FRONTAURA

FRONTAURA CAPITAL LLC
FRONTAURA GLOBAL FRONTIER FUND LLC

Quarterly Letter – 2020 Q1

We lost 22.31% in Q1 as global markets plunged due to the COVID-19 (coronavirus) pandemic. This was the second worst quarter in our history, behind Q4 2008's 25.30% drop during the global financial crisis (GFC). The month of March was our worst ever at -19.35%, a bigger drop than October 2008's -17.46%. Figure 1 shows our five best and our five worst months and quarters.

Figure 1
Frontaura Global Frontier Fund LLC
Five Best and Five Worst Months and Quarters

	Months				Quarters			
Rank	**Best**	**Return (%)**	**Worst**	**Return (%)**	**Best**	**Return (%)**	**Worst**	**Return (%)**
1.	May 2009	14.39%	March 2020	-19.35%	2Q 2009	28.22%	4Q 2008	-25.30%
2.	September 2009	10.57%	October 2008	-17.46%	3Q 2009	17.40%	1Q 2020	-22.31%
3.	April 2009	7.68%	November 2008	-10.72%	1Q 2013	10.46%	3Q 2008	-10.60%
4.	January 2013	7.34%	September 2008	-7.90%	1Q 2010	10.10%	3Q 2011	-9.96%
5.	March 2010	6.62%	May 2018	-6.75%	4Q 2012	9.29%	2Q 2018	-7.00%

Index Results

Q1 total net returns for the indices we commonly cite were MSCI Frontier Markets Small Cap (FM SC) -24%, MSCI Frontier Markets (FM) -27%, MSCI Emerging Markets (EM) -24%, MSCI EAFE (non-US developed markets) -23%, and S&P 500 -20%. On March 23, the present US market low, the EM, EAFE, and S&P 500 indices were all 8-10 percentage points lower while the FM SC and FM indices were only 1-2 percentage points lower. Said differently, on the way down frontier performed best and during the recovery to date frontier has performed worst. The most obvious interpretation of this we think is that frontier is demonstrating its natural tendency to be a lagging market. If you think the low is in, that's bullish for frontier, as frontier has a greater proportion of its recovery gains ahead of it than do other indices.

Valuation

Multiples, VS, QVS. At quarter-end, our trailing, as-reported portfolio valuation metrics are PE 4.7 (best ever, prior low was 5.5), price/book 0.90 (tied for the best ever), and weighted average dividend yield 8.3% (tied for the best ever). Collectively, these three metrics form our Value Score (VS) which is now 100 (best) on a 0-100 scale. Adding our 21.9% weighted average return on ending equity as a fourth metric makes our Quality Value Score (QVS) 98 on a 0-100 scale, the fourth best result behind January 2009, March 2009, and December 2008 during the GFC.

Each of these numbers makes sense to us. On a multiples basis, our portfolio is clearly the cheapest it's ever been. Unlike the US market which was at a high in February 2020, our high was January 2018. We had losses from distinct selloffs in both 2018 and 2019 that we never recovered. Thus, the 2020 selloff began with us already at low valuations.

Comparison to GFC. Although our multiples are cheaper collectively than at any point during the GFC, our QVS score—which includes return on equity as a measure of quality—rates the depths of the GFC as slightly superior to now, and we concur. The GFC selloff was longer, deeper, and even more indiscriminate than the month of selling we just endured that was most intense from February 24 to March 23. Investors discarded the highest quality companies to a greater degree in the GFC than they did in Q1. Our portfolio at the depths of the GFC was the highest quality portfolio we ever had, albeit at somewhat higher multiples. We should not lose sight of the storyline, however, that our Q1 ending portfolio was the cheapest ever (VS) on pure valuation and the fourth best using a measure of valuation and quality (QVS). That's quite good!

PE, yield to worsen from here. From here, our trailing valuation metrics likely worsen, as they will for most investment funds. COVID-19 will pressure earnings for most companies globally, including ours. Companies will become more cautious with dividend payments, to conserve cash for uncertain economic times. Governments in many cases will discourage, limit, or prohibit shareholder payouts for certain classes of companies, such as banks and companies receiving state aid. This is already true in the United States, where companies receiving stimulus money cannot buy back stock or pay dividends until one year after they repay loans. Earnings and dividends were under pressure during the GFC also, so this is not a unique situation that requires us to ignore what valuation metrics are saying. We do think, though, that the earnings hit will be greater this time than during the GFC.

COVID-19 Conclusions

Most of our readers are well-versed in COVID-19, so rather than cover the largely known history of what has happened, we jump straight to our conclusions.

1. The combination of science and time should ultimately triumph over COVID-19. We're reasonably confident that within a few years after the last COVID-19 wave, the virus itself will become a distant and fading memory for most people. While the deaths will entail untold human tragedies, present projections would indicate the deaths themselves are economically manageable.[1] We are less confident about the secondary economic effects. Just as the GFC, which ended in 2009, gave us three consecutive summers of a follow-on euro crisis 2010-2012 and Greek debt issues that continued into the late years of the 2010s and have never really been solved, so too will the economic fallout of COVID-19 cause knock-on effects. We just don't know yet what they will be.

