
Advance Frontier Markets Fund Limited

Half-yearly financial report 2013



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Investment objective

The objective of the Company is to generate long-term capital growth for its shareholders. The Investment Manager invests predominantly in a diversified portfolio of funds and other investment products which derive their value from Frontier Markets. The proportion of the portfolio invested in each component of Frontier Markets varies according to where the Investment Manager perceives the most attractive investment opportunities to be. Investee funds may include closed and open-ended funds, exchange traded funds, structured products, limited partnerships and managed accounts.

Performance

For the six months ended 31 December 2013

Net asset value ("NAV") per share (in US dollars)	+12.9%
Share price (in US dollars)	+14.6%

As at 31 December 2013

NAV per share (in US dollars)	\$0.9979
Share price (in US dollars)	\$0.9043
Share price (in GB pounds)	£0.5463
Net assets	\$169.1m

Chairman's statement

On behalf of your Board, I am pleased to present to you the Half-yearly Report for Advance Frontier Markets Fund Limited ("AFMF", "the Fund" or "the Company") for the six month period to 31 December 2013.

Performance

During the period, frontier markets continued to build on the good performance of the prior six months, with investor appetite for the asset class continuing to be driven by solid fundamentals, attractive valuations and a rising acknowledgement of the asset class's diversification benefits. The Investment Manager provides greater detail on the asset class, portfolio and the specifics of individual markets and holdings in its report. In the six month period to 31 December 2013, the Company's NAV per share and share price returned 12.9% and 14.6% in US dollar terms respectively.

Discount and corporate developments

The discount at which the Company's shares trade narrowed from 10.6% at the start of the financial year to 9.4% at the end of December. It briefly reached 6.0% in November, reflecting heightened investor interest in the asset class. I remind shareholders that they will be afforded an opportunity to fully realise their investment in the Company at the then prevailing net asset value less costs by way of proposals to be put to shareholders at the time of the Company's annual general meeting in 2016.

Of more immediate relevance, I would also point out that, in accordance with the Company's admission document, a resolution that the Company should continue in existence will be proposed at the annual general meeting to be held in late 2014. Shareholder consultations will be conducted in the coming months.

Gearing

As a fund of funds, AFMF cannot currently be truly fully invested because of cash positions held by underlying investee funds. At the annual general meeting held in November 2012 shareholder approval was obtained permitting AFMF to borrow up to a maximum of 10% of net assets with the main objective of offsetting the drag on performance caused by this look-through cash. It is our intention for the Company to enter into a borrowing facility agreement.

Alternative Investment Fund Managers ("AIFM") Directive

The Board has been considering the options available to it under the AIFM Directive. Having taken professional advice, we have decided that the interests of investors would be best served by appointing the Investment Manager, Advance Emerging Capital Limited, as the AIFM. The Investment Manager is applying for the necessary authorisation from the Financial Conduct Authority in the United Kingdom. The Company must also appoint a depositary which will incur an additional cost for the Company. Subject to finalisation of terms, the current intention is for Northern Trust in Guernsey to be appointed as depositary to the Company. The Board and the Investment Manager are currently in the process of finalising the necessary arrangements in this regard.

Outlook

Turning to future prospects, I am of the view that the case for investing in frontier markets remains robust with the asset class offering reasonable valuations and solid growth combined with diversification benefits and lower levels of volatility than generally perceived by investors.

Finally, I would like to thank the Company's shareholders for their continued support, my colleagues on the Board for their diligence and professionalism, the Investment Manager for its continued efforts and all of our advisers for their advice and assistance.

Grant Wilson

14 February 2014

Investment Manager’s report

Performance review

During the half year to 31 December 2013 the Company’s net asset value per share and share price rose by 12.9% and 14.6% in US dollar terms respectively. The discount to net asset value at which the Company’s shares trade reduced from 10.6% to 9.4%.

AFMF benefitted from the strong performances of a number of its larger holdings, notably those focussed on Argentina and the Middle East, including Advance Copernico Argentina Equity Fund (NAV up 60.2%), EFG-Hermes Saudi Arabia Fund (NAV up 19.2%) and AshmoreEMM Middle East Fund (NAV up 17.5%).

