CITY OF LONDON
Investment Management Company Limited

Frontier Markets Semi-Annual Outlook

February 2024*

Overview

Backdrop More Favourable for Frontier Markets

The prospect of Federal Reserve (Fed) rate cuts, lower bond yields, and a softer US dollar point to a more supportive environment for frontier markets (FM). The FM universe is diverse, and we prefer markets exposed to trends like friend-shoring (Vietnam) and decarbonisation (Kazakhstan).

The environment for FM has improved and is more favourable than six months ago. Developed market (DM) central banks, led by the US Fed, have signalled the end of their tightening cycles and the prospect of rate cuts as inflation continues to edge down. Historically, a fall in bond yields has consistently followed the last Fed rate hike, which should temper US dollar strength. Meanwhile, timely surveys suggest that global growth has slowed but is still resilient. The US economy keeps defying expectations, while policymakers in China continue to introduce stimulus measures to stabilise the domestic economy.

Focusing on FM, a softer US dollar, easier DM monetary policy and falling commodity prices mean that most of the key headwinds of the past few years are set to fade. There are still some downside risks to FM, ranging from an eventual US slowdown to ongoing El Niño-related disruptions. Additionally, Sri Lanka and Ukraine are in the midst of a sovereign default and war respectively, rendering them uninvestable for the time being. But overall, we hold a constructive view on FM equities. Market-friendly reforms are underway in countries such as Kazakhstan and Bangladesh, while Argentina's new president attempts to address the country's macroeconomic imbalances. Climate change is a perennial risk, and FMs are projected to be more vulnerable to the fallout. The IMF's Resilience and Sustainability Facility, which has so far administered financing to Morocco and Bangladesh, is one way that countries prepare their economies for climate change. Relatedly, the push to decarbonise the global economy presents opportunities for Kazakhstan and Morocco, who are endowed with uranium reserves and green hydrogen production feed respectively.

Market Strategy

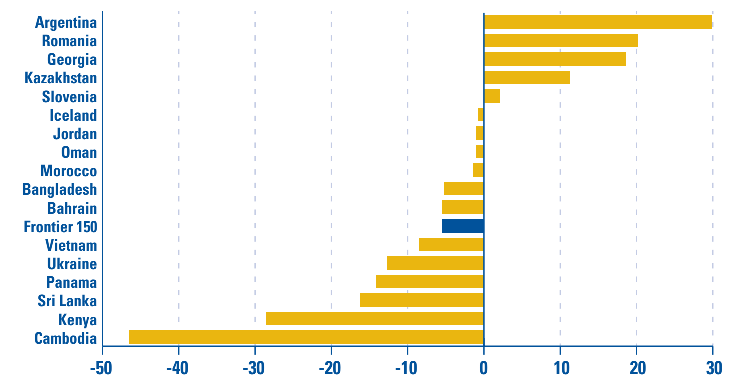
FM equities, as measured by the MSCI FM 100 Net TR Index, outperformed emerging market (EM) equities (MSCI EM Net TR Index) by 5.7% points over August-January. Both underperformed DM equities (MSCI World Net TR Index) over the same period as US equities rallied following the Fed's perceived pivot at the December FOMC meeting. Despite outperforming EM, FM equities still screen cheap in relative terms. The 12M forward P/E for the MSCI FM100 Index is at a nearly 40% discount to EM, wider than its five-year average discount of 20%.

In terms of country allocation, we continue to prefer Vietnam and Kazakhstan. In Vietnam, we seek to gain exposure to friend-shoring trends. Our overweight in Kazakhstan reflects our slightly optimistic view on oil and uranium prices, the latter being driven by decarbonisation demand. We stay underweight in Argentina as legislative delays and hurdles reduce the chance that the new administration's key reforms will succeed. Nigeria was removed from the benchmark S&P Extended Frontier 150 in November due to market liquidity issues.

We only make one change to our allocation:

- Downgrade **Romania** to *underweight*. Relatively expensive valuations vs its historical average, ongoing twin deficit problems, and the economy's close connection to beleaguered eurozone economy mean that we reduce our position to *underweight*.

Chart 1: S&P Extended Frontier 150 Net Total Return USD, Aug 23-Jan 24



Source: S&P

Allocation Breakdown

	Chg	-2	-1	0	+1	+2
Latin America						
Argentina	-		■			
Middle East and North Africa						
Morocco	-			■		
Asia						
Vietnam	-					■
Bangladesh	-			■		
Kazakhstan	-				■	
Europe						
Romania	↓		■			

Note: Up/down arrows indicate a positive/negative change in our asset allocation compared to the previous outlook. A dash indicates no change.

