March 2021 Monthly Comment as of 3 PM Chicago time March 31

All good things must come to an end and so has our 11-month winning streak as we estimate that we lost 2% in March. Nearly half our March losses were due to US dollar strengthening. The stock that hurt our March performance the most was London-listed Domino's Pizza Eurasia (DPEU) that we discussed recently. Turkish President Erdogan committed, in our opinion, a major policy blunder this month by sacking his respected central bank chief. This caused the Turkish lira to weaken toward its all-time low and we expect new lows to occur. DPEU lost 9% in March, but is down 25% from its March high. It is up 43% this year, however.

Eleven consecutive profitable months ties our longest streak from July 2012 to May 2013, when we gained 34.6%. This time we made 37.1% from April 2020 to February 2021. Over the past 12 months, including March's loss, we estimate we made 34%-35%. This will rank either 11 or 12 among our 150 overlapping 12-month returns. Our top 10 12-month returns all began late 2008 to early 2010, following the Global Financial Crisis (GFC). This makes sense: a crisis, be it a financial crisis or a global pandemic leads to losses and low valuations, which then set the stage for superior performance. The GFC was the largest financial crisis we've seen, with the biggest stock market losses, so it had the best follow-on returns. The COVID-19 pandemic is second best so far.

Reviewing our most notable winning streaks, good returns do not necessarily end once the streak ends. For example, we made 51.6% in seven straight up months from March through September 2009. We then had a pause, losing money three months in four, with a total loss of 2.3%. Once this minor pause was over, we made 20.9% in the next six months and 42.2% in the next 12 months. Now let's look at what happened once our prior 11-month streak ended. After May 2013, we lost money two of the next three months, with a 0.2% gain overall. When this pause ended, we made 8.1% in six months and 9.8% in 12 months. This history does not guarantee what will happen now, but we still see good value throughout our universe, with improving earnings and plenty to buy (and too little cash with which to do so). A valuation example follows.

COVID-19 has accelerated use of digital payments, globally and in our universe. One form of digital payment is mobile money, where consumers use their phone to make payments from a virtual wallet. Mobile money can be a generation-skipping technology suitable for countries with low credit and debit card issuance and a high unbanked population. Thus, some of the deepest mobile money penetration globally occurs in frontier countries. Best known are Safaricom's M-Pesa in Kenya and BRAC Bank's bKash in Bangladesh. This month, London-listed Airtel Africa, which operates in 14 African countries, announced that it sold a minority stake in its mobile money subsidiary to private-equity group TPG, valuing its entire mobile money business at an enterprise value of $2.65 billion. While we do not own Airtel Africa, we do have 12% of our portfolio in other companies with fast-growing mobile money businesses. Assigning the same revenue multiple to the mobile money operations of our portfolio companies would explain 55% and 78%, respectively, of their total enterprise values, despite mobile money accounting for just 13% and 21%, respectively, of their 2020 revenues. We think this reveals the tremendous hidden value in our companies, which have these metrics: 7.5-7.7 trailing PEs, 28%-42% returns on ending equity, and 8%-11% yields from dividends we think are sustainable. Compared to Airtel Africa, we think our businesses have superior products and better market positions. One company we own plans eventually to spin off their digital money operations in a separate listing, a move we welcome. We expect this to be value accretive to existing owners.

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 2021[1, 2]

Period	Frontaura	MSCI Frontier Small Cap	MSCI Frontier	MSCI Emerging	MSCI EAFE	S&P 500
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	4%	8%	8%	10%	5%	9%
2020 Q4	20%	14%	11%	20%	16%	12%
2021 Q1	2%	5%	1%	3%	4%	6%
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	3%	5%	1%	18%	8%	18%
2021	2%	5%	1%	3%	4%	6%
ITD	93%		-9%	35%	35%	239%

Holdings Summary[2]

Country	Holding
Philippines	14%
Kazakhstan	10%
Vietnam	8%
Ghana	7%
Rwanda	6%
Senegal	6%
Turkey	6%
Côte d'Ivoire	5%
Nigeria	5%
Papua New Guinea	5%
Sri Lanka	5%
Colombia	4%
Egypt	4%
Bangladesh	3%
Pakistan	3%
Chile	2%
Botswana	2%
Uganda	2%
Ecuador	1%
Niger	1%
Kenya	1%
Tanzania	1%
USA (cash & accruals)	1%

Region	Holding
Sub-Saharan Africa	36%
Southeast Asia	26%
Eurasia	10%
South Asia	10%
Middle East / North Africa	9%
Latin America & Caribbean	8%
USA (cash & accruals)	1%

Sector	Holding
Financials	44%
Consumer Staples	21%
Communication Services	12%
Consumer Discretionary	8%
Industrials	5%
Energy	3%
Cash & accruals (all countries)	3%
Health Care	3%
Real Estate	1%
Utilities	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	7.0
Portfolio Price to Book	1.04
Portfolio LTM Dividend Yield	5.9%
Weighted Median ROEE	20.6%
Positions	37
Countries	22
Weighted Average Market Cap	$1,929m
Weighted Median Market Cap	$597m
Portfolio Turnover (12 Months)	27%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	15%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.48
Beta to S&P 500 (ITD)	0.49
Assets Under Management	$111m

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 March 2021 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 2021 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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