

The other bull market:

Frontier markets continue to climb

John Malloy, Co-head, Emerging and Frontier Markets

James Johnstone, Co-head, Emerging and Frontier Markets

Nick Smithie, Head of Thematic Research, Emerging and Frontier Markets

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While most of the investing world has been preoccupied with AI, the MSCI Frontier Markets Index has been quietly pushing through new highs. Reform-driven return potential combined with low valuations and strong diversification benefits – particularly against a backdrop of heightened energy volatility – suggests these markets may deserve a larger role in global equity allocations.

Chart 1: MSCI Frontier Markets: Total return (USD)



Source: Bloomberg, 30 April 2026. Index shown is the MSCI Frontier Markets Net Return USD Index. Past performance is not a guide to future results. The prices of investments and income from them may fall as well as rise and an investor's investment is subject to potential loss, in whole or in part.

Performance, income and value support

This bull market has been underway for the past three years, over which time Frontier Markets have outperformed both MSCI US and MSCI Global equity indices.

Index	1-year return %	3-year return %
MSCI Frontier	50.7%	23.9%
MSCI All Country World	31.6%	20.3%
MSCI US	30.8%	21.8%

Source: Bloomberg, 30 April 2026. Past performance is not a guide to future results. The prices of investments and income from them may fall as well as rise and an investor's investment is subject to potential loss, in whole or in part.

What sets the MSCI Frontier Market Index apart from other equity indices is its unusually high dividend yield of 5.2%. Dividends have accounted for over half of the annual 7.7% total return since inception in May 2002, and five countries in the index have a dividend yield that is higher than the P/E ratio, which is one of the signs of unusually low valuations.

Country	Dividend Yield %	P/E Ratio
Kazakhstan	9.2	7.2
Kenya	7.5	5.6
Mauritius	7.2	5.9
Nigeria	10.3	4.6
Pakistan	8.6	6.0
MSCI Frontier Index	5.2	11.6

Source: Bloomberg, 30 April 2026. The information shown above is for illustrative purposes.

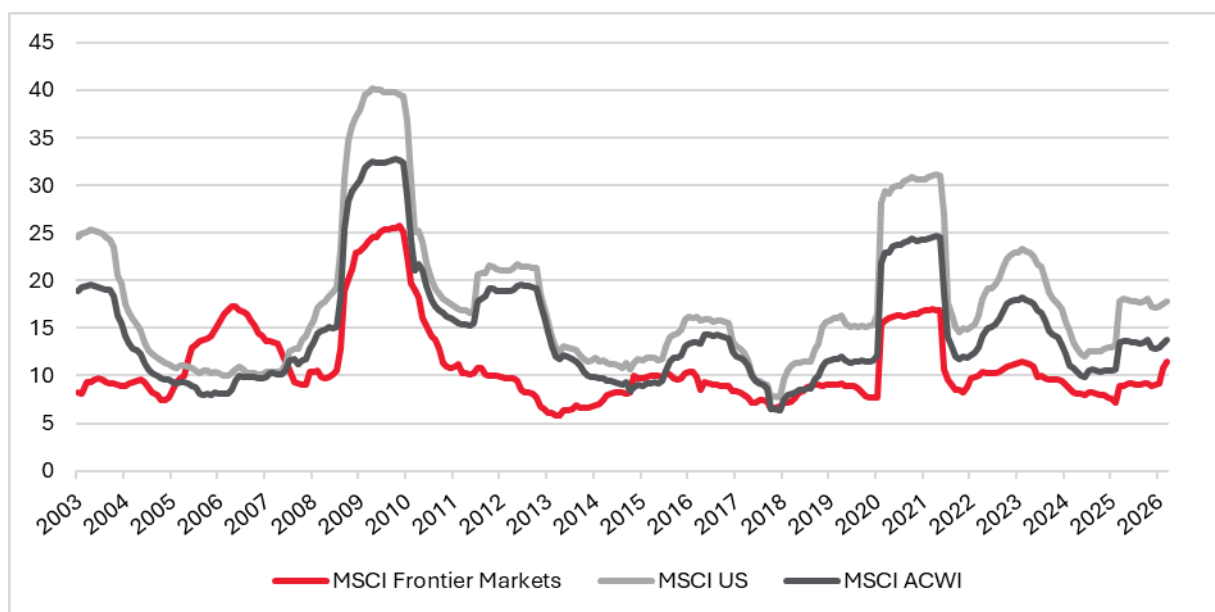
The high dividend yield, being a value factor, is one of the characteristics that helps diversify global equity portfolios that might be dominated by US equities and the growth factor. Correlations with other global equity indices are very low.

