MEKETA

Frontier markets

WHITEPAPER
DECEMBER 2025

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In this paper we examine the composition of frontier markets, compare them to other international markets, as well as identify changes in the frontier markets universe over time. We analyze the case for investing in these markets and explore the intricacies of the space, such as liquidity and currency risks. We conclude by navigating the question of implementation, including the role of active and passive managers.

Key takeaways

→ **Evolving Market Composition**: Frontier markets have transformed significantly over time, with Gulf nations graduating to emerging status and Asian and European markets now taking the lead. Sector exposure remains concentrated in financials, real estate, energy, and materials.

→ **Economic Growth vs. Earnings Disconnect**: Although frontier economies boast strong GDP growth prospects, this has not consistently translated into corporate earnings growth, underscoring structural inefficiencies and valuation disparities.

→ **Performance and Diversification**: Historically, frontier markets have underperformed the US and emerging markets but outperformed the developed ex-US market. Based on historical correlations and behavior during global downturns, diversification benefits appear to be limited.

→ **Heightened Risk Profile**: Investors face elevated risks from limited liquidity, currency volatility, weaker governance, and political instability, all of which can amplify market shocks and implementation costs.

→ **Active Management Opportunity**: Active managers have historically outperformed passive benchmarks by wide margins, on average, suggesting that frontier markets offer significant alpha potential for long-term investors.

What are frontier markets?

The term "frontier markets" loosely describes equity markets in the world's least developed countries. These countries typically can be characterized by young and rapidly growing populations, many of which support long-term economic growth. Frontier markets typically represent economies that are smaller and less liquid than emerging markets but still offer investment opportunities.

The classification of what countries belong in frontier markets can vary depending on index providers, international organizations, and individual analysts. In all of these, but more common within the investable indices, countries may enter and exit due to changes in their stage of economic development, market structure, or accessibility. Some countries may "graduate" to emerging markets while others will be reclassified to standalone markets due to liquidity concerns or geopolitical conflicts (e.g., Ukraine). Despite these shifts, frontier markets can provide opportunities for exposure in markets and sectors that may be underrepresented in emerging or developed countries.

The MSCI Frontier Markets index is one of the most widely used indices related to frontier markets. It contains approximately 238 stocks spread across 28 countries.[1] The top three countries in the benchmark were Vietnam, Morocco, and Romania, which collectively accounted for just over 50% of the index (see Figure 1).[2]

September 2015		September 2025	
Kuwait	22.1%	Vietnam	28.1%
Nigeria	15.6%	Morocco	13.5%
Argentina	9.2%	Romania	11.1%
Pakistan	8.9%	Slovenia	6.8%
Morocco	7.1%	Kazakhstan	6.0%
Oman	5.6%	Pakistan	5.8%
Kenya	5.4%	Iceland	5.6%
Vietnam	3.9%	Oman	4.4%
Romania	3.6%	Croatia	3.7%
Lebanon	3.6%	Kenya	3.3%

FIGURE 1

MSCI Frontier Markets Index: Top 10 Country Weights

Source: FactSet, as of September 30, 2025. Index: MSCI Frontier Markets.

1 Source: MSCI, as of September 30, 2025. Index: MSCI Frontier Markets. Note that FTSE and S&P Global also have frontier markets indices available with slightly different compositions.

2 Source: FactSet, as of September 30, 2025. Index: MSCI Frontier Markets.

The composition of the MSCI Frontier Markets index has experienced meaningful shifts over the past two decades. Throughout the early years of the index, gulf coast countries such as Kuwait, Qatar, and the United Arab Emirates had significant weights in the index, but they were promoted to the emerging markets classification in the mid to late-2010s. Similarly, Argentina and Nigeria[3] were both in the largest three countries in the index in 2015, but they have been since reclassified as standalone (i.e., taken out of the index) due to foreign exchange liquidity challenges.[4]

Regional representation within the index has also evolved significantly. Over time, the index has spread more evenly across regions (i.e., become less concentrated). For nearly a decade after its launch, the Middle East dominated the index, but with certain countries graduating out of the index, its weight in the index has declined substantially (see Figure 2).[5] Meanwhile, the weight of Asia has increased such that it is the largest region, followed by Europe and the Middle East/Africa.

[3] Source: MSCI Press Release, "MSCI 2021 Market Classification Review," June 24, 2021.

[4] Source: MSCI Press Release, "MSCI to Reclassify the MSCI Nigeria Indexes from Frontier Markets to Standalone Markets Status," October 26, 2023.

[5] The MSCI Frontier Markets Index was "launched" in December 2007 with returns backtested to June 2002.

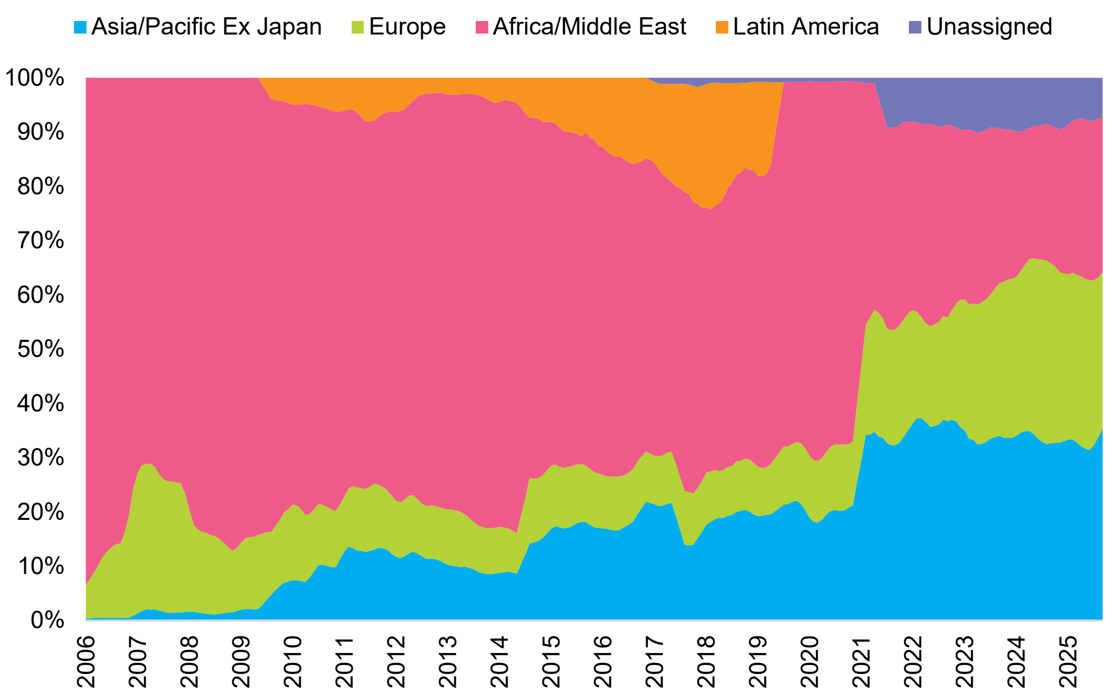

FIGURE 2

MSCI Frontier Markets Index: Changes in Regional Weights

Source: FactSet, as of September 30, 2025. The chart uses a 3-month rolling average to smooth out the graph. Index: MSCI Frontier Markets.

