June 2015 Monthly Comment written 30 June 3 PM CDT

We estimate we lost between 1% and 2% for June, breaking our four-month winning streak. Nevertheless, we will still record a decent Q2 gain that presently rounds up to 3%. Notably, on the two days after Greece imposed capital controls, our performance was roughly flat, up slightly on June 29 before giving back this gain on June 30. All of the indices we cite had monthly total return losses through June 29 (June 30 index values not available at this writing), ranging from just under break-even for MSCI Frontier Markets (FM) to -4% for MSCI Emerging Markets (EM). The S&P 500 and MSCI EAFE were each down 2%. For Q2, our result surpasses that of the indices, which range from -1% to +1%. At 2015's halfway mark, we have a slight YTD loss, currently rounding to 0%. This is ahead of MSCI FM at -3%, but behind MSCI EAFE, MSCI EM, and the S&P 500, up 6%, 2%, and 1%, respectively.

There's no doubt about it—performance for us over the last year has been a dud. Six of the last 12 months have been negative, with a total return of -6%. MSCI FM has done even worse, with 8 down months, and a -14% total return. We find it helpful at times like these to review how things turned out at similar points in our history. Every episode of history is different of course, and there's no guarantee an experience will repeat, but we find the past gives us insight as we prepare for the future. Accordingly, we did a quick study of past instances where our return was negative over 12 months. We have 92 months of history, and thus there are 81 months with a prior one-year return. This return was negative 30 times, and of those, we know the following year's return in 23 cases (the other seven cases are December 2014 through June 2015, which lack a full year of subsequent performance). How'd we do in those 23 cases? All 23 had gains over the next year, ranging from 2% to 63%, with an average of 33%. We'd caution you not to rely too much on this analysis. These 23 data points represent only two episodes of history—drawdowns that began in 2008 during the Global Financial Crisis (GFC) and in 2011, where we were hit simultaneously with the Arab Spring, a brief civil war in Cote d'Ivoire, the ongoing euro crisis, and fears of US debt ceiling default. The GFC gave us 11 months where the prior year's return was negative, but over the subsequent year from those 11 starting points, we averaged a 44% gain. The 2011 events gave us 12 months where the prior year's return was negative, leading to an average 23% gain one year after we recorded those losses. This time, multiple shocks have again hit us—Ukraine, Iraq, falling oil prices affecting Nigeria primarily, and US dollar strength globally, with the first two issues no longer an ongoing performance drag.

Valuation matters, so we should compare our present valuation levels to the earlier periods. Today, our portfolio is more expensive than the earlier episodes on a PE-basis, but slightly cheaper on price/book and dividend yield. The numbers: our portfolio PE is 7.2 now versus 6.3 on average during the 23 study months. However, our portfolio price/book is 1.0 now versus 1.1 on average for the 23 months, while our weighted average dividend yield is 6.4% now versus an average of 6.1% during the 23 months in the study. Qualitatively, of these three episodes, we think the GFC was the best time to pick stocks, with 2011 being the second best.

During June, Tom visited Vietnam and Nick met Greek companies in New York City. This was our second trip to Vietnam this year. This month, authorities unveiled plans to increase the foreign ownership limit for Vietnamese stocks, up to 100% in some industries. Brokers hope this will increase foreign investment and raise stock prices.

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 June 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%	1%	5%	2%	- 3%
2015 Q2	3%	0%	1%	- 1%	0%
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%
2015	0%	1%	6%	2%	- 3%
ITD CAGR	8.0%	6.1%	- 0.4%	- 1.9%	- 3.5%

Holdings Summary[2]

Country	Holding
Vietnam	13%
USA (cash only)	10%
Nigeria	8%
Sri Lanka	7%
Tanzania	6%
Papua New Guinea	6%
Pakistan	5%
Bangladesh	5%
Serbia	3%
Montenegro	3%
Rwanda	3%
Lebanon	3%
Ghana	3%
Romania	3%
Cambodia	2%
Oman	2%
Jamaica	2%
Argentina	2%
Ecuador	2%
Cote d'Ivoire	1%
Botswana	1%
Laos	1%
Iran	1%
Qatar	1%
Macedonia	1%
Mongolia	1%
Zimbabwe	1%
Kenya	1%
Mozambique	1%
Malawi	1%
Colombia	1%
Others	2%

Industry	Holding
Financials	46%
Cash	13%
Consumer Staples	9%
Industrials	8%
Energy	8%
Utilities	5%
Materials	4%
Consumer Discretionary	4%
Telecommunication Services	2%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	7.2
Portfolio Price to Book	1.0
Portfolio LTM Dividend Yield	6.3%
Return on Ending Equity	17.0%
Positions	57
Countries	38
Average Market Cap	$702m
Median Market Cap	$250m
Portfolio Turnover (LTM)	32%
Portfolio Turnover (ITD)	27%
Standard Deviation (ITD)	15%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$158m

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 30 June 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 29 June 2015, as final index values for the current month are not available at time of publication. Click this link for an explanation of the indices we show: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_05_12.pdf

2 Click this link for an explanation of our holdings and portfolio statistics: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_05_12.pdf

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