July 2016 Monthly Comment published 29 July 2PM CDT

We estimate we gained between 1% and 2% in July, with gains in Tanzania, Pakistan, Sri Lanka, and Vietnam, offset by losses in Nigeria, Rwanda, and Kenya. Through Thursday, July 28 (final index values for July not available yet), the MSCI Frontier Markets (FM) Index had a total return of 1% in July. For the year, our gain rounds up to 5% while the MSCI FM rounds down to 0%. Other markets posted stronger monthly gains through July 28, with the S&P 500 up 4%, MSCI EAFE up 3%, and MSCI Emerging Markets (EM) up 5%. For the year, the S&P 500 is now up 7% and MSCI EM is up 12%, but MSCI EAFE remains down 1%.

Sri Lanka has displaced Vietnam as our largest country weight. This results from stock-specific decisions in each country, rather than a top-down view. Actually, at a macro level Vietnam is performing better, and is gathering more investor attention. As we documented in our Q2 letter, this attention has led to higher stock prices in Vietnam and one by one, we have sold many of our Vietnamese positions as they appreciated. This continued in July with three more exits, leaving us with four stocks there that represent 6% of our portfolio. Vietnam had been our largest country weight for 56 of the prior 61 months. Now, while still significant, it is only our sixth largest country. You may wonder where the future gains will come from when the weight of a long-term winner like Vietnam diminishes. We've had this transition before, however, and as the gains from one country ebb, another tends to take its place, even if it is hard to predict ahead of time which country that will be. Qatar was our largest country weight for 34 of the first 40 months of our history, but it has been only 1% of our portfolio from October 2013 onward. Tanzania, while never our largest country, was 10% of the portfolio at times in 2012, 2013, and 2014 and contributed strongly to returns, before dropping to a 4%-5% weight from mid-2015 on. Bangladesh was a positive contributor with up to a 16% weight in the first half of 2008 (although never our largest country), until we exited completely from July 2009 to May 2014.

This is actually the third time Sri Lanka has held our top spot. At 17%-21%, its weight was our largest from July to October 2008, when we found its valuations cheapest in the world. Later, the post-civil war market rally made Sri Lanka our top country again at 14% in May 2010. We began selling then due to valuation and from January 2011 through July 2013, Sri Lanka was 2% or less of our portfolio, with no presence in the country for about half that period. We re-entered after a market selloff, and Sri Lanka's weight has grown gradually over the past three years to 10% now due to purchases and appreciation. We first owned two of our four present Sri Lankan holdings in 2008, giving us a long history with these companies even if they were not in our portfolio for multiple years.

Nigeria's currency continues to make headlines and affect its stock market. To recap, in a long-anticipated move, on June 20, the Central Bank of Nigeria (CBN) depegged from 199 per dollar, promising a free-floating currency. However, through mid-July, the currency traded only in a 280-285 range that resembled a new de facto peg. This range has since been shattered. At this writing, the naira trades around 320. The stock market, which favors a free-market currency, rallied before the anticipated June devaluation, but peaked on June 23, perhaps sensing the CBN was still manipulating the exchange rate. From that peak through July 22, the Nigeria Stock Exchange Banking 10 Index sold off 16%. It then rallied 9% the week ending July 29 (4% in USD terms), as the naira moved lower. Our Nigeria portfolio has a 3.3 trailing PE and a 10.4% dividend yield.

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 July 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	4%	2%	- 1%	1%	0%
2016 Q3	2%	4%	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%
2016	5%	7%	- 1%	12%	0%
ITD CAGR	6.9%	6.2%	- 1.3%	- 2.4%	- 4.4%

Holdings Summary[2]

Country	Holding
Sri Lanka	10%
Kenya	7%
Pakistan	7%
Nigeria	7%
Papua New Guinea	6%
Vietnam	6%
Bangladesh	5%
Tanzania	5%
Rwanda	5%
USA (cash only)	4%
Montenegro	3%
Cambodia	3%
Romania	3%
Georgia	3%
Argentina	3%
Serbia	3%
Lebanon	3%
Kuwait	2%
Ghana	2%
Oman	2%
Mongolia	2%
Macedonia	2%
Ecuador	2%
Peru	1%
Uganda	1%
Qatar	1%
Botswana	1%
Mozambique	1%
Others	1%

Industry	Holding
Financials	48%
Consumer Discretionary	10%
Consumer Staples	10%
Utilities	8%
Cash	7%
Materials	6%
Energy	5%
Industrials	3%
Telecommunication Services	2%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	7.0
Portfolio Price to Book	1.2
Portfolio LTM Dividend Yield	6.2%
Return on Ending Equity	21.7%
Positions	53
Countries	29
Portfolio Turnover (LTM)	39%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$119m

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 July 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 July 2016, as final index values for the current month are not available at time of publication. Note that final July 2016 performance for Frontaura, but not for the indices, will include Islamic market trading on Sunday, 31 July 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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180 North Stetson Avenue, Suite 1935 Chicago, Illinois 60601 USA T +1 312 777 1500 F +1 312 268 5004 info@frontauracapital.com www.frontauracapital.com