FRONTAURA

FRONTAURA CAPITAL LLC
FRONTAURA GLOBAL FRONTIER FUND LLC

Quarterly Letter – 2018 Q2

Q2 is our "What We Sold" letter. From 2013 on, in the main topic of our Q2 letters, we discuss stocks we disposed of during the prior year.[1] Before that, though, we should recap two changes we made in June to make it easier to invest in Frontaura.

First, for individual investors, we lowered the minimum investment to $250,000. Second, for institutions and other large investors, we will soon add a 2%/10%, $5 million minimum, 8-quarter exit series. This reduces our fees, but in exchange for a higher minimum and a longer exit. We provide a bit more detail on the terms changes later in the Fund and Management Company News section.

Our letter continues with a discussion of Q2 Performance and Attribution. In the Index Noise section, we comment on index changes and our universe. The main What We Sold section follows. We finish this letter with Fund and Management Company News and then our usual Statistical Appendix.

Performance

Frontaura lost 7.0% in Q2, snapping a record of eight straight quarterly gains for us. Over 95% of our Q2 loss occurred in the month of May,[2] which was our worst month since November 2008. The MSCI Frontier Market (FM) Index plummeted 15.2% in Q2, dropping over 3% in April and June and over 9% in May—its biggest monthly drop since January 2009. The MSCI Emerging Markets Index (EM) fell 8.0% in Q2 and has now posted five consecutive monthly losses. Developed markets did better with the MSCI EAFE Index off only 1.2% in Q2 and the S&P 500 Index up 3.4%. All index figures are total returns.

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.

Euphoria ends, worries develop. At quarter end, the S&P remained 5% below its 26 January 2018 level, the date around which the global market mood changed from euphoria[3] to worrying about a trade war and rising US interest rates. These concerns have strengthened the US dollar and ended EM's two-year run of global market leadership, after the January-February 2016 lows through the January 2018 high. Initially, frontier did not react much to the S&P 500's fastest-ever 10% correction from an all-time high, with FM and Frontaura posting Q1 gains.

Vietnam, Argentina plummet after peaking. In April though, Vietnam, FM's third largest market peaked. As of the July 5 low, the VN30 index of large and liquid Vietnamese stocks has a total return of -25% from its April 9 level. Argentina, FM's largest market at the time, peaked in January. Beginning in the second half of April, it fell off a cliff with no bottom in

[1] We had an extra letter on this topic in Q4 2015. That letter discussed sales in the second half 2015, with the Q2 2016 letter discussing sales in the first half 2016.

[2] Performance by month, April through June, was: 0.42%, -6.75%, and -0.68%, respectively.

[3] The S&P 500 posted 15 consecutive monthly total return gains through January 2018.

sight. The MSCI Argentina Index lost 42% in Q2 and through the 2 July 2018 low it had halved from its 18 January 2018 high.

The high weightings the FM index gives to Argentina and Vietnam were why FM beat us 32% to 17% in 2017, even though we made 76% and 23%, respectively, in those two countries last year. In our Q4 2017 letter, we said:[4]

> *"…every country has its limit for us, and candidly, in December, we were around the top-end of the weight we are willing to have in Argentina, considering risk and valuation levels. We began to explicitly trim our Argentina exposure in Q4 and we continued this in early January. Something can always go wrong, and Argentine valuations are not priced to absorb much bad news, in our opinion. The market for its stocks is volatile and 15%-45% selloffs can occur quickly. Further, no matter how much we like the Macri administration, which strikes us as possibly the most competent in our universe, we know well the country's checkered economic and populist history over the last century. This makes Argentina a country where we will deliberately be somewhat more fearful than greedy, willing to leave a bit of profit on the table to moderate our downside. Managers with less downside risk aversion than us or who perhaps weigh the country's history less, may have made more money than us in Argentina in 2017 and they may continue to do so."*

Sometimes things end more quickly than you imagine. Argentina peaked less than a week after we released our Q4 letter. In our Q1 letter that we published on April 9, we stated that Vietnam's large cap momentum stocks were overvalued, in our opinion.[5] Its bear market began about seven hours later.

We had 10% of Frontaura in Argentina when 2018 began, cutting this to 8% by March 31 and 2% by June 30. The FM index had 24% in Argentina when 2018 began. We estimate this was approximately 22% at the end of Q1 and 17% at the end of Q2. We discuss Argentina extensively in the What We Sold section. Falling markets inevitably snap back at some point, even if they later go on to lower lows. Thus, it is likely in the coming months that a rebound in Argentina or Vietnam will boost FM's performance versus Frontaura,[6] even if it does not last. This predictable event should not come as a surprise.

Currency. Roughly one-third of our Q2 loss before fees was due to currency weakness versus the dollar. Year to date, over 70% of our loss before fees is due to the strong dollar. After we published our June comment, we had an e-mail conversation over the June 30-July 1 weekend with one of our Australian investors. He reminded us that, "Sitting here in Australia, my personal performance in Frontaura is not as bad as your numbers as my base currency is AUD [Australian dollars]." We did the math. In USD terms, we've turned $1 million at the start of 2018 into $944,268, a 5.57% loss. That $1 million was worth AUD 1,280,574 when

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[4] See pages 2-3 in http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2017Q4.pdf for the Argentina paragraph. We discuss our performance versus FM on pages 1-4 of that letter.

[5] See page 1 in http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2018Q1.pdf.

[6] Our Vietnam weight is closer to the index than is our Argentina weight, but we only own one VN30 index stock, and VN30 stocks are those most likely to snap back. Our June 30 13.7% Vietnam weight is somewhat misleading, as 2.5 percentage points of this are in USD prefunding cash. This is higher than normal, as we were active buyers in Vietnam in early Q3. Generally, we have at least one percentage point of our Vietnam weight in USD cash in Vietnam.

the year began, and $944,268 was worth AUD 1,275,176 on June 30, an AUD drop of only 0.42%. Of course, this cuts the other way when the AUD appreciates.[7]

Attribution

Quarter-ending AUM was $132 million spread across 53 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. At quarter-end, our trailing portfolio PE was 7.5 with a 6.1% weighted average dividend yield. Our companies had a 22.1% weighted average return on ending equity.

