Quarterly Letter – 2018 Q4

Performance

Q4. We lost 2.9% in Q4 and 12.8% in 2018. We beat (lost less than) all four indices we track in Q4 and we beat three of the four indices for 2018. For Q4, the S&P 500 lost 13.5%, its worst quarter since falling 13.9% in Q3 2011, and its third worst quarter in our history.[1] MSCI EAFE dropped 12.5% for the quarter, also its worst since Q3 2011, but only its sixth worst in our history. MSCI Emerging Markets (EM) and MSCI Frontier Markets (FM) had lesser Q4 losses of 7.5% and 4.3%, respectively, that were not even their worst quarter of 2018.

2018. For the first time since 2008, all four indices we cite had a negative annual total return.[2] The S&P 500 did best, losing 4.4%. The non-US indices performed similar to each other, with EAFE -13.8%, EM -14.6%, and FM -16.4%. As we have documented previously, it is typical that we outperform the indices when they fall.[3] Our beta to the S&P 500 is only 0.46 (meaning that if the S&P 500 drops 10.0%, we would expect to lose only 4.6%), and our 13% annualized standard deviation of monthly returns is three percentage points below that of the S&P 500 during our history.

Outlook

The theme of our writing over the last quarter has been how our 2018 drawdown might give way to a 2019 rally. While we have covered this topic thoroughly, it remains the most important Frontaura investment question. Therefore, we summarize our argument below with links to some earlier text. After this, we highlight a potential 2019 FM relative performance issue if MSCI promotion effects cause outperformance by countries with large index weights. Our fund and management company news follows. Our nine-page statistical appendix concludes the letter. We note that figure A3, Performance by Currency, is a new table by client request. This shows Frontaura returns in the native currencies of our investors.

Hypothesis playing out; remaining questions. In pages 1-8 of our last quarterly letter, we hypothesized how our 2018 drawdown might end, and we've returned to this topic in each of our last three monthly comments. So far our scenario has played out as described: 1) our string of losses continued into October and November as we expected; 2) December gave us our first winning month since April; 3) the US market presented a significant challenge to our forecast last month with a 15% intramonth loss through December 24, but we shrugged this off by remaining positive for nearly all of December; and 4) as we stated, the first positive month doesn't necessarily mean the loss months are over. We were down in the first half of January despite global markets rallying—but in the past, a positive month that breaks a long losing streak has meant that the crucial bouncing-along-the-bottom process that precedes a rally has begun. With these four developments in line with our initial prediction, two big questions that remain are 1) will the rally really get going during our most seasonally favorable period of March through May as we expect and 2) will future US turbulence disrupt

[1] Its worst was a 21.9% decline in Q4 2008.

[2] All four indices had negative price returns in 2011 and 2015, but in each year the S&P 500 had a slightly positive total return including dividends. In 2011, the S&P 500 price return dropped less than one basis point, with a 2.1% total return. In 2015, the S&P 500 lost 0.7% on a price basis and made a 1.4% total return.

[3] See an analysis of this on pages 4-11 of our 2018 Q1 letter.

our forecast? On this second question, we survived a tough ordeal in December, but the US market may test us again in 2019.

While there is no certainty as to how the future will answer these two questions, we can look at what has happened in the past. That provides an encouraging outlook for 2019. In our November comment, we listed eight reasons why we were bullish from a valuation and a timing perspective. Those arguments still hold. As mentioned, since we wrote that comment, our seven-month losing streak—the longest in our history—did end. That is fortuitous. We wrote in our December comment:

> *[Even though] we cannot rule out further negative months....breaking a long losing streak is a strong signal. When we broke a six-month losing streak in December 2008, we made 46% in the next year and 100% in the next two years, even though January and February 2009 were loss months. When we broke a six-month losing streak in December 2011, we made 18% in the next year and 49% in the next two years, even though January 2012 was a loss month.*

Valuation. Entering 2019, our portfolio trailing PE was 6.7 with a portfolio price/book of 1.21 and a weighted average dividend yield of 6.5%. Our companies had a weighted average return on ending equity of 25.2%. Our quality value score (QVS), which equally weights these four metrics and scales them 0-100 against our own history, ended 2018 at 78, meaning our QVS is in the top quarter of our history. A regression of QVS against past returns projects we will earn 20% after-fees in 2019.[4] QVS can be volatile, changing daily (sometimes by as much as 10 points or more) based upon price changes, portfolio mix changes, buys and sells, company earnings, and dividends. For example, our QVS on January 15 reached 90, a higher level than any month-ending QVS since July 2012's 92.[5] Of course, our January ending QVS could be lower or higher than this mid-month value.

