FRONTAURA

FRONTAURA CAPITAL LLC
FRONTAURA GLOBAL FRONTIER FUND LLC

Quarterly Letter – 2020 Q4

There are four sections in this letter: Performance & Perspective, Discussion & Outlook, What We Sold, and Fund & Management Company News. What We Sold is our recurring look at recent position exits. We discuss 1H 2020 sells, primarily due to COVID-19, which funded crucial buys of new positions that led to the performance gains of the last three quarters. The final section explains how existing investors may be able to improve their future performance.

Performance & Perspective

Results. We made 20.49% in Q4, the second best quarter in our history. Of course, this is just the final recovery from our 22.31% loss in Q1 2020, the second worst quarter in our history. For the year 2020, we made 2.83%.

Where we are. With the Q4 results, we are now up 32% from our March 2020 low that marked the end of our 26-month bear market. At our low, we had fallen 34% from our January 2018 high, nearly as much as the 35% peak-to-trough decline during the shorter, sharper global financial crisis (GFC) selloff, from our May 2008 high through our February 2009 low. We do remain 13% below January 2018 and thus we still need a 15% gain to reach this all-time month-end peak.[1]

Seven lean years. Looking back further, it really has been seven lean years for us. Until recently, market trends and investor sentiment worked against us. Frontier markets suffered severe foreign investor outflows from late 2014 onwards, as investors preferred US stocks to non-US stocks, causing the asset class to perform poorly. The often strong dollar (into March 2020) made this worse. Further, tilts in our investing style toward value and smaller stocks were both extremely out of favor globally in recent years.

Trend reversal. Each of these trends reversed at various points in 2020 around or after the occurrence of the market lows. After an initial modest and lagging recovery, we finished the year with strong relative and absolute gains. For example, from September through December, we made 23% versus total returns in MSCI Frontier Markets (FM) and S&P 500 of 12% and 8%, respectively. November was our third best month and December was fifth best in our 158 months of history.

Perspective. While acknowledging that lately we've come pretty far, pretty fast, the longer picture we alluded to implies much room remains. In the seven calendar years 2014-2020, we advanced but 2%. And from our October 2014 level, which represented a peak prior to the late 2014-early 2016 oil crash, we are still down 3%.

Seeing awful numbers like these, one might forget how well we did in other periods. A quick recap follows. From inception through 2013, which includes the entire GFC, we had a compounded gain of 10.6%. At this point, we were more than 100 percentage points cumulatively ahead of the FM index and had more than doubled the S&P 500's CAGR.[2] In fact, for the first decade of our history, our cumulative return after fees exceeded that of the

[1] On a quarterly basis, we remain 12% below March 2018 and thus need a 14% gain to reach our high water mark.

[2] Note that our Series B now offers significantly lower fees than the terms available when we compiled these numbers.

S&P 500 119 out of 120 months. The recent frontier bear market, however, allowed the S&P 500 to take the cumulative lead from us since May 2018. Even today, though, we maintain a 99-percentage point lead from inception over the FM index: +90% for us and -9% for the index. Our point is that while we have lagged for a long time, we have shown in the past that we can perform. Trends that were against us in recent years no longer are. We have strong momentum, yet much ground still to regain from the results of the past three and the past seven years. There are no guarantees with investing, but we feel pretty good that the coming years ought to be better than the recent ones.

Investment timing and will a pullback occur? While we are optimistic, we also know that we cannot continue to perform at November and December's pace. Our results will take a breather at some point and January has started slow, with a loss between 0% and 1% through 12 January.[3] Our history shows that when an uptrend is in progress, however, pauses that do occur have only modest pullbacks that would be hard to time.

A conversation we had in December with a large new investor trying to plan the timing of follow-on investments, led us to study our own history to answer this question: What was the biggest pullback within our past bull markets?[4]

- From our November 2007 inception through May 2008, before we began to experience GFC losses, we had one down month, -0.09% in March 2008, the month Bear Stearns collapsed. During this period, MSCI Emerging Markets (EM), MSCI EAFE (non-US developed markets), and the S&P 500 were all down cumulatively in double-digit percentages at the end of March.

- In our March 2009 – January 2011 run, there was a four-month pause October 2009 through January 2010 where monthly returns were: -1.42%, -0.15%, +0.20%, and -0.94%, respectively, making for a total drop of -2.29%. The month before this pause (September 2009) was +10.57% and the month after this pause (February 2010) was +4.24%, so one would have needed extremely good timing to capture any (quite minor) benefit from this pause.
    - The only other down month in this run was May 2010 (the first outbreak of the euro crisis), where we lost 1.16%. That month, FM was -9.2%, EM was -8.8%, EAFE was -11.5%, and the S&P 500 was -8.0%.

- In our February 2012 – October 2014 bull run, we did see a pullback May 2012 – June 2012 (the third annual euro summer crisis), losing 4.38% in May and 1.29% in June. By October 2012, we had recovered this 5.62% combined loss from May and June. Other down months in this run include:
    - June 2013 -0.27%, recovered the following month.

[3] Our experience is that our markets seem to perform better in the second half of the month, but we have never tried to quantify this intuition. Assuming this pattern does exist, any one month could still deviate from it, of course.

[4] This study assumes the bull run continues as the context of the discussion we were having was timing within a presumed ongoing bull market where recent performance was strong. A separate question, that we do not study here, is what is the performance impact of changing from a bull market to a bear market? Anecdotally, we note that we usually have transition periods of three months or more where initial losses are modest. Again, we think this is another nice feature of our lagging and low cross-correlated markets where markets still rising offset some losses in markets where the directional change has begun.

  - August 2013 -2.10%, recovered within two months.
  - February 2014 – March 2014 -1.36% combined, recovered in April.
  - July 2014 – August 2014 -1.04% combined, recovered in September.

- The March 2016 – January 2018 bull run had five one-month declines, the largest being 0.44%. We more than recovered each in the month that followed. We weathered the Nigerian currency floating, the Brexit vote shock, and the surprise Kenyan interest rates caps during this period with little portfolio impact.

Summing up, historically, our pullbacks have been brief and modest. We quickly made up for them and it was difficult for investors to take advantage of them. A wait-to-deploy-more tactic likely would have had a negative outcome (gains missed while waiting would outweigh any losses foregone). Considering this analysis, our investor proceeded to schedule follow-on investments during Q1.

Now, the caveat. Anything can happen. Every episode of history is different. We don't know what the future will bring. A global shock could make the numbers above irrelevant (although with past shocks, our performance hit at times is muted or non-existent, but not always—if the shock is big enough, we will notice eventually). We do now have more exposure than average to EM countries and EM stocks that are in our universe, which tend to be more volatile than FM, so perhaps this higher mix makes us more susceptible to a pullback. Note, though, we were also above average in EM entering 2009 (around market lows), although not to the extent now. The common theme, then as now, is that during the GFC and COVID-19 selloffs good quality EM stocks got cheaper than is typical, so we bought them.

MSCI Nigeria performance note. Index provider MSCI frequently struggles with valuation when a country experiences a dollar shortage that makes it difficult to repatriate funds. MSCI tends to keep the currency valued at an official rate at which the currency no longer trades, overstating their index valuations. This has been the case in Nigeria following the March 2020 COVID-19 selloff. We have marked down the Nigerian naira from April 2020 onward beyond the devaluation present in the spot price changes in the NAFEX exchange rate.[5] Our calculations indicate that MSCI has not done this. If we had not changed our currency valuation method, we estimate that our overall 2020 fund performance might have been 4.0% instead of 2.8%. We are not saying that 4% is the correct figure for us; it is not. But it is a figure that provides a fair comparison of our results to the stated MSCI total returns of 1% for FM and 5% for FM Small Cap (FM SC) that do not mark down the naira.

We present MSCI's results for these indices and for their Nigerian country indices in the Statistical Appendix as MSCI (over) states them. To provide a fair comparison to our results in Figures A1 and A2, as a rule of thumb, subtract 1-2 percentage points from the FM and the FM SC results for all lines that include 2020. Figures A10 and A11 present MSCI standard and small cap USD total returns for Nigeria for Q4 and 2020, respectively. If MSCI had used our currency valuation, we estimate that their Q4 Nigeria standard and small cap results each would have been 24% (instead each being the 29% they report). Our Q4 Nigeria USD return was 30%. With our currency valuation, we estimate that MSCI Nigeria's 2020 standard return

[5] The NAFEX rate considers transactions from the interbank market, the Investors' and Exporters' FX window, and possibly other FX trading segments.

would have been 0% (instead of 24%) and their small cap return would have been -14% (instead of 5%). Our 2020 Nigeria USD return was 7%.

Later, when we review our sale of Guaranty Bank, we discuss the Nigerian FX situation further.

Discussion & Outlook

Here are recent discussion points with investors and prospects:

1. Our portfolio changed significantly during 2020 (see Figure A13 in the Statistical Appendix), and we like it better now than we did last year. We think the quality is higher. And that's from a good starting point. You may recall our enthusiasm a year ago for our performance outlook for 2020 and beyond. Naturally, though, our forecast then did not expect the disruption of a global pandemic.
2. Q2 to Q4 2020 within our universe was a portfolio manager's dream, even if the events causing this were a nightmare. Nearly everything sold off in March 2020, in most cases significantly and often unjustifiably (e.g., in companies where the pandemic boosted earnings). The only comparable period in our history was in the aftermath of the GFC over a decade earlier. In our universe—unlike more developed markets—the price declines in some stocks and countries continued for months, meaning we had a long runway of buying that continues to this day.
3. This lag in our markets and the low cross-correlation between our countries make bottoming and recovery a staggered, gradual process. Once underway, though, we can trend in the same direction for a long time. Our November 2020 comment presents the results from a study we did on the favorable historical performance we have had following a strong month like November (and now December).
4. We are still buying, running cash as close to zero as possible. We know this is a negative contrarian signal, but when values exist, we buy them—it's not a time to sit on our hands. More cash would be welcome, quickly please!
5. What we bought during this dream period evolved as we discovered new ideas and was based upon the ever-changing relationship of price to our estimate of a company's intrinsic value. In our Q2 2020 letter, we listed our top 10 buys April 1-July 8, receiving much favorable comment on the impressive characteristics of these stocks. Yet, so abundant were the opportunities, that within the very next quarter, Q3, none of our top four buys were in the portfolio when Q3 began. Finally, in our December 2020 comment, we listed our top six buys that month. Half of these were different from the Q2 letter top 10 list, two being new ideas first purchased in September and December 2020, respectively. Only four out of 15 distinct companies on these three lists (Q2 letter, top four Q3 buys, and December comment) were in our portfolio a year ago when 2020 began. Seven of the 15 largest portfolio positions ending 2020 were new in 2020.
6. It is human nature to hope that 2021 will be better than the terrible year of 2020 that has just ended (we are not talking about markets here). We note that it's not starting that way. Comparing the first dozen days of 2021 to same days of 2020, we observe things are far worse at this point. Even leaving aside the weighty topic of US political violence and discord, the virus is around its worst in terms of incremental cases and deaths; two new more-contagious strains have emerged in the UK and South Africa and are spreading around the globe, meaning still more cases and more deaths; and vaccine rollouts are behind schedule.

