Quarterly Letter – 2015 Q1

We lost 3% in Q1, matching the performance of the MSCI Frontier Markets Index. Frontier markets lagged other global indices for the second consecutive quarter. Developed markets outside North America did best in Q1 with MSCI EAFE up 5%. Emerging markets (MSCI EM) gained 2%, while the S&P 500 rose 1%. All index returns are total returns in US dollars, including dividends, net of withholding taxes.

Our losing streak that began in November continued into January, which was the third consecutive month with either a 3% or a 4% drop. We then posted small gains in February and March of between 0%-1%, and we estimate that we are presently up over 2% for April, through April 10.

Review and Outlook

Nigeria. From November onward, Nigeria has had a significant impact on our returns—negative through mid-February and positive since then. For all of Q1, before fees we lost $1.5 million, or 8%, in Nigeria, but we estimate this loss was around $4.9 million, or 26%, on February 17. The next day the Central Bank of Nigeria announced it was abandoning its Retail Dutch Auction System (RDAS). RDAS allowed some importers to buy dollars at a preferential rate around 168 instead of at the interbank market rate that traded around 200. Killing RDAS meant that the burn rate on Nigeria's international reserves would slow, and this sparked a market rally. For additional comments on Nigeria, please see our January, February, and March monthly comments.[1] The addendum we'd add to the March comment on the March 28 presidential election is that the losing incumbent Jonathan and his supporters have indeed respected Buhari's election win, so there was no significant election violence as many feared, a welcome break with the past. Nigerian state elections take place April 11 so some risks remain. As we noted in the March comment, Nigeria's propped-up currency, the naira, is still likely to devalue by at least 10%-20% at some point now that the presidential election is over. We believe there is significant foreign money sitting on the sidelines waiting for devaluation. Thus, once devaluation occurs, a rise in local currency prices from foreign buying may offset much of the currency loss we anticipate. Perhaps that occurred to some degree already with the Buhari win, which provided a second wind to the RDAS rally that began in February. The Nigerian Stock Exchange All Share Index rose 17% in the week after the March 28 election, following a 4% gain the week before the election.

Currency. Ongoing US dollar strength again caused us significant currency losses in Q1. We estimate that we would have gained 1% in Q1 on a constant currency basis, instead of losing 3%. A conversation with one of our European investors during Q1 reminded us that while we report our results in USD for everyone globally, not all investors necessarily view our results through only a USD prism. For example, while a euro-based investor would have seen their Frontaura USD balance decline by 3% in Q1, from say $1 million to $970,043, in euro terms those diminished dollars grew from 826,583 euros to 903,963 euros, a 9% rise. Similarly, British and Singaporean investors gained 2% each in pounds

[1] http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2015_01.pdf,
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2015_02.pdf,
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2015_03.pdf.

and Singapore dollars, while an Australian investor had a 4% advance, measured in Aussie dollars. Before anyone objects, let us acknowledge that we are presenting a one-sided outcome in a two-sided world. Sure, the dollar strengthened against those major currencies in Q1, but there were plenty of periods in the past where the dollar weakened against these same currencies. A similar analysis during those times would have shown lower performance if stated in our investors' native currencies. About one-seventh of our investment funds come from investors with home currencies other than the US dollar or a currency such as the Hong Kong dollar, which is pegged to the US dollar.[2]

Goodbye to Putin and the Islamic State. In Q1, we jettisoned our final positions in three countries that caused us significant losses in 2014: Iraq, Ukraine, and Estonia (our Estonian company has significant Russian revenue). We discussed these countries over several pages in our Q4 letter[3] as we detailed our mistakes made. While our exposure to these three countries was already down to 3% collectively when 2015 began, the writing of that letter stimulated us to cut our losses and exit Ukraine and Estonia entirely. We also were able to finally exit the last position in our Iraq basket once the Iraqi company resumed trading in Q1 following a long-standing trading suspension due to a corporate action.