Countries. While we made money in nearly one-third of our 27 countries[8] in Q2, the gains were modest, with Papua New Guinea (PNG) the only winner that exceeded $0.1 million on a rounded basis. We made $0.9 million there, or 12%. We own Bank of the South Pacific, the leading bank in PNG. It trades on a trailing PE of 6.0 with a 12.3% yield. Argentina, naturally, was our big loser, down $3.5 million, or 33%. Oman, Sri Lanka, Egypt, and Nigeria all lost between $0.9 million and $1.2 million. We see Egypt's performance as an inevitable pause. We re-entered the country in Q1 2017 after it floated its currency the previous quarter and we made money for five consecutive quarters until Q2. Nigeria also reversed after a four-quarter winning streak that started when it improved its currency policy in Q2 2017. Sri Lanka remains out of favor with investors, due to messy politics and a rising oil price that will hurt it as an oil importer. Still, the stocks we own there trade on a collective trailing PE of 4.9 with a 6.3% yield. The IMF forecasts 4.0% economic growth for Sri Lanka this year, up from 3.1% in 2017. Our Omani loss stemmed from a single position, where a stubborn stock price finally caught up with deteriorating fundamentals. We exited this illiquid position in early July. Figures A4 and A5 in the Appendix show our top and bottom five performing countries for Q1 in both dollar and percentage terms.

Regions. Regionally, we did best in Southeast Asia, making $0.7 million, or 3%. This was due to the Papua New Guinea gain and only a slight loss in Vietnam, where our -1% result compared favorably to the 17% drop in the MSCI Vietnam index. All the other regions were losers in Q2, led by Latin America and the Caribbean, where we dropped $3.3 million, or 24%. Modest gains in the Latam countries of Ecuador, Paraguay, and Peru offset our large Argentina loss only slightly.

Appendix Figure A6 shows our returns by region and country within each region, each sorted from best to worst by dollar return. Figures A7 and A8 show how our country weightings have changed in the past quarter and year. Finally, Figure A9 presents portfolio concentration data.

Index Noise

Saudi, Argentina promoted. In June, MSCI announced that it will promote Saudi Arabi and Argentina to EM status effective after the close on 31 May 2019. Saudi is not presently in

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[7] Here is our year-to-date Frontaura return in some other home currencies of our investors: euros -2.98%, British pounds -3.39%, Singapore dollars -3.71%, and Swiss francs -3.99%. See pages 1-2 of our Q1 2015 letter for a similar discussion with a European investor during another time of US dollar strength: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q1.pdf.

[8] Figure A6 shows 28 countries as we adjusted a capital gains tax provision in Serbia after authorities there changed their calculation in Q2. We exited Serbia in Q1, so we do not include it in our Q2 count of 27 countries.

MSCI's FM index, but Argentina is. Further, MSCI said it will conduct a consultation with its clients on whether it should promote Kuwait from FM to EM. Under a normal MSCI timeline, the earliest Kuwait could join EM would be post-close 31 May 2020, nearly two years away.

Frontaura's universe. Eleven years ago, we wrote our Frontaura universe definition in a way that most MSCI index changes do not affect us. The Frontaura universe includes all countries that are less than 0.1% of the MSCI All-Country World Index (ACWI), meaning the country either has a minimal weight in the ACWI or it is not in the ACWI at all. The ACWI includes all countries MSCI classifies as developed (US, Canada, and the 21 EAFE countries) or emerging. It does not include frontier countries. Once a country is in our universe, we can still add new positions until its weight reaches 0.2% or more of the ACWI. Even then, our rules never force us to sell a position. Regardless of a country's ACWI weight, we can hold an investment if we still think it has merit.

When MSCI promotes a country from FM to EM, it adds it to the ACWI. However, these promoted FM countries always had a weight below 0.2% of the ACWI, so they remained in our universe. Argentina will likely stay in our university after promotion, but Saudi Arabia probably will not, as it is likely to exceed our 0.2% threshold. Thus, we expect Saudi to leave our universe on 1 June 2019, the first time we have ever lost a country. We have never invested in Saudi, however, as we usually find it offers less value than other countries.

Don't be a Turkey. Over time, our universe definition has collected countries rather than lost them, primarily as the weight of EM countries has diminished to below 0.1% of the ACWI. For example, Argentina, the Czech Republic, Greece, and Hungary all fell into our universe in the aftermath of the financial and euro crises.[9] Turkey's high inflation and worrisome statements from its president have caused its currency to devalue and its stocks to decline such that in May 2018, for the first time, Turkey met our universe definition. We have no investments in Turkey now, and we do not necessarily contemplate any soon, but we are getting up to speed on the challenging macro situation and how it affects the companies there.

Reports of my death are greatly exaggerated. Pundits have opined that FM may become obsolete following five actual and contemplated MSCI promotions of countries from FM to EM. These include UAE and Qatar in 2014, Pakistan in 2017, Argentina in 2019, and possibly Kuwait in 2020 (each at the time or now one of the top five constituents in the FM index). We think these predictions lack a sense of history and imagination. Let's go back just over a decade in time to December 2007 when MSCI's FM index debuted. Argentina and Pakistan were then EM countries. MSCI subsequently demoted them to FM, so the 2017 and 2019 re-promotions to EM do not represent a net country loss. In June 2008, MSCI announced it was evaluating UAE, Qatar, and Kuwait for promotion to EM.[10] So even 10 years ago, an FM investor could reasonably have assumed that none of aforementioned five countries would be in the FM index. Nor would an FM investor expect Morocco or Jordan to be FM as they too were EM at that time before MSCI later demoted them to FM. Despite this, the press and the sell-side wrote excitedly about FM in 2007, rather than writing premature obituaries like today. One might as well write that EM is becoming obsolete as a category as China

[9] Austria and Portugal also met our universe definition after these twin crises, joining New Zealand as small, developed countries our definition captures somewhat unintentionally.

[10] In reality, MSCI rejected UAE and Qatar year after year, before finally moving them to EM in 2014. MSCI rejected Kuwait also, then dropped it as a promotion candidate. If next year MSCI decides to promote Kuwait in 2020, this will be a full decade after they first considered this. While we expect Kuwait probably will ascend to EM status in 2020, history shows this is uncertain.

increasingly dominates it and would do so even more if MSCI ever promotes large constituents South Korea and Taiwan out of EM.[11]

A failure of imagination. Over time, other countries have and will fill the void that FM promotion leaves. We remember when Vietnam was only a few percentage points of the FM index—now it is over 15%. A doubling of its weight over several years would not surprise us. Nigeria and Bangladesh are the seventh and eighth most populous countries in the world. Combined, their population exceeds that of the US. Each will likely increase its FM index weight significantly. Morocco, Kenya, and Romania will grow in importance also. East African countries like Tanzania and Uganda have nearly 100 million people between them, yet the FM index ignores both, as well as neighboring Rwanda, where we hold 6% of Frontaura. We could go on.