7. Markets through 12 January assume that vaccines should defeat the virus in the second half of this year and this still seems right to us. The past year has showed us on multiple occasions, however, that every time you think you have a handle on the virus's trajectory, the virus reveals how poor your predictions can be. While this has mattered in terms of humanity, it has not mattered much to markets since March 2020. That may remain the case, but on a personal level we remind people that the virus will chart its own path regardless of what your hopes are and what markets do.
8. The UK and South Africa variants worry us, more so than is at first intuitive. Quick: which would you rather have, a mutation that is more deadly or a mutation that spreads more easily? We, like most people, thought more spread was better than more death until we saw the math that more spread may give you more death than would a more deadly strain. Mathematician and epidemiologist Adam Kucharski provides this example. Under certain assumptions, 10,000 infections may lead to 129 deaths in a month. If the virus were 50% more deadly, deaths rise to 193. If the virus were 50% more transmissible, deaths are 978.[6]
9. The question is whether this greater spread will mean more lockdowns and more economic disruption. We think markets have not priced this in, but will it occur? We don't know. The possibility is not zero, though. We think developed markets are more vulnerable than our universe but developed world crises and selloffs, if large enough, can eventually affect us. You might even say that (in somewhat of an overstatement) that significant developed world crises and selloffs are the only systematic risk frontier markets face, given how otherwise our markets don't tend to react to events within other countries in our universe.
10. We entered 2020 with cheap valuations on a trailing multiples basis. Because earnings fell in 2020 due to the pandemic, we enter 2021 with average valuations on a trailing multiples basis (but a higher quality portfolio that we like better). Earnings of our portfolio companies fell less than those of US companies and less than we forecast when the pandemic began. Therefore, do not be surprised by the expected if, after the poor US showing in 2020, US companies post higher EPS growth rates than our portfolio companies in 2021.
11. We think how we perform in 2021 rests primarily on 1) to what degree does 2020's ending price momentum and the serial correlation of positive returns carry into 2021 and 2) how strong is the EPS recovery of our portfolio. We think momentum will be the bigger factor in the first half of the year with fundamentals performance perhaps becoming more important in the second half. Regarding fundamentals, a question for our companies with the strongest earnings growth in 2020 will be whether the pandemic brought demand forward and will 2021 earnings be soft as a result.
12. The biggest macro risks we see are 1) more economic disruption from COVID-19 than markets expect 2) an inflation scare or 3) a US selloff from high valuation levels.[7]
13. The inflation scare could originate from either the unwinding or the continuation of the twin demand and supply shocks the pandemic created, not to mention the liquidity explosion it engendered. Diminished economic activity from the pandemic generally constrained overall prices changes in 2020, potentially making for tough comparisons in 2021 (e.g., oil prices). We think inflation can show up anywhere (e.g., food, labor)

[6] We credit Renaissance Capital's Chief Global Economist Charlie Robertson for making this point to us.

[7] Click here for one market historian's case that the US is in an epic equity bubble.

following a shock like this that disrupted supply and demand globally and changed some supply and demand levels permanently.

What We Sold

With occasional exceptions, we don't name companies currently in our portfolio because our comments and letters circulate widely and we don't want to give away our ideas to other frontier investors who might compete with us in the market on stocks we are buying, especially since positions we hold can be illiquid and hard to trade. Nevertheless, our investors and prospects want to read about what we bought and why, so the compromise we made many years ago was to write about a position after we sold it, assuming we were not likely to buy it again soon. We believe that writing about position sales is more insightful than discussing buys because you can evaluate whether you were right or wrong and how the position performed. All positions are going to make money in your mind when you first buy them; writing after the sale provides a more balanced assessment.

Periodically, then, we write about sales over an earlier six- or 12-month period.[8] We cover here first half 2020 exits, including all sales where we exited a position due to COVID-19.

We document all position exits: good or bad, large or small. Some exits can be painful to write (and read) about, but we present them all. For perspective, the performance of a stock while we held it can often reveal much about the market environment then. Said simply, most stocks go up in good markets and many stocks struggle in bad markets. A mediocre idea in a good market may do better than a good idea in a bad market. Not to make excuses, but realize that a bear market began for us in early 2018. Further, the exits from March 2020 onward occurred in the worst trading conditions with rapidly falling prices, multiple sellers, and few buyers. Despite this, we finished slightly above break-even in total on these 12 exits.

Some of these stocks saw higher prices after we sold. Markets globally have risen from the pandemic lows (although with months of delay in some of our countries), so you would expect this to be the case, knowing now what happened. This does not mean we would have been better off holding the positions we sold, however. These sales gave us valuable cash that we used to buy better quality companies that were less affected by the pandemic. We are confident that we improved our performance and our portfolio quality by making them.

In some cases, we quote how the stocks performed after our sale. We calculate this only through Q3 2020 for two reasons. First, that's the original calculation we made when preparing the What We Sold data for the Q3 letter. We decided, due to length, to include only 2H 2019 sales in that letter, holding back the 1H 2020 sales until this letter. Second, we thought that to update the figures through Q4 would reduce insight rather than increase it. The investment environment changed in Q4 and nearly everything went up, but the portfolio we had certainly outperformed our asset class (and again, without conducting a complicated analysis, we believe our new portfolio would have bested our old).

[8] Here's the list of past What We Sold letters: 2020 Q3 (covering sales 2H 2019 sales), 2019 Q2 (covering sales 1H 2019 sales), 2019 Q1 (2H 2018), 2018 Q2 (July 2017 – June 2018), 2017 Q2 (July 2016 – June 2017), 2016 Q2 (1H 2016), 2015 Q4 (2H 2015), 2015 Q2 (July 2014 – June 2015), 2014 Q2 (July 2013 – June 2014), and 2013 Q2 (July 2012 – June 2013).

Figure 1 lists all 12 exits from January 2020 through June 2020. Profit or loss figures we show for individual stocks are before fees and expenses, as we subtract these at the fund level and not at the stock level.

Figure 1
Frontaura Global Frontier Fund LLC
Positions Exits January 2020 – June 2020[9]
31 December 2020

Company	Country	Description	Exit Reason	First Buy	Last Sell	Cost ($000K)	Proceeds ($000K)	Profit ($000K)	Return Multiple	IRR	Holding Period (Years)	Price / IV First Buy	Price / IV Last Sell	PE Buy Date	PE Sell Date
Guaranty Trust Bank	Nigeria	bank	country	13-May-19	10-Jan-20	1,236	1,169	(67)	0.95	-6.1%	0.7	-16%	-21%	4.6	4.8
Vietnam Livestock (Vilico)	Vietnam	dairy	size	12-Jul-17	21-Jan-20	688	750	62	1.09	3.8%	2.5	-21%	15%	8.8	12.3
NLB Banka Skopje	Macedonia	bank	valuation	30-Jul-14	02-Mar-20	1,689	5,739	4,050	3.40	36.4%	5.6	-40%	18%	2.8	8.4
John Keells Holdings	Sri Lanka	conglomerate, hotels	fundamentals	19-Dec-19	10-Mar-20	2,597	2,081	(515)	0.80	-20.9%	0.2	4%	-17%	19.3	19.4
Vietnam Engine & Agricultural Machinery (VEAM)	Vietnam	motorbikes and autos	fundamentals	02-Jul-18	11-Mar-20	2,334	3,292	959	1.41	29.3%	1.7	-26%	8%	7.0	6.3
Emaar Development	UAE	real estate development	fundamentals	16-Nov-17	06-Apr-20	7,410	4,632	(2,777)	0.63	-27.0%	2.4	-26%	-43%	9.1	2.6
Raya Contact Centers	Egypt	call centers	fundamentals	12-Oct-17	08-Apr-20	3,282	1,649	(1,634)	0.50	-28.7%	2.5	-15%	-7%	7.9	5.0
Mashreqbank	UAE	bank	fundamentals	03-Aug-17	20-Apr-20	1,712	1,806	94	1.06	2.6%	2.7	-32%	0%	5.9	5.9
Fidson Healthcare	Nigeria	pharmaceuticals	governance	22-May-18	14-May-20	1,172	516	(656)	0.44	-39.0%	2.0	-23%	12%	6.6	13.7
CMC	Vietnam	tiles	fundamentals	08-Jan-20	14-May-20	1,082	974	(108)	0.90	-17.9%	0.4	-19%	7%	4.8	4.9
Egypt basket	Egypt	various	trade	26-Jan-17	18-May-20	13,336	14,356	1,020	1.08	6.7%	3.3	na	na	15.0	10.3
National Bank of Ras Al-Khaimah (RAKBANK)	UAE	bank	fundamentals	30-Jul-17	07-Jun-20	3,599	3,349	(251)	0.93	-2.9%	2.9	-27%	8%	13.5	5.8

Guaranty Trust Bank (Nigeria)

We think GT Bank is the best bank in Nigeria, yet we owned it for only eight months. Why? As cheap as it appeared (4.6 times trailing earnings with an 8.9% yield when we bought it), Nigeria's high inflation and recurring devaluations of its naira currency require low valuations for us to project a suitable return in dollars. GT has rarely been actionable for us because of

[9] Here are definitions for the Figure 1 columns. Exit Reason is a standardized reason why we sold a stock. First Buy and Last Sell are the dates we first bought a stock and last sold a stock. Buys after the first date we show could continue for months or years; likewise, sells could precede the last date we show for months or years. Cost is the USD sum of all buys including commissions, trading fees, and foreign exchange costs (FX). Proceeds are the total USD sale and dividend proceeds, net of all commissions, trading fees, FX, and tax withholding. Profit is the Proceeds minus the Cost. Return Multiple is Proceeds / Cost. IRR is the internal rate of return on all USD cash inflows and outflows in the Profit calculation. Holding Period is the number of years between the First Buy and the Last Sale dates. We annualize the IRR, except for when the Holding Period is less than one year. Note that the Cost, Proceeds, Profit, Return Multiple, and IRR figures are before any management fees, fund expenses, or incentive compensation, as those deductions occur at the fund level and not at the individual stock level. Price / IV First Buy and Price / IV Last Sell show the discount or premium of the price we paid on the First Buy date and the price at which we sold on the Last Sell date to our estimate of intrinsic value on those dates. A negative percentage indicates a discount to intrinsic value; a positive percentage indicates a premium. PE Buy Date and PE Sell Date show the trailing reported PE using the price we paid or the price we received on the day of First Buy and Last Sell, or a nearby date if we do not have data on the trade date. In this table in letters prior to 2019, we used the stock's closing price for the day in the Price / IV and the PE columns. From 2019 onward, we use our actual transaction prices.

this. We found other banks better values—even allowing for a quality premium in GT—and usually better performers. For example, when we bought GT, Zenith Bank which has the largest deposit base in Nigeria, was trading at only 3.2 times trailing earnings with a 25% ROEE and a 14.2% dividend yield. United Bank for Africa (UBA), which offers broad exposure beyond Nigeria, was on 2.6 times trailing earnings with a coincidentally identical 14.2% yield.