Figure 1: Advance Frontier Markets Fund Performance Report

	6 Months	12 Months	Since Inception
AFMF NAV	12.9%	24.1%	3.0%
AFMF Price	14.6%	30.2%	-9.6%

Source: Advance Emerging Capital Limited, Bloomberg, all figures in US dollar terms to 31 December 2013.

Inception was 15 June 2007 (initial NAV per share after share issues expenses was \$0.9685).

Market environment¹

Frontier markets, as measured by the MSCI Frontier Markets Net Total Return Index, posted a gain of 13.3% in the second half of 2013. As in previous periods there was a broad range of returns from the underlying constituent markets. Argentina was the strongest market by some way with a gain of 65.1% prompted by the realisation that President Kirchner’s departure from office in 2015 is now almost assured, hopefully paving the way for more orthodox economic policy in the future. Other strong markets included Egypt (+34.4%) and the UAE (+34.1%). At the other extreme, the Ukrainian market fell 8% with fears over currency devaluation and a second recession in five years deterring foreign investors. Bahrain (-7.3%) and Zimbabwe (-4.3%) also performed poorly.

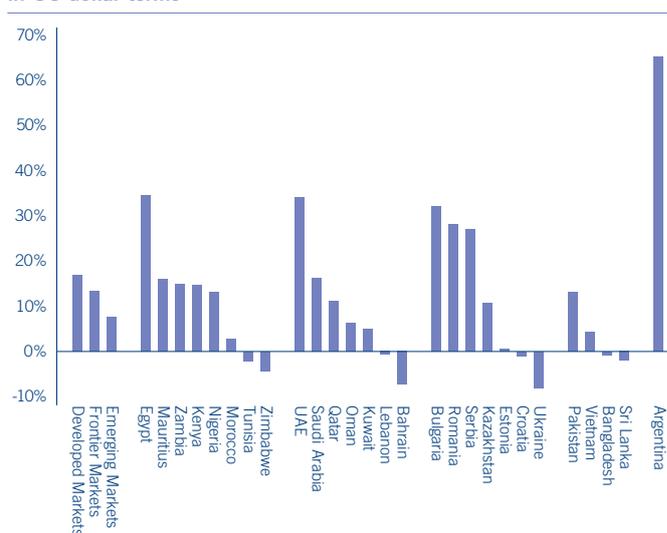
Returns across the remaining Gulf markets were generally strong with Saudi Arabia up 16.1% and Qatar gaining 11.2% helped by currency pegs to the US dollar at a time when free floating currencies in emerging markets depreciated sharply. Qatar and the UAE were also supported by the announcement from MSCI that both countries will be promoted to the MSCI Emerging Market Index in 2014. Eastern European frontier markets recovered some of their prior losses with strong gains in Bulgaria (+32.0%), Romania (+28.2%) and Serbia (+27.0%). The generally good performance of the region was primarily driven by increased stability across the Eurozone.

Within Asia, Pakistan rose 13.2% as the market continued its inexorable rise post the May election victory of Nawaz Sharif as Prime Minister for a third term which was well received by the market. This was the first time in the country’s history that a democratically elected government has served its full five years in office and peacefully transitioned to another elected administration. Vietnam increased 4.3% with bad-debt problems in its banking sector finally starting to be addressed and renewed speculation that foreign ownership limits may be relaxed.

¹ All returns in this section are in US dollar terms in respect of the six months ended 31 December 2013 unless otherwise stated.

The returns from various frontier equity markets over the six months are illustrated in the following chart.

Figure 2: Market returns over the half year to 31 December 2013 in US dollar terms



Source: Bloomberg, MSCI, S&P and local market indices, total returns in US dollar terms where available, six months to 31 December 2013

Portfolio

The Fund’s asset allocation at the end of the period is shown on page 6. In terms of regional exposure, AFMF continued to maintain significant allocations to Africa, Asia and the Middle East.

