Quarterly Letter – 2017 Q1

In this letter, we'll discuss lessons learned last year, a recurring review that has been popular with readers in the past. Before that main topic, though, we'll examine Performance and Valuation, as well as Attribution. We'll show graphs that compare Frontaura's valuation metrics to the MSCI Frontier Market Index (FM) and the MSCI Emerging Markets Index (EM). We finish this letter with Fund and Management Company News and then our usual Statistical Appendix. We highlight that new investors may now join Frontaura at the $500,000 level, down from $1 million. See the Fund and Management Company section for details.

Performance and Valuation

Q1. We gained 3.7% in Q1.[1] In the 13 months through the end of March 2017, we have now gained 16.8% from our recent month-end low of February 2016.[2]

EM was the Q1 star, with an 11.4% total return, while FM gained 8.9%, MSCI EAFE (developed markets) rose 7.2%, and the S&P 500 advanced 6.1%. A quarter in which all of these indices beat us is not that unusual—it's happened seven prior times, typically in "hot" quarters that, as we have said before, are not our strength in terms of relative performance. In all these seven prior instances, one or more of these indices has recorded a gain of at least 7%. Our absolute and relative performance typically improves in the following quarter, where we have an average gain of 5.3% that's usually ahead of the FM and EM indices. Of course, these data points are limited, and anything is possible for Q2.

Valuation. At quarter end, Frontaura had a 7.3 portfolio PE on a trailing, reported basis. On a comparable basis, the S&P 500's PE is 25.0.[3] Frontaura's portfolio price/book ratio is 1.29, our weighted average dividend yield is 5.6%, and our weighted average return on ending equity is 25.4%. An investor asked us recently if we could show a time series of our valuations against the FM and EM indices. Combining our data with data available on Bloomberg, we were able to create Figure 1 that we show on the following page.

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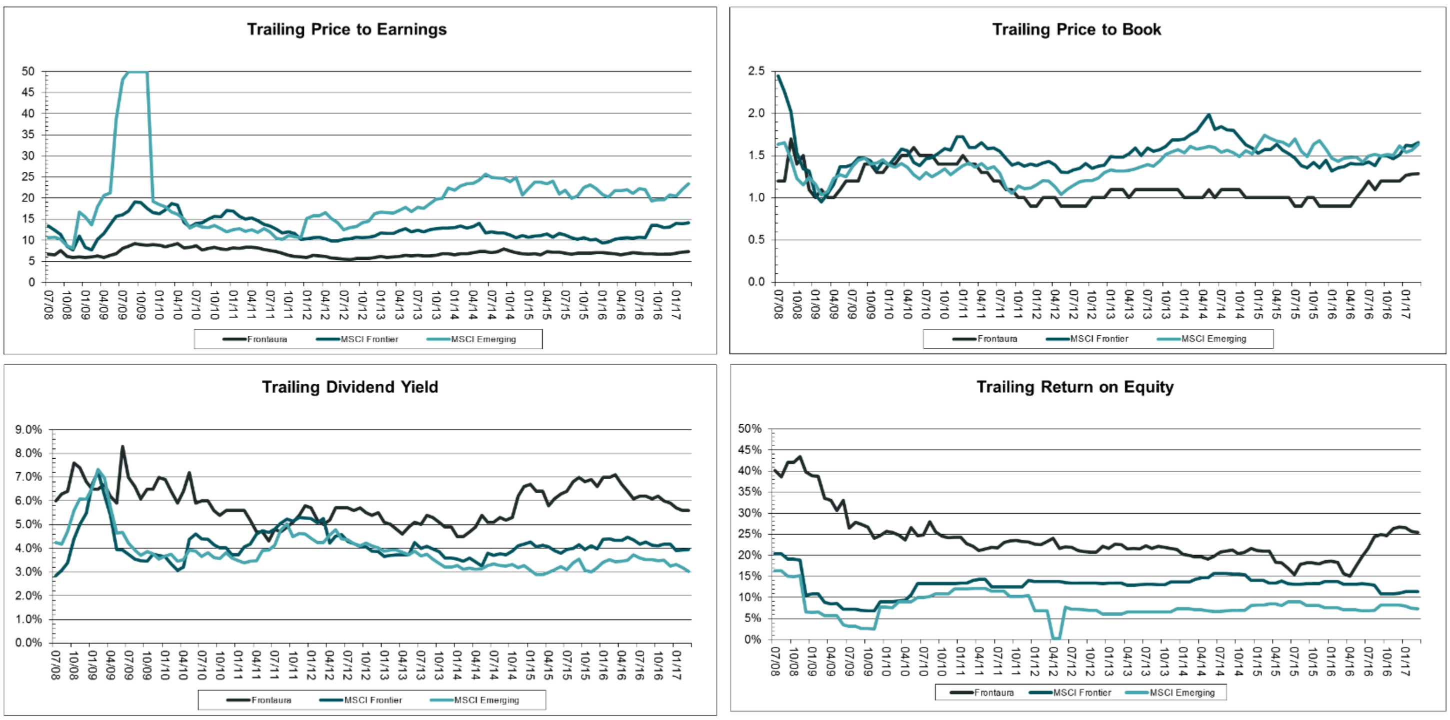
[1] As always, the performance we quote is for a hypothetical investor, who joins at inception, makes no further investments, and makes no withdrawals. Such an investor remains below our September 2014 quarter-end high water mark and thus this investor did not pay an incentive fee in Q1. We calculate performance specific to each investor, however. Two groups of investors had Q1 performance below our official 3.7% return because they paid an incentive fee due to being at their high water mark. The first group is any investor who joined after 2014. The second group consists of those who made one or more follow-on investments after 2014 of sufficient size such that their total investment has used up all of their loss carryforward. In the future, assuming we continue to approach our September 2014 high water mark (we are 2.62% below it as of March 2017), additional investors who made follow-on investments will fall into this second group. Eventually, though, if we establish a new quarter-end high water mark, then all investors will have the same performance as the hypothetical investor in quarters after we set the new high water mark (as long as an investor doesn't then make a follow-on investment). We know this is complex, so please contact us if you have a question about your Q1 performance.