In May 2019, we purchased GT when it finally drifted down into our intrinsic-value determined buy zone. The size of our position was small, constrained by our Nigeria country limit and our existing Nigeria investments that we assessed to have greater upside than GT (but which themselves were already near individual position limits).

One month later in June 2019, Nigeria's foreign currency reserves peaked at $45.2 billion, before dropping for 10 consecutive months to $33.4 billion in April 2020. Declining currency reserves in Nigeria were a movie we had seen before. Past scripts ran like this: 1) gradually diminishing dollar availability, with possible modest naira devaluation; 2) a halt to dollar availability, with months of dollar shortages to follow; and eventually, when authorities could no longer put off the inevitable, 3) a significant downward adjustment in the value of the naira. We viewed $40 billion as a warning level, and we had various, declining maximum country weights for Nigeria if reserves ranged from $40 billion down to $30 billion. This risk control caused us to begin trimming GT in November 2019 when reserves dropped below $40 billion and to exit GT on 10 January 2020 with reserves at $38.3 billion. These ongoing declines in the level of reserves led us to trim both Zenith and UBA per our risk control plan.

We lost 5% on our short-term investment in GT. We had no delays receiving dollars on our GT naira sale proceeds. While this was the end of our GT story, there is an addendum to this experience. Dollars continued to be available for stock sales and dividend repatriations until around 20 March 2020, when during the initial COVID-19 surge, the Central Bank of Nigeria (CBN) stopped supplying foreign investors with dollars. Since then, we received dollars only on 7 July 2020. We have our remaining positions in Zenith and UBA along with trapped cash from those two banks' dividends and other stock sales. We have marked all these down to a rate of 488 at year-end (versus 400 for the NAFEX spot rate that once was the most relevant for investors). The CBN did resume supplying dollars to the Investors' and Exporters' FX window in September, but they have directed little of this to equity investors. This dollar shortage illustrates the purpose of having the risk control that led to our GT sale. Through 30 September 2020, GT was selling slightly below our exit price if you include dividends. In dollars, however, we would have a considerably lower valuation on the shares using our currency mark.

Vietnam Livestock (Vilico)

Vilico owned a collection of businesses including pig husbandry, but what interested us when we bought the shares in July 2017 was its Moc Chau dairy business, which we viewed as a hidden and prized asset. We were correct in that assessment; in 2019, the country's leading dairy company Vinamilk acquired a significant stake in GTN Foods, the parent of Vilico, expressly to obtain the Moc Chau business. We thought this would stimulate investor demand for Vilico which had higher ownership in Moc Chau than did GTN. To our surprise and frustration, we could never drum up interest in the Vilico shares, despite talking to numerous strategic and financial buyers throughout 2019.

Our position size was subscale, only 0.6% of our portfolio when 2019 ended. During most of our tenure, the stock price was above our intrinsic value buy point. Further, trading volume in Vilico's stock had diminished considerably by 2019 from the levels when we initially purchased shares. When an at-market buyer finally appeared in January 2020, it was an easy decision to exit our small stake. This was seven months after the Vinamilk deal closed, and we assessed that our position was not going to move the way we once thought it would. We sold with a small 9% profit from our 2.5 year ownership, just ahead of the -2% performance our fund had before fees[10] during the Vilico holding period. The PE when we sold was 12.1 versus 8.8 when we bought as EPS was 25% lower. We assessed the stock to be 15% overvalued at sale versus 21% undervalued per our estimates when we bought.

The postscript to this story provided a further surprise. The shares barely traded for the next three months, but then took off in a post-COVID-19 rally from the end of April into June 2020. Despite giving up some of these gains, at the end of Q3 2020 the local stock price stood 64% higher than where we sold. With Vinamilk becoming more serious about upgrading Moc Chau's operations, it appears our initial assessment that Vilico stock could attract more interest may have been correct after all. If so, the market missed this for about a year and we gave up too early. Having said this, continuing to hold a small, overvalued position in the face of declining fundamentals for speculative reasons and ignoring the evidence to that point that no one was interested despite our significant effort is not really what we do and not how we tend to make money.

NLB Banka Skopje (Macedonia)

This Macedonian bank is a textbook case of what we do and how we make money. We bought it cheap at a 2.8 trailing PE in 2014 when it was ignored and misperceived; held it for 5.6 years, along the way collecting hefty dividend payments that were often around a double-digit yield; and sold it at a higher valuation of 8.4 times trailing earnings in early March 2020 once investors discovered it and coveted it more. We made $4.0 million with a 36% IRR. We trimmed it occasionally at ever-higher prices the last 3.4 years we owned it. Half of these sales came in the final 3.5 months, with half of those occurring after a local buyer contacted us 22 January 2020. This began a negotiation process with four chunky sales occurring from 29 January through 2 March 2020. We were happy to sell the final $1.0 million on 28 February and 2 March 2020 at prices of 18,000 and 18,222 per share, respectively, the latter being the highest price we ever realized. Four weeks later, the shares closed at 12,617 due to the COVID-19 selloff. To be clear, the gradual exit decision on this stock was due to valuation and predated the pandemic, but nevertheless we were relieved to book the last two sales with global markets already down significantly. The shares have largely recovered to 17,583 at the end of Q3 2020 despite no dividend this year, but in a universe of cheap financial stocks, we see better values elsewhere and believe our process-driven sell decision was the right one.

John Keells Holdings (Sri Lanka)

Our December 2019 Sri Lanka trip revealed rising business confidence as the country recovered from a double whammy of negative events. A year earlier, a significant political and constitutional crisis had dragged the market down. Then, in April 2019, tragic Easter

[10] We calculate our stock returns before fees so we must cite before-fee fund returns for a valid comparison.

terrorist bombings reduced tourism and further hurt the economy. The month after the bombings, tourist arrivals were -71% versus the prior year.

Decisive presidential election results the month before our trip ended the political squabbling. Moreover, tourism was rebounding. Yet, the market was still off its highs from earlier years. The conglomerate John Keells would benefit from the tourism rebound through its hotel properties, the most prominent of which was a new casino-oriented multi-use development. We thought the new pro-business political administration would resolve favorably the lingering questions on casino approvals and licensing and we believed the market had not priced this into the stock. We invested on 19 December 2019 at a price of 165. After we invested, the December 2019 tourist figures showed the rebound was nearly complete with arrivals down only 5% from the same month in the prior year.

The COVID-19 pandemic invalidated our investment thesis of a tourism rebound and pushed casino licensing to the back burner. On 4 March 2020, with the stock at 147.50, we decided we had no basis for owning this position. We sold over three trading days through 10 March[11] from 145 to 130.36. Due to the pandemic, authorities shuttered the stock exchange three of the five days the following week before closing it from 23 March to 8 May 2020. When the market reopened 11 May, John Keells dropped to 107.10 and by 15 May 2020 it bottomed at 80.50. Tourist arrivals plunged again, naturally, from the pandemic, with March 2020 recording a 71% year-over-year drop (coincidentally the same percentage decline as after the Easter bombings) and April 2020 down 100% as the government halted inbound flights.

From there, the Sri Lankan market has staged an impressive rally, with the local all-share index back to January 2020 levels by the end of Q3 2020. Keells did not recover quite as much, but still it finished Q3 at 134.60. While an impressive Q2-Q3 rally has occurred in many markets around the world, Sri Lanka handled the virus quite effectively, with tight lockdowns that restricted community spread. At the end of Q3 2020, the country had only 3,380 cumulative cases and 13 deaths.[12] Nevertheless, we have no doubt that selling Keells was the right decision. The facts changed markedly and invalidated our investment thesis. To hold a stock when your reason for owning it no longer exists is just wishful thinking. We took our $0.5 million loss and moved on.

Vietnam Engine & Agricultural Machinery

The state-run company VEAM had, at the time we bought, 72% market share in motorbikes and 36% market share in autos, through its stakes of 20%-30% ownership in the Vietnamese operations of Honda, Toyota, and Ford. Nearly all VEAM's profit comes from motorbikes (primarily Honda), which its associate companies assemble in Vietnam from imported complete knock-down (CKD) kits. We first researched the company in 2016 and met them in Vietnam in 2017 before its shares began trading in July 2018. VEAM had a weak debut from its 27,600 listing price on 2 July 2018. We bought at prices ranging from 26,499 on its listing day down to 19,400 on 31 July 2018, a 27% decline. Our lowest purchase price was 11%

[11] We sold 5, 6, and 10 March. 7-9 March was a three-day holiday weekend.

[12] Most Sri Lankan cases were from citizens returning from foreign countries, who the authorities then quarantined upon return. Prior to a garment factory outbreak in early October 2020, the government claimed there were no cases of community spread for two months.

below VEAM's all-time closing price low, a rare bottom-ticking buy. A year later, its shares had tripled and we trimmed our position in Q3 2019 at prices that ranged from 54,738 to 59,930. Our highest trim price was within 8% of VEAM's all-time closing high.

