Quarterly Letter – 2018 Q3

This letter reflects market movements through Tuesday 9 October 2018.

Q3 2018 was our second tough quarter in a row. In our discussions with investors, we find interest in frontier markets the lowest we have seen it in our 11-year history. Ironically, we are becoming more bullish as this drawdown lengthens, valuations improve, and good fundamentals continue. We don't think we are yet at a bottom, but we are getting closer. It is now time to be thinking about when and how you will decide to allocate money to frontier markets. We discuss this in the Outlook section below. Our statistically significant Quality Value Score (QVS) regression now projects a 19% return for the next 12 months. We last featured this regression prominently in our 2016 Q4 letter. It then projected a 15% gain for 2017, and we made 17% that year.

In our Fund and Management Company News section, we announce two changes to our team. First, we promoted Tim Raschuk to join Nick and Steve on the management committee that runs Frontaura. Second, we hired Raefe Gross as an additional research analyst. In that section we again run through recent terms changes making it easier to invest in Frontaura. The lower-fee option for large investors became available October 1 and most of the eligible money for this series switched into it. The lower $250,000 minimum also remains available.

The sections that follow are Performance, Outlook, Quality Value Score, Fund and Management Company News, and then our usual Statistical Appendix.

Performance

Q3 and 2018. Frontaura lost 4.9% in Q3, our second consecutive losing quarter following eight winners. The MSCI Frontier Market (FM) Index lost 2.0% in Q3, an improvement after its 15.2% plunge in Q2. It's now down 12.6% for 2018, a bit worse than our -10.2% mark. The MSCI Emerging Markets Index (EM) fell 1.1% in Q3 and is off 7.7% this year. MSCI EAFE gained 1.4%, leaving it down only 1.4% for 2018. The S&P 500 had its best quarter in the last 19 with a 7.7% rally. It is now up 10.6% this year. All index figures are total returns through September 30.

Figure A1 in the Statistical Appendix shows quarterly, annual, cumulative, and compounded returns for us and these indices. Figure A2 shows our monthly returns since inception. Past letters have discussed attribution by country. But as we have expanded our figures in the Appendix over time, our textual comments have diminished in favor of greater tabular information. Please see Figure A3 for portfolio mix by country, region, and sector, along with our portfolio statistics. Figures A4 and A5 show country attribution by dollar and percentage returns, while Figure A6 presents regional attribution. Figures A7 and A8 show changes in country mix for the quarter and the last 12 months, and Figure A9 shows portfolio concentration and how it has changed in the last three and 12 months.

Outlook

How long can this go on? This has been a tough year for non-US markets, especially emerging and frontier markets. It's natural to wonder how much longer this will continue. While every episode of history is different, similarities often occur, so we looked back at our own history for some guidance on that question. The answer we came to—assuming this episode resembles the past—is that we're probably through most of it, and the outlook for 12-month returns from this point looks good. We base this on the following:

1. We've had back-to-back quarterly losses three times before. Twice, a third quarterly loss did occur, but we've never had four quarterly losses.

2. We've now had five consecutive monthly losses, from May through September. This happened twice before, in 2008 and 2011. Both times a sixth monthly loss occurred and each was significant (-11% in November 2008 and -5% in November 2011). Both times, however, that was the last big-loss month. One year after the fifth negative month, we were up 32% and 6%, respectively, even after absorbing those big losses in November 2008 and 2011. Two years after the fifth negative month, we were up 73% and 37%, respectively.

3. On a month-end basis we are now 12% below our January 2018 peak. This is the fourth double-digit percentage drawdown in our history. The peak-to-trough time of the other three in month-end terms were 9, 10, and 16 months, respectively. If those episodes represent the duration of possible drawdowns, then at worst we are halfway through this drawdown and at best it will end after this month. Of course, it could always go longer, even if it has not in the past 11 years.

4. At the eight-month mark of the other three drawdowns, the amount we lost from our peak on average represented seven-tenths of the total amount we ended up losing from peak to trough. If we are 70% of the way through this drawdown, there are another five percentage points of downside remaining.

5. Finally, turning to valuation, our QVS is now 77 (0 being the worst in our history and 100 being the best), placing it in the best quartile of our history. QVS is a composite measure of PE, price/book, dividend yield, and return on equity. The relationship between QVS and future performance is statistically significant, and a regression predicts a 19% gain over the next year. We'll discuss this in a section below.