We've never been a fan of Vladimir Putin, believing that he—like so many politicians before him—mistook a commodities boom for his own leadership brilliance and squandered the opportunity to modernize Russia and integrate it with the world. This view didn't really matter before 2014 because Russia is not in our investment universe. Once Putin began bullying Ukraine, however, we realized we had more economic exposure to his misdeeds than we desired. Exiting Ukraine and Estonia cuts this exposure significantly, but some remains. We estimate our direct Putin risk as of March 2015 at 3% of the portfolio. This is in Kazakhstan, where we own mobile operator KCell. At quarter-end, it trades at a 6.0 trailing PE with a 63% return on ending equity and an 18.3% yield. KCell just operates domestically, so the main investment risk for us is at the macro level whereby the Kazakh tenge may devalue to regain lost competitiveness against the Russian ruble. Kazakhstan is a member of the Eurasian Economic Union, a Russian-led free trade zone. The ruble has fallen over the past year due to sanctions over Ukraine, a weak Russian economy, and falling oil prices. As of April 10, 2015, the ruble buys 26% fewer tenges compared to the end of 2013. We expect the managed Kazakh tenge could devalue after the April 26 Kazakh presidential elections, although the pressure on the tenge has eased somewhat since January.[4] The last tenge devaluation occurred on February 11, 2014, when the currency dropped 16% against the dollar. KCell, which trades in London in USD, fell 15% that day. We expect a similar one-for-one drop if the tenge is devalued again and we have incorporated this devaluation risk into our intrinsic value estimate for the company.

Looking further afield, we have investments in other countries whose exposure to Russia is less direct than that of Kazakhstan, Ukraine, and our Estonian company. These include Mongolia, which borders Russia; numerous former Soviet satellites; Cyprus, which acts as

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[2] This one-seventh figure likely understates the true number for two reasons. First, some institutions that we count as US dollar investors have foreign investor money within the pool of funds they have invested in Frontaura. Second, several of our US individual investors have significant economic ties to foreign countries—through work, citizenship, or residence.

[3] See pages 2-7 in http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2014Q4.pdf.

[4] From the end of 2013 through January 30, 2015, a ruble bought 43% fewer tenges. Since January 30, the ruble is up almost a third against the tenge and the US dollar, so that now the ruble's buying power is only 26% less than the end of 2013 in tenge terms.

an offshore financial center for Russia; and Cambodia, where the company we own is exploring an investment project in Russia. We're unenthused about the Cambodian company's Russia plans, and have told management this, but we acknowledge that this project is relatively small and not vital to our investment thesis for the company. The former Soviet satellites we currently invest in include Macedonia, Montenegro, and Serbia—all once part of Yugoslavia—and Romania. All of our companies in these former satellites are domestically oriented. The companies we own in Mongolia and Cyprus do not have any direct ties to Russia. So we don't view these holdings, which collectively total to 13% of the portfolio, as a primary source of Putin risk, but we mention them for completeness.[5]

Valuation. At quarter-end, our trailing portfolio PE and price/book are 6.8 and 1.0. Our weighted average trailing dividend yield is 6.4% and our weighted return on ending equity is 21.0%.

Fund and management company news

Please e-mail us if you are interested in an end-of-quarter phone call or visit. At present, Nick and Steve are available most days in April.

Waitlist. As we mentioned in our Q4 letter, we began a waitlist capital call in December 2014. Existing investors from the waitlist added $7.1 million to the fund on January 1, 2015 to replace December 31, 2014 outflows. Additionally, we welcomed one new $1.0 million investor from our waitlist on February 1, 2015 to replace $1.0 million of withdrawals on March 31, 2015.

Withdrawals for June 30, 2015 will be $3.0 million.[6] We have decided for now not to draw upon the waitlist for July 1 to replenish these withdrawals. Our cash is 11%, and Q2 is the heaviest quarter for dividends, which will give us even more cash. However, we could change our mind if events change. For example, six months ago at the beginning of October we decided we would not draw upon the waitlist to replenish December 31 withdrawals due to our high cash balance at that time. Then, prices fell in November, and we bought more stock that month than any month in our history. In early December, we changed our mind and made a capital call to replenish our lower cash balance.