Summary. While there is never a guarantee regarding future investment returns, we think there is a favorable probability of good absolute gains for us in 2019. If this proves wrong, we think it will most likely be for a macro reason unspecific to frontier markets and we tend to have good relative performance in those situations. We remain the most bullish we have been in several years. If you were thinking of increasing your exposure to Frontaura and have not already, we would do so before either February 1 or March 1. Since our inception, we have exhibited strong seasonal effects and the three prior bull markets in our history were all clearly underway by either February or March. To wait longer could risk leaving gains on the table.

If events prove us wrong, so be it. We would rather tell you clearly what we think when we have high conviction and accept the risk that we could be wrong, than choose the safer alternative of keeping mum. The latter choice carries no public risk of being wrong, but it does keep those who would act on our insight from profiting as fully as they could should events occur as we expect.

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[4] More precisely, with 95% confidence, the regression predicts a 2019 return ranging from 6.0% to 33.2%, with a midpoint of 19.6%.

[5] A Quality Value Score of 90-92 equates to a 24%-25% forward one-year return per our regression model. Our actual return from August 2012 through July 2013 was 35%.

Promotion Effect and Large-Weight Effect in 2019

As bullish as we are about the positive outlook for Frontaura returns, we suspect that if 2019 is a good year, the FM index return may beat us because of the promotion effect that Argentina and Kuwait could enjoy. These two countries comprise nearly 40% of the index, and whenever large index countries outperform, that may present a relative performance challenge for us because we usually limit individual country weights for risk control. We highlight and explain this promotion effect / large-weight effect issue here to set expectations and to refer to if necessary as the year progresses. Nevertheless, this will not alter how we invest. We own what we think will make most money for our investors in the intermediate to longer term, controlling for risk, based primarily upon bottom-up fundamental valuation analysis. The composition of the FM index and the performance of the FM index (either actual or anticipated) are not considerations in our investment process.

Promotion timing. MSCI is promoting Argentina from frontier to emerging market status on June 1. Recent promotion countries—UAE and Qatar in 2014, Pakistan in 2017—have seen a strong run-up in their markets prior to promotion and terrible performance afterward.[6] Of course, the FM index captures the former and avoids the latter. MSCI considers Kuwait a candidate for promotion and we expect MSCI to decide in June whether to promote, reject, or defer a decision on Kuwait. Should MSCI promote Kuwait, it would enter the EM index in June 2020 under a normal timeline.

Not what we do. This promotion effect will tempt many investors to own stocks in these two countries before June 2019 either because the investors are confident the countries will rise or because the investors fear underperforming the index if the countries do rise. This raises the question of why we don't do this to mitigate this issue. We won't for two reasons. First, it's not what we do. We have a well-defined, valuation-based investment process and speculating on market movements that are not fundamentally oriented is not our strength. Second, there's no guarantee this pattern will continue. MSCI Pakistan's collapse began before promotion day. MSCI Argentina's -27% total return from June 21, 2018, the day after MSCI announced its promotion, through year-end also illustrates this is not a one-way bet.

Argentina view. We sold our last Argentine stock on July 31 because its price hit our sell target.[7] We reduced our Argentine country exposure earlier in 2018 because we found the macro situation had become unpredictable amidst soaring inflation (December 2018 prices were 48% above one year ago) and a plummeting currency (at its worst, the peso was down 55% last year). While the country has achieved some relative stability since its Q3 nadir, the macro risk/reward ratio remains too high for us, as do valuations. Others may have a higher risk tolerance or a lower discount rate, and they of course should profit if their view prevails.[8]

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[6] See pages 1-2 of our Q2 2014 letter for a discussion of the UAE and Qatar. MSCI UAE rose 90% in 2013 and a further 55% in the first five months of 2014 before promotion, then fell 24% in June 2014 after promotion. Its May 2014 ending value remains its all-time high. MSCI Qatar performed similarly: up 30% in 2013 and another 39% in the first five months of 2014 to its still all-time high, then down 22% in June 2014. Pakistan advanced 40% in 2016 and a further 11% through May 24, 2017, at which point its collapse began a week before promotion. By the June 1, 2017 close on promotion day, it was down for the year. From its May 24, 2017 high through the end of 2018, MSCI Pakistan lost 55%, reversing all its gains and then some.