We put VEAM on our initial COVID-19 sell list in March 2020 because we expected sales of large-ticket consumer items to suffer as staples gained a greater share of the consumer wallet. The company's financial reports after we sold confirmed that our reasoning was correct. Q1 revenue fell 11%, although EPS was up 5%. Q2 revenue dropped 30% with EPS down 53%. We sold the position in a tough market of falling prices over five trading days through 11 March 2020 at prices ranging from 39,802 down to 33,936.[13] The shares finished March 2020 at their pandemic closing low of 28,000. Vietnam has handled COVID-19 as well as any country in the world, leading to a Q2-Q3 stock market rally that pushed VEAM shares to 43,200 at the end of Q3 2020.

While COVID-19 caused our 1.7-year holding in VEAM to end abruptly, it was a success overall. We made a $1.0 million gain, for a 29% IRR, realizing 41% more than we invested. Our July 2018 buys and our Q3 2019 trims each were well timed, and while the March 2020 sale prices are less satisfying, the company's financial results showed that our hypothesis of weakening sales and profit was correct.

Emaar Development (United Arab Emirates)

Emaar Development is the largest property developer in the UAE. Following the 2014-2016 oil crash, our opinion was that sentiment on Dubai real estate stocks remained too negative. We expressed that view from September 2016 by owning Damac, the UAE's second largest developer. When Emaar Development came public in November 2017, we swapped into it, selling Damac with a 65% gain of $1.9 million in 14 months.[14] Comparing the two, Emaar Development had greater market share and better properties, in our opinion. We considered its stock to be cheaper than Damac relative to intrinsic value and we expected it to solidly outperform Damac in terms of fundamentals and stock performance, both of which it did.

Fundamentals. Emaar Development's stock did not work though. Sales bookings (a leading indicator of future recognized revenue), while high in absolute terms, were below expectations in 2018 and 2019. Nevertheless, the company was not struggling. Bookings peaked in 2017 and revenue and EPS set records the following year, 2018. While bookings in 2018 and 2019 were off the 2017 peak pace, they were still similar to 2016, with 2018 just below 2016 and 2019 above 2016. In other words, 2019 bookings were the second best ever. Revenue for 2019 was also the second best ever and 2019 EPS was third best, just 0.01 per share below second-best 2017. Further, Emaar Development gained market share throughout our holding period. Mindful that its long-term competitive position was improving and with its shares well below the 6.03 IPO price, we doubled our position size in February 2019, buying from 3.80-3.98. Later that year, we trimmed some of these buys at higher prices as the stock rose.

[13] Note that a dividend of 3,884 per share went ex in December 2019, lowering VEAM's stock price by that amount.

[14] See page 7 of our 2018 Q2 letter for our What We Sold write-up on Damac.

We were not sure when contracted sales would accelerate again, but we were not overly concerned about this. The company paid 0.52 per share in dividends on 2018 EPS and pledged the same payout on 2019 and 2020 profit, which meant a 13% forward yield in a hard currency entering 2020. The company was paying us to be patient.

Thesis breaks so we sell. COVID-19 changed the picture for Emaar Development and for us. The pandemic and the resulting lower oil prices would depress economic activity in the UAE and its surrounding region, causing sales bookings to plummet. A real estate upturn would be further away and less certain, and it would begin from a lower level. Further, the dividend was now in question as the company might legitimately decide to conserve cash, its prior payout pledge notwithstanding.[15] On 4 March 2020, we decided to de-risk the position by cutting its weight in half. We accomplished this the next two trading days, 5 March and 8 March, at prices of 3.49 and 3.12, respectively. From 10 March onward, we were willing to sell the rest at or above our estimate of intrinsic value, then at 3.43. As March wore on, the stock kept falling, dropping below 3.00 then approaching 2.00, so we did not immediately sell our remaining position. Global markets bottomed Monday 23 March 2020 and Emaar Development dutifully hit its then-bottom of 2.06 the next day. This low held for a week, and the stock closed at 2.28 on 30 March.

After the close that day, the company announced their full results for 2019, which were a bit better than what we expected from their preliminary results, but more importantly they stated they would not pay a dividend on 2019 earnings because of the pandemic. This was not out of the blue. We viewed the dividend decision as a coin flip and had already cut our dividend projection earlier in the month. With this uncertainty resolved, we evaluated the situation.

We concluded there was no longer a viable investment thesis for Emaar Development, and thus no reason to still own the stock. Sure, the stock price might have fallen enough to make it again undervalued at the new lower price levels, but the fundamentals were in free fall as well. We had little confidence in our intrinsic value estimate that we cut twice in March and which now had a much larger margin of error than before. Further, from 9 March 2020, we had begun buying other stocks around the world that had fallen dramatically. We concluded we would rather own more of these than own any of Emaar Development. Human nature can make this a hard decision to reach. Obviously, it would have been better to sell the entire position rather than half of it earlier in the month, when prices were higher. Knowing this, and feeling the regret of not acting more forcefully earlier, investors sometimes cannot make the right decision in the moment, delusionally hoping that somehow the price will rebound to that earlier level, giving them a magical do-over. Well, that rarely happens right away and we have faced this situation enough that we know what to do. You must ignore the past price action and what you could have done, decide what's right in the present, and—if you decide to sell—execute your decision. Then you should forget about it and move on.

The sale was harder than we expected for the dividend decision was less priced in than we thought. The stock dropped for five consecutive days, on low volume, most of it at each day's 5% limit-down price. We finally exited on 6 April 2020 at 1.79. If we bragged earlier about bottom ticking VEAM when buying, we must acknowledge here that we bottom ticked Emaar

[15] To be clear, unlike some real estate developers, Emaar Development did not have a high debt load, so its eventual decision not to pay the dividend was out of cautiousness, not necessity.

Development by selling at what proved to be the pandemic low price. The stock rallied, then fell back twice and traded below 2.00 into early June. It ended Q3 2020 at 2.39.

Outcome. We held Emaar Development for 2.6 years and lost $2.8 million, 37% of the amount we invested. We can combine our Emaar Development outcome with our Damac performance to evaluate our entire foray into UAE property. Clearly, the combined numbers will be less bad than they were for Emaar Development alone because Damac did well, but we think it legitimate, and not a sleight-of-hand, to consider these two stocks together because the thesis on each company was the same. We switched horses when a better horse became available at a lower valuation. Combined, then, our UAE-real-estate-stocks-are-undervalued idea lost $0.9 million, or 9%, over 3.5 years. The surprising part for us is that this is no worse than our fund itself, which lost 10% before fees over this same period. Given how bad Emaar Development's stock performed, in our mind we would not have guessed that our UAE property thesis overall performed in line. This does illustrate just how awful 2018 through early 2020 was for frontier value stocks globally.[16]

Raya Contact Centers (Egypt)

Raya Contact Centers operates the leading contact center in Egypt. Its clients outsource phone and other electronic customer service interactions to Raya, with Raya's employees interacting directly with its clients' customers. Egypt has many natural advantages for hosting a Middle Eastern contact center. It is the largest country in the Arab world; it has low wage rates; its time zone is geographically in the center of Arab-speaking nations and able to serve Europe; and it has good English-speaking fluency. We watched Raya come public in April 2017 and bought the stock six months later 22% below the IPO price. It then traded with a trailing PE of 7.9—reasonable for this fast grower—and its price was 15% lower than our intrinsic value estimate. In less than four weeks, the stock jumped 19% from our purchase price, and for a while all went well.

Raya then experienced a series of one-thing-after-another problems. Initially, we saw these as excusable one-offs. Eventually, we came to believe this reflected the inherent difficulties in running contact centers in a region with lower oil prices post-2014 and tighter Egyptian consumer spending after devaluation post-2016. Customers pressured Raya on pricing, Egyptian wages and rents climbed after devaluation, and regulatory issues forced Raya to locate more agents in more expensive GCC countries like Saudi Arabia and the UAE.

The income statement tells the story. In 2016, revenue rose 84% and EPS grew 3.7 fold. In 2017, revenue advanced 43% with a 38% EPS rise. In 2018, this cooled to 20% top-line growth and a 10% EPS gain. In 2019, revenue fell 10% and EPS dropped 36%. A management change occurred in December 2019. In a case of serendipity, the new CEO, an Egyptian national who would relocate back to Egypt, still lived in Orlando while we spent the holidays in Florida. We spent a couple hours with him over breakfast 30 December 2019. While we liked what we heard, we knew from experience that most new CEOs sound good when they first accept a job. A proper assessment of whether new management can effect the necessary changes to deliver improved results takes more time.

[16] Perhaps it is axiomatic to note that when markets are rising (as they were in 2016-2017), most of your ideas (like Damac) make money. And when they are falling (2018-2020 for our asset class and style), few ideas do.

Initially, when COVID-19 hit, we thought Raya might be one of those tech-enabled businesses that could benefit from the pandemic. As we researched this further, we changed our opinion. Our new view was that the disruption of COVID-19 was going to make things more difficult for Raya in the near term (again, a one-thing-after-another problem). New clients would take longer to win, price pressure may increase, and planned internal changes would be harder to implement. Longer term, we had no clear view. Maybe Raya would turn it around with the pandemic eventually accelerating the customer service outsourcing trend. But then again, these things may not happen and lacking conviction we recognized that we no longer had an investment case for owning the stock. We sold.

Financial results in 2020 confirmed our thinking. First quarter earnings saw revenue fall 15% and EPS plummeted 73% to the lowest level since the March 2016 quarter. Second quarter revenue and EPS were nearly identical to the first quarter. Q3 revenue and EPS were worse. In 2.5 years, we lost $1.6 million, half the money we invested in Raya.

Mashreqbank (United Arab Emirates)

We held Mashreqbank for 2.7 years and made a nominal $0.1 million on it for a 6% gain. In addition to its banking franchise, it has about one-third of the UAE credit card processing market. It is family run, conservative, and has not needed to raise additional equity capital after its founding in 1967. We like the bank and could own it again in a better economic environment for its home country. We disposed of it in our second wave of COVID-19 selling in April 2020 when we decided that we no longer wanted exposure to UAE financials given the pandemic.[17] We thought better opportunities existed elsewhere as the pandemic was likely to crimp UAE banking profits due to low oil prices, low interest rates,[18] and rising credit risk. After we sold, Q1 EPS fell 28%, Q2 EPS plummeted 86%, and Q3 EPS was a loss. Mashreqbank stock closed Q3 at its pandemic low, a tick below where we last sold.