Understanding the composition differences between international equity markets is essential when evaluating portfolio diversification and performance. Frontier markets tend to have higher weights in financial services, real estate, energy, and materials when compared to emerging and developed ex-US markets (see Figure 3). Conversely, frontier markets tend to have lower relative allocations in consumer discretionary and information technology. All three indices hold heavy weights in financials, with the sector accounting for just over a third of frontier markets. Financial services has consistently been the largest sector in the frontier markets index since its inception.[6]

[6] Source: FactSet, as of September 30, 2025. Index: MSCI Frontier Markets.

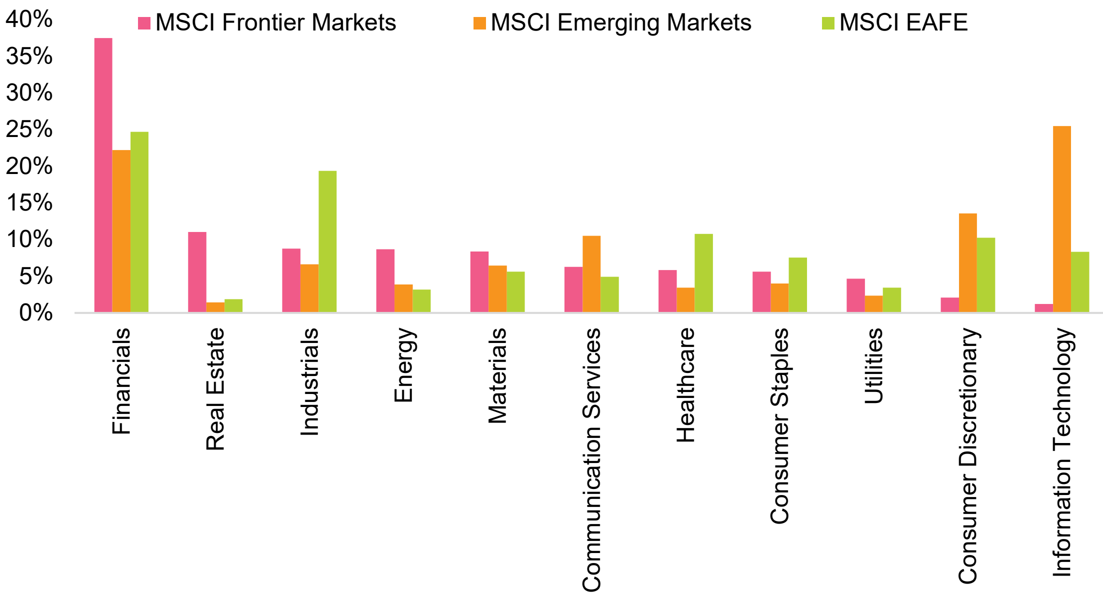

FIGURE 3

MSCI Frontier Markets, Emerging Markets, and EAFE Sector Weights

Source: MSCI, as of September 30, 2025. Indices: MSCI Frontier Markets, MSCI EAFE, MSCI Emerging Markets.

Growth in frontier markets

To better understand how growth expectations within frontier markets compare with growth across the world, it is helpful to compare their GDP growth rate expectations to developed and emerging markets.

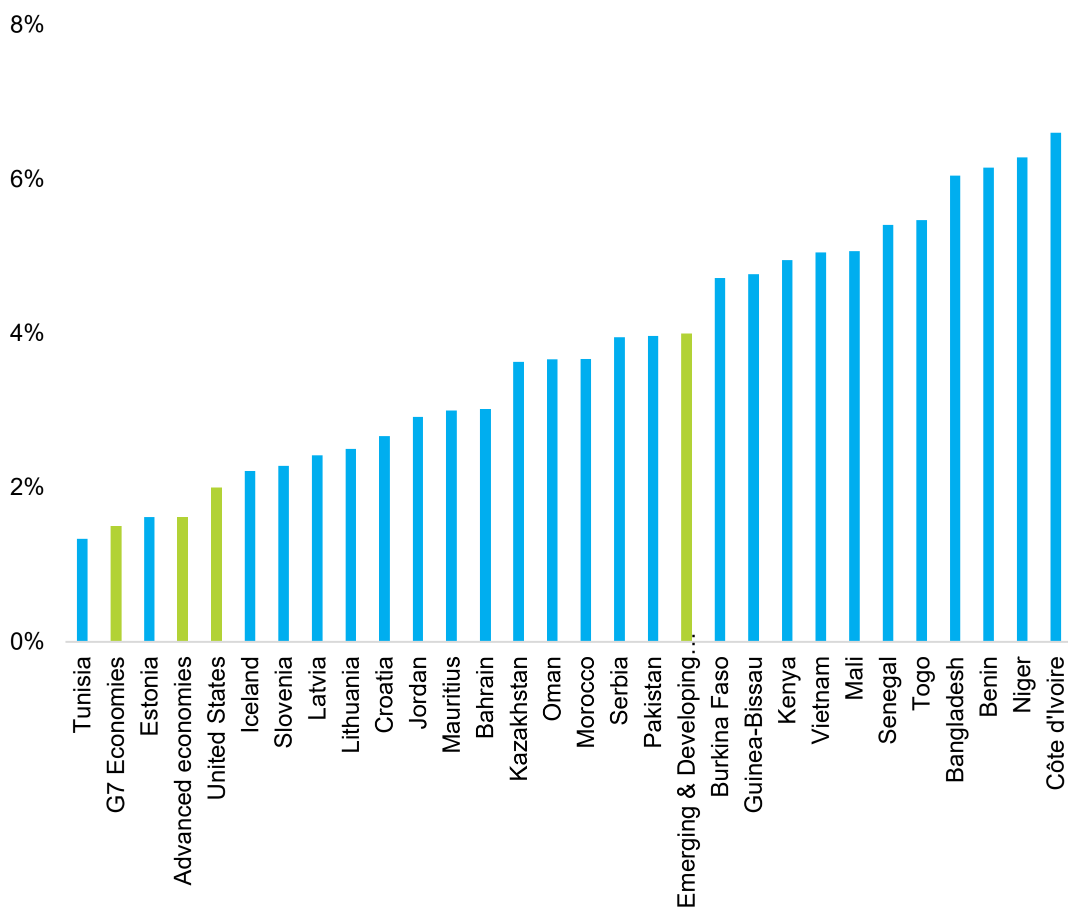

FIGURE 4

CAGR Real GDP Expected Growth: 2025 to 2030

Source: IMF World Economic Outlook Database, Real GDP growth (annual percent change), April 2025. Projections from 2025-2030 used to calculate the Compound Annual Growth Rate ("CAGR"). Sri Lanka is excluded from the chart as it had no data available from the IMF.

Nearly all countries in the MSCI Frontier Markets index have higher future expected GDP growth rates compared to the United States, G7, and advanced economies (see Figure 4). Hence investors may seek to invest in frontier markets to take advantage of these above-average future growth expectations.

