Identifying the next frontier

Longer Term Investments

Authors: Michael Bolliger, Chief Investment Officer Global Emerging Markets, UBS Switzerland AG; Pietro Santin, CIO Emerging Market Strategist, UBS Switzerland AG; Xingchen Yu, Emerging Markets Strategist, CIO Americas, UBS Financial Services Inc. (UBS FS)

- Emerging and frontier economies are expected to be a key engine of global GDP growth in the coming decade.
- Demographics are an important driver of this strong growth with the 10 largest developing economies accounting for more than 50% of the world population in 2024. But there are several other reasons why developing economies can outgrow their developed peers, in our view.
- From an investor perspective, it is also crucial to identify the markets that can convert high economic growth into strong earnings growth. According to our analysis, the UAE, Kazakhstan, Egypt, the Philippines, and India are the markets offering the best combination of high expected GDP growth and stock market sensitivity to the domestic economy.
- Beyond these macro considerations, the micro lens is important too. In our view, an active investment approach allows investors to extend the assessment to a sector or even company level.
- This theme replaces the old "Frontier markets" long-term investment theme.

Source: iStock

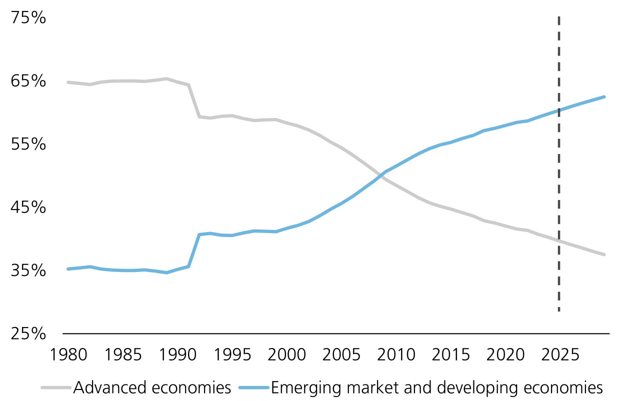
Our view

Emerging (EM) and frontier (FM) economies house the bulk of the world population and are driving global economic growth. According to the US Census Bureau, the 10 largest developing countries alone accounted for more than 50% of the world population in 2024, while the IMF estimates that in 2025, 60% of the world GDP will be generated in emerging markets and developing economies. Moreover, the share of GDP generated by this part of the world is expected to continue increasing over the coming years (see Figure 1).

Looking at these statistics, the investment opportunities in emerging and frontier markets are hard to ignore. However, in terms of investment returns, these markets have largely underperformed their developed counterparts (led by the US exceptionalism) in recent decades. In this report, we re-examine the case for emerging and frontier markets from a long-term investment perspective and we explain why we think an active investment approach is the best way to take advantage of the investment opportunities in these regions.

Figure 1: Share of world GDP

Share of world GDP based on PPP generated by advanced economies and by the rest of the world, the dashed line represents 2025



Source: International Monetary Fund, World Economic Outlook October 2024.

There are two main reasons why we think investing in emerging and frontier market equities is attractive. First, these economies on average tend to grow at much faster rates than developed world peers. Second, these markets usually display a low correlation to developments in global equities and can thus provide useful diversification in portfolios.

Emerging and frontier economies tend to grow faster for a variety of reasons:

1. Unlike developed market economies, demographics tend to be a tailwind for these regions.
2. The working-age population in many of these economies is still expanding, while the dependency ratio is generally lower.
3. Relative income levels tend to be low, which makes their workforce competitive and can be a pull factor for foreign investments.
4. Leveraging existing technologies can boost productivity growth, without having to sustain related R&D costs. A low capital stock tends to yield higher returns.
5. Business conditions tend to be poorer, but offer room for improvement.

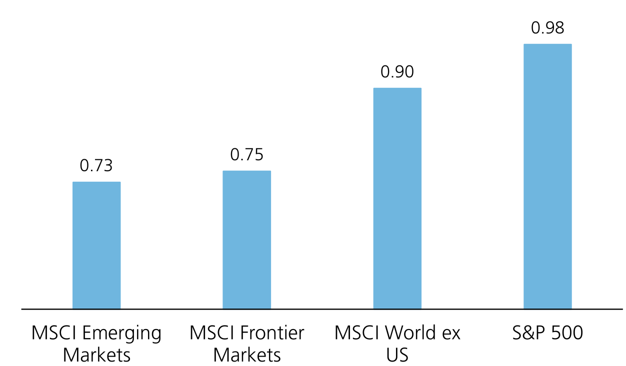
While higher economic growth does not necessarily translate into higher earnings growth or higher investment returns, it is usually an important driver of investment returns. Moreover, not only does higher current and expected economic growth tend to translate into higher earnings growth, but it usually also supports valuations and has a positive impact on the local currency.

Nevertheless, in some circumstances, the relationship between GDP growth and earnings can unravel. Below, we explore potential reasons as to why this relationship does not always hold true, and we provide some statistics across markets to assess how well each market has done at translating economic growth into earnings growth over the past years.

Finally, it is important to recognize that for a global investor, emerging and frontier markets can also have the advantage of providing useful geographic diversification. Figure 9 (at the end of the report) shows the weekly returns in USD terms for a broad sample of emerging and frontier markets, and their correlation with the S&P 500 and the MSCI World Index, which we use as a proxy for global equities. Overall, the correlation among these markets is pretty low as well as their sensitivity to developments affecting global equities. For instance, as shown in Figure 2, while the correlation between the S&P 500 and the MSCI World ex-US—a proxy for non-US developed markets—with global equities is 0.98 and 0.9, respectively, the correlation between global equities and the MSCI Emerging Markets and MSCI Frontier Markets indices stands at 0.73 and 0.75, respectively.

Figure 2: Emerging and frontier markets are a good portfolio diversifier

5-year correlation of weekly total returns in USD with the MSCI World Index.



Source: MSCI, Bloomberg, UBS, as of March 2025.

Identifying future growth champions

At a fundamental level, economic growth is driven by two main components: the change in working-age population (i.e., demographics) and the change in the quantity of output produced by each worker (i.e., productivity). Hence, it is important to look at both these factors to assess which economies are likely to be future growth champions.

Table 1 provides a summary of the current demographic forecast produced by the U.S. Census Bureau for several emerging and frontier economies. Over the next decade, countries in Sub-Saharan Africa like Kenya and Nigeria, as well as Egypt and Pakistan are expected to benefit from the strongest demographic tailwinds, with their working-age population expected to growth over 2% per annum over the next 10 years. Other economies like Saudi Arabia or the Philippines are also set to benefit from favorable demographics, but to a lesser extent. On the other end of the EM spectrum, the decrease in the working-age population is expected to weigh on growth in several Asian economies and in countries like Poland.

