February 2015 Monthly Comment written 1 March 4 PM CST

We estimate we gained 1% after fees in February, breaking our three-month losing streak. Global markets rose more in February than we did, with the S&P 500 and MSCI EAFE up 6% each, while the MSCI Emerging Markets and MSCI Frontier Markets indices gained 3% each. These index returns include reinvested dividends.

Our gains came primarily from South Asia—where Sri Lanka, Pakistan, and Bangladesh all benefit from lower oil prices—and, to a lesser extent, Latin America and the Caribbean. On the losing side were Sub-Saharan Africa and local currencies throughout the portfolio, as US dollar strength took away about half of our local market gains. We lost 5% in Tanzania (we state all country returns before fees), erasing most of our January gains there. We exited three countries that have caused us grief in 2014 and 2015: Estonia (the company we held had half its business in Russia), Iraq, and Ukraine. We do still have about 20 basis points awaiting repatriation in these countries in lingering cash and dividend and settlement accruals.

In the first half of February, we lost another 9% in Nigeria, as authorities used the excuse of security concerns to delay the February 14 presidential elections to March 28. While there clearly are security problems in Nigeria that make it difficult for some citizens to vote, primarily in the northeast where the Boko Haram insurgency rages, this is not a new development. What is new is that for the first time since Nigeria returned to democracy in 1999, an incumbent president could lose re-election, and that, as much as anything else in our opinion, explains the election delay. Nigeria's long-suffering market recovered some in the second half of February, paring our monthly loss to 3%. In part, this rebound was due to the central bank abandoning a preferential exchange rate for some imports. With all FX transactions now occurring at the interbank rate, Nigeria will squander fewer of its international reserves to prop up its currency. (We only have access to the interbank rate and value our positions using that rate.) The central bank does still intervene in the interbank market however, and we continue to expect the naira, around 203 now, to weaken further, most likely after the election. Nonetheless, we were encouraged to see the stock market respond positively to the central bank's move toward a free market rate. We wrote last month that local stocks might rise as currency devaluation risk subsides. On the other hand, we think the stock market would view further election delay even more harshly than it did this initial postponement. To his credit, President Jonathan has said he is committed to the new polling date and the May 29 inauguration ceremony, regardless of outcome. We will know soon if he means it. We travel to Nigeria the week before the election.

Prior to that, though, we will be in Argentina for an investor conference. Argentina elects a new president in October, marking the end of Kirchnerism. In anticipation of this regime change, the MSCI Argentina Index is up 49% in the past 12 months on a USD total returns basis. We joined the party a bit late at the end of April 2014, but have recorded a 45% gain on a small 1% bet, in what we fear is becoming a crowded trade.

Last week at the Auerbach Grayson/Morgan Stanley Frontier Markets Conference in New York, we met with 29 companies from 20 countries in two days, at what was probably the most efficient frontier markets conference we have attended. For example, we were able to meet companies from Romania, Papua New Guinea, Panama, Bangladesh, Nigeria, Trinidad and Tobago, and Sri Lanka in successive hours just down the hall from each other, and that lineup represents just ¼ of our schedule.

Frontaura Global Frontier Fund

Fund Objective

Bloomberg Tickers: FRGLFRO US Equity, FRGLFRC KY Equity

Investing exclusively in publicly traded companies in frontier markets, provide investors with a net return series that over multiple years exceeds that of the major global developed and emerging equity indices.

Investment Strategy

We seek to exploit pricing inefficiencies in frontier equity markets. Our investment approach uses both top-down country factors and bottom-up company factors. At the country level, we examine sovereign risk and calculate country scores that measure currency vulnerability. At the company level, we model each company's discounted cash flow using our proprietary valuation tool that accounts for expected exchange rate changes and fading rates of return on invested capital and profit growth as time passes. Ultimately, we aim to own solid businesses at attractive prices in stable or improving countries.

