

QUARTERLY UPDATE – September 2023

INVESTMENT OBJECTIVE

Silk Invest New Horizons Frontier Fund is an open-end fund which seeks capital appreciation through investing in securities of issuers located in frontier markets or whose primary operations or principal trading markets are in frontier markets and depository receipts of such issuers.

KEY HIGHLIGHTS

The Silk Invest New Horizons Frontier Fund (FSNHX) had a positive performance for the quarter and outperformed the main Frontier index in Q3 2023.

- The Fund delivered a positive return of 5.08% in Q3 2023
- The main reference MSCI Frontier Market index increased by 2.13% in the third quarter of 2023
- The MSCI Emerging Market Index decreased by -2.81% net in the third quarter of 2023

2023 is turning out to be a year of two halves, with stocks performing better than expected in the first half, before losing momentum during the third quarter. After strong gains for shares in the first half of 2023, global equities posted a negative return in Q3. Government bonds also declined in the quarter, with yields rising. Commodities were a notable outperformer with energy gaining amid oil production cuts from Saudi Arabia and Russia.

GLOBAL ENVIRONMENT

The US stock market still had a solid year, but it fell in the third quarter. Following a nearly 5% drop in September, the S&P 500 sank -3.3% in the third quarter, with rising interest rates the main culprit in the decline.

Energy was by far the best-performing sector last quarter and the only one that increased month over month. The sector benefited from higher oil prices as well as increasingly shareholder friendly producer behavior. With a 2.8% increase, the communication services sector finished second, led by Alphabet (GOOG/L) and Meta (META). Real estate and utilities, on the other hand, trailed with quarterly decreases of 9.7% and 10.1%, respectively.

Eurozone shares fell in Q3 amid worries over the negative effects of interest rate rises on economic growth. However, data released at the very end of the period showed eurozone inflation slowed to a two-year low of 4.3% in the year to September, down from 5.2% in August.

PERFORMANCE REVIEW

The **Silk Invest New Horizons Frontier Fund (FSNHX Fund)** gained 5.08%, net of fees, for the period from July 01, 2023, to September 30, 2023, compared to the 2.13% positive return by its main reference benchmark, the MSCI Frontier Markets Index TRN. On a monthly basis, the fund's returns increased by 5.21% in July, decreased by 1.02% in August, and increased by 0.90% in September.

Morocco had the highest contribution to return at 2.11%, followed by Vietnam at 2%. The top performers in the fund were coming mainly from Morocco and UAE. The strongest contributors to performance were Addoha in Morocco, Emaar Properties in UAE, and UBA in Nigeria.

AFRICA

During the third quarter of 2023, a handful of African countries have stood out for their robust and consistently strong performance in the stock market.

The NGX emerged as one of the best-performing exchanges in Africa during the third quarter of 2023.

The Nigerian Stock Exchange (NGX) All-Share Index appreciated by 29.52% to close at 66,382.14 index points in the third quarter of 2023. The activities on the Nigerian Exchange Limited (NGX) which opened the trading year at N27.915 trillion in market

capitalization at the beginning of trading, closed the quarter at N36,331 trillion, hence has earned a year-to-date gain of about N8.416 trillion.

This development has pushed the market to its 15-year high on the back of strong positive sentiments.

Despite concerns such as rising inflation, interest rate hikes, and apprehension surrounding the fallout of the 2023 general elections, investor confidence remained strong, leading to increased buying activity.

The positive sentiment among investors can be attributed to several factors, including the peaceful transition to power following the 2023 elections, favorable policies introduced by President Bola Tinubu's new administration such as the removal of fuel subsidies, streamlining of exchange rates, and the floating of the naira.

In Kenya, the equities market was on a downward trajectory during third quarter of 2023, with NSE declining by 11.0% mainly due to capital flight as foreign investors sold off their investments in the Kenyan equities market. Additionally, investors have continued to attach higher risk premium to the country as a result the inflationary pressures coupled with the sustained depreciation of the Kenyan shilling against the dollar so far having depreciated by 20.0% on year-to-date basis in 2023.