Source: City of London Investment Management

**The publication reflects asset performance up to 31 January, 2024, and macro events and data releases up to 8 February, 2024, unless indicated otherwise.*

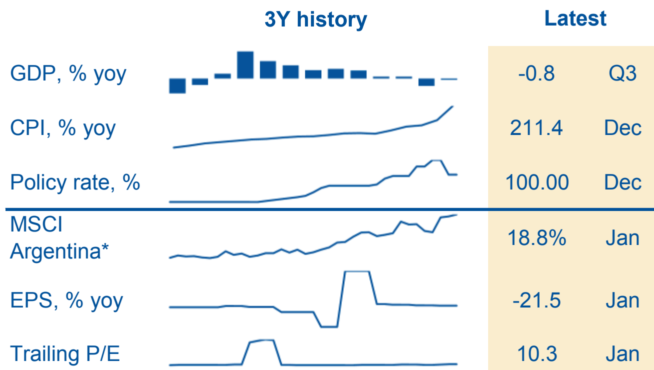
Authorised and regulated by the Financial Conduct Authority. Registered as an Investment Advisor with the SEC. Registered Office: 77 Gracechurch Street London EC3V 0AS

Latin America

Argentina

Underweight

President Milei's reforms are much needed, but success is not guaranteed due to high political uncertainty.



	3Y history	Latest	
GDP, % yoy		-0.8	Q3
CPI, % yoy		211.4	Dec
Policy rate, %		100.00	Dec
MSCI Argentina*		18.8%	Jan
EPS, % yoy		-21.5	Jan
Trailing P/E		10.3	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*
For reference, the S&P Argentina BMI has a large weighting to Mercado Libre.

Source: Bloomberg

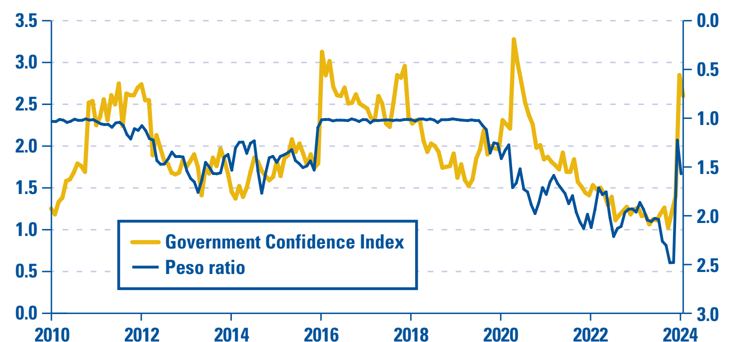
Recently elected President Javier Milei, who won with a larger-than-expected 56% of the votes in November's run-off, has hit the ground running by unveiling economic measures best described as "shock therapy". They have included drastic fiscal adjustments to achieve a balanced budget by the end of 2024, a significant devaluation in the official peso exchange rate, ending central bank financing of the government, an Emergency Decree, and a key reform bill (Omnibus bill). Financial markets have welcomed these measures and they have the IMF's backing, who have extended the programme and have strengthened program targets. Following the 50% devaluation in the official rate, the parallel exchange rate strengthened, narrowing the gap between the two rates.

All the reforms set out by President Milei are long overdue and a step in the right direction in addressing Argentina's macroeconomic imbalances. In theory, these measures will lead to higher inflation in the short term due to peso devaluation and easing of price controls. A contraction in economic activity is likely to follow, which will help correct the external balance and rebuild foreign reserves. There are some early signs that the Milei administration's measures are starting to take effect, as foreign reserves have been gradually ticking up. The rebound in agriculture output following last year's drought will be one bright spot for the economy.

The road ahead is still very challenging. The fact that the fiscal chapter had to be removed from a slimmed-down version of the proposed Omnibus bill to pass the lower house highlights how fragmented the legislature is. The labour chapter of the Emergency Decree has been ruled unconstitutional and suspended. While President Milei and his team have acknowledged that things will worsen before they get better, the public has limited patience. The IMF noted high levels of uncertainty around the programme, with the risks skewed to the downside. Former President Macri's (2015-2019) gradualist approach and the ensuing sharp loss in public support serves as a reminder of the fragility of the social aspect of fixing the economy.

