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Funds

New fund to invest in frontier markets makes its debut

Pakistan, Argentina, Vietnam and Kenya. These are some of the countries on which institutional investors and fund managers are placing their bets, especially after the slow-down in Chinese growth.

In the language of finance they're called frontier markets. And, according to the experts, they offer a mix of interesting growth prospects to investors, not least with a view to portfolio diversification. So much so that Banor Capital, an independent UK-based fund management firm in which Banor SIM holds a stake, has just launched the Aristeia SICAV New Frontiers Equity fund in Italy with the research team at Kallisto Partners, an independent firm based in Rome and specialising in quantitative methodologies.

"The fund invests primarily in markets in the early stages of economic and financial development, with a low correlation with more developed markets and favourable growth trends", explains Giacomo Mergoni, Banor Capital's CEO. "The portfolio is composed 40/60 of stocks with the focus on the financial and telecommunications sectors and essential goods".

According to Helman Sitohang, CEO for the Asia Pacific region at Crédit Suisse, "a handful of Asian frontier markets, including countries like Mongolia, Sri Lanka and Vietnam, offer a mix of interesting growth prospects for expert investors. In Vietnam, reforms such as the privatisation of state-controlled companies is an important factor underpinning growth. And the progress seen in Pakistan has recently led some operators to raise the country's status from frontier to emerging market, thanks to reforms introduced over the last few years, including the conversion of its stock exchanges into shareholder-owned companies.