Quarterly Letter – 2014 Q2

In the main topic of this letter, we discuss each position exit we made in the prior 12 months, similar to last year's Q2 letter. We begin this letter by citing performance, then we talk about the exits, and finally we conclude with fund and management company news.

Performance

Frontaura gained 3.68% in Q2, making our 2014 gain 3.10%. Similar to Q1, we lagged all the indices we commonly cite, as Figure 3 in the Appendix shows. In Q2, the MSCI Frontier Markets (FM) Index rose 12%, MSCI Emerging Markets (EM) gained 7%, the S&P 500 was up 5%, while MSCI EAFE advanced 4%. All of the index figures are total net returns, including dividends, net of any withholding taxes for a US investor. Frontaura's monthly returns appear in Figure 4. While the first half of 2014 was a difficult period of relative performance for Frontaura, since our November 2007 inception, we've gained 92% while MSCI FM has lost 12%.

Ukraine, Iraq, and the GCC. We have written about our past performance, both absolute and relative, throughout this year's monthly and quarterly commentary. To recap, two primary factors have affected us in 2014. First, geopolitical problems in Ukraine and Iraq hurt us in Q1 and Q2, respectively. Before fees[1], we lost $3.1 million, or 24%, in Ukraine in Q1 and $2.9 million, or 27%, in Iraq in Q2.[2] Second, the spectacular +20% performance of MSCI FM in the first half was heavily dependent on gains in the United Arab Emirates (UAE) and Qatar, anticipating promotion of these two Gulf Cooperation Council (GCC) states out of the FM Index and into the EM index at the end of May. MSCI FM ex-GCC was up 9% in the first half. Most telling is that once in the EM Index, MSCI UAE collapsed 24% in June, while MSCI Qatar plummeted 22%. For the first half, MSCI Qatar is up "only" 9%. But it was up 39% through May, all of those gains recorded in the FM index, while FM suffered none of Qatar's June loss. Similarly, FM enjoyed MSCI UAE's 55% monster rally through May, but none of its June collapse.[3] UAE and Qatar were two of the three largest FM country weights when MSCI promoted them, accounting for over one-third of the FM index.

Don't get us wrong. While these two factors explain the difference in our performance, they are not excuses, and we don't believe one should exclude countries or regions when reviewing performance. We don't even like talking about index performance excluding certain countries or regions, but GCC performance was so pronounced throughout the first half, that we thought the disaggregation necessary to provide a complete explanation. It

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[1] All Frontaura stock, country, and regional returns presented throughout this document, in both dollars and percentages, are before management fees, fund expenses, and any incentive compensation, as those deductions occur at the fund level and not at the individual stock, country, or region level. The fund returns we present are always net of these deductions. Country and regional returns are for stock positions in those geographies, and include exchange rate movements and transaction fees on those stocks. Country and regional returns do not include exchange rate movements on cash we hold in those geographies. We calculate percentage return as (ending value + dividends + sale proceeds) / (beginning value + purchases) – 1, with each value stated in US dollars.

[2] For reference, we began Q2 with assets under management (AUM) of $165 million.

[3] With the June collapse, MSCI UAE's year-to-date gain dropped from 55% at the end of May to 18% at the end of June.

was our decision to allocate money to Ukraine and Iraq[4], and in the first half of 2014, this allocation was a loser. Similarly, while we have had significant investment in the UAE and Qatar at times in the past, we had little there in the first half of 2014, as we did not find valuations attractive. Nevertheless, a higher allocation there would have made us more money in the first half.

As bad as our losses were in Ukraine and Iraq in the first half, we note that we did not lose more than 1.0% in any month, and our return was marginally positive in June, when the Iraq losses occurred. We think this demonstrates the ability of a frontier markets fund to offset individual country risk due to low cross-correlations between frontier countries.

The promotion play. We knew about the UAE and Qatar promotion well in advance—we wrote about it in our 2013 Q2 letter, for example, and MSCI discussed the possibility of promoting these countries as far back as 2008. We do make exceptions to our investment process on occasion, but these exceptions are rare and they are situations in which we have high confidence. We thought promotion might provide some modest performance uplift to UAE and Qatar, but not enough to make or keep investments there. Frankly, the performance magnitude stunned us; we think it exceeded any reasonable expectation.