[2] While February 2016 is our most recent month-end low, on a daily basis, we bottomed on 21 January 2016. Since then, we are up 17.6% through 31 March 2017.

[3] S&P 500 value of 2362.72 on March 31 divided by GAAP EPS of $94.55 per share for the four quarters ending December 2016. Standard & Poor's is our source for GAAP EPS. See cell J114 in the Estimates&PEs tab of https://us.spindices.com/documents/additional-material/sp-500-eps-est.xlsx. S&P updates this spreadsheet frequently so the cell reference will likely change.

Frontaura (the black line on each graph) is superior on all four metrics we show, meaning that our portfolio PE and portfolio price/book ratio are lower, and our weighted average dividend yield and weighted average return on equity (ROE) are higher. Throughout our history, this has often been the case. Lower valuation and higher ROE is a significant reason as to why we've had such superior performance versus these indices over time. Comparing the two indices to each other, FM presently beats EM on three of the four metrics; while on the fourth, price/book, the two are in a virtual tie (1.64 for EM versus 1.65 for FM).

Figure 1
Frontaura Global Frontier Fund LLC
Frontaura, MSCI Frontier, MSCI Emerging Valuation & Performance Metrics
July 2008 – March 2017



Source: Bloomberg

ITD. From our November 2007 inception, we've made 89% after fees, while the MSCI FM has lost 25% on a total returns basis. MSCI EM is down 11% and MSCI EAFE is off 2%. The S&P 500 has nearly matched us with an 87% gain, but the much higher valuation it carries could hinder its future performance. Figure A1 in the Statistical Appendix shows returns since inception for all of these indices, and Figure A2 shows our monthly returns since inception.

Attribution

Quarter-ending AUM was $120 million spread across 45 positions in 29 countries. Figure A3 in the Appendix presents a table of our portfolio statistics and our portfolio composition by country and region.

We had investments in 30 distinct countries at some point during Q1. In both local currency and in dollar terms, we made money in 20 and lost money in 10. For all of the talk about a possible strong dollar, currency had a negligible effect on Q1, subtracting less than $0.1 million from performance.

Figure A4 in the Appendix shows the top five and bottom five performing countries for Q1 in dollar terms, while Figure A5 shows the top and bottom five country performers in percentage terms. Each of these figures shows how our performance compared to MSCI's index for the country. Figure A6 shows our Q1 performance by region. All attribution results are before fees and expenses, as we subtract these at the fund level and not at the stock, country, or regional level.

