FRONTAURA CAPITAL LLC
FRONTAURA GLOBAL FRONTIER FUND LLC

Quarterly Letter – 2018 Q1

We finished writing this letter Sunday 8 April 2018, reflecting market movements through Friday 6 April 2018.

Two years ago, after the oil price low in January 2016, global stock market performance leadership passed from the S&P 500 to emerging markets (EM). Although it is too early yet to know, we now wonder if, in Q1 2018, EM passed the baton to frontier markets (FM), as the latter has outperformed notably since the late January highs. This makes sense as trade war worries began to sink markets then and FM countries have fewer trade links than do EM (or developed) countries.

Given this selloff, we have conducted our most thorough study of global market corrections during our history, to see how we and the various indices perform. Later, we devote most of the text of this letter to this topic. The conclusion, as long-time Frontaura observers can probably guess, is that Frontaura has by far provided better downside protection than any of the indices we typically cite. For example, if we measure returns from the date the S&P 500 peaked to the date it troughed, Frontaura outperformed the S&P 500, MSCI EAFE (developed countries outside North America), MSCI EM, and MSCI FM during *each* of the nine most significant global market selloffs in our history. That's nine for nine against four different indices.

We'll begin this letter by recapping performance and valuation, then we discuss a possible global trade war, and examine Q1 attribution. Next, we turn to our main topic—performance during global market selloffs. We conclude the letter with fund and management company news and our statistical appendix.

Performance

Q1. Volatility returned to global markets in Q1 after a placid 2017, but we posted our eighth consecutive quarterly gain with 1.5% advance. The MSCI Frontier Markets (FM) Index had a 5.1% total return in Q1, compared to 1.4% for MSCI Emerging Markets (EM), while the S&P 500 lost 0.8%, and MSCI EAFE dropped 1.5% (all figures on a total return basis).

While it seems a distant memory, the quarter began at torrid pace, with all the indices posting gains of 5%-8% in the first month, making our 2% January advance look meager. Once markets swooned though, our performance gap closed against all but the FM index itself. Large cap Vietnamese momentum stocks, which we consider overvalued, propelled MSCI Vietnam up another 18% in Q1 (after gaining 65% in 2017), and this explains about three-quarters of FM's higher Q1 result compared to us. We discussed this phenomenon in detail in last quarter's letter.[1] To show the extent to which large caps drove FM performance, we note that the MSCI FM Small Cap Index lost 1% in Q1, six percentage points below FM itself. We're agnostic on market cap, but biased toward value, which means we typically own more small caps than large caps.

ITD and valuation. Since our November 2007 inception, we've returned 117%, now just ahead of the S&P 500's 113%. MSCI EAFE has gained only 13%, MSCI EM 12%, and MSCI

[1] See pages 3-4 in http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2017Q4.pdf.

FM has a 5% loss during this time. Figure A1 in the Statistical Appendix shows quarterly, annual, and compounded returns for us and these indices. Figure A2 shows our monthly returns since inception.

We believe one reason for this superior long-term performance is the value orientation of our portfolio, which is less expensive than the companies that constitute these indices. At quarter-end, on a trailing as-reported basis, our portfolio PE is 8.2 with a 1.37 price/book, and a 5.4% dividend yield. Other likely reasons for our outperformance include high returns on capital and low risk of debt distress. Our portfolio weighted average return on ending equity is high at 23.2% and this is not due to leverage. Our non-financials tend to have low debt levels, often zero, and our financials are much better capitalized (less levered) than is typical in the developed world.

Trade war?

We've received inquiries about how a possible global trade war might affect Frontaura. Our answer is that a trade war is bad for all global equities, us included, however, we should be relatively less affected. As mentioned, frontier is more isolated than developed and emerging countries, and this is true for both the companies we own and the stock markets they trade upon. Since our inception over a decade ago, we have always focused our portfolio on companies that are a play on the fast-growing domestic economies within frontier markets. Our reasoning is that if our universe has the fastest economic growth in the world, we should look for domestic plays on that fast growth, rather than companies oriented to export to developed and emerging countries, which grow more slowly.

Naturally, there will be a few exceptions to this in our portfolio. Let's take Vietnam as an example. Vietnam is one of the most trade-oriented countries within frontier, so a trade war may affect it more directly than other countries. However, we would expect our Vietnamese portfolio to suffer only second-order effects. We own eight companies in Vietnam. GICS, the industry classification system that MSCI and S&P administer, classifies five in the consumer staples sector (think food and beverages) and two in the consumer discretionary sector. The eighth, representing less than one-tenth of our Vietnam exposure and less than 1% of our total portfolio, is a shipping and logistics operator with trade exposure.[2]

Attribution

Quarter-ending AUM was $141 million spread across 50 positions in 27 countries. Figure A3 in the Appendix presents a table of portfolio statistics and composition by country and region. Note that all attribution results we present in this section are before fees and expenses, as we subtract these at the fund level and not at the stock, country, or regional level.

Egypt, Nigeria. We had investments in 29 distinct countries at some point during Q1. In dollar terms, we made money in 17 and lost money in 12. In only three countries, however, did our loss round to more than $0.1 million. We had an FX gain for Q1, but it was only $0.2 million, so currency moves within the quarter had little effect on our performance. Nonetheless, Egypt and Nigeria, two countries with recent significant currency reforms, dominated our Q1 stock performance. These two combined accounted for over 90% of our

[2] At quarter-end, this company traded on a trailing PE of 4.0 with a 21% ROE and a 6.1% dividend yield, so we don't see that much valuation compression risk, although perhaps earnings could decline. On the other hand, with only a $36 million market cap, this small company could possibly just grow right through any trade disruptions.

