



# Developed Markets ---

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 Country Selection Update | August 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 - July 31, 2023	Top Value Strategy	World Equally Weighted	MSCI World Index	
Number of Months	643	643	643	
Average Monthly Return (%)	1.11	0.88	0.75	
Compound Annual Return (%)	12.77	10.01	8.36	
Number of Winning Months	414	415	409	
Highest Monthly Return (%)	35.3	17.3	14.0	
Probability of Monthly Gain (%)	64.4	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 (%)	35.6	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	0.79	0.63	
<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	12.7	12.4	18.5

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Updated through: July 31, 2023

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## Recent Developments & Outlook

Global equities continued their strong performance from the previous month. In July, the MSCI World Index (ND) gained 2.9 % in local currencies, 3.4 % in US dollars and 2.3 % in euros. Year-to-date, the world equity benchmark is up 18.5 % in local currencies, 19.0 % in US dollars and 15.1 % in euros. The MSCI World Index (December 1969 = 100) now stands at LC 7,389, \$ 9,500 and € 4,571. Value indices performed slightly better than growth indices globally and in most regions. This, however, reduced the degree of the year-to-date underperformance only by a small margin. Only in emerging markets did value beat growth last month and year-to-date by 0.6 and 3.9 percentage points, respectively. The euro gained 1.1 % vs. the US dollar in July and now stands at 1.1026, up 3.3 % from its year-end 2022 level of 1.0673.

Nineteen out of the twenty-three markets included in the MSCI World Index advanced last month. Four markets were lower. Singapore (+7.5 %), Israel (+7.2 %) and Belgium (+6.5 %) performed best in July, while Portugal, Sweden (both down 1.2 %) and Finland (-1.1 %) came in last. In the first seven months, twenty markets were up and three markets were down. Ireland (+31.4 %), Italy (+27.6 %) and Japan (+25.4 %) performed best, while Finland (-11.3 %), Hong Kong (-4.8 %) and Portugal (-1.1 %) were the only losing markets. 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 July at LC 62,681 (+2.6 %), \$ 43,575 (+4.3 %) and € 20,969 (+3.2 %). 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 one change in our country ratings this month: Japan was downgraded to “Neutral” from “Buy”. This downgrade significantly improves the valuation characteristics of the **Top Value Model Portfolio**—see page 4—which now holds the seven “Buy”-rated markets Austria, Germany, Hong Kong, Italy, 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>1.26</b>	<b>5.7</b>	<b>9.8</b>	<b>4.32</b>	<b>22.3</b>	<b>12.9</b>
MSCI World Index	3.07	13.8	20.7	1.96	22.2	14.8
MSCI World Growth Index	6.53	22.9	34.6	0.86	28.5	18.8
MSCI USA Index	4.47	16.9	24.3	1.46	26.5	18.4

The **Developed Markets Top Value Portfolio** is now undervalued by 56 % compared to the MSCI World Index, by 66 % compared to the MSCI USA Index and by 77 % compared with the MSCI World Growth Index. Since this extreme undervaluation is not justified by the underlying fundamentals, we expect the **Top Value Model Portfolio** to mean revert and resume its outperformance from 2022.