What do we really think? The stylized facts above are interesting and possibly informative, but what does our gut really tell us with enthusiasm for frontier market stocks likely the lowest we've seen in our 11-year history? Yes, the Global Financial Crisis (GFC) and several other periods had worse performance, but even in those dire times we encountered more people actively thinking of investing in frontier. Near term, this lack of interest is a headwind. Medium and longer term, this disinterest—from a contrarian's perspective—bodes well.

We've had several discussions recently with investors that went something like this: "I don't want to invest in EM or FM now because their sentiment is lousy and the dollar is strong. Also, I don't want to invest in them if the S&P 500 falls apart, because they will underperform in a global selloff. Basically, I'm not sure I ever want to invest in them." We follow the logic, but the conclusion that EM and FM must always underperform can't possibly hold. It hasn't been true in history and it won't be true forever going forward. Also, while EM and FM indices have underperformed in selloffs, that has not been true for us.[1]

[1] See an analysis of this in our 2018 Q1 letter on pages 4-11: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2018Q1.pdf

For those struggling to see the merits of our asset class, let's construct a more positive narrative on how things could turn around. Although valuations have become steadily more attractive since the January peak, valuation is not a near-term timing signal. Thus, for now, we expect negative frontier stock momentum to continue to trump the positive valuation outlook. Historically, October is our third worst month and November is our worst, both with negative average returns. We expect our string of five monthly losses may grow to seven, a new record. We then think we might be around a bottom, if not exactly, close enough to where investing will, more likely than not, pay off over a one- or two-year period.

Each of our three past drawdowns have had a one-to-four-month bottoming process of flattish results as the drawdown turned into a rally. For example:

1. During the GFC, we had the three worst months of our history, September – November 2008, losing 8%, 17%, and 11%, respectively. The four months that followed, December 2008 – March 2009, were around break-even with a 1% gain, a 2% loss, a loss that rounded to 0, and a 1% gain. Altogether, these four months had a loss rounding to 0. The two months after the pause saw a 23% gain that began a bull run that lasted into 2011.

2. In 2011, we lost 17% in the six months through November. A two-month pause ensued, with December up 1% and January 2012 down 1%. A 9% advance occurred in the following three months and this rally continued until late 2014.

3. In 2016, the pause was briefer, with only one month of flattish results in February signaling the end of the 16-month oil crash for us. A two-year rally commenced in March with a 9% gain occurring over the first three months.

Continuing our account of what we think might happen, a similar bottoming process could run from December 2018 through February 2019. A rally could then commence March through May 2019. March, April, and May are our three best months historically with monthly gains over 80% of the time and average returns around 2% per month.[2] Any constructed narrative like this is speculative and almost certainly will not play out exactly as the author describes. Nevertheless, we indulge in this exercise to provide a believable script for how we can evolve in a short amount of time from a negative market environment to a positive one using historical examples, valuation, and return analysis to guide our story.

And how might we be wrong? Managing an investment portfolio is a continual assessment of probabilities, because no situation or decision is ever 100% certain. We are in the habit of asking ourselves where and how we could be wrong. There is a timing risk that, even if we are ultimately correct, a rally takes longer to start or has lower gains initially than our forecast suggests. This happened in 2016, where QVS projected a 16% gain, but we only made 7%. However, we think the biggest risk to our storyline above is the possible end of a near decade-long US bull market, which could disrupt most global asset classes. US data series such as valuation, profit margins, earnings growth, and stock returns are all well-extended beyond historical norms. All these series have historically had mean-reverting tendencies. If this were to happen again, as inevitably we think will occur, then the seven- to 10-year outlook

[2] This phenomenon relates to the timing of ex-dividend dates and the tendency of stock prices to not decline on the ex-date in some frontier markets, making for abnormal gains. Earnings releases (both Q4 and Q1) and dividend announcements also occur in these months to a greater degree than in other months.

for US real equity returns is perhaps the worst in our lifetime.[3] We said above that valuation is not a timing signal and that is true of the other data series to which we refer. The S&P could continue to march on longer than we expect. It's entirely possible the S&P could have a blow-off top, as sometimes occurs prior to a market peak, with rapid gains drawing former disbelievers into the US market, before a collapse occurs.