Regardless of the fate of the FM index, Frontaura's universe won't change much. We have over 100 countries to invest in, offering thousands of stocks. Index changes do concern brokers who like the commissions the changes generate and asset-gathering managers who hew to a benchmark, but not us. We invest where we see value and opportunity and we expect opportunities to exist independent of index machinations.

What We Sold

We devote most of this letter to a review of stocks sold over the past year. The purpose of this review is that while we generally do not like talking about what we own for competitive reasons, we understand that investors want some sense of what we buy and why. Talking about positions after we have sold them allows us to fulfill that desire, provide color on what went right or wrong, and discuss why we sold, without revealing confidential information that could hurt our performance. We think a discussion of exits, where we know the outcome, can be more insightful than talking about new buys, when optimism is high and there's little chance yet of anything going wrong.

Figure 1 shows our 13 position exits from July 2017 through June 2018. It is our practice to disclose all position exits, regardless of whether the outcome is good or bad, or whether the position is large or small. This way, we provide a complete record, without omission. We made money on 10 of the 13 positions. Of our three losses, one was immaterial, one was $0.2 million, and the other was $0.6 million. Altogether, we made $17.8 million on these 13 positions. As with attribution, the profit figures we show for individual stocks are before fees and expenses, as we subtract these at the fund level and not at the stock level.

Fondul Proprietatea (Romania)

Property Fund is a post-communist-era investment fund the Romanian government set up originally to compensate owners of business they nationalized under communism. The government contributed large state-owned enterprises (SOEs) as the assets, then issued shares to former business owners to settle their claims against the state. Over time, the shares became tradeable, the state selected Franklin Templeton as Property Fund's manager, and the fund listed on the Bucharest Stock Exchange, with a second listing later in London. We first met Property Fund in early 2010 before Franklin Templeton ran it, when the shares traded informally without a stock exchange listing. The value was apparent to us, as the share price was far below a reasonable estimate of net asset value (NAV), but it was not yet

[11] Rival index provider FTSE decided to promote South Korea to developed country status in September 2008, effective in September 2009. It still classifies Taiwan as emerging.

an appropriate investment for Frontaura due to its opaque trading and custody. After it listed, we invested in mid-2011 when its shares fell during that year's euro crisis. The price was higher than it was when we first met in 2010, but it was still less than half what we thought the assets were worth. Franklin Templeton did an excellent job managing these assets, selling down its stakes in SOEs and listing several companies on the Bucharest exchange.

Figure 1
Frontaura Global Frontier Fund LLC
Positions Exits July 2017 - June 2018[12]
30 June 2018

Company	Country	Description	Exit Reason	First Buy	Last Sell	Cost ($000K)	Proceeds ($000K)	Profit ($000K)	Return Multiple	IRR	Holding Period (Years)	/ IV First Buy	/ IV Last Sell	PE Buy Date	PE Sell Date
Fondul Proprietatea	Romania	closed-end fund	country	21-Jul-11	31-Aug-17	4,808	7,251	2,443	1.51	11.5%	6.1	-56%	-28%	na	na
Arab Ceramic	Egypt	ceramic tiles	size	11-Jun-17	07-Sep-17	185	184	(2)	0.99	-1.2%	0.2	-24%	-15%	12.3	18.3
Tanzania Breweries	Tanzania	brewery	fundamentals	11-Jan-12	08-Sep-17	764	4,214	3,450	5.51	45.1%	5.7	-64%	98%	4.1	23.7
Damac Properties	United Arab Emirates	real estate development	trade	26-Sep-16	20-Nov-17	2,870	4,728	1,858	1.65	60.3%	1.2	-15%	10%	3.7	6.6
Gulf Investment Fund	Qatar	closed-end fund	size	27-Apr-09	18-Dec-17	1,356	2,721	1,364	2.01	14.7%	8.6	-38%	-17%	na	na
Grupo Financiero Valores	Argentina	custody bank	valuation	30-Nov-16	04-Jan-18	2,058	4,284	2,226	2.08	184.1%	1.1	-17%	88%	5.5	12.7
Vietnam Fumigation	Vietnam	agricultural chemicals	fundamentals	06-Mar-15	08-Jan-18	604	1,015	411	1.68	23.0%	2.8	-16%	3%	7.0	8.4
Swissport Tanzania	Tanzania	airport services	fundamentals	04-Nov-16	22-Jan-18	2,057	1,425	(631)	0.69	-26.7%	1.2	-14%	-1%	9.9	9.8
Superdong Fast Ferry	Vietnam	ferry operator	fundamentals	20-Oct-17	26-Jan-18	1,468	1,279	(189)	0.87	-17.1%	0.3	-16%	-5%	7.8	7.7
Cervejas de Mozambique	Mozambique	brewery	fundamentals	11-Oct-13	06-Feb-18	1,137	1,186	49	1.04	1.5%	4.3	-41%	6%	9.1	46.5
Eastern Bank	Bangladesh	bank	valuation	19-Jun-14	15-Feb-18	4,439	7,314	2,875	1.65	24.5%	3.7	-34%	29%	5.3	10.5
Galenika Fitofarmacija	Serbia	agricultural chemicals	fundamentals	16-Jun-11	15-Mar-18	2,578	4,406	1,828	1.71	9.6%	6.7	-11%	-5%	6.3	9.7
Argentina basket	Argentina	various	country	29-Apr-14	15-May-18	4,674	6,759	2,085	1.45	20.9%	4.0	na	na	12.1	16.1

Property Fund became one of the most liquid stocks in Romania and its current and former holdings constitute many of Romania's largest companies today. The discount narrowed with time and the composition of what the fund owned began to skew more toward private companies as it divested its listed stakes. A higher portion of value from private companies made our estimate of NAV less certain. We sold in August 2017 because Romania's new government worried us that it might follow the populist and authoritarian path of Hungary and Poland in recent years. After loose trial balloon talk of nationalizing pensions and imposing an asset tax on banks, we decided to book our profit, which included a 33% year-to-date gain in 2017. Overall, we had an 11.5% IRR over 6.1 years, making $2.4 million.