The theme of frontier valuations rising as countries and stocks over time have more appeal to traditional emerging markets investors is a tailwind we expect to benefit from implicitly, but not one we will necessarily try to play explicitly outside of our usual investment framework. Others will, and certainly this time they did benefit. The next time MSCI promotes a country from frontier to emerging, we expect every broker in the soon-to-be promoted country will trumpet a "promotion effect" citing the UAE and Qatar experience. How about a Promotion Markets ETF? This theme may become so heavily played that a different outcome entirely may result, so it could be possible that the degree of the UAE and Qatar performance in the first half of 2014 is a fluke that does not repeat.[5]

Country winners and losers. Before fees, we made money in 22 of the 32 countries we held at quarter end. Portfolio mix by country and sector appears in Figure 5. Figures 6a and 6b show the five best and worst performers in dollar and percentage terms, while Figures 7 and 8 show significant mix changes and portfolio concentration.

Our quarterly percentage winners were tightly bunched, with the top six countries all rising 20%-21%. They were Tanzania, Kenya, Kazakhstan, Botswana, Pakistan, and Malawi. Our dollar-based winners were Tanzania, which gained $3.1 million, followed by Nigeria with $3.0 million, Botswana at $1.6 million, Ukraine with $1.4 million, and Pakistan also $1.4 million.

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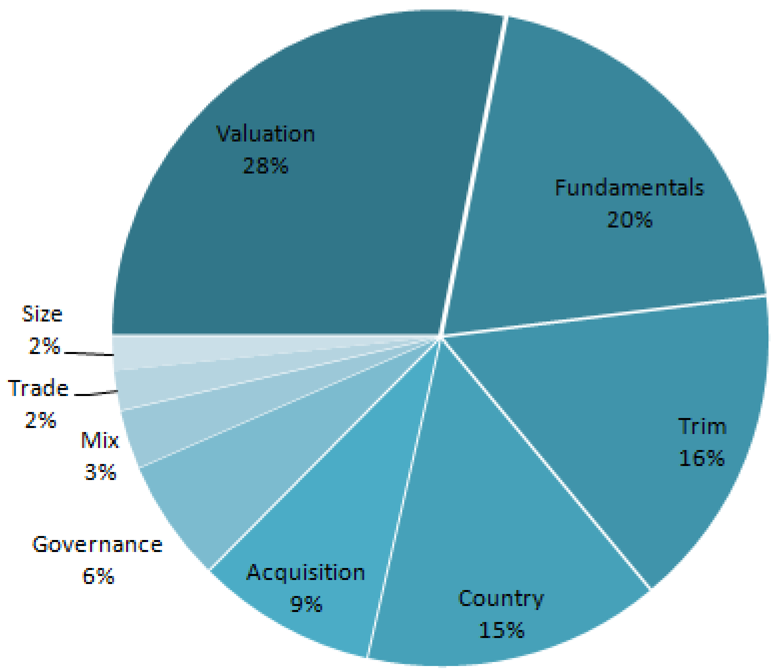
[4] Iraq is not present in the MSCI FM Index and Ukraine, while present, has a smaller weight than our allocation.

[5] Here's an old example from history that illustrates how an obvious idea may not work out as foreseen. When World War II broke out in September 1939, US stocks rocketed upward. Ibbotson reports that US large stocks had a 17% total return that month, while US small stocks returned 51% in a month. Why? Because everyone "knew" the World War I lesson that war boosts US corporate profits as sales of goods to Europe increase. Unfortunately for investors, the US government learned the lessons of World War I also and took measures to limit wartime profiteering in World War II. The general market fell in 1939, 1940, and 1941. Through April 1942, large stocks had lost 30% from the end of September 1939, even with dividends reinvested. The no-brainer war trade turned out to be a loser the second time around.

Nigeria edged out Vietnam as our largest country weight, 12.55% to 12.44%, at quarter end. Vietnam was our largest country for 36 consecutive months, beginning June 2011.[6] Vietnam relinquished its crown after falling $1.1 million, or 5%. Most of this loss was in May, when geopolitical tensions with China flared up, as we discussed in our May comment.[7]

We lost $2.9 million, or 27%, in Iraq, almost all in June. This included markdowns beyond the last traded prices, as we discussed in our June comment.[8] Ghana dropped $1.0m, or 20%, all due to currency. Zimbabwe cost us $0.6 million, or 13%, while Rwanda gave back some of its 2013 and Q1 gain, falling $0.4 million, or 7%. Other large percentage losers included Cambodia at -13% and Estonia at -7%.

Figure 1
Frontaura Global Frontier Fund LLC
Reasons Why We Sell
Inception to Date, Dollar Weighted
30 June 2014



Why We Sell

We assign a reason to every stock sale we make. Altogether, we have nine sell reasons, although only seven of these apply to complete position exits. Figure 1 shows the dollar-weighted reasons why we sold for every sell trade from our inception through June 2014. Valuation is the most common reason, accounting for 28% of sales, followed by

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[6] In our 80 months of history, Vietnam was our largest country weight 36 months, followed by Qatar with 34 months, Sri Lanka with 5 months, Pakistan with 4 months, and Nigeria with 1 month.