The uncertainty facing the new government is why we are sticking with our underweight view. A polarised legislative body raises the risk that these reforms are not implemented fully or in time, causing financial markets and the public to become impatient. We track three indicators to assess how the reforms are progressing: 1) the Torcuato Di Tella's monthly Government Confidence Index; 2) the Misery Index (the combined headline inflation rate and unemployment rate); and 3) the spread between the parallel and official peso exchange rate, which can be taken as a proxy for macro imbalances. As expected, the headline inflation rate jumped from 160.9% yoy to 211.4% in December. If inflation does not start to slow down in H2 and the Government Confidence Index falls, the credibility of President Milei's agenda will be undermined, adding further resistance in the legislature. The Government Confidence Index has historically had a close relationship with the parallel and official peso exchange rate ratio, as periods of rising macro imbalances have coincided with falling support for the government (see Chart 2).

Chart 2: Government Confidence Index and Peso Ratio



Source: Bloomberg

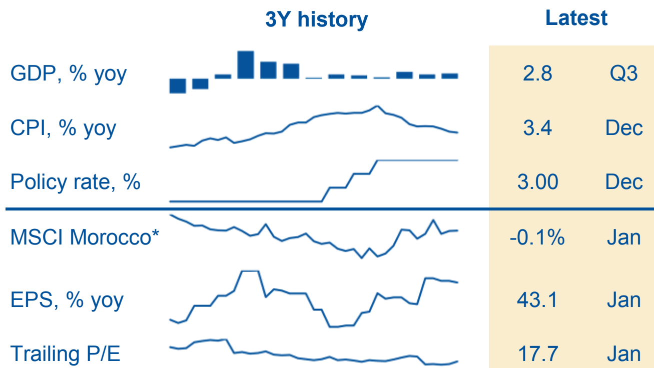
Market Strategy: The MSCI Argentina trades at a premium to FM100, above its five-year average. If the measures we track suggest that the government's efforts are starting to bear fruit, there is scope for further upside in asset prices. We would revisit our position at that point. But we think the risks are tilted to the downside and see the likelihood of reform success as low given the many legislative hurdles facing the government. As such, we stay *underweight*.

Middle East and North Africa

Morocco

Neutral

Steady economic outlook but lingering risks from droughts and eurozone softness.



	3Y history	Latest	
GDP, % yoy		2.8	Q3
CPI, % yoy		3.4	Dec
Policy rate, %		3.00	Dec
MSCI Morocco*		-0.1%	Jan
EPS, % yoy		43.1	Jan
Trailing P/E		17.7	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Morocco's economic outlook is more stable than its FM peers, but its equity market screens expensive. Growth should pick up this year as remittances are strong and tourism continues to recover. Export growth is supported by automobiles and textiles, helping to narrow the current account deficit. The slowdown in Europe is a risk.

The country is likely heading into its sixth year of drought, which will drag on the all-important agricultural sector. Recent droughts underscore Morocco's sensitivity to climate change and the urgency to make the country more climate-proof. In September, the IMF approved a $1.32 billion loan under the new Resilience and Sustainability Facility to help the country address climate vulnerabilities and invest in decarbonisation. Morocco's endowment of natural resources (sunlight, wind, hydrogen) means it is well placed to benefit from renewable energy sources, albeit substantial investment in this area is needed.

Headline inflation continues to fall despite the removal of the remaining fuel and food subsidies. With inflation under control, Bank Al-Maghrib will likely keep rates on hold after hiking rates by 150bps. Fiscal consolidation will be delayed by reconstruction spending following the Marrakesh-Safi earthquakes. Nonetheless, the IMF assesses Morocco's debt as "sustainable" and the overall risk of sovereign stress as "moderate".

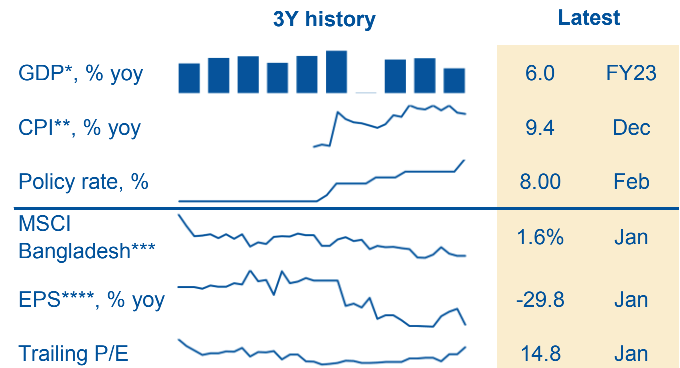
Market Strategy: Morocco's equity market valuation remains expensive, with the 12M forward P/E premium to FM100 above its five-year average. With no clear catalyst to warrant a change in allocation, we stay *neutral*.