Latam. Our best region in Q1 was Latin America and the Caribbean, up $1.7 million, or 21%. All three countries we presently invest in had double-digit percentage gains with Argentina up 24%, Peru up 16%, and Ecuador up 11%. In dollars, Argentina accounted for most of our regional gain, as we had a $1.3 million profit there—the best dollar gain of any country in our portfolio in Q1.

A positive political cycle is underway in Latin America, in both emerging and frontier countries. In contrast to parts of the developed world, populism is in retreat or on the defensive. In the three countries in which we invest, term limits have prevented left-leaning incumbent presidents from running in recent elections. This led to more orthodox, business-friendly presidents in Argentina (Macri, inaugurated December 2015) and Peru (Kuczynski, inaugurated July 2016). In Ecuador, however, on April 2, 2017, the trend did not hold as President Correa's handpicked successor Lenin Moreno narrowly defeated businessman Guillermo Lasso 51% to 49%. We believe enthusiasm that Lasso might prevail led to our Q1 gains there in part, and we sold some of our Ecuador exposure into this strength. We maintain a 1% position there.

MENA. In the Middle East / North Africa (MENA) region, we made $1.5 million, or 8%. Kuwait (up $0.7 million, or 13%), Lebanon (up $0.5 million, or 15%), and the UAE (up $0.4 million, or 11%) led the winners while Oman (down $0.2 million, or 7%) detracted from performance. Egypt, up 4%, and Qatar, down 3%, each affected performance by $0.1 million or less.

Eastern Europe. Our third best region was Eastern Europe where—like in Latin America—all three countries we presently invest in made money in Q1. Romania made $0.7 million, with a 19% gain, while Macedonia made $0.6 million, with a 26% advance that was our top performer globally in percentage terms. Serbia had a minor positive contribution.

Southeast Asia. In Southeast Asia, we made $0.7 million, or 3%. Vietnam and Papua New Guinea contributed positively, with gains of $0.3 million to $0.4 million each, or 4%-5% each in percentage terms. The Philippines and Cambodia each lost less than $0.1 million.

Eurasia. We made $0.2 million, or 4%, in Eurasia. This was due to Georgia's 5% gain, offset by an insignificant dollar loss in Mongolia, which was down 10%.

Sub-Saharan Africa. Sub-Saharan Africa was a mixed bag for us in Q1, finishing just slightly under break-even. This tepid performance was still the best for the region in seven quarters. Sub-Saharan Africa has been under pressure since Q4 2014 as oil prices slid and the dollar rose. It's lost money for us in 9 of 10 quarters since then. In Q1, we made money in five countries and lost in four. On the winning side were Nigeria (up $1.2 million, or 19%) and Rwanda (up $0.2 million, or 4%). Losers included Ghana (down $0.6 million, or 27%), Kenya (down $0.6 million, or 15%), and Tanzania (down $0.3 million, or 4%). Four other countries—Botswana, Mozambique, Uganda, and Zambia—each had a dollar impact of less than $0.1 million on an absolute value basis. Ghana was our biggest percentage loser globally as we liquidated a position quickly after a poor earnings report.

South Asia. South Asia had a modest $0.2 million loss, down 1%. Pakistan was the culprit, our biggest Q1 loser globally in dollar terms, with a $1.4 million loss, down 15%. After posting a total return of 60% from 21 January 2016 to 12 January 2017, the MSCI Pakistan Index has had a mild selloff, falling 6% from its peak through the remainder of Q1. We fared worse, in part due to mediocre earnings at one of our holdings. MSCI promotes Pakistan from its FM index to its EM index after the close May 31. Pakistan will remain well within Frontaura's universe,[4] so we will continue to invest there. Bangladesh (up $0.9 million, or 13%) and Sri Lanka (up $0.3 million, or 3%) largely offset our Pakistan loss.

Figures A7 and A8 in the Appendix show how our country allocations have changed over the past three and twelve months, while Figure A9 shows changes in position and country concentration over these periods.

Mistakes, Observations, and Lessons Learned

From 2008 through 2014, we used our Q4 letters to discuss mistakes and to describe what process changes we made to reduce the chance of repeat errors. We took a break from this exercise in Q4 of 2015, having added numerous corrective processes in the preceding years. Those processes have served us well, and while it is impossible to measure, we think they have improved our performance from what it otherwise would have been. We also heard from a few people that we had become too harsh on ourselves, although most seemed to enjoy the spectacle of our self-administered horsewhipping.