[7] http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2014_05.pdf.

[8] http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2014_06.pdf. Absent these markdowns, our Q2 Iraq loss was $2.2 million, or 20%.

fundamentals at 20%. These top two factors can be hard to disentangle, since both result from the stock price exceeding our estimate of intrinsic value (IV) per share. We use the valuation reason when the source of overvaluation is more stock-price driven and we use the fundamentals reason when the source of overvaluation is due more to a declining IV. In other words, a fundamentals sale means that a company's prospects have waned relative to our initial expectations for them. On the other hand, a valuation sale is the model case where company performance was in the direction we expected and we sold after a substantial stock price rise.

The third most common reason we sell is to trim a position back to its target portfolio weight. Trims account for 16% of all sales since inception. Note that as a rule trims are only to rebalance, not to exit a position. Next, we sell for country rather than company-specific reasons 15% of the time. The five remaining sell reasons are acquisition (9%), governance (6%), mix (3%), trade (2%), and size (2%).[9]

Figure 2
Frontaura Global Frontier Fund LLC
Position Exits July 2013 – June 2014[10]

Company	Country	Description	Exit Reason	First Buy	Last Sell	Cost ($000K)	Profit ($000K)	Return Multiple	IRR	Holding Period (Years)	Price / IV First Buy	Price / IV Last Sell	PE Buy Date	PE Sell Date
National Marine Dredging	United Arab Emirates	dredging	fundamentals	28-Apr-11	24-Sep-13	5,525	(799)	0.86	-8.4%	2.4	-18%	54%	5.3	5.9
Commercial Bank of Qatar	Qatar	bank	fundamentals	01-Nov-07	02-Oct-13	1,488	489	1.33	8.6%	5.9	-20%	17%	19.4	8.7
TanCang Logistics	Vietnam	port services	fundamentals	14-Jan-11	07-Oct-13	1,441	(300)	0.79	-9.8%	2.7	-44%	27%	6.1	6.8
Petrovietnam Low Pressure Gas Distribution	Vietnam	pipeline gas distribution	governance	28-Nov-13	08-Jan-14	224	12	1.05	7.4%	0.1	-24%	1%	5.8	6.3
Sonatel	Senegal	fixed line and mobile phone network	valuation	02-Nov-07	22-Jan-14	4,976	2,815	1.57	17.0%	6.2	-48%	87%	12.2	14.6
Dairibord	Zimbabwe	dairy and packaged foods	fundamentals	27-Aug-09	13-Feb-14	1,780	525	1.29	10.2%	4.5	-56%	78%	NA	90.6
Pak Suzuki Motor	Pakistan	automobile assembly	valuation	14-Feb-11	16-Apr-14	2,387	3,161	2.32	40.5%	3.2	-48%	83%	12.0	9.9
Vin Hoan	Vietnam	seafood processor	fundamentals	06-May-11	12-Jun-14	1,291	573	1.44	15.5%	3.1	-14%	84%	5.7	13.7

[9] Mix is our decision to reduce the target weight of a stock due to increased company risk. We distinguish between trim (selling down to an unchanged target weight) and mix (changing the target weight). Both are not complete position exits, so neither will show up as an exit reason in Figure 2. Trade indicates an opportunistic trade such as an arbitraging a mispricing when a stock is listed on multiple exchanges. Size is selling a position because we could not accumulate enough of a stock.

[10] Here are some background notes on the data in Figure 2. First Buy and Last Sell are the dates we first bought a stock and the day we last sold a stock. Realize that buys subsequent to the first date we show could continue for months or years; likewise, sells could precede the last date we show for months or years. Cost is the sum of all buys including commissions, trading fees, and foreign exchange costs (FX); Profit is the total sale and dividend proceeds, net of all commissions, trading fees, FX, and tax withholding, minus the total cost to buy. Return Multiple is profit / cost + 1. IRR is the internal rate of return on all USD cash inflows and outflows (buys, sells, and dividends) for each position. Holding Period is the number of years between the first buy and the last sale. We annualize the IRR, except for holding periods less than one year. Note that the cost, profit, return multiple, and IRR figures are before any management fees, fund expenses, or incentive compensation, as those deductions occur at the fund level and not at the individual stock level. Price / IV First Buy and Price / IV Last Sell show the discount or premium the stock price traded at relative to our estimate of intrinsic value on the first buy or the last sell date (a negative percentage indicates a discount to intrinsic value, a positive percentage indicates a premium). PE Buy Date and PE Sell Date show the trailing reported PE using the closing price on the day of first purchase and last sale (not our actual transaction price).