Asia

Bangladesh

Neutral

The economy is still fragile; however, the rollout of IMF-approved reforms is encouraging.



	3Y history	Latest	
GDP*, % yoy		6.0	FY23
CPI**, % yoy		9.4	Dec
Policy rate, %		8.00	Feb
MSCI Bangladesh***		1.6%	Jan
EPS****, % yoy		-29.8	Jan
Trailing P/E		14.8	Jan

**Annual GDP for 12 years.*
***Series starts in May 2022*
****US$ total return relative to MSCI FM 100. Latest is six-month return.*
*****EPS excluding extraordinary items.*

Source: Bloomberg

Bangladesh continues to make progress under its IMF loan programme, but the near-term outlook is soft. Import restrictions have hampered private sector activity, while elevated inflation and tight policy eat into household purchasing power. As such, growth has primarily been driven by exports, while remittance growth has been robust in response to the improved incentive rules. As such, the current account deficit has narrowed sharply from 4.1% of GDP in FY22 (July 2021-June 2022) to 0.7% in FY23 (July 2022- June 2023).

Bangladesh Bank (BB) has liberalised market interest rates in line with its commitment to the IMF and hiked the policy rate by a further 25bps in January, bringing the total amount of tightening to 250bps. While BB has adopted a unified single exchange rate, it has yet to fully transition to a market-based exchange rate system as per the IMF's recommendation. Downward pressure on the taka has resulted in falling international reserves, causing Bangladesh to miss its IMF target at end-September 2023. The BB is contemplating a move to a crawling peg with bands that would eventually widen in the medium term to limit disruptions. Such a move would help build external resilience and attract remittances through official channels.

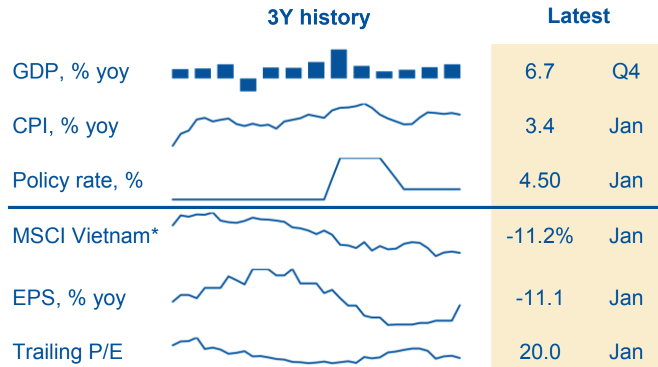
Vulnerabilities in Bangladesh's banking sector persist, with elevated non-performing loans (NPL), particularly for state-owned commercial banks. The BB has set a roadmap to reduce the overall NPL ratio to 8% by 2026. Meanwhile, the IMF considers Bangladesh to have a low risk of external and overall debt distress.

Market Strategy: The authorities are enacting reforms promptly and in line with IMF recommendations. Nevertheless, valuations for MSCI Bangladesh are not favourable, with the 12M forward P/E premium to FM100 above its five-year average. Additionally, the economic backdrop is soft, so we keep our *neutral* allocation.

Vietnam

Overweight

Valuations have improved, and we favour Vietnam as it is well placed to benefit from friend-shoring trends.



	3Y history	Latest	
GDP, % yoy		6.7	Q4
CPI, % yoy		3.4	Jan
Policy rate, %		4.50	Jan
MSCI Vietnam*		-11.2%	Jan
EPS, % yoy		-11.1	Jan
Trailing P/E		20.0	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*

