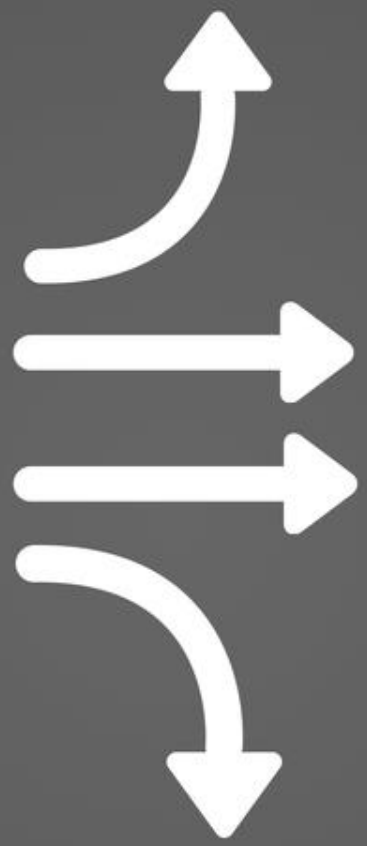
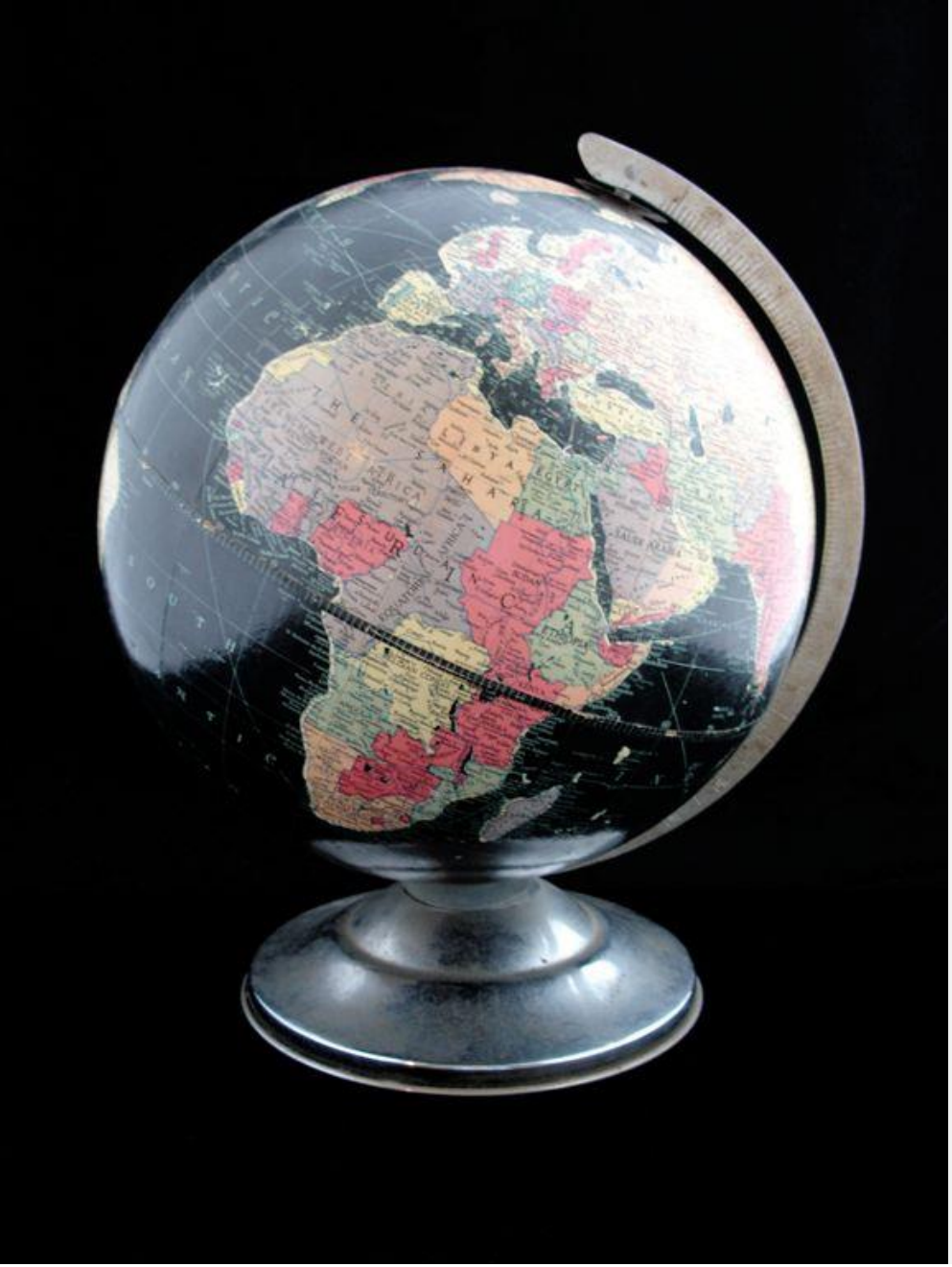
Risks of Operating in Frontier Markets

Frontier markets provide incredible opportunities with significant operational and financial risks.

Operational Risks in Frontier Markets





Lack of Governance

Frontier market governance systems don't have the opportunity to settle down causing:

- Lack of consistency
- Unpredictability
- Questionable protection to citizens

This leaves government, legal and regulatory issues open for personal interpretation and application.

Inadequate and Emerging Infrastructure

In fast growing countries, the investment in infrastructure can often fall behind.

This can lead to significant shortages in:

- Energy
- Transport
- Financial services
- Education Infrastructure

Resource Availability and Capability

Only the privileged few receive education in well regarded universities.

This creates a significant gap causing talent to leave the country or not be polished.

Combined with a lack of exposure to developed management systems, companies end up scrambling for resources.

Living in Fear

People from the developed world take basic level of security as granted.

In many frontier markets this is not the case. Living in a state of fear has an impact on the psyche and wellbeing of its citizens.

Financial Risks in Frontier Markets

Geopolitical and Political Risks

Geopolitical risks are a serious concern in frontier markets.

A change of government may be accompanied by significant unrest and instability.

Inflation

Inflation can erode investment returns substantially over a long period of time.

Lack of Transparency

Most frontier markets suffer from a lack of transparency and have inadequate information sources.

Currency Risk

The steep decline in some emerging market currencies highlights the risk posed by investing overseas.

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