	MSCI FM	MSCI EM	MSCI EAFE	MSCI US
MSCI FM	1.00	0.63	0.65	0.56
MSCI EM	0.63	1.00	0.86	0.74
MSCI EAFE	0.65	0.86	1.00	0.86
MSCI US	0.56	0.74	0.86	1.00

Source: Bloomberg, 30 April 2026. Correlations between the MSCI Frontier Market index and major global equity indices. The information shown above is for illustrative purposes.

Low correlation is matched with low volatility. Perceptions of high volatility are misplaced; the MSCI Frontier Markets Index has demonstrated lower volatility than the US and the rest of the world throughout its existence, even during the shocks of the Global Financial Crisis in 2008 and the COVID-19 pandemic in 2020.

Chart 2: Frontier Markets vs US and Global indices – 360-day volatility (%)



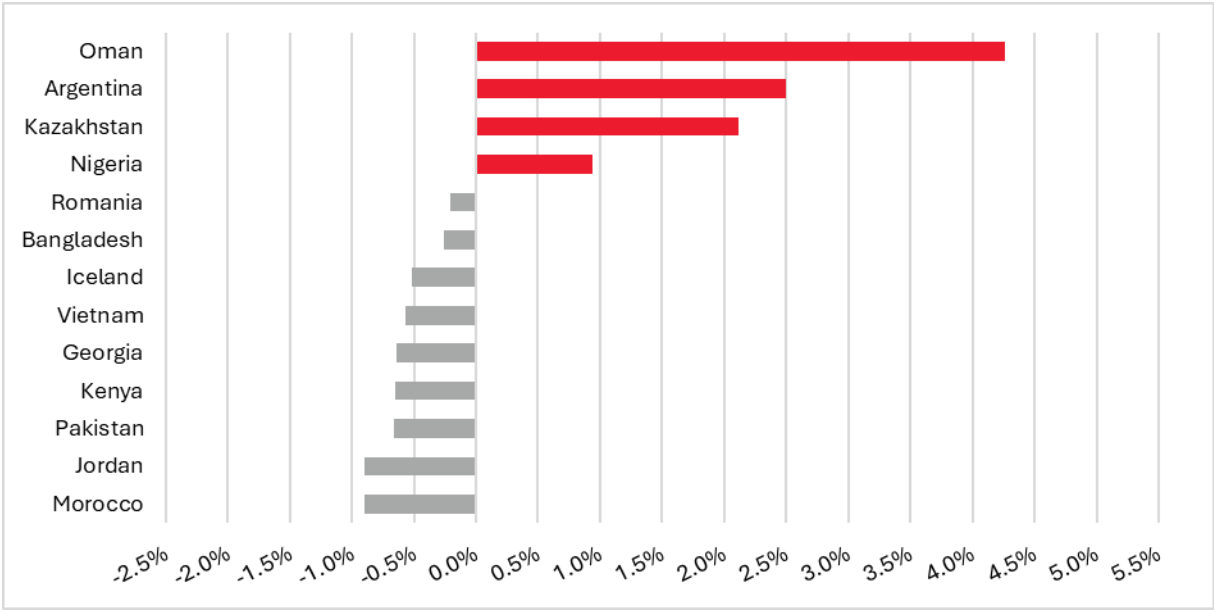
Source: Bloomberg, 30 April 2026. Annualized volatility (%) – 360-day trailing window. Past performance is not a guide to the future. The information shown above is for illustrative purposes.

These features of low correlation and volatility mean that allocations to Frontier Market equities can be larger than presumed in efficient portfolios.

Structural support and rerating potential

Various idiosyncratic features of frontier markets boost their appeal during the present period of global conflict and high concentration of equity indices in the technology sector. First, many frontier countries produce and export oil and other agricultural and industrial commodities that have risen rapidly in price since the outbreak of the US war with Iran at the end of February 2026. These include: Argentina, Kazakhstan, Nigeria and Oman, all of which have outperformed since the outbreak of war and the increase in the price of oil.