At period end, Africa accounted for 38.4% of net assets. The most significant change in exposure was in Kenya which accounted for 4.8% of the Fund at the end of December, up from 2.2% at the start of the period following a new investment into an East African focussed share class of the PineBridge Sub-Saharan Fund.

In Asia, the Company’s exposure increased from 19.2% to 19.8% of its net assets, with Bangladesh entering the portfolio at a 1.9% weighting achieved through an exchange traded fund. The inclusion of Bangladesh in the portfolio is justified, we believe, on the back of improving fundamentals at a country level, robust GDP growth and attractive valuations. Following the strong performance of the Fund’s two holdings in Pakistan a decision was made to take profits. At around the same time, both funds in Pakistan announced significant dividend payments, representing an annual yield of over 20%. This facilitated a reduction in exposure to Pakistan over the period from 4.2% to 3.5% of NAV.

The Company’s allocation to the Middle East rose modestly and stood at 24.8% at the end of the period. Saudi Arabia increased through a combination of performance and further investment into an open ended fund from EFG-Hermes. Qatar’s weighting declined to 6.8% of net assets as the market lagged its regional peers and we took advantage of a tender offer from Qatar Investment Fund to trim AFMF’s holding.

Another notable change was in Romania where a combination of strong performance and additional purchases of Fondul Proprietatea brought that market’s weight up to 3.9%.

At the end of the period 31.5% of the portfolio was invested in closed end funds, 62.7% was invested in open ended funds and direct equities represented 3.2%. The weighted average discount on the closed end funds in the portfolio was 19.9%. This equates to a 6.3% discount on the portfolio as a whole, in addition to the 9.4% discount that AFMF’s own shares were trading on at the end of the half year.

Further details on the top 10 investments follow below.***AshmoreEMM Middle East Fund (8.3% of net asset value)***

This open ended fund continues to be managed ably by AshmoreEMM. The fund had a solid six months with its NAV up 17.5%, boosted by a combined exposure of 56% to the UAE and Saudi Arabia. Banking stocks, particularly those in the UAE, enjoyed strong performance and the manager expects this to continue with the recent announcement of Dubai as host of the 2020 World Expo Conference, which will require material infrastructure investments that are likely to be financed by those same banks.

EFG-Hermes Saudi Arabia Fund (8.2% of net asset value)

The fund performed well during the period with an NAV gain of 19.2% compared with 15.5% from the Saudi Arabian Tadawul Index. EFG-Hermes remains one of the largest and best resourced investment houses in the Middle East. Supported by its hydrocarbon industry, peg to the dollar and strong GDP growth, Saudi Arabia remains one of our preferred markets within the Gulf region. In particular, private consumption is expected to be boosted by consumer credit growth, wage inflation and increased government expenditure.

Africa Opportunity Fund (7.2% of net asset value)

The London quoted closed end fund had a mixed six months. The NAV return was 9.1% on a total return basis but the share price return was +17.6% as the discount to NAV narrowed sharply from 13.0% to 6.0%. We believe this narrowing was the result of continued appetite for African assets combined with a forthcoming continuation vote.

Sustainable Capital Nigeria Fund (6.5% of net asset value)

Sustainable Capital, based in Cape Town, invests across Africa with a focus on quality companies with strong management and good corporate governance practices. This approach has obvious merit in a market like Nigeria, which remains AFMF's most significant exposure at a country level. Our optimism on the long term investment potential in the country is based on favourable demographics, scope for productivity gains through infrastructure development and the relevance of the country as Africa's largest energy producer. The portfolio is concentrated in 15 holdings with a bias towards financials at present, where valuations remain attractive, dividend yields high and there is scope for significant earnings growth over the long term.

Sustainable Capital Africa Consumer Fund (6.1% of net asset value)

This fund was created in March 2013 with the express intention of investing across Africa (ex South Africa) in companies that offer exposure to the emerging consumer in sectors including beverages, consumer goods, food, pharmaceuticals, real estate and micro finance. The fund's NAV return over the period was +18.0% driven by its Egyptian holdings, which rose substantially despite continued political uncertainty. The portfolio is limited to 15 stocks to ensure it reflects a high level of conviction from the manager.

