

Aristea - New Frontiers Equity Fund

Commentary 31 March 2022

KALLISTO PARTNERS

Via Flaminia 21,
00196, Roma

Eagle House,
108-110 Jermyn Street,
SW1Y 6EE, London

www.kallistopartners.com

In the first quarter of 2022, the fund registered a -7.64% performance.

During the last few weeks of the quarter, the whole world looked at Ukraine and the invasion started by Russia at the end of February. The unexpected outbreak of the war brought volatility to the broader markets, which we managed by reducing our portfolio's exposure.

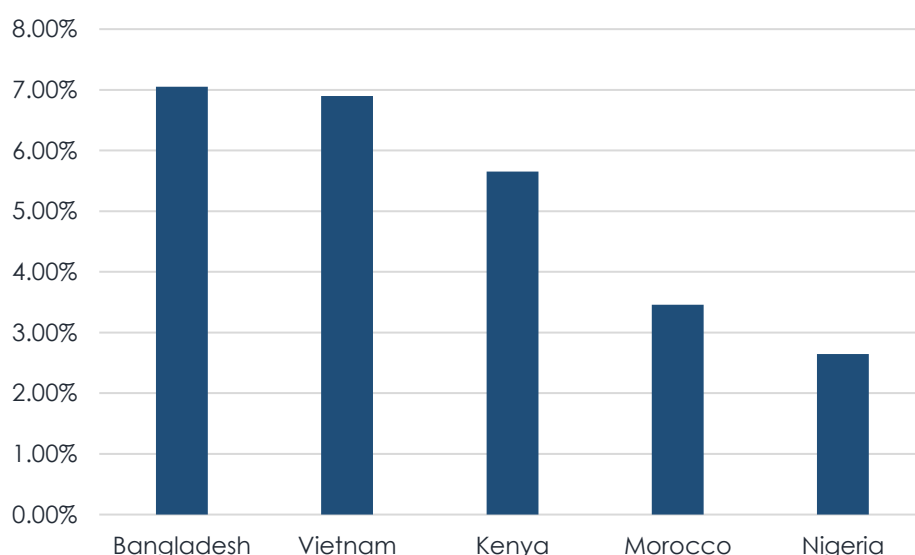
It is important to highlight that a significant part of our investments is in Asia and Africa, which have remained rather unscathed by recent events.

Equity investors are focusing on pricing in the long-term consequences of the economic sanctions that followed Putin's aggression. As one of the first results, we have started experiencing sharp rises in commodity prices. Higher prices can affect countries' trade balances and raise inflation.

However, the pressure that rising inflation and, more likely, raising interest rates could put on Frontier Markets is something to monitor but not necessarily be concerned about. In fact, as we documented in our latest white paper, Frontier Markets have a better ability to cope with inflated prices than more developed markets.

Moreover, the revised outlook of the IMF on economic growth still rewards Frontier Markets as the fastest growing economies in the world. Below are showed the average annual GDP growth rates based on the IMF's estimates for the period 2022-2026 for the top five markets in our portfolio, amounting to slightly over 60% of our exposure:

Exhibit 1: Average annual GDP growth forecasts 2022-2026 for our top five markets



Source: Bloomberg.

Note: future results are not guaranteed.

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At the end of March, the fund's PE stands at 8.72x, with an ROE during the current year expected to be 23.64% and a dividend yield estimated at 4.31%. Right now, it is impossible to measure the effect that strong external turmoil could have on our markets. However, we can safely state that at this level of profitability, the companies in our portfolio will be able to keep sustainably growing in the next future.