Michael Keppler  
New York, August 2, 2023

## Developed Markets



## Current Ratings & Valuation Characteristics

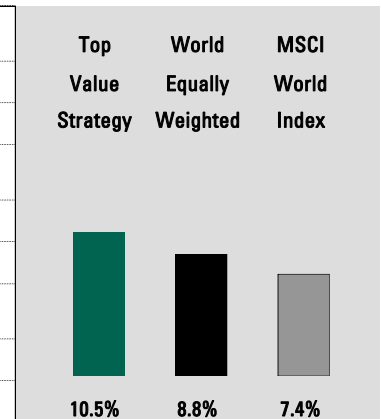
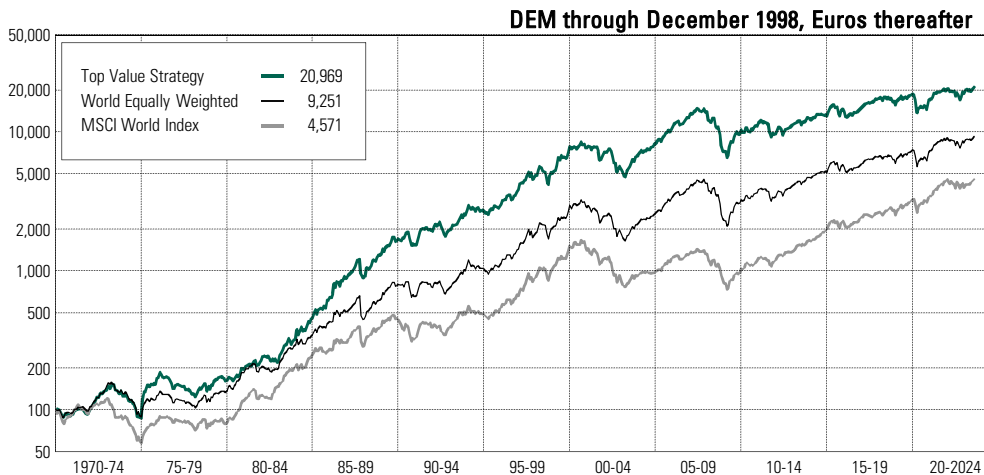
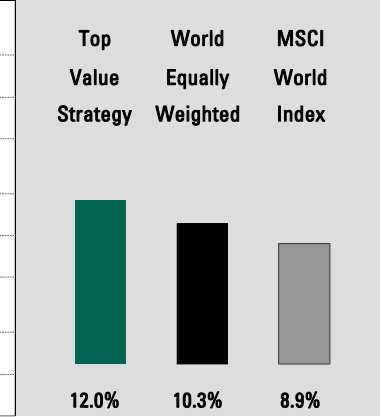
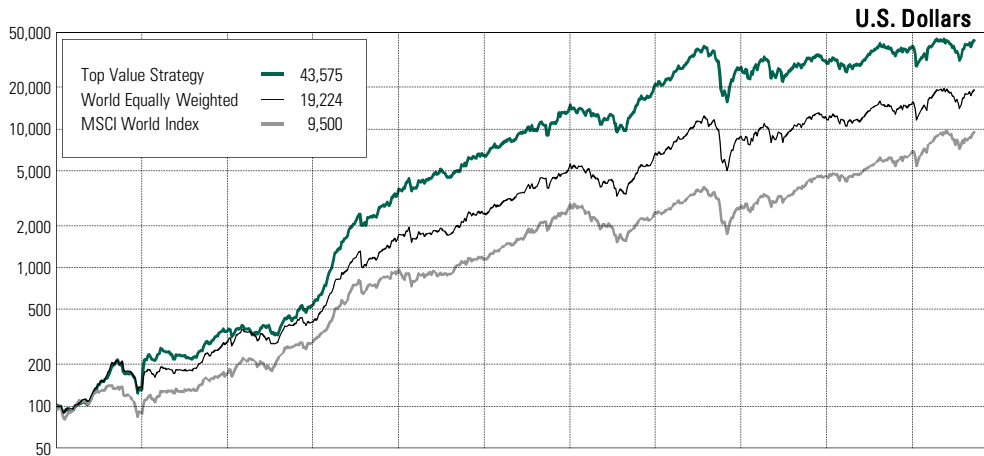
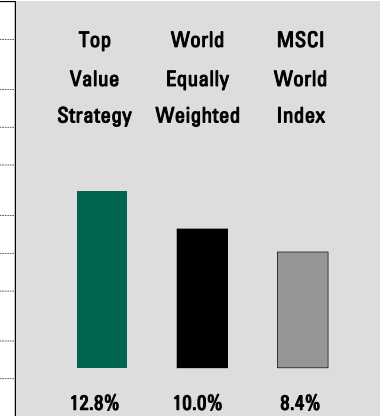
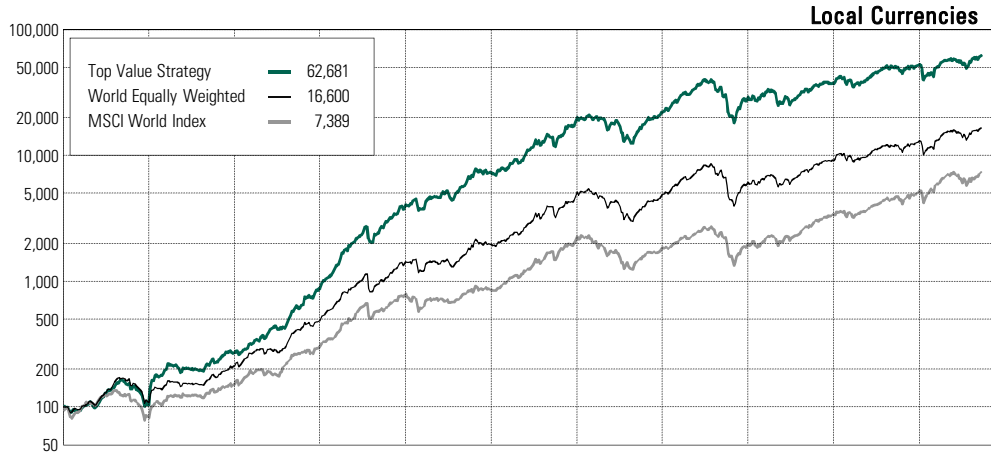
CURRENT RATINGS	Valuation Ratios			Rates of Return (%)		
	Price/ Book Value	Price/ Cash Flow	Price/ Earnings	Dividend Yield	Cash-Flow Re- turn on Equity	Return on Equity
<b>BUY CANDIDATES (Top Value)</b>	1.26	5.7	9.8	4.32	22.3	12.9
<b>Austria</b>	0.90	3.5	6.1	5.31	25.3	14.6
<b>Germany</b>	1.43	7.0	15.6	3.29	20.3	9.2
<b>Hong Kong</b>	1.07	11.6	25.1	3.58	9.3	4.3
<b>Italy</b>	1.28	5.2	8.4	4.63	24.9	15.3
<b>Norway</b>	1.61	4.1	6.7	5.60	39.7	23.9
<b>Spain</b>	1.24	6.5	10.4	3.98	19.2	12.0
<b>United Kingdom</b>	1.70	7.6	11.9	3.82	22.3	14.3
<b>SELL CANDIDATES</b>	2.98	16.2	21.2	2.40	18.4	14.0
<b>Denmark</b>	5.39	14.3	19.6	1.75	37.5	27.4