Qatar Investment Fund plc (6.0% of net asset value)

Qatar Investment Fund is a London traded closed end fund, offering country specific exposure to Qatar. The fund is advised by Qatar Insurance Company based in Doha with the portfolio focusing on non-energy related stocks. The fund's NAV rose 11.8% on a total return basis which was in line with the MSCI Qatar Index. The discount narrowed from 12.5% to 10.5% which boosted the share price return to 16.0%. In December 2013, the fund completed the second of its proposed tender offers for 10% of shares in issue at a 1% discount to NAV less costs as the fund's discount had averaged above 10% over the preceding 12 months.

Africa Emerging Markets Fund (5.6% of net asset value)

The fund's NAV rose 12.6% over the period, driven by healthy allocations to both the Nigerian and Egyptian markets. During the period the lead manager changed but there were no major changes to the portfolio and performance has remained strong since the handover. For this reason, no change to the fund's holding was deemed necessary. It remains a core African holding within AFMF, offering good liquidity, an attractive fee structure and seasoned management.

VinaCapital Vietnam Opportunity Fund (5.0% of net asset value)

This closed end vehicle held a vote in July which saw a large majority of shareholders support the continuation of the company. In the lead up to the vote the board brought forward proposals that introduced a range of corporate governance enhancements and also revised the investment management and performance fees to re-align the manager's interests with those of shareholders. Performance during the half year was reasonable with the NAV gaining 5.2% and share price 6.2% while the MSCI Vietnam Index rose by 4.3%. The fund's shares traded at a discount to NAV of 25.0% at year end.

PineBridge Sub-Saharan Fund (4.8% of net asset value)

This is a newly established holding, managed by the Nairobi based Africa team of PineBridge Investments. The share class in which AFMF is invested has a specific remit to invest in East Africa where we deem the PineBridge team to have a competitive advantage in stock picking due to their extensive experience in Kenya and the surrounding markets. The portfolio will typically have 10-20 holdings. This is combined with a generally positive outlook for this region of Africa, driven by recent energy discoveries and the emergence of Kenya as a regional services hub.

Sturgeon Central Asia Equities Fund (4.7% of net asset value)

This fund was first introduced into the portfolio in April 2013 and provides AFMF with exposure to countries such as Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, Mongolia, Georgia and Azerbaijan. The investment was initiated in part to replace our exposure to the Central Asia markets as Tau Capital continued its managed wind down. Kazakhstan offers amongst the lowest valuations in frontier markets and we are confident that the Sturgeon team, which has been investing in the region since 2006, will add value for AFMF over time. The fund returned a respectable 10.7% in the second half of 2013.

Market outlook

With frontier markets having outperformed emerging markets by some margin in 2013 the obvious question is whether or not this trend can be sustained in 2014. The broad gains witnessed last year were, in aggregate, driven by increased valuations rather than corporate earnings growth. We believe that valuations are still reasonable but we would expect to see future gains driven by the resumption of earnings growth and intelligent stock picking by AFMF's underlying managers in those market segments where valuations remain most attractive.

Continued inflows to the asset class were obviously conducive to performance in 2013 and they look set to continue as investors become increasingly aware of the diversification benefits of frontier markets. Anecdotally, this is supported by increasing press coverage and increased interest from long term institutional investors and consultants.

Fundamentals generally remain sound. The issues of current accounts deficits, weak currencies and over-leverage that proved to be the bane of emerging markets last year are largely absent in frontier markets. The political elections that took place did not significantly disrupt markets. We are resisting complacency though and remain cognizant of the unpredictability of politics in many of our target markets.

From a portfolio perspective, we anticipate only modest shifts away from our current positioning and will continue to run a concentrated portfolio with significant exposures to our highest conviction managers.

