



# Developed Markets ---

---

 Country Selection Update | July 2023

SUPERIOR PERFORMANCE THROUGH COMMITMENT TO VALUE

KEPPLER ASSET MANAGEMENT INC.

350 WEST 57 STREET | NEW YORK, NY 10019 | [WWW.KAMNY.COM](http://WWW.KAMNY.COM)



## Risk & Return Characteristics

Returns with Net Dividends Reinvested in Local Currencies

December 31, 1969 - June 30, 2023	Top Value Strategy	World Equally Weighted	MSCI World Index	
Number of Months	642	642	642	
Average Monthly Return (%)	1.11	0.88	0.75	
Compound Annual Return (%)	12.74	9.98	8.32	
Number of Winning Months	413	414	408	
Highest Monthly Return (%)	35.3	17.3	14.0	
Probability of Monthly Gain (%)	64.3	64.5	63.6	
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	35.5	36.4	
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)	0.94	0.78	0.62	
<b>Monthly Volatility-Adjusted Return</b> (Sharpe Ratio)	0.24	0.22	0.19	
<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	9.9	9.6	15.1

KEPPLER ASSET MANAGEMENT INC. | NEW YORK

Updated through: June 30, 2023

This publication is for your private information only. It is not intended as an offer or a solicitation with respect to the purchase or sale of any security. The opinions expressed are based upon historical research with data deemed to be reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such. There is no guarantee that future results will conform to past performance or be profitable. Our research products should be used only by sophisticated investors who are aware of the risks in global equity investing. Kepler Asset Management, Inc. and/or their officers, directors and employees may, from time to time, have long or short positions in, and buy or sell securities, options, or index futures mentioned herein.

## Recent Developments & Outlook

Global equities performed strongly in June: The MSCI World Index (ND) gained 5.7 % in local currencies, 6.0 % in US dollars and 3.6 % in euros. In the first six months, the world equity benchmark is up 15.1 % in both local currencies and in US dollars and up 12.6 % in euros. The MSCI World Index (December 1969 = 100) now stands at LC 7,180, \$ 9,191 and € 4,470. Value indices held up relatively well in the developed markets and outperformed growth indices in Europe and in the emerging markets. This, however, does not even make a dent in the year-to-date 22.6 percentage points underperformance of value vs. growth in the developed markets. The large-cap markets have become ever more expensive this year, as shown by the equally weighted KAM World Index, which now trades at a discount of 39 % to the cap.-weighted MSCI World Index. This year's superior performance of the MSCI World Index is entirely owed to its multiple expansion of some 15 % and not to rising earnings, which does not make sense in a rising interest rate environment! The euro gained 2.3 % vs. the US dollar in June and now stands at 1.0910, up 2.2 % from its year-end 2022 level of 1.0673.

Twenty out of the twenty-three markets included in the MSCI World Index advanced last month. Only three markets were lower. This is a mirror image from the previous month, when twenty markets declined and three markets advanced. Italy (+8.5 %), Japan (+7.7 %) and the United States (+6.6 %) performed best in June, while Finland (-1.7 %), Denmark (-0.4 %) and New Zealand (-0.3 %) came in last. In the first six months, nineteen markets were up and four were down. Ireland (+23.9 %), Japan (+23.8 %) and Italy (+21.4 %) performed best, while Finland (-10.4 %), Hong Kong (-7.0 %) and Belgium (-2.4 %) were lagging. 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 June at LC 61,100 (+4.8 %), \$ 41,770 (+6.4 %) and € 20,313 (+3.9 %). The performance of the **Top Value Strategy** has suffered this year under the poor development of value vs. growth. 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** currently compares to three Developed Markets MSCI Indices 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>1.25</b>	<b>5.9</b>	<b>10.1</b>	<b>4.12</b>	<b>21.4</b>	<b>12.4</b>
MSCI World Index	3.00	13.6	20.3	2.00	22.1	14.8
MSCI World Growth Index	6.40	22.4	33.9	0.87	28.6	18.9
MSCI USA Index	4.34	16.4	23.6	1.50	26.5	18.4

The **Developed Markets Top Value Portfolio** is now undervalued by 54 % compared to the MSCI World Index, by 64 % compared to the MSCI USA Index and by 76 % 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, July 3, 2023

