July 2015 Monthly Comment written 31 July 4 PM CDT

We estimate we lost between 1% and 2% for July, pushing us down to -2% year to date. The MSCI Frontier Markets Index lost 3% in July (all index figures are total returns through July 30 as final July index values are not available at this writing), and is now -6% year to date. Frontier markets have had a rough time for the past 12 months. The frontier index is down 9 of the last 12 months, with a total loss of 18%. We've lost money in half of the last dozen months, dropping 7% overall. Our loss was concentrated in November to January, where we lost 12% in three months. We then gained 6% through May with four consecutive winning months, but the months of June and July have had back-to-back losses, leaving us less than 3% above our end of January low. While past performance is not a guarantee of future returns, looking at our fund's history, losses over 12 months have been followed by double-digit percentage gains on average in the next 12 months—see our study in last month's comment. Nonetheless, our experience is that the markets often present us with more pain before any gains take hold. In terms of valuation, our portfolio price/book is now down to 0.9, within the cheapest decile in our history, and tied for our cheapest level ever. Our portfolio PE of 6.9 is about normal, while our weighted average dividend yield of 6.4% is in the highest quartile of our history. Looking at other indices through July 30, the S&P 500 has gained 2% in July, and 4% year-to-date, while MSCI EAFE (developed markets) has risen 1% this month, and is up 7% for 2015. But MSCI Emerging Markets lost 8% so far in July, dragged down by Brazil and China, -13% and -11%, respectively. MSCI EM is now -5% year to date.

Investors often ask about China, which is not in our universe, but nonetheless can affect countries around the world. We own stocks in four countries that border China: Laos, Mongolia, Pakistan, and Vietnam. Collectively, we made money in these four in July. We also made money this month in Bangladesh, Cambodia, and Sri Lanka, three Asian countries with economic links to China. So overall, we are not seeing any direct fallout from Chinese market volatility. China may affect frontier countries indirectly in two ways, however. First, lower commodity prices due to diminished Chinese demand hurts countries that are net commodity exporters. Second, global contagion could occur if events in China spiral downward. Frontier markets typically ignore global crises, unless they become severe enough to affect pricing across most asset classes.

Following last month's news that Vietnam plans to relax foreign ownership limits (FOL) on its stocks, Kenya has said it wants to eliminate FOL restrictions on most stocks. We don't know details or timing yet, but these announcements can cause some price spikes, even if only temporary. For example, mid-month we sold a small Kenyan position that was at its 75% FOL limit (foreigners couldn't buy the shares unless a foreign owner like us sold). We exited in a single trade 8% above the prior day's close. Today, this stock trades 18% below our sale price. Over time, though, increased foreign ownership should boost trading and increase valuations.

As we discussed in depth in our Q2 letter, we have re-opened Frontaura, although our desire to remain small to maximize our ability to perform well is unchanged. We've had a flurry of meetings, calls, and emails, re-engaging with prior contacts and connecting with new prospective investors. Our re-opening ends our waitlist process, so existing investors can invest monthly, and we do have several existing clients adding to their positions for August 1. Please contact us for more information. Also, if any existing investors still want a post-Q2 call, please let us know.

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 July 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%
2015 Q3	- 1%	2%	1%	- 8%	- 3%
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	- 2%	4%	7%	- 5%	- 6%
ITD CAGR	7.7%	6.3%	- 0.3%	- 2.7%	- 3.8%

Holdings Summary[2]

Country	Holding
Vietnam	12%
USA (cash only)	9%
Nigeria	8%
Sri Lanka	7%
Pakistan	7%
Papua New Guinea	5%
Tanzania	5%
Bangladesh	5%
Serbia	3%
Montenegro	3%
Ghana	3%
Romania	3%
Rwanda	3%
Lebanon	3%
Cambodia	3%
Ecuador	2%
Oman	2%
Jamaica	2%
Argentina	1%
Mongolia	1%
Cote d'Ivoire	1%
Laos	1%
Iran	1%
Qatar	1%
Botswana	1%
Macedonia	1%
Zimbabwe	1%
Kenya	1%
Mozambique	1%
Others	3%

Industry	Holding
Financials	44%
Cash	13%
Consumer Staples	10%
Industrials	8%
Energy	8%
Utilities	7%
Consumer Discretionary	4%
Materials	3%
Telecommunication Services	2%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	6.9
Portfolio Price to Book	0.9
Portfolio LTM Dividend Yield	6.4%
Return on Ending Equity	15.5%
Positions	58
Countries	38
Average Market Cap	$659m
Median Market Cap	$215m
Portfolio Turnover (LTM)	35%
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	Monthly. New investor minimum $1,000,000. Additional subscription minimum $10,000.	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 31 July 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 30 July 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_07_10.pdf

2 Click this link for an explanation of our holdings and portfolio statistics: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_07_10.pdf

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