Index Descriptions

The S&P 500 Index is a broad based index of 500 leading US companies. The MSCI EAFE Index measures the equity market performance of 21 developed markets outside North America, while the MSCI Emerging Markets (EM) Index consists of 23 emerging market countries that are generally less developed than the MSCI EAFE countries. We provide the S&P 500, MSCI EAFE, and MSCI EM indices for general comparison purposes only, as global investors widely follow the performance of these indices. These indices differ from the strategy of Frontaura, and have little to no overlap with Frontaura's portfolio. We note though that Frontaura can invest in some of the smallest emerging market countries within the MSCI EM index. Despite this, Frontaura's actual EM holdings are usually small and have often been zero.

The MSCI Frontier Markets (FM) Index consists of 24 frontier market countries that are generally less developed than the MSCI EM countries. Frontaura has a frontier markets strategy, so it does invest in some of the countries present in the MSCI FM Index, and it may invest in some of the companies in the FM index. However, Frontaura is not limited to only countries and companies in the FM index. Often, Frontaura invests a significant portion of its portfolio in frontier countries not present in the FM index. Typically, Frontaura invests the majority of its portfolio in companies not present in the FM index. Thus, Frontaura does not attempt to match the composition of the FM index and Frontaura does not attempt to have a return stream similar to the FM index.

MSCI also publishes country indices to show country-specific equity market performance. We occasionally compare our country performance to the corresponding MSCI country index. This comparison does not imply that Frontaura's country holdings are similar to MSCI country index or that Frontaura will have a similar return stream to that of the country index. Often, Frontaura's holdings in a country are not present in the MSCI country index. Frontaura's country returns can be very different than the MSCI country returns, either better or worse. We reference MSCI's standard country indices which include 85% of the free-float market cap in a country. See the Individual stock and country returns section below for an explanation of how we calculate our country performance.

The version of the indices we cite—the S&P 500, MSCI EAFE, MSCI EM, MSCI FM and the MSCI country indices—all have the following characteristics: market capitalization weighted; free float adjusted; US dollar denominated; and total net return based, meaning they include reinvested dividends net of withholding tax for a US investor. The indices do not have any deductions for fees, expenses, or trading impact or costs. This represents a material difference from Frontaura's returns which have high fees and high trading impact and trading costs, given the relative illiquidity of Frontaura's frontier market investments. For all of these reasons, Frontaura's returns will differ, often materially, from all of the indices we show, including the FM index.

Notes on Holdings and Portfolio Statistics

LTM = Last Twelve Months.
ITD = Inception to Date, meaning from 1 November 2007, the date Frontaura began investing.

Cash classification. We hold most, but not all cash, in the United States. We include in the US total any euros or other currencies we hold in countries outside of our investment universe. These other currency amounts are often immaterial. We include all other cash we hold outside the US in that country's total, regardless of currency. For example, we include all prefunding cash in Vietnam in the Vietnam total, even though typically we hold this cash in US dollars.

Individual stock and country returns. Frontaura stock and country 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 or country level. Country returns are for stock positions in those countries, and include exchange rate movements and transaction fees on those stocks. Country returns do not include exchange rate movements on cash we hold in those countries. We calculate dollar profit as proceeds minus costs. Proceeds = value of position(s) held at period end + dividends and other distributions that went ex during period + sale proceeds during period. Costs = value of position(s) held at period beginning (this will be zero when we measure ITD returns) + purchases during period. We measure proceed and cost amounts in US dollars, net of commissions, trading fees, foreign exchange costs, and any withholding taxes on dividends and capital gains. In addition to dollar profit, we also compute proceeds relative to cost, stating it as either a return multiple (proceeds / cost) or a percentage return (proceeds / cost – 1).

PE, PB, Yield, and ROE. Portfolio price to LTM earnings (PE), portfolio price to book (PB), and return on ending equity (ROE) use the most recent 12 months of reported financial statements at the publication date. Portfolio LTM dividend yield (yield) includes dividends going ex in the last 12 months. PE and PB are the harmonic means of all positions, weighted by position size. Yield and ROE are the means of all positions, weighted by position size. The yield on Frontaura Global Frontier Fund is less than our portfolio LTM dividend yield due to cash held, withholding taxes, management fees, and operating expenses. Presently, we retain rather than distribute all income.

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Notes on Holdings and Portfolio Statistics (continued)

Positions and countries. We normally count each company in which we invest as one position. In cases where we hold multiple stocks to achieve a particular macro exposure to a country or sector, we count the basket of stocks as only one position. When we own a company on two or more stock exchanges, we count it as only one position. We do not count positions we value at zero. We assign each company we own to a single frontier country we think most appropriate, considering the location of its revenue, profit, physical operations, headquarters, stock listing, and other factors. Our country count is the sum of these countries. If a country is not in our investment universe, but we hold cash there, we do not count the country. We also do not count countries in our investment universe if we own no companies there and the amount of cash we hold there is *de minimis* and kept in the country for administrative convenience, such as to keep an account open for possible future investment.

Market cap and turnover. Average market cap is the average equity market capitalization of stocks in our portfolio, weighted by position size. Median market cap is the equity market capitalization of the stock that separates the portfolio into two equal halves by dollars—the upper half consisting of stocks with larger market caps and the lower half consisting of stocks with smaller market caps. LTM portfolio turnover is the average of annualized monthly turnover for the last twelve months. ITD portfolio turnover is the average of annualized monthly turnover of all months from Frontaura's November 2007 inception to date. Annualized monthly turnover is 12 times the sale proceeds in a month in US dollars divided by the average of beginning and ending AUM for the month.

Standard deviation and beta. Standard deviation is the annualized standard deviation of all monthly net returns from inception to date. Beta measures Frontaura's volatility relative to the S&P 500 using monthly net returns of Frontaura and the S&P 500 since Frontaura's November 2007 inception.

AUM. Assets under management are the US dollar sum in millions of all equity market values, cash, and accruals. We include in cash and AUM any first-of-the-next-month cash inflows, but only to the extent they offset end-of-the-prior-month cash outflows. For example, assume we have 1) cash outflows of $5 million on the last day of a month, reducing cash to $10 million and AUM to $160 million; and 2) cash inflows of $6 million occurring on the first day of the next month, increasing cash to $16 million and AUM to $166 million. In this case, we calculate AUM for the month just ending as $165 million, including cash of $15 million. These amounts match the AUM and cash figures before the cash outflow occurred. Since first-of-the-next-month inflows replace the outflows immediately, we calculate AUM this way internally for portfolio management purposes.

Note that our calculation of AUM described here will not match the net assets shown on our year-end audited balance sheet if cash inflows are replacing cash outflows, as audited net assets exclude all first-of-the-next-month cash inflows. For this reason, mix percentages shown in our audited financials will not match what we show here if cash inflows are replacing cash outflows.