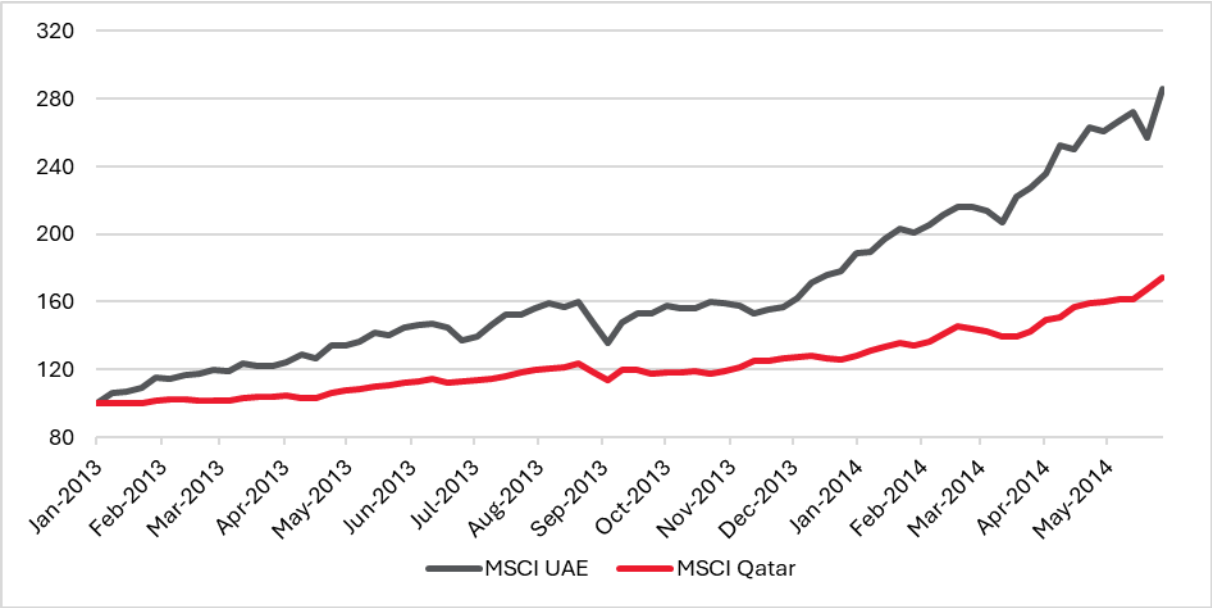
Chart 3: Impact on current account from every \$10 per barrel increase in oil price as a % of GDP



Source: Redwheel, Tellimer, World Bank, OECD, 31 December 2024. Estimates assume no wartime disruption to volumes. The information shown above is for illustrative purposes.

The subsequent improvement in the current account and terms of trade makes it easier for countries such as Argentina and Nigeria to continue their economic reforms. The largest country in the Frontier Market index, Vietnam, has seen such successful economic and financial market development that it is to be promoted from frontier to secondary emerging market status by FTSE Russell from September 2026, and could be reclassified by MSCI by 2030. The movement from a junior to a senior index is an important signal to investors that can encourage flows and generate significant market performance around the time of the reclassification, as happened with Qatar and UAE, which appreciated by 55% and 97%, respectively, in the year between the announcement in June 2013 and movement to emerging market status in May 2014.

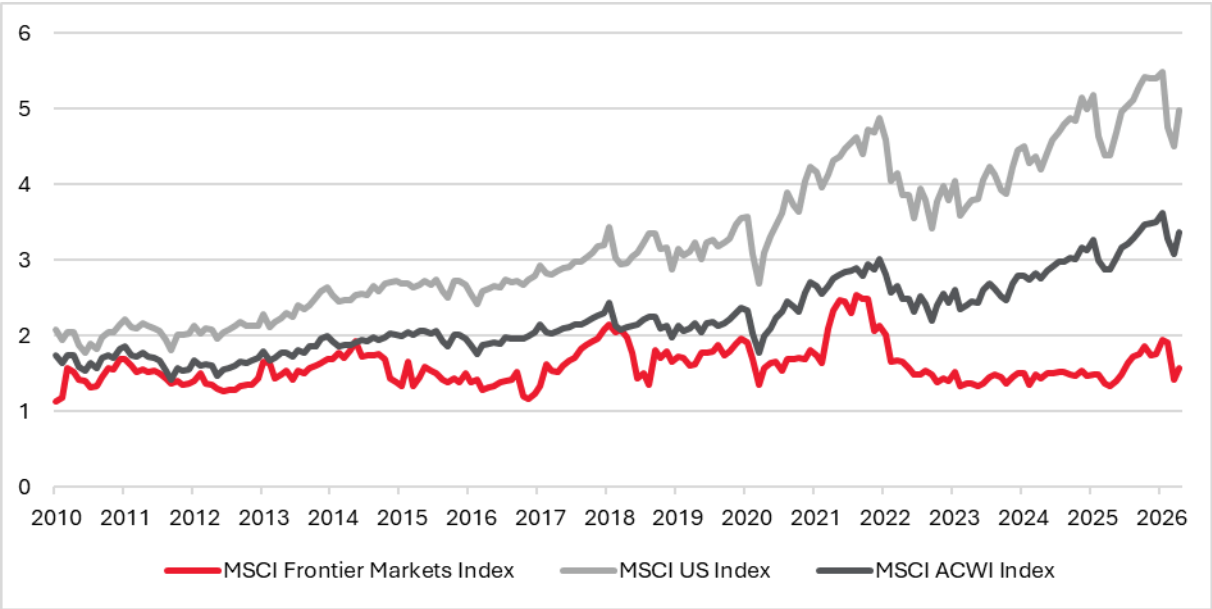
Chart 4: Upgrade of MSCI UAE and MSCI Qatar: Total Return from 2013-May 2014 (normalized to 100)