[1] At this writing, global COVID-19 deaths are 108,000 and US deaths are 20,000. We expect a multifold rise in each figure. We expect global deaths to reach a seven-figure number and US deaths to reach a six-figure number. By comparison, the Centers for Disease Control estimates that annual US influenza deaths ranged from 12,000 to 61,000 (subject to change) from winter 2010/2011 to winter 2018/2019, with an average of 37,000. A 2018 study in *The Lancet* estimated annual global influenza deaths at 291,000-646,000. Death estimates from the 1918-1920 global flu pandemic range from 17 million to 50 million, and possibly as high as 100 million, per Wikipedia. A caveat on COVID-19 death projections is that we are not assuming a mutation to a materially more virulent virus strain as did happen in 1918.

2. The self-inflicted economic stops around the globe are unprecedented and look to cause the sharpest short-term contraction in recorded US history.[2] These stay-at-home orders are necessary to slow the virus's spread to keep it from overwhelming healthcare systems, which would increase the death rate. We do think the stay-at-home orders are the correct policy and the countries that were the quickest to enact them and the harshest to enforce them likely will fare best in limiting deaths, returning to normalcy, and minimizing the total economic cost (which will be difficult to measure accurately).
3. The US fiscal and monetary stimulus already exceeds its GFC stimulus. Global stimulus will ease some economic pain and is likely the key reason that stock market declines have begun to reverse, in our opinion. A possible end or lessening of the Saudi/Russian oil price war may be helping markets also, but this truce is fragile, evolving, and prone to falling apart, even though it makes economic sense for all parties. Falling daily new COVID-19 case numbers in some areas are also part of the improved stock performance narrative, but these were predictable, as our next point discusses.
4. Stay-at-home orders, if followed, usually cause daily new cases to peak within two weeks[3] with daily new deaths peaking an additional three to four weeks after daily new cases peak. This pattern has demonstrated itself in Asia, Europe, and the US.
5. This does not mean that life returns to normal after six weeks of staying at home. Wuhan's drum-tight lockdown ended April 8, 76 days after it began January 23. Schools remain closed, citizens continue to wear masks, personnel check your temperature when you enter a building, and you cannot go outside without a green QR code on your phone that signifies you do not live and have not visited a place where an infected person has been.
6. How quickly an economy can restart is largely unknown. Further, there are the risks of relapse: infection from inbound travelers, virus reactivation in those thought cured, virus mutation, and a possible second wave. The 1918-1920 flu pandemic had three waves, two in 1918 alone, with the second wave the deadliest as the virus mutated

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[2] While lockdowns did exist during the 1918-1920 flu pandemic, our reading of history is that, with some exceptions, authorities imposed them much later and more haphazardly than what we observe today. World War I censorship limited dissemination of news about the virus which was at its deadliest in October 1918, the month before the war ended. We think it is no exaggeration to say the world has never seen an economic stop as sharp and quick as that in 2020. Certainly, past depressions have had greater peak-to-trough output falls but those occurred over multiple years, not in a matter of weeks and months. We cite the 16,780,000 first-time unemployment claims in the US for the three weeks ending April 3 (reported April 9) as exhibit 1 in demonstrating this is an unprecedented shock. This is 24 times greater than the 710,000 first-time claims for the three weeks ending March 13.

[3] Renaissance Capital Global Chief Economist Charlie Robertson has published continual updates and analysis on COVID-19 cases and deaths throughout this crisis. His conclusion is that new daily cases peaked around 10-12 days after stay-at-home orders in Hubei (Wuhan's province), Italy, Spain, Austria, and Belgium. France took 15 days. He wrote that Hubei new daily deaths peaked 23 days after its new cases peaked and he is seeing or expects to see a similar pattern in other countries.

Places where testing is low may take longer to peak as the ramp up in testing reveals more positive cases. For example, our own analysis of State of Illinois data shows the peak to date occurred on day 17 after its stay-at-home order, although there's still some possibility of a new peak three weeks into the order. Illinois announced new daily cases of 1,529 (the peak so far) on Wednesday, April 8. The state releases the data mid-day and does not indicate a cutoff time but we suspect each day's figure consists mainly of new cases from the day before. The stay-at-home order began Saturday, March 21 at 5 PM. If we count March 22 as day 1 and assume the 1,529 new cases occurred April 7 (one day prior to announcement), then the current new case peak occurred 17 days after the stay-at-home order began. We also observed that data the state releases on Sundays and Mondays can be lower, presumably because fewer tests occur on Saturdays and Sundays compared to weekdays. Thus, we'll need to at least see data from next week before we can be more certain if Illinois new cases have really peaked.

unfavorably.[4] The initial lifting of stay-at-home orders does not preclude authorities from reimposing them again later.