These economies are not only likely to see their workforce shrink in the coming years, their population is also set to become older on average, which is likely to further weigh on their growth potential going forward. A key metric to look for in this regard is the dependency ratio, which measures the ratio of "dependent" people (i.e., those aged below 15 or above 64 years old) to the working-age population. South Korea, Taiwan, Thailand, and mainland China are expected to see the largest increase in the dependency ratio among the markets in our sample. A rising dependency ratio is typically a headwind for growth as it puts pressure on governments to increase spending to support the elderly—which usually translates into higher taxes or higher debt—and can have a negative impact on investment rates, given the elderly's lower saving power compared to working-age people.

Table 1: Working population is expected to grow in most emerging and frontier economies

Demographic forecasts

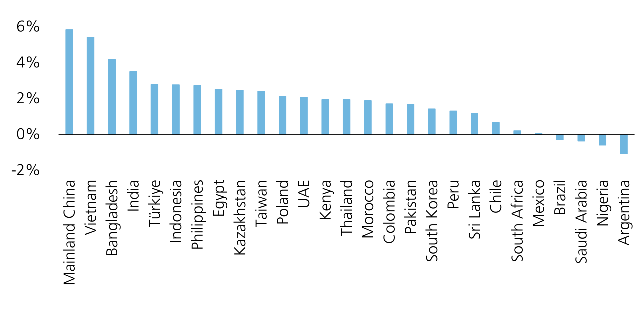
Economy	working-age population growth forecast (2025-2035)	working-age population growth forecast annualised (2025-2035)	change in the dependency ratio (2025-2035)
Nigeria	31%	2.7%	-4.3
Kenya	29%	2.5%	-8.6
Egypt	25%	2.3%	-15.4
Pakistan	23%	2.1%	-6.9
Saudi Arabia	16%	1.5%	-1.3
Philippines	15%	1.4%	-1.1
South Africa	13%	1.2%	-4.8
Kazakhstan	11%	1.1%	-4.3
Peru	9%	0.8%	-2.1
India	8%	0.8%	-1.2
Mexico	8%	0.7%	0.2
Morocco	7%	0.7%	0.5
Argentina	7%	0.6%	-5.7
Indonesia	7%	0.6%	-0.3
Bangladesh	7%	0.6%	1.6
Vietnam	6%	0.6%	2
UAE	5%	0.5%	4.4
Türkiye	3%	0.3%	2.9
Brazil	1%	0.1%	5.7
Colombia	1%	0.1%	4.2
Chile	0%	0.0%	4
Sri Lanka	-1%	-0.1%	4.6
Mainland China	-6%	-0.6%	6
Poland	-7%	-0.8%	2.1
Thailand	-8%	-0.9%	13.3
Taiwan	-9%	-1.0%	13.9
South Korea	-11%	-1.2%	14.4

Source: U.S. Census, UBS, November 2024 projections.

Alongside demographic developments, increasing productivity is an essential input for sustainable growth. Over the last few years, Asian economies have seen the strongest productivity gains. Economies like mainland China, Vietnam, Bangladesh, and India in particular have achieved very large productivity improvements over the recent years, while Argentina, Nigeria, Saudi Arabia, and Brazil have had the lowest productivity growth.

Figure 3: Asian economies have led in terms of productivity growth

Average change in output-per-worker across markets between 2014 and 2024



Source: ILOSTAT, 2024 estimates.

However, simply looking at the productivity gains of the past is not a good forecasting tool for which markets will lead growth in the future. For instance, those that have benefited from a competitive workforce in terms of cost of labor at a certain point in time may start to become less competitive as they become wealthier, and may need to rely on different drivers to continue increasing productivity (e.g., technology-led productivity enhancement).

Some of the key drivers of productivity growth include past labor productivity growth, cost of labor, investments, and the quality of domestic institutions. Table 2 summarizes our assessment of these drivers for select economies.

Table 2: Outside Asia, the United Arab Emirates and Türkiye are expected to see the highest productivity growth

Drivers of output-per-worker growth across markets.

Economy	Overall	labor productivity	cost of labor	investments	institutions
Vietnam	1.3	bullish	bullish	bullish	bullish
Mainland China	1.1	bullish	bearish	bullish	bullish
Bangladesh	0.9	bullish	bullish	bearish	bearish
UAE	0.7	bullish	bearish	bullish	bullish
Indonesia	0.5	bullish	neutral	bullish	bullish
India	0.3	neutral	bullish	neutral	neutral
Türkiye	0.3	bullish	neutral	neutral	neutral
Taiwan	0.2	bullish	bearish	bullish	neutral
Kazakhstan	0.2	bullish	neutral	bullish	bullish
Colombia	0.1	neutral	neutral	neutral	neutral
Morocco	0.0	neutral	bullish	neutral	neutral
Kenya	0.0	neutral	bullish	bearish	neutral
Chile	-0.1	neutral	bearish	bullish	bullish
Poland	-0.1	neutral	bearish	bullish	neutral
Philippines	-0.1	neutral	bullish	neutral	neutral
Peru	-0.1	neutral	neutral	bearish	bearish
Thailand	-0.1	neutral	neutral	neutral	neutral
Egypt	-0.2	neutral	neutral	bearish	neutral
Pakistan	-0.2	bearish	bullish	bearish	bearish
South Korea	-0.3	neutral	bearish	neutral	bullish
South Africa	-0.4	bearish	neutral	bearish	neutral
Brazil	-0.4	bearish	neutral	neutral	bearish
Saudi Arabia	-0.5	bearish	bearish	neutral	bullish
Mexico	-0.7	bearish	neutral	neutral	bearish
Nigeria	-0.7	bearish	bullish	bearish	bearish
Sri Lanka	-0.7	bearish	neutral	neutral	bearish
Argentina	-0.9	bearish	bearish	bearish	bearish

Source: IMF, World Bank, ILOSTAT, Bloomberg, Asian Development Bank, UBS, as of March 2025.

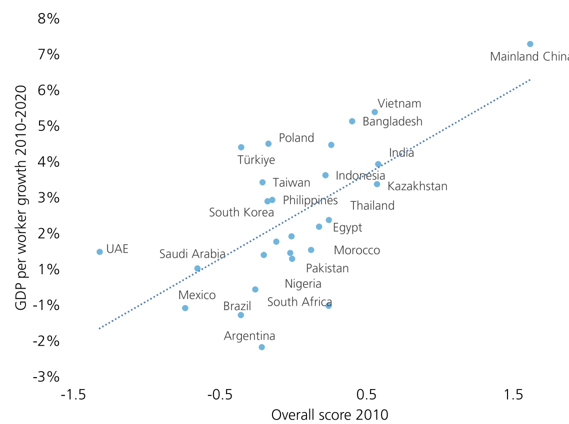
Box: Productivity score explained

Our productivity score is based on the average change in output-per worker growth and the amount of hours worked in each economy over the last five years. The cost of labor indicator is based on relative income, in logarithmic terms, of each market compared to the developed world average. Finally, we look at savings as a percentage of GDP and foreign-direct-inflows as a percentage of GDP to build our investment metric. We use an average of the World Bank political stability index and control of corruption index, together with the burden of government regulation score provided by the World Economic Forum to build a measure of the quality of institutions.

