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In 2019, the fund returned +2.31% compared to the -2.10% of the benchmark (FTSE Frontier Markets Index).

Last year has witnessed a wide disparity in returns of the main benchmarks for Frontier Markets. In fact, while MSCI Frontier Markets Index returned +17.98%, FTSE Frontier Markets Index's performance, as mentioned above, was -2.10%. This difference is mainly due to the different market capitalisation profile of the two indices. In 2019, the return of the MSCI Frontier Markets Index was mostly driven by the good performances of the Big Caps. This is confirmed by the significant gap between MSCI Frontier Markets Index and MSCI Frontier Markets Small Cap Index performances (+17.98% vs -2.00%).

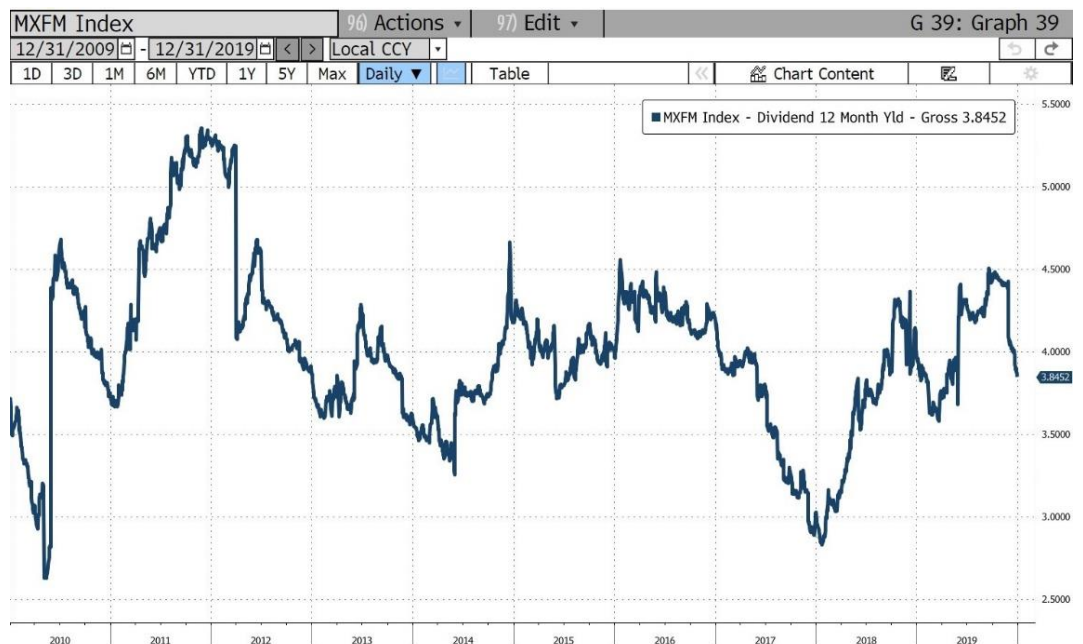
This is the reason why 2019 was a particularly challenging year for our strategy. Since our main objective is to capture the structural growth of Frontier Markets improving the risk-return profile, our portfolio is more diversified in terms of market capitalisation, as we never concentrate too much in a specific category.

Our analyses suggest that a rising interest in Large Cap companies can be reasonably considered as a proxy of investors activity in the asset class. This is a strong signal given by investors that do not want to "miss the boat".

In general, in the long-term, Mid and Small Cap companies tend to outperform Big Cap ones (as it happens in Developed and Emerging Markets); we believe that this gap will close over the medium-term and that now is the perfect time to invest in Frontier Markets.

We expect the fund to perform well in 2020, since Frontier Markets are supported by many positive factors:

- A high dividend yield at around 4% which makes these markets particularly attractive, even more considering the negative interest rates in many developed markets and the easing mode cycle in which now are world central banks.



NEW FRONTIERS EQUITY

Commentary 31 December 2019

- Increasing economic growth. The IMF estimates that global economic growth in 2020 will be around 3.4% compared to 3% in 2019. This acceleration is supported mostly by Emerging Markets and more specifically by Frontier Markets as growth for Developed Markets is flat at 1.7 %. The increase in economic growth differential between Frontier and Developed Markets represents the first signal of overperformance of Frontier Stock Markets, in line with what already happened in the past;
- Companies continue to show earnings growth rates of around 11% and currently present “cheap” valuation with a P/E of less than 10x. This level is considered by analysts as a good entry point since similar low valuation has occurred only 3 times in the last ten years.



Lastly, low correlation levels of Frontier Markets with both Developed and Emerging Markets indicate that these countries represent a strong alternative for investors who want to keep an equity exposure but are wondering how long equity rallies in the world's main equity markets will last.