7. We think COVID-19 will act as an accelerant for trends already underway. More people will work from home on an ongoing basis, non-food retail will now die off more quickly, distance learning and medicine will spread more rapidly, print newspapers will disappear faster with the collapse of ad spending, physical cash usage will decline sooner, and we may see robot umpires appear in baseball earlier than otherwise. Institutions that the GFC pressured fiscally (domestically, US state governments and publicly-financed state universities and private colleges with relatively small endowments come to mind) will struggle even more. These are all easy predictions. Many other existing trends will accelerate and new trends will develop, some not right away, not obvious, and not predictable.
8. It's been clear for some time that many developed countries have worsening demographics. The exceptions like the US and the UK have become less exceptional as the GFC lowered birth rates and populist policies have lessened immigration. Government debt levels in many of these countries are high and rising, due both to demographic and other factors. The GFC significantly boosted government debt and COVID-19 will boost it much further. Low, zero, and even negative interest rates have held off some of the more dire debt-related predictions post-GFC, but we think it naïve to assume that there has not been nor will be a price to pay. Economic growth has been low relative to the past, with the impressive length of the 2010s expansion offset by its lack of vigor. We think the manner and timing of the price coming due is probably unforecastable. Deflation? Inflation? Both? In the coming years? This decade? In our lifetime? We simply don't know.
9. How an investor should approach the questions in the prior point in terms of their total asset allocation is beyond the scope of our frontier markets equity fund. Since the answers to the questions are unknowable, ignoring the questions (which seems a head-in-the-sand approach) perhaps is more justified than it would at first appear. Let us offer a small suggestion, however. EM countries, and especially FM countries, generally don't have the demographics problems of the developed world. Some EM/FM countries have too much debt, but many don't. Even those with high debt tend to have better growth prospects than developed countries, making their debt challenges more manageable. Finally, as past readers know well, EM/FM stocks have much lower valuations than developed world stocks. It seems an easy decision to us to make a decent allocation of your global equity portfolio to EM and FM stocks. Yes, they have underperformed in many recent years, but that's just how stock market cycles work. The trend goes longer in one direction than is reasonable or justifiable and then it reverses sharply in the other direction. It may surprise you to know that despite 1) a 12-1/2-year EM bear market, 2) the longest US economic expansion in US history, and 3) the longest US bull market in US history, EM has outperformed the US over the past 20 years. Considering that in these two decades the US macroeconomic picture has deteriorated with worsening demographics, slower growth, surpluses turned to the highest peacetime deficits in history, and higher debt levels, perhaps this is not surprising after all. We doubt the US stock market can maintain its 2010s performance leadership throughout the 2020s. While we don't know when leadership will pass to another geography, we expect it will surprise observers with its rapidity and magnitude.

[4] Ice hockey fans may recall that authorities canceled the final and deciding game of the 1919 Stanley Cup, scheduled for April 1, 1919, and there was no champion that year. The third wave of the flu pandemic caused most of the Montreal Canadiens players to fall ill. With only three healthy players, the Candadiens were unable to play against the Seattle Metropolitans. One Hall of Fame Canadien player died four days later.

How Affected are Frontier Countries?

Cons and pros. We've read several opinion pieces from developed world investors on how COVID-19 will affect emerging and frontier countries. The authors do an excellent job of pointing out the negatives, which are real, while tending to ignore any positives. The cons are these countries are often poor, many have dense populations where social distancing is difficult in practice, their healthcare systems are limited and the virus may overwhelm them, and they do not have the fiscal and monetary wherewithal to offset the economic damage. The pros are that these countries have young populations more resilient to COVID-19, they have recent experience with pandemics (SARS, MERS, Ebola) that developed countries lack, they implemented stay-at-home orders much earlier (on a cases per capita basis) than did Europe and the US, they have actually introduced fiscal and monetary stimulus domestically, several have or are about to receive IMF funds specifically for COVID-19 (e.g. Pakistan, Rwanda) with dozens of others to follow, other international financial institutions (e.g. World Bank, Asian Development Bank, African Development Bank, and numerous others) will be making concessional loans or grants soon to these countries, and there is talk of debt moratoriums or forgiveness that would help these countries fiscally.

Responses. Within EM, we see a wide-range of responses. We believe East Asian EM countries like Korea, Taiwan, and China (despite its initial COVID-19 denial and data accuracy issues that some think are ongoing) have responded well to the crisis, while Latin American countries such as Brazil and Mexico initially chose a policy of denial that we think will increase deaths and economic damage. None of these countries are in our investible universe but they illustrate the spectrum of responses. Within our universe, we see an East Asian model in Vietnam (naturally), but also throughout sub-Saharan Africa. Egypt and Turkey, meanwhile, have taken partial measures with no across-the-board lockdown. Both did close schools early, however, and Turkey advises certain population segments to stay at home.

In an April 9 analysis of EM measures around the world, Renaissance Capital's Global Chief Economist Charlie Robertson concludes, "All in all, EM has probably done better with the virus—so far—than Europe or the US." Robertson also has pointed out that EM and FM countries already have higher death rates (pre-COVID-19) from all causes, which when combined with their young demographics may mean that their incremental COVID-19 deaths could be lower than in developed countries.[5]

Sub-Saharan Africa. Dan Keeler covers frontier markets for *The Wall Street Journal.* His Saturday, April 4 newsletter detailed many COVID-19 initiatives across Africa. They include the Republic of Congo introducing a curfew and closing its air, land, and sea borders despite only 19 confirmed cases, Rwanda extending its lockdown and travel restrictions (an analyst was quoted saying how Rwanda was way ahead of most Western nations in checking visitors for COVID-19 symptoms in the second half of February), Kenya receiving $50 million in pandemic funding from the World Bank, over a dozen governments deploying militaries to enforce tough restrictions such as banning alcohol and tobacco sales, Uganda curbing movement between cities and rural areas, and Ghana closing its borders and spearheading a group seeking $100 billion of relief for the continent. Two commentators thought Gulf of Guinea countries were well prepared to rollout community procedures and programs they used recently to fight Ebola.