[12] Here are definitions for the Figure 1 columns. Exit Reason is a standardized reason why we sold a stock. First Buy and Last Sell are the dates we first bought a stock and last sold a stock. Buys after the first date we show could continue for months or years; likewise, sells could precede the last date we show for months or years. Cost is the USD sum of all buys including commissions, trading fees, and foreign exchange costs (FX). Proceeds are the total USD sale and dividend proceeds, net of all commissions, trading fees, FX, and tax withholding. Profit is the Proceeds minus the Cost. Return Multiple is Proceeds / Cost. IRR is the internal rate of return on all USD cash inflows and outflows in the Profit calculation. Holding Period is the number of years between the First Buy and the Last Sale dates. We annualize the IRR, except for when the Holding Period is less than one year. Note that the Cost, Proceeds, Profit, Return Multiple, and IRR figures are before any management fees, fund expenses, or incentive compensation, as those deductions occur at the fund level and not at the individual stock level. Price / IV First Buy and Price / IV Last Sell show the discount or premium of the closing stock price (not our actual transaction price) relative to our estimate of intrinsic value on the First Buy or Last Sell date. A negative percentage indicates a discount to intrinsic value; a positive percentage indicates a premium. PE Buy Date and PE Sell Date show the trailing reported PE using the closing stock price (not our actual transaction price) on the day of First Buy and Last Sell, or a nearby date if we do not have data on the trade date. We note that the 16.1 PE Sell Date for the Argentine basket is the PE for everything we owned in Argentina on that date, including the BYMA stand-alone position, as we do not have a PE calculation only for the basket constituents.

Arab Ceramic (Egypt)

Arab Ceramic historically was a good business with high returns on capital, ranging from 22% to 36% during the years 2006 through 2013. Nonetheless, profit peaked in 2010 before the 2011 revolution in Egypt, and 2014 through the first nine months of 2016 was a difficult period as dollar shortages worsened with the Egyptian pound pegged at an uncompetitive rate. The November 2016 currency flotation changed this situation and with the March 2017 quarterly results, it appeared to us that the bottom might be in the fundamentals. We began to buy the shares after years of watching. As occasionally happens to us with small stocks, the price quickly rose beyond our buy point, leaving us with a position too tiny to maintain. We sold after three months—our selling causing the price to round trip back to around where we first bought, leaving us nearly break-even. The company could not sustain the nascent recovery in its fundamentals, so we have no regret that we don't own it now.

Tanzania Breweries

Tanzania Breweries was a multi-year winner for us, rising 5.5-fold over 5.7 years, a 45% IRR that made $3.5 million. We were fortunate to be able to buy in 2012 when SAB Miller sold part of its majority stake to comply with a 60% foreign ownership limit (FOL) requirement that it had long exceeded. Even with the FOL, it was clear to us, by looking at similar breweries in Africa and around the world, that locals had badly mispriced the stock at only 4.1 times earnings. Initially, this was a small position for us that we could not add to because of the FOL. Later, as the price appreciated, it became a larger and more highly valued position that we did not need or want to add to. Authorities eventually eliminated the FOL, which helped the stock find its true level. Ironically, we sold to AB InBev (who had acquired SAB Miller) after a bad March 2017 fiscal year, so our shares came full circle back to their original owner, but at a much higher price.

Damac Properties (United Arab Emirates)

Damac is the second largest property developer in the UAE. In our opinion, the stock simply had gotten too cheap when we bought it in September 2016 at a 3.7 PE. Dubai real estate had been out of favor with stock market investors since the 2014 oil crash, even though oil prices had risen nearly $20 off their 2016 oil crash low when we initiated our Damac position. We felt the negative sentiment had gone too far, even if the flattish-to-slightly-down real estate fundamentals were not that exciting. In November 2017, the largest UAE developer, Emaar Development, came public with, in our opinion, superior value to Damac. We swapped into it, pocketing a $1.9 million, 65% gain on Damac over 14 months. Since then, Emaar Development has a total return 19 percentage points higher than Damac through 30 June 2018, although both stocks have lost money.

Gulf Investment Fund (Qatar)

In April 2009, in the aftermath of the financial crisis, we noticed that this London-listed fund of mainly Qatari stocks was trading at a 38% NAV discount. Further, we already trusted the fund manager. The investments group of Qatar Insurance, a company we owned, managed the fund. We knew the portfolio manager as he was one of the main investor contacts for the insurance company. Throughout 2007 and into 2008 before the crisis hit frontier markets, this fund usually traded at a premium to NAV. Buying $1.00 for $0.62 seemed like a good idea to us, and it was,[13] making $1.4 million, with a 15% IRR over 8.6 years.

Nevertheless, we did make the mistake of holding on to this position too long and losing some of our profit, while wasting our time. At the end of May 2014, MSCI promoted Qatar from frontier market to emerging market status. A tremendous rally in Qatari stocks anticipated this, boosting the fund's NAV 66% including dividends from the end of 2012. We should have sold, but we held on, not because we were greedy, but because we were disciplined—too much so, in hindsight. The fund ended May 2014 at a 15% discount to NAV, a level we assessed to still be too high, so we did not sell. The rally resumed with new NAV highs September through November 2014, even as the oil crash was beginning. This gave us a second chance to exit, but still we held because the discount remained around 15%.

Being disciplined and waiting patiently for a narrower discount is generally the right course of action when you've bought a closed-end fund at a deep discount. In this case, we had too much discipline and not enough street smarts. Regardless of the discount, you can't lose sight of macro conditions or the valuation level of the underlying assets, for these factors can lower fund price by a greater magnitude than changes in the discount level. By the end of 2017, the full effects of the oil crash, followed by the regional diplomatic spat and embargo of Qatar led to a 36% fall in NAV from the 2014 high. Fortunately, even though we held on too long, we did sell about one-half our shares at a 1% discount to NAV during annual tender offers from 2012 onward. We disposed of another one-sixth of our original shares at either high market prices (in hindsight) or at single-digit discounts to NAV. The remaining one-third of our original investment was still with us in the second half of 2017, constituting only 0.54% of our portfolio. We decided to sell this stub position at market prices, as we did not foresee conditions that would cause us to buy more shares or be able close the position at a small discount to NAV. Overall, we had a decent run with this fund, but one that would have been better if it ended three years earlier.