Historically, there has been a close correlation between these indicators and the subsequent actual change in output-per-worker (see Figure 4). Applying this framework to the most recent data, Vietnam, mainland China, Bangladesh, the UAE, and Indonesia should see productivity grow faster over the next decade, while Argentina, Sri Lanka, Nigeria, Mexico, and Saudi Arabia are likely to clock smaller productivity gains, barring meaningful structural reforms to enhance productivity growth.

Figure 4: Predicting future productive growth based on productivity score

Productivity score 2010 vs GDP per worker growth 2010-20



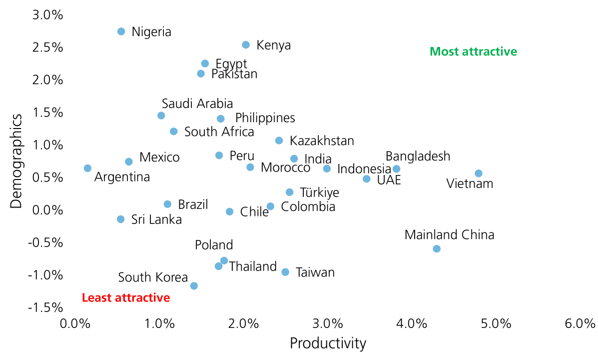
Source: IMF, World Bank, WEF, ILOSTAT, Asian Development Bank, UBS, as of March 2025.

Such reform efforts are of course an important reason why an investor might decide to deviate from the systematic, rule-based approach we apply here. Saudi Arabia's current reform efforts as part of its *Vision 2030* agenda aim at productivity improvements across nearly all aspects of its economy, suggesting that the administration is very well aware of the possible upside productivity enhancements could mean for economic growth. If successful, this can help to leverage the country's favorable demographic trend, resulting in an improved growth outlook, and possibly upside for local stocks.

Looking at productivity growth and demographics together provides a picture of the economic potential over the coming years. Markets with a strong outlook in terms of both demographics and productivity growth include India, Indonesia, Vietnam, the Philippines, and Bangladesh. The demographic strength of various African countries such as Kenya and Nigeria is often not matched by similarly strong metrics for productivity growth, barring any material change in policy. The opposite is true for many economies in Asia.

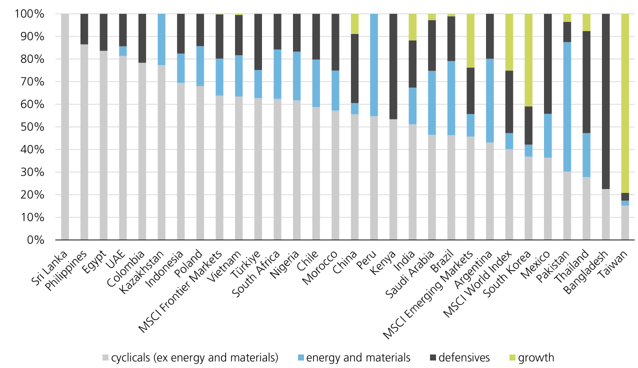
Figure 5: The sweet spot: high productivity and demographic potential

Productivity vs demographic potential, proxied by our productivity score and U.S. Census Bureau working-age population annual growth forecasts over the next 10 years.



Source: U.S. Census Bureau, IMF, World Bank, WEF, ILOSTAT, Asian Development Bank, UBS, as of March 2025.

Figure 6: Sector composition varies significantly across markets



Source: Bloomberg, MSCI, as of February 2025.

Cyclicals sectors include consumer discretionary, financials, industrials, real estate, energy, and materials, while defensives sectors include communication services, consumer staples, health care, and utilities. Finally, the growth category includes stocks belonging to the information technology sector. We consider the energy and materials sectors separately from other cyclicals sectors, since they tend to include a high proportion of exporters, which are by definition less influenced by domestic economic developments.

GDP growth and EPS growth: In or out of sync

GDP growth is usually positively correlated with earnings growth as economic expansion usually produces a conducive environment for businesses. Rising consumer demand, investment, and generally more business activity tend to be supportive for corporate earnings. However, GDP growth and earnings growth can sometimes decouple for a variety of reasons.

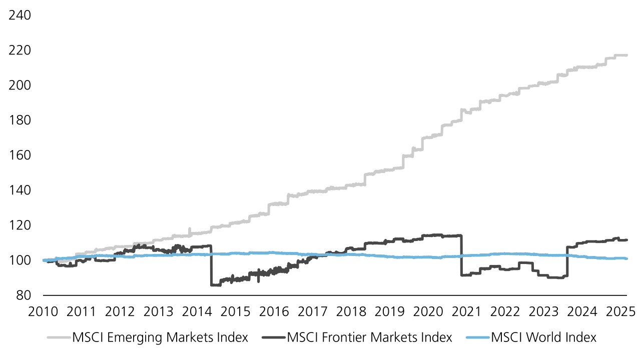
First, markets with high exposure to international revenues are usually less sensitive to domestic GDP developments. Market composition matters as well. All else being equal, markets with a higher share of cyclical sectors are likely to have a stronger correlation between earnings growth and GDP growth. Furthermore, in some regions, foreign investors can only invest in parts of the equity market or their participation in certain companies is capped by quotas. Hence, a market's investable universe (i.e., the equity index) may not be representative of the economy.

Finally, another important—albeit less intuitive—reason for a divergence between GDP and profitability is dilution (i.e., the ongoing net equity issuance by companies). While raising cash can be a necessity for companies in some specific circumstances, for instance to finance new investments and take on new projects, more often than not dilution is negative for investors, as it tends to put pressure on companies' earnings per share (EPS). Furthermore, an excessive amount of dilution may also be a signal that firms in a market are pursuing objectives other than pure shareholder value maximization. It is worth noting that equity issuance has been a problem in particular for emerging markets.

Indeed, as shown in Figure 7, while the number of shares in the MSCI World Index has remained broadly stable over the last 10 years, it has more than doubled for the MSCI Emerging Markets Index over the same period. This has contributed to EM EPS essentially going nowhere over the past decade (to a lesser extent, currency depreciation has also dragged EM EPS over the same period), whereas the S&P 500's EPS growth rate stands at high-single-digit CAGR. Based on our calculations, share dilution translated into a 6% CAGR drag on EM EPS over the last decade. In other words, total net income could have grown at a positive rate but the dilutive effect over the years has eroded shareholders' gains in terms of earnings. For more detail on individual market dilution impact on EPS, please refer to our report "Can EM EPS recover in the next decade?," published 20 September 2023.

