Quarterly Letter – 2020 Q2

Q2. We gained 5.75% in Q2, our best quarter of the past three years (since Q2 2017), and our second best in 6½ years (since Q4 2013). Overall, this was our 12th best quarter out of the 50 full quarters in our history.

Outlook. Obviously, a terrible Q1 made a good Q2 possible. We note that our best quarter ever (Q2 2009) came two quarters after our worst quarter ever (Q4 2008).[1] The quarter we are now in (Q3 2020) is two quarters after the second worst in our history (Q1 2020). Will history repeat and give us a stonking double-digit percentage gain this quarter? Frankly, it is easy to imagine this given our modest recovery so far, the fuller recovery in developed and emerging markets, the poor returns in frontier markets in recent years even before COVID-19, and the low valuations of our fund. Really, though, we have no idea what Q3 will bring, as it is also easy to imagine the world selling off again as a priced-in V-shaped recovery confronts an untamed virus.

Even if one or a few quarters' performance is unforecastable, we can project returns over longer periods with some statistical significance and we've done that in the past. In this letter, we strive to convince you more with words than numbers, although we'll deploy both to make our case that we are set up well for high relative outperformance.

We ended Q2 with a trailing portfolio PE of 5.0, including March quarter results as reported, meaning that we are not excluding any bad stuff.[2] Our portfolio price/book is 0.90 and our weighted average dividend yield is over 6%.[3] While our valuation figures are and have been eye-popping for some time, another way to convey the value available to us today is to provide a quick synopsis of the 10 positions we bought the most of during Q2 and so far in Q3. It's possible we could buy more of all of these, so we won't describe them by name, but we will provide a quick impression of the businesses and the values that we are getting.

Value remains on offer. First, though, let us make a key point that you might not expect. Unlike the US and many developed and emerging markets where most stocks are up significantly from March lows and to some degree have moved in unison, frontier markets

[1] It was better even than this implies. After our best quarter, the one that followed (Q3 2009) was our second best.

[2] See our June comment for a discussion on our no BS exclusions.

[3] Our 6.1% yield dropped from 8.3% at the end of Q1 consistent with the explanation in our Q1 letter (see the "PE, yield to worsen from here" paragraph on page two). We said that, as was already true in the US, we expected some governments to discourage, limit, or prohibit shareholder payments for certain classes of companies, mainly banks in our case, due to the COVID-19 downturn. Another COVID-19 dividend issue occurs when shareholders must approve a dividend at an annual meeting that COVID-19 has delayed. This is a transitory issue as companies will eventually hold these meetings or get this approval, virtually or otherwise. These issues have caused our last twelve months (LTM) calculated yield for some companies to go to zero. For example, our second and third largest positions (11% of our portfolio overall) had a zero yield at quarter-end. Although delayed, neither is skipping any payments. One will go ex in July with a 13.4% yield, while the other will have a 6.5% yield once they formally declare the dividend they have already announced. These two dividends alone will boost our weighted average yield by 1.2 percentage points once they re-enter our calculation. Other cases like this exist. When a dividend's ex-date is only a few days or a few weeks more than one year after the dividend it replaces, we will tend to still include the old dividend in our yield calculation as a judgment call. In cases where either the delay was several months or the replacement dividend was not 100% certain at quarter-end (or both), we took a conservative position to count only dividends ex within the prior year, causing our portfolio weighted average dividend yield to decline.

have greater dispersion in the returns between markets and even within the same market. (An academic would say that frontier stocks and countries have a low degree of cross-correlation.) What this means is that in July we are still able to buy stocks at prices far below their past highs. In some cases, the stocks are only a bit off their lows; in others, they are still going down from a selling overhang that has yet to clear. We experienced a similar phenomenon in the Global Financial Crisis (GFC), where some stocks bottomed in October 2008 while other countries and stocks lost money even during the rebound year of 2009. We think this is a great environment for buying. We've bought consistently in recent months, but at a gradual pace. Because some stocks are still declining, we don't see a need to buy more aggressively for fear of missing out. Our still high cash balance protects us on the downside and gives us the ability to continue our buying or to become more aggressive if another downturn occurs.

Top 10 Recent Buys

Here are the 10 companies we bought the most of from April 1 through July 8, listed in descending order by dollars spent.