What We Sold

It is our policy to disclose all position exits once per year, regardless of the performance of the closed position. Figure 2 shows our eight position exits from July 2013 to June 2014. We describe each in chronological order below. We note that the exits in the second half of the list were more successful than those in the first half of the list, so don't stop reading halfway! In the past year, five of our eight exits were due to fundamentals, two were due to valuation, and one was due to governance. In last year's Q2 letter, valuation was the most common reason with four exits, while fundamentals accounted for three exits. We made money on 6 of 8 exits in this letter, whereas we made money on 10 of the 11 exits in last year's letter. One theme present in many of these summaries is that our initial IV estimates proved too high relative to subsequent company performance, but often we made money anyway. Overestimation will be present by definition when the majority of the exits are due to fundamentals. Overestimating, but not losing money in the aggregate, results from buying companies with a low initial stock price valuation. Finally, we remind you that all returns we cite on individual stocks are before management fees, fund expenses, and incentive compensation, as those deductions occur at the fund level and not at the individual stock level.

National Marine Dredging (United Arab Emirates)

National Marine Dredging Co. (NMDC) had good fundamentals up to the time of our April 2011 purchase, but in hindsight we bought peak profitability. EPS grew over 9-fold in the four years ending 2010. Return on capital (ROC) was 18% in 2010, in line with recent years. The stock traded at only a 5.3 PE with a 4.5% yield. This financial profile made NMDC a hard situation for us to say no to. While revenue continued growing in 2011 and 2012, margin erosion that commenced in 2010 lowered EPS percentage growth to single digits in 2010 and 2011. Double-digit EPS drops followed in 2012 and 2013. We projected some reversion to the mean on margins, but we got more than we anticipated. In hindsight, NMDC's high margins and ROC resulted from revenue growth temporarily overwhelming management's ability to spend and invest. Expenses and capital eventually ramped as revenue growth slowed and the margin and ROC levels observable at the time of our purchase became a relic of history. Said differently, this dredging business was inherently less attractive than indicated by the seductive numbers when we bought. With time, it became clear that the company was motivated more by building scale than maximizing its ROC. We exited the position 29 months after we bought. Although the stock price was down, the PE was slightly higher due to lower EPS. Our estimate of IV had moved from a -18% discount to a 54% premium. NMDC's revenue and EPS have shrunk since we sold (its PE is now 23 per Bloomberg) and the stock price is flat despite the boom in UAE stock prices that continued after our sale. We lost $0.8 million, or -14% of cash invested on NMDC (return multiple of 0.86).

Commercial Bank of Qatar

Did we really pay 19.4 times trailing earnings for a bank? That says a lot about the global investing mindset in the fall of 2007 before GFC became a common three-letter acronym. Seven years ago, Qatar had a phenomenal macro story of liquefied natural gas (LNG) production increases. We wanted to own a leading bank as a way to participate indirectly in this boom. Our rationale was valid, but we made a mistake in bank selection. We reasoned that as a private sector bank, number two Commercial Bank of Qatar (CBQ) would be more dynamic than the largest bank, the state-owned Qatar National Bank (QNB). That reasoning is usually sound, but in Qatar with the government heavily involved in directing investment, QNB flourished to a greater degree than CBQ. We thought about pulling the trigger on QNB at the depths of the GFC in March 2009, but we hesitated and we lost the opportunity. While our entry point on CBQ may not have been that well-timed and our loyalty to it over QNB may not have been wise, CBQ's high dividend payouts and our propensity to average down in cost on CBQ during and after the GFC, saved us. That made CBQ a modest, albeit somewhat disappointing, winner, with a 9% IRR over nearly six years. We sold due to a combination of disappointing growth and market share losses, an acquisition in Turkey we thought overpriced, and some possibility that CBQ might need to raise additional equity capital due to that acquisition. To date, the equity capital raise has not happened, and with Qatari stocks in favor through May 2014, we could have improved our return moderately had we held on eight months longer.

