June 2018 Monthly Comment published 29 June 2 PM CDT

Before discussing this month's performance and travel, we'll begin with two changes that make it easier to invest in Frontaura. For individual investors, we've lowered the minimum investment to $250,000. For institutions and other large investors, we will soon add a 2%/10% $5 million minimum, 8-quarter exit series. This reduces fees but in exchange for a higher minimum and a longer exit. Please contact us if you are interested in these changes.

We estimate we lost 1% in June. It was a poor month for non-US markets, with MSCI's total return indices for frontier markets (FM), emerging markets (EM), and developed markets (EAFE) losing 3%, 6%, and 2%, respectively. Except for Vietnam, all index values in this comment are through June 28 as today's values are not yet available. Our estimated performance, though, is through today.

Q2 was a dreadful quarter for frontier, down 15%, and emerging, off 10%. EAFE did better, losing only 2%. We dropped 7% in Q2. For the year, we are -6%, a bit ahead of FM's -10% and EM's -9%. EAFE is -4% YTD. The S&P 500 is clinging to positive territory in all these periods, up 1% for June, and 3% for Q2 and YTD. This was FM's worst quarter since 1Q 2009 (end of the global financial crisis) when it lost 17%. For EM, it was the worst since 3Q 2015 (China devaluation) when it lost 18%. For us, it will either be the worst since 3Q 2011's -10% (euro crisis, US default concerns) or 4Q 2014's -7% (beginning of the oil crash). What will we call this quarter with hindsight? Possible labels could include: trade war worries, the rising rates dollar rally, or the Argentina/Vietnam selloff. Other than Vietnam, these events began in Q1. Demonstrating this, the S&P 500 remains 5% below its January 26 high.

This month we traveled to Vietnam for the second time in Q2. We found an economy that continues to flourish. Despite the trade war concern, and a recent flare up in anti-Chinese protests, corporates remained universally upbeat. After a banking crisis in 2012, which followed a stock and real-estate crash, banks have rebuilt their balance sheets and are taking advantage of a rebound in credit demand. With consumer purchasing power continuing to improve, we found consumer staples companies looking to introduce more premium offerings across their portfolios. Firms focused on discretionary items, such as jewelry and consumer electronics, were expanding their store footprints beyond urban centers as their products become affordable to a greater share of the population. A tourism and domestic travel boom, meanwhile, has boosted related industries including hospitality, airport servicers, and airlines themselves. Vietjet, the country's largest low-cost carrier, expects to carry 40% more passengers this year, capitalizing on a surge in tourist arrivals, which are up 28% year to date through May.

Despite our rosy review, the VN30 total return index, comprising the largest and most liquid names in Vietnam, is -2% YTD and -19% from its April 9 peak. It was off 24% from peak on May 28. As consensus became increasingly bullish on Vietnam's prospects, significant inflows from regional and emerging market investors occurred last year. These funds, who previously had not paid much attention to Vietnam, bid up the large and liquid cap names. Lately, though, those stocks have traded more on negative global market headlines than on positive corporate earnings and domestic news flow. With nearly 1,500 stocks to choose from, we continue to find value in companies that are either smaller or harder to trade. These have held up much better than the VN30. For example, we are up 1% in Vietnam from the April 10 start of the VN30 bear market. At 14%, Vietnam is our largest country weight.

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 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%	- 1%	- 2%	1%	5%
2018 Q2	- 7%	3%	- 2%	- 10%	- 15%
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	- 6%	3%	- 4%	- 9%	- 10%
ITD	101%	121%	10%	1%	- 19%

Holdings Summary[2]

Country	Holding
Vietnam	14%
Egypt	9%
Nigeria	9%
Sri Lanka	9%
USA (cash only)	7%
United Arab Emirates	6%
Papua New Guinea	6%
Rwanda	6%
Kuwait	6%
Kenya	5%
Pakistan	3%
Georgia	3%
Lebanon	2%
Macedonia	2%
Uganda	2%
Argentina	2%
Tanzania	1%
Ecuador	1%
Bahrain	1%
Botswana	1%
Iraq	1%
Peru	1%
Paraguay	1%
Oman	1%
Others	1%

Region	Holding
Middle East / North Africa	27%
Sub-Saharan Africa	24%
Southeast Asia	20%
South Asia	13%
USA (cash only)	7%
Latin America & Caribbean	4%
Eurasia	3%
Eastern Europe	2%

Sector	Holding
Financials	47%
Consumer Staples	14%
Consumer Discretionary	10%
Cash	10%
Industrials	7%
Real Estate	6%
Utilities	3%
Health Care	1%
Materials	1%

Portfolio Statistics

Portfolio Price to LTM Earnings	7.5
Portfolio Price to Book	1.22
Portfolio LTM Dividend Yield	6.1%
Return on Ending Equity	22.1%
Positions	53
Countries	27
Average Market Cap	$1,003m
Median Market Cap	$555m
Portfolio Turnover (LTM)	35%
Portfolio Turnover (ITD)	29%
Standard Deviation (ITD)	13%
Beta to S&P 500 (ITD)	0.49
Assets Under Management	$132m

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 $250,000. Additional subscription minimum $10,000.	Fund Administrator	Michael J. Liccar & Co.
Redemptions	Quarterly with three-month notice. No lock-up. Restrictions apply.[2]	Global Custodian	Bank of New York Mellon

1 Frontaura returns are actual returns, net of all fees, through 29 June 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 June 2018, 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://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

Disclaimer

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