

Value seeker keeps feet on firm ground

Global Advantage Funds' Michael Keppler tells Angus Foote political stability is key in selecting emerging markets

Michael Keppler runs a successful emerging markets fund without finding it necessary to visit the countries where he invests.

Many emerging markets fund managers spend much of their time in the air, travelling to the countries in their investment universe. But Mr Keppler sees no need for time-consuming country visits and says he can assess markets more accurately by analysing and comparing data.

Mr Keppler is the principal of Keppler Asset Management and alongside co-manager Brad Aham he runs the Global Advantage Funds Emerging Markets High Value fund, which is domiciled in Luxembourg but registered for sale in Germany.

The pair are currently ranked joint first in the Equity Emerging Markets Global sector for their average monthly performance over three years.

German-born Mr Keppler is based in New York, where he has worked since 1983. Although the registered manager of the fund is State Street Global Advisors, as investment adviser to the fund Mr Keppler developed the process it uses and is responsible for all the investment decisions.

Each month he selects the

markets he considers most attractively valued, taking the MSCI Emerging Markets index as his benchmark. The actual security selection is then carried out by State Street's team, but Mr Keppler says he knows exactly what his colleagues at State Street are doing and he has the right to veto any of their stock picks.

The tie-up with State Street was driven by commercial logic, he explains. When he launched the fund he had investment know-how but no money, so State Street provided resources and complementary skills.



Michael Keppler: 'Some markets disqualify themselves'

His allocations, creating what he calls value-tilted portfolios, keep the fund sector-neutral within each country he chooses. But while he may have the same percentage as the benchmark in oil stocks, for example, that percentage may be made up of a different set of companies.

One of his most successful country calls was to buy into the Czech Republic in late 1995 and sell out in December 2005, having seen an annual growth rate of 21 per cent over that period.

In many other emerging markets political stability remains a key issue for a fund manager. "Avoidance of expropriation is the biggest challenge we have in emerging markets," Mr Keppler says. "Some markets disqualify themselves."

He cites Venezuela as an example. "It's currently one of the most attractive markets, but unfortunately it is also one of the most corrupt," he says.

So Venezuela is not in the portfolio. Turkey is currently the biggest weighting at 13 per cent, with Russia, Brazil and Korea all on 12 per cent. The biggest stock holdings are Russia's Lukoil and mining company Anglo American, both making up 4.4 per cent of the fund, fol-

The Citywire league table: Equity Emerging Markets

Manager name	3-year average monthly performance (%)	Funds managed
Brad Aham	3.22	Global Advantage Funds Emerg Mkts High Value
Michael Keppler	3.22	Global Advantage Funds Emerg Mkts High Value
Bernard Paporone	2.94	EuroAction: Emerging
Wen Zhang Goldberg	2.91	Carmignac Emergents
Alejandro Barcia	2.89	Rainbow Emerging Markets Equities
Jesus Christian	2.89	Rainbow Emerging Markets Equities
Oscar Moreno	2.89	Rainbow Emerging Markets Equities
Gottfried Heller	2.88	Pro Fonds (Lux) Emerging Markets
Angelika Millendortler	2.85	Raiffeisen-Eurasian-AktienFonds A
James Donald	2.80	Lazard Emerging Markets Growth Retail Income
John Paul Smith	2.78	Pictet F Emerging Markets-P. Swisscanto (CHF) Equity Fd Emerging Markets
Wojciech Stanislowski	2.78	Magellan
Vincent Strauss	2.78	Magellan
Wim Hein Pals	2.75	Robeco Emerging Mkts Equities EUR D-Shares
Austin Forey	2.75	JPM Emerging Markets A Acc, JPM Emerging Markets Equity A (dist) S
Average Manager	2.35	

Source: Citywire

lowed by Samsung Electronics at 3.4 per cent and Petróleo Brasileiro at 3.0 per cent.

Before he moved to New York Mr Keppler worked in Frankfurt as an analyst covering natural resources. In 1983 he was sent by his employer Commerzbank to the US to train with some of Wall Street's leading investment banks. He went on to

head the global investment strategy and portfolio management departments at Commerzbank Capital Markets in New York. He started his own investment management firm in 1992.

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