[7] MSCI Argentina fell 24% in August. The stock we sold July 31 lost 30% in August. On January 15, 2019, this stock was 28% below its July 31 price. All figures here are US dollar total returns.

[8] For clarity, we are not negative on Argentina. Our base case remains that despite all the problems of 2018, Macri still succeeds to some degree and gets re-elected in Q4 2019. If our base case is correct, we expect Argentina to perform well. We caution though that this is a long way off and far from clear and our opinion could change as

Obviously, if we remain uninvested going forward, Argentina will not affect our returns. Argentina has had a heavy influence on FM index returns the past two years, however, due to its large weight (16.5% of the index ending 2018) and its volatile returns (+73% in 2017, -51% in 2018) and this is again the case so far in 2019, as we discuss below. If Argentina has good returns, we could look relatively bad in 2019 (as occurred in 2017), and if Argentina has poor performance, we may look relatively good (as occurred in 2018).[9]

Kuwait exposure. We have a 5% position in Kuwait, which we like and which has been profitable, but it is down a bit in 2019. Even if our position performs in line with MSCI Kuwait, or does somewhat better, the FM index may receive a greater performance boost because of Kuwait's large weight in the index (22.9% at year-end), like what happened with Argentina and Vietnam in 2017.[10] We are willing to increase our Kuwait weight, but only if we find a company that works in our valuation and risk framework. We have not accomplished this to date, but we keep looking.

2019 performance. Through January 15, MSCI Argentina is up 12% in 2019, accounting for about three-fifths of FM's 3% year-to-date (YTD) gain. MSCI Kuwait is up 4%, counting for three-tenths of FM's YTD gain. Said another way, absent these two index behemoths, the FM index 2019 gain rounds to 0.

We are no stranger to making money in each of these countries. We made $5.8 million (our year-end asset base is $113 million) before fees when we exited Argentina in July 2018. That's a 39% IRR over 4.3 years. In Kuwait, we've made $4.8 million before fees through 2018, a 54% IRR over 2.6 years.

Through January 15, our overall portfolio loss rounds to 1%, four percentage points below the FM return. About two percentage points are due to us having no Argentine exposure, about one percentage point is due to FM's higher weight and better return in Kuwait, and about one percentage point is due to all other countries combined.

Conclusion. Our process has worked well, generating a return for our investors above that of the FM index three of the past four years and eight years out of 11. Given the much higher trading costs and market impact in frontier markets, we believe the FM ETF is a fairer comparison than the index, and it has only done better than us in two years, 2014 and 2017. These were both years with promotion effects, with the large-weight effect from Argentina and Vietnam further boosting 2017. We can live with this. We're not going to change our process to chase possible promotion returns, and we know the large-weight effect cuts two

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events unfold. If our present base case is wrong, we expect Argentina to perform poorly and we don't think present valuation compensates enough for this scenario. Finally, this is an ever-changing situation with rapidly changing prices. While we do not expect to reinvest in Argentina in 2019, we are open-minded enough that even this could be possible were the unlikely combination of diminished risk and reduced valuation to present itself.

[9] In 2017, our Argentine holdings gained 76% before fees in 2017 similar to a 73% total return for MSCI Argentina. Argentina caused us to underperform the FM index by an estimated nine percentage points however, because it was a much larger weight in the index than in our portfolio. Our weight in Argentina was 10% at year-end 2017, the maximum we were comfortable with. FM's Argentina weight was 24% ending 2017. We discussed this on pages 1-4 of our Q4 2017 letter. We think 2018's events vindicated our lower-weight decision. MSCI Argentina fell 51% in 2018, with a large allocation in the FM index. We lost 24% with a lower allocation in our portfolio before our July exit.

[10] Again, see pages 1-4 of our Q4 2017 letter.

ways—we benefit when a large country performs poorly, which often occurs the year after good returns.

Fund and Management Company News

Contributions. Our continual message throughout Q4 that frontier market timing and valuation have become favorable resonated with our high net worth investor base, with over 10% of these existing investors contributing additional money for either November 1, December 1, or January 1. Most of our high net worth investors work in the investments business or related capital markets and many of them have run funds themselves. Over the years, we have found this group to consistently be the first to recognize and act on an opportunity, often in a contrarian manner. We have known some of these folks for over 25 years and we really appreciate their loyalty and confidence in us, and how they respond positively when we occasionally say that now is the time to buy.

