			in Euros		
			during Mar 23	last 3 mths.	last 15 mths.	during Mar 23	last 3 mths.	last 15 mths.	during Mar 23	last 3 mths.	last 15 mths.
Brazil			-3.1	-7.0	0.6	-0.3	-3.2	10.5	-2.7	-4.9	15.7
Chile			-5.6	-2.3	16.6	-0.7	5.2	25.6	-3.0	3.4	31.5
China			4.3	5.1	-16.7	4.5	4.7	-18.3	2.0	2.9	-14.4
	Colombia		-4.4	-16.9	-6.9	-0.7	-13.5	-18.7	-3.0	-15.0	-14.9
	Czech Republic		0.2	27.0	12.5	2.9	33.0	13.8	0.4	30.6	19.1
	Egypt		-5.5	19.9	46.2	-6.0	-3.6	-25.4	-8.3	-5.3	-22.0
	Greece		-7.7	13.7	21.5	-5.5	15.7	16.1	-7.7	13.7	21.5
	Hungary		-6.3	-4.0	-23.4	-4.3	2.9	-29.1	-6.6	1.1	-25.8
	India		0.6	-7.0	-4.7	1.2	-6.4	-13.8	-1.3	-8.0	-9.8
	Indonesia		1.9	2.1	15.5	3.6	6.0	9.8	1.2	4.1	14.9
Korea			3.1	12.8	-15.2	4.8	9.6	-22.6	2.3	7.6	-19.0
	Kuwait		-3.0	-3.5	7.6	-3.0	-3.7	5.9	-5.3	-5.4	10.9
Malaysia			-0.6	-3.4	-3.8	1.0	-3.6	-9.2	-1.4	-5.3	-4.9
Mexico			1.5	11.5	4.0	3.0	20.3	17.9	0.6	18.2	23.4
	Peru		4.1	8.3	18.5	4.1	8.3	18.5	1.6	6.3	24.0
	Philippines		0.6	-0.1	-6.0	2.4	2.4	-11.8	0.0	0.6	-7.7
Poland			-5.6	-2.8	-23.0	-2.8	-1.0	-28.0	-5.1	-2.7	-24.6
	Qatar		-1.0	-0.7	-7.5	-0.9	-0.7	-7.5	-3.3	-2.4	-3.2
	Saudi Arabia		5.8	0.0	-5.0	5.7	0.1	-5.0	3.2	-1.7	-0.6
	South Africa		-0.2	3.7	6.2	3.3	-0.6	-4.4	0.8	-2.3	0.0
Taiwan			2.9	13.7	-11.3	3.0	14.8	-19.4	0.6	12.7	-15.6
	Thailand		1.0	-3.0	5.6	4.4	-1.7	3.2	1.9	-3.4	8.0
	Turkey		-5.2	-7.1	149.3	-6.7	-9.4	72.5	-8.9	-11.0	80.5
	United Arab Emirates		-5.2	-7.5	-13.3	-5.2	-7.5	-13.3	-7.5	-9.2	-9.2
MSCI EM Index (CW)			2.2	3.8	-12.3	3.0	4.0	-16.9	0.6	2.1	-13.0
KAM EM Index (EW)			-0.9	1.2	1.8	1.1	3.4	-4.1	-1.3	1.6	0.4
MSCI EM Asia Index			3.0	5.0	-12.2	3.6	4.8	-17.3	1.1	3.0	-13.5
MSCI EM EMEA Index			-0.1	0.1	-20.6	1.0	-1.1	-29.1	-1.4	-2.8	-25.8
MSCI EM Latin America Index			-1.7	-1.3	2.9	0.8	3.9	13.2	-1.6	2.1	18.5
EM Top Value Strategy			-0.4	3.4	4.0	1.6	5.7	-1.3	-0.8	3.9	3.3

* 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: March 31, 2023

MSCI National Markets vs. MSCI Emerging Markets Index

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