Figure 7: Equity supply has increased significantly in emerging markets

Issuance of shares across markets (proxied by the respective Index divisor)

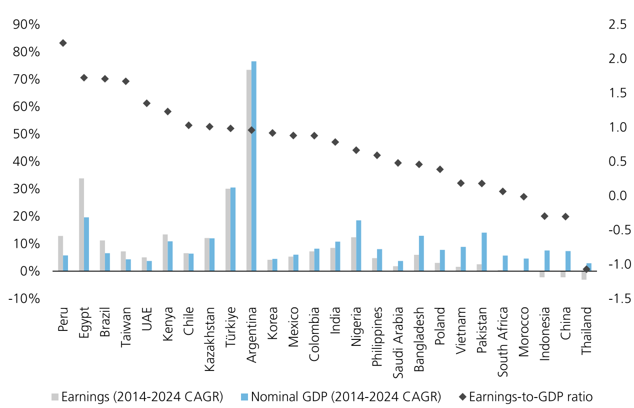


Source: Bloomberg, as of February 2025.

For all these reasons, even fast-growing economies do not necessarily produce roaring equity markets. So, while identifying fast-growing economies is an important step for investors, it is not enough. In fact, it is crucial to also understand which markets are better at converting economic growth into earnings growth. From a top-down perspective, a simple way to assess this is to look at the historical ratio between GDP and EPS growth. As shown in Figure 8, over the last 10 years, Brazil, Taiwan, and the UAE have been the best major markets at converting GDP growth into earnings growth.

Figure 8: Earnings growth tends to follow nominal GDP to a varying degrees

Nominal GDP growth and earnings growth across markets (2014-24 CAGR, lhs), together with their ratio (rhs)



Source: IMF, Bloomberg, as of February 2025.

The CAGR for Argentina GDP is computed between 2017 and 2024 due to the availability of data.

Egypt, Peru, and Kenya also screen well with regard to this metric, but we interpret these results more cautiously as these markets have only a very limited number of stocks.

At the other end of the spectrum, Thailand and mainland China have struggled to convert GDP into EPS growth.

Conclusions

Markets backed by fast-growing economies and a high EPS-GDP growth ratio can make for an attractive combination for investors. So, in our final step, we look at the growth potential of each market along with its ability to convert economic growth into EPS growth. To assess the growth potential of each economy, we take the average of the growth rate implied by the analysis of productivity and demographics drivers described above, and of the official IMF GDP forecasts. Using an average should improve the robustness of our results, since we model long-term growth forecasts, while the IMF's World Economic Outlook focuses only on the next five years, but incorporates relevant idiosyncratic aspects not covered by our systematic approach.

In addition, we also take into account the sector composition of each market. Those with a high proportion of cyclical sectors should be more sensitive to domestic GDP developments. Finally, we include the difference between earnings-per-share and total earnings growth over the last five years as a proxy for dilution across markets. Indeed, as explained above, earnings dilution has historically been significant in emerging markets and can further weaken the link between GDP growth and earnings growth. All else being equal, we consider markets in which earnings per share growth has outpaced total earnings growth more attractive.

According to this framework, the United Arab Emirates, Kazakhstan, Egypt, the Philippines, and India screen as the most attractive markets (see Table 3 at the end of the report). That said, we are cautious on Kazakhstan and Egypt as these markets contain only a handful of stocks, making the results less reliable.

Finally, while we think that the approach described in this report provides a useful framework to identify attractive investment opportunities in emerging and frontier markets over a long-term horizon, we also believe that an active approach is ultimately the best way for investors to gain exposure. Indeed, while we recognize their attractiveness in terms of economic growth, these markets come with very high idiosyncratic risks. Moreover, we have shown that there are several ways in which equity market indices can decouple from domestic growth developments. For this reason, we think that relying solely on market indices to build exposure to this asset class is not the best approach, but we instead advise investors to consider active ways of gaining exposure.

How to invest

Our long-term investment theme is based on structural drivers and suitable for investors willing to invest over multiple business cycles. As mentioned above, we believe that given the complexity and high idiosyncratic risks of these markets, an active investment approach is the best way to get exposure to this theme.

Reference List

The reference list at the end of the report provides a list of the largest stocks in the top 10 markets shown in Table 3. For market indices that have more than 20 constituents, we select the 20 biggest stocks in the index. Please note that this list is only for reference and is not a recommendation list.

Sustainability considerations

by Stephanie-WI Choi
As of 2024, the annual financing gap to reach the United Nations Sustainable Development Goals (UN SDGs) is estimated at USD 4 trillion—a figure that has continued to grow this decade, despite consistent efforts to boost sustainable finance. Emerging and frontier markets' development needs make up the bulk of this gap, and geopolitical uncertainties have only further weakened the visibility of public multilateral funding support in these regions.

Private sector participation, therefore, is increasingly critical. Private companies can play an important complementary role to public development policies in addressing systemic challenges in developing markets, in two distinct ways.

First, companies providing critical goods and services responsibly—emphasizing accessibility and affordability—directly contribute toward respective SDGs. For example, financial inclusion can help promote no poverty (SDG 1), as well as health care (SDG 3) and education (SDG 4), and even basic utilities like clean water and sanitation (SDG 6), to name a few.

Second, private companies can also drive fair employment, innovation, infrastructure, and governance standards that can have long-term multiplier effects on local communities. In some cases, employers can also be critical providers of baseline social services, from housing and insurance to early childhood education and health care. Directionally, investments into select frontier market companies may also have intentional or incidental relevance to SDG 8: Decent work and economic growth, which tracks indicators not only based on GDP and employment, but also on material intensity of GDP and labor rights, for example.

The relative scarcity of funding, combined with potential multiplier effects, are why impact investors often seek out opportunities in emerging and frontier markets for additional and measurable change. According to the Global Impact Investing Network (GIIN), emerging market-focused impact investments have growth from USD 97 billion in 2019 to USD 132 billion in 2024.

We caution, however, that this by no means implies that all emerging and frontier market investments can automatically be considered sustainable or impactful. The actual SDG contribution potential of an investment is largely determined by specific implementation. Whether investing into a service provider or an employer, the emphasis is not on the "what", but on the "who" and the "how"—e.g., the impact of a loan can vary greatly depending on the intentions of both the debtor and creditor, as well as loan terms and pricing.

This nuance means that impact investing opportunities in emerging and frontier markets are typically earlier stage and private market investments, where a direct assessment of these characteristics may be more feasible. The corollary is that these opportunities are often small-scale, may have extended investment cycles, and lack comparability to traditional investment benchmarks, all of which add to perceived investment risk.

For investors in public markets, there are limited avenues to pursue sustainable and impact investing in these regions as relevant opportunities remains scarce. Larger emerging markets are beginning to see advancing sustainability data and regulations, both of which can support some sustainable investing integration, but implementation can again be highly specific.