The equities market performance during the quarter was driven by losses recorded by large caps such as KCB Group, Safaricom, EABL and Equity Group of 28.8%, 16.6%, 15.5% and 7.1%, respectively. The losses were however mitigated by gains recorded by banking stocks such as Standard Chartered Bank-Kenya and ABSA of 2.8% and 1.3%, respectively.

In Egypt, the stock market indices achieved a positive performance during the second quarter, enabling EGX 30 index to close at 20,174.28 points, recording an increase of 14.2%. Stocks trading accounted for 54.84% of the total value traded of the main market, while the remaining 45.16% were captured by bonds - bills over the quarter.

The Prices in Egypt rose across many sectors, from food items and medical services to housing and furniture following the Russia-Ukraine war, which unleashed a wave of inflation across the globe. The annual urban inflation rate in Egypt accelerated to 38% in September 2023, up from 37.4% in the previous month, remaining significantly above the upper limit of the central bank's target range of 5-9%.

Despite the tragic earthquake that struck Morocco, resulting in a significant loss of lives within the Atlas mountain communities near Marrakech, the impact on key economic and tourist centers was limited. Marrakech, a pivotal tourist destination and the closest economic hub to the earthquake's epicenter, remained relatively unscathed. This was further exemplified by the decision of the International Monetary Fund (IMF) and the World Bank to proceed with their annual meetings in Marrakech as scheduled from October 9th to 15th. In a show of support, the IMF promptly approved a substantial USD 1.3 billion Resilience and Sustainability Facility, aimed at fortifying Morocco's ability to withstand natural disasters and facilitating its transition toward a more sustainable, environmentally conscious economy. This facility complements the existing USD 5.0 billion Flexible Credit Line, reinforcing the nation's defenses against external economic shocks.

MIDDLE EAST

The Dubai Financial Market (DFM) and the Bahrain All Share Index (BAX) have posted gains since the start of 2023 with the DFM ending Q3 25% higher than the start of the year. The DFM gains can be attributed to several financial services stocks in addition to post IPO valuation uplifts for recent IPO candidates such as Salik and Empower.

In contrast, the Muscat Stock Exchange (MSX30) and Abu Dhabi Securities Exchange (ADX) ended the quarter down approximately 5% from 1 January 2023.

ASIA

In Vietnam, the GDP growth rate improved to a pace of 5.3% year-over-year in the third quarter of 2023, compared with 4.1% year-over-year in the second quarter. The services sector has been a key growth driver of the nation during this nine-month period, with a year-on-year increase of 6.2%, contributing 68.57% to the nation's economic growth.

The VN Index closed the third quarter of 2023 by 3.03% from the second quarter, marking its three consecutive quarters of gaining. Outstanding margin loans at securities companies reached VND165 trillion by the end of Q3 2023, marking a VND15 trillion increase from the previous quarter and a VND43 trillion increase since the beginning of the year.

Bangladesh is still facing economic challenges ranging from elevated inflation and balance of payments due to high import dependency and the Russia-Ukraine war.

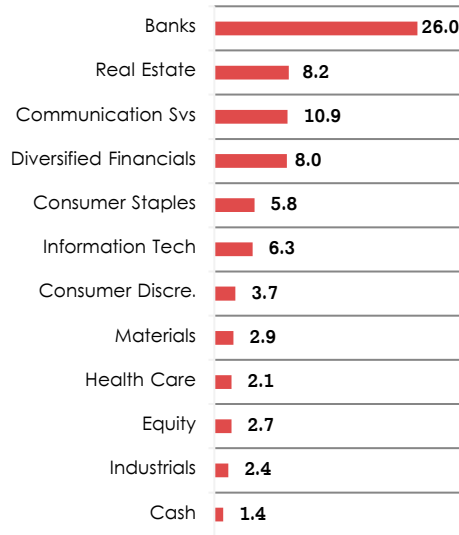
The Inflation in Bangladesh fell slightly to 9.63 per cent in September, but the suffering of the masses will not be significantly alleviated under the current market conditions, economists feel. The general inflation in August was 9.92 per cent, the persistently high inflation to internal factors, mostly man-made ones like availability of cheap credit, market manipulation by vested interest groups, weak monitoring mechanisms, deteriorating macroeconomic fundamentals and issues within the banking sector and money market.