Performance through February 2015[1]

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
2010 Q1	10%	5%	1%	2%	11%
2010 Q2	5%	-11%	- 14%	- 8%	- 10%
2010 Q3	9%	11%	16%	18%	14%
2010 Q4	9%	11%	7%	7%	8%
2011 Q1	2%	6%	3%	2%	- 5%
2011 Q2	- 1%	0%	2%	- 1%	0%
2011 Q3	- 10%	- 14%	- 19%	- 23%	- 12%
2011 Q4	- 6%	12%	3%	4%	- 2%
2012 Q1	6%	13%	11%	14%	6%
2012 Q2	- 3%	- 3%	- 7%	- 9%	- 7%
2012 Q3	5%	6%	7%	8%	7%
2012 Q4	9%	0%	7%	6%	3%
2013 Q1	10%	11%	5%	- 2%	8%
2013 Q2	5%	3%	- 1%	- 8%	3%
2013 Q3	1%	5%	12%	6%	6%
2013 Q4	7%	11%	6%	2%	7%
2014 Q1	- 1%	2%	1%	0%	7%
2014 Q2	4%	5%	4%	7%	12%
2014 Q3	1%	1%	- 6%	- 3%	2%
2014 Q4	- 7%	5%	- 4%	- 5%	- 12%
2015 Q1	- 3%	3%	6%	4%	- 1%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	37%	15%	8%	19%	24%
2011	- 15%	2%	- 12%	- 18%	- 19%
2012	18%	16%	17%	18%	9%
2013	26%	32%	23%	- 3%	26%
2014	- 3%	14%	- 5%	- 2%	7%
ITD CAGR	7.9%	6.6%	- 0.4%	- 1.7%	- 3.4%

Holdings Summary[2]

Country	Holding
Vietnam	14%
USA (cash only)	11%
Nigeria	9%
Sri Lanka	7%
Tanzania	7%
Papua New Guinea	5%
Bangladesh	4%
Pakistan	4%
Montenegro	3%
Ghana	3%
Rwanda	3%
Serbia	3%
Lebanon	3%
Romania	3%
Kazakhstan	2%
Cote d'Ivoire	2%
Oman	2%
Ecuador	2%
Laos	2%
Argentina	1%
Jamaica	1%
Botswana	1%
Qatar	1%
Macedonia	1%
Cambodia	1%
Zimbabwe	1%
Mongolia	1%
Malawi	1%
Mozambique	1%
Others	1%

Industry	Holding
Financials	48%
Cash	12%
Consumer Staples	11%
Industrials	10%
Telecommunication Services	5%
Energy	5%
Utilities	4%
Materials	3%
Consumer Discretionary	3%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	6.8
Portfolio Price to Book	1.0
Portfolio LTM Dividend Yield	6.4%
Return on Ending Equity	21.0%
Positions	59
Countries	32
Average Market Cap	$663m
Median Market Cap	$238m
Portfolio Turnover (LTM)	31%
Portfolio Turnover (ITD)	27%
Standard Deviation (ITD)	15%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$157m

Terms / Service Providers

Management Fee	2%	Attorney	Foley & Lardner LLP
Performance Fee	20% with high-water mark	Auditor	RSM McGladrey, Inc.
Subscription	Minimum: $1,000,000; presently closed, with waiting list for existing and new investors	Fund Administrator	Michael J. Liccar & Co.
Withdrawals	2-year lockup, quarterly with 90-day notice	Global Custodian	Bank of New York Mellon

1 Frontaura returns are actual returns, net of all fees, through Friday 27 February 2015 with a subject-to-change estimate for the most recent month, 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 may have different returns. ITD returns commence 1 November 2007. Index returns are on a total return basis, net of any withholding tax for a US investor, through Friday 27 February 2015. Click this link for an explanation of the indices we show: http://www.frontauracapital.com/monthlycomments/Frontaura_Fact_Sheet_2015_02_Notes.pdf

2 Click this link for an explanation of our holdings and portfolio statistics: http://www.frontauracapital.com/monthlycomments/Frontaura_Fact_Sheet_2015_02_Notes.pdf

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FRONTAURA

180 North Stetson Avenue, Suite 1935 Chicago, Illinois 60601 USA T +1 312 777 1500 F +1 312 268 5004 info@frontauracapital.com www.frontauracapital.com