However, while economic growth and earnings growth may be linked,[7] they do not inherently have a one-to-one relationship. Additionally, the relationship between the two can vary substantially depending on the region. For example, since 1990, US corporate earnings have grown considerably faster than the broader US economy for a multitude of reasons.[8] This is exemplified by the contrast between the US having lower historical real GDP growth rates than the average for emerging and frontier markets, while also having by far the highest earnings per share growth over the past fifteen years (see Figure 5). On the other hand, earnings per share growth for frontier markets has not kept pace with their relatively high historical and expected economic growth. Indeed, EPS growth for the frontier markets index has essentially been flat for more than a decade. Thus, investors should be aware that while frontier market countries have higher projected economic growth, there has been a historical disconnect between economic growth and earnings growth. Investors should carefully consider the extent to which they expect this gap will continue in the future, and we discuss several factors that affect this concern later in this paper.

7 We would expect this relationship to be truer in the long term than the short term. While both can be cyclical, it is not unusual for earnings growth to fluctuate substantially around the long-term trend in economic growth over periods as short as one year. See "The relationship between listed companies' earnings growth and output growth in the economy as a whole" by the European Central Bank, September 2007.

8 See Meketa's "Can Listed US Companies Sustain Earnings Growth?" research paper for a more in-depth analysis of this relationship.

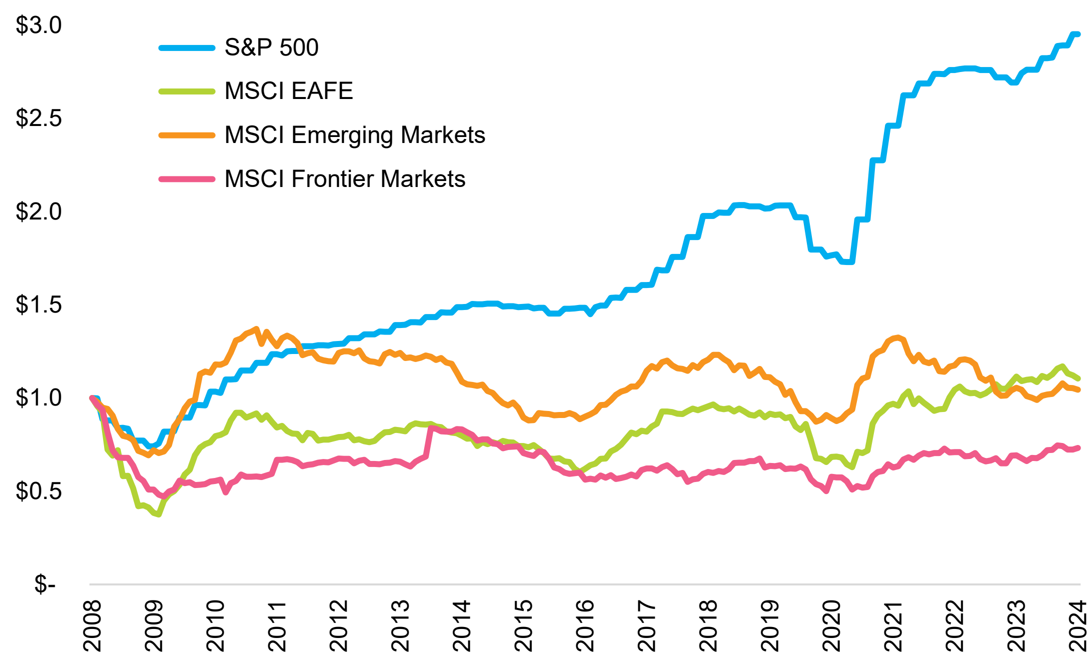

FIGURE 5
Earnings per Share Growth Indexed to $1

Source: Bloomberg, as of December 31, 2024. Trailing 12-month earnings per share. Indices used: MSCI Frontier Markets, MSCI Emerging Markets, MSCI EAFE, S&P 500.

Frontier markets have historically traded at lower valuations compared to developed markets and similar-to-lower valuations than emerging markets (see Figure 6). There are many possible reasons for this, not least of which is that investors may view frontier markets as riskier than developed markets and hence are less willing to pay similar valuations. However, this could make them an appealing option for long-term, value-oriented investors. Since 2022, multiples for frontier markets have maintained their flat trajectory, further diverging from the rising valuation ratios in US markets.

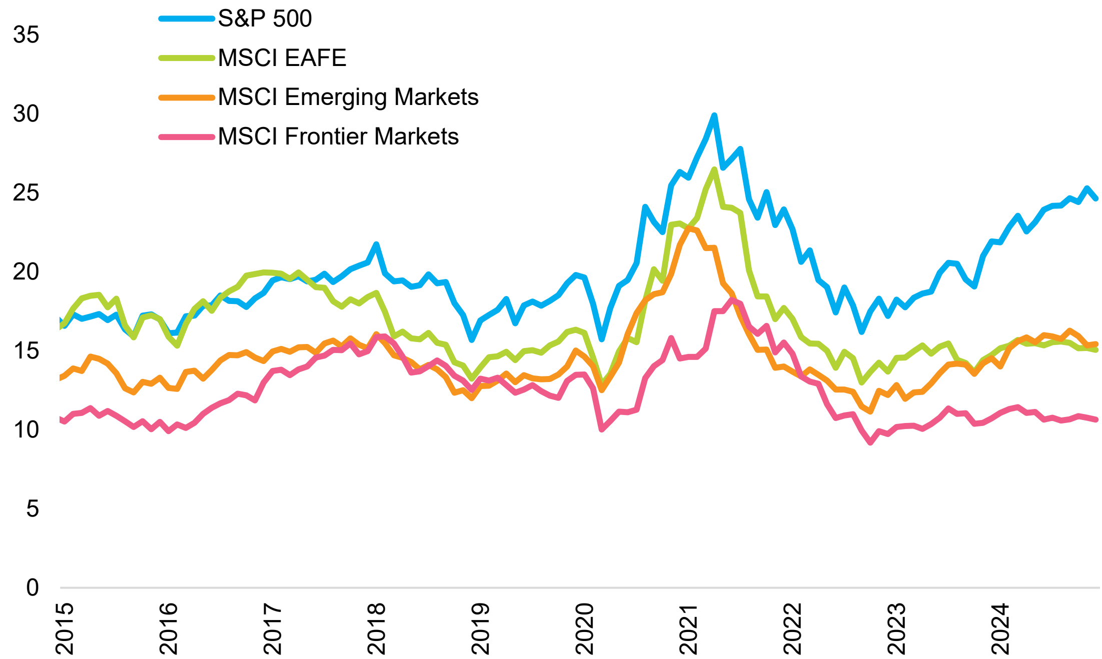

FIGURE 6
Price-to-Earnings Ratio

Source: Bloomberg, as of December 31, 2024. Indices used: MSCI Frontier Markets, MSCI Emerging Markets, MSCI EAFE, S&P 500. P/E ratio calculated by dividing price by the trailing 12-month EPS. Note that we would prefer to use the CAPE ratio but given that it would shorten our analysis to only 8 years, we use the normal P/E ratio. The same relationship shows regardless.