1. Hidden value that Warren Buffett would love. In April, we bought a holding company where the primary asset is a growing blue-chip listed company that is desirable to investors. This subsidiary is one of the leaders in its category and COVID-19 will boost rather than hurt its business. The holding company traded at 5.7 times trailing EPS at quarter-end. Looking at the valuation another way, at the end of Q2 the holding company's market cap was 45% less than the value of its proportional ownership of the subsidiary with the market assigning zero value to several other operating businesses that collectively are profitable and have value. For example, the holding company sold one such operating business last year for several hundred million dollars. This is the type of situation Warren Buffett looks for. His thinking (and ours) is that he may not know what all the businesses and assets other than the listed subsidiary are worth, but they probably are worth something more than zero. To get a further 45% discount beyond this makes the idea even more compelling and increases the margin of safety further.

The discount blew out during the COVID-19 selloff from 9% on March 13 to 48% on April 27. During the GFC, we saw situations where numerous discounts blew out. We invested in some of those situations then and over time the discounts reverted to more normal levels. We expect a similar outcome here. Were the discount to return to its March 13 level, we'd make up to 65%; if the discount fell to zero (still valuing all other businesses, assets, and cash as worthless), we'd make up to 82%; if the discount became an 18% premium (it averaged this from mid-2013 to mid-2017), we'd make up to 115%, and if the premium returned to its highest ever level of 58%, we'd make up to 187%.[4] These hypothetical gains would be one-time but we would then still enjoy the underlying growth of the subsidiary itself, where Q1 EPS advanced 15%.

[4] We say "up to" because for simplicity these examples assume the holding company's price increases while the listed subsidiary's price does not change. Of course, the discount could close through the subsidiary's price declining in full or through a combination of the holding company appreciating and the subsidiary declining. Nevertheless, we think our presentation is a reasonable illustration because 1) the subsidiary is a sought-after, liquid, blue-chip stock that we presume the market values fairly and 2) we attribute the discount increase mainly to the short-term supply/demand factors that depressed the holding company's valuation.

2. Natural monopoly 83% cheaper than a decade ago. Another new position in April was in a business that has a natural monopoly in a financial exchange and related capital markets businesses. When we bought, the price was 83% below its 2010 peak and near its all-time USD low, despite significant operating earnings growth in 2018, 2019, and Q1 2020.

3. Old favorite at less than half our exit price six years ago. Our final new position in April was 54% below our 2014 USD exit price. This business is the market leader in multiple countries, has a sensible, multinational parent ensuring good governance and a high dividend payout (10.5% yield ending Q2). COVID-19 at worst is neutral for its business and should accelerate its growth in material newer business lines where it already has leadership.

4. 15% yielder with growing revenue and EPS. We established this position in January and were able to expand it through opportunistic block buying at lower prices during Q2. This company, with a multinational parent, finished Q2 at 6.4 times trailing earnings with a dividend yield over 15%. We expect revenue and EPS to grow in 2020 as COVID-19 bolsters parts of its business. A comparable company in another frontier country has lower growth prospects, yet trades on a PE that is 2.4x higher.

5. Consumer staples market share leader half off last year's high. In June, for the first time in over a year, we added to an existing position of an alcoholic beverage maker in a large-population country. Prices were around half or less than the stock's August 2019 high.

6. Grocer 80% below all-time high despite consumer stockpiling. Throughout Q2, we continued buying a grocery store operator with leading market share in one region of a large-population country. We first bought this company in March when its price—inexplicably to us—tumbled with global markets despite common knowledge that grocers were benefiting from consumer stockpiling. This drop, which ultimately put the shares more than 80% below their all-time high, allowed us to buy a company that we had watched for two years, waiting for the price to come to us.

7. Financial down >90% in less than 2 years; franchise intact. A new position for us in June was a financial whose April 2020 low was more than 90% below its share price when we first met management less than two years ago. Through repeated company contact in Q2, we became confident that its business model would persevere through COVID-19.

8. #1 bank at an all-time low with a 10% yield. A few times opportunistically during Q2 and early July we bought more shares in the number one bank in a fast-growing country that has handled COVID-19 well enough that it should still post positive economic growth in 2020. Despite earnings growth over the past decade, this well-capitalized bank presently trades at all-time lows. Today's yield on a dividend that went ex in June is 9.6%. There is no question in our mind that this bank will survive and thrive in the years to come.

9. Healthcare company growing 13% compounded for 15 years; trading on PE <5. In July, we began buying shares in a healthcare company that we have watched for years. From 2004 to 2019, it has grown its top and bottom line 13% compounded annually in USD. Both should grow in 2020. We are paying below 5 times trailing EPS, with our initial price less than half its high of three years earlier. We have seen frontier stocks similar to this company trade at 20-30 times trailing earnings or higher. It has already developed COVID-19-related revenue streams.

