

Quick Take: Frontier markets—low valuations, attractive prospects

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Frontier market relative valuations: Near historic lows

- Relative to emerging and developed markets, frontier market price-to-earnings ratios are approaching the depths last seen during the Global Financial Crisis. (top chart)
- This comparative discount reflects both towering DM and EM valuations as well as the disproportionate impact of the COVID crisis on frontier.

Institutional flows: Net redemptions in recent years

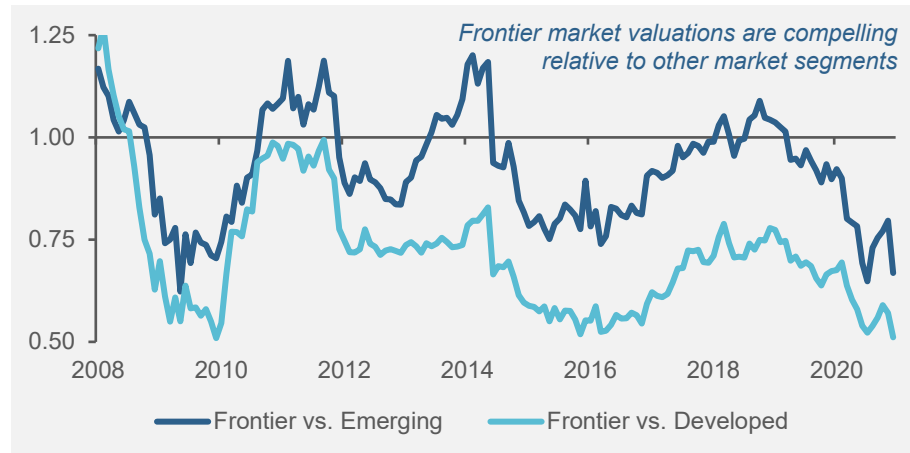
- Since 2017, frontier strategies have experienced net outflows. Cumulative flows, in fact, are essentially flat since 2012. (bottom chart) As a result, several asset managers have shuttered their frontier strategies.

Fundamentals remain enticing

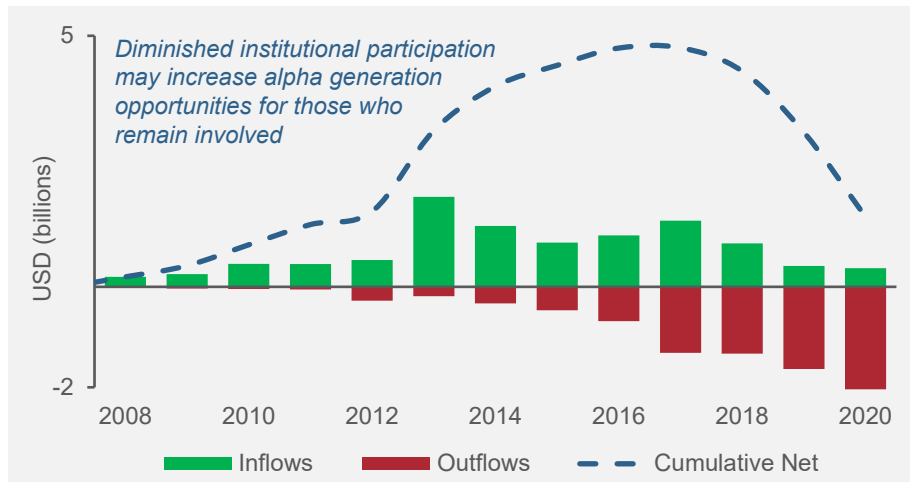
- The growth outlook for frontier countries remains encouraging given favorable demographics, relatively low levels of government and corporate debt, and supportive macroeconomic factors. Although the relationship between GDP growth and equity returns is complex, we see current relative valuations as an attractive entry point.
- Furthermore, we believe that diminished focus on frontier from the institutional active management community will create greater opportunity for those skilled active managers who remain focused on these markets.

Top chart: Ratio of trailing twelve-month P/E ratio for MSCI Frontier Markets relative to MSCI Emerging Markets and MSCI World. It is not possible to invest directly in an index. Every investment program has the opportunity for losses as well as profits. Past results are not indicative of future results Bottom chart: Cumulative asset flows in the eVestment Frontier Markets universe.

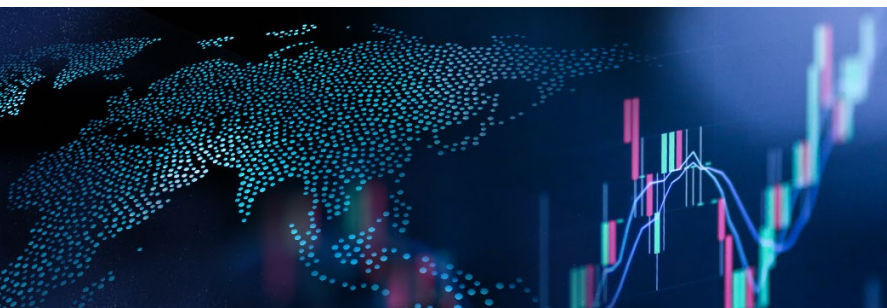
Relative P/E Ratios: Frontier versus Emerging and Developed Markets



Institutional Asset Flows



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