Historical performance

While frontier markets have outperformed emerging markets on a three- and five-year annualized basis, a longer view tells a different story. Over ten years, frontier markets have lagged emerging markets, developed ex-US markets, and broad US markets. Since the index's inception in June 2002, they have only outperformed developed ex-US markets (see Figure 7). The performance differences are partly driven by the variation in exposure. For example, the frontier markets index has been heavily concentrated in the financial services sector while having very little exposure to the technology sector. Hence, the frontier markets index has not participated directly in the tech-led gains that have driven the US market over the past decade.

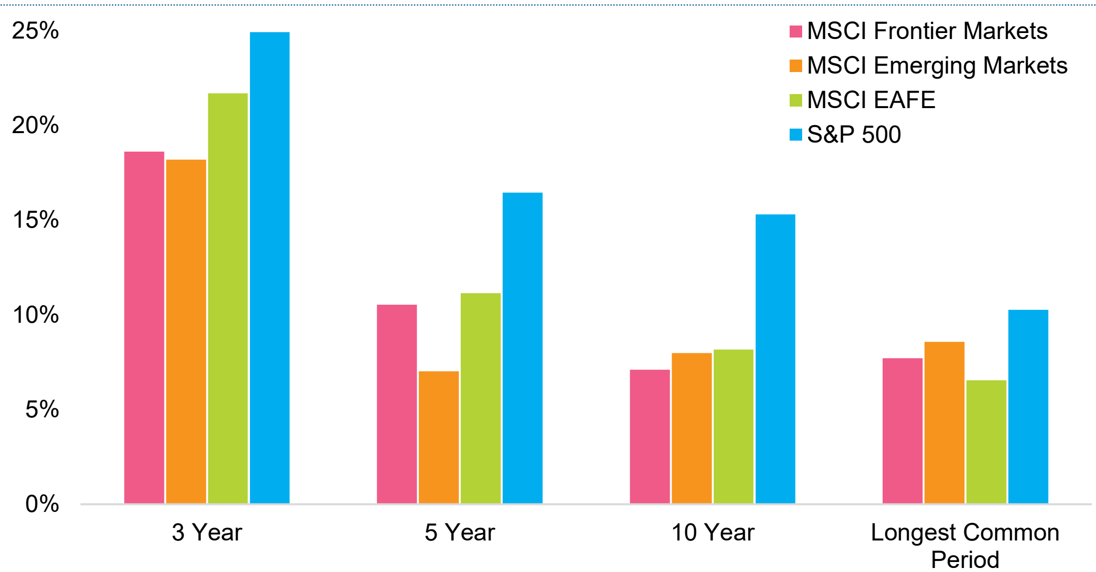

FIGURE 7
Historical Annualized Returns

Source: InvMetrics, as of September 30, 2025. Indices used: MSCI Frontier Markets Net, MSCI Emerging Markets Net, MSCI EAFE Net, S&P 500. The longest common period reflects the inception of the MSCI Frontier Markets Index in June 2002.

Showing static trailing returns may not tell the full story of performance and may be subject to endpoint bias.[9] The period used and the inclusion/exclusion of even a few months can substantially alter the overall return. Figure 8 shows that on a rolling return basis, the US has outperformed consistently for more than a decade, while frontier markets have regularly shifted places with developed non-US and emerging markets.

[9] Endpoint bias refers to the inclusion or exclusion of data that significantly influences results, often leading to undue significance being placed on measurement periods ending in the present. Practically, it occurs when recent past returns, whether unusually high or low, skew long-term results, potentially altering the perception of performance.

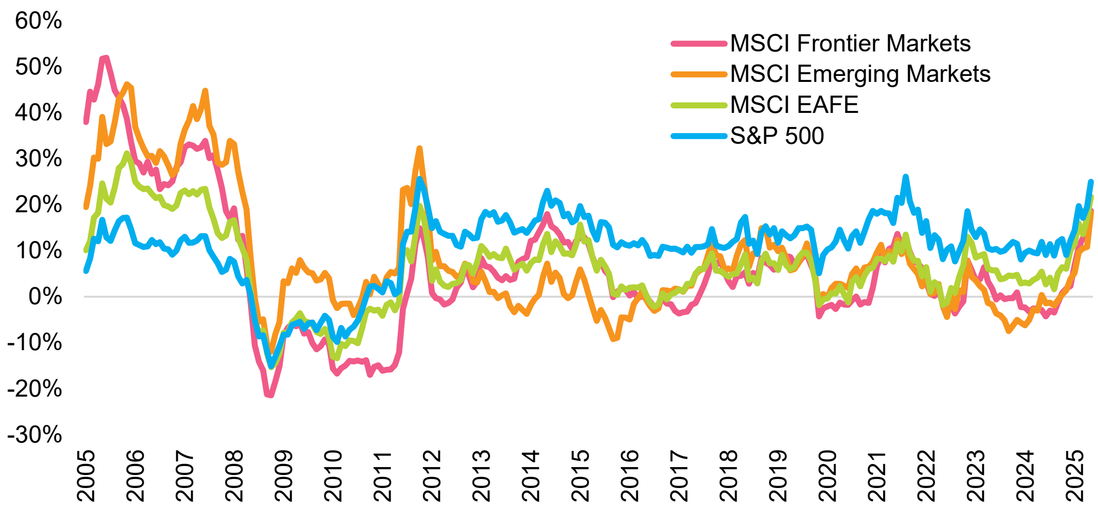

FIGURE 8

Rolling 3-Year Annualized Returns

Source: InvMetrics, as of September 30, 2025. Indices used: MSCI Frontier Markets Net, MSCI Emerging Markets Net, MSCI EAFE Net, S&P 500.

Since its inception, the frontier markets index has exhibited an average volatility of 17.2%, higher than the US (14.9%) and developed ex-US (16.5%), but less than emerging markets (20.2%). In recent years, the frontier markets index has exhibited the lowest volatility of the four indices (see Figure 9). This seems somewhat counterintuitive since the countries included in frontier markets are generally considered riskier and are subject to currency fluctuations. This juxtaposition can be explained by several factors such as sector composition, the fact that frontier markets are typically more prone to idiosyncratic risks, and their relatively lower correlation with US and global markets. Like the other indices, volatility for frontier markets has shown clear cyclicality, reflecting shifts in global economic conditions, risk preference, and currency effects.