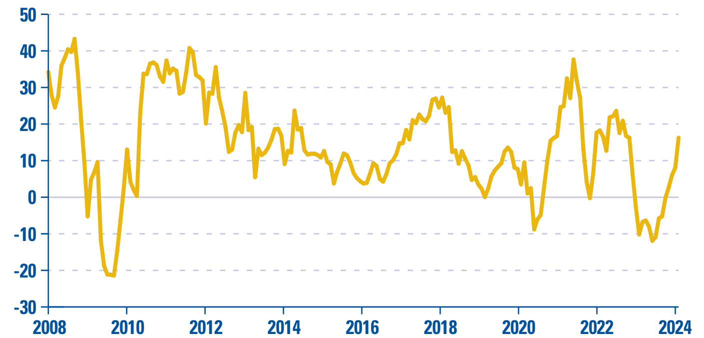
Source: Bloomberg

Following a sharp slowdown in GDP growth from 8% in 2022 to 5.1% in 2023, Vietnam's economy entered 2024 on a firmer footing, which should help buoy the stock market. Inflation will likely remain below the State Bank of Vietnam's (SBV) target of 4.5% as core price pressures continue to fall. El Niño, however, presents an upside risk for food and energy prices. The SBV is therefore expected to keep the policy rate stable over 2024 after cutting rates by a cumulative 150bp last year, supporting credit demand.

Fiscal policy is also expected to remain ample in 2024, given sizeable infrastructure spending plans and an increase in public sector pay, as per the Budget. There is a risk that realised spending continues to undershoot the Budget as anti-corruption campaigns have led to delays in government projects lest government officials are seen as being wasteful. The budget deficit is projected to narrow a touch in 2024.

On the external front, the rebound in exports signals a bottoming in domestic manufacturing (see Chart 3). Indeed, the manufacturing PMI moved back into expansionary territory in January due to an improvement in new orders. However, a maturing global cycle will keep a lid on the recovery. Combined with the ongoing recovery in tourism receipts, the current account balance should remain in a surplus. A strong current account surplus and FDI inflows will cover capital outflows, which have increased as the interest rate differential between Vietnam and the US has grown. Fed rate cuts expected this year should alleviate some downward pressure on the dong.

Chart 3: Vietnam Exports, 3mma %yoy



Source: Bloomberg

The real estate sector appears to have stabilised but remains a weak spot in the economy. Loose monetary policy and an improvement in administrative procedures should support the property market.

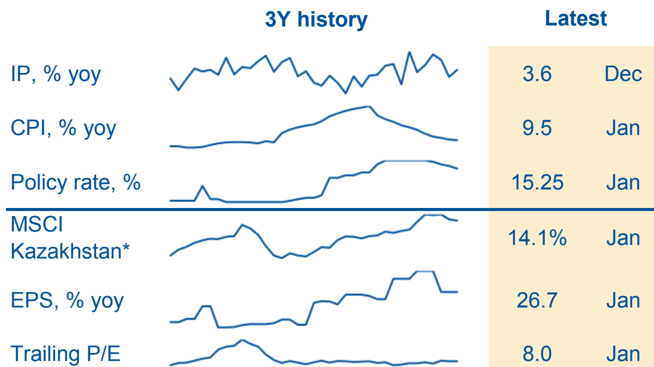
The biggest driver of our positive medium-term view is Vietnam's position as a key beneficiary of supply chain shifts away from China. FDI inflows into manufacturing were resilient in 2023, rising by 32% yoy. This momentum continued into 2024, with FDI rising by 40% yoy in January. Encouragingly, the real estate sector led the other sectors, accounting for 54% of total registered capital. The introduction of the 15% Global Minimum Tax on multinationals should not hinder investment, as tax incentives have not been the main driver of multinationals' investment decisions in Vietnam. One could even argue that the new tax could force Vietnam to address structural issues to continue attracting FDI, strengthening its case to graduate to EM status.

Market Strategy: Following a rebound for most of 2023, Vietnam's stock market stumbled in response to concerns over rising US dollar financing, highlighted by Vingroup's plan to issue bonds. As a result, market valuations have improved. The 12M forward P/E premium to FM100 is approaching its five-year average. We still hold an optimistic view of Vietnam as it stands to benefit from friend-shoring. We stay *overweight*.

Kazakhstan

Overweight

We favour Kazakhstan due to its solid fiscal position and abundance of hydrocarbons and uranium reserves.



	3Y history	Latest	
IP, % yoy		3.6	Dec
CPI, % yoy		9.5	Jan
Policy rate, %		15.25	Jan
MSCI Kazakhstan*		14.1%	Jan
EPS, % yoy		26.7	Jan
Trailing P/E		8.0	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Kazakhstan's enviable fiscal position leaves its economy well placed to weather lower oil output in line with the OPEC+ agreement and delays in the Tengiz oil field expansion. The composite PMI remained below 50 in January due to weakness in the services sub-component.

