June 2017 Monthly Comment originally published 30 June 2 PM CDT, updated 7 July

At this writing, we have an estimated gain of 2% for June, while our Q2 and 2017 gains round up to 7% and 11%, respectively. Through June 29, the S&P 500, MSCI EAFE, and MSCI Frontier Markets indices had a flat total return for June, with the MSCI Emerging Markets Index up 1%.

On June 5, the Central Bank of Nigeria (CBN) addressed our main FX complaint when they began to allow interbank trading within the new Investors & Exporters (I&E) FX window (see our last two monthlies for background). This had a two-fold effect of 1) bringing the disparate clearing rates within each bank in line with each other and 2) allowing the NAFEX fixing rate to appreciate. Our own FX experience has improved considerably. Whereas in May our actual FX rates were far worse than the NAFEX fixing, in June they were in line with the NAFEX rate. With this discrepancy eliminated, we now use the daily NAFEX fixing (366.41 on June 30) to value our Nigerian assets, instead of our last transactional FX rate (which could become stale). The Nigeria stock market rallied strongly for two months after the CBN introduced the I&E window on April 21, but it has corrected some in the past 10 days. Nevertheless, Nigeria was our top dollar and percentage performer in June, accounting for around half of our total gain. For the year, Nigeria is up over one-third in dollars, even with the April devaluation from official rate to the NAFEX rate.

We were busy in Argentina last week, conducting 25 meetings over three days with company representatives, economic, financial, and political analysts, government and civic officials, and other investors. Through June 29, we had monthly loss of 5% in Argentina, as the market sold off after MSCI's June 20 annual review cycle decision not to promote Argentina from its frontier to its emerging index. Regardless, Argentina remains our second biggest dollar winner for Q2. We invested in this long-suffering country in Q2 2014 anticipating political and economic normalization post-Kirchnerism. This macro thesis has played out better than we expected with the dream candidate, Mauricio Macri, winning the presidency in Q4 2015. His administration continues to impress us as possibly the most talented and the most pragmatic in our frontier universe, a complete 180-degree change from its predecessor. It has not been easy for Macri. As Cristina Fernandez Kirchner (CFK) left office, the economy was heading into recession with a growing budget deficit and a ubiquitous, unaffordable (yet popular) subsidy regime. International creditors had frozen Argentina out of debt markets for a decade. Unwinding all of CFK's distortions simultaneously, without crashing the economy, allowing inflation to spiral out of control (when removing price controls), or fermenting mass protests has been a high wire balancing act of extreme precision. Further, Macri's party has only a minority in congress. A progress report: the economy is now growing, Q1 GDP was up at an annualized rate of 4.5% over Q4; inflation, while stubborn, at 24%, is down from 40% last year; and the country has repaired relations with creditors, even issuing a $2.75 billion 100-year dollar bond last week at a 7.92% yield to maturity. Mid-term congressional elections loom, with primaries August 13 and the election October 22. A positive outcome for Macri would be for his Cambiemos (Let's Change) coalition to gain seats (he still will not have a majority) and win the Buenos Aires Province (BAP) senate seat. Winning seats but losing BAP would be more neutral and losing seats and BAP would be negative. The Peronist opposition is split, with three different factions, one CFK-led, likely to be on the October ballot. These divisions may turn up the political noise, but are actually a positive for Macri, as they increase the chance for the Cambiemos BAP candidate.

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 June 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	7%	3%	7%	7%	6%
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	11%	9%	15%	19%	15%
ITD	102%	93%	5%	- 5%	- 21%

Holdings Summary[2]

Country	Holding
Sri Lanka	10%
Vietnam	8%
Argentina	7%
Kuwait	7%
Papua New Guinea	7%
Nigeria	7%
Pakistan	6%
Tanzania	5%
USA (cash only)	4%
Egypt	4%
Rwanda	4%
Bangladesh	3%
Romania	3%
United Arab Emirates	3%
Lebanon	3%
Kenya	3%
Macedonia	3%
Georgia	3%
Serbia	2%
Oman	2%
Uganda	1%
Ecuador	1%
Botswana	1%
Peru	1%
Mozambique	1%
Qatar	1%
Others	0%

Region	Holding
Sub-Saharan Africa	22%
Middle East / North Africa	19%
South Asia	19%
Southeast Asia	15%
Latin America & Caribbean	9%
Eastern Europe	8%
USA (cash only)	4%
Eurasia	3%

Sector	Holding
Financials	45%
Consumer Discretionary	14%
Consumer Staples	10%
Utilities	7%
Cash	6%
Materials	6%
Industrials	5%
Real Estate	4%
Energy	3%
Others	1%

Portfolio Statistics[2]

Portfolio Price to LTM Earnings	8.0
Portfolio Price to Book	1.49
Portfolio LTM Dividend Yield	5.5%
Return on Ending Equity	25.3%
Positions	45
Countries	27
Average Market Cap	$1,077m
Median Market Cap	$665m
Portfolio Turnover (LTM)	28%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$126m

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 June 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 29 June 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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