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[5] He posits that if his model regarding fewer incremental deaths in less developed countries is correct, it might be rational for some EM/FM countries to not implement stay-at-home orders, thus avoiding the economic damage from stopping their economies.

It's too early to know whether our universe suffers the catastrophe that some predict or whether the pros we list mitigate the damage. COVID-19 took longer to reach many of our countries, so stay-at-home orders began more recently (but again, much earlier than in the West on a cases per capita basis). The frontier country response has been better than we expected. We assume we'll see a range of outcomes, with those who adopted harsh measures most quickly faring best.

What Have We Done?

Calendar recap. Let's recall how quickly things changed in the second half of Q1. We were up for the year through Sunday trading, February 23. The last five trading days of February were quite bad for us, as we lost over 4%. March began calm, with the month around break-even for us through Wednesday, March 4. Organizers had canceled two March investment conferences we planned to attend, one in Dubai, the other in Ho Chi Minh City. Otherwise, business activity operated as if COVID-19 was an isolated problem. In the first week of March, we had international visitors to our office from Turkey, Australia, and Vietnam. Nevertheless, on Wednesday, March 4, with the S&P 500 closing at 3130, we made the decision to de-risk our portfolio somewhat, as discussed in our March comment. These sales occurred March 5-11.

Here's what we said in our March 31 monthly comment:

> *Even assuming the economic shutdown will eventually be transitory, many companies will suffer severely, some never to recover. Through March 11, we sold the most vulnerable businesses aggressively: tourism, oil production, global shipping, real estate development, and some consumer durables; liquidating about 10% of our portfolio. Beginning March 9, we bought consumer staples modestly, adding two percentage points of exposure. For example, we have bought or added to grocery, consumer packaged food, and food delivery businesses. While these companies should suffer less than others, this is not a short-term trade. Their relative advantage may be only temporary, but these are desirable businesses to own long term, and we can now buy them more cheaply than before. We have the cash (12%, up from 6% in February) to continue our controlled buying if we find prices attractive. Further, during rallies we could sell some other stocks—not on our initial liquidation list—where COVID-19 partially weakens the investment case.*

April actions. Through Friday, April 10, we have continued as we described above. One company we bought in April—which should have stable results throughout the pandemic—is at a price below what we once paid for it in 2007 (we have not owned it for the past six years). We are trimming or exiting a second wave of companies where the pandemic weakened or ended the investment thesis.

You may ask why it makes sense to sell now with prices already down, global markets rallying, and frontier markets known to lag (implying they too should begin to enjoy a strong rally). Alternatively, given the huge uncertainty that exists, you may wonder why we are buying anything. Well, we are both selling and buying. During the GFC, we observed that we will have markets at different stages of decline and recovery. Some are still going down while others already have had a sharp rally. (For completeness, we should note that we made money in 5 of 21 countries in Q1—6% of our quarter-end portfolio—and some of these may not decline at all.) Valuation guides our buying and our selling. Prices are changing rapidly and significantly, as are our intrinsic value estimates for some of our companies as new information comes available or as we gain new insight from observing countries and companies around the world.

Sale examples. To provide some insight on positions or country exposures we have sold, trimmed, or may sell, we present here three somewhat generalized examples. In each of these cases, the original investment thesis was sound, but the virus killed the thesis and thus we needed to adjust our portfolio. First, tourism is an obvious area that's now decimated. Pre-COVID-19, Sri Lanka was just beginning to enjoy a tourism rebound from the tragic Easter 2019 bombings. In terms of likely positive year-over-year change for 2020, this country had one of the best tourism stories in the world. Further, Sri Lanka's stock market was off its multi-year lows but still inexpensive on an absolute basis and relative to its own history. Of course, now not only has the tourism recovery stopped, but we expect tourist arrivals to hit lower lows than one year ago. We remain invested in Sri Lanka, but we exited our tourism exposure there in early March.

Second, let's say we bought a bank pre-COVID-19 because we expected a strong earnings recovery from a cyclically low level due to lower loan loss provisions going forward. With COVID-19, provisions will likely now increase instead of decreasing, meaning that the earnings recovery won't happen. In fact, it's hard to say when earnings will recover as provisioning cycles can run for multiple years. Finally, suppose that pre-COVID-19 we expected a country to have a favorable capital spending and economic cycle on the back of declining interest rates. With the onset of the virus, we have gotten greater and quicker interest rate declines than we expected, but we are unlikely to see the capital spending cycle anytime soon or even at all.

Behavioral thoughts and experience. Behaviorally, it is difficult to decide to sell something when it is already down significantly. It is even harder to change your mind if you thought about selling at higher prices before the decline and decided not to. Human nature is to ride out your earlier decision, hoping somehow it all works out. Subconsciously, you might be thinking that if you can only recover those losses, you will re-evaluate and then sell. Instead of fooling yourself by thinking this way, you must evaluate what is the right decision right now. Reviewing our own history, we recognize that some of our best sales were when we overcame our behavioral inertia, changed our mind, and sold stocks where we were already down significantly from the peak (but often still in the money). Just off the top of our head, country exits in Iraq in 2014, Zimbabwe in 2015, and Argentina in 2018 come to mind. In each case, we sold once we realized the investment thesis was no longer valid. Events subsequently proved us correct, and after we sold prices went lower than we ever could have imagined. Although these decisions were difficult in the moment, with the benefit of hindsight all these choices were correct. Collectively, in these three examples, we made a good profit, even if we were down from the peak. We use past decisions like these to steel our courage and guide us when making tough decisions this time around.

