September 2024 Monthly Comment as of 11 AM Chicago time Monday September 30

September began as a repeat of August, with markets fretting over the economy and interest rates. In four trading days through September 6, the S&P 500 fell 4% while our loss rounded to 0 (in August, in three trading days, the S&P 500 was -6% and we were -3%). Each time, these concerns wore off by month end. We estimate that our reference investor is up almost 2% in September after +1% in August. MTD index total returns through Friday, September 27 had MSCI Emerging Markets +7% (on large China stimulus), with the S&P 500 and MSCI EAFE each +2%, and MSCI Frontier Markets and MSCI Frontier Markets Small Cap both +1%. We're up 5% in Q3 and 23% YTD, with the YTD figure ahead of all these indices. Our trailing portfolio metrics remain attractive with a 5.8 PE, 1.01 price/book, 6.6% weighted average dividend yield, and 20.7% weighted average return on ending equity.

Last week Tim and Christian traveled to an investor conference in Lima, Peru where we had 28 meetings with companies from four different countries. Like Chile, which we wrote about in January, Peru has faced a number of shocks in recent years, from which it only now has begun to recover. First, Peru suffered the highest COVID death rate per capita of any country, causing GDP to collapse 11% in 2020. Second, in 2021 the populace narrowly elected far-left candidate Pedro Castillo as president. By the end of 2022, Castillo was impeached and arrested following a failed attempt to establish an emergency government and to dissolve congress to avoid a third impeachment vote. Vice President Dina Boluarte replaced him, becoming Peru's sixth president in five years. Third, inflation hit 8.8% in June 2023, the highest level in 25 years. The central bank raised rates 18 times, from 0.25% in August 2021 to 7.75% in January 2023. Fourth, 2023 saw more turmoil with protests and natural disasters leading to another year of GDP contraction and significant disruption to tourism and mining. Peru is the world's second largest copper producer with mining contributing 10% of GDP and 2/3 of total exports. Fifth, throughout the COVID period, Peru, like Chile, allowed citizens to make multiple extraordinary pension withdrawals, forcing pension managers to sell, pummeling equity market valuations. Ironically, lower stock prices from this and the aforementioned problems provided an entry point for Frontaura in 2022.

Now the good news. While congress allowed a seventh pension withdrawal this year, recent pension reform legislation restricts future withdrawals. The next presidential elections are not until April 2026, and we think a shift to the center or to the right is most likely. A 2024 constitutional change should improve government stability, in our opinion. It creates an upper chamber, returning Peru to bicameralism, and allows voters to immediately re-elect legislators one time (before they had to sit out a term). Corporates find the current government pragmatic and focused on the economy by cutting red tape to unlock infrastructure and mining investment. The Bloomberg consensus has RGDP up from -0.5% to 2.8% this year and next. While not spectacular, this is better than Brazil, Mexico, Chile, and Colombia. The central bank has already cut interest rates 250 basis points from their peak and inflation is at the bank's 2% target. Significantly positive real rates support the currency and allow for further easing. In contrast to its political dysfunction, we consider Peru's central bank to be well managed with a pristine reputation. Even our taxi driver had a favorable impression and knew the name of the central bank governor. In the past 20 years, the Peruvian sol has largely retained its value against the dollar, devaluing only a tenth. Peru's government debt is low at around 1/3 of GDP (political paralysis limits spending), and its reserves are the highest in Latin America relative to GDP. Peru has an investment grade credit rating and is 6% of our portfolio.

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 September 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	5%	4%	5%	9%	9%	5%
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	23%	-2%	11%	17%	15%	22%
1 Year	27%	4%	15%	26%	27%	36%
2 Years	56%	15%	23%	41%	59%	65%
3 Years	35%	-1%	-8%	2%	19%	40%
Since Inception	227%		-1%	32%	68%	418%

Holdings Summary[2]

Country	Holding
Philippines	16%
USA (cash & accruals)	8%
Colombia	8%
United Arab Emirates	6%
Peru	6%
Côte d'Ivoire	6%
Vietnam	6%
Rwanda	4%
Slovenia	4%
Egypt	4%
Tanzania	4%
Namibia	4%
Uganda	4%
Argentina	3%
Cambodia	3%
Chile	3%
Turkey	2%
Kenya	2%
Pakistan	2%
Cyprus	2%
Senegal	2%
Bangladesh	1%

Region	Holding
Southeast Asia	25%
Sub-Saharan Africa	25%
Latin America & Caribbean	20%
Middle East / North Africa	13%
USA (cash & accruals)	8%
Eastern Europe	6%
South Asia	3%

Sector	Holding
Financials	48%
Consumer Discretionary	15%
Consumer Staples	15%
Cash & accruals (all countries)	9%
Real Estate	4%
Utilities	3%
Communication Services	3%
Health Care	1%
Energy	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	5.8
Portfolio Price to Book	1.01
Portfolio LTM Dividend Yield	6.6%
Weighted Average ROEE	20.7%
Weighted Median ROEE	22.2%
Positions	31
Countries	21
Weighted Average Market Cap	$3,044m
Weighted Median Market Cap	$1,347m
Portfolio Turnover (12 Months)	33%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	13%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.36
Beta to S&P 500 (ITD)	0.46
Assets Under Management	$168m

Terms

Subscriptions	Monthly. $350,000 minimum for new qualified purchasers. Additions 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 Monday 30 September 2024. Index returns are total returns, net of any withholding tax for a US investor, through Friday 27 September 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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