We don't want to get sidetracked, so our point here is not to convince you of our outlook on the US or even to show the data that numerous others have produced to support this view.[4] We just want to identify this risk as the major risk to our forecast. This is a bigger risk, in our opinion, than other risks that frontier market observers cite such as EM/FM currency crisis contagion, rising US interest rates, trade wars, oil-price inflation, and the strong dollar, although any of these risks could be the spark that ends the US bull market.

There are many possible paths of an extended period of US equity underperformance, some more benign for us than others. If the US holds it together a few more years, our frontier bottoming story can proceed as we describe. If the US is flattish for a decade without ever repeating the twin 50+% selloffs of the last decade, we believe that would be favorable for us. If US stocks appreciate in nominal terms but lose money in real terms due to inflation, that could be good or bad for us depending on the degree to which inflation transmits globally. A dollar crisis, where the US dollar loses 30% of its value as Ray Dalio of Bridgewater has hypothesized, would create winners and losers for us. It may bring back the favorable mindset toward frontier such as existed in 2009-2010 when investors actively sought non-US equity exposure because the long-term outlook for the dollar's value spooked them. A near-decade of steady S&P 500 gains has since dulled, then neutered, this form of risk aversion. We think that a third US 50% selloff in a generation—and this time with a rebound to new real highs less likely because the government already spent its fiscal and monetary bullets—is the situation least favorable for frontier and other global assets. Nevertheless, this scenario did end up working out well for us the last time. Despite a painful 2008, we still made 44% over the 2008-2010 period.

Quality Value Score (QVS)

Several years ago, we invented Value Score (VS) as a single-number metric, scaled from 0 to 100, that was an equally weighted composite of three valuation variables—PE, price/book, and dividend yield. We found that regressing VS against future returns produced a statistically significant prediction model of how our fund might perform. Later, we added return on ending equity as a fourth metric, calling this Quality Value Score (QVS). We found QVS to have marginally better predictive ability than VS. Academic literature supports that these three valuation metrics and this one measure of quality are predictive of future return, so it does not surprise us that the results for our own fund support this conclusion.

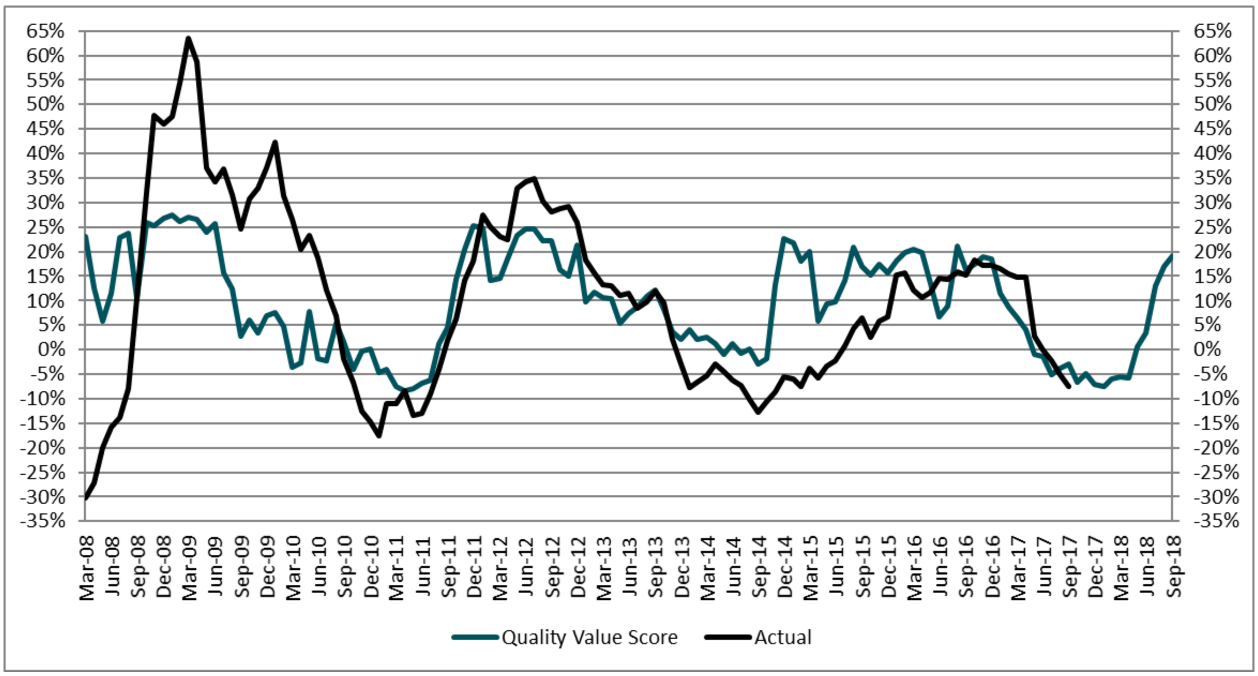
Our values for these metrics as of 30 September 2018 follow. Our trailing portfolio PE is 6.9, our portfolio price/book is 1.17, our weighted average dividend yield is 6.5%, and our

