August 2024 Monthly Comment as of 11 AM Chicago time Friday August 30

If Frontaura were a sports team, we might view August as an away venue that's a tough place to play, where you are always happy if you manage to eke out a win no matter how ugly it may be. Historically, August has our lowest average monthly return (-0.6%), our lowest median monthly return (-0.4%), and our lowest winning percentage (up only 6 times in the 16 years before this month). This August had a nasty start. US investors feared that the tepid July US employment report on August 2 signaled that the Fed was already too late to cut interest rates, increasing the risk of recession. On August 5, three trading days into the month, the S&P 500 was -6% and we were -3%. With this bad beginning, indeed we are happy that our reference investor has a 1% win at our deadline, never mind if indices did better. MTD index total returns through August 29 had MSCI Frontier Markets Small Cap (FM SC) +4%, MSCI EAFE +3%, MSCI Frontier Markets (FM) +2%, and MSCI Emerging Markets (EM) and the S&P 500 +1%. We are +3% QTD, and YTD our +21% return leads all these indices, as we show on page two. Our trailing portfolio valuation remains low with a 5.9 PE, 1.03 price/book, 6.4% weighted average dividend yield, and 22.4% weighted average return on ending equity.

On August 26, Fed Chair Jay Powell suggested the US would begin cutting rates September 18 at its next meeting. We invest presently in 21 countries. Of these, 13 began cutting interest rates in either 2023 or 2024. Our four Latin American countries have already cut six to nine times each. We expect at least three more of our countries to begin their rate-cutting cycle before 2024 ends. Only one country we own, Bangladesh, hiked rates at its most recent meeting, with a new government trying to overcome a behind-the-curve inflation and rates situation left by its discredited predecessor.

Earlier rate cuts in EM and FM countries are helping RGDP growth rates to improve in our countries this year and next. The simple average growth rate of our 21 countries was 3.5% in 2023, and the IMF projects this (in some cases we override the IMF estimates when we have a more current view) to be 3.9% in 2024 with 15 of 21 countries growing faster than the prior year, and 4.9% in 2025 with 16 of 21 growing faster. This contrasts to US Bloomberg consensus RGDP growth that is flattish in 2024 and forecasted to decline next year (average growth 2.5% in 2023 and 2024, and 1.7% in 2025).

Financials are our largest universe sector, and we tend to have sizable bank holdings. Banks usually have lower-than-average PEs and higher-than-average dividend yields. In the least developed countries, banks often are among the largest and most liquid stocks, offering good growth rates, especially in dollar terms, as (given their role in the financial system) they usually can protect themselves against devaluation better than consumer and industrial companies. Interest rate cuts have both positive and negative effects on banks. Lower rates compress the spread between the interest rates they can charge on loans and the rates they pay on deposits. This net interest margin (NIM) compression can hurt profit. However, lower rates by themselves make it easier for borrowers to repay loans and increase demand for loans. This improving credit quality and higher loan growth can boost profits by decreasing provisions against bad loans and increasing interest income. A caveat would be that if the rate cuts are a response to poor economic conditions, better credit quality and loan demand may not be present. With economic growth rates in our countries forecasted to rise rather than fall, we don't at present expect widespread worsening of credit quality and weakening loan demand from here in our banks. If there is risk to our view, we think it would more likely stem from a global recession that begins in the US or Europe than from an economic downturn specific to our countries.

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 August 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	3%	3%	4%	1%	6%	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	17%	19%	12%	10%	18%	26%
2024	21%	-3%	10%	9%	12%	18%
1 Year	22%	0%	10%	15%	19%	26%
2 Years	43%	4%	11%	16%	40%	46%
3 Years	33%	0%	-8%	-9%	13%	30%
Since Inception	222%		-2%	23%	63%	404%

Holdings Summary[2]

Country	Holding
Philippines	16%
USA (cash & accruals)	11%
Vietnam	6%
United Arab Emirates	6%
Côte d'Ivoire	6%
Peru	6%
Colombia	5%
Slovenia	4%
Rwanda	4%
Egypt	4%
Tanzania	4%
Argentina	3%
Namibia	3%
Uganda	3%
Turkey	3%
Cambodia	3%
Chile	2%
Senegal	2%
Kenya	2%
Pakistan	2%
Bangladesh	1%
Cyprus	1%

Region	Holding
Southeast Asia	25%
Sub-Saharan Africa	25%
Latin America & Caribbean	17%
Middle East / North Africa	13%
USA (cash & accruals)	11%
Eastern Europe	5%
South Asia	3%

Sector	Holding
Financials	45%
Consumer Staples	16%
Consumer Discretionary	13%
Cash & accruals (all countries)	13%
Real Estate	4%
Utilities	3%
Communication Services	3%
Health Care	1%
Energy	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	5.9
Portfolio Price to Book	1.03
Portfolio LTM Dividend Yield	6.4%
Weighted Average ROEE	22.4%
Weighted Median ROEE	23.5%
Positions	30
Countries	21
Weighted Average Market Cap	$3,105m
Weighted Median Market Cap	$1,314m
Portfolio Turnover (12 Months)	34%
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	$166m

Terms

Subscriptions	Monthly. Contact us for new investor minimum. 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, no incentive, 8-qtr exit. For both series, mgt fee cut 25bp at $239m and $477m fee-paying AUM, indexed annually to CPI.

Service Providers

Attorney	Faegre Drinker Biddle & Reath LLP
Auditor / Tax	RSM US LLP
CFO / Compliance	E78 Partners
Fund Administrator	Liccar Fund Services
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 Friday 30 August 2024. Index returns are total returns, net of any withholding tax for a US investor, through 29 August 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

FRONTAURA

180 North Stetson Avenue, Suite 1935 Chicago, Illinois 60601 USA T +1 312 777 1500 F +1 312 268 5004 info@frontauracapital.com www.frontauracapital.com