TanCang Logistics (Vietnam)

Similar to NMDC above, port services provider TanCang Logistics had great fundamentals up to the point we bought, with declining fundamentals thereafter. In both cases, the fundamentals were an unmanaged outcome of heady, unsustainable growth. Once the growth subsided, margins and ROC worsened, and our IV estimate fell. Further, qualitatively our level of comfort with TanCang lessened with time. Its majority owner controlled most of TanCang's customer relationships and at times this business felt more like a department of the parent than a stand-alone company. This is a common issue with Vietnamese listings. The valuation was cheap enough—with a 6.1 PE and a 7.3% yield—that we were comfortable enough to buy despite this. Although our practice of reverting margins and ROC to the mean helped constrain our IV estimate, reality showed that our initial IV estimate was still far too high. We held for over two and one-half years, losing $0.3 million, or 21% of cash invested.

Petrovietnam Low Pressure Gas Distribution

We held this small position for only six weeks, exiting with an immaterial profit. The month after we began buying, the company announced a dilutive equity capital increase, with terms that favored the majority owner to the detriment of minority shareholders like us. Before buying, we knew governance had the potential to be an issue and we knew a corporate action was possible. We assessed that the company's low 5.8 PE and 11.4% dividend yield offset some of the governance risk. On the corporate action, our probabilitized analysis concluded that the company would most likely make only a bonus share issuance (stock split) that would have no bearing on the investment case. We were wrong about that, and seeing our governance fears materialize, we blew out the position and moved on.

Sonatel (Senegal)

Sonatel was the first frontier company we ever met with in March 2007 on our initial kicking-the-tires research trip to Africa. This dominant telecom was growing, with a 31% ROC, trading then at a 7.7 PE with 6.8% yield. Seeing numbers like this, we quickly became hooked on frontier investing, and we made the decision to launch a fund. Unfortunately, by the time we bought Sonatel in November 2007 when Frontaura launched, its price was much dearer, up 70%, with the PE at 12.2. Our initial price and timing were not good, and we overestimated the company's longer-term ability to avoid mobile saturation. Thus, our initial IV estimate proved too high and we overpaid. Similar to CBQ, two things saved us—a high dividend payment and our averaging down as the stock price fell. Sonatel retained its stature as a frontier stock darling and we exited in January at a higher PE multiple than we entered, earning a 17% IRR over 6.2 years. Much of this gain came at the end, with a total return over 100% in the last 15 months we held. Value investors tend to exit too early; in this case, however, we held on and timed the exit well.

Dairibord (Zimbabwe)

We bought the leading dairy in Zimbabwe well at $0.085 per share in 2009, the year the country dollarized, and we enjoyed a 3.6x price rise through mid-2013. But then we didn't know when to leave the party. We were negotiating a sale, held out for a slightly higher price, and then watched the stock drop by over half before we finally sold in February at $0.15. We have previously labeled our failure to sell as our top mistake in 2013.[11] We sold eventually, when repeated cuts to our IV estimate exceeded the stock price drop, as Dairibord could not get ahead of the curve in Zimbabwe's new deflationary economy. The price fell over 50% more to $0.07 after our sale, although it has recovered half of that latter drop, trading around $0.11 now. Our decision to sell was the most difficult sale decision of the past year. We still think it possible that the company may recover and we still believe that as a consumer staple, it remains a potential coveted asset for portfolio investors and strategic partners. But mathematically the stock simply no longer worked for us within our IV framework and Zimbabwe's economic recovery was not certain enough for us to hold onto the stock for qualitative reasons. We made an IRR of 10.2% on Dairibord over 4.5 years, but we lament that our gain could have been much greater.

Pak Suzuki Motor (Pakistan)

If the NMDC and TanCang Logistics examples above demonstrate our vulnerability to a value trap, Pak Suzuki is a counterpoint that shows how our contrarian nature and reversion-to-the-mean modeling techniques can uncover real value. We earned a 41% IRR over 3.2 years on Pak Suzuki, earning $2.32 on every $1 invested. This profit came despite the company's PE dropping 18% while we held it to just below 10 at our time of sale. In short, we anticipated an earnings recovery and we got it. We first met Pak Suzuki in April 2008. Its shares traded then at 255 rupees, already down from their all-time high of 429 six months earlier, as it was clear that fundamentals were declining. We passed. Nine months later, in January 2009, the shares bottomed below 41. We bought the stock in February 2011 at 63 per share after four years of EPS declines. At the time, Pak Suzuki's market cap was $60 million. It was the leading auto assembler in units in a country with a population over 170 million. Maruti Suzuki in neighboring India then traded at a market cap of over $8 billion. True, India's population was 7 times larger. But it didn't seem right to us that the Pakistani flavor of Suzuki should trade at less than 1/100 of the Indian company. We had no particular insight on when Pak Suzuki's earnings would recover. But with its prior decade of history as a guide, the probabilities favored margins and ROC improving. The recovery didn't occur as robustly as our initial assumptions predicted, but in the end that didn't matter much. We got the direction right and we bought cheap ahead of time. 2013 profit turned out to be less than half of what we estimated it would be back in February 2011, but it was still four times greater than trailing profit at the time of our purchase. By the time we sold, margins were approaching their 10-year average and we

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[11] See pages 1-2 of http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2013Q4.pdf for a detailed account.

didn't see further upside in the stock. We sold our last share at 222, although we note the shares have continued to rise, trading at 271 at this writing.