We look to our past also when buying, drawing upon our GFC experience. Our buys then weren't perfect. Many came too early (Q3 and early October 2008), some were late (Q2 2009), and not enough were at the lowest points (December 2008 – March 2009). Overall, though, our buys in the second half of October 2008 and November 2008 were strong. The buys at the lowest points in the market performed greatly despite their smaller magnitude, and even the early and the late buys tended to work, so overall the GFC was a success for us. Our initial one-year loss of -28% in 2008, turned positive after two years at +5%, and was +44% (12.9% compounded) at the end of 2010.

It's rare that you will top tick a sell or bottom tick a buy, and you must not let that innate desire to do so and the sinking feeling you may have missed something hold you back from making the right decision at each new moment as information and prices change.

Where We Go from Here

Panic peaks, but is the low in? As we said in the March monthly comment, market panic seems to have peaked. The rally following the March 23 US market low has since become even more impressive. The S&P 500's 12% gain in the abbreviated April 6-9 Good Friday week was its best weekly advance since 1974. This domestic market gauge has now retraced half its losses from its February 19 high. Is this just a technical bounce (Fibonacci chartists will want to see the rebound grow to the 62% retracement level of 2934 and beyond) or a new bull market? We don't know. We noted in the comment that the October 2008 panic crescendo did not set the GFC market low (that came nearly five months later), and so too it may be this time. But we cannot say with confidence that we will see lower lows; we think no one really knows and one must consider all possibilities, adapting your view to the facts as they develop. If a lower low does develop, it could be further out (e.g. 2021 or 2022) if the economy stalls after an initial stimulus-induced rebound or as the second-order negative effects not initially predictable become apparent (see points 1 and 7 above).

An April 11 Bloomberg article captures the lack of market clarity:

> *Stocks may be in a bull market and they may be in a bear market -- it's become impossible to tell. Seldom has Wall Street diction seemed less relevant. Run ragged by the swings, professional prognosticators have given up trying to make any sense of it. But with the S&P 500 worth 25% more than it was two weeks ago, investors want proof the gains can last.*

Process guides us. We will continue to operate as we always have with a process-driven approach that strongly emphasizes valuation when buying and selling. Obviously, valuation is more difficult now. Near-term corporate results, even for many of the highest quality firms, are uncertain to a degree unimaginable when this year began. We don't know how bad some results will be, for how long that will be, when the rebound will occur, and how robust or weak the rebound will be. Our reversion-to-the-mean approach of considering a decade's (or longer) results to determine mid-cycle margins and returns on capital helps us now more than ever. Still, though, it is a qualitative judgment as to how quickly most companies can return to mid-cycle profitability, or even if they will get there.

We've never liked indebtedness, so we are not worried about our portfolio companies going out of business, as clearly some companies around the globe are going to do in 2020 and the coming years. Further, as mentioned, we already jettisoned the businesses we assessed to be most vulnerable to COVID-19. This leaves us with a somewhat defensive portfolio and we are happy to forfeit some potential upside for the sleep-well-at-night comfort that our holdings give us.

Conviction or overconfidence? In acknowledging there is much we do not know or are not certain of, we risk coming across as wishy-washy, too indecisive, and uncertain. We have read several investment letters (that can be quite persuasive when taken at face value) where the authors state how well their portfolio will do coming out of this crisis and how COVID-19 will affect their earnings growth only modestly before it resumes its pre-virus trajectory. We too own companies where COVID-19 should not disrupt results (in some cases, the same companies the letter writers brag about) but we cannot claim that our whole portfolio will be unscathed. In recent weeks, we have learned that even some of our more resilient and defensive holdings are going to have COVID-19 profit impact. We expect this will be true for most investment funds globally and we think many managers are too sanguine about this, at least in their public comments where perhaps they think they must put on a brave face to reassure their investors.

Overconfidence can be a powerful trait, especially if your conviction can influence the outcome. When the outcome is beyond your control, however, overconfidence can be a liability. When events are turbulent, we try not to be too bullish or too bearish. We intend to consider all views, be open to anything, stay on top of events, let our tactics evolve as the situation changes, and act cautiously and conservatively most of the time. Occasionally, we'll be bold when clarity does occur. Selling a tenth of our portfolio in a week in early March is one example of this and our March and April buys are another. In other words, we intend to act as we did 2008-2010. This crisis will be different than the GFC of course. The snapback may not occur or it could be even quicker. Either way, we think our process will guide us through safely as it did then.

Fund and Management Company News

With upgrades to our IT infrastructure, from March 12 our technology platform provided an experience from home like that in the office. Most of us began working at home Monday, March 16. The State of Illinois issued a stay-at-home order beginning Saturday, March 21, so we have all been remote since then. Presently, this order runs through April 30 and we expect the governor to extend it. Our office building remains open as it houses multiple 24-hour media outlets and is available to us if necessary. The state order does allow businesses selling a financial product to continue using their offices if they wish.