[3] The respected firm GMO has a strong record of signaling market tops and bottoms based upon their work assuming that valuations and profit margins revert to the mean. Their August 2018 projection is that US large cap stocks will have a compounded total real return of -5.2% over the next seven years. For clarity, that's a loss after inflation of over 5% per year for seven years, and this includes dividends. The total 7-year loss after inflation would be 31%. This is a worse projection than what they had prior to market tops in 2000 and 2007.

[4] In addition to GMO that we referenced in the prior footnote, other researchers whose work show the S&P 500 to have poor projected future performance include Barry Bannister, John Hussman, and Robert Shiller, among others. Their work is widely available on the internet.

weighted average return on ending equity is 25.3%. Individually, our PE and price/book are around average, but our dividend yield is in the top sixth of all data points in our history and our ROE is in the top quartile. Altogether, the average of these four metrics is in the top quartile of our history. Certainly, there is room for them to improve further. This can happen either through lower prices or better fundamentals, but in the near term, price changes impact QVS more rapidly than fundamentals. QVS peaked at 87 in 2014 during the oil crash, at 94 in 2011, and at 100 in 2009 during the GFC. We estimate that if September 30 prices were 5% lower, the QVS would be at 90 now.

Figure 1
Frontaura Global Frontier Fund LLC
Future 1-Year Performance: Regression Predictions & Actual
March 2008 through September 2018



We showcased our regression findings in our Q4 2016 letter, indicating that the QVS regression then predicted a 15% return for 2017. That was a good prediction as we made 17% that year. Now a QVS regression predicts a 19% gain for the 12 months October 2018 through September 2019. More precisely, with 95% confidence, the regression expects our forward one-year return to range from 5% to 33%, with a midpoint of 19%.[5] This is simply a statistical prediction that assumes past relationships between QVS and future performance hold. Of course, there are many reasons why they may not.

We show the accuracy of the QVS regression visually in two figures. Figure 1 shows the forward 12-month QVS return prediction and the actual return that occurred. While there can be some leads and lags, the regression prediction line and the return realized follow a similar pattern. Figure 2 shows this information in tabular form on a calendar year basis. Again, it's

[5] The f-statistic for the QVS regression is 45. The t-statistics are 2.6 for the intercept and 6.7 for the QVS variable. As a rule of thumb, values of two or higher for these statistics imply statistical significance at the 95% level of confidence.

clear that the data lines up well most of the time. This doesn't mean that it nails the actual return within two percentage points as it did in 2017. The absolute value of the prediction deviation from the actual return is 12 percentage points. That's consistent with the 95% confidence range for our current forward-looking projection (19% plus or minus 14 percentage points). It is also more accurate than a simple prediction that we earn our inception-to-date average annual return each year, which has a 17-percentage point deviation on average over the decade 2009-2018.