Advance Emerging Capital Limited

14 February 2014

Twenty largest investments

Fund Name	Asset class	Investment manager	Style*	Structure	At 31 December 2013 Valuation £'000	At 31 December 2013 % of net assets
Ashmore EMM Middle East Fund	Middle East equities	Ashmore Group	Quality and value	Dublin OEIC	14,045	8.3%
EFG Hermes – Saudi Arabia Fund	Saudi Arabian equities	EFG-Hermes KSA	Growth and value	Saudi Arabian Open-ended fund	13,934	8.2%
Africa Opportunity Fund	African equities & debt	Africa Opportunities Partners	Value and arbitrage	Cayman closed end fund	12,136	7.2%
Sustainable Capital Nigeria Fund	Nigerian equities	Sustainable Capital	Quality and value	Mauritius OEIC	11,009	6.5%
Sustainable Capital Africa Consumer Fund	African equities	Sustainable Capital	Quality and value	Mauritius OEIC	10,389	6.1%
Qatar Investment Fund	Qatari equities	Qatar Insurance Company	Growth and value	Isle of Man closed end fund	10,112	6.0%
Africa Emerging Markets Fund	African equities	Ashmore EMM	Value	Cayman OEIC	9,395	5.6%
VinaCapital Vietnam Opportunity Fund	Vietnamese listed and private equities	VinaCapital	Growth and value	Cayman closed end fund	8,402	5.0%
Pinebridge Sub-Saharan Fund	East African equities	PineBridge Investments	Growth and value	Cayman OEIC	8,155	4.8%
Sturgeon Central Asia Equities Fund	Central Asian equities	Sturgeon Capital	Value	Luxembourg SICAV	8,024	4.7%
Fondul Proprietatea	Romanian closed end fund	Templeton AM	Value	Romanian closed end fund	6,378	3.8%
PXP Vietnam Fund	Vietnamese equities	PXP Vietnam Asset Management	Value	Cayman closed end fund	6,333	3.7%
Advance Copernico Argentina	Argentinian equities	Copernico Capital Partners	Deep value	Cayman OEIC	5,725	3.4%
Frontaura Global Frontier	Frontier markets equities	Frontaura Capital	Value	Cayman OEIC	4,933	2.9%
Blakeney Investors	Middle East & African equities	Blakeney AM	Value	Luxembourg SICAV	4,457	2.6%
Tugela Africa Resources Fund	African resource equities	Laurium Capital	Value	BVI OEIC	4,318	2.6%
Picic Growth Fund	Pakistani equities	PICIC AM	Value	Pakistan closed end fund	4,000	2.4%
MENA Alchemy Fund	Middle East & North African equities	Mena Capital LP	Value	Bermuda OEIC	3,663	2.2%
DB MSCI Bangladesh	Bangladeshi equities	DB Platinum Advisors	Index Tracker	Luxembourg SICAV	3,140	1.9%
The Zambezi Fund	Zimbabwean equities	Laurium Capital	Value	BVI OEIC	3,115	1.8%
Top twenty holdings					151,663	89.7%
Other holdings					16,772	10.0%
Total holdings					168,435	99.7%
Cash and other net assets					669	0.3%
Net assets					169,104	100.0%

OEIC = open ended investment company

*As determined by Advance Emerging Capital Limited

Asset allocation

on a portfolio look through basis

Country split	Percentage of net assets	Country split	Percentage of net assets
Africa	38.6%	Eastern Europe	6.1%
Botswana	1.4%	Bulgaria	0.1%
Dem. Rep. of Congo	0.6%	Croatia	0.0%
Egypt	2.2%	Estonia	0.1%
Ghana	2.3%	Romania	3.9%
Ivory Coast	0.7%	Serbia	0.2%
Kenya	4.8%	Other Eastern Europe	1.8%
Mauritius	0.9%		
Morocco	1.3%	Middle East	24.8%
Namibia	0.2%	Bahrain	0.6%
Nigeria	11.1%	Kuwait	1.0%
Senegal	1.5%	Oman	1.2%
South Africa	0.6%	Qatar	6.8%
Tanzania	0.6%	Saudi Arabia	10.6%
Tunisia	2.3%	UAE	3.6%
Zambia	3.1%	Other Middle East	0.9%
Zimbabwe	3.0%		
Other Africa	1.9%	Latin America	3.8%
		Argentina	3.1%
Asia	19.8%	Brazil	0.4%
Bangladesh	1.9%	Other Latin America	0.4%
Kazakhstan	2.8%		
Pakistan	3.5%	Other	2.7%
Vietnam	9.8%	Cash (including cash in underlying funds)	4.2%
Other Asia	1.8%	Total	100.0%