Pakistan's benchmark KSE-100 index witnessed double digit growth after eleven quarters where index was up by 12% QoQ basis. It was also up 11% in USD terms in 3Q2023 and per Bloomberg data, Pakistan market remained sixth Best Performing market after Turkey (+37%), Romania (+27%), Srilanka (+15%), Egypt (+14%), and Ghana (+12%) in 3Q2023.

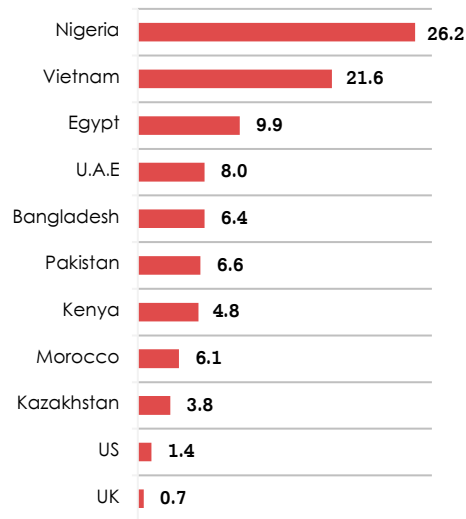
In 3Q2023, average traded volumes in the Cash and Ready market increased by 29% YoY and 85% QoQ to 283mn shares per day. The average traded value also jumped by 39% YoY and 114% QoQ to Rs9.7bn per day during 3Q2023.

Key stocks of KSE-100 index that outperformed market 3Q2023 included Standard Chartered Bank (SCBPL) up 75%, Unity Foods (UNITY) up 61%, and Habib Metropolitan Bank (HMB) up 55%. Pakistan's CPI Inflation jumped to 31.4% YoY in Sep-2023, breaking a three-months of YoY declining trend. The significant hike in inflation is due to higher local fuel and food prices.

SECTORS (% WEIGHT) as of 30.09.2023



GEOGRAPHIC (% WEIGHT) as of 30.09.2023



PORTFOLIO POSITIONING & ACTIVITY

The Fund is diversified across frontier markets but maintains an overweight exposure to Africa, with the largest allocation in our portfolio to Nigeria, at 26%, followed by Vietnam in Asia at 22%.

PORTFOLIO OUTLOOK AND STRATEGY

The Frontier region compared to more developed markets has a younger working age population and is less saddled by debt. Labor costs are also significantly lower, offering great investment conditions for both corporate and institutional investors and providing a solid investment return potential. The macro-economic environment is key to managing the higher risks involved in frontier market investing. The fund seeks to identify economies that are implementing structural reforms and, within those countries, select fundamentally strong companies.

The outlook differs by country and many face challenges in the mid-term due to higher commodity prices as well as the continued crisis in Eastern Europe. Commodity exporting countries as well as economies like Vietnam and Bangladesh should perform well due to their higher growth outlooks and lower levels of debt. The high volatility seen in markets is expected to persist due to the two conflicting scenarios of high inflation and a global recession. The portfolio companies still show solid fundamentals as evidenced by recent earnings releases and remain resilient with attractive valuations.

In the longer term, we expect a strong rebound in growth for both emerging and frontier markets, especially as the war situation is eventually resolved. We also expect strong growth prospects from mobile payments which were recently launched in Nigeria and hence the strong performance witnessed in Nigerian listed telecoms.

Higher inflation is expected to affect growth stocks more than it will value stocks. Value stocks constitute a larger proportion of frontier markets stocks. Therefore, we expect that these value stocks may perform better in the periods of higher inflation. The Silk Invest New Horizons Frontier Fund seeks to offer access to companies with attractive valuations that are among others selected for their positive earnings outlook in their respective markets.

Note: On June 9th, 2018, Silk Invest became the Adviser for the FSNHX after having been the sub-adviser since its May 25th, 2016 inception.