Figure 2
Frontaura Global Frontier Fund LLC
1-Year Performance: Prediction[6] & Actual
2009 – 2018

Year	Actual Performance	Quality Value Score Projection
2009	46%	27%
2010	37%	7%
2011	-15%	0%
2012	18%	25%
2013	26%	21%
2014	-3%	2%
2015	-5%	23%
2016	7%	16%
2017	17%	19%
2018	-10% YTD	-7%

How might the regression be wrong? Our regression can't see around corners, meaning it can miss sharp changes in either prices or fundamentals. Here are three examples of this:

1. The QVS regression didn't see the GFC coming. Our very first QVS prediction at the end of March 2008 was terrible: a 23% projected one-year return when the actual turned out to be -30%. But we recouped this loss only six months later. The two-year prediction from March 2008 was for a 20% CAGR and the actual CAGR was +7%. By March 2011, you would have earned a 13% CAGR over three years with us. We think it's fair to say that markets oversold the stocks we owned during the GFC, and while our regression didn't see the GFC selloff coming, it had a respectable outcome on a two-year or longer basis.

[6] If you have a sharp eye, you might catch what appears to be a typo. The one-year regression prediction in our 2016 Q4 letter was 15%, yet we state it here as 19%. Today, we have 21 additional months of data points and that has altered slightly our regression coefficients. A 15% prediction at the time is a 19% prediction today. Yes, this is look-ahead bias. We discussed why this does not bother us on page 7 of our 2016 Q4 letter. See: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2016Q4.pdf. To summarize what we said in that letter: 1) in the early years we didn't have enough data points to make a statistically valid projection using only data known at that time; 2) the main point of this letter is to write about what the model projects forward from now, and there is no look-ahead bias in that projection; and 3) any fine tuning of the model with additional data points is not material. To the naked eye, you probably could not notice any difference in the projection curve in Figure 1 between the 2016 Q4 letter and this letter, for example. We don't run these regressions that regularly, so it's far less effort for us to just show what they say now about all past months, rather than to run a separate regression for every month in our history to show what they said at the time. The difference is not material enough to justify the additional effort. If the projection curve did change materially, we would not be comfortable with this look-ahead bias, but that's not the case.

2. The inverse happened in 2010. Strong post-GFC investor inflows continued to propel frontier stocks in 2010 after an excellent 2009. Entering 2010, our regression predicted a 7% gain; the actual was 37%. The strength of the 2010 rally set us up for a weak 2011 as our regression then correctly predicted. Further, our regression's two-year projection for 2010-2011 of a 7% CAGR nearly nailed the actual of 8%. Like in the first example, we'd say markets went too far in 2010, this time overbuying frontier stocks.

3. If the first two deviations were examples of our regression proving itself eventually, this third example from the end of 2014 is a case where the regression got it wrong. We covered this in a previous letter,[7] but to summarize, our model made sensible projections in October 2014 and April 2015. In between, it was fooled. Our stock prices began to fall in November due to weakening fundamentals related to the oil crash. Our model assumed stocks had become too cheap, and thus it projected a strong 2015 return of 23% (the actual was -5%). The reality was that the market was correctly pricing in weaker fundamentals. By April 2015, this showed in reported earnings and our model was back on track.

Of the three cases above, the second isn't too worrying (markets give you a higher return than you expect). The first case (a fall in prices beyond what's justified) is painful, but eventually tends to self-correct. We think this is most likely what we are experiencing now. The third case (regression misses deteriorating fundamentals that the market correctly prices in) is what we most want to avoid. We can never dismiss this possibility completely. The most likely culprit if we and our model are wrong right now would be the combination of a strong dollar and a rising oil price bedeviling countries with large dollar debts and significant oil imports. Dollar indebtedness worries have already crushed Argentina and Turkey this year. Oil importers like Bangladesh, Pakistan, and Sri Lanka have twin deficits and weak currencies. These South Asian countries, presently 12% of our portfolio, have been a performance challenge for us in 2018 (just as they added to performance in 2015 and 2016 when oil prices were lower). We tolerate this, however, because on balance we think we have a slightly positive beta to the oil price, given exposure we have in the Middle East, Nigeria, and Ecuador. The oil crash hurt us, is the oil boom also going to hurt us? If it does, it would likely be through oil-price inflation that is popping up already in some countries. The Philippines, an oil importer where inflation has risen from 2.9% to 6.7% this year, is an example of this, although we have not invested there in 2018.

Overall, our earnings have grown this year; what's changed is that investor interest in EM and FM switched off after the S&P 500 correction began in late January. The S&P 500 reversed its correction and moved to new highs, but EM and FM sentiment has yet to switch back on. If more time passes without additional countries erupting in crisis like Argentina and Turkey, then the more likely our performance begins to turn as the model now predicts.[8]

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[7] See the Explanation of 2015-2016 section on pages 5-6 in: http://www.frontauracapital.com/quarterlyletters/Frontaura_Quarterly_Letter_2016Q4.pdf.