## Developed Markets



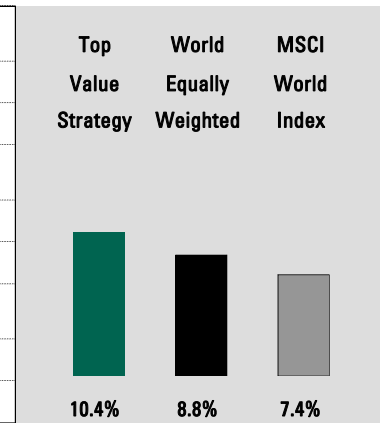
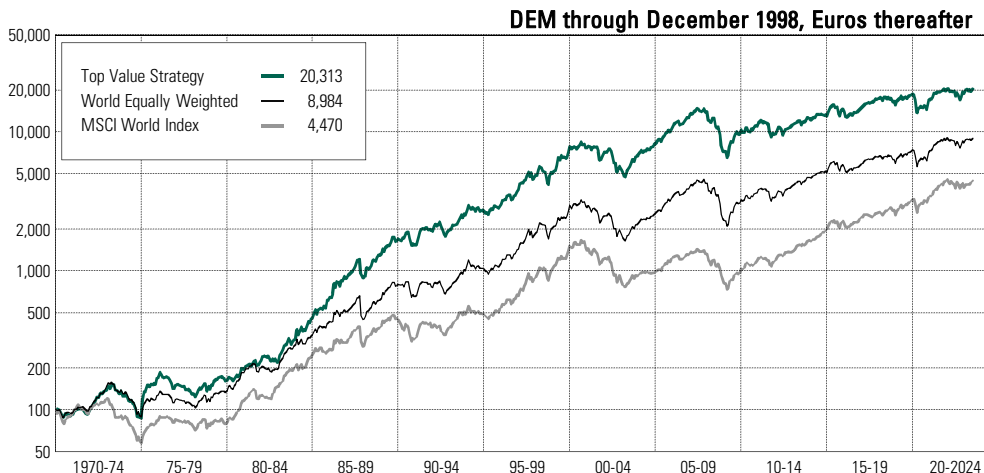
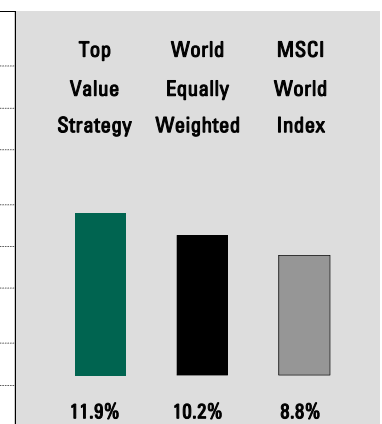
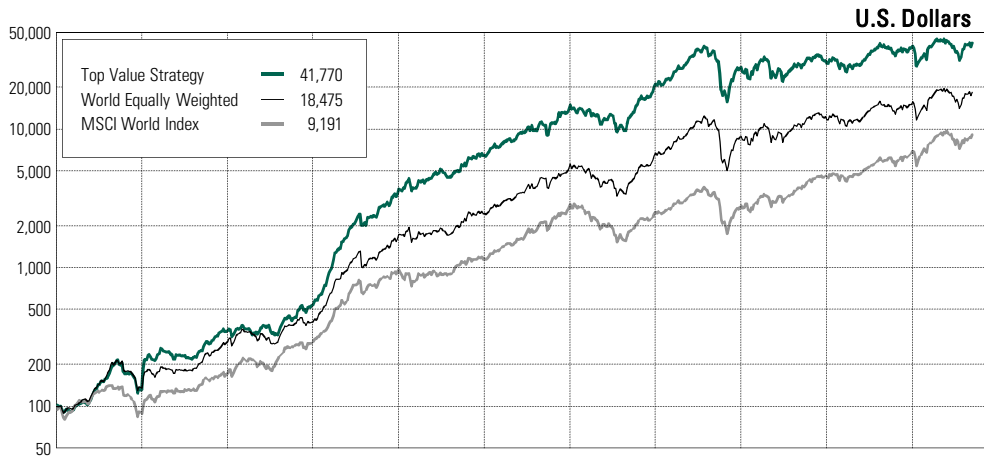
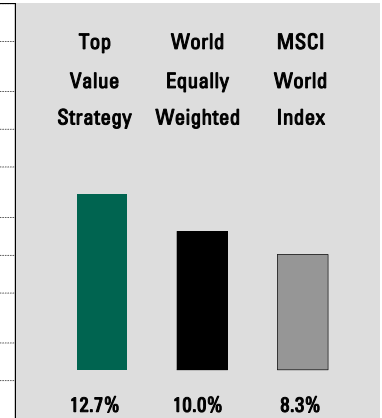
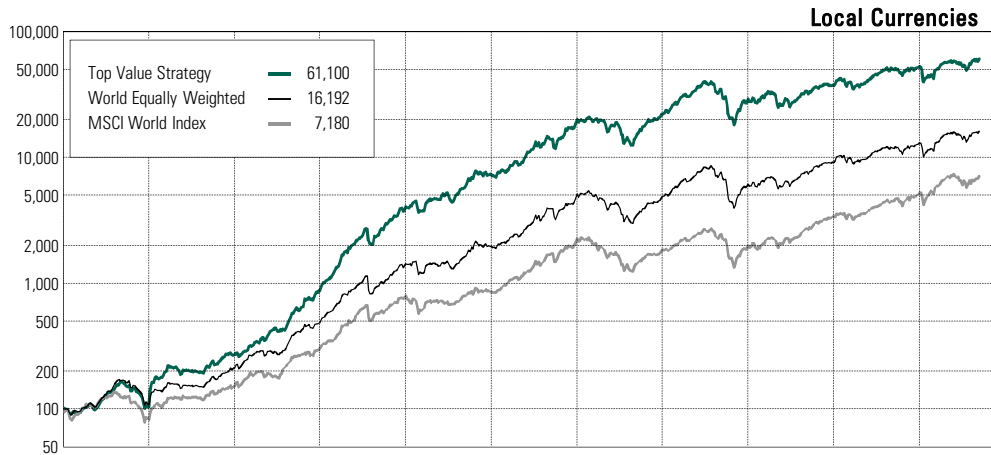
## Current Ratings & Valuation Characteristics