As of September 30, 2023, the annualized returns for the institutional shares (FSNHX) are as follows: 1-year period: -2.81%, 3-year period: 4.14%, 5-year period: -0.42% since inception: -0.37%.

The performance data quoted represents past performance. Past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted. Performance current to the most recent month end may be obtained by calling 888-825-2100.

The Fund's gross expense ratio (FSNHX) is 3.07%, while net expense ratio is limited to 2.05% due to a contractual agreement in place until October 31, 2024.

You can find the Fund's holdings by clicking on this link: [Fund Holdings as of 30 September 2023](#)

Current and future portfolio holdings are subject to risk. Holdings are subject to change. The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund, and it may be obtained by calling 888-825-2100. The Silk Invest New Horizons Frontier Fund is distributed by Ulimus Fund Distributors, LLC.

Investing involves risk, including loss of principal. Investments in securities of foreign companies involve additional risks, including less liquidity, currency-rate fluctuation, political and economic instability and differences in financial reporting standards and securities market regulation. Investments in frontier markets can involve risks in addition to and greater than those generally associated with investing in more developed foreign markets. Frontier market countries generally have smaller economies or less developed capital markets than traditional emerging markets and, as a result, the risks of investing in emerging markets countries are magnified in frontier market countries. Frontier market economies can be subject to greater social, economic, regulatory, and political uncertainties, including the repatriation of investment income, and return of capital on the proceeds of sales of securities by foreign investors. Emerging market countries may have relatively unstable governments, weaker economies and less developed legal systems with fewer securities holder rights. Emerging market economies may be based on only a few industries and security issuers may be more susceptible to economic weakness and more likely to default. Emerging market securities also tend to be less liquid.

The MSCI Frontier Markets Index captures large- and mid-cap representation across 28 Frontier Markets (FM) countries. The index includes 99 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

The MSCI Emerging Markets Index captures large- and mid-cap representation across 24 Emerging Markets (EM) countries. With more than 1,382 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI GCC (Gulf Countries Combined) Index captures large- and mid-cap representation across 6 GCC countries. The index includes 72 constituents, covering about 85% of the free float-adjusted market capitalization in each country.

The Standard and Poor's 500, or simply the S&P 500, is a stock market index tracking the stock performance of 500 large companies listed on stock exchanges in the United States.

The NGX's All Share Index (ASI) tracks the general market movement of all listed equities on Nigerian Exchange, including those listed on the Growth Board, regardless of capitalization.

The Nairobi Securities Exchange Ltd All Share Index (NSE ASI), is a market cap weighted index consisting of all the securities on the NSE.

The MASI Moroccan All Shares Index, is a stock index that tracks the performance of all companies listed in the Casablanca Stock Exchange located at Casablanca, Morocco. It is one of the two main indexes at the stock exchange, the other being the MADEX.

The Egypt Stock market EGX 30 Index (EGX30) includes the top 30 companies in terms of liquidity and activity. EGX 30 Index is weighted by market capitalization and adjusted by the free float.

The Vietnam Stock (VN) Index is a capitalization-weighted index of all the companies listed on the Ho Chi Minh City Stock Exchange.

The Karachi Stock Exchange 100 index, commonly known as the KSE 100 index, is the main stock index that is used as a benchmark to compare prices on the Pakistani Stock Exchange over the course of a certain period of time.

The Dow Jones Industrial Average, Dow Jones, or simply the Dow, is a stock market index of 30 prominent companies listed on stock exchanges in the United States.

The Dubai Financial Market (DFM) is a stock exchange located in Dubai, United Arab Emirates. It was founded on 26 March 2000.

The Bahrain All Share Index (BAX) is a stock market index which tracks the performance of large companies based in Bahrain.



New Horizons Frontier Fund

The Muscat Stock Exchange (MSX30) is a stock market index that tracks the performance of the 30 most liquid companies listed on the Muscat Securities Market.

The Abu Dhabi Securities Exchange (ADX) is a stock exchange based in Abu Dhabi, United Arab Emirates. More than 40 financial services providers act as market participants on the ADX, on which more than 60 companies are listed.

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