[8] We do think a crisis is underway in Pakistan. We've been negative on the country since mid-2017 as best summarized in our October 2017 comment. It is a fair criticism to say we got the big picture right there but may have failed to fully implement our view correctly in that—while we bought no new stocks despite seemingly cheap valuations—we didn't sell enough of what we owned as a value trap of low PEs and high dividend yields was a siren song impeding our decision making. After we wrote this footnote, Pakistan announced on 9 October 2018 that it would seek an IMF program. For our October 2017 comment see: http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2017_10.pdf.

A final note on one and two-year performance. Over the model's history, both its one- and its two-year projections are statistically significant with the two-year forecasts more so. The two-year projection usually has a CAGR similar to the one-year projection, albeit often a couple percentage points closer to zero. For simplicity in this letter, we've just referenced the one-year projected return from September 2018.

There are clearly times when the one-year prediction worked and the two-year prediction did not, and vice versa. With the March 2008 projections, the two-year prediction was much better than the one-year prediction, as we discussed above. From December 2016, the one-year projection was close to spot on, as discussed, but the two-year forecast has not been.[9] The two-year return from December 2016 has three months to run, but results have declined as 2018 progressed to where the CAGR from the beginning of 2017 is now only 3%. Thus, it's unlikely that we'll finish near the 15% CAGR two-year prediction of December 2016.

Fund and Management Company News

Promotion. In recognition of his tremendous contribution to our research effort the past six years, we've added Tim Raschuk to Frontaura's management committee. Tim now joins Frontaura founders Nick and Steve in running the business. Increasingly, Nick and Tim oversee the investment side of Frontaura, with Nick managing the portfolio and trading and Tim leading research. Tim will defeat Nick in 2018 for the Frontaura Air Mileage Crown, as the most traveled Frontaura person this year. In addition to his research role, we've gradually been introducing Tim to clients and prospects in recent years given his encyclopedic knowledge of company details around the world.

Tim came to Frontaura in 2012 from Bank of America Merrill Lynch. He enjoys running marathons and triathlons in his spare time, and he was recently married in August. A native of Ukraine, fluent in Russian, Tim grew up in both Kiev and Chicago. He is a CFA with an MBA from University of Chicago and a B.S. from Carnegie Mellon.

New analyst. Raefe Gross joined us in July as a third dedicated research analyst. He is a 2018 graduate with a master's degree in Finance from University of Wisconsin-Madison. Raefe studied in the limited-enrollment Applied Security Analysis Program where students actively manage a live portfolio. At Wisconsin, he was an all-star collegiate waterskier and president of the 800-person ski and snowboard club. Raefe interned at Goldman Sachs, and he has completed Level II of the Chartered Financial Analyst program.

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

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[9] Confession time: it was sloppy of us to hastily write a sentence in our 2017 Q4 letter that said "… [our 2017 result] in theory…keeps us on the path for a decent 2018 based upon the two-year cumulative return expectation from 12 months ago." In a footnote, we worked out that any result in 2018 from -1% to +27% would satisfy the two-year regression prediction from December 2016 at the 95% confidence level. These were all factual statements and perhaps defensible given the ebullience in global markets when 2018 began. It would have been better in hindsight, however, to have run new regressions using December 2017 data rather than rely on year-old two-year regressions. Had we done that, we would have observed an obvious disconnect between the one-year prediction for 2018 (-7%) and the residual of the two-year regression from a year earlier (which had a midpoint of +13%). Although two-year regressions have slightly higher statistical significance than one-year regressions, it does not follow that the residual of a two-year regression that is a year old is superior to a fresh one-year regression. So far in 2018, unfortunately, the one-year December 2017 prediction from the regression we did not run has proved quite accurate.

Lower minimum for individuals. First, we lowered the minimum initial investment to $250,000. Although targeted toward individuals, the lower minimum is available to any type of investor. 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 now 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.[10] This new series became active on October 1 and the majority of our existing investors eligible for this new series have switched into it. This further lowers mass redemption risk for our fund. We do not believe any frontier fund protects its ongoing investors to the degree we do.