The government has introduced fiscal rules to reduce its reliance on oil revenues; however, adherence has been slow as its low public debt levels (c.20% of GDP) afford policymakers room to keep fiscal policy loose and supportive. The EIA projects a balanced global oil market this year, with risks to oil prices skewed to the upside due to Middle East tensions. Nonetheless, the IMF estimates Kazakhstan's budgetary/fiscal breakeven oil price at $99/bl, so fiscal consolidation efforts will need to be stepped up eventually. The current account is likely to remain in a deficit on the back of weaker oil output. Large FX sales from the sovereign wealth fund (NFRK), which must convert a share of its FX oil revenues to tenge to finance the budget, should limit tenge weakness.

The National Bank of Kazakhstan (NBK) will continue to cut rates, albeit prudently, given ongoing inflationary pressures, which are above the 5% target rate. Nonetheless, even with further rate cuts, the real policy rate will stay elevated.

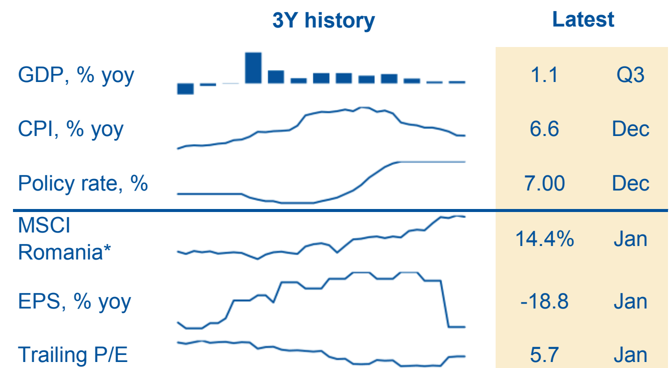
Market Strategy: The MSCI Kazakhstan Index outperformed over the past six months. Market valuations, however, still appear attractive on a 12M forward P/E relative basis. Kazakhstan's economic backdrop is solid, and we favour the country to gain oil exposure given heightened geopolitical risks. Additionally, as home to the world's largest primary uranium producer, Kazatomprom (28% of the MSCI Index), Kazakhstan stands to gain from the growing decarbonisation demand for uranium. We stay *overweight*.

Europe

Romania

Underweight (↓)

A large twin deficit and close proximity to slowing eurozone economy will weigh on Romanian equities.



	3Y history	Latest	
GDP, % yoy		1.1	Q3
CPI, % yoy		6.6	Dec
Policy rate, %		7.00	Dec
MSCI Romania*		14.4%	Jan
EPS, % yoy		-18.8	Jan
Trailing P/E		5.7	Jan

**US$ total return relative to MSCI FM 100. Latest is six-month return.*

Source: Bloomberg

Romania's economy has held up; however, risks emanating from its twin deficits and stretched valuations mean we are turning negative on Romanian equities. Romania's budget deficit ended 2023 at 5.7% of GDP, missing the government's target of 4.4%. The government introduced a new pension law that will see the retirement age for women increase along with indexation based on average inflation rates. While the pension system will be fairer and reduce spending in the long run, the cost of the new law will be high over the coming years due to recalculations, keeping the budget deficit wide. Romania is the only EU member subject to the Excessive Deficit Procedure, which means there will be pressure to accelerate fiscal consolidation via tax reforms. Upcoming elections this year will likely result in political continuity but could add to fiscal pressures. The current account deficit is also projected to remain wide but slightly narrow. However, eurozone weakness is a risk.

Economic activity is set to pick up, consistent with the rise in the Economic Sentiment Indicator in January. Robust real wages have supported household spending but have also kept service price pressures elevated. As such, headline inflation is unlikely to reach the target band until 2025. Nevertheless, the National Bank of Romania (NBR) has highlighted that rate cuts could start to be discussed once inflation drops below the policy rate of 7%, meaning policy will remain on hold until at least Q2 as per the NBR's inflation projections.

Market Strategy: After outperforming over the past six months, MSCI Romania's 12M forward P/E relative to FM100 is above its five-year average. The market looks expensive on other metrics too. We are wary of Romania's ongoing twin deficit issues and its proximity to the eurozone economy. As a result, we downgrade our allocation to *underweight*.

The information contained herein is obtained from sources believed by CLIM to be accurate and reliable. No responsibility can be accepted under any circumstances for errors of fact or omission. Any forward looking statements or forecasts are based on assumptions and actual results may vary from any such statements or forecasts.

