FRONTAURA

FRONTAURA CAPITAL LLC
FRONTAURA GLOBAL FRONTIER FUND LLC

March 2024 Monthly Comment as of 11 AM Chicago time Thursday March 28

We estimate that our reference investor is up 3% in March. We are publishing this a day early due to Good Friday, but five of our 19 countries and eight of our 28 positions do have stock trading tomorrow, and currency markets are open, so our final March result may vary from what it is now. Through March 27, MTD total returns for the indices we track were: +4% for MSCI Frontier Markets (FM), +3% for MSCI FM Small Cap, +2% for MSCI Emerging Markets, +3% for MSCI EAFE, and +4% for the S&P 500. YTD, we are +8%, the S&P is +10%, EAFE is +6%, FM is +5%, EM is +2%, and FM SC is -5%.

Last month, we wrote about Kenya after doubling our position size following its positive fundamental inflection point on interest rates, debt raising, and the currency. When 2023 ended, the macro situation there was tenuous, but we owned a blue-chip stock at a low valuation (2.8 PE, 11.3% yield). By month in Q1, we've made 10%, 11%, and 30%, respectively, in Kenya in dollars before fees. This is an example of how markets react to changes on the margin. A situation moving from very bad to bad can be a money maker, while a situation evolving from very good to good can be a loser. Technically, this rally may be overdone in the near-term, and Kenya still has fragilities, as does the company we own. We continue to hold our position, but we cannot say with certainty how this will end. For example, we thought the bottom was in when we re-entered Kenya in July 2023, but for six months that proved premature and we lost 30%, although now those buys are all in the money. We suppose Q1 also could become a false dawn, but it doesn't feel that way presently.

Now we consider Nigeria. For the past four years since the beginning of COVID, Nigeria's currency situation has been the worst that we've seen in our 17 years of frontier market activity. Had we been able to, we would have exited long ago, but after March 20, 2020, the FX window slammed shut. After that, we were able to convert only small amounts of naira to dollars, with months of delay between fills. President Tinubu took office May 2023 promising change, but the problems he inherited from years of economic and currency mismanagement were large, and his progress has been slow. Finally, in February 2024, dollars began to flow more freely after a large devaluation. We received the last of our trapped cash on February 29. On March 20, the Central Bank of Nigeria (CBN) said they had cleared the entire $7 billion FX backlog. Nevertheless, challenges remain. RGDP growth of ~3% is little better than the rate of population growth, while inflation is 31.7% and rising. At 24.75%, the CBN policy interest rate is well below inflation, making the real interest rate -7%. In our opinion, the 10 rate hikes from May 2022 have been too slow and too small and the CBN hike of 200 basis points March 26 was too timid for us. Despite the FX queue clearing, opaqueness remains as to the daily availability of dollars, the timing of fills, and the exchange rate. We're not sure that we could predict the FX rate we'd get on a given day within 5% or 10%. Fed up, MSCI deleted Nigeria from its frontier indices February 29, valuing all positions at 0. We have two subscale stock positions, just over 1% each. The choice to exit the country exists and it tempts us after so much pain. On the other hand, arguably Nigeria has moved from very bad to bad and markets may not reflect this. Our stocks there trade at a combined 2.3 trailing PE and they should soon declare significant dividends. Index moves often are contrarian, with demotions and deletions ringing the bell at the bottom and promotions signaling the top. We have the choice to increase our 2% position in Nigeria, exit the country completely, or stand pat. Honestly, we're not sure yet what we'll do. Events in the coming weeks and months will help us decide: is Nigeria truly at its inflection point with a more positive cycle starting or do its past sins condemn it to continue scraping along the bottom?

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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 2024[1, 2]

Period	Frontaura	MSCI Frontier Small Cap	MSCI Frontier	MSCI Emerging	MSCI EAFE	S&P 500
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	-1%	3%	2%	-3%	-4%	-3%
2023 Q4	3%	6%	4%	8%	10%	12%
2024 Q1	8%	-5%	5%	2%	6%	10%
2024 Q2						
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	17%	19%	12%	10%	18%	26%
2024	8%	-5%	5%	2%	6%	10%
1 Year	19%	11%	14%	7%	15%	30%
2 Years	18%	-12%	-6%	-4%	14%	20%
3 Years	48%	18%	3%	-15%	15%	38%
Since Inception	186%		-6%	15%	55%	371%

Holdings Summary[2]

Country	Holding
Philippines	16%
Vietnam	11%
USA (cash & accruals)	8%
United Arab Emirates	7%
Colombia	6%
Côte d'Ivoire	6%
Kenya	5%
Turkey	5%
Peru	4%
Slovenia	4%
Namibia	4%
Rwanda	4%
Tanzania	4%
Senegal	4%
Cambodia	3%
Chile	3%
Nigeria	2%
Uganda	2%
Bangladesh	2%

Region	Holding
Sub-Saharan Africa	31%
Southeast Asia	30%
Latin America & Caribbean	14%
Middle East / North Africa	11%
USA (cash & accruals)	8%
Eastern Europe	4%
South Asia	2%

Sector	Holding
Financials	47%
Consumer Staples	18%
Consumer Discretionary	15%
Cash & accruals (all countries)	11%
Real Estate	4%
Health Care	2%
Communication Services	2%

Portfolio Statistics	
Portfolio Price to LTM Earnings	5.9
Portfolio Price to Book	0.99
Portfolio LTM Dividend Yield	6.2%
Weighted Average ROEE	22.9%
Weighted Median ROEE	22.0%
Positions	28
Countries	19
Weighted Average Market Cap	$2,684m
Weighted Median Market Cap	$886m
Portfolio Turnover (12 Months)	27%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	14%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.36
Beta to S&P 500 (ITD)	0.46
Assets Under Management	$146m

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 $239m fee-paying AUM and another 25bp at $477m.

Service Providers

Attorney	Faegre Drinker Biddle & Reath LLP
Auditor	RSM US LLP
CFO / Compliance	E78 Partners
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 2023. Frontaura returns use a subject-to-change estimate for the current month, as of intraday Thursday 28 March 2024. Index returns are total returns, net of any withholding tax for a US investor, through 27 March 2024. 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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