March 2016 Monthly Comment published 31 March 4PM CDT

We had a good March, up an estimated 4%, narrowing our 2016 loss to under 2%. This is the third time since the strong dollar/low oil/slowing China/rising rates drawdown began back in November 2014 that we've had a 3%-4% monthly gain. The other two (in April 2015 and October 2015) did not last, as losses within a few subsequent months erased the rally. Predictions about near-term performance are difficult, or even foolish to make. Nevertheless, at present we feel good about the coming months. Here are five reasons why. First, as we explain later, a combined measure of common valuation metrics (PE, price/book, and dividend yield) shows our portfolio to be at the second cheapest level in our entire history. Second, April has had the best monthly performance during our history, with an average gain of 3.1%. May is the second best month, up 2.5% on average. Third, the strong dollar rally that has been a headwind since mid-2014 has at least paused and may be reversing after Chairwoman Yellen's surprisingly dovish comments March 29 in the face of rising US core inflation and nearly full employment. The Bloomberg Dollar Spot Index shows the dollar is now <u>down</u> over the past year versus a basket of 10 developed and emerging country currencies. Fourth, our investor redemption cycle that began in June 2015 appears to be diminishing. Foreign portfolio flows to emerging markets (EM) were negative for seven consecutive months through January 2016 (a longer run than during the financial crisis), but in March 2016 EM had its largest inflows in 21 months, according to the Institute of International Finance. So far, we are not seeing this trickle down to frontier markets, but experience suggests it will, provided EM and frontier market performance remains steady. Fifth, the oil price seems to have found a bottom. Through March 30, Brent is up 41% from its January 20 low of $27.88, while US WTI is up 46% from its February 11 low of $26.21. These dates also mark recent lows in global equity indices. We're not table pounders by nature. We prefer to set out the facts as we see them, and let others form their own opinion. The fears that gave rise to this drawdown could resurface (and new fears could develop), and the points we raise could reverse or not be relevant this time. Nonetheless, to us, conditions for investment in Frontaura appear about as good as one can ask for, given the uncertainty inherent in frontier markets.

In the two weeks ending March 11, four of us met 95 companies from 9 countries. We traveled to Oman, Kuwait, and Vietnam, and attended conferences in Dubai for Pakistani and for Middle Eastern/North African companies. In April, Nick and Tim will attend a global frontier markets conference in New York where Nick will meet clients and prospects on April 8.

Vietnam, our largest country weight, looks to be in great shape economically: the IMF forecasts 6% RGDP growth through 2020, and companies were the most optimistic we've seen during our nine trips there. Naturally, Vietnam is increasingly becoming a frontier investment darling. The local mood and the foreign attitude are 180 degrees different from the gloom we observed in 2011 when we bought most of our Vietnam equities. In March, we were net sellers in Vietnam, as valuations in individual positions hit our price targets.

Despite our monthly gain, sales of stocks with higher-than-average valuations caused our trailing portfolio PE to tick down in March to 6.8, while our weighted average dividend yield also improved slightly to 7.1%. Our price/book remains at 0.9. Our value score (the rank sum of these three metrics against their own history) is presently in the 98th percentile. Our value score has been better only once—in January 2009, at the nadir of the financial crisis.

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 March 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	- 2%	2%	- 3%	5%	- 1%
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	6.4%	5.8%	- 1.4%	- 3.2%	- 4.8%

Holdings Summary[2]

Country	Holding
Vietnam	12%
Nigeria	8%
USA (cash only)	8%
Pakistan	8%
Sri Lanka	7%
Papua New Guinea	6%
Bangladesh	5%
Rwanda	5%
Tanzania	4%
Montenegro	4%
Romania	3%
Cambodia	3%
Lebanon	3%
Kenya	3%
Ghana	3%
Serbia	3%
Argentina	2%
Oman	2%
Mongolia	2%
Macedonia	2%
Ecuador	2%
Qatar	1%
Botswana	1%
Peru	1%
Mozambique	1%
Others	1%

Industry	Holding
Financials	42%
Consumer Staples	13%
Cash	12%
Energy	8%
Utilities	7%
Consumer Discretionary	6%
Industrials	5%
Materials	3%
Telecommunication Services	3%
Information Technology	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	6.8
Portfolio Price to Book	0.9
Portfolio LTM Dividend Yield	7.1%
Return on Ending Equity	15.7%
Positions	52
Countries	31
Average Market Cap	$651m
Median Market Cap	$206m
Portfolio Turnover (LTM)	42%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$112m

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 31 March 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 30 March 2016, 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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