August 2017 Monthly Comment published 31 August 2 PM CDT

At this writing, we have an estimated gain of less than 1% for August, making our YTD gain 13%. Through August 30 on a total returns basis, the S&P 500 was flat for the month, with MSCI EAFE down 1%, MSCI Emerging Markets (EM) up 2%, and MSCI Frontier Markets (FM) up 4%. Notably, at the beginning of August, the FM index finally began using a proper exchange rate for Nigeria, three months after we and other funds switched to the new NAFEX rate available to investors and exporters. That it overcame this currency hit, makes the FM index's August gain even more impressive.

The FM index gains for this month and year (up 23%) are largely the story of its two largest country constituents: Argentina and Kuwait, each comprising about one-fifth of the index. Through August 30, MSCI Argentina had a total return of 12% MTD and 47% YTD, while MSCI Kuwait gained 8% MTD and 25% YTD. When the two largest countries in an index post numbers like these, it's going to be hard to match the index performance. But we don't mind these two countries boosting FM's numbers, as our investments in Argentina and Kuwait have generally performed even better than the FM index constituents (although not in August). In Kuwait, we are up 60% YTD after gaining 108% last year (versus 3% for MSCI Kuwait in 2016). In Argentina, we lag YTD, but are +29% through August 30, and we outperformed the Argentina index each year 2014, 2015, and 2016. (As usual, our country performance is before fees, but we always state our overall performance after fees.) Cumulatively, we are well ahead of country index performance since we began investing in Argentina in 2014 and Kuwait in 2016, and we avoided the index losses in these countries from our 2007 inception until our first investments. MSCI Kuwait had a -53% total return from November 2007 through April 2016, for example, before we invested. Despite our good record, the FM index has realized a greater performance boost from these countries this year due to the greater weight it allocates to them. This doesn't bother us. At 7% each, we have a healthy weight in each country, near the maximum we are willing to commit right now, based upon our assessment of country risk and risk of the companies we hold. With Argentina, as we have written before, the 180-degree turnaround that President Macri ushered in impresses us. But he cannot erase decades of populism and bad governance overnight. Risks remain, valuations are not low, and the Argentine market is volatile and unforgiving when sentiment changes. We certainly would not be comfortable with the index allocation of around 20% in these countries. Our risk mitigation has cost us performance this year, but over our history, our conservatism has paid off for us, especially in down markets. Without running the numbers, our general observation is that large country weights have hurt the FM index during our history. Certainly, that's not true this year, nor was it true in 2014 when large allocations to Qatar and the UAE bolstered the index. But from our inception, our bottom-up stock picking combined with our country allocations has allowed us to gain 106% while the FM index has lost 16%.

At this writing (final figures could differ as markets remain open), our top August country contributors were Argentina, Bangladesh, and Vietnam. Top detractors were Kuwait, Sri Lanka, and Nigeria. In Argentina, markets viewed the August 13 mid-term primaries favorably for President Macri, reversing the selloff of the prior two months. Final congressional elections occur October 22. In Kuwait, our 5% loss broke a string of 15 months without a local currency loss, so perhaps this pullback was overdue.

Finally, Nick and Steve will be in New York City Wednesday, September 13 with some availability to meet clients and prospects.

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 August 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	2%	2%	2%	8%	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	13%	11%	16%	28%	23%
ITD	106%	96%	7%	3%	- 16%

Holdings Summary

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

Region	Holding
Middle East / North Africa	23%
Sub-Saharan Africa	22%
South Asia	18%
Southeast Asia	16%
Latin America & Caribbean	9%
Eastern Europe	8%
Eurasia	3%
USA (cash only)	2%

Sector	Holding
Financials	48%
Consumer Discretionary	14%
Consumer Staples	10%
Cash	6%
Utilities	6%
Materials	5%
Industrials	5%
Real Estate	5%
Telecommunication Services	1%
Others	1%

Portfolio Statistics

Portfolio Price to LTM Earnings	8.0
Portfolio Price to Book	1.47
Portfolio LTM Dividend Yield	5.2%
Return on Ending Equity	26.2%
Positions	47
Countries	27
Average Market Cap	$1,213m
Median Market Cap	$610m
Portfolio Turnover (LTM)	22%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$129m

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 August 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 August 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