Grupo Financiero Valores (Argentina)

Background. This position that we call VALO (its local stock ticker) has tricky performance accounting that requires a background explanation. We bought VALO stock on 30 November 2016, wanting to own the stock exchange in Buenos Aires that VALO owned 60% of. On 23 May 2017, VALO spun out its ownership in the stock exchange and the related central securities depository (CSD) to a new ticker, BYMA. We knew this was going to happen and buying VALO ahead of time was the cheapest way to own BYMA. We continue to own BYMA as a separate position, and we track BYMA's performance separately from this May 2017 spin-out date onward. VALO's main asset post-spinout was a custody bank that itself was a good business with a return on equity around 50%. We kept VALO, known post-spinout as Grupo Financiero Valores, as a stand-alone position until 4 January 2018, when we sold most of our VALO shares due to their high valuation. In Figure 1, we record our VALO results from our 30 November 2016 buy (when VALO comprised the exchange, CSD, and custody bank) to our 4 January 2018 sale of VALO as a stand-alone position. This includes the May 2017 spinout where we credit our VALO proceeds with BMYA's spinout value at that time. After our early

[13] We often see situations where buying $1.00 for something like $0.62 or even $0.50 is not a good idea at all, because the assets do not end up being worth anywhere near the $1.00 at which the manager values them. In our 11-year history, we have owned six closed-end funds that traded at big discounts to NAV, making money five times and losing 3% on the other one. We have probably examined something like 100 or so funds that report big discounts to NAV, however. Not all the funds we rejected lost money of course, but often we've found the discount to be an illusion with investors never realizing NAV.

January 2018 sale of most of VALO, we still held some VALO shares, but we considered it to be part of our Argentina basket, sizing its position similarly to our other Argentine basket holdings. We include VALO's performance from early January through the May liquidation of our Argentine basket in the Argentine basket totals, which we discuss in a separate entry further below.

Purchase. Buying VALO was difficult. Only 183 shares existed and we paid over $2 million to own one share. Essentially, we were buying a seat on a stock exchange. VALO transacted on the stock exchange, but it only could trade if you phoned the exchange requesting they open a 15-minute trading window. We had our broker open trading numerous times over two months, but no shares traded (sellers were offering shares above our bid price). Finally, on 30 November 2016 we bought the first share that traded since 19 September. Post-spin-out, VALO split its shares 4,691,000 to 1 and BYMA split 250,000 to 1, so each stock trades much better now than did VALO when we bought it.

Rationale. The playbook to transform a sleepy, low or non-profit exchange owned by its members into a high-margin, higher valued public company has become well established worldwide in recent decades. Using the creation of Bovespa in Brazil as a role model, many small sub-scale regional exchanges in Argentina were combined to create a national champion exchange operator, now known as BYMA. At the time we bought VALO, this multi-year effort was well underway. We met BYMA representatives in February 2014, March 2015, and September 2016, tracking this process. To capture more of the upside value from this transformation, we sought to buy a hard-to-access VALO share before BYMA began trading. We believed the pre-split VALO shares had a liquidity and information discount, as only a limited number of buyers existed who understood the eventual value of BYMA post-spinout and post-margin expansion and who were willing and able to buy VALO shares under opaque trading and custody conditions.

Profit. In just over 13 months that we held VALO as a stand-alone position, we more than doubled our money, making $2.2 million. Most of this gain came from the value of the BYMA spinout six months after we bought. This front-loaded our return, giving us a 184% IRR. If we include the additional four months into May 2018 where we held VALO shares as part of our Argentine basket, our IRR on the VALO ticker would still be a lofty 157%, with our gain slightly lower at $2.0 million. The simplest accounting may be to combine VALO's and BYMA's performance. We bought VALO to get exposure to the stock exchange and the increase in the value of the exchange and the related CSD is present in both VALO and BYMA (there is also an increase in the custody bank's value present in VALO). This accounting is not final because we still own BYMA shares. Through 30 June 2018, our combined VALO/BYMA exposure (including the last four months of owning VALO when it was part of the Argentine basket) shows a gain of $3.1 million, with an IRR of 104% over 19 months.

Vietnam Fumigation

We made 68% on our Vietnam Fumigation investment, but it was only a small winner for us as its price moved beyond our buying limit shortly after we began accumulating shares. Thus, we made $0.4 million, with a 23% IRR in just under three years. We sold after a weak patch of results in the first nine months of 2017, due in part to rising competition, repeatedly lowered our estimate of intrinsic value.

Swissport Tanzania

We've owned airport services operator Swissport twice. The first time from 2008 to 2014 was a smashing success, with a 6.5x gain.[14] This, the second time, was a setback, as we lost 27% in 15 months, a $0.6 million drop. We bought in November 2016 after an update meeting with the company in Dar es Salaam. The price we paid was lower in dollar terms than the price we sold at two years earlier (or about the same if you add intervening dividends), and the PE had more than halved due to strong earnings growth, from 20.5 when we sold to 9.9 when we bought again. Unfortunately, despite our recent meeting, 2H 2016 results surprised us negatively, as did the following half year's numbers. In January 2018, when an aggressive buyer was willing to pay us nearly 10% more than the market price that prevailed the month before (and in June 2018), we sold.

Superdong Fast Ferry (Vietnam)

Superdong has the leading market share in water transportation between the Vietnamese mainland and its largest island, Phu Quoc, which is seeing increasing visitor traffic due to infrastructure improvements and hotel openings. Superdong also has further expansion opportunities on routes to other islands in different parts of Vietnam. We watched the company for several years, attracted by its high returns on capital that averaged 29% for the five years ending 2016. The price had always been a bit too expensive for us, however. A selloff in Superdong's shares that commenced in the second half of 2016 and continued throughout 2017 finally brought it in range for us in October 2017. At that time, Vietnamese large caps were flying, while some small and mid-caps like Superdong were unloved. Unfortunately, our timing was poor. The company changed direction to address competition by becoming more price competitive. This made 4Q 2017 their worst quarter in many years. While their tactic may prove to be the correct one in the long run, it was difficult for us to assess this with certainty. Our investment thesis had become more speculative and we decided to sell the stock right after the company published the Q4 results. We lost 13%, or $0.2 million in three months. A subsequent meeting with the company in April, along with the Q1 results, confirmed to us that we made the right decision to sell at the first sign of trouble. This was something we were more reticent to do historically but have done more quickly from 2015 onward.[15]

Cervejas de Mozambique

We invested in the SAB Miller (now AB InBev) majority-owned brewer Cervejas de Mozambique (CDM) after two trips to the country in 2013. We bought initially at a PE of 9 and a local price of 113.60. Our last sale was at 216.00 and we collected 43.21 of dividends.

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[14] See pages 2-3 in http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2015Q2.pdf.

