December 2024 Monthly Comment as of 10 AM Chicago time Tuesday December 31

We estimate that our reference investor is up 4% MTD, 8% in Q4, and 33% for 2024 (these figures could change as 13% of our stocks and many of our currencies remain open). Through yesterday, the indices we name had these percentage total returns MTD / QTD / YTD: MSCI Frontier Markets Small Cap +5/+4/+2, MSCI Frontier Markets 0/-1/+10, MSCI Emerging Markets 0/-8/+8, MSCI EAFE -2/-8/+4, and the S&P 500 -2/+3/+26. We topped all these indices in Q4 and 2024, the third year of the past four that we beat the "invincible" S&P 500. Our portfolio valuation remains modest and more attractive than average versus our history. Our portfolio PE is 6.0 (trailing, as reported), our portfolio price/book is 1.06, our weighted average return on ending equity is 24.0% (the best in over two years), and our weighted dividend yield is 5.8%. By comparison, the S&P 500 has a trailing, as-reported PE of 29 and a yield of 1.2%. With bargains on offer around the globe, December was our second highest month of the year for purchases. We bought new positions in Sri Lanka and Turkey, and we added to existing positions in Chile, Egypt, Ghana, Philippines, Turkey, and five other countries. We sold only two stocks this month, with one exit cited briefly below.

This month, Tim traveled to Prague for a regional investor conference, meeting with 33 companies from 10 different countries. About a third of our meetings were with Turkish companies, a market we've followed closely since Turkey fell into our universe during its Summer 2018 currency crisis. Turkey features high liquidity and high volatility, with over 500 listed stocks. Per Bloomberg, in US dollar total return, Turkey had the world's worst performing of 92 country indices in 2021 (-27%), the best performing index in 2022 (+117%), and the third worst in 2023 (-12%). We attribute such volatility to the country's erratic policy-making and high inflation, which we wrote about in our May 2023 and June 2023 comments. Since then, however, when President Erdogan secured yet another five-year term, policy has been more orthodox, as we wrote five months ago. From an artificially low 8.5% in May 2023, policy interest rates rose to 50% in March 2024. From a recent peak over 75% for May 2024, year-over-year inflation is now down to 47%, making real rates positive for the first time since mid-2021. This has led to a rebuilding of international currency reserves, and credit upgrades from S&P, Fitch, and Moody's this year as well as significant compression in Turkey's credit default swap spreads and Eurobond yields from mid-2023. Ongoing debate remains as to how lasting this policy pivot will be. While Erdogan is a wily politician, he is not a fiscal hawk like Argentina's Javier Milei. Erdogan's natural tendency is to stoke growth through high spending and low rates. Even orthodox central bank governors must humor him to some degree lest they suffer a late-night firing like multiple predecessors. Thus, Turkey last week began a rate-cutting cycle, premature in our opinion but entirely expected, lowering to 47.5%. Consumers have acutely felt the lagged impact of higher rates, and we've seen this affect restaurants and clothing, electronics, and internet retailers at various points in the past four quarters. Further, companies complain about the strong lira, which is good for importers but bad for local manufacturers and exporters and the current account balance. While the lira lost a sixth of its value in 2024, this trails average inflation, making for a 35% real appreciation. Even with this macro volatility, we've consistently made money in Turkey. We identify companies that we expect to grow US dollar earnings through the chaos. The economic slowdown, however, which we expect to last through at least the first half of 2025, will make that difficult for consumer-facing businesses. We've exited two consumer discretionary businesses this year, one this month whose stock performed well despite weak earnings. We now own two other secular growers.

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 December 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%	7%	6%
2024 Q4	8%	4%	-1%	-8%	-8%	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	33%	2%	10%	8%	4%	26%
1 Year	33%	2%	10%	8%	4%	26%
2 Years	56%	22%	22%	18%	23%	59%
3 Years	38%	-6%	-10%	-5%	5%	30%
5 Years	91%	39%	9%	9%	26%	98%
Since Inception	253%		-2%	22%	52%	435%

Holdings Summary[2]

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

Region	Holding
Sub-Saharan Africa	26%
Latin America & Caribbean	23%
Southeast Asia	21%
Middle East / North Africa	14%
Eastern Europe	6%
USA (cash & accruals)	5%
South Asia	5%

Sector	Holding
Financials	47%
Consumer Discretionary	16%
Consumer Staples	12%
Communication Services	6%
Cash & accruals (all countries)	6%
Real Estate	6%
Utilities	4%
Health Care	2%
Energy	2%

Portfolio Statistics	
Portfolio Price to LTM Earnings	6.0
Portfolio Price to Book	1.06
Portfolio LTM Dividend Yield	5.8%
Weighted Average ROEE	24.0%
Weighted Median ROEE	23.4%
Positions	34
Countries	23
Weighted Average Market Cap	$3,412m
Weighted Median Market Cap	$1,361m
Portfolio Turnover (12 Months)	30%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	13%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.33
Beta to S&P 500 (ITD)	0.46
Assets Under Management	$183m

Terms

Subscriptions	Monthly. $500,000 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 Tuesday 31 December 2024. Index returns are total returns, net of any withholding tax for a US investor, through Monday 30 December 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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