November 2016 Monthly Comment published 30 November 3PM CST

Dollar strength after the US presidential election made November a tough month for global equities outside the US. Through November 29 on a total returns basis, the S&P 500 was up 4%, but MSCI EAFE, MSCI Emerging Markets, and MSCI Frontier Markets were off -2%, -5%, and -2%, respectively. Nevertheless, we estimate Frontaura will be up somewhat less than 1% for November and 6% year-to-date.

We reviewed our entire portfolio after Trump's election, but we did not change our positioning. Regardless, we do have two obvious concerns. First, is the return of the strong dollar, which last bedeviled us from July 2014 through January 2016. The Bloomberg Dollar Spot Index rallied 4.1% from its November 8 close (before polls shut) through November 29, and is now around its January highs. Our FX loss for the month at this writing is around only 1%, however, as developed and emerging currencies have been more volatile than frontier. Nevertheless, if the dollar remains strong, this will be a headwind going forward. Second, should it occur, we think diminished global trade or an outright trade war would be bad for everyone, Frontaura included. Throughout our history, we have invested primarily in domestically oriented companies rather than exporters. Our reasoning is that frontier economies are growing rapidly, so we want to own companies that benefit directly from domestic growth, rather than those subject to global forces, with potentially less pricing power and more competition. We do own a couple exceptions to this, but we think that is tolerable in a 51-company portfolio. A trade war would lower global growth, including growth in frontier countries, but the impact on most of our companies would be more indirect than direct.

In our Q1 letter, we presented research showing how our value score (a composite measure of our portfolio PE, price/book, and dividend yield) mapped against future performance. We are now extending this research to project future performance directly from current valuation levels (presently, a 6.7 trailing PE, 1.2 price/book, and 6.0% dividend yield). We've run dozens of regressions, but our work is still in the preliminary stages. Nevertheless, a simple regression of value score and past returns projects an 11% gain over the next year and an even higher CAGR for the next two years. These are obviously projections and bear the usual caveat that past results are no guarantee of future performance. The regression outcome, however, is consistent with the qualitative intuition we've had all year that we are in a favorable return environment.

Attractive valuations have allowed us to add new positions throughout 2016, with 15 of our 51 companies entering the portfolio this year. Several of these have been substantial performance contributors. Now, unfortunately, our cash is all committed, and recently we have had to pass several times on buying blocks at favorable prices. We can sell to buy something else, and we do that to some extent, but with a 6.7 portfolio PE, there is not that much we want to sell. To come to the point, we would like more cash. Inflows this year have been sparse. Frankly, the situation reminds us of Vietnam in 2011. Most everyone agreed then that Vietnam offered great values, but few wanted to invest, citing a litany of reasons to hold onto their cash. That market has amply rewarded the few contrarians like us who did invest then, as we've documented repeatedly in our quarterly letters. So our seasonal appeal is for existing investors to top-up December 1 (shall we call this Top-Up Thursday?) or January 1 so that you can take advantage of these attractive valuations. US investors can now invest regularly through a recurring ACH transfer. Please contact us if you plan to add. New investors are welcome too.

Frontaura Global Frontier Fund

Fund Objective & Investment Strategy

Bloomberg Tickers: FRGLFRO US, FRGLFRC KY

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.

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 November 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%	6%	9%	3%
2016 Q4	0%	2%	- 4%	- 5%	- 2%
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	6%	10%	- 2%	10%	0%
ITD CAGR	6.7%	6.3%	- 1.3%	- 2.5%	- 4.3%

Holdings Summary[2]

Country	Holding
Sri Lanka	9%
Vietnam	8%
Pakistan	7%
Tanzania	7%
Papua New Guinea	6%
Nigeria	6%
Bangladesh	5%
Argentina	5%
Rwanda	4%
Georgia	4%
Kuwait	4%
USA (cash only)	3%
Kenya	3%
Romania	3%
Cambodia	3%
Lebanon	3%
Serbia	3%
Philippines	2%
United Arab Emirates	2%
Macedonia	2%
Oman	2%
Ghana	2%
Ecuador	1%
Botswana	1%
Uganda	1%
Peru	1%
Qatar	1%
Mozambique	1%

Region	Holding
Sub-Saharan Africa	25%
South Asia	22%
Southeast Asia	20%
Middle East / North Africa	11%
Eastern Europe	8%
Latin America & Caribbean	7%
Eurasia	4%
USA (cash only)	3%

Sector	Holding
Financials	45%
Consumer Discretionary	14%
Consumer Staples	10%
Utilities	8%
Materials	6%
Industrials	6%
Cash	5%
Energy	3%
Real Estate	2%
Others	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	6.7
Portfolio Price to Book	1.2
Portfolio LTM Dividend Yield	6.0%
Return on Ending Equity	26.3%
Positions	51
Countries	31
Average Market Cap	$765m
Median Market Cap	$464m
Portfolio Turnover (LTM)	35%
Portfolio Turnover (ITD)	29%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$120m

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. No lock-up. Restrictions may apply.[2]	Global Custodian	Bank of New York Mellon

1 Frontaura returns are actual returns, net of all fees, through 30 November 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 29 November 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

Disclaimer

This document does not constitute an offer to sell, or a solicitation of an offer to buy, membership interests in Frontaura Global Frontier Fund LLC or shares in Frontaura Global Frontier Fund Offshore Limited. We will not make such offer or solicitation prior to the delivery of an offering memorandum, an operating agreement or articles of association, a subscription booklet, and other materials relating to the matters herein. Before making an investment decision, we advise potential investors to read these materials carefully and to consult with their tax, legal, and financial advisors. Frontaura accepts subscriptions from accredited investors only, and we typically require you to prove your accredited investor status. We have compiled this information from sources we believe to be reliable, but we cannot guarantee its accuracy. We present our opinions without warranty as of the publication date. We may change our opinions at any time. Past results are no guarantee of future performance.

FRONTAURA

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