

Why Consider Frontier Markets Debt?

Frontier markets—a subset of emerging markets (EMs)—offer debt investors value both on a standalone basis or as part of a diversified portfolio. Here are five reasons why.

1

Diversification Potential

Frontier markets debt offers a diverse and growing range of investable countries, currencies, and corporate issuers, and may have low correlation to other markets and asset classes because investment opportunities are analyzed from a country perspective rather than a global macro perspective.

2

Appealing Risk-Return Characteristics

Frontier markets typically offer high carry, meaning investors can potentially earn a substantial yield relative to the risk of holding the asset. And while frontier markets often offer low volatility, we believe the risk premia in these markets may overcompensate for any volatility as well as default risks and losses.

3

Inefficiency

A lack of research coverage, coupled with less transparency and disclosure, contributes to frontier markets being under-represented and under-owned. Additionally, investors' home country biases and information asymmetries can result in an overestimation of the risks associated with frontier markets, further compounding the inefficiency.

4

Risk Premium

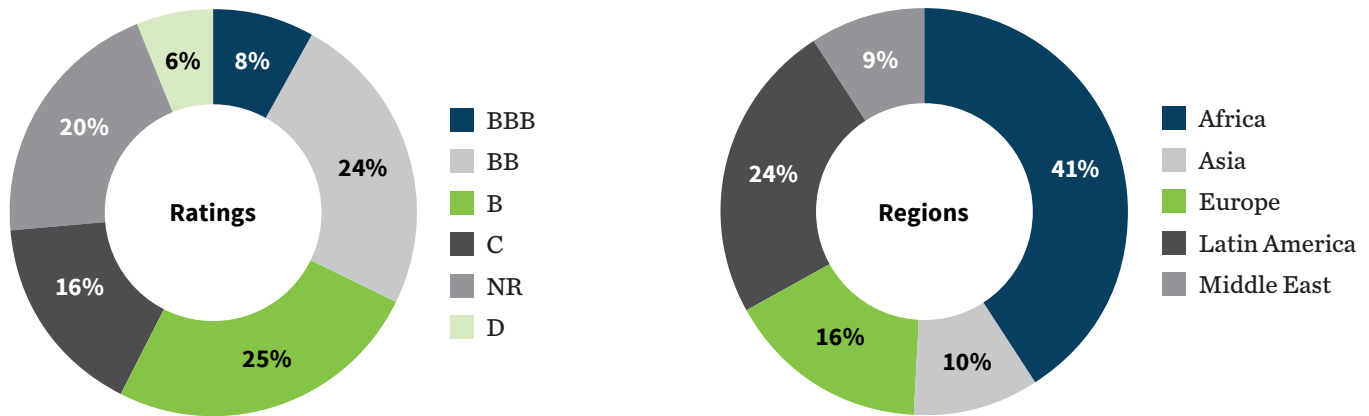
Frontier markets debt may offer a compelling risk premium (reflected in the bond yields per unit of duration risk and attractive risk-adjusted carry embedded in currency forwards). Additionally, we believe that default risks in these markets are often over-estimated, while recovery values are under-estimated.