10. Large country stock exchange worth <$50 million, 84% off 2017 peak. Throughout Q2 we continued to buy the monopoly stock exchange in a large-population country that finished Q2 with a market cap below $50 million with no debt. At its March low, its price in USD was 84% below its 2017 peak.

Trend Changes

Our June comment explained how small cap stocks are now outperforming large cap stocks, non-US stocks are now outperforming US stocks, and foreign currencies are now outperforming the US dollar. These trend changes mean that multiple factors that worked against us in recent years are now in our favor.

Value Lives

Value stocks are not yet outperforming growth stocks, but we think the case for the long-term performance of cheaply valued stocks remains strong. Two recent academic papers addressed this topic. Notably, well-known practitioners published each, so the findings come from those who implement their research and have a record of making money for their clients. In "Is (Systemic) Value Investing Dead?" Cliff Asness of the quantitative hedge fund AQR examined the arguments put forth by the this-time-is-different crowd who believe we are in a new era where the merits of growthy mega-cap monopolistic technology stocks mean that value investing will no longer work. Analyzing the data numerous ways, Asness convincingly knocks down every argument against value, showing how the arguments do not actually explain what has happened in markets in recent years. The simplest argument remains: investors are undervaluing value stocks by an increasing magnitude and an excess-return earning snapback is the most likely outcome for how this conundrum will resolve itself.

We quote from Asness's conclusion:

> *Value is super cheap today and this is not coming from only the potentially "broken" price-to-book measure (it isn't even very dependent on it) nor is it due to a group of winner-take-all monopolistic companies. It is not coming exclusively from the tech industries, it is not coming from mega-caps, and it is not coming from the most expensive stocks. Rather it is a pervasive phenomenon. Investors are simply paying way more than usual for the stocks they love versus the ones they hate. . . .*
>
> *We think the medium-term odds are now, rather dramatically, on the side of value, with no "this time is different" explanation we can find (and we've tested a lot of them!) holding a drop of water and no other period in the 50+ year history matching today. It has certainly been excruciating getting here, but here we are, and it's never looked cheaper going forward.*
>
> *This is where long-term investors make their bones.*

We'll highlight what Asness says in the next-to-last paragraph above. He thinks value is the cheapest relative to growth it has ever been: cheaper than the late 1999/early 2000 tech bubble and cheaper than in the GFC. This is a what-were-we-thinking episode that will be a case study in future textbooks, in our opinion.

Rob Arnott in a paper co-written with colleagues at Research Affiliates and academics at Duke and Dartmouth came to a similar conclusion in "Reports of Value's Death May Be Greatly Exaggerated." They conclude:

> *Many narratives purport to explain why "this time is different," why value may be structurally impaired. These narratives include the new-normal interest rate environment, growth of private markets, crowding, and technological change, among others. We examine these explanations and find insufficient evidence to declare a structural break. . . .*
>
> *Overall, relative valuations are in the far tail of the historical distribution. If, as history suggests, there is any tendency for mean reversion, the expected future returns for value, by almost any definition, are elevated.*

While their prose is more reserved, again let's not miss what they are saying. They find value relative to growth is in the 100th percentile of cheapness (cheapest 1% ever) and there's no structural reason for this, meaning that (in their words) "value is highly likely to outperform growth in the years ahead."

Another note by others at Research Affiliates caught our eye literally as we were writing this section. Their June 2020 article "A Quick Survey of 'Broken' Asset Classes" examines many asset classes thought to be broken due to poor recent returns. They conclude:

> *Assets classes are often declared irretrievably broken after poor recent performance, implying they are unable to provide reasonable forward-looking returns. These proclamations are often nowcasts, a common and dangerous financial practice of explaining what's already happened as if it's a forecast of the future.*

They evaluate classic magazine covers like the 1979 "The Death of Equities" *Business Week* cover and the *Economist's* 1999 "Drowning in Oil" cover where the opposite of what the cover implied happened.[5] More recently, they cite stories from last year such as "Is Value Investing Dead? It Might Be and Here's What Killed It." on CNBC and "Does Investing in EM Still Make Sense?" in the *Financial Times.* We've also seen plenty of articles in recent years questioning the viability of frontier markets as an asset class.

The lesson, as you probably know or have figured out, is that when pundits declare an asset class broken, they are often ringing the bell near the bottom. You should be buying the asset class—not selling it! When the story makes the front page it's already in the price.