Fidson Healthcare (Nigeria)

Fidson was a small, immature company when we first met them in May 2017, yet it was one of the largest domestic pharmaceutical producers in Nigeria, a country with a population of 191 million that year. We had seen similar pharma companies in other frontier countries mature into blue chip firms with good profit growth and huge PE multiple expansion. To be clear, we weren't assuming Fidson would enjoy a similar development and discovery process (it would be an upside kicker if it did), but the stock worked within our valuation framework as it was. After a year of following the company, we bought in May 2018 at a 6.6 PE and 23% cheap on our intrinsic value estimate.

[17] As early as 3 March 2020, we were willing to opportunistically sell our Mashreqbank position (along with RAKBANK, another UAE bank we discuss later) if we could get out at a good price. We weren't yet mentally committed to exiting these positions, but we could plainly see that an exit we weren't interested in before would make sense now given deteriorating conditions. This half-hearted effort to create a selling option for ourselves yielded nothing, and when we decided to conduct a second purge of COVID-19 vulnerable companies, we put Mashreqbank (and RAKBANK) on this list in April and forced our exit from UAE banks.

[18] Like other GCC countries, the UAE pegs its currency to the US dollar so it must follow US monetary policy. We expect the Fed's policy of near-zero interest rates to pressure GCC bank net interest margins for the foreseeable future.

In short, Fidson did not mature while we held it. In April 2019, it announced a shocking loss for Q4 2018 amid a rights offering when there were no warning signs in the 11-month 2018 prospectus results. We had no confidence in the company at this point, nor did many others. Liquidity dried up to where 2019 trading volume was only 6% of 2018 volume. We then caught a lucky break as COVID-19 creating retail buying interest in Fidson shares. While we knew there was a decent chance the pandemic would improve Fidson's fundamentals (and it has), we did not want to continue with this management team. We took advantage of the increased volume to complete our exit in May 2020. We lost $0.7 million or 56% in two years.

CMC (Vietnam)

We held tile maker CMC only four months, losing $0.1 million or 10%. We initiated the position before the pandemic began, attracted by a sub-5 PE and a 12.6% yield. The company's Q1 was around break-even, much worse than we thought they would deliver, even allowing for the pandemic. While anything was possible in 2020, we made a quick decision to not waste time figuring out where our research or where the company went wrong. We were able to sell our shares without market impact and redeploy the cash into higher-confidence ideas that had emerged due to the pandemic.

Egypt Basket

After years of doing the wrong thing with its currency, Egypt finally did the right thing in November 2016 when it allowed its pound to float. We were uninvested at the time of the devaluation, but we had owned Egypt before and we had checked in with numerous companies regularly enough to know that if the currency floatation were credible, it would be a positive game changer for Egyptian corporates. We made two trips to Egypt in January 2017 to assess business conditions and US dollar availability. Companies gave mixed reviews on the economic situation in mid-January but conditions improved materially (dollars flowed freely) by month-end. We initiated the basket on 26 January 2017. At peak, the basket's target weight was 7.5% of our portfolio and Egypt was 10% including stand-alone positions. By the high point at the end of April 2018, we'd made $4.4 million on the basket with a 67% IRR.

We sold the last basket position on 18 May 2020, recording a $1.0 million gain over 3.3 years, with a 7% IRR. This accounting is a little unfair to Egypt in that we'd have a higher return had we kept the basket intact instead of liquidating March through May. We think it was right to do so because we redeployed the proceeds into more promising investments that likely have performed better than had we stood pat. Egypt is off its pandemic lows, but not as strongly as some other markets. Another way to look at this is that we had a $3.0 million profit for an 18% IRR at the end of January 2020. From that point, the COVID-19 selloff caused the basket—along with most of our portfolio—to decline significantly.

These returns show that we can segment our Egypt basket experience into three periods: 1) inception through April 2018 when everything worked; 2) May 2018 through January 2020, when some uncertainties surfaced; and 3) the pandemic.

Everything works. The pound's overvaluation relative to the dollar ended 3 November 2016 when the central bank let the currency float. From a rate of 8.88 pounds to one dollar on November 2, the pound was over 17 by November 8, and overshot some to its all-time weakest level of 19.67 on 20 December 2016, before settling around 18 by the end of Q1

2017. Dollar shortages ended as the purchasing power of the dollar increased in Egypt. Importantly, an IMF program and a credible set of economic policy reforms accompanied the devaluation. Business confidence skyrocketed, and foreign investor money returned to the country. The virtuous cycle had begun.

Uncertainties surface. A halving of a currency's value may fix the local currency overvaluation problem, but it does bring new issues. The cost of importing goods doubled and overall inflation peaked at 33.0% year-over-year in July 2017. The central bank raised its policy rate to 19.75% that same month. Much of the pass-through import price inflation was transitory and real interest rates turned positive after the January 2018 inflation report of 17.1%. Interest rate cuts began February 2018.

Disinflation continued through May 2018, but energy subsidy removals (part of the reform package) mid-year caused a burst of inflation back to 17.7% for October 2018. We watched these inflation figures like a hawk, because of what we had just seen in another country with economic reforms. Argentina's reform story began about a year before Egypt's. Argentina's stock market fell from its all-time dollar high in January 2018 around the time that the country's December 2017 inflation report showed that disinflation was over and inflation was rising again. While multiple factors were present, subsidy removals were one challenge that made it difficult for Argentine authorities to lower inflation there. Argentina's reform story unraveled quickly in the first half of 2018 and eventually failed. We didn't expect a repeat in Egypt, but we thought it prudent to lower our Egyptian basket weight target from 7.5% of our portfolio to 5.0% as the second half of 2018 progressed.

Unlike Argentina, the subsidy-removal inflation spike proved only temporary in Egypt. Nevertheless, this inflation episode meant that after two one-percentage-point rate cuts, the central bank held firm at 17.75% from March 2018 to February 2019. We think this was the right policy for the situation, but the market expected (perhaps unrealistically) more cuts sooner. The real world impact of lingering inflation and high nominal interest rates was that the consumer wallet had shrunk in real terms, hurting spending. Corporates put major capex investments on hold because interest rates were high and they did not need more capacity with consumer spending constrained. GDP growth had improved—from 4.1% in the June 2017 fiscal year, to 5.3% June 2018, and 5.6% for June 2019—but more modestly than analysts once thought.

COVID-19. Like our other COVID-19 disposals, we sold our Egypt basket in two waves. On 4 March 2020, we decided to sell companies likely to suffer a material hit to revenue and earnings—businesses in tourism and real estate and cyclicals in global shipping and large-ticket consumer items. On 31 March 2020, we began selling another position that showed a significant rebound off its low. What remained in our basket were consumer staples, healthcare, and education—the kind of things you would want to own and at prices cheaper than normal. But due to the virus selloff globally, similar companies were now available as outright positions throughout our universe at even cheaper prices than in Egypt. We then debated if we should still have an Egypt basket.

We decided no, for this reason. As the uncertainties we described above had surfaced from mid-2018, our confidence in the basket, which had been high, gradually began to diminish. When 2020 began, we thought we might finally see consumer spending pick up and the corporate capital investment cycle begin. With COVID-19, it was clear that neither of these were going to happen in 2020. They might still happen in the following years (the policy rate was down to 10.25% with inflation just above 5% when we made our decision), but we had higher confidence owning outright positions that had become available in other countries. On 8 April 2020, we made the decision to liquidate the Egypt basket, most of which we completed within one week. We sold the final position in May.

National Bank of Ras Al-Khaimah (United Arab Emirates)

We sold our RAKBANK investment for the same reason and in a similar manner to how we sold Mashreqbank.[19] In our second wave of COVID-19 exits, we decided there were better opportunities elsewhere and we did not want UAE financials exposure given that low oil prices, low interest rates, and increased credit risk would likely pressure their profits. We lost $0.3 million over 2.9 years, a 7% loss.

Frankly, given how we felt about RAKBANK when we bought, and how well the company performed until the pandemic, it's a stunner to us that this idea lost money. Whereas Mashreqbank was a good bank at a cheap price, RAKBANK offered a good consumer banking franchise at a cheap price, with the prospect of better earnings growth than Mashreqbank due to a clean-up and turnaround that was well underway when we bought. The turnaround continued and the operating leverage boosted the bottom line, yet the stock did not work as well as we thought it should, and then COVID-19 took away the gain we did have.

We bought in July 2017 right after the company released Q2 earnings that signaled the earnings trough had occurred. EPS grew consistently, just as we expected. EPS doubled from a trailing low of 0.33 through Q1 2017 to 0.65 in 2019. We decided to sell on 1 April 2020 and our exit took place gradually over the next two months, as liquidity allowed. Since our decision to sell, the company's six-month earnings through September 2020 annualize to around what they were when we first bought the stock, meaning that COVID-19 looks to undo all the net income gains we saw. The stock has barely recovered, finishing Q3 only 4% above our last sale price.

Fund and Management Company News

There are no significant changes to report regarding our COVID-19 work environment from what we wrote in the prior two quarterly letters.

Investing. We said in last quarter's letter:

> *We are low on cash, we see many things to buy, and we think our performance outlook relative to other equity choices is perhaps the best it has ever been. We are approaching the beginning of the seasonal strongest period of the year for inflows, and not coincidentally, for performance.*

These statements remain true. Our cash is near zero, bargains still exist globally in our universe, and, based on valuation, frontier markets have a better return outlook than developed markets. We have now seen strong performance, but our strongest seasonal

[19] See the earlier Mashreqbank discussion, including footnotes.

period historically is ahead. April and May are our two best months and positive seasonality continues through July. As always, past performance is no guarantee of future returns.

We accept new and follow-on subscriptions monthly. Please let us know if you are thinking of investing or adding to your current investment.

Flows. One investor asked us around year-end if—given recent strong performance—frontier markets were cool yet. Our reply was that no, our markets are not yet in vogue (i.e., we do not see in our universe the signs of euphoria and overheating that some believe may be present in some more developed markets), but allocators have realized frontier is no longer uncool. The capitulation redemptions are ebbing, in our opinion. We posited in recent months that the cascading redemption cycle that has plagued the frontier markets asset class in 2018, 2019, and 2020 may see its crescendo with year-end 2020 redemptions. Frontaura net flows on a go-forward basis appear now to be positive for the first time since 2013.