<b>Netherlands</b>	3.15	18.4	27.5	1.89	17.2	11.5
<b>Singapore</b>	1.48	18.6	17.7	3.94	8.0	8.4
<b>Switzerland</b>	3.60	13.9	19.8	2.98	25.8	18.2
<b>U.S.A.</b>	4.47	16.9	24.3	1.46	26.5	18.4
<b>NEUTRALLY RATED MARKETS</b>	1.90	10.0	15.7	2.93	18.9	12.1
<b>Australia</b>	2.20	10.1	14.7	4.64	21.8	15.0
<b>Belgium</b>	1.56	13.2	23.3	2.42	11.8	6.7
<b>Canada</b>	1.88	9.5	15.2	3.17	19.7	12.3
<b>Finland</b>	1.83	6.6	9.1	4.17	27.7	20.1
<b>France</b>	1.95	10.2	17.7	2.84	19.1	11.1
<b>Ireland</b>	1.98	12.4	20.4	1.44	15.9	9.7
<b>Israel</b>	1.73	12.0	11.5	2.19	14.4	15.0
↓ <b>Japan</b>	1.47	9.5	17.9	2.25	15.6	8.2
<b>New Zealand</b>	2.87	16.9	26.3	2.39	17.0	10.9
<b>Portugal</b>	2.09	6.4	15.3	3.47	32.7	13.6
<b>Sweden</b>	1.96	12.4	15.7	3.24	15.9	12.5
<b>MSCI World Index (CW)</b>	3.07	13.8	20.7	1.96	22.2	14.8
<b>KAM World Index (EW)</b>	1.71	8.5	13.8	3.38	20.0	12.4
<b>MSCI EAFE Index</b>	1.78	9.4	15.6	3.10	18.9	11.4
<b>MSCI Europe Index</b>	1.94	9.2	14.9	3.19	21.0	13.0