It remains possible that we will draw from the waitlist later this year. This depends on many factors that are unknown at this time, such as the magnitude of September 30 and December 31 withdrawals and our projected cash balance as of those dates. If we do make a capital call on our waitlist, we will continue to give priority to existing investors. However, we will probably make some provision to ensure that we do accept one or more new investors. The two capital call events during our waitlist era[7] did each result in one new client. We want to ensure this continues. We think it is important to show potential investors thinking about joining the waitlist that the process does result in new investors

[5] Our largest country holding, Vietnam, at 15% of the portfolio was a Soviet ally during the Cold War. But it was not a satellite like the European countries and today there is little Russian presence in Vietnam, so we do not think it belongs in the Putin risk discussion.

[6] The June 30 figure could change slightly, up or down, based upon Q2 performance.

[7] We closed to new investors after January 1, 2013 and we stopped taking new commitments from existing investors after June 1, 2013. Since then, we've had two capital calls. The first was for contributions on April 1, 2014 from existing and new waitlist investors. The second, as discussed in this letter, was for contributions for January 1 and February 1, 2015 from existing and new waitlist investors.

being able to join the fund. Otherwise, the new investor waitlist can become stale and the fund's dry powder can erode away. Having said this, we are pleased overall with the waitlist process, as to date it has allowed us to match outflows and inflows without selling any securities. We are grateful to our existing and new investors who have responded quickly and positively when we've made capital calls.

Frontaura remains closed other than our periodic waitlist capital calls, so the waitlist remains the only way to add money as an existing investor or to enter our fund as a new investor. Please contact us if you would like to complete our one-page waitlist form to get on the list.

We get around. We had five trips in Q1. Nick and Tim attended the Auerbach Grayson/Morgan Stanley Frontier Markets Conference in New York in February, meeting 29 companies from 20 countries in two days. Steve and Tom spent a week in Vietnam in March, conducting 22 meetings in four cities. Nick attended investment conferences in Argentina and Nigeria in March and had a day of meetings while in Jamaica in February, with 40 meetings in total spread across these three countries. Finally, visiting our office in Q1, were six frontier companies from six different countries. We had an additional five meetings with frontier sell-side analysts from Africa and the Middle East in our office. Beyond this were dozens of phone calls, conference calls, and e-mail exchanges with companies and analysts around the globe. This was a typical quarter for us.

Reporting. Our administrator e-mailed Q1 investor statements April 9. Our onshore and offshore audits completed February 4 and our administrator e-mailed fund financial statements to investors on February 6. Our administrator e-mailed US K-1 tax forms on March 3.

Conclusion. Our last quarterly letter, for Q4, set a record with 11 pages of text and 18 pages overall including tables. Our next quarterly letter, for Q2, promises to be a meaty issue, as it will feature our annual discussion of all position exits over the past year. Thus, we are giving you a break this quarter, with a shorter-than-normal letter. Our usual statistical tables appear in the pages that follow. Please e-mail or call us if you have anything to discuss. We thank you for being a Frontaura client.

Best regards,

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Appendix

Figure 1
Frontaura Global Frontier Fund LLC
Performance[8]
31 March 2015

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
2015 Q1	- 3%	1%	5%	2%	- 3%
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%	14%	- 5%	- 2%	7%
Inception to Date	75%	57%	- 4%	- 13%	- 24%
ITD CAGR	7.9%	6.3%	- 0.6%	- 1.9%	- 3.6%

Figure 2
Frontaura Global Frontier Fund LLC
Monthly Performance
31 March 2015

	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%	-0.3%	-0.8%	2.2%	0.9%	-4.5%	-3.3%	-2.9%
2015	-4.3%	1.0%	0.4%										-3.0%

[8] 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. Click this link for an explanation of the indices we show: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q1_Notes.pdf.