Vin Hoan (Vietnam)

We think Vin Hoan is one of the better run of Vietnam's many seafood processors. It's one of numerous Vietnamese stocks we bought in 2010 and 2011 when investors ignored the market and trailing PEs of our buys were in the 3-6 range. Truthfully, the company didn't perform that well in the three years we owned it, and our initial IV estimate proved too high. But we bought it cheap enough that the stock worked anyway as investor sentiment on Vietnam improved and foreign inflows increased. This allowed us to make a 15% IRR as we rode the PE from 5.7 to 13.7 during our holding period.

Fund and Management Company News

Please e-mail us if you are interested in an end-of-quarter phone call or visit. Nick is available for all of July and Steve is available through July 25.

Euro hedging. In May, we stopped hedging currency exposure from our underlying euro, euro-pegged, and euro-correlated stocks, ending a program we began in February 2010. We did so with some reticence, as the euro appears overvalued to us, and many policymakers are openly lobbying the European Central Bank (ECB) to weaken the currency. For example, in separate public appearances in Chicago in Q2, both Jean-Claude Trichet, former president of the ECB, and Axel Weber, former president of the Bundesbank, each commented negatively on the euro value. Trichet said the present value of the euro is fundamentally too high while Weber said that he expects the euro to weaken and the dollar to strengthen over the next five years.[12] But the rationale for our hedge was never a speculation on the direction of the euro, so in the end we did not consider these thoughts on the euro's possible future direction as a reason to continue to hedge. We implemented the hedge to simplify our decision making on stocks in the midst of a euro crisis by removing currency moves from our return stream. This allowed our analysis to focus solely on the underlying companies in places like Cote d'Ivoire and Senegal, where the currency is pegged to the euro; Romania and Serbia, where the currency moves in line with the euro versus the dollar; and Estonia and Montenegro, where the currency is the euro. For the record over four years, before any incentive compensation reversals, we lost about $0.8 million in total on the hedge, costing us 1.3% in cumulative performance. Nevertheless, we consider the hedge a success in that it did in fact give us greater peace of mind and ease of decision making. It's impossible to put a price on clarity of thought, but we find an overcrowded mind can lead to costly mistakes and omissions. With Greece able to raise new five-year debt in April at an interest rate under 5%, one could no longer say the euro is in crisis, and thus we let the hedge lapse after much internal debate.

HedgeWorld award. In April, HedgeWorld named Frontaura as the top US-based emerging markets fund for 2013 based upon Sharpe ratios that measure risk-adjusted 2013 performance. It's always nice to be recognized, but we readily acknowledge that there are numerous hedge fund performance firms giving awards like this and it certainly helped in 2013 to be a frontier markets fund when emerging markets had a difficult year. As the first

[12] We think this incident says something about the headline making half-life of a former ECB head. Had Trichet still been ECB president when he said this, we expect it would have been the lead story in the next day's *Financial Times*, with the euro dropping 1%-2% that day. As it was, no media outlet picked up the story, to our knowledge. Of course, he never would have made such a clear and candid statement if he were president.

half of 2014 shows, this is a rear-view mirror award, and we can't rest on our laurels. The process of generating good investor returns is a continual one that never stops.

Travel. In Q2, Nick, Steve, Tim, and Tom visited Argentina, Botswana, Malawi, Moldova, Papua New Guinea, Ukraine, Vietnam, and Zimbabwe between them. Tom also attended a Pan-African investment conference in London. In 15 weeks through the end of May, Nick set foot on six continents (not Antarctica), chasing opportunities. We have a quieter Q3 planned.

Registration and reporting. In June, we completed the registration process with the SEC, so that Frontaura Capital LLC is now a registered investor advisor (RIA). The SEC required us to do this because AUM exceeded $150 million at year-end 2013. Being an RIA obliges us to make some updates to our legal documents and necessitates we obtain some compliance paperwork from our investors, as we previously communicated by e-mail. We will follow-up on a case-by-case basis with investors to ensure we receive all forms.

Our administrator e-mailed Q2 investor statements July 9.