↓↑ Arrows indicate direction of change in rating



# 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 Jul 23	last 3 mths.	Year to date	during Jul 23	last 3 mths.	Year to date	during Jul 23	last 3 mths.	Year to date
	<b>Australia</b>		2.7	2.1	7.9	4.0	4.1	7.2	2.9	4.2	3.8
<b>Austria</b>			4.1	4.2	9.0	5.2	4.0	12.6	4.1	4.2	9.0
	<b>Belgium</b>		6.5	-0.1	3.9	7.6	-0.2	7.4	6.5	-0.1	3.9
	<b>Canada</b>		2.7	0.9	8.5	3.2	4.0	11.7	2.2	4.1	8.1
		<b>Denmark</b>	-0.2	-1.4	11.7	0.8	-1.6	15.1	-0.3	-1.4	11.4
		<b>Finland</b>	-1.1	-8.2	-11.3	0.0	-8.3	-8.4	-1.1	-8.2	-11.3
		<b>France</b>	1.1	0.9	17.0	2.2	0.8	20.9	1.1	0.9	17.0
<b>Germany</b>			2.0	2.6	17.6	3.1	2.4	21.5	2.0	2.6	17.6
<b>Hong Kong</b>			2.4	-3.5	-4.8	2.8	-2.9	-4.7	1.8	-2.8	-7.7
		<b>Ireland</b>	6.1	8.8	31.4	7.2	8.7	35.8	6.1	8.8	31.4
		<b>Israel</b>	7.2	6.4	7.3	8.1	5.8	4.7	6.9	5.9	1.3
<b>Italy</b>			5.1	10.2	27.6	6.2	10.0	31.8	5.1	10.2	27.6
		<b>Japan</b>	1.3	14.0	25.4	3.0	9.2	16.4	1.9	9.4	12.7
		<b>Netherlands</b>	1.7	8.6	20.9	2.8	8.4	24.8	1.7	8.6	20.8
		<b>New Zealand</b>	0.8	-5.0	5.7	2.4	-4.3	4.0	1.3	-4.2	0.6
<b>Norway</b>			2.6	0.5	2.6	8.7	6.3	-0.1	7.6	6.4	-3.3
		<b>Portugal</b>	-1.2	-5.0	-1.1	-0.1	-5.1	2.2	-1.2	-5.0	-1.1
		<b>Singapore</b>	7.5	3.5	9.6	9.3	4.0	10.5	8.2	4.1	7.0
<b>Spain</b>			1.0	5.0	20.7	2.1	4.8	24.7	1.0	5.0	20.7
		<b>Sweden</b>	-1.2	-1.3	10.8	1.5	-3.6	9.9	0.5	-3.5	6.4
		<b>Switzerland</b>	0.4	-1.2	7.8	3.6	1.5	15.0	2.5	1.6	11.3
<b>United Kingdom</b>			2.2	-2.0	4.9	3.4	0.4	12.2	2.4	0.5	8.6
		<b>U.S.A.</b>	3.4	10.9	20.8	3.4	10.9	20.8	2.3	11.1	17.0