Series / Tranche conversion. As time has passed, our terms have evolved. If our recovery continues, investors will begin to hit their high water marks and performance will diverge by series. This already occurred for a few investors in Q4, with more occurrences likely in Q1 if we have a positive return. Thus, it is a good time to review your series to see if it is the one best suited for your needs, trading off lower fees for longer exits.

There are now three different series (known as tranches in our offshore fund, but for simplicity, we'll just use the term series here). Each has a 2% management fee and a three-month notice period before a redemption can begin. Other terms differ, as we explain below. Note the discussion in this section is only a summary. We exclude some details for brevity. For a longer terms discussion, click this link. For full details, please see our legal documents.

> *Legacy Series.* Investors who joined us before October 2015 (when we re-opened the fund after closing to new investments in 2013) are in the Legacy Series. They can redeem, subject to restrictions, in one quarter and they pay a 20% incentive allocation.
>
> *Series A.* Investors joining from October 2015 through October 2019 are in Series A. The default Series A exit takes four quarters instead of one (effectively meaning we redeem one-quarter of your investment for four quarters), but the Series A incentive allocation is only 10% now. Investors must have a total account balance that meets our minimum, presently $250,000, to invest in Series A.
>
> *Series B.* Investors joining from November 2019 onward could choose Series B, which pays no incentive allocation. The default Series B exit takes eight quarters (effectively meaning we redeem one-eighth of your investment for eight quarters). Investors must have a total account balance that meets our minimum, presently $250,000, to invest in Series B.

The three series, then, primarily trade off a lower incentive allocation for a longer redemption exit. For anyone who does not mind the longer redemption, Series B is most advantageous.

Legacy Series investors can convert to Series A or Series B. Series A investors can convert to Series B. We do not allow conversions into the Legacy Series or from Series B to Series A.

We make the conversion process as easy as possible. Investors need only fill out a one-page form and then we handle the conversion timing automatically when investors hit their high water mark. This way, an investor doesn't incur the longer exit terms until they get the benefit of the lower incentive allocation. Thus, many investors have already submitted conversion forms that will activate at some future point. Investors who try to time the conversion themselves could pay more incentive allocation than they need to, should they not guess correctly on the timing of which quarter they will hit their high water mark.

We announced Series B on 25 September 2019. Since then, all new investors have selected this series (Series A is also open to them). Additionally, 33 existing investors signed conversion forms, with most opting for Series B. The first of these conversions occurred at the beginning of Q1. Others will retroactively apply to Q1 if investors hit their high water marks this quarter.

Investors may submit a conversion form at any time. Those we receive 10 days or more prior to the start of a new quarter will be eligible for conversion in that new quarter. In other words, conversion forms we receive before 21 March 2021 will be eligible for conversion in Q2. Please contact us if you would like to discuss conversion.

We thank you for being a Frontaura investor. Please let us know if you would like to have a quarter-end phone call.

Best regards,

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Statistical Appendix

Our Statistical Appendix follows this section. Figure A1 shows annual, cumulative, and compounded returns for us and the indices we typically cite. Figure A2 shows quarterly performance for Frontaura and these indices. Figure A3 shows our monthly returns since inception. Figure A4 shows Frontaura's returns in US dollars and six foreign currencies that are the home currencies of our investors.

Please see Figure A5 for portfolio mix by country, region, and sector, along with our portfolio statistics. Figures A6-A9 show country attribution by dollar and percentage returns, first for Q4 and then for 2020. Figure A10 shows regional attribution, including at the country level within each region, for Q4 and Figure A11 repeats this information for 2020. Figures A12 and A13 show changes in country mix for the quarter and the last 12 months, and Figure A14 shows portfolio concentration and how it has changed in the last three and 12 months.

Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Annual Frontaura and Index Performance[20]
31 December 2020

Period	Frontaura	MSCI Frontier Small Cap *	MSCI Frontier *	MSCI Emerging	MSCI EAFE	S&P 500
2008	-28%		-54%	-53%	-43%	-37%
2009	46%		12%	79%	32%	26%
2010	37%		24%	19%	8%	15%
2011	-15%	-29%	-19%	-18%	-12%	2%
2012	18%	6%	9%	18%	17%	16%
2013	26%	32%	26%	-3%	23%	32%
2014	-3%	6%	7%	-2%	-5%	14%
2015	-5%	-8%	-14%	-15%	-1%	1%
2016	7%	15%	3%	11%	1%	12%
2017	17%	23%	32%	37%	25%	22%
2018	-13%	-17%	-16%	-15%	-14%	-4%
2019	-1%	-2%	18%	18%	22%	31%
2020	3%	5%	1%	18%	8%	18%
1 Year	3%	5%	1%	18%	8%	18%
3 Year	-11%	-15%	0%	20%	13%	49%
5 Year	11%	20%	35%	83%	43%	103%
7 Year	2%	16%	24%	52%	35%	134%
10 Year	29%	15%	38%	43%	71%	267%
Inception to Date	90%		-9%	32%	30%	220%
3 Year CAGR	-3.8%	-5.4%	0.0%	6.2%	4.3%	14.2%
5 Year CAGR	2.1%	3.7%	6.3%	12.8%	7.4%	15.2%
7 Year CAGR	0.3%	2.1%	3.1%	6.2%	4.4%	12.9%
10 Year CAGR	2.6%	1.4%	3.3%	3.6%	5.5%	13.9%
ITD CAGR	5.0%		-0.7%	2.1%	2.0%	9.2%

* We present MSCI returns as they report them, although we think they overstate performance by 1-2 percentage points in 2020 by not marking down the Nigerian naira. See our discussion on page 3 of this letter.

[20] Returns commence 1 November 2007. Our auditor has audited results through 2019. Frontaura returns are net of all fees, for an investor joining the fund at inception, making no further contributions, and making no withdrawals. Investors joining on other dates, making additional contributions, or making withdrawals will likely have different returns. Index returns are in US dollars on a total return basis, net of any withholding tax. Click this link for an explanation of the indices we show.

Figure A2
Frontaura Global Frontier Fund LLC
Quarterly Frontaura and Index Performance[21]
31 December 2020

Period	Frontaura	MSCI Frontier Small Cap *	MSCI Frontier *	MSCI Emerging	MSCI EAFE	S&P 500	Period	Frontaura	MSCI Frontier Small Cap *	MSCI Frontier *	MSCI Emerging	MSCI EAFE	S&P 500
2007 Q4	2%		4%	-7%	-5%	-5%	2015 Q1	-3%	-4%	-3%	2%	5%	1%
2008 Q1	1%		-2%	-11%	-9%	-9%	2015 Q2	3%	2%	0%	1%	1%	0%
2008 Q2	6%		2%	-1%	-2%	-3%	2015 Q3	-6%	-6%	-11%	-18%	-10%	-6%
2008 Q3	-11%		-23%	-27%	-21%	-8%	2015 Q4	1%	-1%	-1%	1%	5%	7%
2008 Q4	-25%		-41%	-28%	-20%	-22%	2016 Q1	-1%	-1%	-1%	6%	-3%	1%
2009 Q1	-2%		-17%	1%	-14%	-11%	2016 Q2	4%	5%	0%	1%	-1%	2%
2009 Q2	28%		35%	35%	25%	16%	2016 Q3	2%	4%	3%	9%	6%	4%
2009 Q3	17%		11%	21%	19%	16%	2016 Q4	1%	6%	0%	-4%	-1%	4%
2009 Q4	-1%		-10%	9%	2%	6%	2017 Q1	4%	12%	9%	11%	7%	6%
2010 Q1	10%		11%	2%	1%	5%	2017 Q2	7%	3%	6%	6%	6%	3%
2010 Q2	5%		-10%	-8%	-14%	-11%	2017 Q3	3%	3%	8%	8%	5%	4%
2010 Q3	9%		14%	18%	16%	11%	2017 Q4	3%	3%	6%	7%	4%	7%
2010 Q4	9%		8%	7%	7%	11%	2018 Q1	2%	-1%	5%	1%	-2%	-1%
2011 Q1	2%	-12%	-5%	2%	3%	6%	2018 Q2	-7%	-9%	-15%	-8%	-1%	3%
2011 Q2	-1%	-2%	0%	-1%	2%	0%	2018 Q3	-5%	-4%	-2%	-1%	1%	8%
2011 Q3	-10%	-12%	-12%	-23%	-19%	-14%	2018 Q4	-3%	-5%	-4%	-7%	-13%	-14%
2011 Q4	-6%	-7%	-2%	4%	3%	12%	2019 Q1	2%	-1%	7%	10%	10%	14%
2012 Q1	6%	6%	6%	14%	11%	13%	2019 Q2	3%	0%	5%	1%	4%	4%
2012 Q2	-3%	-6%	-7%	-9%	-7%	-3%	2019 Q3	-5%	-3%	-1%	-4%	-1%	2%
2012 Q3	5%	6%	7%	8%	7%	6%	2019 Q4	-1%	2%	7%	12%	8%	9%
2012 Q4	9%	1%	3%	6%	7%	0%	2020 Q1	-22%	-24%	-27%	-24%	-23%	-20%
2013 Q1	10%	7%	8%	-2%	5%	11%	2020 Q2	6%	12%	15%	18%	15%	21%
2013 Q2	5%	9%	3%	-8%	-1%	3%	2020 Q3	4%	8%	8%	10%	5%	9%
2013 Q3	1%	1%	6%	6%	12%	5%	2020 Q4	20%	14%	11%	20%	16%	12%
2013 Q4	7%	12%	7%	2%	6%	11%							
2014 Q1	-1%	6%	7%	0%	1%	2%							
2014 Q2	4%	7%	12%	7%	4%	5%							
2014 Q3	1%	4%	2%	-3%	-6%	1%							
2014 Q4	-7%	-11%	-12%	-5%	-4%	5%							

* We present MSCI returns as they report them, although we think they overstate performance by 1-2 percentage points in 2020 by not marking down the Nigerian naira. See our discussion on page 3 of this letter.

[21] Returns commence 1 November 2007. Our auditor has audited results through 2019. Frontaura returns are net of all fees, for an investor joining the fund at inception, making no further contributions, and making no withdrawals. Investors joining on other dates, making additional contributions, or making withdrawals will likely have different returns. Index returns are in US dollars on a total return basis, net of any withholding tax. Click this link for an explanation of the indices we show.