Recruiting. It is with regret that we announce that Eric Dahl, who joined us in October 2009, will relocate to New York City later this year for personal reasons. Eric was our first full-time employee beyond the co-founders. We hired Eric as an operations specialist, but during his tenure, he began and completed the CFA designation and expanded his role to assume research analyst responsibilities. Eric has done a great job for Frontaura and we will be sorry to see him go. We've begun looking for a replacement for the operational portion of Eric's duties, with the intent of having someone join well before Eric leaves to facilitate a successful transition. We are looking for a recent liberal arts, economics, or finance undergraduate with a high GPA from a top school and we welcome any referrals that our readers may have. Candidates should possess strong initiative, excellent writing and quantitative skills, and an interest in investing. Individuals must have strong native intelligence and a high ceiling in terms of their ability to take on new responsibilities and grow in the job. Overseas living experience, frontier markets background, and foreign language fluency will add to a candidate's attractiveness, but none of these attributes alone will qualify candidates if they do not excel in the more general characteristics we cite. Prior industry experience is not important. Eric himself will be looking for an emerging or frontier markets research analyst position in New York City. Please contact us if you are aware of a suitable position.

We thank you for being a Frontaura client.

Best regards,

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Appendix

Figure 3
Frontaura Global Frontier Fund LLC
Quarterly and Annual Performance and Index Returns[13]
30 June 2014

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
2014 Q1	- 1%	2%	1%	0%	7%
2014 Q2	4%	5%	4%	7%	12%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	37%	15%	8%	19%	24%
2011	- 15%	2%	- 12%	- 18%	- 19%
2012	18%	16%	17%	18%	9%
2013	26%	32%	23%	-3%	26%
2014	3%	7%	5%	6%	20%
Inception to Date	92%	47%	1%	- 8%	- 12%
ITD CAGR	10.3%	5.9%	0.1%	- 1.2%	- 1.9%

Figure 4
Frontaura Global Frontier Fund LLC
Monthly Performance
30 June 2014

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007											0.4%	1.6%	2.0%
2008	0.7%	0.6%	-0.1%	3.4%	3.9%	-1.0%	-0.8%	-2.2%	-7.9%	-17.5%	-10.7%	1.4%	-28.1%
2009	-2.0%	-0.4%	0.7%	7.7%	14.4%	4.1%	1.4%	4.7%	10.6%	-1.4%	-0.2%	0.2%	46.0%
2010	-0.9%	4.2%	6.6%	4.5%	-1.2%	1.9%	3.4%	0.7%	4.7%	3.5%	1.5%	3.3%	37.1%
2011	2.8%	-3.7%	2.7%	-0.4%	1.0%	-1.7%	-2.4%	-4.0%	-3.9%	-1.6%	-4.9%	0.7%	-14.8%
2012	-0.5%	3.9%	2.6%	2.4%	-4.4%	-1.3%	2.1%	1.4%	1.9%	2.6%	2.2%	4.3%	18.1%
2013	7.3%	1.9%	1.0%	1.8%	3.8%	-0.3%	2.6%	-2.1%	0.2%	3.1%	2.6%	1.6%	25.9%
2014	0.8%	-0.4%	-1.0%	1.6%	2.0%	0.1%							3.1%

[13] Returns commence 1 November 2007. Frontaura returns are net of all fees, for an investor joining the fund at inception, making no further contributions, and making no withdrawals. Investors joining on other dates, making additional contributions, or making withdrawals may have different returns. Index returns are in US dollars on a total return basis, net of any withholding tax for a US investor.

Figure 5
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[14]
30 June 2014

Holdings Summary

Country	Holding
Nigeria	13%
Vietnam	12%
Tanzania	10%
Ukraine	7%
Sri Lanka	5%
USA (cash only)	5%
Botswana	5%
Iraq	4%
Romania	3%
Montenegro	3%
Pakistan	3%
Serbia	3%
Rwanda	3%
Lebanon	3%
Cote d'Ivoire	2%
Ghana	2%
Estonia	2%
Zimbabwe	2%
Laos	2%
Kazakhstan	2%
Papua New Guinea	2%
Oman	1%
Qatar	1%
Cambodia	1%
Argentina	1%
Ecuador	1%
Mongolia	1%
Cyprus	1%
Malawi	1%
Others	1%

Industry	Holding
Financials	45%
Consumer Staples	16%
Industrials	12%
Cash	10%
Consumer Discretionary	7%
Energy	5%
Telecommunication Services	4%
Materials	2%

Portfolio Statistics

Portfolio Price to Earnings	7.3
Portfolio Price to Book	1.0
Portfolio Dividend Yield	5.1%
Return on Ending Equity	19.8%
Assets Under Management	$171m
Portfolio Turnover (LTM)	24%
Portfolio Turnover (ITD)	26%
Average Market Cap	$657m
Median Market Cap	$233m

[14] Portfolio valuation statistics use the most recent 12 months of reported fundamental data as of quarter end. Portfolio PE and PB are the harmonic means of all positions, weighted by position size. Portfolio dividend yield and return on ending equity are the means of all positions, weighted by position size. The yield on Frontaura Global Frontier Fund is less than our portfolio dividend yield due to cash held, withholding taxes, management fees, and operating expenses. At present, we retain all income rather than distribute it.

