March 2017 Monthly Comment published 31 March 11AM CDT

We estimate that on a rounded basis we will have a 1% gain in March, with a Q1 gain of 4%. Through March 30 (final monthly index values not yet available), MSCI's total return indices for frontier markets (FM) and developed markets (EAFE) each rose 3% in March, with emerging markets (EM) up 4%, while the S&P 500 is flat. For all of Q1, EM was the star, up 13% through March 30, while FM gained 9%, EAFE rose 8%, and the S&P 500 advanced 6%. A quarter in which all of these indices beat us is not that unusual—it has happened seven prior times in our history, typically in "hot" quarters that—as we have said before—are not our strength in terms of relative performance. In all of these quarters, one or more of these indices has recorded a gain of at least 7%. Our absolute and relative performance typically improves in the following quarter, with an average gain of 5% that's usually ahead of the FM and EM indices. Of course, these data points are limited, and anything is possible for Q2.

March was a busy month for company meetings, as we logged 89 in-person meetings with companies from 17 countries through a combination of conferences, country trips, and companies coming to our office. In a single day two weeks ago, we hosted visitors in our office from Cambodia, Egypt, and Georgia, before ending the day with a conference call to a Papua New Guinean company. We also met with investors and prospects in New Hampshire, Boston, and New York in March. Steve will meet investors in Southeast Florida on April 6. Effective immediately, new investors may join Frontaura for $500,000. The last time we made an exception to our official $1 million minimum was back in 2012. We have received numerous requests recently from individuals wanting to invest, but at less than the $1 million level. After much consideration, we believe it makes business sense again for the fund to welcome these investors. This offer is open-ended for now, but SEC regulations do limit us to 100 total investors, and our existing investors have taken most of these slots already.

Here are some lightning round comments from our March trips. We still feel good about Egypt's currency reform, even though many consumer companies will have a weak Q1. Kenyan companies are feeling the bite from ill-considered interest rate caps in the banking system. In both Pakistan and Vietnam, valuations are not as cheap as they once were, but business fundamentals are solid. In Vietnam, our trip focused on less discovered companies. Infrastructure there continues to improve: on each visit, we see new stretches of impressive expressways. The business mood remains positive, with the withdrawal by the US from the Trans-Pacific Partnership (TPP) trade pact of little concern. Pakistani companies also continue to strike an optimistic tone based upon steadily increasing GDP growth rates, a stable security situation, and rising infrastructure investment associated with the China-Pakistan Economic Corridor (CPEC). Further, an increase in consumer spending spurred by low interest rates, subdued inflation, low energy prices, and a stable currency has benefitted a broad spectrum of companies. MSCI is promoting Pakistan from frontier to emerging status effective June 1. In 2014, MSCI promoted Qatar and the UAE similarly, causing each market to run up dramatically through May then crash in June. Pakistan's run may have already occurred in 2016, and there appears to be no euphoria from foreign investors who have been net sellers of Pakistani equities since 2015. Pakistan still trades at a sizeable discount to most other EM markets, which reduces the risk of a June selloff. The biggest concern remains Pakistan's mid-2018 elections, although many view China's increasing investment in the country as a backstop ensuring stability on the political, economic, and security fronts.

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 March 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	4%	6%	8%	13%	9%
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	7.0%	6.9%	- 0.1%	- 1.1%	- 3.0%

Holdings Summary[2]

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

Region	Holding
Sub-Saharan Africa	24%
South Asia	22%
Southeast Asia	17%
Middle East / North Africa	16%
Eastern Europe	8%
Latin America & Caribbean	8%
Eurasia	4%
USA (cash only)	1%

Sector	Holding
Financials	47%
Consumer Discretionary	14%
Consumer Staples	10%
Utilities	7%
Materials	6%
Industrials	6%
Cash	3%
Energy	3%
Real Estate	3%
Others	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	7.3
Portfolio Price to Book	1.29
Portfolio LTM Dividend Yield	5.6%
Return on Ending Equity	25.4%
Positions	45
Countries	29
Average Market Cap	$950m
Median Market Cap	$552m
Portfolio Turnover (LTM)	27%
Portfolio Turnover (ITD)	28%
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 31 March 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 30 March 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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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