[15] In our Q4 2014 letter, we analyzed our biggest losing positions during a difficult 2014. In the section "Estonia: Frogs and cockroaches" on pages 6-7 of that letter, we discussed the cockroach theory of selling at the first sign of trouble. Further down on page 7, in a list of lessons we learned from 2014, we announced a new rule we developed to implement the cockroach theory in a systematic and thoughtful way. From 2015 onward, we have an immediate trim, sell, or hold debate whenever our estimate of a stock's intrinsic value has cumulatively declined by a certain percentage (presently 25%) from its high. This rule led to our sale of Superdong Fast Ferry and several of the other exits we describe in this letter. While improvement is a never-ending, always-ongoing initiative that will not be perfect, we do believe this process change has allowed us to stem some losses sooner than we did before. See http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2014Q4.pdf.

This looks like a solid winner, but we only broke even because of a devastating currency devaluation.

As we have said before, investing in an illiquid stock in a small (market cap) country is as much about the currency as the company.[16] One US dollar bought 28.65 Mozambican meticals on our first trade in October 2013 but we paid 62.19 meticals per dollar in February 2018. And that wasn't the worst of it—in October 2016 one dollar fetched 78.56 meticals as it overshot fair value, before recovering. The Mozambique government overborrowed and defaulted on its debt in a colorful tuna boat scandal that caused the metical to crater in 2015 and 2016. To paraphrase Warren Buffet, when one of the world's best-run companies, selling one of the world's most desired consumer staple products meets a reckless, profligate government, the government emerges with its reputation intact.

It took us nearly three years to accumulate $1.1 million of CDM. We were one of the biggest buyers during this time and CDM is the most liquid trader on the drowsy Mozambique exchange. Investors covet stock in SAB Miller/AB InBev subsidiaries to a degree that we did not lose money even with the depressed currency causing dollar-based import prices to spike, hurting CDM's earnings such that its PE blew out to 46.5.

The impetus to sell came from rumors, which we were able to confirm directly with Heineken, that it was planning to enter Mozambique with a new $100 million brewery. AB InBev and Heineken compete profitably throughout Africa, so we expect a new equilibrium will develop. Nevertheless, this could take several years, and it could be a bumpy path from a monopoly to a duopoly. We had seen a similar scenario play out in Cote d'Ivoire, where Heineken's entrance had caused a significant deterioration in profitability and market share of the incumbent player, and we did not want to watch a rerun of this in Mozambique.

We expect CDM will recover from the terms-of-trade shock of the devalued metical, and eventually from the forthcoming competitive shock from Heineken. Also, Mozambique's potential should improve when it begins pumping offshore natural gas in the next decade, provided the resource curse does not infect the country too greatly. Nevertheless, the opportunity to exit a small, illiquid position in a weak currency at a premium without losing money before a powerful competitor enters seemed the prudent action to take. We sold our position in three block trades over seven weeks at a premium to the prior market price.

Eastern Bank (Bangladesh)

Our 3.7-year investment in Eastern Bank earned a 25% IRR, netting $2.9 million of profit. This was the more successful of two money-making Bangladeshi bank investments we made in 2014. The other, Southeast Bank, made a slight profit, as we discussed last year.[17] Combined, these two produced a 17% IRR with a $3.2 million gain. We sold Eastern in 2017 and 2018 because it was no longer cheap and systemic banking risks were rising. At the time of our last sale in February 2018, Eastern's PE was double its 5.3 value when we initiated this position in June 2014. The stock had moved from 34% undervalued to 29% overvalued on our intrinsic value estimates.

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[16] See discussion on pages 7-9 in: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2017Q1.pdf.

[17] See the performance table on page 7 and the discussion on page 12 in http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2014Q4.pdf.

Furthermore, we were unsure if corporate governance issues, credit quality problems, and bank solvency and failure issues surfacing in 2017 would remain isolated within the weaker banks, or if these problems might spread systemically to the higher-quality banks like Eastern. In our opinion, Bangladesh has always had a permissive banking regulator that repeatedly allows problems like these to develop and fester. In 2010, banks fed a stock market bubble through fast loan growth and their own stock market speculations. When the bubble popped, a multi-year banking downturn ensued, and the central bank never fully cleaned up the mess. This allowed us to buy Southeast Bank and Eastern Bank cheaply in 2014 in the aftermath of that crisis. By 2018, it seemed to us it was time to collect our profit and move on.

Galenika Fitofarmacija (Serbia)

Galenika Fitofarmacija makes herbicides, pesticides, and fungicides. It earned us a $1.8 million profit with a 10% IRR in 6.7 years. Roughly half this profit occurred in our final year of ownership, in large part because the usually weak Serbian dinar appreciated 20%. Having watched the dinar devalue over the years, we were skeptical if these currency gains would hold. On March 14, the company announced poor second half 2017 results. The stock is illiquid, and we owned more shares than had traded in all of 2016 and 2017 combined. A buyer was present at the market price, making it a simple decision for us to sell. Our 15 March 2018 exit trade is the single-biggest trade printed on Bloomberg in the 13-year history of this stock. Through 30 June 2018, the currency and the stock price have each declined 5% since our sale.

Argentina basket

Background. For four years beginning late April 2014, we held a basket of 7-10 Argentine stocks to capitalize on a cycle of positive political, currency, and economic reform. We visited Argentina in February 2014 after authorities devalued the then crawling peg exchange rate by a necessary but unexpected 19% in the prior month. A sudden shock like this attracts us like a moth to a flame—something interesting must be happening, we reason—let’s go visit. Having heard nothing but gloom and complaints about government interference during our prior January 2012 visit, we were surprised to hear universal optimism from companies during this trip, despite the devaluation. The reason was that President Cristina Kirchner’s party had fared poorly in mid-term elections in the second half of 2013, meaning that she no longer had enough support to change the constitution to serve another term. Thus, Kirchnerism with its populist economic policies, which began in 2003 under her husband, now had a definite term-limited end date. In December 2015, a new president would assume office, and while it was unclear who that would be, the three leading candidates all supported more orthodox economic policies. We conducted a second visit in April 2014 and began investing immediately afterward on the prospect of this macro change. The change we got, with Buenos Aires mayor Mauricio Macri becoming president, was the best-case scenario from an investor’s perspective. As we have written many times,[18] he set about implementing an ambitious program to normalize Argentina and end its pariah status with investors.

[18] Our June 2017 and our December 2017 monthly comments summarize Macri’s presidential accomplishments: http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2017_06.pdf. http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2017_12.pdf.