We resumed our self-examination while writing our Q4 2016 letter, but ultimately we cut that text due to the length of another topic in that letter. We had valuation regression research that was timely, and we opted to present it instead of our mistake discussion. In addition, we weren't sure if our mistakes discussion had the same newsworthiness as prior Q4 letters. Several of our discussion examples centered on minor portfolio positions or situations we have previously discussed. Re-reading this unused text again now three months later, and considering how popular our mistakes issue has been with readers in the past, we do think it's worth sharing. In updated form, then, we now present our observations and lessons learned from 2016. We find this exercise useful and we hope you gain some insight from us and how we operate in what follows.

[4] From our inception in 2007, our universe definition has not changed. We can invest in any country that is less than 0.1% of MSCI's All-Country World Index (ACWI). The ACWI consists of all countries MSCI classifies as developed or emerging. Thus, our universe includes non-ACWI countries that are not developed and not emerging, plus ACWI countries that are very small in the ACWI index, such as, among others, Egypt, Peru, Qatar, the UAE, and—once MSCI promotes it—Pakistan. A country remains in our universe until it reaches 0.2% or more of the MSCI ACWI. At that point, we will no longer make new investments in the country, but we may continue to hold existing investments. Our rules never force us to sell a holding.

Recall that our focus in these discussions is on *process*, not performance. In the end, good process should generate good performance, and process mistakes should detract from performance, although the relationship is not always that direct in a given instance.

Avoid Commodity Stocks

We've been biased against commodity producers our entire history and for the most part have stuck to our bias. Proudly, for example, we've never owned a cement company. Our reasons for not liking cement are illustrative of our reasons for not liking any commodities producer. They have great growth and returns on capital in a cyclical upswing, but they tend to peak before you expect. They are capital-intensive and lack pricing power. They are prone to competition, overcapacity, and overleverage.

Occasionally, we've been seduced by a commodities story that appears to be either so cheap or so unique that it can't lose. For a while, it doesn't. Inevitably, though, demand and pricing fall apart quicker than you expect and a stock price drop of 50% or more leaves us wondering why we ever strayed from our discipline to avoid commodity stocks.

We cleaned up a few commodity messes in 2016, from buys first made in 2013, 2015, and 2016. Thus chastened, we now rededicate ourselves to what we already knew: we are no good at investing in commodity stocks and we should avoid them.

Obviously, there are investment firms who specialize and have made money in commodity stocks and in greenfield situations, which we discuss in the section that follows. That's fine—it's their strength, but it is not ours. Successful investors must know what they are good at, and what they are not.

For the record, the three commodities losers we sold in 2016 were:

- **Tavantolgoi, a coal mine in Mongolia.** We detailed this on pages 6-7 of our Q2 2016 letter.[5] We bought Tavantolgoi in 2013, more than 80% off its peak, on a 3 PE, with a 6% yield, and a 75% return on capital. We nearly tripled our money in three months. Despite this, we ultimately sold in April 2016 at a 55% loss after demand and coal prices collapsed. The addendum to this sad tale is that Tavantolgoi finished March 2017 with a stock price four times higher in dollar terms than our last sale price one year earlier, as coking coal prices rose unexpectedly after we sold. Tavantolgoi's rollercoaster stock price action points out how little control commodity producers (and their shareholders) often have over their destinies. We got the timing right once on Tavantolgoi (buying), but we failed twice on the selling timing (we didn't take a quick profit and we ultimately sold at the low before a monster rally commenced). Fortunately, our dollar loss was only $0.3 million cumulatively on this small position.

- **Global oil basket.** This was a big loser for us—$4.0 million or 48% over 2015 and 2016—as we painstakingly explained on pages 7 and 11-15 of the Q2 2016 letter.[6] That explanation contained several risk management ideas on loss limitation. We have used these ideas in sizing the Egypt basket we initiated in January 2017.

[5] http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2016Q2.pdf.

[6] Ibid.

- **United Cacao, a cacao plantation in Peru.** Although somewhat immaterial in magnitude (our total loss was under $0.1 million), this greenfield company seemed to be a good story at a value price until cost overruns and funding uncertainty caused a year-end stock price collapse. We sold, adding "Avoid Commodity Stocks" and "Avoid Greenfield Situations" (see the following point) to our mistakes list.