Q1 gain, with Egypt making $1.7 million and Nigeria $1.6 million, both representing 14% gains. Figures A4 and A5 in the Appendix show our top and bottom five performing countries for Q1 in both dollar and percentage terms.

Argentina. Absent from our leader board was 2017's top dollar performer and a third country with a currency reform story, Argentina, which paused in Q1, losing $0.1 million or 1%. Subsidy removals in Argentina have kept inflation higher than anyone, including us, expected. This stubborn level of inflation caused the Argentine peso to weaken in December, January, and February. While this limited our Q1 performance, it improves currency competitiveness modestly and it reinforces the difference between the present Macri administration and the prior Kirchner regime. Under Kirchner, the central bank maintained a pegged currency at an uncompetitive rate until inevitably they pushed through a major shock devaluation.

We prefer the currency regime from December 2015 onward under Macri, where the peso floats in the market. The peso stabilized in March 2018, however, as the central bank did begin intervening in the market. They indicate this is only temporary, to tamp down speculation against the peso that was rising and to ride out the transitory effect of utility price increases on near-term inflation. For once we are inclined to believe what a central bank says given the high level of credibility the Macri administration has with investors. Nevertheless, we are keeping a watchful eye on monthly inflation figures, daily central bank interventions, and the level of international reserves. As mentioned in last quarter's letter,[3] we trimmed our Argentina exposure from late November through early January as it approached 10% of our portfolio and strong performance left valuations "not priced to absorb much bad news, in our opinion." Argentina represented 7%-8% of our portfolio for most of Q1.

MENA, South Asia. Regionally, we did best in Middle East / North Africa (MENA) in Q1, making $2.6 million there, or 7%, led by our Egyptian gain. We did worst in South Asia, with a $1.4 million (7%) loss, as the three countries of this region—Sri Lanka, Bangladesh, and Pakistan—were our three biggest Q1 losers.

While each of these countries has specific issues, common themes also exist. South Asia is an oil-importing region, and fares relatively better when oil prices are falling. As oil prices are higher than one year ago and more than double the lows of 2016, this presents a headwind for the countries' current accounts, international reserves, and currencies. Pakistan had modest devaluations in December and March, but probably its currency needs to fall further; Bangladesh is gradually letting its currency weaken, but at too slow of a pace, leading to dollar shortages and repatriation delays; and Sri Lanka's currency probably also should weaken a bit faster than it has, although we've not had any trouble there getting money out.

Each of these countries also has political challenges—elections this year in Pakistan and no later than early next year in Bangladesh and severe ruling party losses in local elections recently in Sri Lanka. Nevertheless, we tend to focus most on the currency and macroeconomic issues. We've largely sold out of Bangladesh, cashing in one of our winners in recent years. The country has some risk of a banking crisis—due to cronyism, lax central bank regulation, and directed loans in its lower quality banks—but we are not sure if this will blow over or if it will infect the more credible banks in the system. We hold 9% of the fund in Sri Lanka, collectively trading at a 5.3 trailing PE, and 3% of the fund in Pakistan,

[3] We discuss Argentina on pages 2-3 in http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2017Q4.pdf.

collectively trading at a 4.0 trailing PE. Our 13% allocation to the region is the smallest since November 2014, toward the beginning of the oil crash.

Sub-Saharan Africa. Our second-best region in Q1 was Sub-Saharan Africa, where we gained $1.9 million, or 6%, led by Nigeria. As Q1 shows, this region often performs the opposite of South Asia. High oil prices may hurt South Asia but they certainly help Nigeria. A 10-quarter bear market ended in Sub-Saharan Africa a year ago, and we have now made money there four quarters in a row.

Appendix Figure A6 shows our returns by region and country within each region, each sorted from best to worst by dollar return. This figure has more information than in the past, reducing the amount of text in this section as now we show all country returns in that figure. Figures A7 and A8 show how our country weightings have changed in the past quarter and year. Finally, Figure A9 presents portfolio concentration data.

Frontaura: Losing Less When Markets are at their Worst

A theme we have harped on in the last two monthly comments and throughout our history is that when global markets sell off, we tend to lose less than the indices do. We provided this explanation in our February comment:

> *We don't strive for this directly through hedging or raising our cash level, rather it is a natural by-product of our investment style and comes from: 1) low valuations in our portfolio; 2) generally owning stocks other than those that are the most popular and most liquid (and often the most volatile); and 3) country diversification, with risk-oriented limits to country exposure that we think are more sensible than are the index country weights.*

While we have covered this topic before, for this letter, we have conducted the most in-depth study of market corrections in our history, studying every significant correction and trolling through our archives to calculate daily Frontaura performance instead of relying only on our official month-end performance figures.[4] As is usual for us, Frontaura performance is net of fees and all index figures are total returns, so some index data will vary from price-only figures you may see from other sources.

Figure 1 shows what we consider to be the nine most significant selloffs during our history. This covers more than a decade, beginning with the global financial crisis in 2007 and

[4] There could be a few minor inaccuracies in our Frontaura data. We are a monthly reporting fund, so we vet our performance numbers thoroughly at month-end. Nevertheless, we run automated portfolio reports throughout each day, and while we do not vet them as closely for data errors as we do at month-end, we think they are accurate enough to use for this exercise.

Note that our internal performance calculations deduct an estimate of the full month's management fee and expenses at the beginning of each month, rather than ratably throughout the month, or at the end of the month when the charge officially occurs. Therefore, there is a slight downward bias to our performance that diminishes as the month goes on. We do not correct for this here, as the effort for us to do so would exceed any additional insight we gain. In some cases, though, we picked high or low dates qualitatively, when it was obvious this downward bias affected the date upon which our NAV peaked or troughed. Our intra-month performance does properly account for the incentive compensation accrual.