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>	1.25	5.9	10.1	4.12	21.4	12.4
<b>Austria</b>	0.87	3.5	5.9	5.36	24.6	14.6
<b>Germany</b>	1.40	6.9	15.2	3.35	20.3	9.2
<b>Hong Kong</b>	1.05	11.1	24.5	3.66	9.4	4.3
<b>Italy</b>	1.24	5.0	8.3	4.84	24.8	15.0
<b>Japan</b>	1.46	9.5	17.5	2.24	15.3	8.3
<b>Norway</b>	1.53	3.9	6.5	5.82	39.4	23.7
<b>Spain</b>	1.24	6.5	10.3	3.82	18.9	12.0
<b>United Kingdom</b>	1.66	7.6	11.7	3.89	21.8	14.1
<b>SELL CANDIDATES</b>	2.87	16.0	20.8	2.42	18.0	13.8
<b>Denmark</b>	5.40	14.4	19.7	1.59	37.6	27.3
<b>Netherlands</b>	3.11	18.3	27.2	1.91	17.0	11.4
<b>Singapore</b>	1.38	17.5	16.5	4.09	7.9	8.4
<b>Switzerland</b>	3.53	14.1	19.8	3.00	24.9	17.8
<b>U.S.A.</b>	4.34	16.4	23.6	1.50	26.5	18.4
<b>NEUTRALLY RATED MARKETS</b>	1.92	10.0	15.3	3.05	19.1	12.5
<b>Australia</b>	2.14	9.9	14.3	4.79	21.6	15.0
<b>Belgium</b>	1.46	12.4	21.9	2.58	11.8	6.7
<b>Canada</b>	1.84	9.4	14.9	3.25	19.6	12.3
<b>Finland</b>	1.85	6.6	9.2	4.08	27.8	20.1
<b>France</b>	1.93	10.1	17.4	2.87	19.1	11.1
<b>Ireland</b>	1.86	11.8	19.2	1.53	15.8	9.7
<b>Israel</b>	1.63	11.7	11.2	2.35	14.0	14.6
<b>New Zealand</b>	2.85	16.8	26.1	2.45	17.0	10.9
<b>Portugal</b>	2.15	6.5	15.5	3.43	33.2	13.9
<b>Sweden</b>	2.02	13.3	17.2	3.21	15.2	11.7
<b>MSCI World Index (CW)</b>	3.00	13.6	20.3	2.00	22.1	14.8
<b>KAM World Index (EW)</b>	1.66	8.4	13.5	3.43	19.8	12.3
<b>MSCI EAFE Index</b>	1.75	9.4	15.4	3.13	18.6	11.4
<b>MSCI Europe Index</b>	1.91	9.2	14.8	3.22	20.7	12.9