Figure 9: Correlation among emerging markets, frontier markets, and global equities

5-year correlation of weekly total returns in USD

	Argentina	Bangladesh	Brazil	Chile	China	Colombia	Egypt	India	Indonesia	Kazakhstan	Kenya	South Korea	Mexico	Morocco	Nigeria	Pakistan	Peru	Philippines	Poland	Saudi Arabia	South Africa	Sri Lanka	Taiwan	Thailand	Türkiye	UAE	Vietnam	MSCI Emerging Markets	MSCI Frontier Markets	S&P 500	MSCI World Index	MSCI World ex US
Argentina	1.00																															
Bangladesh	0.11	1.00																														
Brazil	0.52	0.19	1.00																													
Chile	0.36	0.03	0.57	1.00																												
China	0.15	0.13	0.34	0.34	1.00																											
Colombia	0.44	0.18	0.62	0.55	0.25	1.00																										
Egypt	-0.05	0.00	0.06	-0.05	-0.05	0.00	1.00																									
India	0.35	0.14	0.52	0.39	0.34	0.43	0.06	1.00																								
Indonesia	0.08	0.06	0.12	-0.05	0.02	0.05	0.04	0.24	1.00																							
Kazakhstan	0.31	0.05	0.33	0.34	0.24	0.38	0.00	0.45	0.01	1.00																						
Kenya	0.10	0.05	0.06	0.13	0.03	0.18	-0.09	0.11	0.04	0.13	1.00																					
South Korea	0.31	0.14	0.56	0.53	0.47	0.60	0.00	0.60	0.09	0.39	0.13	1.00																				
Mexico	0.51	0.15	0.66	0.57	0.36	0.57	-0.03	0.50	0.09	0.38	0.13	0.61	1.00																			
Morocco	0.20	0.19	0.34	0.18	0.23	0.34	0.05	0.42	0.23	0.28	0.08	0.33	0.31	1.00																		
Nigeria	0.13	0.10	0.06	-0.06	0.09	0.09	-0.10	0.02	0.06	0.02	0.10	0.06	0.11	0.13	1.00																	
Pakistan	0.11	0.07	0.04	-0.09	0.03	-0.03	0.03	0.16	0.21	0.02	0.09	0.02	0.07	0.15	-0.01	1.00																
Peru	0.39	0.10	0.57	0.57	0.37	0.49	-0.11	0.44	0.02	0.28	0.07	0.52	0.63	0.21	0.09	0.05	1.00															
Philippines	0.29	0.16	0.48	0.47	0.32	0.54	0.08	0.51	0.09	0.32	0.19	0.59	0.51	0.34	0.08	0.01	0.44	1.00														
Poland	0.38	0.10	0.52	0.48	0.36	0.53	0.01	0.55	0.13	0.50	0.15	0.62	0.65	0.34	0.08	-0.01	0.52	0.43	1.00													
Saudi Arabia	0.25	0.11	0.28	0.31	0.17	0.38	-0.05	0.29	0.00	0.20	0.11	0.31	0.31	0.12	0.06	-0.01	0.27	0.23	0.31	1.00												
South Africa	0.42	0.13	0.60	0.58	0.53	0.56	-0.02	0.59	0.12	0.35	0.06	0.67	0.68	0.31	0.06	0.07	0.61	0.49	0.64	0.39	1.00											
Sri Lanka	0.04	0.07	0.08	0.14	0.19	0.04	0.05	0.15	0.15	-0.03	0.12	0.10	0.10	0.11	0.05	0.11	0.14	0.07	0.09	-0.08	0.17	1.00										
Taiwan	0.06	0.09	0.02	0.04	0.10	0.14	0.04	0.09	0.14	0.07	0.10	0.19	0.08	0.22	0.12	0.01	0.04	0.13	0.07	0.03	0.15	0.14	1.00									
Thailand	0.31	0.09	0.51	0.47	0.38	0.45	-0.03	0.56	0.18	0.31	0.16	0.58	0.55	0.24	0.12	0.06	0.45	0.51	0.58	0.39	0.58	0.13	0.08	1.00								
Türkiye	0.25	0.04	0.31	0.25	0.16	0.29	0.04	0.38	0.09	0.28	0.10	0.25	0.32	0.17	0.07	0.05	0.23	0.23	0.30	0.21	0.32	0.06	-0.04	0.31	1.00							
UAE	0.03	0.04	-0.01	-0.15	-0.12	-0.09	0.03	0.10	0.44	0.05	0.08	-0.04	-0.05	0.12	0.08	0.19	-0.06	-0.04	-0.03	0.03	-0.02	0.05	0.10	0.04	0.05	1.00						
Vietnam	0.22	0.10	0.31	0.23	0.28	0.31	0.00	0.34	0.13	0.21	0.20	0.36	0.29	0.27	0.05	0.12	0.25	0.36	0.23	0.26	0.23	0.14	0.19	0.34	0.15	0.17	1.00					
MSCI Emerging Markets	0.38	0.19	0.62	0.56	0.81	0.56	-0.01	0.69	0.11	0.43	0.14	0.82	0.64	0.40	0.10	0.06	0.58	0.60	0.64	0.36	0.78	0.18	0.20	0.66	0.32	-0.07	0.43	1.00				
MSCI Frontier Markets	0.48	0.21	0.63	0.58	0.43	0.75	0.01	0.64	0.12	0.50	0.30	0.72	0.66	0.50	0.17	0.09	0.64	0.84	0.62	0.36	0.63	0.14	0.20	0.61	0.33	0.00	0.57	0.76	1.00			
S&P 500	0.49	0.11	0.52	0.47	0.33	0.53	0.01	0.58	0.05	0.38	0.12	0.67	0.62	0.33	0.08	0.06	0.50	0.49	0.52	0.37	0.61	0.11	0.14	0.46	0.30	-0.03	0.40	0.65	0.68	1.00		
MSCI World Index	0.50	0.13	0.57	0.53	0.40	0.60	0.01	0.64	0.08	0.45	0.14	0.74	0.68	0.37	0.09	0.05	0.54	0.55	0.63	0.39	0.68	0.11	0.15	0.55	0.33	-0.04	0.41	0.73	0.75	0.98	1.00	
MSCI World ex US	0.44	0.14	0.58	0.58	0.47	0.66	0.03	0.65	0.12	0.53	0.14	0.78	0.71	0.41	0.10	-0.01	0.57	0.58	0.78	0.40	0.74	0.09	0.15	0.66	0.36	-0.05	0.38	0.80	0.79	0.78	0.90	1.00

UBS, MSCI, as of March 2025.