On some occasions in the past, we have presented selloff data using only our month-end valuations. Daily data can produce higher highs and lower lows than monthly data, so the percentage drops we show for Frontaura in this letter may be greater than what we've shown in the past. Investors can only redeem from Frontaura at quarter-ends, so the percentage losses we show here typically exceed what investors realized.

including the recent, and possibly ongoing trade-war-related selloff. If we measure returns from the date the S&P 500 peaked to the date it troughed, Frontaura outperformed the S&P, EAFE, EM and FM during each of these nine episodes. If we use a date range that is specific to each index's peak and trough and to our peak and trough, we find that we still beat EAFE, EM, and FM nine times out of nine, and we top the S&P 500 seven times out of nine. Again, we do this without hedging or reducing equity exposure. We consider this to be a strong attribute of investing in Frontaura and one that we believe we don't get enough credit for, especially when markets are rising.

Figure 1
Frontaura Global Frontier Fund LLC
Returns during Selloffs
2007-2018

Crisis	Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
Global Financial Crisis	S&P Peak to Trough	-55%	-59%	-60%	-62%	-28%
	Specific Peak to Trough	-55%	-60%	-65%	-67%	-38%
	Specific Dates	10/9/2007 - 3/9/2009	10/31/2007 - 3/9/2009	10/29/2007 - 10/27/2008	1/15/2008 - 3/3/2009	6/4/2008 - 1/23/2009
2010 Euro Crisis	S&P Peak to Trough	-16%	-14%	-10%	-11%	1%
	Specific Peak to Trough	-16%	-20%	-18%	-14%	-2%
	Specific Dates	4/23/2010 - 7/2/2010	4/15/2010 - 5/25/2010	4/15/2010 - 5/25/2010	4/12/2010 - 7/5/2010	4/12/2010 - 5/25/2010
2011 Euro Crisis / Arab Spring / US Default Concerns	S&P Peak to Trough	-19%	-24%	-28%	-17%	-11%
	Specific Peak to Trough	-19%	-26%	-30%	-22%	-20%
	Specific Dates	4/29/2011 - 10/3/2011	5/2/2011 - 10/4/2011	5/2/2011 - 10/4/2011	1/26/2011 - 1/16/2012	2/15/2011 - 1/24/2012
2012 Euro Crisis	S&P Peak to Trough	-10%	-15%	-14%	-6%	-3%
	Specific Peak to Trough	-10%	-16%	-17%	-8%	-7%
	Specific Dates	4/2/2012 - 6/1/2012	3/19/2012 - 6/4/2012	3/2/2012 - 6/4/2012	3/30/2012 - 6/14/2012	5/6/2012 - 6/26/2012
2013 Taper Tantrum	S&P Peak to Trough	-6%	-10%	-15%	-4%	-1%
	Specific Peak to Trough	-6%	-10%	-16%	-6%	-3%
	Specific Dates	5/21/2013 - 6/24/2013	5/21/2013 - 6/24/2013	5/8/2013 - 6/24/2013	6/7/2013 - 6/26/2013	6/12/2013 - 6/24/2013
2014 Oil Crash / Strong Dollar	S&P Peak to Trough	-7%	-9%	-7%	-5%	3%
	Specific Peak to Trough	-7%	-14%	-17%	-20%	-12%
	Specific Dates	9/8/2014 - 10/15/2014	7/3/2014 - 1/7/2015	9/3/2014 - 12/16/2014	8/7/2014 - 12/17/2014	10/13/2014 - 1/23/2015
2015 Oil Crash / China Devaluation	S&P Peak to Trough	-12%	-9%	-16%	-9%	-6%
	Specific Peak to Trough	-12%	-17%	-27%	-14%	-9%
	Specific Dates	7/20/2015 - 8/25/2015	5/21/2015 - 9/29/15	4/28/2015 - 8/24/15	5/1/2015 - 10/1/15	5/14/2015 - 8/26/15
2016 Oil Crash / China Concerns	S&P Peak to Trough	-13%	-15%	-17%	-10%	-7%
	Specific Peak to Trough	-13%	-16%	-20%	-15%	-8%
	Specific Dates	11/3/15 - 2/11/16	10/26/15 - 2/12/16	10/23/15 - 1/21/16	11/3/15 - 1/20/16	10/30/15 - 1/21/16
2018 Trade War Worries	S&P Peak to Trough	-10%	-7%	-9%	-5%	-2%
	Specific Peak to Trough	-10%	-9%	-10%	-6%	-3%
	Specific Dates	1/26/2018 - 2/8/2018	1/25/2018 - 2/9/2018	1/26/2018 - 2/9/2018	1/22/2018 - 2/9/2018	1/22/2018 - 2/13/2018

Figure 2 shows the rank order of performance for the four indices and Frontaura during each selloff (1=best performer, 5=worst performer) and the average rank order across all these selloffs. For this rank order, we use peak and trough dates specific to each index and to us.

The average rank shows a clear delineation. Frontaura has provided the most protection, followed by the S&P 500, FM, EAFE, and EM. EM had the biggest loss six times out of nine, and second biggest loss the other three times. While EAFE only had the biggest loss once in the initial euro crisis of 2010, it had the next biggest loss five other times and never finished first or second. FM did worst twice (in the global financial crisis and the 2014 oil crash), but every other time it was in the top three and three times it did better than the S&P 500. The S&P 500 was best twice, beating us in the 2011 euro crisis by one percentage point and in the 2014 oil crash by five percentage points. The S&P was always in the top three until the

2018 correction, where it finished fourth, only 0.1 percentage point ahead of EM. Time will reveal whether, among the indices, the S&P 500 is losing both its upside leadership (it gained less than the other indices in 2017) and its downside protection.