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 so that they reach us on or before the last business day of the month prior to your investment (e.g. on or before Wednesday, October 31 for November 1 investment).

Travel and visits. We had three trips in September. Nick and Tim both attended a global frontier markets conference in London, attended by 151 companies from 27 countries. The day after this ended, Tim met seven Argentine companies, most of whom we previously owned, at an Argentina day in London while Nick met with clients and prospects. Nick attended an investment conference in Turkey, as discussed in our September comment.[11] During the last week of September and the first week of October, Tim visited companies in Pakistan, Sri Lanka, Bangladesh, and Myanmar. Listed companies from the following countries visited us in our Chicago office during Q3: Belarus, Egypt, Georgia, Kuwait, Pakistan, Romania, and Turkey. Additionally, economists, strategists, analysts, and traders who cover various parts of the frontier world from Cairo, Dubai, Hanoi, Karachi, London, Moscow, and New York City traveled to see us.

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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[10] 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.

[11] http://www.frontauracapital.com/monthlycomments/Frontaura_Monthly_Comment_2018_09.pdf.

Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Performance[12]
30 September 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%
2018 Q3	- 5%	8%	1%	- 1%	- 2%
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	- 10%	11%	- 1%	- 8%	- 13%
1 Year	-8%	18%	3%	-1%	-8%
3 Year	13%	61%	30%	42%	17%
5 Year	11%	92%	24%	19%	15%
7 Year	44%	199%	75%	41%	45%
10 Year	95%	210%	69%	69%	-2%
Inception to Date	92%	138%	13%	2%	- 21%
3 Year CAGR	4.3%	17.3%	9.2%	12.4%	5.3%
5 Year CAGR	2.1%	13.9%	4.4%	3.6%	2.9%
7 Year CAGR	5.4%	16.9%	8.3%	5.0%	5.5%
10 Year CAGR	6.9%	12.0%	5.4%	5.4%	-0.2%
ITD CAGR	6.1%	8.3%	1.1%	0.2%	-2.1%

Figure A2
Frontaura Global Frontier Fund LLC
Monthly Performance
30 September 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%	- 0.8%	- 1.9%	- 2.2%				-10.2%

[12] 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_08_29.pdf.

Figure A3
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[13]
30 September 2018

Holdings Summary

Country	Holding
Vietnam	16%
Egypt	10%
Nigeria	9%
Sri Lanka	9%
Papua New Guinea	7%
United Arab Emirates	7%
Rwanda	6%
Kuwait	6%
USA (cash only)	4%
Kenya	4%
Pakistan	3%
Georgia	3%
Lebanon	3%
Macedonia	2%
Uganda	2%
Tanzania	2%
Ecuador	1%
Bahrain	1%
Botswana	1%
Iraq	1%
Paraguay	1%
Peru	1%
Bangladesh	1%
Jordan	1%

Region	Holding
Middle East / North Africa	28%
Sub-Saharan Africa	25%
Southeast Asia	23%
South Asia	12%
USA (cash only)	4%
Eurasia	3%
Latin America & Caribbean	3%
Eastern Europe	2%

Sector	Holding
Financials	47%
Consumer Staples	16%
Consumer Discretionary	13%
Cash	6%
Industrials	6%
Real Estate	6%
Utilities	3%
Health Care	2%
Materials	1%

Portfolio Statistics

Portfolio Price to LTM Earnings	6.9
Portfolio Price to Book	1.17
Portfolio LTM Dividend Yield	6.5%
Return on Ending Equity	25.3%
Positions	52
Countries	25
Average Market Cap	$1,086m
Median Market Cap	$761m
Portfolio Turnover (LTM)	30%
Portfolio Turnover (ITD)	29%
Standard Deviation (ITD)	13%
Beta to S&P 500 (ITD)	0.49
Assets Under Management	$119m

[13]Click this link for an explanation of our holdings and portfolio statistics: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_08_29.pdf.