Table 3: The UAE, Kazakhstan, Egypt, the Philippines, and India screen as the most attractive markets in our sample

Market	expected GDP growth	growth rank	% cyclicals (excluding energy and materials)	% cyclicals rank	E/GDP (last 10y)	E/GDP rank	dilution proxy (EPS vs earnings growth, last 5y)	dilution proxy rank	overall rank
UAE	4.3%	8	81%	3	1.4	5	2%	9	1
Egypt	4.3%	7	84%	2	1.7	2	-5%	19	2
Kazakhstan	3.5%	11	77%	5	1.0	8	6%	6	2
India	5.0%	3	51%	17	0.8	14	8%	3	4
Philippines	4.7%	5	86%	1	0.6	16	-4%	17	5
Peru	2.5%	17	55%	15	2.2	1	2%	10	6
Türkiye	3.1%	13	63%	9	1.0	9	-1%	13	7
Indonesia	4.3%	6	69%	6	-0.3	24	1%	11	8
Vietnam	5.6%	1	63%	8	0.2	20	-4%	18	8
Taiwan	2.1%	18	15%	26	1.7	4	10%	2	10
Kenya	4.8%	4	53%	16	1.2	6	-28%	25	11
Bangladesh	5.4%	2	22%	25	0.5	18	3%	7	12
Chile	2.1%	19	59%	12	1.0	7	-2%	16	13
Saudi Arabia	3.0%	15	47%	18	0.5	17	7%	4	13
Argentina	1.7%	24	43%	20	1.0	10	24%	1	15
Colombia	2.5%	16	78%	4	0.9	13	-12%	23	16
Poland	2.1%	20	68%	7	0.4	19	-2%	15	17
Nigeria	3.2%	12	62%	11	0.7	15	-20%	24	18
Brazil	1.8%	22	46%	19	1.7	3	-6%	20	19
Mexico	1.6%	25	36%	22	0.9	12	7%	5	19
South Korea	1.2%	26	37%	21	0.9	11	3%	8	21
South Africa	1.9%	21	62%	10	0.1	22	-2%	14	22
China	3.8%	9	56%	14	-0.3	25	-11%	22	23
Morocco	3.0%	14	57%	13	0.0	23	-8%	21	24
Pakistan	3.7%	10	30%	23	0.2	21	-29%	26	25
Thailand	1.8%	23	28%	24	-1.1	26	0%	12	26

Source: IMF, MSCI, Bloomberg, UBS, as of March 2025.

Table 4: Emerging markets and frontier markets companies reference list. This is not a list of recommendations

Company	MSCI Index	Market cap in USD mn as of 18 March 2025
Emaar Properties PJSC	MSCI UAE	32,489
First Abu Dhabi Bank PJSC	MSCI UAE	42,895
Emirates Telecommunications Group Co PJSC	MSCI UAE	41,344
Emirates NBD Bank PJSC	MSCI UAE	35,000
Aldar Properties PJSC	MSCI UAE	18,625
Abu Dhabi Commercial Bank PJSC	MSCI UAE	21,127
Abu Dhabi Islamic Bank PJSC	MSCI UAE	16,851
Dubai Islamic Bank PJSC	MSCI UAE	14,826
ADNOC Drilling Co PJSC	MSCI UAE	22,218
Emaar Development PJSC	MSCI UAE	13,777
Abu Dhabi National Oil Co for Distribution PJSC	MSCI UAE	11,776
Americana Restaurants International PLC - Foreign Co	MSCI UAE	4,885
Multiply Group PJSC	MSCI UAE	5,489
Commercial International Bank - Egypt (CIB)	MSCI EGYPT	4,695
Eastern Co SAE	MSCI EGYPT	1,834
Talaat Moustafa Group	MSCI EGYPT	2,198
Kaspi.KZ JSC	MSCI KAZAKHSTAN	19,868
NAC Kazatomprom JSC	MSCI KAZAKHSTAN	9,492
Halyk Savings Bank of Kazakhstan JSC	MSCI KAZAKHSTAN	7,379
HDFC Bank Ltd	MSCI INDIA	150,708
Reliance Industries Ltd	MSCI INDIA	193,138
ICICI Bank Ltd	MSCI INDIA	103,216
Infosys Ltd	MSCI INDIA	76,062
Bharti Airtel Ltd	MSCI INDIA	107,569
Tata Consultancy Services Ltd	MSCI INDIA	145,793
Mahindra & Mahindra Ltd	MSCI INDIA	38,754
Bajaj Finance Ltd	MSCI INDIA	61,188
Axis Bank Ltd	MSCI INDIA	36,878
Kotak Mahindra Bank Ltd	MSCI INDIA	45,652
Larsen & Toubro Ltd	MSCI INDIA	50,275
Hindustan Unilever Ltd	MSCI INDIA	58,773
Sun Pharmaceutical Industries Ltd	MSCI INDIA	47,110
Zomato Ltd	MSCI INDIA	22,646
HCL Technologies Ltd	MSCI INDIA	48,306
Maruti Suzuki India Ltd	MSCI INDIA	41,849
NTPC Ltd	MSCI INDIA	37,049
Tata Motors Ltd	MSCI INDIA	28,034
State Bank of India	MSCI INDIA	74,352

Source: UBS, Bloomberg, MSCI, as of March 18 2025

Table 4 : Emerging markets and frontier markets companies reference list. This is not a list of recommendations

Company	MSCI Index	Market cap in USD mn as of 18 March 2025
Power Grid Corp of India Ltd	MSCI INDIA	28,646
International Container Terminal Services Inc	MSCI PHILIPPINES	13,902
BDO Unibank Inc	MSCI PHILIPPINES	14,996
Bank of the Philippine Islands	MSCI PHILIPPINES	12,420
SM Prime Holdings Inc	MSCI PHILIPPINES	11,817
SM Investments Corp	MSCI PHILIPPINES	17,336
Ayala Corp	MSCI PHILIPPINES	6,589
Ayala Land Inc	MSCI PHILIPPINES	5,675
Manila Electric Co	MSCI PHILIPPINES	9,893
Metropolitan Bank & Trust Co	MSCI PHILIPPINES	5,709
Jollibee Foods Corp	MSCI PHILIPPINES	5,038
PLDT Inc	MSCI PHILIPPINES	5,139
Credicorp Ltd	MSCI PERU	15,157
Southern Copper Corp	MSCI PERU	77,930
Cia de Minas Buenaventura SAA	MSCI PERU	3,905
BIM Birlesik Magazalar AS	MSCI TURKEY	8,546
Akbank TAS	MSCI TURKEY	10,662
Turk Hava Yollari AO	MSCI TURKEY	12,584
Aselsan Elektronik Sanayi Ve Ticaret AS	MSCI TURKEY	15,151
Turkiye Is Bankasi AS	MSCI TURKEY	11,132
Turkiye Petrol Rafinerileri AS	MSCI TURKEY	7,686
KOC Holding AS	MSCI TURKEY	12,635
Turkcell Iletisim Hizmetleri AS	MSCI TURKEY	6,571
Yapi ve Kredi Bankasi AS	MSCI TURKEY	7,744
Haci Omer Sabanci Holding AS	MSCI TURKEY	6,187
Eregli Demir ve Celik Fabrikalari TAS	MSCI TURKEY	4,889
Ford Otomotiv Sanayi AS	MSCI TURKEY	10,203
Pegasus Hava Tasimaciligi AS	MSCI TURKEY	3,839
Turkiye Sise ve Cam Fabrikalari AS	MSCI TURKEY	3,394
Coca-Cola Icecek AS	MSCI TURKEY	4,400
Sasa Polyester Sanayi AS	MSCI TURKEY	4,797
Bank Central Asia Tbk PT	MSCI INDONESIA	64,644
Bank Rakyat Indonesia Persero Tbk PT	MSCI INDONESIA	35,395
Bank Mandiri Persero Tbk PT	MSCI INDONESIA	26,634
Telkom Indonesia Persero Tbk PT	MSCI INDONESIA	14,618
Astra International Tbk PT	MSCI INDONESIA	11,405
GoTo Gojek Tokopedia Tbk PT	MSCI INDONESIA	5,738
Bank Negara Indonesia Persero Tbk PT	MSCI INDONESIA	9,847