Figure 2
Frontaura Global Frontier Fund LLC
Rank Order during Selloffs
2007-2018

Crisis	Frontaura	S&P 500	MSCI Frontier	MSCI EAFE	MSCI Emerging
Global Financial Crisis	1	2	5	3	4
2010 Euro Crisis	1	3	2	5	4
2011 Euro Crisis / Arab Spring / US Default Concerns	2	1	3	4	5
2012 Euro Crisis	1	3	2	4	5
2013 Taper Tantrum	1	2	3	4	5
2014 Oil Crash / Strong Dollar	2	1	5	3	4
2015 Oil Crash / China Devaluation	1	2	3	4	5
2016 Oil Crash / China Concerns	1	2	3	4	5
2018 Trade War Worries	1	4	2	3	5
Average Rank	1.2	2.2	3.1	3.8	4.7

We discuss each of these selloffs below, repeating the relevant section of Figure 1.

Global Financial Crisis

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-55%	-59%	-60%	-62%	-28%
Specific Peak to Trough	-55%	-60%	-65%	-67%	-38%
Specific Dates	10/9/2007 - 3/9/2009	10/31/2007 - 3/9/2009	10/29/2007 - 10/27/2008	1/15/2008 - 3/3/2009	6/4/2008 - 1/23/2009

The S&P 500 had a total return loss of 55% from 9 October 2007 through 9 March 2009. Using those exact dates, the total return losses for EAFE, EM, and FM were somewhat worse at 59%, 60%, and 62%, respectively. EAFE and EM peaked about three weeks after the S&P 500, auspiciously right before we began investing on 1 November 2007. Our return from inception through the S&P 500 low was -28%.[5] This felt terrible at the time, but it meant that for every $1, we had 60% more money left on 9 March 2009 than did an investment in the S&P 500 (72 cents versus 45 cents). FM did not peak until 15 January 2008 and we did not peak until 4 June 2008, eight months later than the S&P 500 and a couple of months after the Bear Stearns bailout. EM bottomed out first on 27 October 2008, 65% lower than its peak

[5] The S&P 500 peaked 9 October 2007 and troughed 9 March 2009. We only began investing on 1 November 2007, so we measure our return corresponding to the S&P selloff dates from 1 November 2007 through 9 March 2009.

almost exactly a year earlier. We were the next to bottom on 23 January 2009, meaning we had the shortest peak-to-trough cycle, of about seven and one-half months, during which we fell 38%. FM hit bottom on 3 March 2009, down 67% from its January 2008 record, while EAFE, after losing 60%, troughed on 9 March 2009, the same day as the S&P 500.

Euro Crises

The aftermath of the global financial crisis led to series of follow-on crises in the eurozone, focused mainly on peripheral European countries. These crises appeared like clockwork each spring for three consecutive years, with the S&P 500 peaking in April of each year, 2010-2012, before selling off. We look at each episode separately. Later in the section on the 2014-2016 oil crash, we contrast the three-phase euro crisis with the three-phase oil crash.

2010 Euro Crisis

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-16%	-14%	-10%	-11%	1%
Specific Peak to Trough	-16%	-20%	-18%	-14%	-2%
Specific Dates	4/23/2010 - 7/2/2010	4/15/2010 - 5/25/2010	4/15/2010 - 5/25/2010	4/12/2010 - 7/5/2010	4/12/2010 - 5/25/2010

The S&P 500 fell 16% from 23 April 2010 through 2 July 2010. The other indices dropped less during these dates, but their selloffs began over a week earlier and they fell more sharply and bottomed quicker. This crisis affected EAFE the most, as it contains mainly European countries. Measured by their own peak-to-trough dates, EAFE was off 20%, EM 18%, and FM 14%. Frontaura hardly noticed this first euro crisis. During the S&P 500's 16% decline, we gained 1%. From 12 April 2010 through 25 May 2010, we did decline 2%, however.

2011 Euro Crisis / Arab Spring / US Default Concerns

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-19%	-24%	-28%	-17%	-11%
Specific Peak to Trough	-19%	-26%	-30%	-22%	-20%
Specific Dates	4/29/2011 - 10/3/2011	5/2/2011 - 10/4/2011	5/2/2011 - 10/4/2011	1/26/2011 - 1/16/2012	2/15/2011 - 1/24/2012

Of the three euro crises, 2011 saw the biggest stock market falls, as other global concerns were also present. The Arab Spring began in January 2011, and related selling caused FM to peak on 26 January and Frontaura to peak on 15 February. The S&P 500, EAFE, and EM rolled on until late April or the beginning of May 2011 when the second euro crisis halted their upward progress. Then in Q3, there were concerns that the US might default on its debt. All told, the S&P 500 lost 19% from 29 April through 3 October. EAFE fell 24% in this period, EM dropped 28%. Using their own highs and lows, instead of the S&P 500's, each of these indices gave up another two percentage points. For frontier, recovery did not begin until Q1 2012, one quarter later than in the developed and emerging markets. During the dates of the S&P correction, frontier fell less, with FM down 17% and Frontaura off only 11%. Additional losses before and after the S&P's correction, however, increased FM's decline to 22% and our drop to 20%. This made the 2011 selloff one of only two selloffs we study where our loss exceeded the S&P 500, albeit by only one percentage point. All told, the 2011 selloff was a five-month episode for developed and emerging markets, but it had a duration of about one year for frontier, due to its earlier beginning with the Arab Spring and to its later recovery.