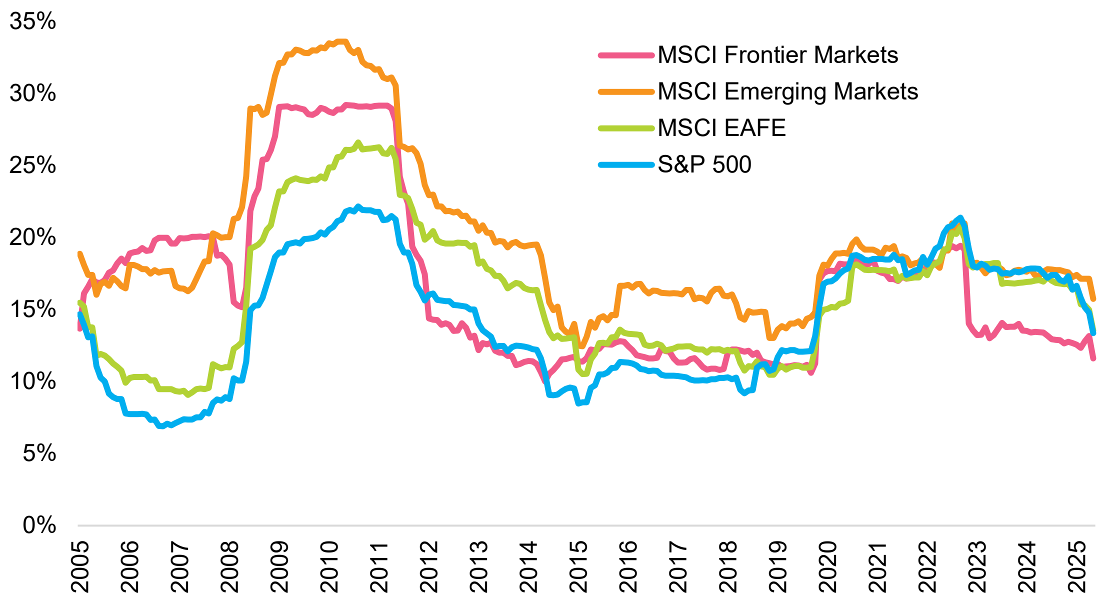

FIGURE 9

Rolling 3-Year Annualized Volatility

Source: InvMetrics, as of September 30, 2025. Indices used: MSCI Frontier Markets Net, MSCI Emerging Markets Net, MSCI EAFE Net, S&P 500.

One of the key tenets behind investing in frontier markets is that doing so can provide diversification benefits as they often move independently of US markets. The correlations shown in Figure 10 indicate there is mixed evidence for this thesis. In the early years of the index, correlations between frontier markets and the US hovered close to zero. However, this correlation rose considerably during the Global Financial Crisis (GFC) and has since continued at a much higher level. Still, frontier markets' overall correlation with the US has typically been below that of emerging and developed ex-US markets (though still relatively high). Again, differences in country and sector weights along with different inherent risks may be driving these modestly lower correlations.

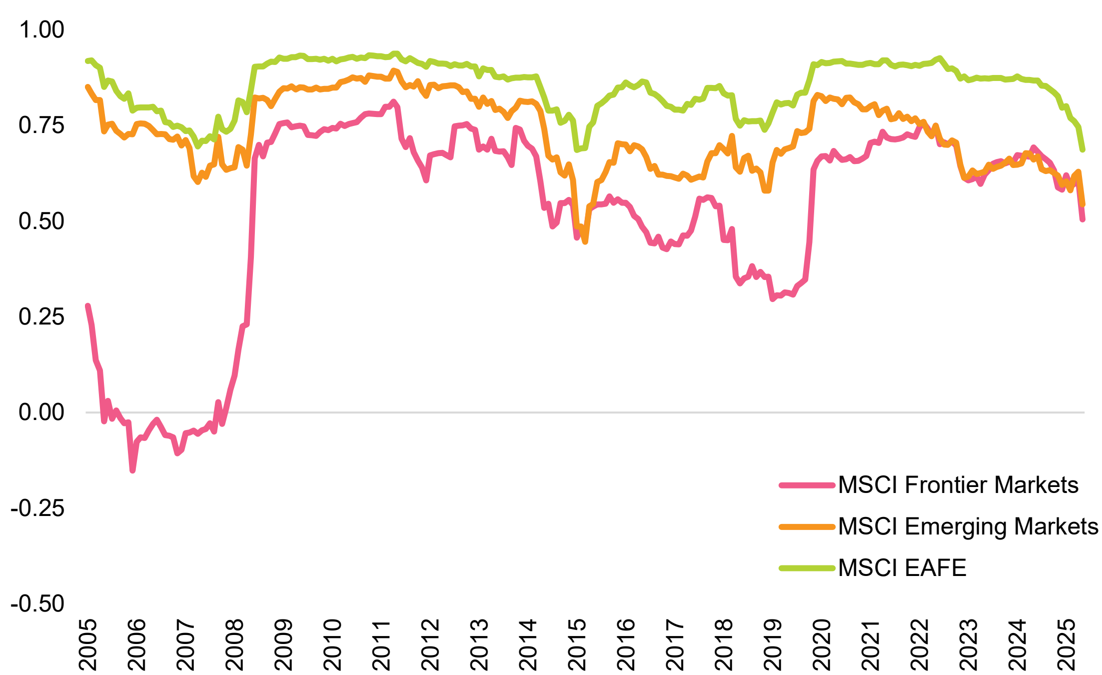

FIGURE 10

Rolling 3-year Correlation with the S&P 500

Source: InvMetrics, as of September 30, 2025. Indices used: MSCI Frontier Markets Net, MSCI Emerging Markets Net, MSCI EAFE Net, S&P 500.

While frontier markets have historically exhibited relatively lower correlations with developed markets, particularly the United States, they have not offered robust downside protection during periods of market stress. When looking at negative historical scenarios post 2002, frontier markets underperformed other markets during the GFC, as investors rushed to safer assets and foreign capital inflows slowed (see Figure 11). During the two more recent major downturns, frontier markets again failed to provide downturn protection relative to the other equity markets.