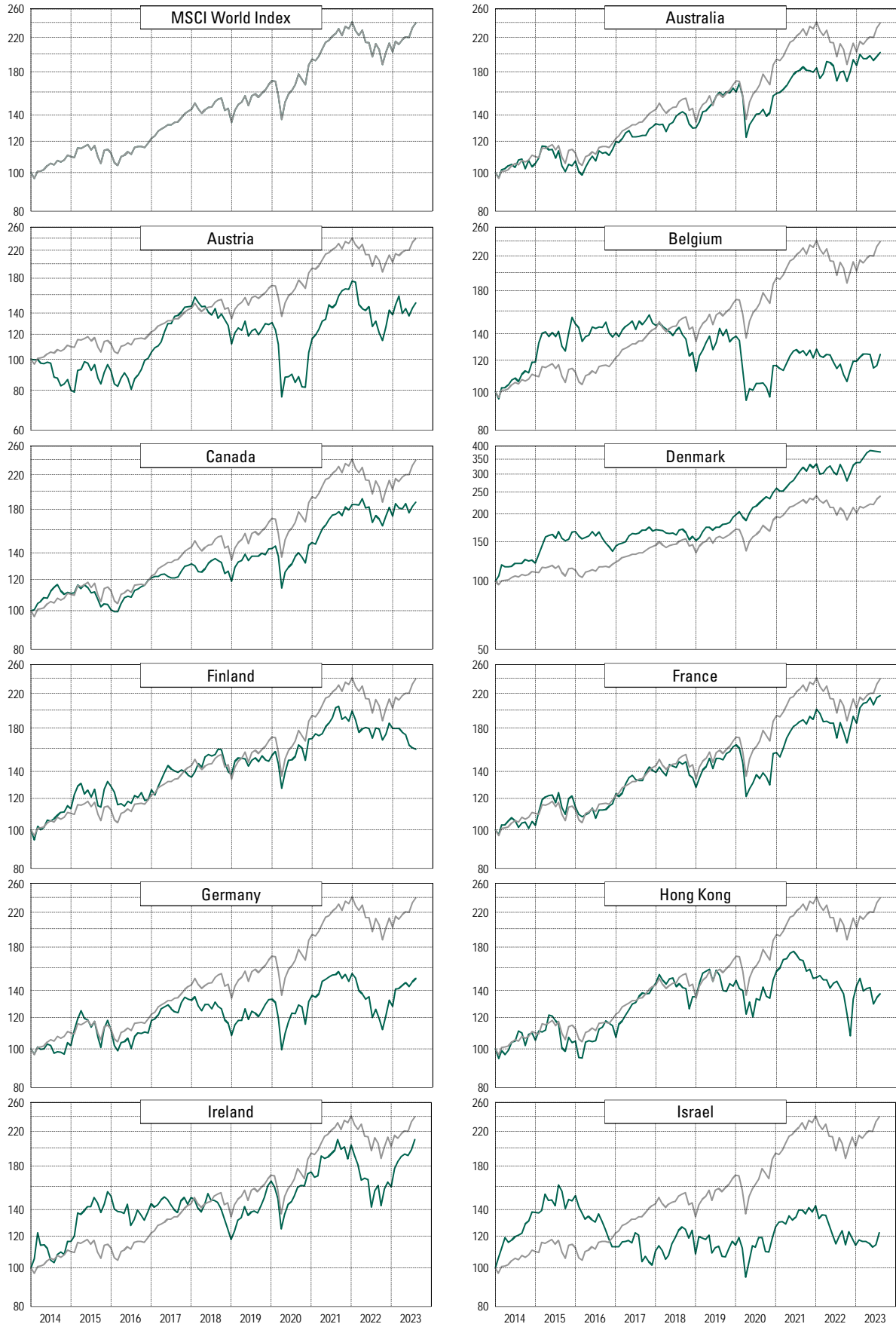
### Developed Markets Regions, World and Country Selection Strategy

<b>MSCI World Index (CW)</b>	2.9	8.5	18.5	3.4	8.5	19.0	2.3	8.7	15.1
<b>KAM World Index (EW)</b>	2.5	3.0	12.4	4.1	3.5	14.4	3.0	3.6	10.7
<b>MSCI EAFE Index</b>	1.7	3.7	14.0	3.2	3.4	15.3	2.2	3.5	11.6
<b>MSCI Europe Index</b>	1.5	0.9	12.2	3.1	1.7	17.1	2.0	1.8	13.3
<b>Top Value Strategy*</b>	2.6	3.8	12.7	4.3	4.3	14.1	3.2	4.4	10.5

\* 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: July 31, 2023

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# MSCI National Markets vs. MSCI World Index

Total Returns in Local Currencies with Net Dividends Reinvested

