April 2016 Monthly Comment published 29 April 3PM CDT

We estimate that we gained somewhat less than 2% in April, putting us in the black for 2016, having once been down over 6% intraday January 21. Our trailing portfolio PE declined to 6.6, cheapest in over a year. Our value score looks even better than our PE. Currently at 95, it is the sixth best (cheapest) reading in our eight-year history. Each month, we calculate the value score for our entire history. It is an equally weighted measure of PE, price/book (PB), and dividend yield, scaled so 100 is best (cheapest) and 0 is worst (most expensive). The *Wall Street Journal* mentions our value score in its April 23 frontier markets (FM) newsletter, as an indicator that frontier is inexpensive. The *Bank Credit Analyst* drew the same conclusion about FM in a recent research report. As we wrote last month, we think the tide has turned favorably for FM. The external factors that hurt performance beginning November 2014—falling oil prices and a strong dollar—have reversed sharply (Brent is $48 as we type this versus $28 in January). Portfolio outflows from emerging markets (EM) have also reversed, with EM seeing strong inflows in both March and April, according to the Institute of International Finance. We expect flows to FM to follow, but with a lag of six to nine months.

In our recent writings, we've pounded this theme—headwinds reversing, valuations still cheap—because in our experience these periods of extremely favorable valuations are infrequent and don't linger for long. Both our qualitative instinct and quantitative measures like our value score suggest this is the third such buying opportunity in our history. The others were 1) in the depth of the financial crisis in early 2009 and 2) in mid-2012 when frontier was cheap after a series of crises (Arab Spring in 2011, three consecutive summers of euro crisis 2010-2012, US debt default concerns in 2011 that nearly caused a US bear market). Consider that from the end of January 2009, which has our highest value score of 100, Frontaura gained 110% in the 24 months that followed. On page 1 of our Q2 2012 letter, we showed a graph of our PE and PB through June 2012, with the title "Never Been Cheaper" highlighting that these two metrics (but not our dividend yield) were then at their lowest levels in our history. Frontaura rallied 50% in the following 24 months. In fact, our top half dozen value scores all originate from three periods: January 2009, June-September 2012, and March-April 2016. We don't know how this current period will turn out. Anything can happen, of course—there's no guarantee. The unfavorable external factors could return or new problems could develop. We do know how the prior periods turned out. We also know the opportunity didn't stick around forever. In both cases, January 2009 and June 2012, had someone not invested for the first seven months of the rally, they would have missed over half of the 24-month gain. We make this point because we presently observe little alacrity amongst many institutional investors for frontier market allocations. If a rally is developing, we're afraid many are going to miss much of it. We recognize these institutions are not hot money (which we do not want anyway) and they are playing a longer game than the next two years. Nevertheless, past rallies from low valuation levels do have an outsized impact on long-term returns. We think history shows there is a far better than normal probability for good returns right now. How long this holds, we do not know.

Our lone trip in April was to the Auerbach Grayson/Morgan Stanley Frontier Markets Conference in New York where we met 25 companies from 17 countries in two days. We also met clients and prospects. In May, we travel to Nigeria. As of Thursday, April 28 (final April index values not available at this writing), the four indices we cite were all above break-even for 2016 (see page 2).

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 April 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	- 1%	1%	- 3%	6%	- 1%
2016 Q2	2%	1%	3%	1%	3%
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%
2016	0%	2%	0%	7%	2%
ITD CAGR	6.6%	5.8%	- 1.1%	- 3.0%	- 4.4%

Holdings Summary[2]

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

Industry	Holding
Financials	46%
Consumer Staples	12%
Cash	10%
Utilities	7%
Consumer Discretionary	7%
Energy	5%
Industrials	5%
Materials	4%
Telecommunication Services	3%
Information Technology	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	6.6
Portfolio Price to Book	0.9
Portfolio LTM Dividend Yield	6.7%
Return on Ending Equity	15.1%
Positions	52
Countries	27
Average Market Cap	$634m
Median Market Cap	$228m
Portfolio Turnover (LTM)	41%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$115m

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 April 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 April 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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