July 2017 Monthly Comment published 31 July 12 PM CDT

At this writing, we have an estimated gain of 1% for July, and 12% for 2017. Through Friday, July 28 on a total returns basis, the S&P 500 was up 2% for July, while the MSCI EAFE and MSCI Frontier Markets (FM) indices were both up 3%. MSCI Emerging Markets (EM) leads the way with a 6% gain. Depending on today's outcome, EM could set its first month-end high on a total returns basis (not on a price basis) in nearly a decade. Its current month-end high occurred October 2007, the day before Frontaura started investing. FM, however, is still 18% below its October 2007 level, even as our frontier fund is 104% above this starting point.

With some markets and most currencies still trading, the top winners for us in July appear to be the United Arab Emirates (UAE), Nigeria, and Macedonia, each earning \$0.7-\$0.8 million before fees. Nigeria, a 9% gainer for us, had a stretch where its All-Share Index was up 16 consecutive trading days, July 6-27, the longest such run since 2001, per one local broker. Despite (or perhaps because of) the April devaluation when its central bank introduced the Investors & Exporters FX window, we have a 47% USD gain in Nigeria this year. Yet, our portfolio there still trades at only 4.9 times trailing earnings with a 6.6% dividend yield. One current issue for the Nigerian banking system, where we own two banks, is the bankruptcy of the third largest mobile phone carrier, Etisalat Nigeria. Despite being part of the global telecom group Etisalat, which is 60% owned by the UAE government, the Nigerian operation went bust, overwhelmed by its USD debt after multiple oil-crash-related devaluations of the Nigerian naira. Creditors have taken ownership of Etisalat Nigeria, now known as 9mobile, as its deep-pocketed Abu Dhabi parent has washed its hands of the situation. Some analysts estimate 9mobile may be worth \$700 million in a sale, most likely to another global carrier. This would still leave the banks with losses, as reports indicate the carrier may have \$1.2 billion of outstanding loans. We expect increased loan provisions throughout the system for these widely syndicated loans, but the timing of these provisions (Q2, Q3, or Q4) is unclear in the absence of central bank guidance. Nevertheless, this appears to us to be an absorbable event for the banking system, merely the latest in a string of manageable credit issues related to the oil crash. To date, the Nigeria banking system, especially its top tier banks, has held up better than its critics expected. We believe the system learned much from its 2008-2011 banking crisis, with another full-blown crisis unlikely to occur again within the same decade.

Continuing with our winners, we made 11% in the UAE and 22% in Macedonia in July. Bangladesh added \$0.5 million, or 12%. Unlike Nigeria, these country gains were due more to single stock performances than a macro advance. Our best region for July was Eastern Europe, up 11%, or \$1.1 million, with gains in Macedonia, Romania, and Serbia. Romanian stocks reversed June losses, exacerbated when its finance minister spoke out of turn June 29 about nationalizing pension assets. After the prime minister took him to the woodshed, stocks began to recover. Countries with significant losses for us in July included Argentina and Sri Lanka, both still up on a year-to-date basis. Argentina, down 8%, or \$0.7 million, month-to-date through July 28, had a brief policy wobble on capital gains taxes. As in Romania, when markets sold off, more senior politicians quickly disowned the ill-planned pronouncement. More generally, though, we think Argentina is still correcting after last month's setback when MSCI deferred a promotion from FM to EM status. We lost \$0.4 million, or 3% in Sri Lanka after a disappointing earnings report from one of our holdings.

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 July 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%	6%	6%	6%
2017 Q3	1%	2%	3%	6%	3%
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	12%	12%	17%	25%	19%
ITD	104%	97%	7%	0%	- 18%

Holdings Summary

Country	Holding
Sri Lanka	10%
Vietnam	9%
Nigeria	7%
Kuwait	7%
Papua New Guinea	7%
Argentina	6%
United Arab Emirates	6%
Pakistan	5%
Tanzania	5%
Egypt	5%
Rwanda	4%
Bangladesh	4%
Kenya	3%
Macedonia	3%
Lebanon	3%
Georgia	3%
Romania	3%
Serbia	3%
Oman	2%
Uganda	1%
Ecuador	1%
Botswana	1%
USA (cash only)	1%
Peru	1%
Mozambique	1%
Others	1%

Region	Holding
Middle East / North Africa	23%
Sub-Saharan Africa	23%
South Asia	19%
Southeast Asia	16%
Latin America & Caribbean	8%
Eastern Europe	8%
Eurasia	3%
USA (cash only)	1%

Sector	Holding
Financials	49%
Consumer Discretionary	14%
Consumer Staples	10%
Utilities	6%
Materials	5%
Industrials	5%
Real Estate	5%
Energy	3%
Cash	3%
Others	1%

Portfolio Statistics

Portfolio Price to LTM Earnings	8.2
Portfolio Price to Book	1.51
Portfolio LTM Dividend Yield	5.3%
Return on Ending Equity	26.3%
Positions	47
Countries	27
Average Market Cap	$1,161m
Median Market Cap	$610m
Portfolio Turnover (LTM)	25%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$128m

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 31 July 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 28 July 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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