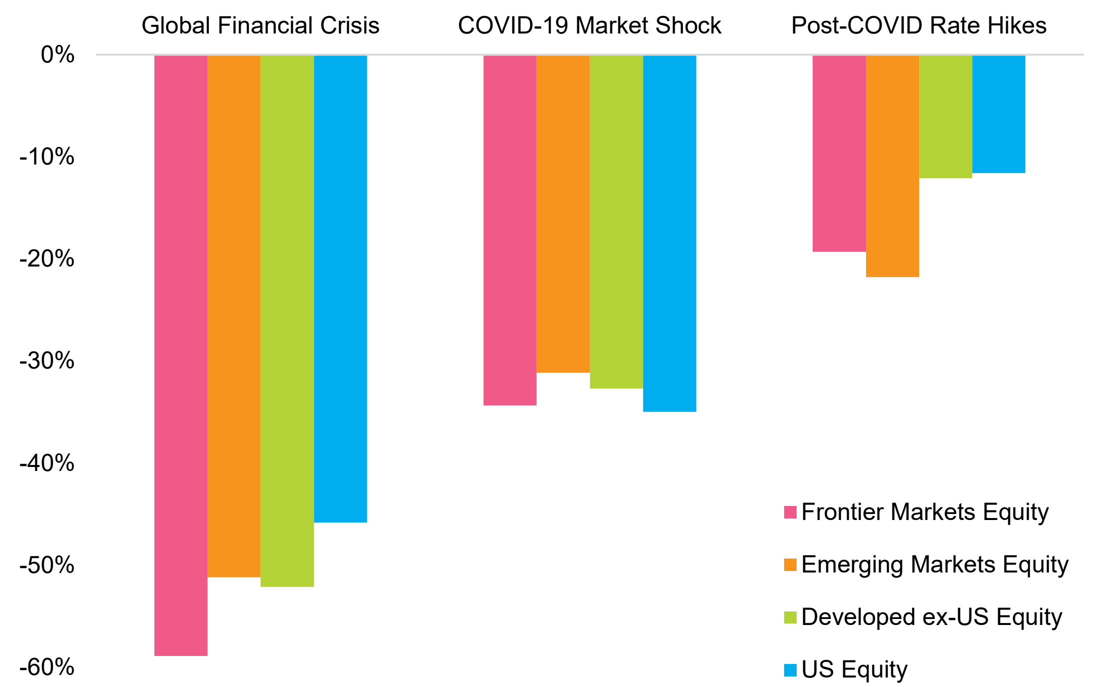

FIGURE 11

Negative Historical Scenarios Post 2002: Cumulative Returns

Source: Meketa's Asset Allocation Tool. Returns are cumulative over the period shown. Dates in order: Oct 2007-Mar 2009, Feb 2020-Mar 2020, Jan 2022-Oct 2023. Indices used: MSCI Frontier Emerging Markets Net TR, MSCI EAFE Net Total Return USD, MSCI Emerging Markets Net TR, Russell 3000 TR. Note that this chart uses MSCI Frontier Emerging Markets Net, not MSCI Frontier Markets Net which is used throughout the rest of this paper. The MSCI Frontier Emerging Markets is more of a "bridge" category between Frontier and EM that includes larger, more advanced markets than typical frontier, but not yet developed enough to be classified as full EM. For the purposes of this chart, the two indices produced similar returns during these periods that did not meaningfully change the interpretation of this chart. It also uses the Russell 3000 as a proxy for US equity, not the S&P 500, which is used throughout the rest of this paper (we do not believe the difference is material).

Hence it seems prudent to assume that, like those other markets, frontier markets remain vulnerable to negative economic and financial market shocks. Moreover, during global shocks or periods of heightened risk aversion for investors, frontier markets may experience amplified volatility due to their smaller, less liquid markets, as happened during the GFC.

Nature of risks in frontier markets

Investments in frontier markets introduce a broader set of risks than those typically found in the US. As indicated previously, the inherent volatility and uncertainty can be greater than for developed markets. In this section we explore the various risk investors should consider when allocating to frontier markets, such as liquidity risks, currency risks, and political risks. Some of these factors, such as weak governance, regulatory burdens, and graft, are likely among the structural and societal headwinds that potentially explain the disconnect between economic growth and earnings growth.

Liquidity Risks

The lack of liquidity in frontier markets is the most prominent difference between these markets and both developed and emerging markets. Frontier market stocks are very thinly traded and thus less liquid than developed and emerging market stocks. On average, over the past 10 years, frontier equity markets have traded at approximately 1% of the volume of emerging markets.[10] However, the trading volume for frontier markets has increased dramatically in the last few years, jumping to more than three times its historical 10-year average in October 2025 (see Figure 12).[11]

[10] Source: Bloomberg, as of October 31, 2025. Total monthly trading volume. Indexes: MSCI Frontier Markets, MSCI Emerging Markets.

[11] For the period 11/30/2022 to 10/31/2025 the average monthly volume for frontier markets was 1.82% of emerging markets.

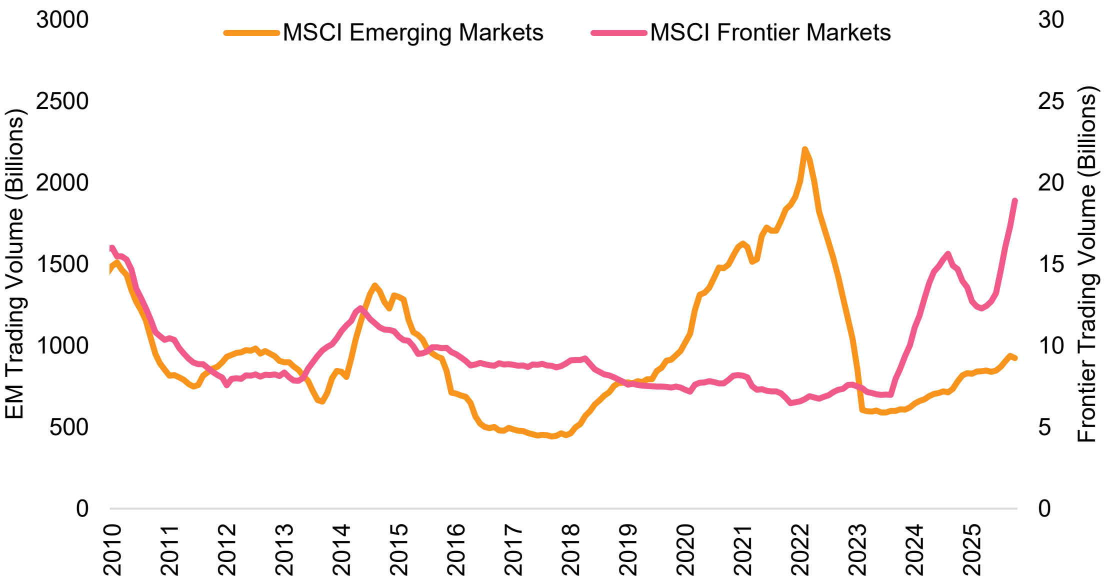

FIGURE 12
Rolling 1-Year Average Trading Volume

Source: Bloomberg, as of October 31, 2025. Total monthly trading volume. Indexes: MSCI Frontier Markets, MSCI Emerging Markets.

Despite recent increases, frontier markets still trade at low liquidity relative to other equities which can affect an investor in multiple ways, three of which we describe here. First, the low volume of trading generally results in wider bid-ask spreads and thus higher trading costs. Second, it may be difficult to trim or to liquidate an investment on short notice, especially during periods of market stress where liquidity dries up. Finally, cash flows from other investors can have a significant impact on the market's returns. During the GFC, a flight to quality by foreign investors was exacerbated by a lack of liquidity, which amplified the losses experienced by investors.

Currency Risks

Investments in international markets expose US investors to currency risk, generated by the market fluctuations of the US dollar relative to international currencies. These currency movements can act either as a headwind or tailwind for US-based investors in foreign markets. If the foreign currency weakens versus the dollar, then an investor's final return will be negatively impacted by the currency movement. On the other hand, a strengthening foreign currency (i.e., weakening dollar) enhances the returns of foreign assets for US-based investors. Thus, an investor's final return consists of two components: the appreciation or depreciation of the investment itself, plus the change in value of the foreign currency.

Currency risks in frontier markets are different than those in developed countries or even emerging ones since their currencies are much more thinly traded. Currency volatility may be higher and subject to capital controls that restrict or regulate the flow of money into or out of the country. Typically, the effect of currency movements can be mitigated by purchasing the appropriate hedging instruments such as futures contracts or swaps.[12] However, due to more dramatic swings, illiquidity, or lack of availability of instruments to hedge, the costs of hedging are generally greater than in emerging and developed markets.

[12] For more information on currency hedging, refer to Meketa's "Currency Hedging" paper.

Weak Financial Infrastructure and Limited Investor Protections

Many frontier markets have underdeveloped financial systems, with immature banking sectors, limited capital market access, and poorly regulated exchanges. This environment leads to inefficient clearing and settlement, unreliable custody arrangements, and greater operational risks. Regulatory bodies often lack the resources, authority, or independence to enforce market rules and protect investors, leaving them exposed to risks such as mismanagement, financial statement manipulation, and expropriation of assets. The absence of clear and enforced property rights further reduces legal recourse in the event of disputes or adverse government actions.