# 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 Jun 23	last 3 mths.	Year to date	during Jun 23	last 3 mths.	Year to date	during Jun 23	last 3 mths.	Year to date
	<b>Australia</b>		2.2	0.9	5.0	5.1	0.3	3.1	2.7	-0.1	0.8
<b>Austria</b>			5.7	3.9	4.7	8.2	4.4	7.0	5.7	3.9	4.7
	<b>Belgium</b>		1.5	-6.5	-2.4	3.9	-6.1	-0.2	1.5	-6.5	-2.4
	<b>Canada</b>		3.7	1.4	5.6	6.5	3.7	8.2	4.1	3.3	5.8
		<b>Denmark</b>	-0.4	1.2	11.9	1.9	1.7	14.2	-0.4	1.2	11.7
		<b>Finland</b>	-1.7	-8.5	-10.4	0.6	-8.1	-8.4	-1.7	-8.5	-10.4
		<b>France</b>	4.2	2.8	15.7	6.6	3.2	18.3	4.2	2.8	15.7
<b>Germany</b>			2.9	2.4	15.3	5.3	2.8	17.9	2.9	2.4	15.3
<b>Hong Kong</b>			3.5	-5.2	-7.0	3.4	-5.0	-7.3	1.0	-5.4	-9.3
		<b>Ireland</b>	3.4	3.8	23.9	5.8	4.3	26.6	3.4	3.8	23.9
		<b>Israel</b>	1.5	-2.0	0.1	1.9	-4.0	-3.2	-0.4	-4.4	-5.3
<b>Italy</b>			8.5	7.8	21.4	11.1	8.2	24.1	8.5	7.8	21.4
<b>Japan</b>			7.7	15.6	23.8	4.1	6.4	13.0	1.7	6.0	10.5
		<b>Netherlands</b>	2.4	3.7	18.9	4.7	4.1	21.5	2.3	3.7	18.8
		<b>New Zealand</b>	-0.3	-4.0	4.8	1.9	-6.0	1.5	-0.4	-6.4	-0.7
<b>Norway</b>			2.1	1.3	-0.1	6.2	-1.0	-8.1	3.8	-1.4	-10.1
		<b>Portugal</b>	2.8	-1.5	0.1	5.2	-1.1	2.3	2.8	-1.5	0.1
		<b>Singapore</b>	1.6	-4.1	1.9	1.7	-5.6	1.1	-0.6	-6.0	-1.1
<b>Spain</b>			6.4	5.1	19.4	8.8	5.6	22.1	6.4	5.1	19.4
		<b>Sweden</b>	2.9	2.9	12.2	3.7	-1.2	8.2	1.3	-1.6	5.9
		<b>Switzerland</b>	0.4	1.9	7.3	2.6	4.0	11.0	0.3	3.6	8.6
<b>United Kingdom</b>			1.2	-0.6	2.6	3.9	2.2	8.4	1.5	1.8	6.1
		<b>U.S.A.</b>	6.6	8.6	16.8	6.6	8.6	16.8	4.2	8.1	14.3