They broaden their survey of these broken asset classes to examine cases where an asset classes' three-year returns are in the bottom decile of its historical return series (which is the case today frontier market small cap stocks). They find that in the five years that follow, the underperforming asset class beats the S&P 500 by a compounded average of 15 percentage

[5] Equities had a golden age in the 1980s and 1990s. The Brent oil price advanced 15-fold from its 1998 low to its 2008 high.

points per year. One never knows the future, but we expect this base case—dramatic mean reversal outperformance—to come true in our present situation.

Fund and Management Company News and Closing Thoughts

COVID-19 work environment. Some of us tentatively returned to working in our downtown Chicago office in late June. We presently have a hybrid model with about half the team in the office and half at home. We have discussed a more formal post-Labor Day office return, but for now we are letting everyone make that decision individually and it is pointless for us to predict how this ever-changing situation will evolve. We have had no technology issues working from home and we can seamlessly return to everyone being at home if COVID-19 flares up again in Chicago.

Research. While the pandemic brought our travel to a standstill, research continues. We have been impressed at how quickly and eagerly frontier companies have adopted videoconferencing and how willing they have been to interact with investors despite the pandemic's dislocations. As an example, in June we participated in three virtual investment conferences, two of them simultaneous, within seven calendar days. This would have been impossible before as their prior physical locations were on three separate continents. A person cannot be physically in two places at the same time, but we easily had back-to-back video calls with a "Dubai" conference company and a "London" conference company without ever moving from our chairs. We supplement the conferences with bespoke meetings we request and other meetings that companies and brokers arrange for investors. Further, shareholder events like a company's annual meeting where previously you had to attend in person are rapidly migrating online, making it possible for us to monitor events where it was not feasible for us to do so before. There are several companies with whom we've had two or three formal meetings in the past three months. While we lose some benefit of being in person, the efficiency gains we are experiencing are tremendous.

Changes. One of our analysts Raefe Gross departed in June. He will begin a new job this month as Director of Research for a $2 billion trust manager in his hometown area in Central Wisconsin. That he can secure this position at a young age speaks well of him and of the talented people that we hire and develop. He had a long-term desire to return to where he grew up, and we wish him the best as he embarks on his new career.

Auspicious inflow? We mentioned in our June comment that for July 1 we received our largest monthly inflow from an investor since an identical amount March 2013. It is the third largest first-month inflow from a brand new client in our history. This inflow reminds us of a similar sized first-month inflow for July 1, 2009, a few months after the GFC bottom. That inflow signaled the beginning of significant (renewed) interest in our fund and began a four-year flurry of new money that ultimately led to us closing to inflows four years later. A repeat of this outcome is uncertain, but would be welcome.

Frontaura calling. Earlier in our history, we had the habit of calling every client after each quarter just to check in and establish an open line of communication. We haven't done this for some years, as over time many clients told us that while they liked the gesture our comments and letters kept them well informed and they learned that they could contact us at any time if they wanted to talk. As it has been a while, and as we are in unique times, we thought a call this quarter would make sense. We'll start ringing people next week.

Don't give up on us, baby. Performance for us in recent years has been lousy as the dollar has been strong, non-US equities have lagged, frontier equities have underperformed other non-US equities, and small stock and value stock styles (both of which we tilt toward) have been out of favor globally. Poor returns lead to redemptions. This is just human nature, but it's unfortunate. We explained earlier in this letter that with hindsight that's usually the opposite of what investors ought to do because asset classes tend to mean revert. Today's winners become tomorrow's losers and today's losers end up winning. Most of the trends that have dogged us have reversed at this writing, although only time will tell if that persists. With COVID-19 and its economic disruptions, we acknowledge that we have no idea what near-term performance will be for any equity asset class domestically or globally and for our fund. We have a good idea though that our fund ought to be a relative winner going forward in the 2020s given what we've already gone through and where we are today. This is the message we want to leave you with and one that we'll convey during our client calls. Having endured the pain of three distinct drawdowns, one each in 2018, 2019, and 2020, we hate to see anyone capitulate now and forego the opportunity to participate in the possible upward mean reversion to come. In the words of native Chicagoan David "Hutch" Soul, don't give up on us baby, we can still come through.

We thank you for being a Frontaura investor.

Best regards,

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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 quarterly country attribution by dollar and percentage returns. Figure A8 shows regional attribution, including at the country level within each region. 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.

[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.

