March 2020 Monthly Comment as of 2 PM Chicago time March 31

We estimate that we lost 19%-20% in March and are -22% to -23% for the year. The only comparable month for us is October 2008's 17.46% drop. That month, we believe, represented the peak panic during the global financial crisis (GFC), although the ultimate market low did not come until early March 2009. As of now, COVID-19 (coronavirus) market panic seems to have peaked followed by an impressive rally after the Monday, March 23 US market low. Nevertheless, as with the GFC, we are not confident that peak panic implies the market low is in.

On the positive side, global monetary and fiscal stimulus is larger and earlier than seen before (numerous frontier countries have also announced packages), China is resuming production, other East Asian countries to date have withstood the virus relatively well, and in multiple places daily new cases start to decline around 12 days after authorities issue a stay-at-home order. Hubei (Wuhan's province), Italy, Spain, France, Austria, and Belgium all have this pattern according to Renaissance Capital's Charlie Robertson. Hubei daily new deaths rose for 23 days after new cases peaked, however, during which cumulative deaths quadrupled. Negatives include that this is likely the largest pandemic in a century with what we assume is the greatest self-imposed economic contraction in history. We don't know if a second virus wave will occur. The 1918-1920 flu pandemic had three waves, with the second wave the deadliest as the virus mutated unfavorably.

Even assuming the economic shutdown will eventually be transitory, many companies will suffer severely, some never to recover. Through March 11, we sold the most vulnerable businesses aggressively: tourism, oil production, global shipping, real estate development, and some consumer durables; liquidating about 10% of our portfolio. Beginning March 9, we bought consumer staples modestly, adding two percentage points of exposure. For example, we have bought or added to grocery, consumer packaged food, and food delivery businesses. While these companies should suffer less than others, this is not a short-term trade. Their relative advantage may be only temporary, but these are desirable businesses to own long term, and we can now buy them more cheaply than before. We have the cash (12%, up from 6% in February) to continue our controlled buying if we find prices attractive. Further, during rallies we could sell some other stocks—not on our initial liquidation list—where COVID-19 partially weakens the investment case.

Through the March 23 low, we kept our traditional downside protection. YTD total returns through then were Frontaura -20%, FM small cap (SC) -25%, FM -29%, EM -32%, EAFE -33%, and S&P 500 -30%. MSCI's small value indices for EM, EAFE, and the US were then -41% to -46%. Since then, most indices have rallied, but we have not. YTD returns through March 30 are FM SC -24%, FM -27%, EM -25%, EAFE -23%, and S&P 500 -18%. Our trailing, as-reported portfolio valuation metrics are PE 4.7 (lowest ever, prior low was 5.5), price/book 0.90 (tied for the lowest ever), and weighted average dividend yield 8.3% (tied for the lowest ever). Collectively, these three metrics form our Value Score which is now 100 (best) on a 0-100 scale. Adding our 21.9% weighted average return on ending equity as a fourth metric makes our Quality Value Score 98 on a 0-100 scale, the fourth best result behind January 2009, March 2009, and December 2008 during the GFC.

We've heard from numerous investors and prospects this month, and we welcome these calls and e-mails any time should you wonder how the portfolio is doing or what we are thinking. We have no minimum for follow-on investments and monthly dollar-cost averaging is an idea that several investors have used in past times of uncertainty.

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 2020[1, 2]