To date, the arrangement has worked well. We continue to have our daily research and operational team meetings as before but via conference call. Ad-hoc communication occurs as you would expect via phone, e-mail, and chat apps. We continue to communicate with clients, companies, analysts, and traders around the world via phone, chat, and video conference. Trading continues even though many traders globally are in their homes. Several countries have closed their markets at times, but all have reopened except Sri Lanka (closed since March 20 due to that country's COVID-19 curfew restrictions). Global stock markets are up since Sri Lanka traded last.

Statistical Appendix

Our Statistical Appendix follows this section. Figure A1 shows annual, cumulative, and compounded returns for us and the indices we typically cite. Figure A2 shows quarterly performance for Frontaura and these indices. Figure A3 shows our monthly returns since inception. Figure A4 shows Frontaura's returns in US dollars and six foreign currencies that are the home currencies of our investors.[6]

Please see Figure A5 for portfolio mix by country, region, and sector, along with our portfolio statistics. Figures A6 and A7 show Q1 country attribution by dollar and percentage returns.

[6] We don't show Hong Kong dollars (HKD) in the table due to its peg to the US dollar. The value of HKD has varied by 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.

Figure A8 shows regional attribution, including at the country level within each region, for Q1. Figures A9 and A10 show changes in country mix for the quarter and the last 12 months. Figure A11 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 investor.

Best regards,

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Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Annual Frontaura and Index Performance[7]
31 March 2020

Period	Frontaura	MSCI Frontier Small Cap	MSCI Frontier	MSCI Emerging	MSCI EAFE	S&P 500
2008	-28%		-54%	-53%	-43%	-37%
2009	46%		12%	79%	32%	26%
2010	37%		24%	19%	8%	15%
2011	-15%	-29%	-19%	-18%	-12%	2%
2012	18%	6%	9%	18%	17%	16%
2013	26%	32%	26%	-3%	23%	32%
2014	-3%	6%	7%	-2%	-5%	14%
2015	-5%	-8%	-14%	-15%	-1%	1%
2016	7%	15%	3%	11%	1%	12%
2017	17%	23%	32%	37%	25%	22%
2018	-13%	-17%	-16%	-15%	-14%	-4%
2019	-1%	-2%	18%	18%	22%	31%
YTD 2020	-22%	-24%	-27%	-24%	-23%	-20%
1 Year	-25%	-25%	-19%	-18%	-14%	-7%
3 Year	-24%	-32%	-12%	-5%	-5%	16%
5 Year	-18%	-17%	-13%	-2%	-3%	38%
7 Year	-12%	4%	4%	-3%	13%	90%
10 Year	22%		11%	7%	31%	172%
Inception to Date	43%		-34%	-15%	-7%	117%
3 Year CAGR	-8.8%	-12.2%	-4.3%	-1.6%	-1.8%	5.1%
5 Year CAGR	-3.9%	-3.7%	-2.9%	-0.4%	-0.6%	6.7%
7 Year CAGR	-1.8%	0.6%	0.6%	-0.4%	1.8%	9.6%
10 Year CAGR	2.0%		1.0%	0.7%	2.7%	10.5%
ITD CAGR	2.9%		-3.3%	-1.3%	-0.6%	6.5%

[7] Returns commence 1 November 2007 and are audited through 2019. 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 A2
Frontaura Global Frontier Fund LLC
Quarterly Frontaura and Index Performance[8]
31 March 2020