Avoid Greenfield Situations

Sometimes when we first meet investor prospects, they have a misperception that we are investing in companies so risky that we expect some portion of our portfolio to go to zero, as a venture capitalist might. That's not what we do. We are more typically buying the bank that's been the market leader for several decades with a reasonable chance of remaining the market leader in the coming decade; or, we are buying a brewer or consumer packaged food business that's been present in a country since before the country gained independence. United Cacao that we cite in the section above is an exception. Writing about it caused us to reflect upon one other exception. Way back in March 2008 shortly after we started Frontaura, we bought Pangaea Development Holdings, a pan-African housing developer. The company's plans were more aspirational than obtainable, but in the heady days before the global financial crisis hit our markets, we couldn't help ourselves. *The Wall Street Journal* had profiled one of the company's sponsors on its front page, and we knew management and other experienced investors who were funding the company. It was a different time. And our timing was terrible! Pangaea turned out to be a total loss, the only zero in our history. The financial crisis caused financing to dry up and Pangaea's business plan couldn't survive this. Fortunately, as with United Cacao, our loss was less than $0.1 million, as we limited Pangaea to only a 1% position in our then very small fund. With our stellar record of going 0 for 2 on companies with little to no revenue, we now add "Avoid Greenfield Situations" to our list of lessons learned. At least we did size these investments appropriately, given their riskiness.

Overstaying Our Welcome on Winning Trades

There's an irony here. Value-oriented managers like us are notorious for being too early twice: buying a cheap stock before it bottoms and selling an appreciating stock well before it peaks. The "mistake" we discuss here is the opposite scenario—having a big winner dwindle to a modest winner over time by holding on too long. This can happen through inertia accompanied by too much complacency on fundamentals, overvaluation, or currency vulnerability.

After observing a number of cases where this occurred 2014 through 2016, we asked ourselves if we were systematically prone to being too complacent in our ongoing analysis of long-term winners. Mulling this over, we came up with three conclusions:

- We probably are guilty of this to some degree. It is human nature after all—if something has never given you a problem, you tend to assume it will remain problem free and you focus your worries elsewhere. Our long-term investor orientation also means that we may dismiss the first warning signs of trouble.

- Nonetheless, beyond an increased awareness of this issue, most of the time we think the processes we have today are working okay. This is due to our recurring portfolio reviews and a process change we implemented two years ago. In our Q4 2014 letter,[7] we discussed our losses on Silvano Fashion Group, where we failed to put the cockroach theory[8] to work, and we overstayed our welcome.[9] We have used this process change—a drop in our intrinsic value estimate for a stock beyond a percentage threshold[10] triggers an immediate hold or sell discussion—to reasonably good effect. We are somewhat quicker to sell now, but not overly so.[11]

- Our review did reveal two instances with common attributes that led to a process change. We describe this in the next section.

Investments in Illiquid Stocks in Small Countries Are as Much about the Currency as They Are about the Company

Several cases where we overstayed our welcome were in smaller, illiquid positions. Common attributes here are a cyclical downturn; currency weakness, often severe; and a decline in trading volume. Our solution, implemented from February 2016 onward, is that we have an exit plan for every stock we hold. We review and update a stock's exit plan, if necessary, whenever we update our trading plan.[12] For liquid names, the exit plan is not that important, but we find it helps to think about the exit on less liquid names, even when you are first buying the stock. Sometimes like a private equity investor, you have to make your own exit. For example, we may develop relationships with the controlling family or other large institutional investors that allow us to sell our shares to a natural buyer.

We provide three examples of this point. We've made money on all three, but with the first two we lost much of our paper profit by holding on too long. The third is a case where we are completely happy with our exit, and our exit shows some learning from the first two situations.

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[7] See pages 6-7 in our Q4 2014 letter. See also pages 5-6 in our 2015 Q2 letter after we exited Silvano.
http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2014Q4.pdf.
http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q2.pdf.

[8] The idea being that if you see one cockroach (problem), there are bound to be numerous other cockroaches (problems) present that you are not seeing, so you should sell at the sign of the first cockroach (problem).

[9] Silvano had a similar sad addendum for us as Tavantolgoi, the coal miner. Silvano recovered fundamentally much quicker than we expected, with the stock regaining most of its losses. With perfect hindsight, we should have sold at the initial signs of trouble, or we should have held on throughout. Instead, we capitulated at what turned out to be the bottom. Obviously, the bottom is only ascertainable in hindsight. This is another common investor pitfall: first, failing to sell, then, failing by selling.