Further, not all publicly traded companies are run in the best interests of their shareholders. State-owned or state-controlled enterprises may pursue motives beside shareholder wealth, tolerating low margins or even operating at a loss in order to achieve other strategic objectives. Some companies may be controlled by families whose interests do not necessarily align with those of the broader shareholder base. The degree to which shareholder wealth is a primary motivation varies by market, but it tends to be lower for frontier markets than in the US.

Limited Transparency and Governance

Companies in frontier markets frequently operate with weak financial reporting standards and corporate governance. These firms may not follow international accounting principles or robust disclosure practices, making it difficult for investors to obtain accurate and timely information. Inadequate transparency can obscure important risks, such as excessive leverage or related-party transactions, and poor governance may result in limited shareholder rights and inadequate oversight of executives. Collectively, these issues make thorough due diligence challenging and heighten operational and legal risks for investors.

Political Instability and Regulatory Burden

Frontier markets are often subject to political and economic instability, as seen during events such as the Arab Spring and the removal of national leaders such as Pakistan's prime minister in 2022.[13] Ongoing conflicts can also lead to the removal of countries from major market indices. Unpredictable policy environments mean that rules on foreign investment, taxation, and trading can change abruptly, adding considerable uncertainty for investors.

[13] Sources: Encyclopedia Britannica, "Arab Spring" and "List of prime ministers of Pakistan," accessed September 25, 2025; Reuters, May 10, 2023, "Pakistan's deepening political crisis douses hopes for IMF relief."

A favorable regulatory environment can boost profits, while a high or unfavorable regulatory environment can diminish them. When comparing the relative ease of doing business, the World Bank finds that regulatory burdens are higher in countries with lower national income (i.e., many frontier market countries).[14]

[14] Source: World Bank Group, "Doing Business 2020: Company Business Regulation in 190 Countries," 2020.

The Cost of Graft

Corruption, graft, and nepotism can affect the link between economic growth and earnings growth. Corruption acts as an additional tax on businesses. A culture where corruption is common is more likely to result in the misallocation of resources, where capital is directed from productive to unproductive uses (e.g., bribes). While valuing the cost of corruption is very difficult, and there is not a concrete consensus on the actual amount, some estimates suggest that more than 5% of global GDP is lost annually to corruption, with frontier markets bearing an outsized portion of these costs.[15] According to the 2024 Corruptions Perception Index, 11 out of 28 countries in the MSCI Frontier Markets index rank in the bottom half for higher perceived corruption.[16]

[15] Source: United Nations, "Meeting Coverage and Press Releases: Global Cost of Corruption at Least 5 Percent of World Gross Domestic Product, Secretary-General Tells Security Council, Citing World Economic Forum Data," September 10, 2018.

[16] Source: Transparency International, 2024 Corruption Perceptions Index.

High and Fluctuating Costs

Frontier economies often have unstable policy frameworks. Rules governing foreign investment, taxes, and trading costs are typically higher and changeable, especially during crises. Even when taxes seem reasonable, regulations can be complex and differ significantly from US standards. Additionally, brokerage fees tend to be high due to lower liquidity, and combined with other costs and uncertainties, can substantially reduce returns for foreign investors.

Implementation considerations

Active versus Passive Management

Meketa believes that both active and passive management can be appropriate for frontier markets. We believe that a skilled active manager can add value in frontier markets but finding them is a challenging task. Though the number of products and managers is constantly changing, the number of products available to investors is still much smaller than that for other equity markets.[17] As with any public market, it is not easy to identify skilled managers in advance. Some investors may choose to gain exposure to frontier markets by allowing an emerging markets manager more flexibility to incorporate frontier markets opportunities into their portfolio.

[17] Source: Meketa analysis of data from eVestment Alliance. Data as of September 30, 2025. Average fund count over the trailing 10 years was 28 for frontier market equity, 66 for emerging markets equity, 101 for EAFE equity, and 134 for US equity. See Meketa's Manager Alpha Whitepaper for more information.

While passive management provides broad exposure to the market (i.e., beta), active management can potentially control risks and improve performance (i.e., alpha). The limited research coverage, intrinsic inefficiencies, and volatile nature of individual stocks in frontier markets may create the opportunity for a skilled manager to add value. One way to measure such opportunity is through interquartile spreads, which can be interpreted as how much potential value lies in selecting superior active managers (or, conversely, how much potential value an underperforming manager can detract). Frontier market equity has had a higher interquartile spread compared to that of the US, EAFE, and emerging markets (see Figure 13). This may imply that frontier markets offer more opportunities to generate manager alpha. However, it is worth noting that this higher interquartile spread may partially be due to the relatively smaller number of funds in the asset class.

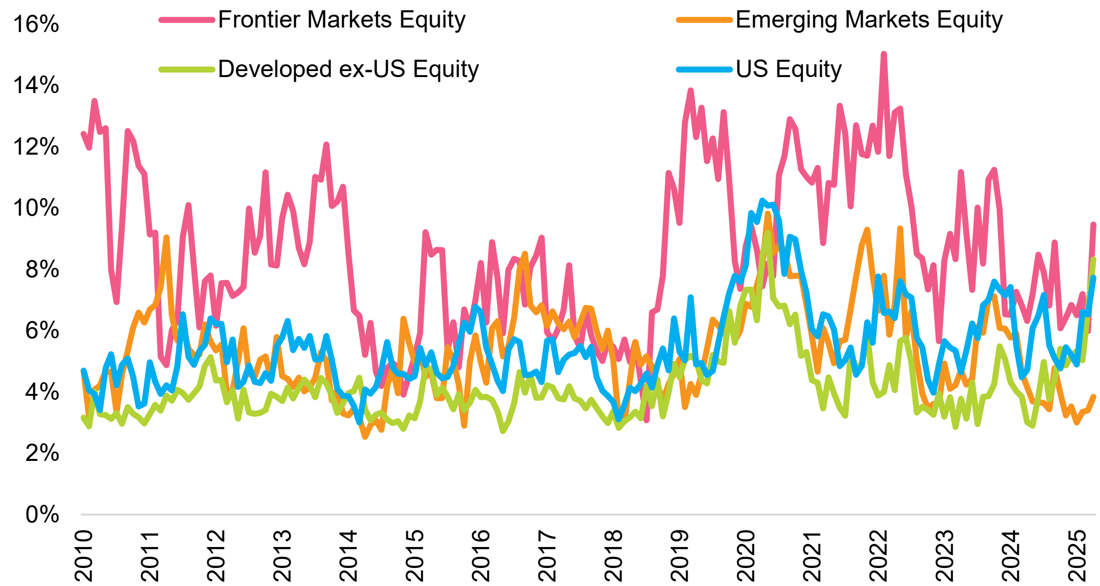

FIGURE 13
Rolling 12-Month Interquartile Spreads

Source: Meketa analysis of data from eVestment Alliance. Data as of September 30, 2025. Gross of fees. Signifies the interquartile spread of one-year manager returns minus the benchmark as far back as data is available. For more information on alpha calculations, see Meketa's "Manager Alpha" paper.