Unaudited statement of comprehensive income

	6 months to 31 December 2013 Revenue \$'000	6 months to 31 December 2013 Capital \$'000	6 months to 31 December 2013 Total \$'000	6 months to 31 December 2012 Revenue \$'000	6 months to 31 December 2012 Capital \$'000	6 months to 31 December 2012 Total \$'000
Gains on investments	–	18,951	18,951	–	12,317	12,317
Capital loss on currency movements	–	(4)	(4)	–	(35)	(35)
Net investment gains	–	18,947	18,947	–	12,282	12,282
Investment income	1,859	–	1,859	883	–	883
Total income	1,859	18,947	20,806	883	12,282	13,165
Investment management fees	(304)	(608)	(912)	(233)	(465)	(698)
Other expenses	(343)	–	(343)	(313)	–	(313)
Profit on ordinary activities before finance costs and taxation	1,212	18,339	19,551	337	11,817	12,154
Finance costs	–	–	–	–	–	–
Profit on ordinary activities before taxation	1,212	18,339	19,551	337	11,817	12,154
Taxation	(186)	–	(186)	(96)	–	(96)
Profit on ordinary activities after taxation	1,026	18,339	19,365	241	11,817	12,058
Earnings per ordinary share	0.61c	10.82c	11.43c	0.14c	6.97c	7.11c

The total column of this statement represents the Company's Statement of Comprehensive Income, prepared under IFRS. The revenue and capital columns, including the revenue and capital earnings per share data, are supplementary information prepared under guidance published by the Association of Investment Companies. The Company does not have any income or expenses that are not included in the profit for the period and therefore the "Profit on ordinary activities after taxation" is also the total comprehensive income for the period.

All capital and revenue items in the above statement derive from continuing operations. No operations were acquired or discontinued during the period.

Unaudited statement of financial position

	At 31 December 2013 \$'000	At 31 December 2012 \$'000	At 30 June 2013 \$'000
Non-current assets			
Investments designated as fair value through profit or loss	168,435	129,326	145,173
Current assets			
Financial commitments paid	–	5,000	1,250
Other receivables	451	411	302
Sales for future settlement	159	–	–
Cash and cash equivalents	315	1,853	3,292
	925	7,264	4,844
Total assets	169,360	136,590	150,017
Current liabilities			
Other payables	256	318	278
Total assets less current liabilities	169,104	136,272	149,739
Share premium account	88,788	88,788	88,788
Share purchase reserve	82,319	82,319	82,319
Capital reserve	(2,881)	(34,958)	(21,220)
Revenue reserve	878	123	(148)
Total equity	169,104	136,272	149,739
Net asset value per ordinary share	99.79c	80.42c	88.36c
Number of ordinary shares in issue	169,460,000	169,460,000	169,460,000

Unaudited statement of changes in equity

6 months to 31 December 2013

	Share premium account \$'000	Share purchase reserve \$'000	Capital reserve \$'000	Revenue reserve \$'000	Total \$'000
Opening shareholders' funds	88,788	82,319	(21,220)	(148)	149,739
Profit for the period	–	–	18,339	1,026	19,365
Closing shareholders' funds	88,788	82,319	(2,881)	878	169,104

6 months to 31 December 2012

	Share premium account \$'000	Share purchase reserve \$'000	Capital reserve \$'000	Revenue reserve \$'000	Total \$'000
Opening shareholders' funds	88,788	82,319	(46,775)	(118)	124,214
Profit for the period	–	–	11,817	241	12,058
Closing shareholders' funds	88,788	82,319	(34,958)	123	136,272