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 Thursday, January 31 for February 1 investment). The minimum investment for a new investor is $250,000 and an investor needs a net worth of $2.1 million to meet the qualified client standard that allows us to charge incentive compensation. Paperwork requirements vary; please contact us ahead of time to see what the regulations require.

Travel and visits. We had three trips in Q4, seeing over 100 companies. Tim spent two weeks in the South Asian countries of Pakistan, Sri Lanka, Bangladesh, and Myanmar in the last week of September and the first week of October. Nicholas and Raefe attended a global frontier markets conference in New York City at the end of October, seeing over two couple dozen companies between them. In December, Tim traveled to Prague to attend a Central and Eastern Europe investment conference, meeting 35 companies from Croatia, the Czech Republic, Greece, Hungary, Romania, Serbia, Slovenia, and Turkey. Our December comment discussed this conference and the Romanian government's recent unfriendly investor actions, which have gotten worse in the first half of January. We exited Romania in August 2017, fearful of the direction of this government.

Listed companies from the following countries visited us in our Chicago office during Q4: Georgia, Hungary, Kazakhstan, Kenya, Slovenia, and Turkey. Additionally, economists, strategists, analysts, and traders who cover various parts of the frontier world from Boston, Cairo, Cape Town, Colombo, Dubai, Ho Chi Minh City, Lagos, London, New York City, and San Francisco traveled to see us.

Predictions. We held our 11th annual prediction lunch in Chicago on December 18 with a record number of 28 attendees and 32 predictors. This is a fun event, not specifically frontier markets focused, where we host a mix of clients and friends from the investment business, with others who can't attend submitting predictions remotely. This year's predictions had a more bearish tone than in the past, no doubt influenced by the sharp domestic market selloff around the contest deadline. Only four predictors expected the S&P 500 to be above its all-time high of 2931 by the December 12, 2019 contest end date, and only two thought it would finish above 3000. The group favored non-US markets with 47% expecting emerging markets to perform best in 2019 and 31% favoring frontier markets. Only 9% picked the US to do best. Our predictors can be vulnerable of picking the consensus however—for example, 69% picked Alabama to win the college football playoff.[11]

New Currency Table

Our Statistical Appendix follows this page. Figure A1 shows quarterly, annual, cumulative, and compounded returns for us and the indices we cite on page 1. Figure A2 shows our monthly returns since inception. Figure A3 is a new table that a foreign client requested. It shows Frontaura's returns in US dollars and six foreign currencies that are the home currencies of our investors,[12] all of them developed world hard currencies that multinational companies commonly use for global trade. There are some surprises here. While we've made 86% in US dollars since inception, in British pounds, we are up 203% and in Canadian dollars we have a 169% rise. Our gain in Australian dollars and euros also exceeded our US percentage gain, but we had a lower result in Singapore dollars (75%) and Swiss francs (58%).

In 2018, the foreign currencies lost ground against the US dollar, making our percentage gains in all six (weaker) foreign currencies higher than our percentage gain in US dollars. This is the reverse of 2017 when the foreign currencies gained against the US dollar, making our percentage gains in all six (stronger) foreign currencies lower than our percentage gain in US dollars. In 2018, our percentage result in Australian dollars was best at -3%. For most of the foreign currencies, 2018 broke a six-run year of positive results, while in the US, 2018 was the third negative year in the past five.

Please see Figure A4 for portfolio mix by country, region, and sector, along with our portfolio statistics. Figures A5-A8 show country attribution by dollar and percentage returns, first for Q4, then for 2018. Figures A9 and A10 presents regional attribution for Q4 and for 2018, including at the country level within each region. Figures A11 and A12 show changes in country mix for the quarter and the last 12 months, and Figure A13 shows portfolio concentration and how it has changed in the last three and 12 months.

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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[11] On January 7, 2019, #2 ranked Clemson defeated #1 Alabama 44-16 in the championship game to win the four-team playoff. 22% of our predictors picked Clemson.

[12] We don't show Hong Kong dollars (HKD) in the table due to its peg to the US dollar. The value of HKD has changed only 1% relative to USD since our inception, meaning that Frontaura returns in HKD are similar to Frontaura returns in USD. No peg lasts forever, but this peg has been in place since 1983.

Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Frontaura and Index Performance[13]
31 December 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%
2018 Q4	- 3%	- 14%	- 13%	- 7%	- 4%
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	- 13%	- 4%	- 14%	- 15%	- 16%
1 Year	- 13%	- 4%	- 14%	- 15%	- 16%
3 Year	9%	30%	9%	30%	13%
5 Year	0%	50%	3%	9%	3%
7 Year	49%	131%	48%	25%	42%
10 Year	154%	243%	85%	116%	59%
Inception to Date	86%	106%	- 1%	- 6%	- 24%
3 Year CAGR	2.9%	9.3%	2.9%	9.2%	4.2%
5 Year CAGR	0.0%	8.5%	0.5%	1.6%	0.7%
7 Year CAGR	5.8%	12.7%	5.8%	3.2%	5.1%
10 Year CAGR	9.8%	13.1%	6.3%	8.0%	4.8%
ITD CAGR	5.7%	6.7%	- 0.1%	- 0.5%	- 2.4%

Figure A2
Frontaura Global Frontier Fund LLC
Monthly Frontaura Performance
31 December 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%	-3.2%	-0.9%	1.2%	-12.8%

[13] 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.

Figure A3
Frontaura Global Frontier Fund LLC
Performance by Currency[14 15]
31 December 2018

Period	USD	AUD	CAD	CHF	EUR	GBP	SGD
2008	- 28%	- 10%	- 12%	- 32%	- 25%	- 2%	- 29%
2009	46%	14%	26%	41%	42%	32%	43%
2010	37%	20%	30%	24%	47%	42%	25%
2011	- 15%	- 15%	- 13%	- 15%	- 12%	- 14%	- 14%
2012	18%	16%	15%	15%	16%	13%	11%
2013	26%	47%	35%	23%	21%	24%	30%
2014	- 3%	6%	6%	8%	10%	3%	2%
2015	- 5%	6%	13%	- 5%	5%	0%	1%
2016	7%	8%	4%	8%	10%	27%	9%
2017	17%	8%	10%	12%	3%	7%	8%
2018	- 13%	- 3%	- 5%	- 12%	- 9%	- 8%	- 11%
1 Year	- 13%	- 3%	- 5%	- 12%	- 9%	- 8%	- 11%
3 Year	9%	13%	7%	7%	3%	26%	5%
5 Year	0%	27%	28%	10%	20%	30%	8%
7 Year	49%	115%	99%	56%	68%	81%	56%
10 Year	154%	153%	184%	133%	209%	190%	142%
Inception to Date	86%	147%	169%	58%	135%	203%	75%
3 Year CAGR	2.9%	4.0%	2.4%	2.2%	1.1%	8.0%	1.5%
5 Year CAGR	0.0%	4.8%	5.1%	1.9%	3.7%	5.4%	1.5%
7 Year CAGR	5.8%	11.6%	10.3%	6.5%	7.7%	8.9%	6.6%
10 Year CAGR	9.8%	9.7%	11.0%	8.8%	12.0%	11.2%	9.2%
ITD CAGR	5.7%	8.4%	9.3%	4.2%	8.0%	10.4%	5.1%

[14] USD = US dollar, AUD = Australian dollar, CAD = Canadian dollar, CHF = Swiss franc, EUR = euro, GBP = British pound, SGD = Singapore dollar.

[15] 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.

Figure A4
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[16]
31 December 2018

Holdings Summary

Country	Holding
Vietnam	17%
Sri Lanka	9%
Egypt	8%
Rwanda	8%
Papua New Guinea	7%
Nigeria	7%
United Arab Emirates	7%
Kuwait	5%
Kenya	4%
USA (cash only)	4%
Lebanon	3%
Georgia	3%
Botswana	2%
Macedonia	2%
Côte d'Ivoire	2%
Uganda	2%
Pakistan	2%
Ecuador	1%
Bahrain	1%
Tanzania	1%
Niger	1%
Iraq	1%
Paraguay	1%
Peru	1%
Jordan	1%

Region	Holding
Sub-Saharan Africa	28%
Middle East / North Africa	25%
Southeast Asia	25%
South Asia	11%
USA (cash only)	4%
Latin America & Caribbean	3%
Eurasia	3%
Eastern Europe	2%

Sector	Holding
Financials	49%
Consumer Staples	18%
Consumer Discretionary	13%
Industrials	5%
Cash	5%
Real Estate	5%
Health Care	2%
Utilities	2%
Materials	1%

Portfolio Statistics

Portfolio Price to LTM Earnings	6.7
Portfolio Price to Book	1.21
Portfolio LTM Dividend Yield	6.5%
Return on Ending Equity	25.2%
Positions	49
Countries	27
Average Market Cap	$1,089m
Median Market Cap	$567m
Portfolio Turnover (LTM)	29%
Portfolio Turnover (ITD)	29%
Standard Deviation (ITD)	13%
Beta to S&P 500 (ITD)	0.46
Assets Under Management	$113m

[16]Click this link for an explanation of our holdings and portfolio statistics.

