July 2023 Monthly Comment as of 11 AM Chicago time Monday July 31

At the time above, our reference investor is +4% MTD. Through Friday July 28, index total returns are MSCI Frontier Markets Small Cap (FM SC) 7%, MSCI Frontier Markets (FM) 6%, MSCI Emerging Markets (EM) 6%, MSCI EAFE 3%, and S&P 500 3%. YTD, we're +20%, as is the S&P 500, with FM SC +17%, EAFE +15%, FM +12%, and EM +11%. We lead these indices in one-, two-, and three-year returns. Our trailing PE is 6.4 and our weighted average dividend yield is 6.8%.

In July, Tim traveled to Nairobi, Kenya and the two largest cities in the Democratic Republic of Congo (DRC), Kinshasa and Lubumbashi. This was Frontaura's first time in the capital city of Kinshasa since an overnight stay in September 2012. DRC has no stock market, but many East African companies we know operate there. DRC's turbulent history makes for grim reading, but we were positively surprised. DRC is the largest country in Sub-Saharan Africa, with a land mass similar in size to Western Europe. The UN estimates its population at 102 million now and doubling in the next 25 years. Nearly half the population is urban. Analysts project Kinshasa—already with a metro population of 17 million—will be the world's fourth largest urban area in 2050. The country recently re-engaged with the IMF, allowing DRC to rebuild reserves and stabilize its economic management. DRC's banking sector benefits from the country's low base of development, providing significant financing and fee opportunities. The economy is largely dollarized, margins are high, and private sector loans are low at just 8% of GDP. One banker characterized this as what the Kenyan banking sector was like over three decades ago. The system is concentrated, with the top two banks controlling nearly 60% of the market.

We met the largest supermarket chain in DRC, which has just 38 stores, and they estimated modern trade is well under 5% of the total market despite the urbanized population. The country imports almost all its consumer products, often from Europe, so there is a significant opportunity to build out local manufacturing and promote import substitution. We met a local detergents company, a Coca-Cola brands juice and water bottler, and a local food manufacturer, all keen to keep expanding. Infrastructure is severely lacking. For example, there is no paved road or rail connection between the two largest cities. A trucking company from the Katanga mining region told us of their experience with significant road and border delays, high tolls, and "disappearing" trucks, noting that they lose up to five trucks per month due to hijacking. While that sounds bad, they also said this is only half the rate of "disappearing" trucks in South Africa.

Like South Africa, energy availability and load shedding are big issues. Hydropower supplies nearly all DRC's electricity. DRC likely has enough hydro resources to solve its own power shortages and, if properly harnessed, those elsewhere on the continent. Nonetheless, a long-touted new dam project known as "Grand Inga" has yet to make material progress. DRC is the largest producer of cobalt, a crucial lithium-ion battery material for electric vehicles and devices, holding 48% of global reserves per the US Geological Survey. Copper, however, drives the economy, comprising 70% of total exports. A copper mining company we met suggested that DRC has the highest quality copper in the world. While copper production shrank in Chile, the world's leading producer last year, and may drop this year to the lowest level in 14 years in DRC's neighbor Zambia, it grew 26% in DRC in 2022, allowing it to match Peru as the world's second largest producer. This led to 8.9% real GDP growth. In 2019, DRC had its first peaceful transfer of power; its next presidential election occurs this December 20. Local business groups and multinational mines want to keep investing, but we think this requires continued political stability.

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 2023[1, 2]

Period	Frontaura	MSCI Frontier Small Cap	MSCI Frontier	MSCI Emerging	MSCI EAFE	S&P 500
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%	2%	3%	6%
2021 Q2	20%	14%	14%	5%	5%	9%
2021 Q3	4%	8%	3%	-8%	0%	1%
2021 Q4	5%	10%	1%	-1%	3%	11%
2022 Q1	-5%	0%	-8%	-7%	-6%	-5%
2022 Q2	-6%	-16%	-14%	-11%	-15%	-16%
2022 Q3	-7%	-6%	-6%	-12%	-9%	-5%
2022 Q4	8%	-2%	-1%	10%	17%	8%
2023 Q1	7%	3%	3%	4%	8%	7%
2023 Q2	8%	6%	2%	1%	3%	9%
2023 Q3	4%	7%	6%	6%	3%	3%
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	34%	42%	20%	-3%	11%	29%
2022	-11%	-23%	-26%	-20%	-14%	-18%
2023	20%	17%	12%	11%	15%	20%
1 Year	20%	7%	2%	8%	17%	13%
2 Years	17%	7%	-14%	-14%	0%	8%
3 Years	76%	57%	20%	4%	30%	47%
Since Inception	172%		-10%	14%	42%	306%

Holdings Summary[2]

Country	Holding
Philippines	17%
Vietnam	9%
Colombia	8%
Côte d'Ivoire	8%
United Arab Emirates	7%
Peru	6%
Senegal	5%
Cambodia	5%
Namibia	5%
Rwanda	4%
Chile	4%
Nigeria	4%
USA (cash & accruals)	3%
Tanzania	3%
Argentina	2%
Uganda	2%
Slovenia	2%
Kenya	2%
Pakistan	2%
Bangladesh	1%
Niger	1%

Region	Holding
Sub-Saharan Africa	34%
Southeast Asia	31%
Latin America & Caribbean	20%
Middle East / North Africa	7%
USA (cash & accruals)	3%
South Asia	3%
Eastern Europe	2%

Sector	Holding
Financials	43%
Consumer Staples	22%
Consumer Discretionary	12%
Cash & accruals (all countries)	6%
Communication Services	5%
Real Estate	5%
Industrials	3%
Energy	3%
Health Care	1%
Utilities	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	6.4
Portfolio Price to Book	1.04
Portfolio LTM Dividend Yield	6.8%
Weighted Average ROEE	20.9%
Weighted Median ROEE	19.7%
Positions	32
Countries	22
Weighted Average Market Cap	$2,400m
Weighted Median Market Cap	$836m
Portfolio Turnover (12 Months)	29%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	16%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.35
Beta to S&P 500 (ITD)	0.46
Assets Under Management	$143m

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 $231m fee-paying AUM and another 25bp at $462m.

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 net of all fees for a reference investor joining the fund at inception, making no further contributions, making no withdrawals, and converting to Series B in 2021 Q2. Investors joining on other dates, making additional contributions, making withdrawals, or not converting to Series B in 2021 Q2 may have different results. Our auditor has audited results through 2022. Frontaura returns use a subject-to-change estimate for the current month, as of intraday Monday 31 July 2023. Index returns are total returns, net of any withholding tax for a US investor, through 28 July 2023. Final investor and index returns for all periods that include the current month may differ from the numbers on this page. We discuss our returns and different series here.

2 Click here for disclosures regarding performance, terms, series conversions, redemptions, index descriptions, holdings and portfolio statistics calculations, and performance attribution.

Disclaimer

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