KEY ECONOMIC AND FINANCIAL INDICATORS

	Frontier Market	Macroeconomic Data: % change on year ago: Annual GDP Growth YoY	Quarterly GDP Growth QoQ*	Industrial Production Growth YoY	Consumer Price Index YoY	Latest 12 months: Trade Balance	Current Account	Foreign Reserves 2023 Latest	Foreign Reserves 2022 Year Ago	Currency vs $ 2024 Latest	Currency vs $ 2023 Year ago	Sovereign Rating S&P	Budget Balance % of GDP 2024F**	Short-Term Interest Rates	Market Performance: % S&P Frontier 150 Index***	Stock Market Index (S&P Frontier 150 Index) US$	Change since 12/29/23 US$	Change since 12/29/23 Local	Trailing P/E	Forecast (Bloomberg)†: 6 month Currency vs $ +/-
		%	%	%	%	$ Bns	$ Bns	$ Bns	$ Bns					%	Jan. 31, 2024	Jan. 31, 2024	%	%		
Overweight	VIETNAM	6.7	n.a.	18.3	3.4	27.0	27.4	87.2	84.1	24424.0	23576.0	BB+	-3.6	4.2	13.8	476.4	-0.7	-0.0	20.0	+
Overweight	KAZAKHSTAN	4.9	n.a.	3.6	9.5	17.8	-9.7	14.8	12.8	448.2	451.9	BBB-	-2.5	n.a.	11.5	279.7	-0.7	-2.2	8.0	n.a.
Neutral	BAHRAIN	2.5	n.a.	n.a.	-0.3	8.2	6.8	3.2	3.3	0.4	0.4	B+	-2.7	6.2	1.0	5146.7	5.6	5.7	6.8	uc
Neutral	BANGLADESH	6.0	n.a.	n.a.	9.4	-27.8	3.5	18.2	30.0	109.6	106.5	BB-	n.a.	6.8	1.9	1317.5	-1.0	-1.0	14.8	n.a.
Neutral	CAMBODIA	5.3	n.a.	n.a.	2.7	n.a.	-0.3	15.6	16.1	4075.0	4096.0	NR	n.a.	1.6	0.5	580.9	-14.8	-14.8	n.a.	n.a.
Neutral	GEORGIA	9.4	n.a.	n.a.	0.0	-7.9	-1.1	4.4	4.4	2.6	2.7	BB	-2.4	9.8	4.1	2748.7	-1.3	-1.6	19.3	n.a.
Neutral	ICELAND	1.7	-15.2	n.a.	6.7	-17.1	-1.3	4.9	5.2	137.8	142.9	A+	n.a.	9.3	11.9	801.4	3.0	3.5	45.4	n.a.
Neutral	JORDAN	2.7	n.a.	-2.1	2.0	n.a.	-2.5	13.5	13.3	0.7	0.7	B+	-4.5	7.3	1.2	901.5	6.9	6.8	4.3	n.a.
Neutral	MOROCCO	2.8	n.a.	-3.5	3.4	-16.8	-0.8	32.7	28.9	10.1	10.3	BB+	-4.6	3.1	13.0	1249.2	0.4	1.7	86.0	n.a.
Neutral	OMAN	3.1	n.a.	n.a.	0.6	n.a.	5.8	15.6	15.2	0.4	0.4	BB+	1.5	6.0	4.5	4386.0	2.1	2.1	12.3	uc
Neutral	PANAMA	9.0	n.a.	n.a.	2.0	-1.5	-1.3	5.4	6.1	1.0	1.0	BBB	-3.2	1.5	4.2	5990.5	-8.4	-8.4	6.3	uc
Neutral	SLOVENIA	1.1	-0.8	-10.2	3.3	-1.5	2.3	0.9	0.8	1.1	1.1	AA-	-3.4	1.9	3.7	2114.6	3.7	5.5	6.3	+
Underweight	SRI LANKA	1.6	n.a.	10.8	6.4	-4.9	n.a.	1.7	2.1	312.7	365.1	SD	-7.6	14.3	0.2	1066.2	-6.9	-9.1	28.3	n.a.
Underweight	UKRAINE	9.3	2.8	13.7	4.7	-26.3	-9.8	36.4	27.4	38.1	36.9	CCC	-17.9	10.4	0.5	168.9	-0.2	-1.7	0.1	n.a.
Underweight	KENYA	5.9	5.4	n.a.	6.9	-11.3	n.a.	6.9	6.9	157.4	125.3	B	-4.9	9.1	1.0	1353.2	-4.3	-2.2	5.5	-
Underweight	ARGENTINA	-0.8	10.8	-13.3	211.4	-6.9	-16.5	27.1	41.4	831.3	190.2	CCC-	-2.8	106.1	18.9	7585.4	7.2	9.6	10.3	-
Underweight	ROMANIA	1.1	3.6	-4.4	6.6	-31.4	-23.6	62.8	50.7	4.6	4.6	BBB-	-5.3	6.0	8.0	3342.5	0.2	2.0	5.7	-

