July 2024 Monthly Comment as of 11 AM Chicago time Wednesday July 31

At publication time, with some markets still open, we estimate that our reference investor is up 2% MTD and 20% YTD. Looking at MTD index total returns through July 30, MSCI Frontier Markets (FM) is +2%, MSCI EAFE is +1%, MSCI FM Small Cap (FM SC) and the S&P 500 are flat, while MSCI Emerging Markets (EM) is -1%. YTD total returns are S&P 500 +15%, FM +8%, EAFE +7%, EM +6%, and FM SC -5%. Our trailing portfolio valuation remains low with a 5.8 PE, 1.04 price/book, 6.4% weighted average dividend yield, and 22.4% weighted average return on ending equity (ROEE).

In July, we bought more than any month since 2021, we sold more than any month since 2022, and combined we traded the most since 2021. We initiated three new positions in three different countries. In two cases, we revisited names we formerly owned where we expect strong near-term EPS growth fueled by improving macro conditions and easy prior-year comparisons. While the timing can vary by country, we've seen two rounds of this theme in recent years—one after COVID, the other after the multiple challenges of 2022 (war, inflation, rate hikes). In each case, there was a crisis, depressing stock prices, currencies, and earnings, followed by a recovery. Our portfolio overall hasn't had lower reported EPS since 2020, the first COVID year, when our modest 10% USD drop compared favorably to the S&P 500's 33% drop. We've been nimble enough to avoid the biggest USD EPS drops (which sometimes are due more to a falling currency than falling EPS), and to take advantage of EPS recoveries. As a result, our USD portfolio EPS grew 44%, 22%, and 26%, respectively, 2021-2023. We don't expect these growth rates to continue, although we thought this after 2022 and were pleasantly surprised in 2023 and Q1 2024. Regardless, we'll continue trying to limit exposure to countries with the most currency risk and to seek out companies selling at discounts to our estimate of their intrinsic value. Situations offering strong earnings recoveries or growth at a modest starting valuation often work well in our framework, although this is not exclusively what we seek. For example, the lower the starting valuation, the less necessary the earnings growth becomes.

In three cases in the past nine months—Turkey, Egypt, and Pakistan—the earnings/valuation set up at the company level has meant we have re-entered countries where we've previously been critical of government or central bank policy. Our past criticisms largely hold (see our June 2023 comment on Turkey and pages 4-6 of our 2024 Q1 letter on Egypt and Pakistan). Through bottom-up research, however, after we wrote those pieces, we found specific company situations that work in our intrinsic value framework. Further, these countries have evolved to a point in their macro cycle where we think there's enough stability that the macro won't derail company performance in the short- to medium-term. Often, the preceding crisis, and its lingering negative investor perception, creates the conditions for an attractive subsequent investment. Longer term may be a different story as concerns that made us avoid these places at times in past cycles could resurface. This takes careful monitoring. A change in events can quickly flip a fragile country from improving and investable to deteriorating and questionable. Kenya is an example. We left it in mid-2022, re-entered at lower prices a year later, and doubled our position earlier this year as its macro conditions improved materially (see our February and March comments). This is now reversing. Widespread finance bill protests led to dozens of deaths and a storming of parliament. In response, President Ruto canceled planned taxes and shuffled his cabinet. These taxes were part of a deficit-reduction plan, and their absence revives fears about the sustainability of Kenya's debt. We cut our Kenya stake in half in July.

# 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 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% | 11% |
| 2024 Q2 | 9% | -1% | 1% | 5% | 0% | 4% |
| 2024 Q3 | 2% | 0% | 2% | -1% | 1% | 0% |
| | | | | | | |
| 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 | 20% | -5% | 8% | 6% | 7% | 15% |
| | | | | | | |
| 1 Year | 17% | -4% | 7% | 5% | 9% | 20% |
| 2 Years | 41% | 4% | 10% | 14% | 28% | 36% |
| 3 Years | 37% | 3% | -8% | -9% | 9% | 30% |
| Since Inception | 218% | | -4% | 20% | 56% | 389% |

## Holdings Summary[2]

| Country | Holding |
|---|---|
| Philippines | 15% |
| Vietnam | 7% |
| USA (cash & accruals) | 7% |
| United Arab Emirates | 6% |
| Côte d'Ivoire | 6% |
| Peru | 6% |
| Colombia | 6% |
| Turkey | 5% |
| Slovenia | 5% |
| Rwanda | 4% |
| Egypt | 4% |
| Tanzania | 4% |
| Namibia | 3% |
| Kenya | 3% |
| Cambodia | 3% |
| Uganda | 3% |
| Argentina | 3% |
| Chile | 2% |
| Nigeria | 2% |
| Senegal | 2% |
| Bangladesh | 2% |
| Pakistan | 1% |

| Region | Holding |
|---|---|
| Sub-Saharan Africa | 28% |
| Southeast Asia | 25% |
| Latin America & Caribbean | 17% |
| Middle East / North Africa | 15% |
| USA (cash & accruals) | 7% |
| Eastern Europe | 5% |
| South Asia | 3% |

| Sector | Holding |
|---|---|
| Financials | 45% |
| Consumer Discretionary | 16% |
| Consumer Staples | 16% |
| Cash & accruals (all countries) | 11% |
| Real Estate | 4% |
| Utilities | 3% |
| Communication Services | 3% |
| Health Care | 2% |
| Energy | 1% |

| Portfolio Statistics | |
|---|---|
| Portfolio Price to LTM Earnings | 5.8 |
| Portfolio Price to Book | 1.04 |
| Portfolio LTM Dividend Yield | 6.4% |
| Weighted Average ROEE | 22.4% |
| Weighted Median ROEE | 23.5% |
| Positions | 32 |
| Countries | 21 |
| Weighted Average Market Cap | $2,982m |
| Weighted Median Market Cap | $1,128m |
| Portfolio Turnover (12 Months) | 32% |
| Portfolio Turnover (ITD) | 30% |
| Standard Deviation (36 Months) | 13% |
| Standard Deviation (ITD) | 14% |
| Beta to S&P 500 (36 Months) | 0.35 |
| Beta to S&P 500 (ITD) | 0.46 |
| Assets Under Management | $163m |

## 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.<br>**Relative Performance Series**: 1.75% mgt fee, 20% incentive vs. FM ETF hurdle, 8-qtr exit.<br>**Absolute Performance Series**: 1.50% mgt fee <u>or</u> 30% incentive vs. 5% hurdle, 8-qtr exit.<br>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 Wednesday 31 July 2024. Index returns are total returns, net of any withholding tax for a US investor, through 30 July 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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