Period	Frontaura	MSCI Frontier Small Cap	MSCI Frontier	MSCI Emerging	MSCI EAFE	S&P 500
2007 Q4	2%		4%	-7%	-5%	-5%
2008 Q1	1%		-2%	-11%	-9%	-9%
2008 Q2	6%		2%	-1%	-2%	-3%
2008 Q3	-11%		-23%	-27%	-21%	-8%
2008 Q4	-25%		-41%	-28%	-20%	-22%
2009 Q1	-2%		-17%	1%	-14%	-11%
2009 Q2	28%		35%	35%	25%	16%
2009 Q3	17%		11%	21%	19%	16%
2009 Q4	-1%		-10%	9%	2%	6%
2010 Q1	10%		11%	2%	1%	5%
2010 Q2	5%		-10%	-8%	-14%	-11%
2010 Q3	9%		14%	18%	16%	11%
2010 Q4	9%		8%	7%	7%	11%
2011 Q1	2%	-12%	-5%	2%	3%	6%
2011 Q2	-1%	-2%	0%	-1%	2%	0%
2011 Q3	-10%	-12%	-12%	-23%	-19%	-14%
2011 Q4	-6%	-7%	-2%	4%	3%	12%
2012 Q1	6%	6%	6%	14%	11%	13%
2012 Q2	-3%	-6%	-7%	-9%	-7%	-3%
2012 Q3	5%	6%	7%	8%	7%	6%
2012 Q4	9%	1%	3%	6%	7%	0%
2013 Q1	10%	7%	8%	-2%	5%	11%
2013 Q2	5%	9%	3%	-8%	-1%	3%
2013 Q3	1%	1%	6%	6%	12%	5%
2013 Q4	7%	12%	7%	2%	6%	11%
2014 Q1	-1%	6%	7%	0%	1%	2%
2014 Q2	4%	7%	12%	7%	4%	5%
2014 Q3	1%	4%	2%	-3%	-6%	1%
2014 Q4	-7%	-11%	-12%	-5%	-4%	5%
2015 Q1	-3%	-4%	-3%	2%	5%	1%
2015 Q2	3%	2%	0%	1%	1%	0%
2015 Q3	-6%	-6%	-11%	-18%	-10%	-6%
2015 Q4	1%	-1%	-1%	1%	5%	7%
2016 Q1	-1%	-1%	-1%	6%	-3%	1%
2016 Q2	4%	5%	0%	1%	-1%	2%
2016 Q3	2%	4%	3%	9%	6%	4%
2016 Q4	1%	6%	0%	-4%	-1%	4%
2017 Q1	4%	12%	9%	11%	7%	6%
2017 Q2	7%	3%	6%	6%	6%	3%
2017 Q3	3%	3%	8%	8%	5%	4%
2017 Q4	3%	3%	6%	7%	4%	7%
2018 Q1	2%	-1%	5%	1%	-2%	-1%
2018 Q2	-7%	-9%	-15%	-8%	-1%	3%
2018 Q3	-5%	-4%	-2%	-1%	1%	8%
2018 Q4	-3%	-5%	-4%	-7%	-13%	-14%
2019 Q1	2%	-1%	7%	10%	10%	14%
2019 Q2	3%	0%	5%	1%	4%	4%
2019 Q3	-5%	-3%	-1%	-4%	-1%	2%
2019 Q4	-1%	2%	7%	12%	8%	9%
2020 Q1	-22%	-24%	-27%	-24%	-23%	-20%

[8] Returns commence 1 November 2007 and are audited through 2018. 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

Figure A3
Frontaura Global Frontier Fund LLC
Monthly Frontaura Performance
31 March 2020[9]

	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%
2019	1.2%	0.8%	0.1%	0.3%	1.2%	1.9%	0.4%	-4.0%	-1.7%	-0.9%	-0.6%	0.5%	-0.9%
2020	1.3%	-4.9%	-19.3%										-22.3%

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.

[9] Returns commence 1 November 2007 and are audited through 2018. 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
Performance by Currency[10 11]
31 March 2020

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%
2019	-1%	0%	-6%	-2%	1%	-5%	-2%
YTD 2020	-22%	-11%	-16%	-23%	-21%	-17%	-18%
1 Year	-25%	-13%	-21%	-27%	-23%	-21%	-21%
3 Year	-24%	-6%	-20%	-27%	-27%	-23%	-23%
5 Year	-18%	1%	-9%	-19%	-20%	-2%	-15%
7 Year	-12%	49%	21%	-11%	2%	7%	1%
10 Year	22%	82%	68%	11%	49%	49%	24%
Inception to Date	43%	118%	114%	19%	88%	140%	41%
3 Year CAGR	-8.8%	-1.9%	-7.1%	-10.1%	-9.8%	-8.5%	-8.2%
5 Year CAGR	-3.9%	0.3%	-1.9%	-4.2%	-4.5%	-0.5%	-3.3%
7 Year CAGR	-1.8%	5.9%	2.8%	-1.7%	0.3%	1.0%	0.1%
10 Year CAGR	2.0%	6.2%	5.4%	1.0%	4.1%	4.0%	2.1%
ITD CAGR	2.9%	6.5%	6.3%	1.4%	5.2%	7.3%	2.8%

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

[11] Returns commence 1 November 2007. USD returns are audited through 2018. Returns in other currencies are unaudited Frontaura calculations. 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 A5
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[12]
31 March 2020

Holdings Summary

Country	Holding
USA (cash only)	10%
Vietnam	9%
United Arab Emirates	8%
Papua New Guinea	7%
Egypt	7%
Rwanda	7%
Côte d'Ivoire	7%
Sri Lanka	6%
Turkey	5%
Ghana	5%
Nigeria	5%
Pakistan	4%
Kazakhstan	4%
Philippines	3%
Kenya	2%
Uganda	2%
Ecuador	2%
Botswana	2%
Niger	1%
Paraguay	1%
Tanzania	1%

Region	Holding
Sub-Saharan Africa	32%
Middle East / North Africa	20%
Southeast Asia	19%
South Asia	11%
USA (cash only)	10%
Eurasia	4%
Latin America & Caribbean	3%

Sector	Holding
Financials	47%
Consumer Staples	19%
Cash	12%
Consumer Discretionary	5%
Real Estate	4%
Communication Services	3%
Materials	3%
Energy	2%
Utilities	2%
Information Technology	1%
Health Care	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	4.7
Portfolio Price to Book	0.90
Portfolio LTM Dividend Yield	8.3%
Return on Ending Equity	21.9%
Positions	37
Countries	20
Weighted Average Market Cap	$782m
Weighted Median Market Cap	$414m
Portfolio Turnover (12 Months)	35%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	12%
Standard Deviation (ITD)	14%
Beta to S&P 500 (36 Months)	0.47
Beta to S&P 500 (ITD)	0.50
Assets Under Management	$81m