Basket rationale. We owned a basket for several reasons. First, we thought that if we were right on the macro thesis for Argentina, a rising tide would lift nearly all Argentine stocks. Thus, it was more important to be invested than to pick individual stocks. We certainly did not want to be right on the thesis and not make money because of company-specific issues, if we only owned one or two stocks and they did not perform. Second, years of high inflation, which the government at that time deliberately underreported, diminished the quality of companies' financial accounts and made traditional discounted cash flow valuation analysis more difficult and less reliable. Third, in addition to the inflation distortion, the distortion of subsidies and price controls was even larger for some companies. For example, regulated prices meant that many consumers had a monthly utility bill under $10. Utilities generally lost money and had terrible financials yet would benefit the most if normalization were to occur. This was not hard to spot qualitatively but was difficult to model accurately. Fourth, we wanted to invest quickly. We'd done two trips in three months and our thesis was set. Argentine stocks were rising and we didn't want to lose more time parsing financials statements that were often incomprehensible.

Results. Altogether, on our Argentina basket, we made $2.1 million, with an IRR of 21%. We have additional dollar gains in each of two stand-alone positions that were separate from our basket: VALO, which we sold and discussed above, and BYMA which we still hold. Through 30 June 2018, we've made $5.5 million in Argentina, combining the basket's results with VALO and BYMA. This is a good outcome so far, but it had been better. Through January 2018, we had a $3.7 million gain in the basket and a $8.2 million gain in the country. With hindsight, we are fortunate to have trimmed over $3 million combined from our Argentine holdings (basket, VALO, and BYMA) November 2017 through January 2018 due to valuation, before the 2018 selloff began.

Sentiment changes. Argentina has long been a volatile market with its largely US-listed stocks reacting immediately and dramatically to news, both good and bad. For example, by the time we first invested on 29 April 2014, MSCI Argentina already had a total return gain of 84% from its June 2013 pre-mid-term-election low (we feared we might already be too late!). Going the other way, in 2015, this total return index fell 44% peak to trough. With examples like this in mind, we long thought that if ever we had to sell the basket due to events, we might lose 20%-30% upon the exit. Essentially, that is what happened. Stubborn Argentine inflation and premature rate cutting, combined with rising US rates, dollar strength, and an increasing equity risk premium on non-US equities flipped a switch. Whereas before markets gave Argentina the benefit of the doubt on whether Macri's policies would work, from mid-January 2018 onward, markets have expressed skepticism, primarily through the exchange rate, which began weakening a month earlier. The markets began making the news rather than the policy reforms, and the media coverage turned negative.[19]

Sell decision. Our base case remains that Macri will succeed despite his administration's mistakes, but the sentiment change lowered the probability of this and damaged our investment thesis. In the end, this increased unpredictability clarified for us that we no longer had the conviction to continue owning the basket. Events reduced what had been a great profit result a few months earlier to now only a good outcome. It remained possible that losses could have reversed such that our total return would become great again, but as likely

[19] We single out *Forbes* and *Business Insider* for zestfully throwing gas on the fire, penning multiple sensationalist stories that couldn't distinguish between Macri's earnest orthodox reforms and the discredited populist policies from Argentina's troubled political and economic past. It was as if Macri was a continuation of the past rather than a break from it. Accuracy can take a backseat to clickbait headlines in the social media age.

was the possibility that our good outcome could have diminished further to only an average result or even a mediocre one. We felt we could no longer predict which outcome we would get, but we knew from a risk control perspective that we wanted the basket experience to end with at least a good result. Therefore, we sold the Argentine basket in the first half of May. We still have our 2% BYMA position that we will keep or sell based upon its price relative to our estimate of its intrinsic value.

Possible future upside risk. If what we say above about Macri still succeeding comes true, there is a reasonable chance that Argentina could rally strongly. Certainly, there is a possible foundation for an Argentina stock recovery. Consider that MSCI Argentina lost half its value in less than six months, and MSCI is promoting Argentina to EM status within 11 months. If a significant Argentine rally were to occur before June 2019, the large weight of Argentina in FM would likely mean that we could lag that index badly. So be it. We explain above why we sold VALO and the basket. We can only do what we think is right at the time. We should not fail to act because of any fear of not tracking index composition and performance. If what we write here comes to pass (Argentina does rally strongly and we do lag FM), surely we will refer to this paragraph in the future, saying those events were a known upside risk that we accepted as a natural outcome of our investment process.

Fund and Management Company News

Term changes. We announced two changes in June to make investing in Frontaura more appealing to individuals and institutions.

Lower minimum for individuals. First, for individual investors, we lowered the minimum initial investment to $250,000. We may revoke this change at any time and revert to a higher minimum, although anyone entering the fund now could stay at $250,000. An investor needs a net worth of $2.1 million to meet the qualified client standard that allows us to charge incentive compensation.

Lower fees for large investors. Second, for institutions and other large investors, we will soon have a 2%/10%, $5 million minimum, 8-quarter exit series. This reduces our standard 2%/20% management fee/incentive allocation fee structure, but in exchange for a higher minimum and a longer exit. A full redemption within this series will take eight quarters rather than four quarters for a new investor.[20]

Please contact us if you want additional information regarding either of these two changes. While our terms are changing, we continue to manage only one pool of assets, accessible through either a Delaware LLC or a feeder fund that is a Cayman Islands limited company. In other words, we are not introducing a new fund.

We remain open monthly for new investors and follow-on investments of any amount. You'll need to wire funds such that they reach us on or before the last business day of the month prior to your investment (e.g. on or before Tuesday, July 31 for August 1 investment).

Travel and visits. Our Q2 travels included separate trips to Vietnam in April and in June, a visit to Ghana and Nigeria in May, and a day of meetings with Turkish companies in New

[20] Investors who joined us before October 2015 had an initial two-year lockup instead of a four-quarter exit. Additional exit considerations may apply to all investors. Most important is that no investor may redeem more than 2.5% of fund AUM per quarter. See our legal documents for all restrictions.

York.[21] Listed companies from the following countries visited us in our Chicago office during Q2: Argentina, Bangladesh (2), Egypt, Georgia, Kuwait, and the United Arab Emirates (UAE). Additionally, we had 15 other meetings with analysts and firms from around the globe including Egypt, Iraq, Romania, Turkey, UAE, Vietnam, and other countries.

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,

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[21] This quarter's monthly comments discuss the trips to Vietnam, Nigeria, and Ghana:
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2018_06.pdf.
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2018_05.pdf.
http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2018_04.pdf.

Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Performance[22]
30 June 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%
2018 Q2	- 7%	3%	- 1%	- 8%	- 15%
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	- 6%	3%	- 3%	- 7%	- 11%
1 Year	0%	14%	7%	8%	2%
3 Year	12%	40%	15%	18%	7%
5 Year	17%	88%	37%	28%	25%
7 Year	37%	139%	40%	10%	30%
10 Year	84%	163%	32%	25%	- 23%
Inception to Date	101%	121%	11%	3%	- 19%
3 Year CAGR	3.8%	11.9%	4.9%	5.6%	2.1%
5 Year CAGR	3.2%	13.4%	6.4%	5.0%	4.5%
7 Year CAGR	4.6%	13.2%	4.9%	1.4%	3.9%
10 Year CAGR	6.3%	10.2%	2.8%	2.3%	-2.5%
ITD CAGR	6.8%	7.7%	1.0%	0.3%	-2.0%

Figure A2
Frontaura Global Frontier Fund LLC
Monthly Performance
30 June 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%	0.4%	- 6.8%	- 0.7%							-5.6%

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[22] Returns commence 1 November 2007 and are audited through 2017. 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 will likely 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.

Figure A3
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[23]
30 June 2018

Holdings Summary

Country	Holding
Vietnam	14%
Egypt	9%
Nigeria	9%
Sri Lanka	9%
USA (cash only)	7%
United Arab Emirates	6%
Papua New Guinea	6%
Rwanda	6%
Kuwait	6%
Kenya	5%
Pakistan	3%
Georgia	3%
Lebanon	2%
Macedonia	2%
Uganda	2%
Argentina	2%
Tanzania	1%
Bahrain	1%
Ecuador	1%
Botswana	1%
Iraq	1%
Peru	1%
Paraguay	1%
Oman	1%
Others	1%

Region	Holding
Middle East / North Africa	27%
Sub-Saharan Africa	24%
Southeast Asia	20%
South Asia	13%
USA (cash only)	7%
Latin America & Caribbean	4%
Eurasia	3%
Eastern Europe	2%

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

Portfolio Statistics

Portfolio Price to LTM Earnings	7.5
Portfolio Price to Book	1.22
Portfolio LTM Dividend Yield	6.1%
Return on Ending Equity	22.1%
Positions	53
Countries	27
Average Market Cap	$1,003m
Median Market Cap	$555m
Portfolio Turnover (LTM)	35%
Portfolio Turnover (ITD)	29%
Standard Deviation (ITD)	13%
Beta to S&P 500 (ITD)	0.49
Assets Under Management	$132m

[23]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 Q2

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)[24]	Frontaura Return (%)	MSCI Return[25]	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Papua New Guinea	0.9	12%	--	Argentina	-3.5	-33%	-42%
Macedonia	0.1	4%	--	Oman	-1.2	-53%	-5%
Uganda	0.1	6%	-4%	Sri Lanka	-1.1	-8%	-8%
Ecuador	0.1	9%	--	Egypt	-1.0	-8%	-8%
Tanzania	0.1	3%	--	Nigeria	-0.9	-6%	-4%

Figure A5
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2018 Q2

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Papua New Guinea	0.9	12%	--	Oman	-1.2	-53%	-5%
Ecuador	0.1	9%	--	Argentina	-3.5	-33%	-42%
Paraguay	0.1	7%	--	Mongolia	0.0	-14%	--
Uganda	0.1	6%	-4%	Bangladesh	-0.1	-11%	-7%
Bahrain	0.1	4%	-2%	Pakistan	-0.4	-10%	-21%

[24] 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.

[25] 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 Q2

Region / Country	Frontaura Return ($millions)[26]	Frontaura Return (%)	MSCI Return (%)
Southeast Asia	**0.7**	**3%**	
Papua New Guinea	0.9	12%	--
Vietnam	(0.2)	-1%	-17%
Eastern Europe	**(0.1)**	**-3%**	
Macedonia	0.1	4%	--
Serbia	(0.2)		-7%
Eurasia	**(0.3)**	**-8%**	
Mongolia	(0.0)	-14%	--
Georgia	(0.3)	-8%	--
Sub-Saharan Africa	**(1.5)**	**-4%**	
Uganda	0.1	6%	--
Tanzania	0.1	3%	--
Zambia	(0.0)	-5%	--
Rwanda	(0.0)	0%	--
Botswana	(0.1)	-9%	-6%
Kenya	(0.7)	-9%	-8%
Nigeria	(0.9)	-6%	-4%
South Asia	**(1.6)**	**-9%**	
Bangladesh	(0.1)	-11%	-7%
Pakistan	(0.4)	-10%	-21%
Sri Lanka	(1.1)	-8%	-8%
Middle East / North Africa	**(3.1)**	**8%**	
Bahrain	0.1	4%	-2%
Jordan	(0.0)	0%	-2%
Iraq	(0.1)	-8%	--
United Arab Emirates	(0.1)	-1%	-4%
Lebanon	(0.2)	-4%	-9%
Kuwait	(0.5)	-7%	-1%
Egypt	(1.0)	-8%	-8%
Oman	(1.2)	-53%	-5%
Latin America & Caribbean	**(3.3)**	**-24%**	
Ecuador	0.1	9%	--
Paraguay	0.1	7%	--
Peru	0.0	1%	-3%
Argentina	(3.5)	-33%	-42%

[26] 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[27]
2018 Q2

Country	Percentage Point Change	Explanation
Vietnam	+4	Added two positions; increased size of existing positions
Argentina	-6	Exited position; relative underperformance

Figure A8
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2017 Q3 – 2018 Q2

Country	Percentage Point Change	Explanation
Vietnam	+6	Multiple new positions exceed position exit and trims
Egypt	+5	Increased exposure; relative outperformance
United Arab Emirates	+3	Added three positions 2H 2017, while selling one
Nigeria	+2	Added new position in Q2 2018; relative outperformance
Kenya	+2	Increased size of one position
Serbia	-2	Exited position and country in Q1 2018
Pakistan	-3	Relative underperformance; trimmed one position in Q3 2017
Bangladesh	-3	Exited position in Q1 2018
Romania	-3	Exited position and country in Q3 2017
Tanzania	-3	Exited two positions Q3 2017-Q1 2018
Argentina	-5	Exited two positions Q1-Q2 2018

[27] 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[28]
30 June 2018

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	53	27	+3	--	+8	--
Top 5	26%	47%	--	+2	-1	+9
Top 10	42%	73%	-1	+2	-3	+8
Top 20	64%	89%	-2	--	-7	-1
Top 20 + USA (Cash)	71%	96%	-1	--	-4	+1

[28] 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.