January 2016 Monthly Comment published 29 January 2PM CST

We write this mid-day Friday, January 29, with our portfolio down around 4.9% this month. Some trading continues through this afternoon, and then 7% of our portfolio trades on Sunday, January 31, so our final results may differ. This could be either the fourth or the fifth worst month of our history, depending how we finish versus November 2011's 4.9% loss. Our three biggest loss months occurred consecutively during the global financial crisis, September through November 2008, when we dropped 7.9%, 17.5%, and 10.7%, respectively.

Final monthly index values aren't yet available, but through Thursday, January 28, the indices we cite had greater losses than us, a typical outcome in bad markets. Total returns for the S&P 500, MSCI EAFE, MSCI Emerging Markets, and MSCI Frontier Markets were -7%, -8%, -9%, and -8%, respectively. The low point of the month was on Wednesday, January 20, just before we spent two days with clients and prospects in New York City. We were then down 6%, while the S&P 500 lost 9%, and the non-US indices were all off 11%-13%.

We've called the period beginning November 2014 the strong dollar/low oil selloff. To that moniker, one could add a third factor, the China slowdown. Generally, our companies tend to focus on their local domestic markets more than export markets, so China's effect on us tends to be second-hand: weaker commodity prices (which help some of our companies and countries, but hurt others), somewhat lower global growth, and additional pressure on currency values. Currency accounted for about one-tenth of our before-fee loss in January, a smaller proportion than we've often seen in this selloff. We had a slight currency gain in December, so currency has not been much of an issue the past two months. The three factors that have bedeviled our returns over the past 15 months (strong dollar, low oil, China slowdown) are all macro factors hurting equities globally. The financial press is full of wide-ranging opinions on how and when these factors resolve. Many commentators are surprised at the high correlation of the oil price to developed equity markets such as the US and the UK.

Valuation is not always useful as a timing mechanism, but it can be instructive to see where we are. Our trailing, as-reported portfolio PE is 7.1, with a 0.9 price/book, and a 7.0% weighted average dividend yield. This PE is normal for us, exactly equaling the average over our history, and a bit below our median of 6.9. The price/book and dividend yield figures, however, are among the best in our history. We can calculate a value score that is a percentile rank of these three metrics equally weighted against our own history. Our value score is presently 86 (meaning in the 86th percentile, where 99 is best), up from 82 at the end of December.

Our fund has 99 months of history, with portfolio valuation data for all but the first four months. Of the 95 monthly data points, here's where our current values rank: PE, tied for 53rd lowest (44th percentile); PB, tied for lowest (99th percentile); dividend yield, tied for 5th highest (95th percentile). The sum of these ranks is 59 (53+1+5), and this rank sum is the 13th lowest (best) in our history, which is in the 86th percentile of all of our rank sums. Our best ever value score, unsurprisingly, was in January 2009 at the nadir of the financial crisis when Frontaura's NAV hit its all-time low. At that time, our PE was 5.9, our price/book was 1.0, and our yield was 6.5%. Our PE now is higher (more expensive), but our price/book and yield are both better (cheaper) than then.

Our travel schedule for February and March includes Argentina, the United Arab Emirates, and Vietnam.

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 January 2016[1]

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
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	1%	7%	5%	1%	- 1%
2016 Q1	- 5%	- 7%	- 8%	- 9%	- 8%
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	- 5%	1%	- 1%	- 15%	- 14%
ITD CAGR	6.1%	4.7%	- 2.2%	- 5.0%	- 5.6%

Holdings Summary[2]

Country	Holding
Vietnam	13%
USA (cash only)	8%
Nigeria	8%
Pakistan	7%
Sri Lanka	7%
Papua New Guinea	6%
Bangladesh	5%
Rwanda	5%
Tanzania	5%
Montenegro	4%
Romania	3%
Ghana	3%
Cambodia	3%
Kenya	3%
Lebanon	3%
Argentina	2%
Oman	2%
Serbia	2%
Ecuador	2%
Macedonia	2%
Mongolia	1%
Iran	1%
Laos	1%
Qatar	1%
Botswana	1%
Mozambique	1%
Peru	1%
Others	2%

Industry	Holding
Financials	42%
Consumer Staples	14%
Cash	9%
Energy	8%
Industrials	7%
Utilities	7%
Consumer Discretionary	5%
Materials	4%
Telecommunication Services	3%
Information Technology	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	7.1
Portfolio Price to Book	0.9
Portfolio LTM Dividend Yield	7.0%
Return on Ending Equity	18.6%
Positions	54
Countries	36
Average Market Cap	\$590m
Median Market Cap	\$226m
Portfolio Turnover (LTM)	36%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	\$116m

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 29 January 2016 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 28 January 2016, as final index values for the current month are not available at time of publication. Note that final January 2016 performance for Frontaura, but not for the indices, will include Islamic market trading on Sunday, 31 January 2016.
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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