Source: Bloomberg, 30 April 2026. Indices shown are the MSCI United Arab Emirate Index Net Total Return USD Index and MSCI Qatar Net Total Return USD Index. Past performance is not a guide to the future. The information shown above is for illustrative purposes.

Despite strong performance, frontier markets are still anchored in low valuations, trading on discounts of 70% and 54% to MSCI US and MSCI All Country World indices, respectively.

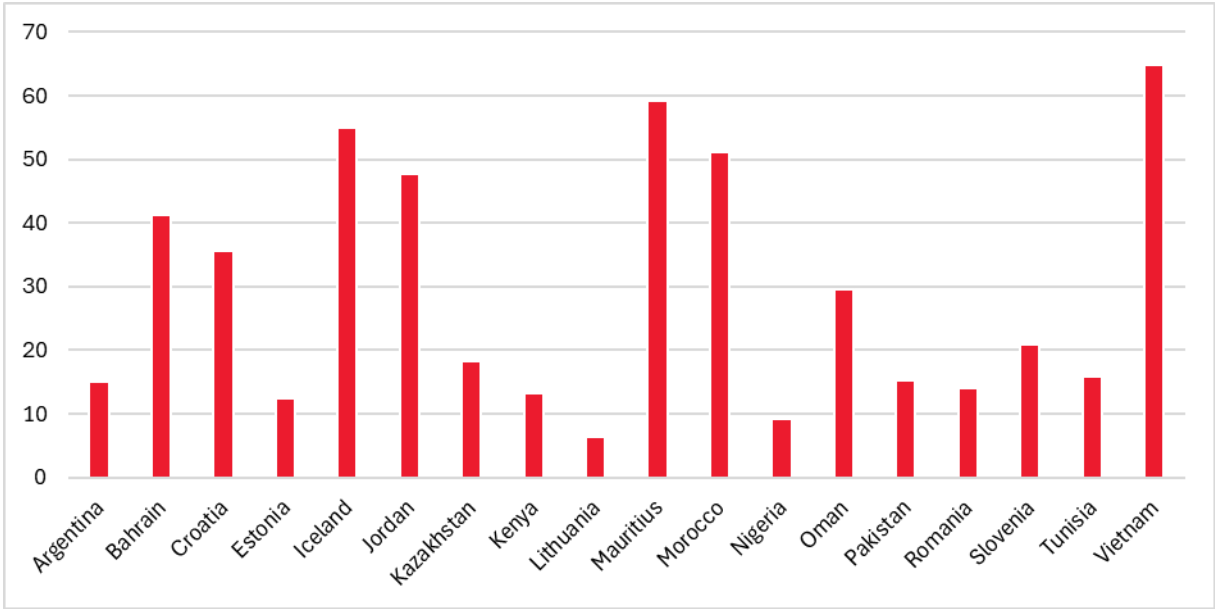
Chart 5: Frontier Markets vs US and Global indices – Price-to-book ratio



Source: Bloomberg, 30 April 2026. Past performance is not a guide to future results. The prices of investments may fall as well as rise and an investor's investment is subject to potential loss, in whole or in part.

Low market capitalization-to-GDP ratios in most frontier markets suggests that the asset class can continue to deliver strong returns as it converges with the rest of the world, as superior growth is rewarded with higher valuations. At the same time, continued broadening and deepening of local capital markets should further encourage investment in equities.

Chart 6: Frontier markets - Market capitalization / GDP (%)



Source: Bloomberg, 30 April 2026. The information shown above is for illustrative purposes.

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E invest@redwheel.com | W www.redwheel.com

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