[10] Initially, we triggered a review whenever our estimate of a company's intrinsic value fell 20%. We found that to be somewhat too frequent, so we now use 25%.

[11] In 2015-2016, we sold 42% of the time when this rule triggered a sell or hold discussion. We estimate that we would have sold in 28% of these situations even if this rule did not exist, so this rule has generated only modest incremental selling. Nevertheless, we are more comfortable with our sell discipline now than we were before we had the rule.

[12] We discussed trading plans on page 9 of our 2014 Q4 quarterly letter. Originally, we updated our trading plans monthly, now we update them every few months as necessary. As before, we'll make ad-hoc daily updates when the situation necessitates. See:
http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2014Q4.pdf.

Undervalued asset. We won't mention this company by name as we still hold the position. In November 2007, we began buying a business where the stock price was trading at a fraction of the value of the underlying assets. A comparable company with nearly identical assets had recently sold in private sale at over four times the enterprise value of this company. This stock traded infrequently, but we bought shares when we could. In April 2011, our $257K investment was worth $725K (including dividends received), a 2.83x gain, with an 86% IRR. However, due to rapid increases in our AUM, this holding had declined as a percentage of our portfolio to below 1%. If only we had cashed out our success then! For this company was in a commodities country, and April 2011 represented a post-financial crisis peak in commodities prices that has yet to be surpassed. The currency has plummeted since then, at one point down 74% from its value when we first transacted. Further, investor interest in this country has declined markedly, and thus trading in this stock has dried up to virtually zero. By the end of 2015, we had actually fallen to a loss position on this stock, although we now have an immaterial gain due to some currency recovery in 2016. We underappreciated the degree to which the commodities cycle would dictate our investment outcome, for the business we owned had nothing directly to do with commodities.

The stock remains an excellent value, both on a replacement cost/asset sale valuation and now on a PE and yield basis as earnings have grown. On one hand, we don't mind holding it because of its underlying value, but on the other hand, we do wonder if we will ever realize its value. Fortunately, at only 20 basis points of the portfolio now, this doesn't matter too much.

The lesson for us is that you have to sell stocks like this when you can, and that is when times are good, before you want to. You have to think you are leaving money on the table. If you wait until fundamentals turn, buyers will be gone. This part of the lesson is a truism for illiquid assets globally: miss the selling window and you have to wait for a positive cyclical turn for another selling opportunity to occur. The kicker for frontier markets is that while you are waiting, the currency can wash away all of your profit, even if the stock price is relatively stable. Moreover, while some currency appreciation may occur after the cyclical bottom, the way frontier countries operate (with higher underlying inflation), the currencies tend not to appreciate to anywhere near their former levels. Therefore, the investment loss due to currency may be largely permanent.[13]

National Bank of Malawi. Here's another example, albeit one where we ultimately did exit. In 2013, we noticed National Bank of Malawi (NBM) was significantly mispriced. We began buying the shares in April and May of that year at prices of 62-65. The stock was illiquid and we never got as much as we would like, ultimately buying only $306K worth over four months. Nevertheless, one year later at its peak USD value in September 2014, our investment was up 3.54 times (including dividends received) at a local currency price of 240. We sold the stock from June through November 2016 at prices ranging from 258 down to 254. Despite a flat to slightly appreciating local currency price, our peak profit of $778K dropped 44% to $434K, due to currency devaluation. We finished with a final gain of

[13] In the next positive economic cycle, the local currency stock price may have extra appreciation to some degree in recognition of the depressed USD value of the asset. This should only be true, however, to the extent the business itself can improve its local currency profits to make up for the currency devaluation. In any event, you may have to wait a long time for this uncertain recovery in USD-based asset prices to occur. As we are fond of saying, if the (USD) price drops 50% while you are being a patient long-term investor, you made a mistake. Better to have sold instead of waiting.

only 2.42 times our investment. Malawi is not a mineral or energy commodities country, but its economy does have heavy agricultural exposure. Successive poor harvests and a political scandal known as Cashgate did impact the currency and our investment. This is another country where taking a quick profit when everything looks good is advisable.