Source: UBS, Bloomberg, MSCI, as of March 18 2025

Table 4 : Emerging markets and frontier markets companies reference list. This is not a list of recommendations

Company	MSCI Index	Market cap in USD mn as of 18 March 2025
Chandra Asri Pacific Tbk PT	MSCI INDONESIA	35,079
Sumber Alfaria Trijaya Tbk PT	MSCI INDONESIA	6,153
Amman Mineral Internasional PT	MSCI INDONESIA	28,079
United Tractors Tbk PT	MSCI INDONESIA	5,282
Indofood Sukses Makmur Tbk PT	MSCI INDONESIA	3,895
Charoen Pokphand Indonesia Tbk PT	MSCI INDONESIA	4,319
Indofood CBP Sukses Makmur Tbk PT	MSCI INDONESIA	7,786
Alamtri Resources Indonesia Tbk PT	MSCI INDONESIA	3,404
Kalbe Farma Tbk PT	MSCI INDONESIA	3,030
Barito Pacific Tbk PT	MSCI INDONESIA	4,430
Hoa Phat Group JSC	MSCI VIETNAM	6,977
Vingroup JSC	MSCI VIETNAM	7,803
Bank for Foreign Trade of Vietnam JSC	MSCI VIETNAM	22,027
Masan Group Corp	MSCI VIETNAM	3,972
Vinhomes JSC	MSCI VIETNAM	7,690
Vietnam Dairy Products JSC	MSCI VIETNAM	5,157
SSI Securities Corp	MSCI VIETNAM	1,917
Vietnam Prosperity JSC Bank	MSCI VIETNAM	6,278
Duc Giang Chemicals JSC	MSCI VIETNAM	1,592
Vincom Retail JSC	MSCI VIETNAM	1,706
VNDirect Securities Corp	MSCI VIETNAM	888
Khang Dien House Trading and Investment JSC	MSCI VIETNAM	1,315
VIX Securities JSC	MSCI VIETNAM	703
Vietjet Aviation JSC	MSCI VIETNAM	2,102
Vietcap Securities JSC	MSCI VIETNAM	1,110
Saigon - Hanoi Commercial Joint Stock Bank	MSCI VIETNAM	1,792
Vietnam Export Import Commercial JSB	MSCI VIETNAM	1,485
Kinh Bac City Development Holding Corp	MSCI VIETNAM	894
Bank for Investment and Development of Vietnam JSC	MSCI VIETNAM	10,901
Saigon Thuong Tin Commercial JSB	MSCI VIETNAM	2,869
Taiwan Semiconductor Manufacturing Co Ltd	MSCI TAIWAN	762,057
MediaTek Inc	MSCI TAIWAN	69,145
Hon Hai Precision Industry Co Ltd	MSCI TAIWAN	70,697
Delta Electronics Inc	MSCI TAIWAN	31,005
Fubon Financial Holding Co Ltd	MSCI TAIWAN	37,260
Quanta Computer Inc	MSCI TAIWAN	29,839
CTBC Financial Holding Co Ltd	MSCI TAIWAN	23,835
Cathay Financial Holding Co Ltd	MSCI TAIWAN	29,330

Source: UBS, Bloomberg, MSCI, as of March 18 2025

Table 4: Emerging markets and frontier markets companies reference list. This is not a list of recommendations

Company	MSCI Index	Market cap in USD mn as of 18 March 2025
ASE Technology Holding Co Ltd	MSCI TAIWAN	21,052
United Microelectronics Corp	MSCI TAIWAN	16,781
Chunghwa Telecom Co Ltd	MSCI TAIWAN	30,081
Mega Financial Holding Co Ltd	MSCI TAIWAN	17,795
Asustek Computer Inc	MSCI TAIWAN	14,041
E.Sun Financial Holding Co Ltd	MSCI TAIWAN	14,489
Uni-President Enterprises Corp	MSCI TAIWAN	14,029
Yuanta Financial Holding Co Ltd	MSCI TAIWAN	13,998
Accton Technology Corp	MSCI TAIWAN	11,100
Novatek Microelectronics Corp	MSCI TAIWAN	9,955
First Financial Holding Co Ltd	MSCI TAIWAN	11,709
Wistron Corp	MSCI TAIWAN	9,301

