February 2017 Monthly Comment published 28 February 11AM CST

Our February performance has been flattish the entire month, and at this writing is just below break-even. Notable country winners for us include Sri Lanka, Macedonia, and the United Arab Emirates, while Pakistan is our big February loser. As for the total return indexes through February 27 (final index values for the month not yet available), the MSCI Frontier Markets Index is also flat, while MSCI EAFE is up 1%. MSCI Emerging Markets and the S&P 500 both have stronger performance, up 3% and 4%, respectively.

Egypt continues to be a country of interest for us, and we concluded our second trip of the year there on February 2. The second trip made us more bullish than our first trip, which we detailed in our January comment. To recap, Egypt allowed its currency, the pound, to float November 3 after months of sticking to an overvalued exchange rate. Prior to November, dollars were scarce, companies had turned to the black market, and the economy was stalling. From an official rate where a dollar bought 8.88 pounds pre-float, the pound plummeted to where a dollar procured 19.67 pounds on December 20. Corporates told us that around that date, however, the central bank began interfering somewhat in the market, and dollar availability worsened. The company complaints we heard during our mid-January trip gave us some pause. We invested nonetheless, reasoning that what we called the It All Works Out in the End scenario was still more likely than the Slippery Slope scenario where the currency and economic reform would be stillborn. Our second trip bolstered our shaky confidence and we increased our allocation to Egypt further in the first half of February. During our second trip, corporates gave us the impression that dollar availability had improved markedly during the two weeks between trips. Official data and news events corroborated this narrative. The country's international bond roadshow that kicked off during our first visit concluded as an across-the-board success. Pricing, size, maturity, and demand all exceeded expectations. Egypt raised $4 billion versus an expectation of $2-$3 billion. Maturities were 5, 10, and 30 years, at rates of 6.125%, 7.5%, and 8.5%, respectively, all better (lower) than marketing expectations. Further, foreign portfolio inflows into existing securities have been strong. For example, on one single day, Sunday, February 5, foreign buying of stocks and treasuries totaled $250 million. On February 6, the central bank released data showing that remittance growth had resumed post-float. In Q3, remittances fell 22% year-over-year; in Q4, remittances grew 12% in dollar terms over Q4 2015. All of these inflows, combined with reduced import demand due to the diminished buying power of the Egyptian pound, allowed the pound to appreciate in February. A dollar now buys 15.81 pounds versus 18.85 at the end of January. We expect further currency volatility—in both directions—in the coming months. Inflation is the biggest negative we see for the Egyptian economy. Prices rose 4.1% month over month from December to January, as companies passed along devaluation-induced cost increases. January 2017 price levels are now 28.2% above one year ago. We expect Egyptian consumer companies to report poor Q4 and Q1 results.

We will be busy traveling in March. This week and next, Tim is in Dubai, attending three different investor conferences, featuring companies from Bangladesh to Nigeria and most points in between. Nick will join him next week, while Steve journeys to Vietnam. Nick will visit clients and prospects in the Boston area on March 21-22, and in the New York City area on March 23-24. Please contact us if you'd like to meet or have a call. We remain cash constrained and we would welcome additional contributions and new investors.

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 February 2017[1]

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
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	1%	4%	- 1%	- 4%	0%
2017 Q1	3%	6%	4%	9%	7%
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	7%	12%	1%	11%	3%
ITD CAGR	6.9%	7.0%	- 0.5%	- 1.4%	- 3.3%

Holdings Summary[2]

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

Region	Holding
Sub-Saharan Africa	23%
South Asia	22%
Southeast Asia	17%
Middle East / North Africa	16%
Eastern Europe	8%
Latin America & Caribbean	7%
Eurasia	4%
USA (cash only)	3%

Sector	Holding
Financials	46%
Consumer Discretionary	14%
Consumer Staples	9%
Utilities	7%
Materials	6%
Industrials	6%
Cash	5%
Energy	3%
Real Estate	3%
Others	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	7.2
Portfolio Price to Book	1.28
Portfolio LTM Dividend Yield	5.6%
Return on Ending Equity	25.7%
Positions	47
Countries	30
Average Market Cap	$904m
Median Market Cap	$540m
Portfolio Turnover (LTM)	32%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$122m

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 28 February 2017 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 27 February 2017, 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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