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

Figure A6
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2020 Q1

5 Best Countries			5 Worst Countries		
Country	Frontaura Return ($millions) [13]	Frontaura Return (%)	Country	Frontaura Return ($millions)	Frontaura Return (%)
Ecuador	0.1	7%	Papua New Guinea	-3.1	-34%
Botswana	0.1	7%	Rwanda	-2.7	-32%
Paraguay	0.0	5%	Sri Lanka	-2.5	-26%
North Macedonia	0.0	2%	Egypt	-2.5	-25%
Niger	0.0	3%	Vietnam	-2.4	-21%

Figure A7
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2020 Q1

5 Best Countries			5 Worst Countries		
Country	Frontaura Return ($millions)	Frontaura Return (%)	Country	Frontaura Return ($millions)	Frontaura Return (%)
Ecuador	0.1	7%	Tanzania	-0.4	-46%
Botswana	0.1	7%	Papua New Guinea	-3.1	-34%
Paraguay	0.0	5%	Kazakhstan	-1.6	-33%
Niger	0.0	3%	Rwanda	-2.7	-32%
North Macedonia	0.0	2%	Pakistan	-1.9	-28%

[13] 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.

Figure A8
Frontaura Global Frontier Fund LLC
Performance by Region and Country
2020 Q1

Region / Country	Frontaura Return ($millions)[14]	Frontaura Return (%)	MSCI Small Cap Return (%)[15]	MSCI Standard Return (%)
Latin America & Caribbean	**0.1**	**6%**		
Ecuador	0.1	7%	--	--
Paraguay	0.0	5%	--	--
Eastern Europe	**0.0**	**2%**		
North Macedonia	0.0	2%	--	--
Eurasia	**(1.6)**	**-33%**		
Kazakhstan	(1.6)	-33%	0%	-24%
South Asia	**(4.5)**	**-27%**		
Pakistan	(1.9)	-28%	-32%	-40%
Sri Lanka	(2.5)	-26%	-35%	-35%
Middle East / North Africa	**(5.7)**	**-22%**		
Turkey	(0.9)	-17%	-28%	-30%
United Arab Emirates	(2.3)	-22%	-34%	-27%
Egypt	(2.5)	-25%	-35%	-27%
Southeast Asia	**(5.9)**	**-25%**		
Philippines	(0.4)	-12%	-40%	-32%
Vietnam	(2.4)	-21%	-30%	-31%
Papua New Guinea	(3.1)	-34%	--	--
Sub-Saharan Africa	**(6.3)**	**-18%**		
Botswana	0.1	7%	--	6%
Niger	0.0	3%	--	--
Uganda	(0.2)	-11%	--	--
Ghana	(0.4)	-8%	--	--
Tanzania	(0.4)	-46%	--	--
Côte d'Ivoire	(0.5)	-8%	--	0%
Kenya	(0.7)	-26%	-36%	-25%
Nigeria	(1.6)	-19%	-34%	-33%
Rwanda	(2.7)	-32%	--	--

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

[15] This footnote applies to all columns labeled "MSCI Small Cap Return" and "MSCI Standard Return" on this page and any page with a similar table. We state MSCI small cap and MSCI standard (large cap and mid-cap stocks) country indices on a total return basis with dividends net of any withholding tax. We show "--" if MSCI does not have a small cap or a standard index for a given country.

Figure A9
Frontaura Global Frontier Fund LLC
Significant Quarterly Country Mix Changes[16]
2020 Q1

Country	Percentage Point Change	Explanation
Ghana	+4	Added new position and relative outperformance
Turkey	+2	Increased size of existing position
Vietnam	-2	Exited two positions, added one
Pakistan	-2	Reduced position size
United Arab Emirates	-2	Reduced position size
Nigeria	-3	Exited one position and trimmed others
Sri Lanka	-3	Exited one position

Figure A10
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2019 Q1 – 2020 Q1

Country	Percentage Point Change	Explanation
Turkey	+5	Entered country
Ghana	+5	Re-entered country
Kazakhstan	+4	Re-entered country
Côte d'Ivoire	+3	Increased size of existing positions
Pakistan	+3	Added new position
Philippines	+2	Increased position size and added new position
North Macedonia	-2	Exited position and country Q1 2020
Georgia	-2	Exited position and country Q3 2019
Egypt	-3	Exited position, trimmed position, and relative underperformance
Nigeria	-3	Trimmed all positions
Kuwait	-5	Exited position and country Q3 2019
Vietnam	-8	Exited three positions, added two, and reduced cash

[16] 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 A11
Frontaura Global Frontier Fund LLC
Portfolio Concentration[17]
31 March 2020

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies[18]	Countries	Companies	Countries
Positions	37	20	-2	-1	-5	-4
Top 5	26%	38%	-4	-9	-3	-14
Top 10	44%	67%	-6	-11	-5	-11
Top 20	67%	90%	-6	-5	-5	-5
Top 20 + USA (Cash)	77%	100%	-0	+1	+1	+2

[17] 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.

[18] While fact checking our data for this letter, we discovered that the company concentration percentages that we reported originally in our 2019 Q1 letter were one to two percentage points too high. On July 3, we reposted our 2019 Q1 quarterly letter to correct these percentages. The numbers in this column reflect the difference between this quarter's company concentration and last quarter's corrected company concentration.