January 2025 Monthly Comment as of 1 PM Chicago time January 31

At our deadline, we estimate our reference investor is up nearly 1% MTD (subject to change as 24% of our stocks and numerous currencies remain open). Yesterday, the indices we cite had these MTD total returns: MSCI EAFE 5%, S&P 500 and MSCI Frontier Markets (FM) 3%, MSCI Emerging Markets (EM) 2%, and MSCI FM Small Cap 0%.

Sunday January 26 saw Colombia, 8% of our portfolio, briefly top global news headlines following a disagreement between the country's leftist President Gustavo Petro and US President Trump. After Petro refused two American military planes carrying deportees, Trump unleashed a flurry of tariff, diplomatic, and economic sanction threats against the country. Petro responded initially with an anti-Trump social media rant, but that evening, Colombia capitulated completely, the threatened US tariffs never materialized, and this nine-hour trade war ended. Ironically, our biggest MTD dollar gainer through Friday, January 24 was Colombia, and, surprisingly, through yesterday in the four trading days after this unexpected spat, our holdings appreciated further to a 11% MTD gain before fees. This is yet another example of our November comment view that what actually happens can be quite different from what "everyone knows" will happen.

Notably, unlike most Trump tariff targets, the US exports more than it imports from Colombia and both of its Andean neighbors, Peru and Chile. We think these US trade surpluses may limit further punitive US trade action. The MSCI Colombia price index in USD today is around where it ended 2005, after a multi-year valuation derating from COVID and a leftist political shift. Similar selloffs in Chile, which we wrote about a year ago, and Peru, which we discussed in our September comment, have allowed us to find bargains in these three small EM countries that historically were well out of our valuation framework. We have 18% of our fund in these three countries vs. 0% five years ago. Our Colombian positions traded collectively yesterday at a PE of just 2.4, a 0.48 price/book, 19.7% ROEE, and a 5.8% yield. Further, low valuations in Colombia have unleashed a wave of corporate activism, unwinding complex intertwined structures of the largest conglomerates. This increasing focus on capital return reminds us of the actions of 1980s US corporate raiders. While this activism has already created value for shareholders, we think more can happen. One of our holdings, a financial conglomerate with stakes in the largest bank, pension manager, and insurance company in Colombia, still trades at a nearly 60% discount to NAV. With multiple catalysts on the horizon, we expect this gap to partially close in the coming years.

In our opinion, Petro is a spent political force and an ineffective president. He has low approval ratings and a stormy relationship with legislators that should limit his ability to push through business unfriendly legislation during the remainder of his term. All three Andean countries have presidential elections this year or next (Chile November 2025, Peru April 2026, and Colombia May 2026), and we expect rightward political shifts in each that ought to be positive for regional market sentiment. All three countries do not allow presidents to serve consecutive terms, so the incumbent leftists are ineligible to run in these 2025-2026 contests.

Colombia's RGDP had a sharp recovery coming out of COVID (+11% in 2021 and +7% in 2022) but slowed the past two years to sub-1% in 2023 and sub-2% in 2024. The IMF expects a pick-up this year and next toward 3%, supported in part by the interest rate cutting cycle. After peaking at 13.25% in 2023—its 21st century high—rates are 9.5% after today's hold. With 5.2% inflation, we see further cuts this year, which ought to benefit our largest Colombian holding and the broader market.

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 January 2025[1, 2]

Period	Frontaura	MSCI Frontier Small Cap	MSCI Frontier	MSCI Emerging	MSCI EAFE	S&P 500
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%	2%
2025 Q1	1%	0%	3%	2%	5%	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%	9%	8%	4%	25%
2025	1%	0%	3%	2%	5%	3%
1 Year	35%	5%	12%	15%	9%	27%
2 Years	54%	18%	21%	12%	20%	53%
3 Years	43%	-4%	-4%	-2%	16%	41%
5 Years	91%	39%	13%	16%	36%	104%
Since Inception	256%		1%	24%	60%	450%

Holdings Summary[2]

Country	Holding
Philippines	16%
Colombia	8%
United Arab Emirates	6%
Peru	6%
Argentina	5%
Côte d'Ivoire	5%
Rwanda	4%
Uganda	4%
Slovenia	4%
Chile	4%
Tanzania	4%
Egypt	4%
USA (cash & accruals)	4%
Vietnam	3%
Namibia	3%
Turkey	3%
Cyprus	2%
Cambodia	2%
Pakistan	2%
Ghana	2%
Bangladesh	2%
Senegal	2%
Kenya	2%
Uruguay	1%
Sri Lanka	1%

Region	Holding
Sub-Saharan Africa	26%
Latin America & Caribbean	25%
Southeast Asia	21%
Middle East / North Africa	13%
Eastern Europe	6%
South Asia	5%
USA (cash & accruals)	4%

Sector	Holding
Financials	48%
Consumer Discretionary	16%
Consumer Staples	12%
Communication Services	7%
Cash & accruals (all countries)	4%
Real Estate	4%
Utilities	4%
Health Care	2%
Energy	2%
Industrials	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	5.8
Portfolio Price to Book	1.03
Portfolio LTM Dividend Yield	5.5%
Weighted Average ROEE	24.1%
Weighted Median ROEE	22.8%
Positions	34
Countries	24
Weighted Average Market Cap	$3,016m
Weighted Median Market Cap	$1,336m
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)	0.32
Beta to S&P 500 (ITD)	0.46
Assets Under Management	$186m

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 $246m and $491m 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 31 January 2025. Index returns are total returns, net of any withholding tax for a US investor, through Thursday 30 January 2025. 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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