2012 Euro Crisis

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-10%	-15%	-14%	-6%	-3%
Specific Peak to Trough	-10%	-16%	-17%	-8%	-7%
Specific Dates	4/2/2012 - 6/1/2012	3/19/2012 - 6/4/2012	3/2/2012 - 6/4/2012	3/30/2012 - 6/14/2012	5/6/2012 - 6/26/2012

The 2012 euro crisis was the most minor of the three, causing us to title our Q2 2012 letter, "Was That It?" The S&P essentially sold off in April and May, losing 10%. The selloff lasted up to one month longer for the other indices, with EAFE and EM posing mid-teens percentage losses, but FM dropped only 6% during the S&P dates and 8% overall. Frontaura had the mildest reaction, down only 3% during the S&P 500 dates and 7% overall. Our performance drop was late in starting (6 May) and ending (26 June), but was of shorter duration than any of the indices.

We note FM was the only index to reach a lower low in the selloff beginning in 2012 than in the selloff beginning in 2011. If we combine these two selloffs, then FM's total drop in 2011-2012 was 23%, versus 22% for the first selloff only.

2013 Taper Tantrum

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-6%	-10%	-15%	-4%	-1%
Specific Peak to Trough	-6%	-10%	-16%	-6%	-3%
Specific Dates	5/21/2013 - 6/24/2013	5/21/2013 - 6/24/2013	5/8/2013 - 6/24/2013	6/7/2013 - 6/26/2013	6/12/2013 - 6/24/2013

Fear in 2013 that the US Federal Reserve would remove monetary accommodation (tapering off their buying of bonds) was primarily a fixed income event. Ten-year US treasury rates popped from 1.63% on 2 May to 2.74% two months later on 5 July. This walloped EM, as it fell 16% from 8 May through 24 June. EAFE suffered a 10% loss, beginning 21 May. The S&P 500 and FM dropped only 6%. We hardly noticed. We peaked 12 June and fell 3% through 24 June. Our monthly loss for June rounded to 0.

Oil Crash / Strong Dollar / China Concerns

Beginning in the second half of 2014 and continuing until a low in late January or early February 2016, markets suffered losses in three phases. Although dates varied some by index, we could roughly describe each phase as follows:

Phase 1 (2014): Second half 2014 through beginning of 2015
Phase 2 (2015): Spring and summer 2015, concentrated in August 2015
Phase 3 (2016): Late October 2015 through early 2016, concentrated in January 2016

Falling oil prices were present in each phase. A strong dollar was an issue throughout, although this was most pronounced in the first phase. Concerns over China were present in the second and third phases, beginning with a minor 3% devaluation of the Chinese yuan in August 2015 that had a major impact globally as it stoked fears of a currency war. Related concerns about slowing economic growth and capital flight from China were present in the final spasm of selling in early 2016. Although the phases sometimes crossed calendar years, most of losses for phase 1, 2, and 3, respectively, were in 2014, 2015, and 2016, respectively, so the years can serve also as a shorthand to identify each crisis phase.

Earlier we looked at the euro crises that also had three annual episodes from 2010 through 2012. The euro crises, however, were more distinctly three separate events. Between the 2010 selloff and the 2011 selloff, each index and Frontaura hit new highs. Between the 2011 selloff and the 2012 selloff, the S&P 500 hit a new high and the lows from the 2011 selloff held for all but FM, and FM's new low was only 2% lower than its prior low. For this reason, we treat the euro crises as three distinct episodes. This clarity is not as present with the three-phased oil crash of 2014-2016, and we debated how to present the oil crash market performance data. For the S&P 500, the oil crash does have three distinct phases, just like the euro crises. That index reached a new high between phases 1 and 2 of the oil crash and came within 0.3% of a new high between phases 2 and 3. EAFE and EM came close to achieving new highs between phases 1 and 2, falling only 0.1% and 2% short, respectively. But these indices did not come close to new highs between phases 2 and 3, falling 8%-17% short. So, for EAFE and EM, it makes sense to combine phase 2 and phase 3 results. FM and Frontaura did not reach new highs between any of these phases. For frontier then, this was really one long drawdown. We discuss and show data for each phase separately. Then we show two additional tables that combine phases 2 and 3 and phases 1-3 together.

Phase 1: 2014 Oil Crash / Strong Dollar

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-7%	-9%	-7%	-5%	3%
Specific Peak to Trough	-7%	-14%	-17%	-20%	-12%
Specific Dates	9/8/2014 - 10/15/2014	7/3/2014 - 1/7/2015	9/3/2014 - 12/16/2014	8/7/2014 - 12/17/2014	10/13/2014 - 1/23/2015

From a peak price of $115.06 on 19 June 2014, the price of a barrel of Brent oil dropped relentlessly to $46.59 on 13 January 2015, in large part due to Saudi Arabia changing tack and no longer holding back production as it now prioritized market share over high prices. Simultaneously, and related to this, the US dollar began to strengthen. For example, at the end of Q2 2014, it took $1.37 to buy one euro. By 13 March 2015, the dollar had appreciated such that it cost only $1.05 to buy that same euro. Or said the other way, a dollar went from being worth only 73 euro cents to being worth 95 euro cents. Lower oil prices and lower currency values had a double negative whammy on the EM and FM indices, which feature many commodities-producing countries. EM fell 17%, FM 20%. EAFE lost 14%, nearly all due to currency losses. The S&P 500 had only a five-week selloff in September and October 2014, costing it 7%. Once again, we continued to rise after other markets began to fall. Our peak on 13 October 2014 came only two days before the S&P 500 trough, giving us the unusual outcome of posting a 3% gain during the dates of the S&P 500's 7% fall. We then lost 12% through 23 January 2015, as we troughed later than any of the indices. This is only the second of these nine selloffs where our loss exceeded that of the S&P 500's.