Period	Frontaura	MSCI Frontier Small Cap	MSCI Frontier	MSCI Emerging	MSCI EAFE	S&P 500
2015 Q1	- 3%	-4%	- 3%	2%	5%	1%
2015 Q2	3%	2%	0%	1%	1%	0%
2015 Q3	- 6%	-6%	- 11%	- 18%	- 10%	- 6%
2015 Q4	1%	-1%	- 1%	1%	5%	7%
2016 Q1	- 1%	-1%	- 1%	6%	- 3%	1%
2016 Q2	4%	5%	0%	1%	- 1%	2%
2016 Q3	2%	4%	3%	9%	6%	4%
2016 Q4	1%	6%	0%	- 4%	- 1%	4%
2017 Q1	4%	12%	9%	11%	7%	6%
2017 Q2	7%	3%	6%	6%	6%	3%
2017 Q3	3%	3%	8%	8%	5%	4%
2017 Q4	3%	3%	6%	7%	4%	7%
2018 Q1	2%	-1%	5%	1%	- 2%	- 1%
2018 Q2	- 7%	-9%	- 15%	- 8%	- 1%	3%
2018 Q3	- 5%	-4%	- 2%	- 1%	1%	8%
2018 Q4	- 3%	-5%	- 4%	- 7%	- 13%	- 14%
2019 Q1	2%	-1%	7%	10%	10%	14%
2019 Q2	3%	0%	5%	1%	4%	4%
2019 Q3	- 5%	-3%	-1%	- 4%	- 1%	2%
2019 Q4	-1%	2%	7%	12%	8%	9%
2020 Q1	-22%	-24%	-27%	-25%	-23%	-18%
2008	- 28%		- 54%	- 53%	- 43%	- 37%
2009	46%		12%	79%	32%	26%
2010	37%		24%	19%	8%	15%
2011	- 15%	-29%	- 19%	- 18%	- 12%	2%
2012	18%	6%	9%	18%	17%	16%
2013	26%	32%	26%	- 3%	23%	32%
2014	- 3%	6%	7%	- 2%	- 5%	14%
2015	- 5%	-8%	- 14%	- 15%	- 1%	1%
2016	7%	15%	3%	11%	1%	12%
2017	17%	23%	32%	37%	25%	22%
2018	- 13%	-17%	- 16%	- 15%	- 14%	- 4%
2019	-1%	-2%	18%	18%	22%	31%
2020	-22%	-24%	-27%	-25%	-23%	-18%
ITD	43%		-35%	-17%	-7%	121%

Holdings Summary[2]

Country	Holding
USA (cash only)	10%
Vietnam	9%
United Arab Emirates	8%
Papua New Guinea	7%
Egypt	7%
Rwanda	7%
Côte d'Ivoire	7%
Sri Lanka	6%
Turkey	5%
Ghana	5%
Nigeria	5%
Pakistan	4%
Kazakhstan	4%
Philippines	3%
Kenya	2%
Uganda	2%
Ecuador	2%
Botswana	2%
Niger	1%
Paraguay	1%
Tanzania	1%

Region	Holding
Sub-Saharan Africa	32%
Middle East / North Africa	20%
Southeast Asia	19%
South Asia	11%
USA (cash only)	10%
Eurasia	4%
Latin America & Caribbean	3%

Sector	Holding
Financials	47%
Consumer Staples	19%
Cash	12%
Consumer Discretionary	5%
Real Estate	4%
Communication Services	3%
Materials	3%
Energy	2%
Utilities	2%
Information Technology	1%
Health Care	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	4.7
Portfolio Price to Book	0.90
Portfolio LTM Dividend Yield	8.3%
Return on Ending Equity	21.9%
Positions	37
Countries	20
Weighted Average Market Cap	$782m
Weighted Median Market Cap	$414m
Portfolio Turnover (12 Months)	35%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	12%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.47
Beta to S&P 500 (ITD)	0.50
Assets Under Management	$81m

Terms

Subscriptions	Monthly. New investor minimum $250,000. Additional subscriptions may be any amount.
Redemptions	Quarterly with three-month notice. No initial lock-up. Exit restrictions apply.[2]
New Investor Terms[2]	**Series A**: 2% mgt fee, 10% incentive, 4-qtr exit. **Series B**: 2% mgt fee, 0% incentive, 8-qtr exit. **Relative Performance Series**: 1.75% mgt fee, 20% incentive vs. FM ETF hurdle, 8-qtr exit. **Absolute Performance Series**: 1.50% mgt fee <u>or</u> 30% incentive vs. 5% hurdle, 8-qtr exit. For all series above, mgt fee cut 25bp at $200m real fee-paying AUM and another 25bp at $400m.

Service Providers

Attorney	Faegre Baker Daniels LLP
Auditor	RSM US LLP
Fund Administrator	Michael J. Liccar & Co.
Global Custodian	Bank of New York Mellon

1 Frontaura returns are actual returns, net of all fees, through 31 March 2020 with a subject-to-change estimate for the current month, for an investor joining the fund at inception, making no further contributions, making no withdrawals, and converting to Series B. Investors joining on other dates, making additional contributions, making withdrawals, or remaining in the Legacy Series after 2019 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 March 2020 as final index values for the current month are not available at the time of publication.

2 Click here for disclosures including: current and future terms and redemption requirements, performance calculations, indices we show, and our holdings and portfolio statistics calculations.

Disclaimer

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