September 2015 Monthly Comment published 30 September 2 PM CDT

We estimate we lost about 1% in September. Through September 29 (final values not available as we write this), monthly index losses on a total returns basis were: S&P 500 -4%, MSCI EAFE -7%, MSCI Emerging Markets -5%, and MSCI Frontier Markets -2%. We are down 6% for both Q3 and 2015. As page 2 shows, through September 29, the indices we cite all have worse losses than we have for the quarter and for the year. Our portfolio valuation remains compelling, with twin 7s: the portfolio PE is below 7, at 6.9, while the weighted average dividend yield is 7.0%, both of these on a trailing, reported basis.

We made multiple trips in September, visiting Egypt, Nigeria, and Peru. We'll be in Kenya next week. As a copper-exporting country, Peru suffers from the commodities price rout, as one would expect. Its currency, the sol, is down 22% from its January 2013 high, but considering that its commodity-producing neighbors Brazil, Chile, and Colombia have had currency falls of 50%, 33%, and 43%, respectively, over the same period, the sol may remain vulnerable. The pass-through impact of a weakening sol has boosted inflation, while Peru's real GDP growth dropped from 5.8% in 2013 to 2.4% in 2014, with similar growth expected this year. The government's fiscal balance moved from a surplus in 2013 to a slight deficit in 2014 to a bigger deficit this year. The current account balance was -8% of GDP in 2014 and the IMF expects it to worsen in 2015. The next presidential election is April 2016; the last one caused a major selloff in Peru's stock market when the populist Humala won. Another challenge looms from Mother Nature—Peruvians expect the upcoming El Nino in the first half of 2016 to be especially brutal, with deadly flooding and disruptions to the fishing industry possible. For example, last month, the country decided not to host the January 2016 Dakar Rally off-road race because of El Nino threat. To top it off, MSCI has threatened to kick Peru out of its Emerging Markets Index due to falling trading volume. That decision may actually occur today.

While there's no doubt Peru is going through a soft patch, the country is well placed to withstand this. Peru made smart moves when commodity prices were high, in contrast to many countries that squander their boom years. A May IMF report states that Peru's poverty rate plummeted from 59% in 2004 to 23% in 2014. During this time, income distribution improved and gross public debt as a percentage of GDP fell by three-fourths. While this was Frontaura's third trip to Peru, it was Nick's first visit in over a decade. He found the visual change in Lima stunning. Previously, he thought Lima a poor, unattractive city with vast slums. Today, it strikes him as a modern, advancing city with shiny skyscrapers and impressive shopping malls. Where slums remain, conditions have improved with data showing the majority of slum housing units now have water, sewer, and electrical connections.

Many of the negatives we cited are not *that* bad in context. Yes, inflation may rise some, but from a low level. Over the past 15 years, average inflation was only 2.7%, very different from 7482% hyperinflation in 1990. The IMF forecasts the government budget deficit this year to be only 2% of GDP. President Humala cannot run for a consecutive term, and even his detractors acknowledge he was more moderate than they expected. The three main candidates for 2016 are all pro-market. As one of the smallest emerging markets, Peru has always been in our frontier universe, and if MSCI does kick Peru out of the EM index, valuations could become compelling. And while copper prices are low, Peru expects rising volumes due to its favorable costs of production. Peru has cheap energy from hydropower and its own natural gas.

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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 September 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	- 6%	- 8%	- 12%	- 20%	- 10%
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%	- 7%	- 7%	- 17%	- 13%
ITD CAGR	6.9%	4.8%	- 2.1%	- 4.4%	- 4.7%

Holdings Summary[2]

Country	Holding
USA (cash only)	12%
Vietnam	12%
Nigeria	9%
Pakistan	7%
Papua New Guinea	6%
Sri Lanka	6%
Bangladesh	5%
Tanzania	5%
Montenegro	3%
Romania	3%
Ghana	3%
Cambodia	2%
Lebanon	2%
Rwanda	2%
Ecuador	2%
Serbia	2%
Oman	2%
Jamaica	2%
Argentina	2%
Macedonia	2%
Mongolia	1%
Laos	1%
Qatar	1%
Kenya	1%
Iran	1%
Cote d'Ivoire	1%
Botswana	1%
Zimbabwe	1%
Mozambique	1%
Malawi	1%
Others	2%

Industry	Holding
Financials	40%
Cash	16%
Consumer Staples	10%
Energy	8%
Industrials	8%
Utilities	7%
Consumer Discretionary	4%
Materials	4%
Telecommunication Services	2%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	6.9
Portfolio Price to Book	1.0
Portfolio LTM Dividend Yield	7.0%
Return on Ending Equity	18.2%
Positions	52
Countries	39
Average Market Cap	$611m
Median Market Cap	$225m
Portfolio Turnover (LTM)	37%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	15%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$136m

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.
Redemptions	Quarterly with three-month notice. Restrictions may apply.[2]	Global Custodian	Bank of New York Mellon

1 Frontaura returns are actual returns, net of all fees, through 30 September 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 September 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://http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_09_30.pdf

2 Click this link for an explanation of our holdings and portfolio statistics and our redemption provisions: http://http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_09_30.pdf

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