March 2018 Monthly Comment published 29 March 1 PM CDT

At this writing, we estimate our March performance to be +0.6%, making our Q1 gain 1.8%. With tomorrow being the Good Friday holiday and the normal Islamic weekend, most of our stocks have completed trading for the month. The exceptions are those not yet on holiday and still open today (Ecuador and US-listed ADRs for Argentine companies) and the few markets open tomorrow (Macedonia, Mongolia, Pakistan, and Vietnam). These total to 20% of our portfolio, so there could be some change to our results. Final performance figures for the indices we track aren't available, but through Wednesday, March 28, the S&P 500 had another 4% monthly drop, while MSCI EAFE fell 2%, and MSCI Emerging Markets lost 3%. Only MSCI Frontier Markets held firm, with a flat result. All data is on a total returns basis. As page two shows, year-to-date, frontier now leads the other indices. We say we lose less in a selloff, and this month again proved that point. The S&P 500 lost 7.1% in the two weeks ending March 23, leaving it near its February 8 low for the year. In contrast, we were flattish these two weeks, down only 0.2%. While the S&P had a total return loss of 9.6% in the eight weeks from its January 26 peak through March 23, we fell only 0.8% in this same period. Through March 28, our two-month outperformance against the S&P 500 for February and March is the largest since 2010.

This month, we attended conferences in Dubai and New York, meeting companies from 12 countries including Egypt, United Arab Emirates, Lebanon, Uganda, and Tanzania. In Egypt, corporates are shifting their focus from stabilizing revenues to improving profitability, following the November 2016 flotation and 50% drop in the Egyptian pound's value. While most consumer companies we met didn't expect volumes to recover to pre-devaluation peaks before early 2019, they did guide for steady quarter-on-quarter operating margin improvement, with profit growth further helped by expected interest rate cuts. We remain bullish on Egypt and we expect the country in 2018 to post its highest GDP growth rate since 2010 or even 2008. We find US media references to Egypt's "bad economy" in their reporting of Sisi's election to be misleading and behind the curve.

What surprised us most in the UAE was the negative sentiment around Dubai real estate amidst a recovering oil price and expected uptick in government spending going into Expo 2020. With three years of steadily declining prices and nothing close to the 2007-08 euphoria, our outlook remains constructive. Lebanon's fiscal position has always been precarious, with the mysterious brief resignation (later rescinded) of its prime minister in November of 2017 serving as a stress test for the financial system. Although the outlook for economic growth remains in a 2.0%-2.5% range, executives told us that this crisis has largely passed, with Lebanon's forex reserves rebounding, pressure on the currency easing, and business sentiment gradually recovering.

Growth in Uganda has been tepid since general elections in Q1 2016, but the prospect of oil production from large reserves found a decade ago has the potential to give the economy a much-needed boost. While first oil will not occur until 2020 at the earliest, corporates expect associated spending to ramp up in 2018, with real GDP growing over 5%. In Tanzania, we heard a tone of cautious optimism for the first time in several years. Ever since President Magufuli's 2015 election, corporates have struggled to adapt to his heavy-handed corruption crackdown. But while business conditions have yet to show meaningful signs of improvement, there is an expectation that the brunt of the painful adjustment to the new operating environment has already happened.

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 2018[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	3%	4%	5%	8%	8%
2017 Q4	3%	7%	4%	7%	6%
2018 Q1	2%	- 2%	- 2%	1%	4%
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	17%	22%	25%	37%	32%
2018	2%	- 2%	- 2%	1%	4%
ITD	117%	111%	13%	11%	- 5%

Holdings Summary

Country	Holding
Vietnam	10%
Egypt	9%
Sri Lanka	9%
Nigeria	9%
Argentina	8%
USA (cash only)	7%
United Arab Emirates	6%
Kuwait	6%
Papua New Guinea	6%
Kenya	5%
Rwanda	4%
Pakistan	3%
Georgia	3%
Lebanon	3%
Macedonia	2%
Oman	2%
Uganda	1%
Tanzania	1%
Botswana	1%
Ecuador	1%
Bahrain	1%
Iraq	1%
Paraguay	1%
Peru	1%
Others	1%

Region	Holding
Middle East / North Africa	28%
Sub-Saharan Africa	21%
Southeast Asia	15%
South Asia	13%
Latin America & Caribbean	10%
USA (cash only)	7%
Eurasia	3%
Eastern Europe	2%

Sector	Holding
Financials	49%
Consumer Staples	12%
Consumer Discretionary	11%
Cash	9%
Industrials	6%
Real Estate	6%
Utilities	5%
Materials	1%
Others	1%

Portfolio Statistics

Portfolio Price to LTM Earnings	8.2
Portfolio Price to Book	1.37
Portfolio LTM Dividend Yield	5.4%
Return on Ending Equity	23.2%
Positions	50
Countries	27
Average Market Cap	$1,269m
Median Market Cap	$888m
Portfolio Turnover (LTM)	37%
Portfolio Turnover (ITD)	29%
Standard Deviation (ITD)	13%
Beta to S&P 500 (ITD)	0.50
Assets Under Management	$142m

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 29 March 2018 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 March 2018, as final index values for the current month are not available at time of publication. Note that final March 2018 performance for both Frontaura and the indices will include market trading on Friday, 30 March 2018.
Click this link for an explanation of the indices we show: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_01_12.pdf

2 Click this link for an explanation of our holdings and portfolio statistics and our redemption provisions: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_01_12.pdf

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