Figure A3
Frontaura Global Frontier Fund LLC
Monthly Frontaura Performance
31 December 2020[22]

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007											0.4%	1.6%	2.0%
2008	0.7%	0.6%	-0.1%	3.4%	3.9%	-1.0%	-0.8%	-2.2%	-7.9%	-17.5%	-10.7%	1.4%	-28.1%
2009	-2.0%	-0.4%	0.7%	7.7%	14.4%	4.1%	1.4%	4.7%	10.6%	-1.4%	-0.2%	0.2%	46.0%
2010	-0.9%	4.2%	6.6%	4.5%	-1.2%	1.9%	3.4%	0.7%	4.7%	3.5%	1.5%	3.3%	37.1%
2011	2.8%	-3.7%	2.7%	-0.4%	1.0%	-1.7%	-2.4%	-4.0%	-3.9%	-1.6%	-4.9%	0.7%	-14.8%
2012	-0.5%	3.9%	2.6%	2.4%	-4.4%	-1.3%	2.1%	1.4%	1.9%	2.6%	2.2%	4.3%	18.1%
2013	7.3%	1.9%	1.0%	1.8%	3.8%	-0.3%	2.6%	-2.1%	0.2%	3.1%	2.6%	1.6%	25.9%
2014	0.8%	-0.4%	-1.0%	1.6%	2.0%	0.1%	-0.3%	-0.8%	2.2%	0.9%	-4.5%	-3.3%	-2.9%
2015	-4.3%	1.0%	0.4%	3.9%	0.4%	-1.6%	-1.5%	-3.7%	-0.9%	3.3%	-2.4%	0.1%	-5.5%
2016	-4.8%	-0.6%	4.2%	1.8%	2.9%	-0.3%	1.6%	-0.4%	1.1%	-0.4%	0.7%	0.8%	6.6%
2017	2.9%	-0.1%	1.0%	0.4%	4.1%	2.1%	1.3%	1.0%	0.5%	2.3%	-0.2%	0.8%	17.2%
2018	2.3%	-1.1%	0.4%	0.4%	-6.8%	-0.7%	-0.8%	-1.9%	-2.2%	-3.2%	-0.9%	1.2%	-12.8%
2019	1.2%	0.8%	0.1%	0.3%	1.2%	1.9%	0.4%	-4.0%	-1.7%	-0.9%	-0.6%	0.5%	-0.9%
2020	1.3%	-4.9%	-19.3%	3.1%	0.6%	1.9%	1.7%	0.3%	1.8%	2.4%	9.5%	7.5%	2.8%

[22] Returns commence 1 November 2007. Our auditor has audited results through 2019. Frontaura returns are net of all fees, for an investor joining the fund at inception, making no further contributions, and making no withdrawals. Investors joining on other dates, making additional contributions, or making withdrawals will likely have different returns.

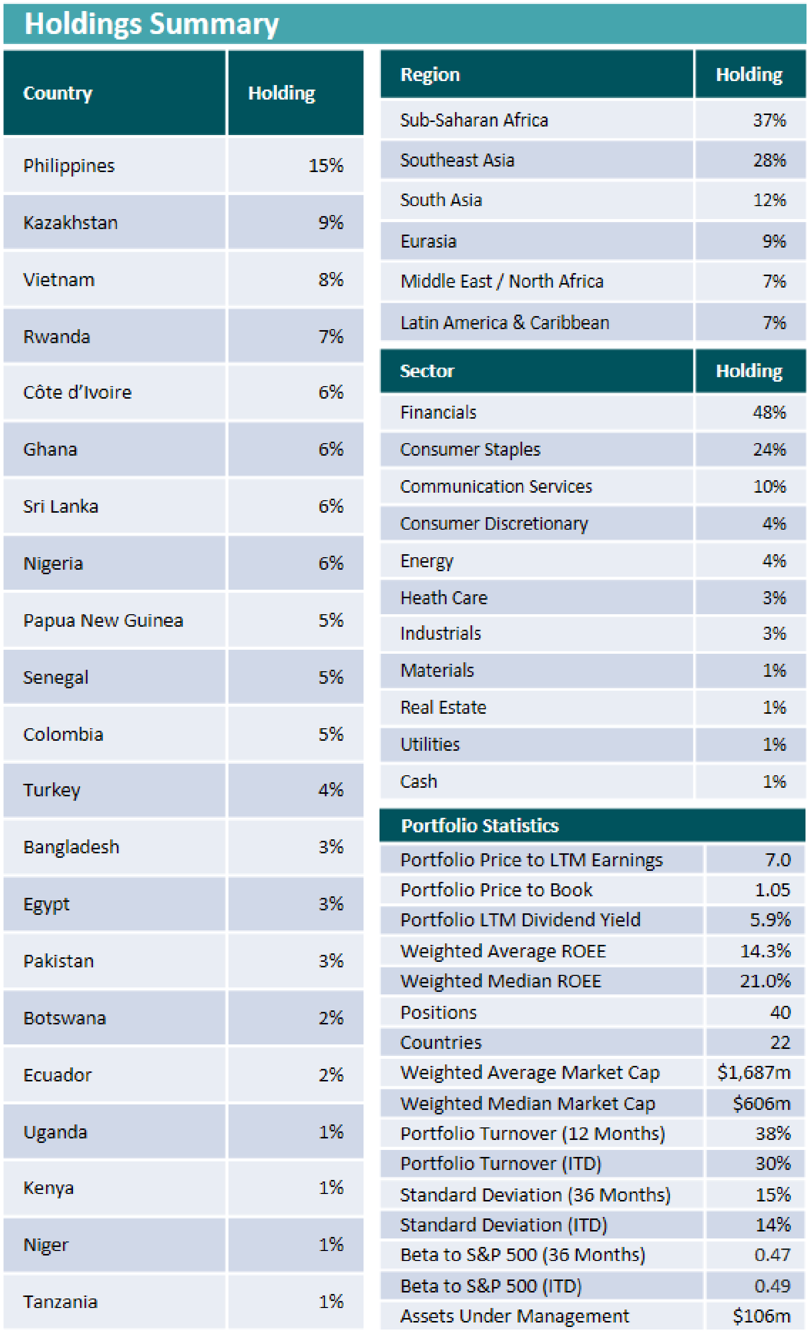
Figure A4
Frontaura Global Frontier Fund LLC
Performance by Currency[23] [24]
31 December 2020

Period	USD	AUD	CAD	CHF	EUR	GBP	SGD
2008	-28%	-10%	-12%	-32%	-25%	-2%	-29%
2009	46%	14%	26%	41%	42%	32%	43%
2010	37%	20%	30%	24%	47%	42%	25%
2011	-15%	-15%	-13%	-15%	-12%	-14%	-14%
2012	18%	16%	15%	15%	16%	13%	11%
2013	26%	47%	35%	23%	21%	24%	30%
2014	-3%	6%	6%	8%	10%	3%	2%
2015	-5%	6%	13%	-5%	5%	0%	1%
2016	7%	8%	4%	8%	10%	27%	9%
2017	17%	8%	10%	12%	3%	7%	8%
2018	-13%	-3%	-5%	-12%	-9%	-8%	-11%
2019	-1%	0%	-6%	-2%	1%	-5%	-2%
2020	3%	-6%	1%	-6%	-6%	0%	1%
2020 Q1	-22%	-11%	-16%	-23%	-21%	-17%	-18%
2020 Q2	6%	-6%	2%	4%	4%	6%	4%
2020 Q3	4%	0%	2%	1%	0%	0%	2%
2020 Q4	20%	12%	15%	16%	16%	14%	17%
1 Year	3%	-6%	1%	-6%	-6%	0%	1%
3 Year	-11%	-10%	-10%	-19%	-13%	-12%	-12%
5 Year	11%	5%	2%	-2%	-1%	20%	4%
7 Year	2%	18%	22%	1%	15%	24%	7%
10 Year	29%	72%	65%	22%	42%	48%	33%
Inception to Date	90%	130%	156%	45%	125%	189%	73%
3 Year CAGR	-3.8%	-3.4%	-3.5%	-6.9%	-4.4%	-4.2%	-4.2%
5 Year CAGR	2.1%	1.0%	0.4%	-0.4%	-0.2%	3.7%	0.7%
7 Year CAGR	0.3%	2.4%	2.9%	0.2%	2.0%	3.1%	0.9%
10 Year CAGR	2.6%	5.6%	5.1%	2.0%	3.5%	4.0%	2.9%
ITD CAGR	5.0%	6.5%	7.4%	2.9%	6.3%	8.4%	4.3%

[23] USD = US dollar, AUD = Australian dollar, CAD = Canadian dollar, CHF = Swiss franc, EUR = euro, GBP = British pound, SGD = Singapore dollar.

[24] Returns commence 1 November 2007. Our auditor has audited results through 2019. Returns in other currencies are unaudited Frontaura calculations. Frontaura returns are net of all fees, for an investor joining the fund at inception, making no further contributions, and making no withdrawals. Investors joining on other dates, making additional contributions, or making withdrawals will likely have different returns.

Figure A5
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[25]
31 December 2020



Holdings Summary

Country	Holding
Philippines	15%
Kazakhstan	9%
Vietnam	8%
Rwanda	7%
Côte d'Ivoire	6%
Ghana	6%
Sri Lanka	6%
Nigeria	6%
Papua New Guinea	5%
Senegal	5%
Colombia	5%
Turkey	4%
Bangladesh	3%
Egypt	3%
Pakistan	3%
Botswana	2%
Ecuador	2%
Uganda	1%
Kenya	1%
Niger	1%
Tanzania	1%

Region	Holding
Sub-Saharan Africa	37%
Southeast Asia	28%
South Asia	12%
Eurasia	9%
Middle East / North Africa	7%
Latin America & Caribbean	7%

Sector	Holding
Financials	48%
Consumer Staples	24%
Communication Services	10%
Consumer Discretionary	4%
Energy	4%
Heath Care	3%
Industrials	3%
Materials	1%
Real Estate	1%
Utilities	1%
Cash	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	7.0
Portfolio Price to Book	1.05
Portfolio LTM Dividend Yield	5.9%
Weighted Average ROEE	14.3%
Weighted Median ROEE	21.0%
Positions	40
Countries	22
Weighted Average Market Cap	$1,687m
Weighted Median Market Cap	$606m
Portfolio Turnover (12 Months)	38%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	15%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.47
Beta to S&P 500 (ITD)	0.49
Assets Under Management	$106m

[25] Click this link for an explanation of our holdings and portfolio statistics.