Phase 2: 2015 Oil Crash / China Devaluation

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-12%	-9%	-16%	-9%	-6%
Specific Peak to Trough	-12%	-17%	-27%	-14%	-9%
Specific Dates	7/20/2015 - 8/25/2015	5/21/2015 - 9/29/15	4/28/2015 - 8/24/15	5/1/2015 - 10/1/15	5/14/2015 - 8/26/15

From its January 2015 low of $46.59, Brent oil rebounded to $67.77 by 6 May 2015, rallying markets. The S&P 500 hit a new high. EAFE came within 0.1% of its prior top and EM was within 2% of its peak. FM, however, which fell the most in phase 1, did not rebound by as much. It was still 13% from its 2014 high when it began to fall again in 2015. Like FM, we had a sluggish recovery from the first phase, but since we didn't lose as much as FM, we were off only 6% from our prior high. Within about two weeks on either side of the 6 May 2015 Brent oil peak, EAFE, EM, FM, and Frontaura began to fall again. The S&P didn't join in until July.

The second phase of the oil crash / strong dollar selloff had its crescendo during two weeks in August 2015. China kicked this off on 11 August when it devalued its yuan by 3% over two days. While the magnitude was modest, and not much worse than the gradual decline the yuan experienced less than a year earlier from November 2014 through February 2015, it was a shock at the time that it happened all at once, after months of a stable yuan. Other countries like Vietnam also devalued, stating they were responding to China's actions. Investors feared a currency war might break out. Market losses were modest for a week, then dramatic. Brent dropped below its January low, reaching $42.69 on 24 August. That oil price low signaled phase 2 was about to end. EM bottomed that same day, the S&P the next day, and Frontaura the day after that. EAFE and FM hit their lows about five weeks later.

From its 2015 peak, the S&P 500 lost 12% in this second phase, with nearly all of this—11 percentage points—occurring in the six trading days through 25 August. That's a greater loss over that number of days than what the S&P has seen so far in 2018 through 6 April. EAFE fell 17% in phase 2 and EM fared worst, dropping 27%. FM, which trailed the pack in the first phase of the oil crash in 2014, did relatively better in the second phase in 2015, down only 14%. Frontaura beat all the indices, losing only 9% in phase 2.

Phase 3: 2016 Oil Crash / China Concerns

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-13%	-15%	-17%	-10%	-7%
Specific Peak to Trough	-13%	-16%	-20%	-15%	-8%
Specific Dates	11/3/15 - 2/11/16	10/26/15 - 2/12/16	10/23/15 - 1/21/16	11/3/15 - 1/20/16	10/30/15 - 1/21/16

From its August low, the S&P 500 raced upward such that on 3 November 2015 it was within 0.3% of its 20 July 2015 high. The other indices did not recover like this. At their intermediate peaks in late October to early November, EAFE, EM, and FM were still 8%-17% off their 2015 highs before they began to decline again in the third phase of the oil crash.

The Brent oil price tells the story. From the 24 August 2015 low of $42.69, Brent rallied to over $54 by the end of August, had an October high over $53, and still was at a level of $50.54 on 3 November 2015. But phase 3 of the oil crash was beginning. The S&P 500 and FM also had intermediate peaks on 3 November, while EAFE, EM, and Frontaura began to decline in the prior two weeks. Brent fell apart, hitting a low of $27.88 on 20 January 2016. That marked the end. FM bottomed that day, with EM and Frontaura following one day later on 21 January. The S&P 500 low occurred three weeks after that on 11 February 2016, with EAFE's low coming the following day. Looking at phase three by itself, the rank order of performance is identical to phase two. We did best, losing 8%, followed by the S&P 500 at 13%, FM at 15%, EAFE at 16%, and EM at 20%.

Phases 2 and 3 Combined: 2015-2016 Oil Crash / China Concerns

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-13%	-20%	-23%	-16%	-10%
Specific Peak to Trough	-13%	-22%	-34%	-24%	-13%
Specific Dates	7/20/2015 - 2/11/2016	5/21/2015 - 2/12/2016	4/28/2015 - 1/21/2016	5/1/2015 - 1/20/2016	5/14/2015 - 1/21/2016

When we combine phases two and three, FM drops in the rank order from third in each phase to fourth, with EAFE moving up, as it rallied harder in the interregnum between phases. While our rally from late August to late October also did not match the S&P 500, we still did slightly better than it over the combined phases two and three. Our maximum drop was 12.7%, the S&P 500's was 13.0%. EAFE lost 22%, FM 24%, and EM 34%.

Phases 1-3 Combined: 2014-2016 Oil Crash / Strong Dollar / China Concerns

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-6%	-19%	-30%	-30%	-14%
Specific Peak to Trough	-6%	-23%	-36%	-34%	-18%
Specific Dates	9/18/14 - 2/11/16	7/3/14 - 2/12/16	9/3/14 - 1/21/16	8/7/14 - 1/20/16	10/13/14 - 1/21/16

Finally, we can look at all three phases of the oil crash combined. The S&P 500 did best, boosted by the strength of its rallies between phases. From its September 2014 high through its February 2009 low, the S&P 500 lost only 6%. Frontaura came next with an 18% loss from our October 2014 high through our January 2016 low. Total losses in EAFE, FM, and EM were 23%, 34%, and 36%, respectively.