Figure A4
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2018 Q3

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)[14]	Frontaura Return (%)	MSCI Return[15]	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Vietnam	1.2	6%	1%	Sri Lanka	-1.9	-15%	-14%
Argentina	0.4	18%	-9%	Nigeria	-1.8	-11%	-14%
Rwanda	0.1	2%	--	Kenya	-0.9	-15%	-13%
Papua New Guinea	0.1	1%	--	Egypt	-0.8	-6%	-7%
Uganda	0.1	5%	--	Kuwait	-0.6	-9%	9%

Figure A5
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2018 Q3

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Argentina	0.4	18%	-9%	Zambia	0.0	-18%	--
Vietnam	1.2	6%	1%	Mongolia	0.0	-15%	--
Ecuador	0.1	6%	--	Sri Lanka	-1.9	-15%	-14%
Uganda	0.1	5%	--	Kenya	-0.9	-15%	-13%
Tanzania	0.0	3%	--	Peru	-0.1	-13%	-2%

[14] 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_08_29.pdf.

[15] 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 Q3

Region / Country	Frontaura Return ($millions)[16]	Frontaura Return (%)	MSCI Return (%)
Southeast Asia	**1.3**	**5%**	
Vietnam	1.2	6%	1%
Papua New Guinea	0.1	1%	--
Latin America & Caribbean	**0.3**	**5%**	
Argentina	0.4	18%	-9%
Ecuador	0.1	6%	--
Paraguay	(0.0)	-4%	--
Peru	(0.1)	-13%	-2%
Eastern Europe	**(0.0)**	**-1%**	
Macedonia	(0.0)	-1%	--
Eurasia	**(0.2)**	**-5%**	
Mongolia	(0.0)	-15%	--
Georgia	(0.2)	-5%	--
Middle East / North Africa	**(2.2)**	**-6%**	
Bahrain	0.0	2%	11%
Oman	(0.0)	0%	9%
Jordan	(0.0)	-1%	-9%
Iraq	(0.2)	-13%	--
United Arab Emirates	(0.2)	-3%	3%
Lebanon	(0.4)	-11%	-14%
Kuwait	(0.6)	-9%	9%
Egypt	(0.8)	-6%	-7%
South Asia	**(2.3)**	**-13%**	
Bangladesh	0.0	1%	-6%
Pakistan	(0.4)	-11%	-5%
Sri Lanka	(1.9)	-15%	-14%
Sub-Saharan Africa	**(2.4)**	**-7%**	
Rwanda	0.1	2%	--
Uganda	0.1	5%	--
Tanzania	0.0	3%	--
Botswana	0.0	2%	-23%
Zambia	(0.0)	-18%	--
Kenya	(0.9)	-15%	-13%
Nigeria	(1.8)	-11%	-14%

[16] 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[17]
2018 Q3

Country	Percentage Point Change	Explanation
Vietnam	+3	New positions and buys exceed position exit

Figure A8
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2017 Q4 – 2018 Q3

Country	Percentage Point Change	Explanation
Vietnam	+10	Multiple new positions and buys exceed position exit
Egypt	+5	Increased exposure; relative outperformance
Nigeria	+2	Multiple new positions exceed position exit and trim
Rwanda	+2	Increased size of one position
Serbia	-3	Exited position and country in Q1 2018
Bangladesh	-3	Exited position in Q1 2018 exceeds new position size
Argentina	-8	Exited all positions and country Q1-Q3 2018

[17] We show countries whose weighting has changed by two percentage points or more. Total may not add to 0 due to rounding and exclusion of countries changing by less than two percentage points. Note that we do not show the United States as we only hold cash there. Click this link for a discussion of how we classify cash by country: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_08_29.pdf.

Figure A9
Frontaura Global Frontier Fund LLC
Portfolio Concentration[18]
30 September 2018

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	52	25	-1	-2	+7	-1
Top 5	30%	51%	+3	+4	+3	+14
Top 10	46%	77%	+4	+4	+3	+14
Top 20	68%	94%	+5	+4	+2	+6
Top 20 + USA (Cash)	73%	98%	+2	+2	-3	+1

[18] We do not include the US in our country count and most of the percentage totals as we hold only cash there. Change from the prior quarter and the year ago quarter represent the change in the number of positions and the change in percentage points for the top 5, 10, and 20 positions. The Top 20 + USA row does include the US cash percentage in the percentage totals. Click this link for a discussion of how we classify cash by country: http://www.frontauracapital.com/disclosures/Frontaura_Disclosures_as_of_2018_08_29.pdf.