



Frontier Markets

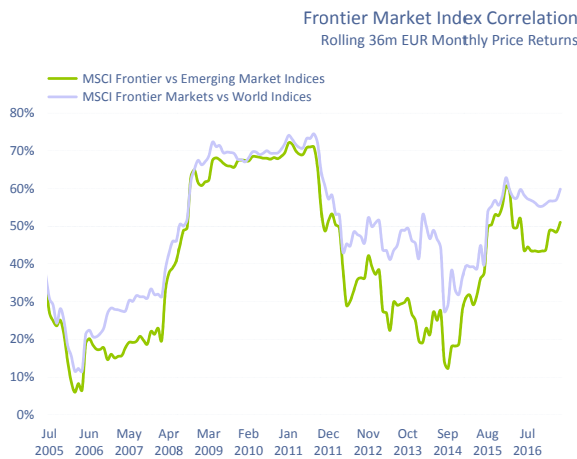
An exciting investment opportunity



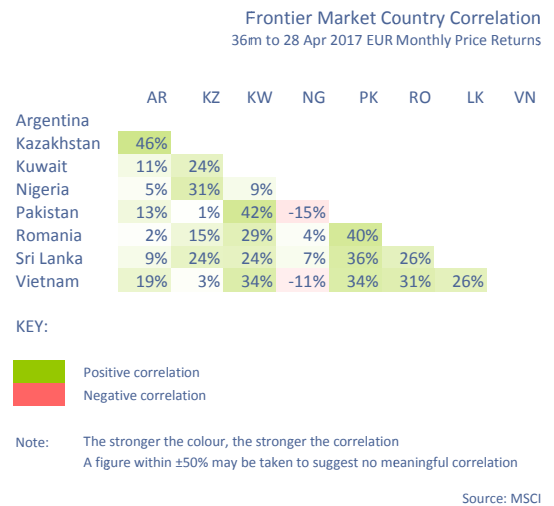
Dominic Bokor-Ingram
outlines the investment case for frontier markets

May 2017

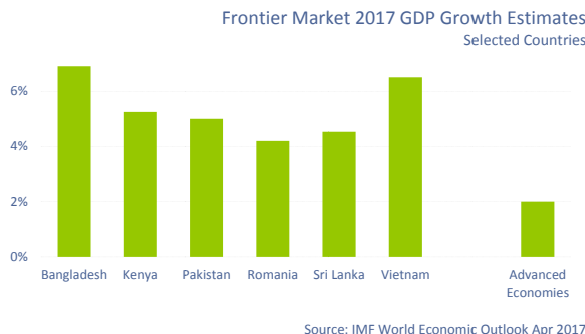
Frontier markets are a collection of around 150 countries that do not feature in the developed or emerging market indices as a result of their lesser developed status. Rather than a single asset class, we look at these countries as a series of individual opportunities where stockmarkets are driven by domestic, rather than global, factors. This leads to the first big positive for frontier markets: very low correlation both with global markets and also between most individual frontier markets.



Source: MSCI



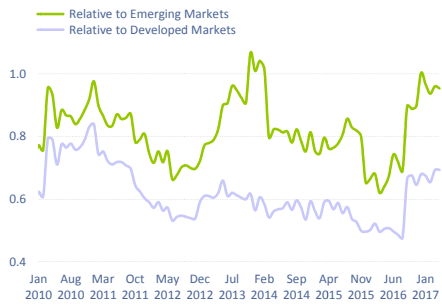
The second big positive is the number of very strong growth stories within the frontier markets universe, despite the lack of growth evident across many developed and emerging economies. This growth is being driven by political, economic and stockmarket reform.



In a world where developed economies are forecast to grow by just 2% in 2017, we are heavily invested in countries such as Vietnam and Pakistan, where the economies are expected to grow by 5% or more this year, as well as Romania, where growth of 4-5% is forecast (making Romania amongst the fastest growing economies in Europe).

Having established the potential of a country to achieve long-term sustainable growth, our investment process focuses on finding companies with exceptionally strong management that can take advantage of this growth. Our portfolios are therefore focused on domestically-orientated companies in sectors that are geared to the success of a country such as banking, telecoms, healthcare and consumer-related businesses. As well as spending a long time with management before we make an investment in any company, we also undertake extensive corporate governance due diligence to ensure that we are protected as minority shareholders and that our interests are aligned with management.

Frontier Market Price Earnings Ratios
Trailing



Source: Bloomberg

After nearly five years of underperformance with respect to developed markets, emerging markets have suffered from a lack of investor focus and frontier markets have been tarred with the same brush. As a result, frontier market valuations are currently very low in both absolute and relative terms. On an absolute basis, frontier markets are as cheap as they have ever been since the first index was launched in 2007. In addition, they are trading at near record high discounts to both developed and emerging markets.

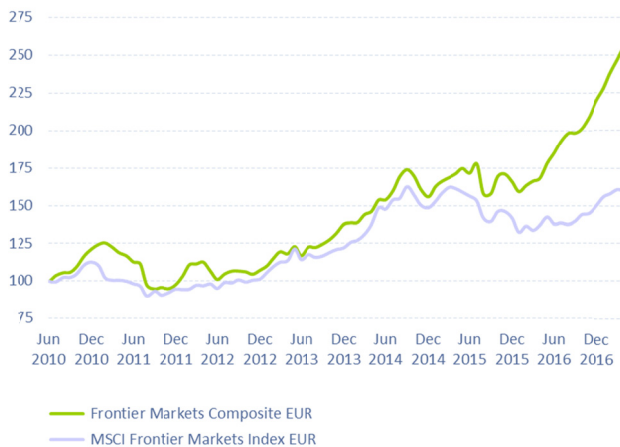
Bull Points:

- Strong economic growth leading to high company earnings growth
- Low correlation to global markets and between frontier markets
- Cheap valuations

Bear Points:

- Countries can change tack quickly and need to be monitored closely
- Investor focus dominated by larger emerging markets

Investors can access frontier markets via Charlemagne Capital's Magna New Frontiers Fund, the performance of which forms part of our Frontier Markets Composite, as shown below.



Period to 28 Apr 2017	Fund	Index	Relative
1 Month	3.6%	-0.6%	4.3%
3 Months	12.3%	2.5%	9.9%
From 30 Dec 2016	16.7%	6.7%	10.0%
1 Year	52.2%	16.5%	35.7%
Annualized data:			
3 Years	20.6%	5.1%	15.5%
5 Years	17.9%	10.5%	7.4%
Since inception (30 Jun 2010)	14.8%	7.1%	7.7%

Gross EUR

Chart rebased to 30 Jun 2010 = 100

Fund returns are based on a composite of all share classes

The Index is the MSCI Frontier Markets Index

Charlemagne Capital's Frontier Markets Composite consists of fee-paying discretionary portfolios with a remit to invest solely in frontier markets. Composite performance figures are shown gross, ie before fees, in EUR. The Index is the MSCI Frontier Markets Index. Charlemagne Capital claims compliance with the Global Investment Performance Standards (GIPS®), as verified for the period 1 Jun 2000 through 31 Dec 2016 by Ashland Partners. A copy of the verification report and a presentation that adheres to GIPS standards are available upon request.

Source: Charlemagne Capital, MSCI

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