National Commercial Bank of Jamaica (NCBJ). For our final example, we refer you to pages 10-11 of our Q4 2015 quarterly letter[14] where we provide a two-paragraph write-up of our entry and exit of this leading Jamaican bank. While holding NCBJ, we had in mind our shrinking profit due to currency devaluation from the two examples above. Jamaica has some characteristics similar to the countries above, even though different factors drive its economy. Jamaica is a small country and economy, with a weak macro position (in Jamaica's case high debt and a permanent current account deficit), that make it vulnerable to crises. Its currency regime is a crawling peg to the US dollar that persistently devalues. Finally, its stock market is thin. We bought NCBJ for reasons similar to National Bank of Malawi: we thought the stock significantly undervalued, with the country's macro situation on a cyclical upswing. One year later, we had nearly doubled our money, and we exited with a $1.5 million profit while everything still looked good. We wrote in our Q4 2015 letter that we sold despite our "gut instinct being that the shares may trade higher." They have. NCBJ ended March 2017 with a stock price 59% higher in USD terms than our last sale in December 2015. We have no regrets in this situation about leaving early, however. Given Jamaica's characteristics, we think it was the correct move to sell while the exit was easy, rather than sticking around to see how long the cycle would last before the next downturn.

Fund and Management Company News

Please e-mail us if you are interested in an end-of-quarter phone call or visit.

Minimum lowered to $500,000. As we announced in our March 31 comment, new investors may now join Frontaura for $500,000. The last time we made an exception to our official $1 million minimum was back in 2012. We have received numerous requests recently from individuals wanting to invest, but at less than the $1 million level. After much consideration, we believe it makes business sense again for the fund to welcome these investors. This offer is open-ended for now, but SEC regulations do limit us to 100 total investors, and our existing investors have taken most of these slots already.

For existing investors, the minimum follow-on investment is $10,000. There is no additional paperwork for follow-on investments. We remain open for investment, accepting new investments monthly from both new and existing investors. On the first of each month, we will credit investor account balances with money received on or before the last business day of the prior month. For example, we will invest funds we receive on or before Friday, April 28 as of May 1. We will invest funds we receive on or before Wednesday, May 31 as of June 1, and we will invest funds we receive on or before Friday, June 30 as of July 1.

Travel. In Q1, we made research trips to Egypt (twice), Kuwait, the United Arab Emirates, and Vietnam, also attending four different conferences in the process.[15] Altogether,

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[14] http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q4.pdf.

[15] We discuss Egypt in our January and February comments, and Pakistan and Vietnam in our March comment.
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2017_01.pdf.
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2017_02.pdf.
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2017_03.pdf.

including visits to our office, we had face-to-face meetings with companies from 17 countries during the quarter.

Our next research trip will be to Nigeria in May.

Through April 7, we've met clients in Boston, Chicago, New Hampshire, New York, and Florida.

Our usual Statistical Appendix follows this page. If you have anything you'd like to discuss, please e-mail or call us. We thank you for being a Frontaura client.

Best regards,

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Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Performance[16]
31 March 2017

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
2017 Q1	4%	6%	7%	11%	9%
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%
2015	- 5%	1%	- 1%	- 15%	- 14%
2016	7%	12%	1%	11%	3%
Inception to Date	89%	87%	- 2%	- 11%	- 25%
ITD CAGR	7.0%	6.9%	- 0.2%	- 1.2%	- 3.0%

Figure A2
Frontaura Global Frontier Fund LLC
Monthly Performance
31 March 2017

	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%	3.9%	0.4%	-1.6%	-1.5%	-3.7%	-0.9%	3.3%	-2.4%	0.1%	-5.5%
2016	-4.8%	-0.6%	4.2%	1.8%	2.9%	-0.3%	1.6%	-0.4%	1.1%	-0.4%	0.7%	0.8%	6.6%
2017	2.9%	-0.1%	1.0%										3.7%

[16] 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/disclosures/Frontaura_Disclosures_as_of_2015_09_30.pdf.

