October 2015 Monthly Comment published 30 October 11 AM CDT

We estimate we gained over 3% in October, our second best result in at least 24 months, topped by only April 2015's 3.9% advance. We're publishing early today due to afternoon meetings, so there could be some modest variation in our final October numbers. Through October 29 (final values not available as we write this), the MSCI Frontier Markets Index was up 4% on a total returns basis, while the S&P 500, MSCI EAFE, and MSCI Emerging Markets were all up 7%-9%. Year to date, the S&P 500 leads with a 3% gain, followed by MSCI EAFE, up 1%. Frontaura is next with a 3% loss, followed by MSCI Emerging Markets, and MSCI Frontier Markets, both down 10%. Our portfolio PE and our weighted average dividend yield are each just under 7, on a trailing, reported basis.

October featured numerous elections around the globe, including Argentina, Cote d'Ivoire, Egypt, and Tanzania. In Argentina, investors have anticipated the end of 12 years of Kirchnerism throughout this year and last, as all three major presidential candidates are less populist than the term-limited incumbent Cristina Kirchner. The question has been whether reforms would be a) gradual, if frontrunner Daniel Scioli, the present governor of Buenos Aires Province, prevailed; b) immediate, if market-friendly challenger Mauricio Macri, the present mayor of Buenos Aires City, won; or c) somewhere in between, if Sergio Massa triumphed. These candidates finished in that order, as expected, but instead of Scioli winning outright, as some polls predicted, he topped Macri by less than three percentage points, 36.9% to 34.3%. An outright win would have required either 45% of the vote or 40% with a 10-percentage point lead over the runner-up. Scioli and Macri advance to the November 22 run-off, with Macri now the favorite, the thinking being that most voters who did not vote for either candidate will vote Macri. Reuters reported that third-place finisher Massa may give a "quiet nod" in favor of Macri. Macri is clearly the favorite of investors, and through October 29, his rising chances boosted our Argentine holdings 45% this month, making the country our third biggest October dollar winner, despite it being only a 2% weight.

President Alassane Ouattara was re-elected overwhelmingly with 84% of the vote in Cote d'Ivoire. This calm outcome couldn't have been more different from the 2011 result when then-incumbent Laurent Gbagbo refused to leave office after losing to Ouattara, briefly plunging the country back into civil war, before armed forces ousted Gbagbo. Cote d'Ivoire has prospered since, with 8.9% average real economic growth 2012-2015, and voters rewarded Ouattara for this stability.

Phase one of Egypt's parliamentary elections had low turnout, as the ruling party controlled candidate lists, continuing to ban the Muslim Brotherhood who won a plurality in 2011 before being toppled in the 2013 coup. We visited Egypt in September. The Egyptian pound remains overvalued in our opinion despite the central bank's slow devaluation, and converting pounds to dollars can be challenging. The economy is growing—up 3.2% last year and up an estimated 4.2% this year, per the IMF—better than the 2% post-Arab Spring growth of 2011-2013, but disappointing when compared to the 6%-7% growth rates of the 2005-2008 boom years.

Despite some irregularities in Zanzibar, Tanzania's presidential election kept the ruling party in power, as has been the case since the country's independence in 1961. Outgoing President Jakaya Kikwete was term-limited; pundits expect his successor John Magufuli, known as The Bulldozer, to boost development of Tanzania's natural gas resources. Tanzania is 4% of our portfolio.

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 October 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%	- 6%	- 10%	- 18%	- 11%
2015 Q4	3%	9%	7%	7%	4%
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	- 3%	3%	1%	- 10%	- 10%
ITD CAGR	7.2%	6.1%	- 0.9%	- 3.3%	- 4.3%

Holdings Summary[2]

Country	Holding
USA (cash only)	15%
Vietnam	13%
Nigeria	8%
Pakistan	7%
Sri Lanka	6%
Papua New Guinea	6%
Tanzania	4%
Bangladesh	4%
Montenegro	3%
Romania	3%
Cambodia	3%
Ghana	2%
Argentina	2%
Lebanon	2%
Rwanda	2%
Kenya	2%
Jamaica	2%
Oman	2%
Serbia	2%
Ecuador	2%
Macedonia	2%
Mongolia	1%
Laos	1%
Qatar	1%
Iran	1%
Botswana	1%
Mozambique	1%
Others	2%

Industry	Holding
Financials	39%
Cash	18%
Consumer Staples	10%
Energy	8%
Utilities	7%
Industrials	7%
Consumer Discretionary	5%
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	6.8%
Return on Ending Equity	18.2%
Positions	50
Countries	37
Average Market Cap	$669m
Median Market Cap	$207m
Portfolio Turnover (LTM)	35%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	15%
Beta to S&P 500 (ITD)	0.50
Assets Under Management	$141m

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 October 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 October 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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