Figure A5
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2018 Q4

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)[17]	Frontaura Return (%)	MSCI Return[18]	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Vietnam	0.3	2%	-11%	Nigeria	-0.8	-8%	-3%
Côte d'Ivoire	0.1	6%	--	Tanzania	-0.6	-33%	--
Papua New Guinea	0.1	1%	--	Georgia	-0.4	-11%	--
Kuwait	0.1	1%	-1%	Sri Lanka	-0.4	-4%	7%
Paraguay	0.1	8%	--	Pakistan	-0.2	-6%	-22%

Figure A6
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2018 Q4

5 Best Countries				5 Worst Countries			
Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Philippines	0.0	11%	5%	Tanzania	-0.6	-33%	--
Paraguay	0.1	8%	--	Zambia	-0.1	-33%	--
Côte d'Ivoire	0.1	6%	--	Georgia	-0.4	-11%	--
Niger	0.0	4%	--	Peru	-0.1	-9%	-3%
Ecuador	0.0	2%	--	Nigeria	-0.8	-8%	-3%

[17] 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.

[18] 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 A7
Frontaura Global Frontier Fund LLC
10 Best and Worst Performing Countries (Dollar Return)
2018

10 Best Countries				10 Worst Countries			
Country	Frontaura Return ($millions)[19]	Frontaura Return (%)	MSCI Return[20]	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Vietnam	1.2	6%	-13%	Sri Lanka	-4.0	-28%	-11%
Papua New Guinea	1.1	14%	--	Argentina	-3.3	-24%	-51%
Uganda	0.3	16%	--	Nigeria	-1.9	-12%	-14%
Macedonia	0.3	8%	--	Kenya	-1.7	-24%	-13%
Bahrain	0.2	15%	1%	Pakistan	-1.4	-28%	-35%
Côte d'Ivoire	0.1	6%	--	Oman	-1.1	-52%	-2%
Ecuador	0.1	8%	--	Kuwait	-0.7	-9%	15%
Paraguay	0.1	8%	--	Georgia	-0.5	-15%	--
Niger	0.0	4%	--	Lebanon	-0.5	-13%	-13%
Philippines	0.0	11%	-17%	Bangladesh	-0.5	-17%	-15%

Figure A8
Frontaura Global Frontier Fund LLC
10 Best and Worst Performing Countries (Percentage Return)
2018

10 Best Countries				10 Worst Countries			
Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return	Country	Frontaura Return ($millions)	Frontaura Return (%)	MSCI Return
Uganda	0.3	16%	--	Oman	-1.1	-52%	-2%
Bahrain	0.2	15%	1%	Zambia	-0.1	-44%	--
Papua New Guinea	1.1	14%	--	Pakistan	-1.4	-28%	-35%
Philippines	0.0	11%	-17%	Sri Lanka	-4.0	-28%	-11%
Ecuador	0.1	8%	--	Mongolia	-0.1	-28%	--
Paraguay	0.1	8%	--	Peru	-0.3	-27%	2%
Macedonia	0.3	8%	--	Argentina	-3.3	-24%	-51%
Côte d'Ivoire	0.1	6%	--	Kenya	-1.7	-24%	-13%
Vietnam	1.2	6%	-13%	Bangladesh	-0.5	-17%	-15%
Niger	0.0	4%	--	Georgia	-0.5	-15%	--

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

Figure A9
Frontaura Global Frontier Fund LLC
Performance by Region and Country
2018 Q4

