

## **THE NEW EMERGING MARKETS? THEY'RE AT THE FRONTIER**

**The International Monetary Fund hails them as the fastest growing economies. They also boast attractive valuations and dividends to beat anything offered by developed and emerging markets**

They remain little known to investors and are therefore often underweighted in portfolios. And yet, experts say that frontier markets, with their high growth potential but lower capitalisation than emerging markets, can be a good way to diversify portfolio compartments already allocated to emerging economies. In the words of Andrea Federici, portfolio manager at Banor Capital and manager of the Aristeia Sicav New Frontiers Equity fund, "last year, frontier markets showed greater resilience than developed and emerging markets. The International Monetary Fund also hails them as the fastest growing economies". Annual GDP growth forecasts for the 2022-2026 five-year period point to a rate between 7% and 8%, compared to 3% for developed countries and 5% for emerging nations. For Federici, this segment is attractive for "the interesting valuations (the price/earnings ratio of the Msci Frontier Markets Index is 14.81 against the 20.20 of the Msci Acwi Index) and dividends higher than those of the developed and emerging markets (the dividend yield for the Msci Frontier Markets Index is 2.78% compared to 1.84% of the Msci Acwi Index)".

### **SPOTLIGHT ON VIETNAM**

Among the markets to consider, Federici suggests Vietnam and Kenya, which are currently benefiting from the shift of global sourcing production centres away from emerging countries and are enjoying strong digital expansion. "We are also positive about some of the Balkan countries such as Slovenia and Romania, which have recently offered many investment opportunities, especially in ESG terms". As regards the allocation percentage: "we think about 5% is a good portion in a balanced portfolio with a medium risk profile".