5

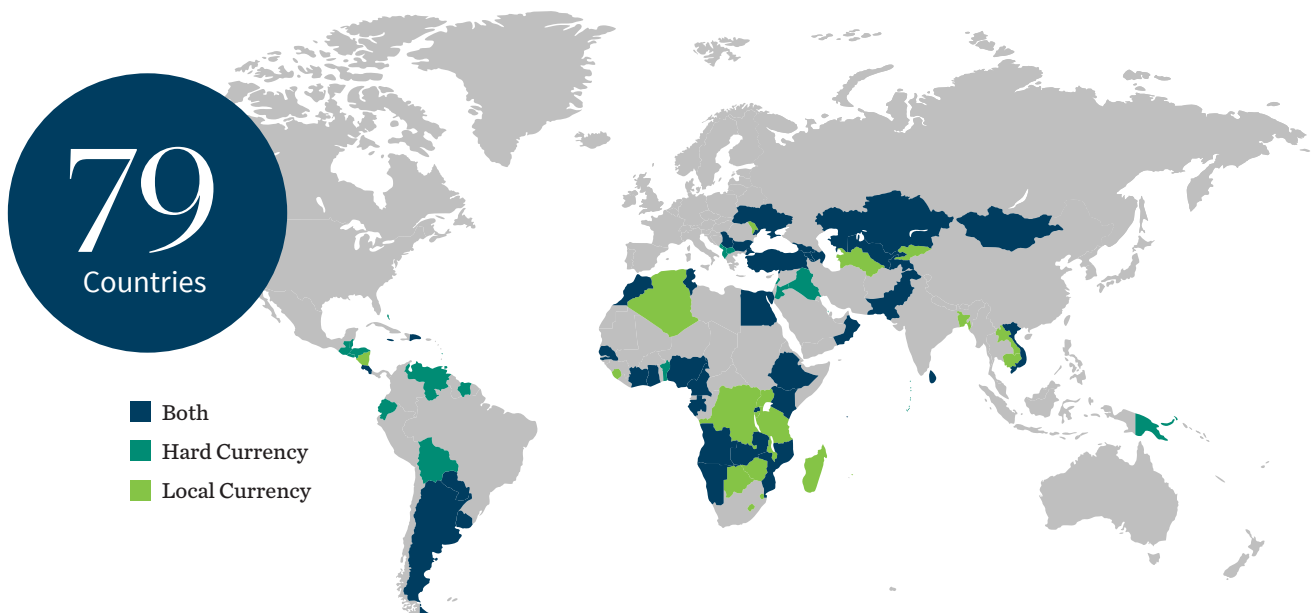
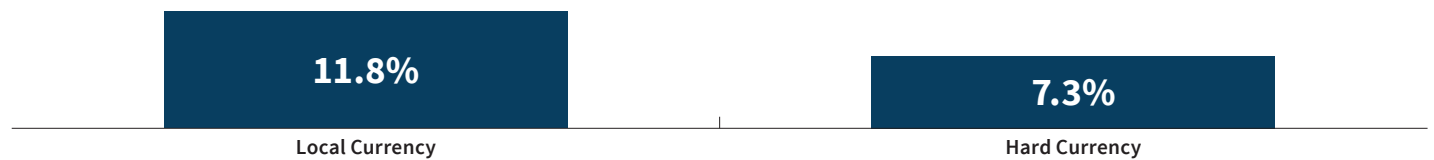
Sponsorship

Significant work has been done by governments in frontier markets to implement reforms that are positive for these countries' long-term economic goals. These markets also garner strong sponsorship support from multilateral and bilateral organizations. This makes them an attractive destination for foreign capital.

Spotlight on Emerging Markets Frontier Debt



Yield (%) – 5 Years*



Sources: Bloomberg, JPMorgan, and William Blair, as of August 2025. Past performance is not indicative of future returns. Yields will fluctuate. Index and universe characteristics are provided for illustrative purposes only. The ratings and regions chart reflects the information for the entirety of our investible universe (79 countries). The hard currency yield information consists of J.P. Morgan Emerging Markets bond Index Global Diversified (EMBIGD) eligible bonds issues by frontier markets. The J.P. Morgan EMBIGD tracks the performance of U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities. Local currency yields consists of yields for five-year bonds of 22 countries: Argentina, Botswana, Costa Rica, Dominican Republic, Egypt, Georgia, Ghana, Jamaica, Kazakhstan, Kenya, Mauritius, Namibia, Nigeria, Pakistan, Paraguay, Sri Lanka, Uganda, Ukraine, Uruguay, Uzbekistan, Vietnam, and Zambia.

*Indicative for bonds with five-year maturities. Credit quality designations range from AAA (highest) to D (lowest). Credit quality ratings on underlying securities are received from S&P and Moody's which are converted to the equivalent S&P major rating category for presentation purposes only.

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