Source: UBS, Bloomberg, MSCI, as of March 18 2025

Appendix

Risk information
UBS Chief Investment Office's ("CIO") investment views are prepared and published by the Global Wealth Management business of UBS Switzerland AG (regulated by FINMA in Switzerland) or its affiliates ("UBS"), part of UBS Group AG ("UBS Group"). UBS Group includes former Credit Suisse AG, its subsidiaries, branches and affiliates. Additional disclaimer relevant to Credit Suisse Wealth Management follows at the end of this section.
The investment views have been prepared in accordance with legal requirements designed to promote the **independence of investment research**.
Generic investment research – Risk information:
This publication is **for your information only** and is not intended as an offer, or a solicitation of an offer, to buy or sell any investment or other specific product. The analysis contained herein does not constitute a personal recommendation or take into account the particular investment objectives, investment strategies, financial situation and needs of any specific recipient. It is based on numerous assumptions. Different assumptions could result in materially different results. Certain services and products are subject to legal restrictions and cannot be offered worldwide on an unrestricted basis and/or may not be eligible for sale to all investors. All information and opinions expressed in this document were obtained from sources believed to be reliable and in good faith, but no representation or warranty, express or implied, is made as to its accuracy or completeness (other than disclosures relating to UBS). All information and opinions as well as any forecasts, estimates and market prices indicated are current as of the date of this report, and are subject to change without notice. Opinions expressed herein may differ or be contrary to those expressed by other business areas or divisions of UBS as a result of using different assumptions and/or criteria. UBS may utilise artificial intelligence tools (“AI Tools”) in the preparation of this document. Notwithstanding any such use of AI Tools, this document has undergone human review.
In no circumstances may this document or any of the information (including any forecast, value, index or other calculated amount ("Values")) be used for any of the following purposes (i) valuation or accounting purposes; (ii) to determine the amounts due or payable, the price or the value of any financial instrument or financial contract; or (iii) to measure the performance of any financial instrument including, without limitation, for the purpose of tracking the return or performance of any Value or of defining the asset allocation of portfolio or of computing performance fees. By receiving this document and the information you will be deemed to represent and warrant to UBS that you will not use this document or otherwise rely on any of the information for any of the above purposes. UBS and any of its directors or employees may be entitled at any time to hold long or short positions in investment instruments referred to herein, carry out transactions involving relevant investment instruments in the capacity of principal or agent, or provide any other services or have officers, who serve as directors, either to/for the issuer, the investment instrument itself or to/for any company commercially or financially affiliated to such issuers. At any time, investment decisions (including whether to buy, sell or hold securities) made by UBS and its employees may differ from or be contrary to the opinions expressed in UBS research publications. Some investments may not be readily realizable since the market in the securities is illiquid and therefore valuing the investment and identifying the risk to which you are exposed may be difficult to quantify. UBS relies on information barriers to control the flow of information contained in one or more areas within UBS, into other areas, units, divisions or affiliates of UBS. Futures and options trading is not suitable for every investor as there is a substantial risk of loss, and losses in excess of an initial investment may occur. Past performance of an investment is no guarantee for its future performance. Additional information will be made available upon request. Some investments may be subject to sudden and large falls in value and on realization you may receive back less than you invested or may be required to pay more. Changes in foreign exchange rates may have an adverse effect on the price, value or income of an investment. The analyst(s) responsible for the preparation of this report may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, synthesizing and interpreting market information.
Different areas, groups, and personnel within UBS Group may produce and distribute separate research products **independently of each other**. For example, research publications from **CIO** are produced by UBS Global Wealth Management. **UBS Global Research** is produced by UBS Investment Bank. **Research methodologies and rating systems of each separate research organization may differ**, for example, in terms of investment recommendations, investment horizon, model assumptions, and valuation methods. As a consequence, except for certain economic forecasts (for which UBS CIO and UBS Global Research may collaborate), investment recommendations, ratings, price targets, and valuations provided by each of the separate research organizations may be different, or inconsistent. You should refer to each relevant research product for the details as to their methodologies and rating system. Not all clients may have access to all products from every organization. Each research product is subject to the policies and procedures of the organization that produces it.
The compensation of the analyst(s) who prepared this report is determined exclusively by research management and senior management (not including investment banking). Analyst compensation is not based on investment banking, sales and trading or principal trading revenues, however, compensation may relate to the revenues of UBS Group as a whole, of which investment banking, sales and trading and principal trading are a part.
Tax treatment depends on the individual circumstances and may be subject to change in the future. UBS does not provide legal or tax advice and makes no representations as to the tax treatment of assets or the investment returns thereon both in

general or with reference to specific client's circumstances and needs. We are of necessity unable to take into account the particular investment objectives, financial situation and needs of our individual clients and we would recommend that you take financial and/or tax advice as to the implications (including tax) of investing in any of the products mentioned herein.
This material may not be reproduced or copies circulated without prior authority of UBS. Unless otherwise agreed in writing UBS expressly prohibits the distribution and transfer of this material to third parties for any reason. UBS accepts no liability whatsoever for any claims or lawsuits from any third parties arising from the use or distribution of this material. This report is for distribution only under such circumstances as may be permitted by applicable law. For information on the ways in which CIO manages conflicts and maintains independence of its investment views and publication offering, and research and rating methodologies, please visit www.ubs.com/research-methodology. Additional information on the relevant authors of this publication and other CIO publication(s) referenced in this report; and copies of any past reports on this topic; are available upon request from your client advisor.
Important Information About Sustainable Investing Strategies: Sustainable investing strategies aim to consider and incorporate environmental, social and governance (ESG) factors into investment process and portfolio construction. Strategies across geographies approach ESG analysis and incorporate the findings in a variety of ways. Incorporating ESG factors or Sustainable Investing considerations may inhibit UBS's ability to participate in or to advise on certain investment opportunities that otherwise would be consistent with the Client's investment objectives. The returns on a portfolio incorporating ESG factors or Sustainable Investing considerations may be lower or higher than portfolios where ESG factors, exclusions, or other sustainability issues are not considered by UBS, and the investment opportunities available to such portfolios may differ.
External Asset Managers / External Financial Consultants: In case this research or publication is provided to an External Asset Manager or an External Financial Consultant, UBS expressly prohibits that it is redistributed by the External Asset Manager or the External Financial Consultant and is made available to their clients and/or third parties.
USA: Distributed to US persons only by UBS Financial Services Inc. or UBS Securities LLC, subsidiaries of UBS AG. UBS Switzerland AG, UBS Europe SE, UBS Bank, S.A., UBS Brasil Administradora de Valores Mobiliarios Ltda, UBS Asesores Mexico, S.A. de C.V., UBS SuMi TRUST Wealth Management Co., Ltd., UBS Wealth Management Israel Ltd and UBS Menkul Degerler AS are affiliates of UBS AG. **UBS Financial Services Inc. accepts responsibility for the content of a report prepared by a non-US affiliate when it distributes reports to US persons. All transactions by a US person in the securities mentioned in this report should be effected through a US-registered broker dealer affiliated with UBS, and not through a non-US affiliate. The contents of this report have not been and will not be approved by any securities or investment authority in the United States or elsewhere. UBS Financial Services Inc. is not acting as a municipal advisor to any municipal entity or obligated person within the meaning of Section 15B of the Securities Exchange Act (the "Municipal Advisor Rule") and the opinions or views contained herein are not intended to be, and do not constitute, advice within the meaning of the Municipal Advisor Rule.**
For country information, please visit ubs.com/cio-country-disclaimer-gr or ask your client advisor for the full disclaimer.
Additional Disclaimer relevant to Credit Suisse Wealth Management
You receive this document in your capacity as a client of Credit Suisse Wealth Management. Your personal data will be processed in accordance with the Credit Suisse privacy statement accessible at your domicile through the official Credit Suisse website . In order to provide you with marketing materials concerning our products and services, UBS Group AG and its subsidiaries may process your basic personal data (i.e. contact details such as name, e-mail address) until you notify us that you no longer wish to receive them. You can optout from receiving these materials at any time by informing your Relationship Manager.
Except as otherwise specified herein and/or depending on the local Credit Suisse entity from which you are receiving this report, this report is distributed by UBS Switzerland AG, authorised and regulated by the Swiss Financial Market Supervisory Authority (FINMA).
Version A/2025. CIO82652744