April 2017 Monthly Comment published 28 April 11AM CDT

At this writing, we have an estimated gain of 0.6% for April. Importantly, we value our Nigerian assets, constituting 5% of our portfolio now, at the new NAFEX rate of ~379 per dollar. Thus, each naira is worth 17% less than the ~314 Bloomberg rate we used at the end of March. This cost us over one percentage point in total April performance. As the NAFEX rate just debuted, we suspect many funds and indices may still be using the prior, stronger, exchange rate for Nigerian valuation. Thus, our performance may suffer a comparative disadvantage for now, but we think it inevitable that others will migrate to the NAFEX rate, so this should be only temporary. We discuss Nigeria's currency further below. Note that approximately one-fifth of our portfolio has one more trading day this month, on Sunday, April 30. Thus, there could be more variation than normal between our estimate here and our final monthly result. Further, as is usually the case after we publish, our Latin American markets (8% of our portfolio) remain open today, and many of our currencies around the world continue to trade. Through Thursday, April 27, on a total returns basis, the S&P 500 and the MSCI Frontier Markets (FM) Index each had a monthly gain of 1%. MSCI EAFE and MSCI Emerging Markets (EM) advanced 3% and 2%, respectively.

Since oil prices dropped in 2014, the Central Bank of Nigeria (CBN) seems to be trying all FX regime possibilities prior to (we hope) eventually doing the right thing. They are not there yet, but perhaps this week's move further narrows the gap between what-is and what-ought-to-be. On April 24, the CBN launched a new "Investors and Exporters (I&E) FX Window," stating that foreign portfolio investors should no longer rely on the main CBN FX window (the official exchange rate that was 314.29 on March 31 and 309.50 on April 27) and instead should use this new I&E window. The CBN calls the I&E rate the Nigeria Autonomous Foreign Exchange Rate Fixing, or NAFEX, and it closed April 28 at 379.04. If it operates as intended, which is never a certainty with Nigerian FX regimes, it should allow foreign portfolio investors easier entry and exit. If that occurs, then long-depressed Nigerian equity values should re-rate upward as foreigners return to this market. For example, we own two leading Nigerian banks that trade at trailing PEs of 2.5-2.7, with 0.4 price/books, and dividend yields ranging from 8%-13%. Each announced strong Q1 earnings this week. Similar banks in frontier countries with credible FX regimes may trade at triple these multiples, or more. The CBN's introduction of another FX window is not ideal. We'd rather see a single, unified exchange rate that applies to all needs. In other words, a normal FX regime, more like what Egypt adopted in November 2016. Yet how it works in practice is more important than an ideal design. The last FX regime the CBN introduced in June 2016 (see our June and July comments), was to be a free market rate that was largely unified, but the CBN began interfering when the devaluation went beyond their expectations. It has kept this official rate around 315 since late August. This led to a scarcity of dollars and repatriation delays. We believe it's better to be able to get your money out immediately, at a rate free from CBN interference, even if that is a worse rate than the official rate. We expect investors will wait and see how well the NAFEX regime works before rushing back to Nigeria. The regime is still new, its mechanics unproven, its price discovery process opaque, and the credibility of the CBN is low. We expect the NAFEX rate may be volatile, especially initially, and further weakness to beyond 400 may occur as the FX backlog clears. Nonetheless, the current NAFEX price seems fair to us, and it is around the 385-390 level where the parallel market now trades.

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 April 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%	7%	11%	9%
2017 Q2	1%	1%	3%	2%	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	7%	12%	1%	11%	3%
2017	4%	7%	10%	14%	10%
ITD CAGR	7.0%	7.0%	0.1%	- 0.9%	- 2.9%

Holdings Summary[2]

Country	Holding
Sri Lanka	10%
Vietnam	8%
Papua New Guinea	7%
Kuwait	6%
Pakistan	6%
Argentina	6%
Tanzania	5%
Bangladesh	5%
Nigeria	5%
USA (cash only)	4%
Rwanda	4%
Romania	3%
Egypt	3%
Lebanon	3%
United Arab Emirates	3%
Georgia	3%
Cambodia	3%
Kenya	2%
Serbia	2%
Macedonia	2%
Oman	2%
Ecuador	1%
Botswana	1%
Uganda	1%
Peru	1%
Mozambique	1%
Qatar	1%

Region	Holding
South Asia	21%
Sub-Saharan Africa	20%
Middle East / North Africa	18%
Southeast Asia	17%
Latin America & Caribbean	8%
Eastern Europe	8%
USA (cash only)	4%
Eurasia	3%

Sector	Holding
Financials	42%
Consumer Discretionary	15%
Consumer Staples	10%
Cash	7%
Utilities	7%
Materials	6%
Industrials	6%
Energy	3%
Real Estate	3%
Others	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	7.5
Portfolio Price to Book	1.34
Portfolio LTM Dividend Yield	5.6%
Return on Ending Equity	25.2%
Positions	45
Countries	28
Average Market Cap	$977m
Median Market Cap	$526m
Portfolio Turnover (LTM)	27%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$121m

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 $500,000. 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 April 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 April 2017, as final index values for the current month are not available at time of publication. Note that final April 2017 performance for Frontaura, but not for the indices, will include Islamic market trading on Sunday, 30 April 2017.
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