Unaudited statement of cash flow

	6 months to 31 December 2013 \$'000	6 months to 31 December 2012 \$'000
Operating activities		
Cash inflow from investment income and bank interest	1,758	823
Cash outflow from management expenses	(1,324)	(879)
Cash inflow from disposal of investments	22,429	18,211
Cash outflow from purchase of investments	(25,648)	(21,118)
Cash outflow on foreign exchange transactions	(4)	(35)
Cash outflow from taxation	(188)	(96)
Net cash flow used in operating activities	(2,977)	(3,094)
Net decrease in cash and cash equivalents	(2,977)	(3,094)
Opening balance	3,292	4,947
Cash outflow	(2,977)	(3,094)
Closing balance	315	1,853

Notes to the financial statements

1 Company information

The Company is a closed-ended investment company incorporated and resident in Guernsey. Its ordinary shares are listed on the Channel Islands Securities Exchange and quoted on AIM.

2 Basis of preparation

The interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They are unaudited and do not include all of the information required for full annual financial statements. These interim financial statements should be read in conjunction with the financial statements of the Company as at and for the year ended 30 June 2013. The financial statements of the Company as at and for the year ended 30 June 2013 were prepared in accordance with International Financial Reporting Standards ("IFRS") and received an unqualified audit report. The accounting policies used by the Company are the same as those applied by the Company in its financial statements as at and for the year ended 30 June 2013.

Under IFRS, the Statement of Recommended Practice (SORP) issued by the Association of Investment Companies has no formal status, but the Company has taken the guidance of the SORP into account to the extent that it is deemed appropriate and compatible with IFRS and the Company's circumstances.

The total column of the income statement is the profit and loss account of the Company. The capital and revenue columns provide supplementary information.

Investments have been classified as "fair value through profit and loss".

After initial recognition such investments are valued at fair value which is determined by reference to

- (i) market bid price for investments quoted on recognised stock exchanges;
- (ii) net asset value per individual investee funds' administrators for unquoted open ended funds; and
- (iii) by using other valuation techniques to establish fair value for any other unquoted investments.

The Company's shares were issued in US dollars and the majority of the Company's investments are priced in US dollars and this is considered to be the functional currency of the Company. Therefore, it is the Company's policy to present the accounts in US dollars. The Company's shares are traded in Sterling on AIM and on the Channel Islands Securities Exchange.

3 Earnings per share

Earnings per share is based on the gain of \$19,365,000 (2012: \$12,058,000 gain) attributable to the weighted average of 169,460,000 ordinary shares in issue in the six months to 31 December 2013 (2012: 169,460,000).

4 Taxation

The charge for taxation relates to tax suffered on dividends received from overseas investments.

5 Net asset value per share

Undiluted net asset value per ordinary share is based on net assets of \$169,104,000 (2012: \$136,272,000) divided by 169,460,000 (2012: 169,460,000) ordinary shares in issue at the period end.

6 Dividend

The directors do not recommend an interim dividend. As the Company's investment objective is based on capital appreciation and it expects to re-invest realised returns from investments that are consistent with its investment strategy, the directors do not presently intend to make dividend distributions to shareholders.

7 Investment management fees

Fees payable to the Investment Manager are shown in the Income Statement. No performance fee accrual has been made in the period to 31 December 2013 (2012: nil). No performance fee accrual was made during the year ended 30 June 2013.

At 31 December 2013, Manager's fees of \$159,103 (2012: \$237,415) were accrued in the balance sheet.

8 Status of this report

These financial statements are not the Company's statutory accounts. They are unaudited. This report will be sent to shareholders and copies will be made available to the public at the registered office of the Company. It is also available on the Company's website, www.frontiermarketsfund.com.

The Half-yearly financial report was approved by the Board of directors on 14 February 2014.

Directors, Investment Manager and advisers

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Helen Green
Richard Hotchkis
John Whittle

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