The historical record shows that active frontier market equity managers have on average outperformed the passive benchmark by a wide margin. The median gross outperformance of frontier markets equity over the trailing 10 years was 324 basis points, significantly higher than that of the developed ex-US, emerging, and US equity markets (see Figure 14). However, this outperformance is gross of fees, and accessing active managers in frontier markets comes with an increased cost. Frontier markets' median fee of 123 basis points is greater than emerging markets and double that of developed ex-US and US fees.[18] Despite its higher fees, frontier markets still produced the highest median net outperformance by a sizable margin. Indeed, the expectation of alpha may be a compelling reason for many investors to consider an allocation to frontier market equities.

[18] Note that these are the rack rate fees and an investor may be able to negotiate a lower fee, depending on the situation and size of the mandate.

Asset Class	Trailing 10-year Median Gross Excess Return (bp)	Median Fee (bp)	Trailing 10-year Median Net Excess Return (bp)
Frontier Markets Equity	324	123	201
Emerging Markets Equity	64	75	-11
Developed ex-US Equity	68	61	7
US Equity	-78	60	-138

FIGURE 14
Trailing 10-year Median Excess Return and Fees

Source: Meketa analysis of data from eVestment Alliance. Return data as of September 30, 2025. Reflects rolling median one-year performance minus the respective benchmark performance over that same period. Median fee is the sliding fee on a $100 million mandate for all product types as of November 2025. Backdated fee information is unavailable.

Summary

Frontier markets represent the world's least developed investable economies, offering exposure to countries with young populations and high economic growth potential, yet smaller, less liquid markets. Over time, the composition of the MSCI Frontier Markets Index has shifted meaningfully, with Gulf countries like Kuwait and Qatar having "graduated" to emerging status and Asian and European nations now taking greater prominence. Frontier markets remain dominated by financial services, with larger weights to real estate, energy, and materials, reflecting other structural differences compared with emerging and developed markets.

Despite their strong expected GDP growth rates, frontier markets have not translated that economic momentum into equivalent corporate earnings performance. Earnings per share growth has stagnated even as valuations have remained low relative to developed and emerging markets. This combination presents both opportunities and risks. Value-oriented investors may find attractive entry points, but persistent structural inefficiencies and volatility underscore the need for careful analysis.

Frontier market performance has lagged the US and emerging markets but has beaten developed non-US markets since inception of the index. Correlations with global markets have risen since the GFC, implying the diversification benefits of frontier markets are lower than they used to be. While their volatility has been below that of emerging markets, they remain vulnerable to global risk-off events due to illiquidity and capital flow sensitivity.

Investors in frontier markets must navigate a complex risk landscape. Limited liquidity, currency volatility, weak financial infrastructure, governance shortcomings, and political instability all elevate uncertainty. These risks, combined with higher transaction and implementation costs, demand thoughtful allocation and manager selection. Nevertheless, frontier markets continue to evolve and deepen, with improving access and growing investor participation suggesting that conditions may gradually mature over time.

The case for active management is particularly compelling for frontier markets. Active managers have historically delivered excess returns of approximately 300 basis points on average, before fees, reflecting the inefficiencies and dispersion of opportunities across frontier markets. For long-term investors willing to tolerate volatility and complexity, frontier markets may offer distinct diversification and alpha potential within a global equity portfolio.

Appendix A: MSCI frontier markets vs frontier markets IMI

The MSCI Frontier Markets and the MSCI Frontier Markets IMI (Investable Markets Index) are both global frontier market equity indices created by MSCI, but they differ in terms of the coverage of the companies they include. Both serve as reasonable proxies for investors seeking a benchmark for their frontier market exposure.

	MSCI Frontier Markets	MSCI Frontier Markets IMI
Coverage	Large and mid-cap stocks	Large, mid, and small-cap stocks
Number of Constituents	238	665
Median Market Cap ($M)	370.2	66.5

FIGURE 15
MSCI Frontier Markets vs Frontier Markets IMI

Source: MSCI, as of August 31, 2025. Indexes used: MSCI Frontier Markets, MSCI Frontier Markets IMI.

MSCI Frontier Markets		MSCI Frontier Markets IMI	
Vietnam	26.1%	Vietnam	26.4%
Morocco	15.0%	Morocco	13.8%
Romania	11.3%	Romania	10.6%
Slovenia	7.1%	Slovenia	6.4%
Iceland	6.1%	Iceland	6.1%
Kazakhstan	5.9%	Pakistan	5.6%
Pakistan	5.1%	Kazakhstan	5.3%
Oman	4.3%	Oman	4.3%
Croatia	3.8%	Croatia	3.7%
Kenya	3.2%	Bangladesh	3.3%

FIGURE 16
Top 10 Country Weights: MSCI Frontier Markets vs Frontier Markets IMI

Source: MSCI, as of July 31, 2025. Indexes used: MSCI Frontier Markets, MSCI Frontier Markets IMI.

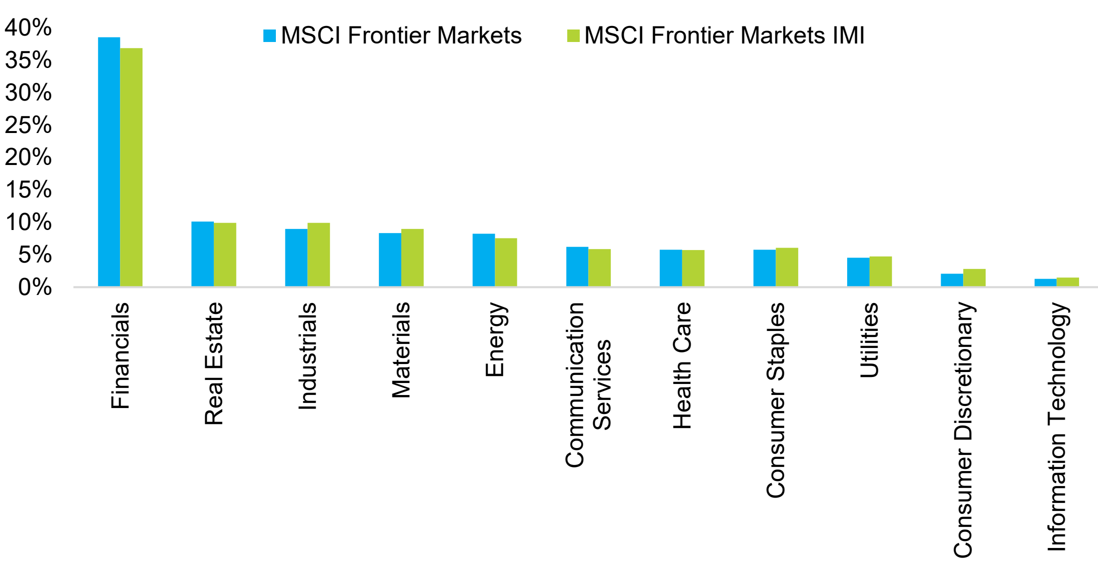

FIGURE 17
Sector Weights: MSCI Frontier Markets vs Frontier Markets IMI

Source: MSCI, as of August 31, 2025. Indexes used: MSCI Frontier Markets, MSCI Frontier Markets IMI.

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