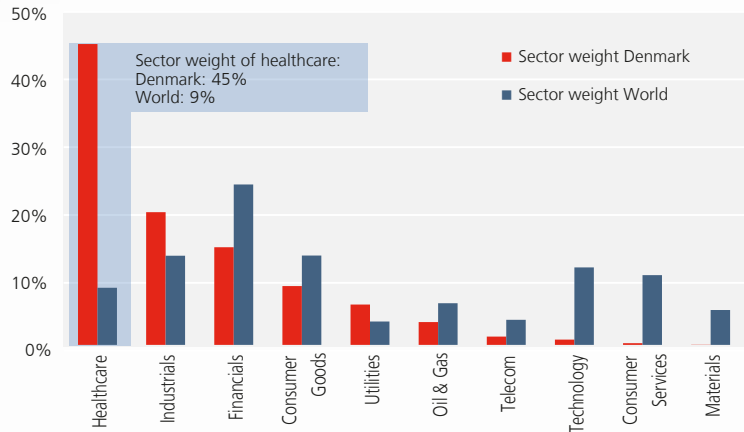


Country valuation differences often caused by sector structure

Example Denmark: high healthcare exposure explains more than half of the overvaluation

Danish sector structure relative to World AC



Significant global healthcare valuation premium

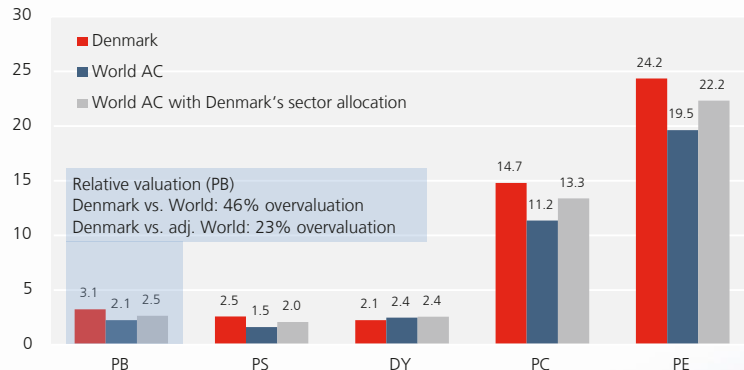
From a Price-to-Book perspective, Denmark (PB 3.1) trades at a 46% premium to the Datastream All Country World index (PB 2.1). This statistic does not tell the full story, however. Healthcare companies make up 45% of Denmark's market capitalization, but only 9% of the worldwide market capitalization.

Since 1995, the MSCI World Healthcare sector has traded at an average PB premium of 86% relative to the market (PB 4.5 vs. 2.4). The premium was observed each month and ranged between 30% and 200% (bottom chart). **Is it realistic to expect that Denmark with 45% exposure in a naturally more expensive sector ever reaches average valuation**, or should investors take different sector structure into account?

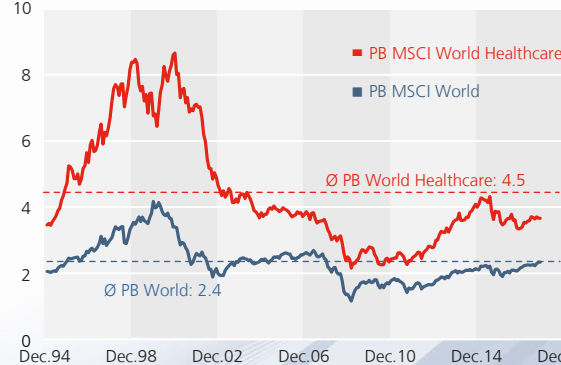
To determine to what extent valuation discounts and premiums of a country can be explained by its sector weights, we adjust the world's sector weights to match those of the country. After matching the exact Danish sector weights in our worldwide universe, the Danish overvaluation decreases from 46% to 23%.

Sector impact on international PB undervaluation

Country	PB	World	PB World sect. adj.	Discount World	Discount sect. adj.
Australia	2.1	2.1	1.7	-4%	20%
Austria	1.4	2.1	1.5	-35%	-6%
Belgium	2.1	2.1	2.7	-3%	-22%
Brazil	1.7	2.1	1.7	-18%	2%
Canada	1.9	2.1	1.6	-12%	16%
China	1.0	2.1	1.3	-53%	-23%
Czech	1.5	2.1	1.5	-30%	1%
Denmark	3.1	2.1	2.5	46%	23%
Finland	2.1	2.1	2.0	-4%	2%
France	1.8	2.1	2.4	-15%	-23%
Germany	1.9	2.1	2.1	-11%	-9%
Hong Kong	1.7	2.1	1.8	-22%	-9%
Hungary	1.5	2.1	1.5	-28%	1%
India	3.0	2.1	1.9	41%	58%
Ireland	1.9	2.1	2.0	-11%	-6%
Israel	1.3	2.1	1.7	-39%	-23%
Italy	1.3	2.1	1.7	-37%	-21%
Japan	1.4	2.1	2.2	-32%	-34%
Korea (South)	1.2	2.1	2.2	-46%	-46%
Malaysia	1.6	2.1	1.8	-26%	-12%
Mexico	2.2	2.1	2.3	4%	-3%
Netherlands	2.0	2.1	2.3	-5%	-12%
New Zealand	2.0	2.1	2.3	-6%	-12%
Norway	1.8	2.1	1.6	-16%	12%
Poland	1.4	2.1	1.5	-35%	-6%
Portugal	1.6	2.1	1.7	-27%	-5%
Russia	0.8	2.1	1.4	-61%	-41%
Singapore	1.2	2.1	1.7	-43%	-27%
South Africa	2.0	2.1	1.8	-7%	11%
Spain	1.6	2.1	1.8	-27%	-12%
Sweden	2.1	2.1	2.0	-1%	5%
Switzerland	2.7	2.1	2.4	26%	11%
Taiwan	2.0	2.1	2.3	-7%	-13%
Thailand	2.1	2.1	1.7	-1%	25%
Turkey	1.4	2.1	1.6	-35%	-15%
United Kingdom	1.9	2.1	2.0	-12%	-7%
United States	3.2	2.1	2.5	52%	30%
World AC	2.1	2.1	2.1	0%	0%
Developed Markets	2.2	2.1	2.2	3%	-1%
Emerging Markets	1.8	2.1	1.7	-17%	5%
Europe	1.9	2.1	2.1	-11%	-10%



Average world healthcare valuation premium: 86%



The top chart shows the sectors in the Datastream DK Market Index and the corresponding weights of the Datastream All Country World Index. The healthcare sector is shaded blue due to the big difference in sector weighting across Denmark and World Index. To determine to what extent valuation discounts and premiums of a country can be explained by its sector weights, we adjust the world's sector weights to match those of the country. Note: MSCI: Neither MSCI nor any other party involved in or related to compiling, computing or creating the MSCI data makes any express or implied warranties or representations with respect to such data (or the results to be obtained by the use thereof), and all such parties hereby expressly disclaim all warranties of originality, accuracy, completeness, merchantability or fitness for a particular purpose with respect to any of such data. Without limiting any of the foregoing, in no event shall MSCI, any of its affiliates or any third party involved in or related to compiling, computing or creating the data have any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages. No further distribution or dissemination of the MSCI data is permitted without MSCI's express written consent. Source: StarCapital as of 11/30/2017.