August 2015 Monthly Comment published 31 August 4 PM CDT

We estimate we lost under 4% in August, a month where the S&P 500 experienced its first 10% correction since 2011, in sympathy with slumping stocks in China. Final index values for the month are not yet available, but through Friday, August 28, on a total returns basis, the S&P 500 fell 5%, MSCI EAFE dropped 7%, MSCI Emerging Markets (EM) plummeted 9%, and MSCI Frontier Markets (FM) was down 6%. The lowest point for each index, on a closing price basis, was -11%, -10%, -14%, and -8%, respectively. At our worst, we were off 5.5%. Had the month ended then, it would have been our deepest loss since November 2008. As it is now, August isn't even our worst month this year: January is, at -4.3%. With prices down, our valuation metrics continue to improve. Our portfolio PE is now 6.7, our portfolio price/book is 0.9, and our weighted average dividend yield is 6.8%. The latter two metrics are within the most attractive decile of our history. We are open to intrepid, long-term investors, accepting new money monthly.

Frontier currencies continued to languish against the US dollar in August, with an exception for anything euro related, including the French West African franc, as the euro gained 2% against the greenback through August 28. Overall, the strong dollar represented about one-fifth of our monthly loss. China, an emerging market, devalued the yuan, by 3% August 11-12. As currency moves go, this is modest. The yuan is now off only 5% from its January 2014 high and it is still up 30% from where it began 2005, the year authorities first allowed it to appreciate. Nevertheless, symbolically, global investors saw this move as important, as it raised fears of a currency war. China's southern neighbor Vietnam, our largest country holding at 11%, adjusted its currency, the dong, to achieve a similar 3% drop this month. The dong is now down 4.9% this year, a bit worse than the 4.2% compounded annual loss it has experienced since our inception. Despite these FX losses, in US dollar terms we've made 7% in Vietnam in 2015, before fees, and have a 25% before-fee IRR in that country over our history. The Kazakh tenge lost 22% in August, after authorities let the currency float on August 19-20. The media linked this depegging to China's devaluation, and while that may be true with regard to timing, tenge followers had been expecting devaluation. For example, we wrote in our Q1 2015 letter that devaluation could occur after the April 26 presidential election to help the tenge recover competitiveness against the Russian ruble, stating that the ruble was then down 26% in tenge terms since the end of 2013. We note that Kcell, the Kazakh mobile operator we sold in April, is now down by over one-third from our US dollar exit price. We got a lot wrong in the former Soviet Union in 2014-2015, but one consolation is that most positions have declined further in dollar terms after our exit.

On August 4, Vietnam struck a trade deal with the European Union removing 99% of EU tariffs over a seven-year period once the deal is in effect. According to the BBC, the deal, which still needs EU parliamentary approval, should become active in late 2017 or early 2018. While our Vietnamese companies generally focus more on the domestic market versus exports, this deal should nonetheless help grow the local economy, albeit with some increased foreign competition.

To close on a positive note, it wasn't across-the-board losses for us in August. As we type this sentence after lunch on the 31st (final results for August could differ), there are eight countries where we made money in August: Argentina, Colombia, Ecuador, Cote d'Ivoire, Macedonia, Montenegro, Rwanda, and Serbia. Even in a bad month, diversification benefits from individual frontier countries are present.

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 August 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	- 5%	- 3%	- 5%	- 15%	- 9%
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	- 6%	- 2%	0%	- 13%	- 12%
ITD CAGR	7.1%	5.5%	- 1.1%	- 3.8%	- 4.6%

Holdings Summary[2]

Country	Holding
USA (cash only)	16%
Vietnam	11%
Nigeria	8%
Pakistan	7%
Sri Lanka	7%
Papua New Guinea	6%
Tanzania	5%
Bangladesh	5%
Montenegro	3%
Ghana	3%
Romania	3%
Lebanon	2%
Cambodia	2%
Rwanda	2%
Ecuador	2%
Serbia	2%
Oman	2%
Jamaica	2%
Argentina	2%
Mongolia	1%
Laos	1%
Macedonia	1%
Qatar	1%
Cote d'Ivoire	1%
Iran	1%
Botswana	1%
Zimbabwe	1%
Kenya	1%
Mozambique	1%
Others	3%

Industry	Holding
Financials	40%
Cash	19%
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	6.7
Portfolio Price to Book	0.9
Portfolio LTM Dividend Yield	6.8%
Return on Ending Equity	17.9%
Positions	54
Countries	38
Average Market Cap	$633m
Median Market Cap	$209m
Portfolio Turnover (LTM)	34%
Portfolio Turnover (ITD)	27%
Standard Deviation (ITD)	15%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$151m

Terms / Service Providers

Management Fee	2%	Attorney	Foley & Lardner LLP
Performance Fee	20% with high-water mark	Auditor	RSM McGladrey, Inc.
Subscriptions	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 August 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 28 August 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

Disclaimer

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