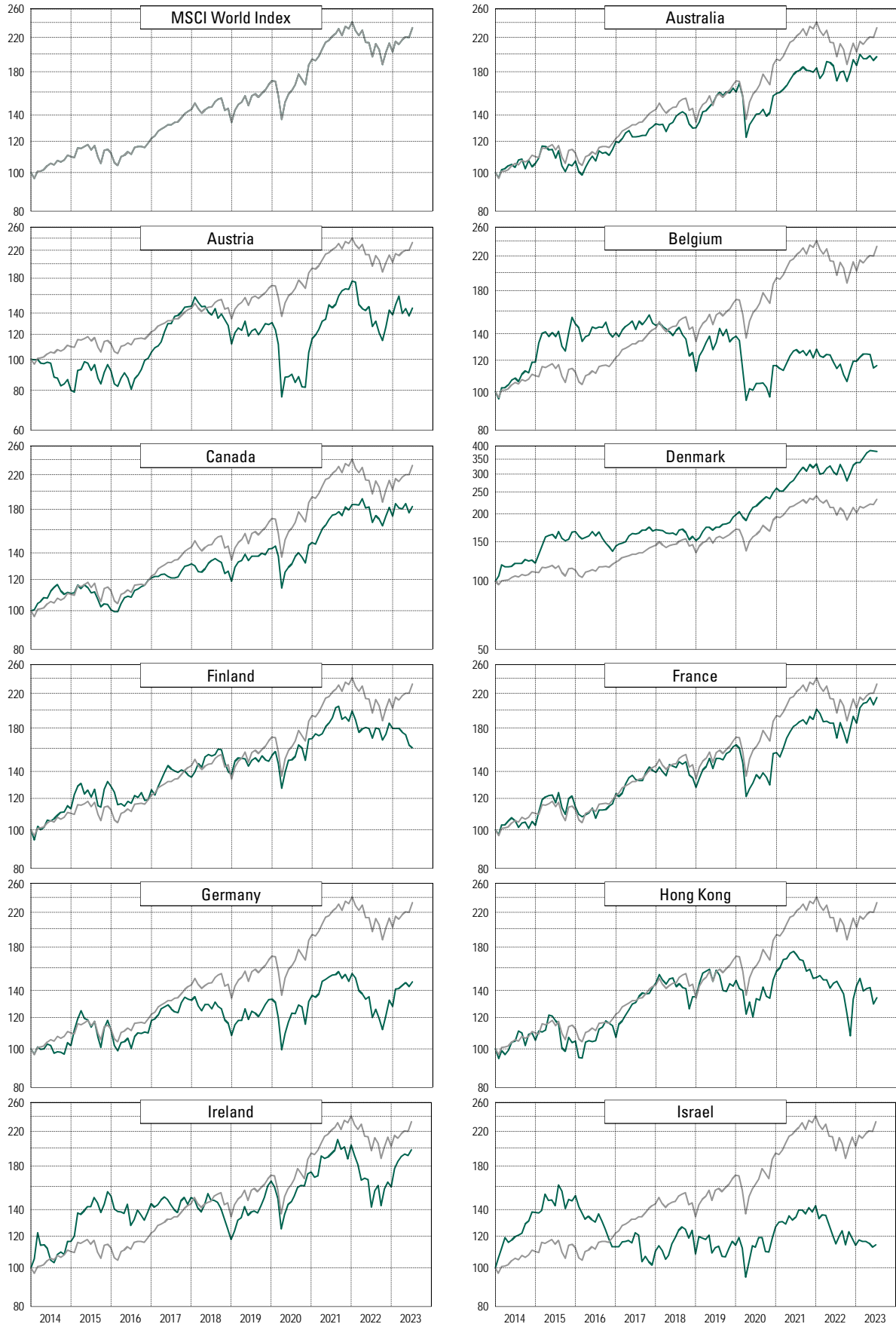
### Developed Markets Regions, World and Country Selection Strategy

<b>MSCI World Index (CW)</b>	5.7	7.1	15.1	6.0	6.8	15.1	3.6	6.4	12.6
<b>KAM World Index (EW)</b>	3.5	2.4	9.6	5.2	2.0	9.9	2.8	1.6	7.5
<b>MSCI EAFE Index</b>	3.6	4.3	12.1	4.6	3.0	11.7	2.2	2.5	9.2
<b>MSCI Europe Index</b>	2.4	1.8	10.5	4.8	2.7	13.6	2.4	2.3	11.1
<b>Top Value Strategy*</b>	4.8	3.7	9.9	6.4	3.0	9.4	3.9	2.5	7.0

\* 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: June 30, 2023

KEPLER ASSET MANAGEMENT INC. | NEW YORK

# MSCI National Markets vs. MSCI World Index

Total Returns in Local Currencies with Net Dividends Reinvested