Figure A6
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2020 Q4

5 Best Countries			5 Worst Countries		
Country	Frontaura Return ($millions) [26]	Frontaura Return (%)	Country	Frontaura Return ($millions)	Frontaura Return (%)
Rwanda	3.7	107%	Kenya	-0.3	-16%
Kazakhstan	2.9	38%	Tanzania	-0.1	-13%
Philippines	2.0	13%	Paraguay	-0.1	-10%
Bangladesh	1.8	104%	Ecuador	-0.1	-3%
Vietnam	1.8	26%	Uganda	0.0	-3%

Figure A7
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2020 Q4

5 Best Countries			5 Worst Countries		
Country	Frontaura Return ($millions)	Frontaura Return (%)	Country	Frontaura Return ($millions)	Frontaura Return (%)
Rwanda	3.7	107%	Kenya	-0.3	-16%
Bangladesh	1.8	104%	Tanzania	-0.1	-13%
Kazakhstan	2.9	38%	Paraguay	-0.1	-10%
Côte d’Ivoire	1.7	34%	Ecuador	-0.1	-3%
Nigeria	1.2	30%	Uganda	0.0	-3%

[26] This footnote applies to all columns labeled “Frontaura Return ($millions)” and “Frontaura Return (%)” on this page and any similar page. Frontaura individual stock, country, and regional returns are before management fees, fund expenses, and any incentive compensation, as those deductions occur at the fund level and not at the individual stock, country, or regional level. Click this link for an explanation of how we calculate country returns.

Figure A8
Frontaura Global Frontier Fund LLC
10 Best and Worst Performing Countries (Dollar Return)
2020

10 Best Countries			10 Worst Countries		
Country	**Frontaura Return ($millions)**[27]	**Frontaura Return (%)**	**Country**	**Frontaura Return ($millions)**	**Frontaura Return (%)**
Philippines	3.7	28%	United Arab Emirates	-2.9	-27%
Kazakhstan	2.4	27%	Papua New Guinea	-2.3	-25%
Bangladesh	2.3	178%	Egypt	-1.9	-17%
Colombia	1.9	54%	Rwanda	-1.6	-18%
Vietnam	1.5	13%	Kenya	-1.2	-46%
Senegal	1.0	22%	Sri Lanka	-1.0	-11%
Côte d'Ivoire	1.0	15%	Ghana	-0.4	-5%
Ecuador	0.6	42%	Uganda	-0.2	-12%
Nigeria	0.6	7%	Paraguay	0.0	-5%
Turkey	0.4	8%	Pakistan	0.0	0%

Figure A9
Frontaura Global Frontier Fund LLC
10 Best and Worst Performing Countries (Percentage Return)
2020

10 Best Countries			10 Worst Countries		
Country	**Frontaura Return ($millions)**	**Frontaura Return (%)**	**Country**	**Frontaura Return ($millions)**	**Frontaura Return (%)**
Bangladesh	2.3	178%	Kenya	-1.2	-46%
Colombia	1.9	54%	United Arab Emirates	-2.9	-27%
Ecuador	0.6	42%	Papua New Guinea	-2.3	-25%
Philippines	3.7	28%	Rwanda	-1.6	-18%
Kazakhstan	2.4	27%	Egypt	-1.9	-17%
Niger	0.3	25%	Uganda	-0.2	-12%
Senegal	1.0	22%	Sri Lanka	-1.0	-11%
Côte d'Ivoire	1.0	15%	Ghana	-0.4	-5%
Vietnam	1.5	13%	Paraguay	0.0	-5%
Botswana	0.3	13%	Pakistan	0.0	0%

[27] The Frontaura Return footnote on a prior page applies to all Frontaura Return columns on this page.

Figure A10
Frontaura Global Frontier Fund LLC
Performance by Region and Country
2020 Q4

Region / Country	Frontaura Return ($millions)[28]	Frontaura Return (%)	MSCI Small Cap Return (%)[29]	MSCI Standard Return (%)
Sub-Saharan Africa	**7.7**	**25%**		
Rwanda	3.7	107%	--	--
Côte d'Ivoire	1.7	34%	--	34%
Nigeria *	1.2	30%	29%	29%
Senegal	0.9	21%	--	21%
Botswana	0.3	16%	--	24%
Ghana	0.2	4%	--	--
Niger	0.0	2%	--	--
Uganda	0.0	-3%	--	--
Tanzania	(0.1)	-13%	--	--
Kenya	(0.3)	-16%	4%	8%
Southeast Asia	**4.1**	**15%**		
Philippines	2.0	13%	35%	22%
Vietnam	1.8	26%	23%	21%
Papua New Guinea	0.3	5%	--	--
Eurasia	**2.9**	**38%**		
Kazakhstan	2.9	38%	--	16%
South Asia	**2.7**	**21%**		
Bangladesh	1.8	104%	19%	11%
Pakistan	0.4	9%	10%	8%
Sri Lanka	0.4	6%	-2%	8%
Middle East / North Africa	**0.8**	**11%**		
Turkey	0.8	20%	41%	30%
Egypt	0.0	0%	4%	-5%
Latin America & Caribbean	**0.7**	**10%**		
Colombia	0.9	20%	41%	49%
Ecuador	(0.1)	-3%	--	--
Paraguay	(0.1)	-10%	--	--

* We present MSCI returns as they report them, although we think they overstate performance in 2020 by not marking down the Nigerian naira. We estimate their Nigeria small cap and standard returns for 2020 Q4 would each be 24% instead of 29%, if they marked the naira as we do. See our discussion on page 3 of this letter.

[28] The Frontaura Return footnote on a prior page applies to all Frontaura Return columns on this page.

[29] This footnote applies to all columns labeled "MSCI Small Cap Return" and "MSCI Standard Return" on this page and any page with a similar table. We state MSCI small cap and MSCI standard (large cap and mid-cap stocks) country indices on a total return basis with dividends net of any withholding tax. We show "--" if MSCI does not have a small cap or a standard index for a given country.

Figure A11
Frontaura Global Frontier Fund LLC
Performance by Region and Country
2020

Region / Country	Frontaura Return ($millions)[30]	Frontaura Return (%)	MSCI Small Cap Return (%)[31]	MSCI Standard Return (%)
Southeast Asia	**2.9**	**8%**		
Philippines	3.7	28%	-7%	-3%
Vietnam	1.5	13%	35%	15%
Papua New Guinea	(2.3)	-25%	--	--
Latin America & Caribbean	**2.4**	**42%**		
Colombia	1.9	54%	-15%	-19%
Ecuador	0.6	42%	--	--
Paraguay	0.0	-5%	--	--
Eurasia	**2.4**	**27%**		
Kazakhstan	2.4	27%	--	13%
South Asia	**1.3**	**6%**		
Bangladesh	2.3	178%	41%	16%
Pakistan	0.0	0%	0%	-17%
Sri Lanka	(1.0)	-11%	-18%	-11%
Eastern Europe	**0.0**	**2%**		
North Macedonia	0.0	2%	--	--
Sub-Saharan Africa	**(0.3)**	**-1%**		
Senegal	1.0	22%	--	-5%
Côte d’Ivoire	1.0	15%	--	19%
Nigeria *	0.6	7%	5%	24%
Niger	0.3	25%	--	--
Botswana	0.3	13%	--	14%
Tanzania	0.1	6%	--	--
Uganda	(0.2)	-12%	--	--
Ghana	(0.4)	-5%	--	--
Kenya	(1.2)	-46%	-28%	-10%
Rwanda	(1.6)	-18%	--	--
Middle East / North Africa	**(4.3)**	**-16%**		
Turkey	0.4	8%	21%	-9%
Egypt	(1.9)	-17%	-15%	-22%
United Arab Emirates	(2.9)	-27%	-1%	-1%

* We present MSCI returns as they report them, although we think they overstate performance in 2020 by not marking down the Nigerian naira. If they marked the naira as we do, we estimate their Nigeria small cap return for 2020 would -14% instead of 5% and their Nigeria standard return would be 0% instead of 24%. See our discussion on page 3 of this letter.

[30] The Frontaura Return footnote on a prior page applies to all Frontaura Return columns on this page.

[31] The MSCI footnote on the first attribution table on a prior page applies to all MSCI columns on this page.

Figure A12
Frontaura Global Frontier Fund LLC
Significant Quarterly Country Mix Changes[32]
2020 Q4

Country	Percentage Point Change	Explanation
Kazakhstan	+5	Added new position
Senegal	+3	Increased position size
Rwanda	+3	Relative outperformance
Pakistan	-3	Trimmed positions to use cash for better opportunities

Figure A13
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2020

Country	Percentage Point Change	Explanation
Philippines	+13	Increased position size, added four new positions, and relative outperformance
Kazakhstan	+7	Increased position size, added new position, and relative outperformance
Senegal	+5	Re-entered country Q2 2020, relative outperformance
Colombia	+5	Re-entered country Q2 2020, relative outperformance
Ghana	+4	Added new position
Bangladesh	+3	Re-entered country Q3 2020, relative outperformance
Nigeria	-2	Exited two positions and trimmed others
Vietnam	-3	Exited two positions, one which was COVID vulnerable
Sri Lanka	-3	Exited one COVID vulnerable position, trimmed others
Papua New Guinea	-3	Trimmed position and relative underperformance
Pakistan	-4	Trimmed largest position to use cash for better opportunities, bought new position after COVID selloff
Egypt	-6	Exited two positions during COVID selloff, later bought new position after selloff
United Arab Emirates	-10	Exited country during COVID selloff

[32] We show countries whose weighting has changed by two percentage points or more. Total may not add to 0 due to rounding and exclusion of countries changing by less than two percentage points. Note that we do not show the United States as we only hold cash there. Click this link for a discussion of how we classify cash by country.

Figure A14
Frontaura Global Frontier Fund LLC
Portfolio Concentration[33]
31 December 2020

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	40	22	+1	--	+1	+1
Top 5	27%	46%	--	+2	-3	-1
Top 10	48%	74%	+2	+2	-1	-4
Top 20	77%	99%	+7	+4	+3	+5

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[33] We do not include the US in our country count and most of the percentage totals as we hold only cash there. Change from the prior quarter and the year ago quarter represent the change in the number of positions and the change in percentage points for the top 5, 10, and 20 positions. Click this link for a discussion of how we classify cash by country.