Statistical Appendix

Figure A1
Frontaura Global Frontier Fund LLC
Annual Frontaura and Index Performance[7]
30 June 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%
2020 YTD	-18%	-15%	-16%	-10%	-12%	-5%
1 Year	-23%	-16%	-11%	-4%	-5%	6%
3 Year	-25%	-27%	-5%	6%	2%	34%
5 Year	-16%	-9%	-1%	15%	10%	64%
7 Year	-12%	7%	16%	25%	31%	119%
10 Year	22%		41%	38%	74%	265%
Inception to Date	52%		-25%	0%	7%	158%
3 Year CAGR	-9.1%	-9.9%	-1.8%	1.9%	0.7%	10.2%
5 Year CAGR	-3.4%	-2.0%	-0.1%	2.8%	2.0%	10.4%
7 Year CAGR	-1.8%	1.0%	2.2%	3.2%	3.9%	11.9%
10 Year CAGR	2.0%		3.5%	3.3%	5.7%	13.8%
ITD CAGR	3.3%		-2.2%	0.0%	0.5%	7.8%

[7] Returns commence 1 November 2007. Our auditor has audited results through the most recent calendar year. 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]
30 June 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%
2020 Q2	6%	12%	15%	18%	15%	19%

Figure A3
Frontaura Global Frontier Fund LLC
Monthly Frontaura Performance
30 June 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%	3.1%	0.6%	1.9%							-17.8%

[8] Returns commence 1 November 2007. Our auditor has audited results through the most recent calendar year. 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.

[9] Returns commence 1 November 2007. Our auditor has audited results through the most recent calendar year. 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]
30 June 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%
2020 Q1	-22%	-11%	-16%	-23%	-21%	-17%	-18%
2020 Q2	6%	-6%	2%	4%	4%	6%	4%
2020 YTD	-18%	-16%	-14%	-19%	-18%	-12%	-15%
1 Year	-23%	-22%	-20%	-25%	-22%	-21%	-21%
3 Year	-25%	-16%	-21%	-26%	-24%	-21%	-24%
5 Year	-16%	-6%	-9%	-15%	-16%	7%	-13%
7 Year	-12%	17%	14%	-12%	2%	8%	-3%
10 Year	22%	49%	56%	7%	33%	47%	22%
Inception to Date	52%	105%	118%	24%	95%	154%	46%
3 Year CAGR	-9.1%	-5.8%	-7.7%	-9.4%	-8.6%	-7.6%	-8.7%
5 Year CAGR	-3.4%	-1.2%	-1.8%	-3.1%	-3.5%	1.3%	-2.7%
7 Year CAGR	-1.8%	2.2%	1.8%	-1.8%	0.3%	1.1%	-0.5%
10 Year CAGR	2.0%	4.1%	4.5%	0.7%	2.9%	3.9%	2.0%
ITD CAGR	3.3%	5.8%	6.3%	1.7%	5.4%	7.6%	3.0%

[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]
30 June 2020

Holdings Summary

Country	Holding
USA (cash only)	12%
Philippines	9%
Vietnam	8%
Papua New Guinea	7%
Côte d'Ivoire	7%
Rwanda	6%
Sri Lanka	6%
Nigeria	6%
Ghana	6%
Turkey	5%
Kazakhstan	5%
Pakistan	4%
Colombia	4%
Kenya	3%
Egypt	2%
Senegal	2%
Uganda	2%
Niger	1%
Botswana	1%
Ecuador	1%
Paraguay	1%
Tanzania	1%

Region	Holding
Sub-Saharan Africa	35%
Southeast Asia	24%
USA (cash only)	12%
South Asia	10%
Middle East / North Africa	8%
Latin America & Caribbean	6%
Eurasia	5%

Sector	Holding
Financials	45%
Consumer Staples	22%
Cash	15%
Communication Services	6%
Consumer Discretionary	4%
Real Estate	3%
Energy	2%
Utilities	2%
Materials	1%

Portfolio Statistics	
Portfolio Price to LTM Earnings	5.0
Portfolio Price to Book	0.90
Portfolio LTM Dividend Yield	6.1%
Return on Ending Equity	20.0%
Positions	34
Countries	21
Weighted Average Market Cap	$792m
Weighted Median Market Cap	$408m
Portfolio Turnover (12 Months)	45%
Portfolio Turnover (ITD)	30%
Standard Deviation (36 Months)	12%
Standard Deviation (ITD)	13%
Beta to S&P 500 (36 Months)	0.45
Beta to S&P 500 (ITD)	0.49
Assets Under Management	$86m