Figure A3
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[17]
31 March 2017

Country	Holding
Sri Lanka	9%
Vietnam	8%
Nigeria	7%
Pakistan	7%
Papua New Guinea	7%
Bangladesh	6%
Argentina	6%
Tanzania	5%
Kuwait	5%
Georgia	4%
Rwanda	4%
Romania	3%
Lebanon	3%
United Arab Emirates	3%
Kenya	3%
Cambodia	3%
Macedonia	2%
Serbia	2%
Egypt	2%
Oman	2%
Botswana	1%
Uganda	1%
Ecuador	1%
Peru	1%
USA (cash only)	1%
Mozambique	1%
Ghana	1%
Qatar	1%

Region	Holding
Sub-Saharan Africa	24%
South Asia	22%
Southeast Asia	17%
Middle East / North Africa	16%
Eastern Europe	8%
Latin America & Caribbean	8%
Eurasia	4%
USA (cash only)	1%

Sector	Holding
Financials	47%
Consumer Discretionary	14%
Consumer Staples	10%
Utilities	7%
Materials	6%
Industrials	6%
Cash	4%
Energy	3%
Real Estate	3%
Others	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	7.3
Portfolio Price to Book	1.29
Portfolio LTM Dividend Yield	5.6%
Return on Ending Equity	25.4%
Positions	45
Countries	29
Average Market Cap	$950m
Median Market Cap	$552m
Portfolio Turnover (LTM)	27%
Portfolio Turnover (ITD)	28%
Standard Deviation (ITD)	14%
Beta to S&P 500 (ITD)	0.51
Assets Under Management	$120m

[17]Click this link for an explanation of our holdings and portfolio statistics: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_09_30.pdf.

Figure A4
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2017 Q1

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)[18]	Frontaura Return (%)	MSCI Return[19]	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Argentina	1.3	24%	35%	Pakistan	-1.4	-15%	-2%
Nigeria	1.2	19%	0%	Ghana	-0.6	-27%	0%
Bangladesh	0.9	13%	5%	Kenya	-0.6	-15%	-1%
Kuwait	0.7	13%	10%	Tanzania	-0.3	-4%	--
Romania	0.7	19%	14%	Oman	-0.2	-7%	-7%

Figure A5
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2017 Q1

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Macedonia	0.6	26%	--	Ghana	-0.6	-27%	0%
Argentina	1.3	24%	35%	Kenya	-0.6	-15%	-1%
Romania	0.7	19%	14%	Pakistan	-1.4	-15%	-2%
Nigeria	1.2	19%	0%	Mongolia	0.0	-10%	--
Peru	0.2	16%	6%	Oman	-0.2	-7%	-7%

[18] This footnote applies to all columns labeled "Frontaura Return ($millions)" and "Frontaura Return (%)" on this page and any page with a similar table. 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/disclosures/Frontaura_Disclosures_as_of_2015_09_30.pdf.

[19] This footnote applies to all columns labeled "MSCI Return" on this page and any page with a similar table. 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 A6
Frontaura Global Frontier Fund LLC
Performance by Region
2017 Q1

Region	2017 Q1	
	Frontaura Return ($millions)[20]	Frontaura Return (%)
Latin America & Caribbean	1.7	21%
Middle East / North Africa	1.5	8%
Eastern Europe	1.3	15%
Southeast Asia	0.7	3%
Eurasia	0.2	4%
Sub-Saharan Africa	0.0	0%
South Asia	-0.2	-1%

[20] The Frontaura Return footnote on the first attribution table on a prior page applies to all Frontaura Return columns on this page.

Figure A7
Frontaura Global Frontier Fund LLC
Significant Quarterly Country Mix Changes[21]
2017 Q1

Country	Percentage Point Change	Explanation
Egypt	+2	Initiated Egypt basket

Figure A8
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2016 Q2 - 2017 Q1

Country	Percentage Point Change	Explanation
Kuwait	+5	Added new position Q2 2016; strong stock performance
Georgia	+4	Added new position Q2 2016; strong stock performance
Argentina	+3	Added new position Q4 2016; gains in existing position
United Arab Emirates	+3	Added new position Q3 2016; good stock performance
Egypt	+2	Added new position Q1 2017
Sri Lanka	+2	Added two positions Q2-Q3 2016
Ghana	-2	Exited position Q1 2017
Vietnam	-3	Multiple position exit sales > appreciation and buys
Montenegro	-4	Exited all positions in 2016

[21] 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 a discussion of how we classify cash by country: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_09_30.pdf.

Figure A9
Frontaura Global Frontier Fund LLC
Portfolio Concentration[22]
31 March 2017

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	45	29	-4	-1	-7	-2
Top 5	25%	38%	-1	-1	+2	-1
Top 10	42%	64%	-2	--	+5	+3
Top 20	68%	92%	-2	+1	+7	+6
Top 20 + USA (Cash)	69%	93%	-1	+1	-1	-2

[22] 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 a discussion of how we classify cash by country: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2015_09_30.pdf.