*Note: All data shown are as at February 13, 2024 unless otherwise stated. S&P credit rating shown is long-term foreign currency rating. * % change in GDP on previous quarter, annual rate.*
***Any forecasts are based on Bloomberg consensus forecasts, where available, and assumptions. Actual results may vary from any such statements or forecasts. Past performance is no guarantee of future results.*
****S&P/IFCG Extended Frontier 150 Net Total Return Index. Data are the latest available, but in certain cases relate to periods more than one year ago.*

Source: Bloomberg, City of London Investment Management

CITY OF LONDON
Investment Management Company Limited

Contacts

Macroeconomic Analysis

Yasemin Engin, London Office
Phone: 011 44 207 711 1551
E-Mail: yasemin.engin@citlon.co.uk

Justin Kariya, London Office
Phone: 011 44 207 711 1558
E-Mail: justin.kariya@citlon.co.uk

Tom Traill, London Office
Phone: 011 44 207 860 8316
E-Mail: tom.traill@citlon.co.uk

London Office
77 Gracechurch Street
London EC3V 0AS
United Kingdom
Phone: 011 44 20 7711 0771
Fax: 011 44 20 7711 0774
E-Mail: info@citlon.co.uk

Philadelphia Office
17 East Market Street
West Chester, PA 19382
United States
Phone: 610 380 2110
Fax: 610 380 2116
E-Mail: info@citlon.com

Singapore Office
20 Collyer Quay
10-04
Singapore 049319
Phone: 011 65 6236 9136
Fax: 011 65 6532 3997

Website

www.citlon.com
www.citlon.co.uk

Important Notice

City of London Investment Management Company Limited (CLIM) is authorised and regulated by the Financial Conduct Authority (FCA) and registered as an Investment Advisor with the Securities and Exchange Commission (SEC). CLIM (registered in England and Wales No. 2851236) is a wholly owned subsidiary of City of London Investment Group plc. (CLIG) (registered in England and Wales No. 2685257). Both CLIM and CLIG have their registered office at 77 Gracechurch Street, London, EC3V 0AS, United Kingdom.

While CLIM has used reasonable care to obtain information from reliable sources, no representations or warranties are made as to the accuracy, reliability or completeness of third party information presented herein. No responsibility can be accepted under any circumstances for errors of fact or omission. Some of the information in this document may contain projections or other forward looking statements regarding future events or future financial performance of countries, markets or companies. These statements are only predictions as of the date of this document which could change without notice and actual events or results may differ.

This document does not constitute an offer to sell or the solicitation of an offer to buy any securities. Nothing herein should be construed as investment advice to buy or sell any securities. Past performance is not a guide to future results. The value of an investment and any income from it can go down as well as up and investors may not get back the original amount invested.

The S&P Extended Frontier 150 consists of 150 of the largest and most liquid stocks from 36 frontier markets. The index is designed to be a diversified, yet investable portfolio of frontier market stocks. S&P® is a registered trademark of Standard & Poor's Financial Services LLC (S&P); and this trademark has been licensed for use by S&P Dow Jones Indices LLC and sublicensed for certain purposes by CLIM. CLIM's financial products are not sponsored, endorsed, sold or promoted by S&P, its respective affiliates and third party licensors and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability in relation thereto, including for any errors, omissions, or interruptions of any index.

The MSCI Frontier Markets 100 Index is a representative and more easily replicable alternative to its broader parent index, the MSCI Frontier Markets IMI. The MSCI Frontier Markets 100 Index includes approximately 100 of the largest and most liquid constituents of the parent index. 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.

The Bloomberg Terminal service and data products are owned and distributed by Bloomberg Finance L.P. ("BFLP"). BFLP believes the information herein came from reliable sources, but does not guarantee its accuracy. No information or opinions herein constitutes a solicitation of the purchase or sale of securities or commodities.