July 2020 Monthly Comment as of 4 PM Chicago time July 31

We estimate our July gain at 2%. Global markets varied widely, with these total returns through July 30: frontier small cap flat, frontier -1%, EM +9%, EAFE +4%, and the S&P 500 +5%. Through July 30, the US dollar was having its worst month since September 2010 with the dollar index down 4.49% against major currencies. This is good news for Frontaura, as dollar strength from mid-2014 to the March 2020 market lows was a headwind. The dollar is now at January 2015 levels, with its COVID-19 haven premium and the gains before and after President Trump's 2016 election gone.

We expected Q2 earnings to be dreadful in developed, emerging, and frontier markets given the global Q2 lockdowns. Consider that US GDP dropped 9.5% from Q1 to Q2 (32.9% annualized) and that Coca-Cola, selling perhaps the most ubiquitous consumer staple product globally, reported a 28% Q2 revenue decline with EPS down by one-third. Our results so far have been stunningly good. With 23% of our portfolio having reported, portfolio EPS is up 16% in USD and 20% in constant currency. Six of our nine reporters to date grew earnings in Q2. We caution that we still expect a sizable double-digit negative percentage drop in EPS once all reports are in. Nevertheless, we believe our results will beat US results. For example, in Q1 our portfolio EPS fell 9% while S&P 500 EPS plunged 66%. These are the as-reported accounting standard figures with no expenses excluded. For Q2, S&P 500 EPS is presently -47%.

We made mid-year check-in calls to clients this month, having dozens of conversations. If we missed connecting with you, contact us and we will schedule a call August 10 or after. Our list of top 10 buys from our Q2 letter resonated strongly with clients. To our surprise, several asked if they could reduce existing redemption requests. We continued buying most names on this list in July, plus a couple other value situations we discovered. The present buying environment reminds us most of 2009 after the global low was in, when numerous frontier stocks had yet to rally. We are buying now at a measured pace as some stocks are still falling and in case there is another widespread market tumble.

Returning to the dollar, while we find it difficult to predict the direction of major currencies, we do observe that when they make a major move—such as the 10% drop in the dollar index from March 23—currencies can trend in the same direction for a long time. Dollar index lows in 1991, 1992, 1995, and 2004 all occurred between 78.33 and 80.53, 13%-16% lower than yesterday's 93.03 level. However, the April 2008 low was at 71.33 and the April 2011 low was at 72.93, 22%-23% below yesterday. Our currencies are immature and we expect them to devalue over time against most major currencies, so we are not saying that further dollar weakness could boost our portfolio 13%-23%. Rather, having had more devaluation than normal in recent years there's a reasonable chance we're in a period with less devaluation than normal. This could add several percentage points of annual return relative to recent years. We can think of two reasons for near-term caution, however. First, a short-term reversal in the dollar would not surprise us given the magnitude of its quick fall. Second, if a global stock selloff does occur in the coming months, the dollar's haven status could reassert itself, at least temporarily.

To conclude, we think the relative forward return superiority of our fund to US markets may be at the highest level ever considering factors such as virus response, company fundamentals, macroeconomic outlook, valuation, buying opportunities, currency trends, and recent changes in investor preferences. Investor interest has picked up markedly from the lull that existed during the COVID-19 lockdown period and we welcome further inquiries.

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 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%	-24%	-23%	-20%
2020 Q2	6%	12%	15%	18%	15%	21%
2020 Q3	2%	0%	-1%	9%	4%	5%
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	-16%	-15%	-16%	-1%	-8%	2%
ITD	54%		-25%	10%	11%	175%

Holdings Summary[2]

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

Region	Holding
Sub-Saharan Africa	33%
Southeast Asia	25%
South Asia	12%
USA (cash only)	10%
Middle East / North Africa	7%
Latin America & Caribbean	8%
Eurasia	5%

Sector	Holding
Financials	45%
Consumer Staples	23%
Cash	13%
Communication Services	6%
Consumer Discretionary	4%
Energy	2%
Real Estate	2%
Utilities	2%
Health Care	1%
Materials	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	5.0
Portfolio Price to Book	0.88
Portfolio LTM Dividend Yield	6.7%
Return on Ending Equity	20.7%
Positions	37
Countries	22
Weighted Average Market Cap	$770m
Weighted Median Market Cap	$333m
Portfolio Turnover (12 Months)	42%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	12%
Standard Deviation (ITD)	13%
Beta to S&P 500 (36 Months)	0.46
Beta to S&P 500 (ITD)	0.49
Assets Under Management	$91m

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 or 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 Drinker Biddle & Reath 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 July 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 July 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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