2018 Trade War Worries

Period	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier	Frontaura
S&P Peak to Trough	-10%	-7%	-9%	-5%	-2%
Specific Peak to Trough	-10%	-9%	-10%	-6%	-3%
Specific Dates	1/26/2018 - 2/8/2018	1/25/2018 - 2/9/2018	1/26/2018 - 2/9/2018	1/22/2018 - 2/9/2018	1/22/2018 - 2/13/2018

The S&P 500 lost 10% in the nine trading days ending 8 February 2018, with press reports stating this was the quickest 10% correction from an all-time high in the index's history. This is the first selloff since the 2010 euro crisis where all the other indices performed better than the S&P during the S&P's slide. Further, this time—unlike in 2010—even using dates custom to each index, the S&P lost more than EAFE and FM and had only a similar result to EM. We again did best, losing but 2% during the S&P correction and 3% if you include a few days on either side of the S&P's tumble. The S&P 500 has tested its 8 February low several times since, but as of 6 April the original low has held. It came closest on 2 April. On that date, the S&P's drop from its prior high was again 10%, but FM's loss had narrowed to only 2%, and our loss was down to 1%. By 6 April, the S&P still had a 9% loss from its high, while ours rounded to 0%. Coming out of the initial selloff, FM so far has assumed performance leadership. Of course, we do not know if this episode is over yet.

Fund and Management Company News

Travel and visits. We discussed in our March comment[6] that we attended conferences in Dubai and New York, meeting companies from 12 countries. In the first week of April, we had five days of company visits in Vietnam. We'll visit Ghana and Nigeria in May. Additionally, numerous frontier companies and analysts visited us throughout the quarter in Chicago.

Investing. We remain open monthly for new investors with a $500,000 minimum and follow-on investments of any amount. You'll need to wire funds such that they reach us on or before

[6] http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2018_03.pdf.

the last business day of the month prior to your investment (e.g. on or before Monday, April 30 for May 1 investment).

Reporting. Our administrator emailed 2017 year-end investor statements on January 10; year-end audited fund financial statements on February 2 after our onshore and offshore audit completed on January 31; and 2017 US K-1 tax forms on March 2.

Our usual Statistical Appendix follows this page. Please e-mail us if you are interested in an end-of-quarter phone call or visit. We thank you for being a Frontaura client.

Best regards,

Nick Padgett, CFA and Stephen Mack
Managing Directors, Frontaura Capital LLC
Two Prudential Plaza, 180 North Stetson Avenue, Suite 1935
Chicago, Illinois 60601 USA
Phone: +1 312 777 1500 Fax: +1 312 268 5004 info@frontauracapital.com

Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Performance[7]
31 March 2018

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
2016 Q1	- 1%	1%	- 3%	6%	- 1%
2016 Q2	4%	2%	- 1%	1%	0%
2016 Q3	2%	4%	6%	9%	3%
2016 Q4	1%	4%	- 1%	- 4%	0%
2017 Q1	4%	6%	7%	11%	9%
2017 Q2	7%	3%	6%	6%	6%
2017 Q3	3%	4%	5%	8%	8%
2017 Q4	3%	7%	4%	7%	6%
2018 Q1	2%	- 1%	- 2%	1%	5%
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%
2017	17%	22%	25%	37%	32%
2018	2%	- 1%	- 2%	1%	5%
1 Year	15%	14%	15%	25%	27%
3 Year	24%	36%	18%	29%	26%
5 Year	33%	87%	37%	28%	51%
7 Year	45%	131%	44%	19%	53%
10 Year	110%	148%	31%	35%	- 7%
Inception to Date	117%	113%	13%	12%	- 5%
3 Year CAGR	7.3%	10.8%	5.6%	8.8%	7.9%
5 Year CAGR	5.8%	13.3%	6.5%	5.0%	8.6%
7 Year CAGR	5.5%	12.7%	5.3%	2.5%	6.3%
10 Year CAGR	7.7%	9.5%	2.7%	3.0%	- 0.7%
ITD CAGR	7.7%	7.6%	1.2%	1.1%	- 0.4%

Figure A2
Frontaura Global Frontier Fund LLC
Monthly Performance
31 March 2018

	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%	0.4%	4.1%	2.1%	1.3%	1.0%	0.5%	2.3%	-0.2%	0.8%	17.2%
2018	2.3%	-1.1%	0.4%										1.5%

[7] 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

Figure A3
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[8]
31 March 2018

Holdings Summary

Country	Holding
Vietnam	10%
Egypt	9%
Sri Lanka	9%
Nigeria	9%
Argentina	8%
USA (cash only)	7%
United Arab Emirates	6%
Kuwait	6%
Papua New Guinea	6%
Kenya	5%
Rwanda	4%
Pakistan	3%
Georgia	3%
Lebanon	3%
Macedonia	2%
Oman	2%
Uganda	1%
Tanzania	1%
Botswana	1%
Ecuador	1%
Bahrain	1%
Paraguay	1%
Iraq	1%
Peru	1%
Others	1%

Region	Holding
Middle East / North Africa	28%
Sub-Saharan Africa	21%
Southeast Asia	16%
South Asia	13%
Latin America & Caribbean	10%
USA (cash only)	7%
Eurasia	3%
Eastern Europe	2%

Sector	Holding
Financials	49%
Consumer Staples	12%
Consumer Discretionary	11%
Cash	9%
Industrials	6%
Real Estate	6%
Utilities	5%
Materials	1%
Others	1%

Portfolio Statistics

Portfolio Price to LTM Earnings	8.2
Portfolio Price to Book	1.37
Portfolio LTM Dividend Yield	5.4%
Return on Ending Equity	23.2%
Positions	50
Countries	27
Average Market Cap	$1,269m
Median Market Cap	$888m
Portfolio Turnover (LTM)	37%
Portfolio Turnover (ITD)	29%
Standard Deviation (ITD)	13%
Beta to S&P 500 (ITD)	0.50
Assets Under Management	$141m

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_2018_01_12.pdf.