Figure A6
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Dollar Return)
2020 Q2

5 Best Countries			5 Worst Countries		
Country	Frontaura Return ($millions) [13]	Frontaura Return (%)	Country	Frontaura Return ($millions)	Frontaura Return (%)
Vietnam	1.3	20%	United Arab Emirates	-0.6	-9%
Kazakhstan	1.1	35%	Ghana	-0.6	-10%
Nigeria	1.1	30%	Ecuador	-0.5	-36%
Colombia	0.7	29%	Rwanda	-0.3	-6%
Papua New Guinea	0.6	9%	Botswana	-0.1	-8%

Figure A7
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries (Percentage Return)
2020 Q2

5 Best Countries			5 Worst Countries		
Country	Frontaura Return ($millions)	Frontaura Return (%)	Country	Frontaura Return ($millions)	Frontaura Return (%)
Tanzania	0.3	55%	Ecuador	-0.5	-36%
Kazakhstan	1.1	35%	Ghana	-0.6	-10%
Nigeria	1.1	30%	United Arab Emirates	-0.6	-9%
Colombia	0.7	29%	Botswana	-0.1	-8%
Vietnam	1.3	20%	Rwanda	-0.3	-6%

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

[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 Q2

Region / Country	Frontaura Return ($millions)[14]	Frontaura Return (%)	MSCI Small Cap Return (%)[15]	MSCI Standard Return (%)
Southeast Asia	**1.8**	**9%**		
Vietnam	1.3	20%	30%	27%
Papua New Guinea	0.6	9%	--	--
Philippines	0.0	0%	16%	20%
Sub-Saharan Africa	**1.3**	**5%**		
Nigeria	1.1	30%	18%	25%
Tanzania	0.3	55%	--	--
Côte d'Ivoire	0.2	4%	--	-1%
Kenya	0.2	11%	6%	6%
Niger	0.2	19%	--	--
Senegal	0.2	11%	--	12%
Uganda	0.1	9%	--	--
Botswana	(0.1)	-8%	--	-10%
Rwanda	(0.3)	-6%	--	--
Ghana	(0.6)	-10%	--	--
Eurasia	**1.1**	**35%**		
Kazakhstan	1.1	35%	--	27%
South Asia	**0.6**	**7%**		
Sri Lanka	0.3	7%	15%	16%
Pakistan	0.3	7%	15%	14%
Latin America & Caribbean	**0.2**	**4%**		
Colombia	0.7	29%	6%	10%
Paraguay	0.0	-3%	--	--
Ecuador	(0.5)	-36%	--	--
Middle East / North Africa	**0.1**	**0%**		
Egypt	0.4	7%	21%	7%
Turkey	0.2	6%	35%	19%
United Arab Emirates	(0.6)	-9%	25%	16%

[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 Q2

Country	Percentage Point Change	Explanation
Philippines	+5	Increased position size and added new position
Colombia	+4	Re-entered country
Senegal	+2	Re-entered country
Egypt	-5	Exited two positions
United Arab Emirates	-8	Exited country

Figure A10
Frontaura Global Frontier Fund LLC
Significant Annual Country Mix Changes
2019 Q2 – 2020 Q2

Country	Percentage Point Change	Explanation
Turkey	+5	Entered country Q4 2019, later increased position size
Philippines	+5	Added two new positions
Kazakhstan	+5	Re-entered country Q3 2019, later increased position size
Ghana	+4	Added new position
Colombia	+4	Re-entered country in Q2 2020
Côte d'Ivoire	+3	Increased size of existing positions
Senegal	+2	Re-entered country in Q2 2020
Pakistan	+2	Increased position size and added new position
North Macedonia	-2	Exited position and country Q1 2020
Georgia	-3	Exited position and country Q3 2019
Nigeria	-3	Exited two positions and trimmed others
Vietnam	-4	Exited two positions and added one
Kuwait	-5	Exited position and country Q3 2019
Egypt	-8	Exited three positions
United Arab Emirates	-10	Exited positions and country Q2 2020

[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]
30 June 2020

	Companies	Countries	Change from Prior Quarter		Change from Prior Year	
			Companies	Countries	Companies	Countries
Positions	34	21	-3	+1	-9	-5
Top 5	27%	37%	+1	-1	-2	-12
Top 10	45%	66%	+2	-2	-3	-9
Top 20	68%	87%	+1	-3	-4	-6
Top 20 + USA (Cash)	81%	99%	+3	-1	+3	+1

[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.