Figure 3
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[9]
31 March 2015

Holdings Summary

Country	Holding
Vietnam	15%
Nigeria	10%
USA (cash only)	9%
Sri Lanka	7%
Tanzania	7%
Papua New Guinea	5%
Bangladesh	5%
Pakistan	4%
Montenegro	3%
Ghana	3%
Serbia	3%
Rwanda	3%
Lebanon	3%
Kazakhstan	3%
Romania	3%
Cambodia	2%
Argentina	2%
Oman	2%
Laos	2%
Ecuador	2%
Jamaica	1%
Cote d'Ivoire	1%
Botswana	1%
Qatar	1%
Macedonia	1%
Zimbabwe	1%
Malawi	1%
Others	2%

Industry	Holding
Financials	49%
Cash	11%
Industrials	10%
Consumer Staples	9%
Telecommunication Services	5%
Energy	4%
Utilities	4%
Consumer Discretionary	4%
Materials	4%

Portfolio Statistics

Portfolio Price to LTM Earnings	6.6
Portfolio Price to Book	1.0
Portfolio LTM Dividend Yield	6.4%
Return on Ending Equity	21.0%
Positions	59
Countries	32
Average Market Cap	$689m
Median Market Cap	$250m
Portfolio Turnover (LTM)	32%
Portfolio Turnover (ITD)	26%
Standard Deviation (ITD)	15%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$156m

[9]Click this link for an explanation of our holdings and portfolio statistics: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q1_Notes.pdf.

Figure 4a
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2015 Q1

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)[10]	Frontaura Return (%)	MSCI Return[11]	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Pakistan	0.8	15%	-10%	Nigeria	-1.5	-8%	-10%
Sri Lanka	0.8	7%	-15%	Ukraine	-0.8	-33%	-18%
Argentina	0.7	31%	25%	Cote d'Ivoire	-0.7	-27%	--
Jamaica	0.6	37%	22%	Tanzania	-0.6	-6%	--
Vietnam	0.3	1%	-5%	Romania	-0.6	-13%	-7%

Figure 4b
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2015 Q1

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Jamaica	0.6	37%	22%	Ukraine	-0.8	-33%	-18%
Greece	0.0	35%	-29%	Cyprus	-0.2	-27%	--
Argentina	0.7	31%	25%	Cote d'Ivoire	-0.7	-27%	--
Pakistan	0.8	15%	-10%	Iraq	-0.2	-24%	--
Ecuador	0.2	10%	--	Mongolia	-0.2	-23%	--

[10] Frontaura country returns 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. Click this link for an explanation of how we calculate country returns:
http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q1_Notes.pdf.

[11] 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 5a
Frontaura Global Frontier Fund LLC
Significant Quarterly Country Mix Changes[12]
2015 Q1

Country	Percentage Point Change	Explanation
Nigeria	- 2	Sold one position, relative underperformance

Figure 5b
Frontaura Global Frontier Fund LLC
Significant LTM Country Mix Changes
2014 Q2 – 2015 Q1

Country	Percentage Point Change	Explanation
Bangladesh	+5	Re-entered country in 2014, continuing to build positions in 2015
Papua New Guinea	+4	Increased existing position materially in 2014
Ghana	+3	Increased existing position materially in 2014
Tanzania	- 2	In 2014, sold one position, reduced two others, all due to valuation
Botswana	- 4	In 2014, exited one position due to acquisition; reduced another position due to increased risk
Ukraine	- 6	Exited country
Iraq	- 7	Exited country

[12] 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. Click this link for an explanation of for a discussion of how we classify cash by country: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q1_Notes.pdf.

Figure 6
Frontaura Global Frontier Fund LLC
Portfolio Concentration[13]
31 March 2015

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	59	32	-3	-3	+4	+2
Top 5	21%	44%	--	-1	-2	-4
Top 10	35%	62%	--	+1	-3	-6
Top 20	57%	83%	--	+1	-5	-7
Top 20 + USA (Cash)	66%	92%	+1	+3	--	-2

[13] 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. Click this link for an explanation of for a discussion of how we classify cash by country: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q1_Notes.pdf.