[8]Click this link for an explanation of our holdings and portfolio statistics: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_01_12.pdf.

Figure A4
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2018 Q1

5 Best Countries				5 Worst Countries			
Country	**Frontaura Return ($millions)**[9]	**Frontaura Return (%)**	**MSCI Return**[10]	**Country**	**Frontaura Return ($millions)**	**Frontaura Return (%)**	**MSCI Return**
Egypt	1.7	14%	11%	Sri Lanka	-0.7	-5%	5%
Nigeria	1.6	14%	7%	Bangladesh	-0.4	-15%	-2%
Kuwait	0.4	5%	8%	Pakistan	-0.3	-6%	11%
Georgia	0.3	9%	--	Argentina	-0.1	-1%	-6%
Macedonia	0.2	7%	--	Peru	-0.1	-8%	10%

Figure A5
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2018 Q1

5 Best Countries				5 Worst Countries			
Country	**Frontaura Return ($millions)**	**Frontaura Return (%)**	**MSCI Return**	**Country**	**Frontaura Return ($millions)**	**Frontaura Return (%)**	**MSCI Return**
Nigeria	1.6	14%	7%	Bangladesh	-0.4	-15%	-2%
Egypt	1.7	14%	11%	Peru	-0.1	-8%	10%
Iraq	0.1	9%	--	Pakistan	-0.3	-6%	11%
Georgia	0.3	9%	--	Sri Lanka	-0.7	-5%	5%
Botswana	0.1	9%	-5%	Rwanda	-0.1	-2%	--

[9] This footnote applies to all columns labeled "Frontaura Return ($millions)" and "Frontaura Return (%)" on this page and any page with a similar table. Frontaura individual stock, country, and regional 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, country, or regional level. Click this link for an explanation of how we calculate country returns: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_01_12.pdf.

[10] 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 and Country
2018 Q1

Region / Country	Frontaura Return ($millions)[11]	Frontaura Return (%)	MSCI Return (%)
Middle East / North Africa	**2.6**	**7%**	
Egypt	1.7	14%	11%
Kuwait	0.4	5%	8%
United Arab Emirates	0.2	3%	--
Iraq	0.1	9%	-1%
Bahrain	0.1	7%	2%
Oman	0.0	1%	-3%
Lebanon	(0.0)	0%	5%
Jordan	(0.0)	-1%	11%
Sub-Saharan Africa	**1.9**	**6%**	
Nigeria	1.6	14%	7%
Uganda	0.1	8%	--
Tanzania	0.1	4%	--
Botswana	0.1	9%	-5%
Kenya	0.0	0%	22%
Zambia	0.0	5%	--
Mozambique	(0.0)	-1%	--
Rwanda	(0.1)	-2%	--
Eastern Europe	**0.3**	**5%**	
Macedonia	0.2	7%	--
Serbia	0.1	3%	6%
Eurasia	**0.3**	**9%**	
Georgia	0.3	9%	--
Mongolia	0.0	1%	--
Southeast Asia	**(0.1)**	**0%**	
Papua New Guinea	(0.0)	0%	--
Vietnam	(0.1)	-1%	18%
Latin America & Caribbean	**(0.2)**	**-1%**	
Ecuador	0.0	0%	--
Paraguay	(0.0)	-1%	--
Peru	(0.1)	-8%	10%
Argentina	(0.1)	-1%	-6%
South Asia	**(1.4)**	**-7%**	
Pakistan	(0.3)	-6%	11%
Bangladesh	(0.4)	-15%	-2%
Sri Lanka	(0.7)	-5%	5%

[11] 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[12]
2018 Q1

Country	Percentage Point Change	Explanation
Egypt	+2	Relative outperformance; increased size of existing position
Bangladesh	-2	Exited one position
Serbia	-3	Exited position and country

Figure A8
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2017 Q2 – 2018 Q1

Country	Percentage Point Change	Explanation
Egypt	+7	Re-entered country Q1 2017, increasing exposure since
United Arab Emirates	+3	Added three positions 2H 2017, while selling one
Vietnam	+2	Multiple new positions exceed position exit and trims
Kenya	+2	Added new position
Serbia	-3	Exited position and country in Q1 2018
Cambodia	-3	Exited position and country in Q2 2017
Romania	-3	Exited position and country in Q3 2017
Pakistan	-3	Relative underperformance; trimmed one position in Q2-Q3 2017
Tanzania	-4	Exited two positions in Q3 2017-Q1 2018; relative underperformance
Bangladesh	-5	Exited two positions in Q2 2017-Q1 2018

[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 a discussion of how we classify cash by country: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_01_12.pdf.

Figure A9
Frontaura Global Frontier Fund LLC
Portfolio Concentration[13]
31 March 2018

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	50	27	-1	+1	+5	-2
Top 5	27%	45%	--	+3	+2	+7
Top 10	42%	71%	--	+3	--	+7
Top 20	66%	90%	--	-2	-3	-3
Top 20 + USA (Cash)	72%	96%	+2	-1	+3	+3

[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 a discussion of how we classify cash by country: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_01_12.pdf.