We hold most, but not all cash, in the United States. We include in the US total any euros or other currencies we hold in countries outside of our investment universe. These other currency amounts are often immaterial. We include all other cash we hold outside the US in that country's total, regardless of currency. For example, we include all prefunding cash in Vietnam in the Vietnam total, even though we hold this cash in US dollars typically.

We include in our cash total and AUM base any first-of-the-next-month cash inflows, but only to the extent they offset end-of-the-prior-month cash outflows. For example, assume we have cash outflows of $5 million on the last day of a month, reducing cash to $10 million and AUM to $160 million. Then cash inflows of $6 million occur on the first day of the next month, increasing cash to $16 million and AUM to $166 million. In this case, our AUM base for calculating mix for the month just ended would be $165 million, including cash of $15 million. These amounts are identical to the AUM and cash figures before the cash outflow occurred. Since first-of-the-next-month inflows replace the outflows immediately, we use these numbers internally for portfolio management.

Figure 6a
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2014 Q2

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)[15]	Frontaura Return (%)	MSCI Return[16]	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Tanzania	3.1	21%	--	Iraq	-2.9	-27%	--
Nigeria	3.0	16%	17%	Vietnam	-1.1	-5%	-5%
Botswana	1.6	20%	-3%	Ghana	-1.0	-20%	-20%
Ukraine	1.4	14%	26%	Zimbabwe	-0.6	-13%	12%
Pakistan	1.4	20%	9%	Rwanda	-0.4	-7%	--

Figure 6b
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2014 Q2

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Tanzania	3.1	21%	--	Iraq	-2.9	-27%	--
Kenya	0.1	21%	11%	Ghana	-1.0	-20%	-20%
Kazakhstan	0.5	21%	28%	Cambodia	-0.3	-13%	--
Botswana	1.6	20%	-3%	Zimbabwe	-0.6	-13%	12%
Pakistan	1.4	20%	9%	Estonia	-0.2	-7%	-2%

[15] Frontaura country returns, in both dollars and percentages, are before management fees, fund expenses, and any incentive compensation, as those deductions occur at the fund level and not at the individual stock or country level. Country returns are for stock positions in those countries, and include exchange rate movements and transaction fees on those stocks. Country returns do not include exchange rate movements on cash we hold in those countries. We calculate percentage return as (ending value + dividends + sale proceeds) / (beginning value + purchases) – 1, with each value stated in US dollars.

[16] MSCI country indices stated on a total return basis with dividends net of any withholding tax. We show "--" if MSCI does not have an index for a given country.

Figure 7
Frontaura Global Frontier Fund LLC
Significant Quarterly Country Mix Changes[17]
2014 Q2

Country	Percentage Point Change	Explanation
Iraq	-3	Relative price underperformance, markdowns, reduction in basket size

Figure 8
Frontaura Global Frontier Fund LLC
Portfolio Concentration[18]
2014 Q2

	Companies	Countries	Change from 2014 Q1		Change from 2013 Q2	
			Companies	Countries	Companies	Countries
Positions	58	32	+3	+2	+7	+3
Top 5	20%	47%	-3	--	-4	+2
Top 10	35%	65%	-4	-3	-3	+3
Top 20	58%	87%	-4	-3	-3	+1
Top 20 + USA (Cash)	63%	92%	-3	-2	-6	-2

[17] We show countries whose weighting has changed by two percentage points or more. Total may not add to 0 due to rounding and exclusion of countries changing by less than two percentage points. Note that we do not show the United States as we only hold cash there. See the Portfolio Mix and Statistics footnote for a discussion of how we classify cash by country.

[18] We do not include the US in our country count and most of the percentage totals as we hold only cash there. Change from the prior quarter and the year ago quarter represent the change in the number of positions and the change in percentage points for the top 5, 10, and 20 positions. The Top 20 + USA row does include the US cash percentage in the percentage totals. See the Portfolio Mix and Statistics footnote for a discussion of how we classify cash by country.