Region / Country	Frontaura Return ($millions)[21]	Frontaura Return (%)	MSCI Return (%)
Southeast Asia	**0.5**	**2%**	
Vietnam	0.3	2%	-11%
Papua New Guinea	0.1	1%	--
Philippines	0.0	11%	5%
Latin America & Caribbean	**0.0**	**1%**	
Paraguay	0.1	8%	--
Ecuador	0.0	2%	--
Peru	(0.1)	-9%	-3%
Eastern Europe	**(0.1)**	**-3%**	
Macedonia	(0.1)	-3%	--
Middle East / North Africa	**(0.1)**	**0%**	
Kuwait	0.1	1%	-1%
Bahrain	0.0	2%	-9%
Lebanon	0.0	0%	7%
Jordan	(0.0)	-6%	-4%
Iraq	(0.0)	-3%	--
Egypt	(0.1)	0%	-9%
United Arab Emirates	(0.1)	-1%	-5%
Eurasia	**(0.4)**	**-11%**	
Mongolia	(0.0)	-4%	--
Georgia	(0.4)	-11%	--
South Asia	**(0.6)**	**-4%**	
Bangladesh	(0.0)	-4%	0%
Pakistan	(0.2)	-6%	-22%
Sri Lanka	(0.4)	-4%	7%
Sub-Saharan Africa	**(1.9)**	**-5%**	
Côte d'Ivoire	0.1	6%	--
Niger	0.0	4%	--
Zambia	(0.1)	-33%	--
Uganda	(0.1)	-3%	--
Kenya	(0.1)	-2%	-10%
Rwanda	(0.2)	-2%	--
Botswana	(0.2)	-6%	-12%
Tanzania	(0.6)	-33%	--
Nigeria	(0.8)	-8%	-3%

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

Figure A10
Frontaura Global Frontier Fund LLC
Performance by Region and Country
2018

Region / Country	Frontaura Return ($millions)[22]	Frontaura Return (%)	MSCI Return (%)
Southeast Asia	**2.4**	**8%**	
Vietnam	1.2	6%	-13%
Papua New Guinea	1.1	14%	--
Philippines	0.0	11%	-17%
Eastern Europe	**0.3**	**4%**	
Macedonia	0.3	8%	--
Serbia	0.0	0%	3%
Eurasia	**(0.6)**	**-15%**	
Mongolia	(0.1)	-28%	--
Georgia	(0.5)	-15%	--
Middle East / North Africa	**(2.8)**	**-7%**	
Bahrain	0.2	15%	1%
Jordan	(0.1)	-7%	-4%
Iraq	(0.2)	-15%	--
Egypt	(0.2)	-1%	-14%
United Arab Emirates	(0.2)	-3%	-8%
Lebanon	(0.5)	-13%	-13%
Kuwait	(0.7)	-9%	15%
Oman	(1.1)	-52%	-2%
Latin America & Caribbean	**(3.4)**	**-20%**	
Ecuador	0.1	8%	--
Paraguay	0.1	8%	--
Peru	(0.3)	-27%	2%
Argentina	(3.3)	-24%	-51%
Sub-Saharan Africa	**(4.0)**	**-9%**	
Uganda	0.3	16%	--
Côte d'Ivoire	0.1	6%	--
Niger	0.0	4%	--
Mozambique	(0.0)	-1%	--
Zambia	(0.1)	-44%	--
Botswana	(0.2)	-6%	-39%
Rwanda	(0.2)	-3%	--
Tanzania	(0.4)	-13%	--
Kenya	(1.7)	-24%	-13%
Nigeria	(1.9)	-12%	-14%
South Asia	**(5.9)**	**-27%**	
Bangladesh	(0.5)	-17%	-15%
Pakistan	(1.4)	-28%	-35%
Sri Lanka	(4.0)	-28%	-11%

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

Figure A11
Frontaura Global Frontier Fund LLC
Significant Quarterly Country Mix Changes[23]
2018 Q4

Country	Percentage Point Change	Explanation
Nigeria	-2	Position exit and relative underperformance
Egypt	-2	Reduced size of one position

Figure A12
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2018

Country	Percentage Point Change	Explanation
Vietnam	+9	Multiple new positions, buys, and outperformance exceed position exits and sells
Rwanda	+3	Increased size of both positions
Bangladesh	-2	Exited country
Serbia	-3	Exited position and country in Q1 2018
Argentina	-10	Exited all positions and country Q1-Q3 2018

[23] 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.

Figure A13
Frontaura Global Frontier Fund LLC
Portfolio Concentration[24]
31 December 2018

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	49	27	-3	+2	-2	+1
Top 5	30%	48%	--	-3	+3	+6
Top 10	46%	75%	--	-2	+3	+6
Top 20	70%	92%	+2	-1	+5	+1
Top 20 + USA (Cash)	75%	97%	+2	-1	+4	--

[24] 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.