December 2008 Monthly Comment written 31 December 2008

This month we begin writing a short, informal monthly one-page commentary in addition to our more formal quarterly letter. We think a month is definitely too short of a period to evaluate a somewhat illiquid frontier market fund. Nevertheless, we have found that in the current volatile market environment we are providing frequent ad-hoc updates anyway as we receive inquiries, so we thought we would distribute a short, proactive update to everyone. At some point, as markets stabilize, we'll likely discontinue these updates. Note that since we are writing this in real-time, our after-fee performance is an estimate through 31 December, subject to later refinement. Also, the total net return index results we cite are through 30 December, as the final numbers for 31 December are not yet available.

The string of down months for Frontaura ended in December, as we are up 1%, in contrast to the MSCI Frontier Markets (FM) Index that is down another 9%. Still, it was a quarter to forget, as we dropped 25%, a bit worse than the S&P 500 Index and a bit better than the MSCI Emerging Market (EM) Index. The MSCI FM Index was down 40% for the quarter as its losses for the year caught up to the MSCI EM Index that declined -53%. For the year, we dropped 28%, also better than the S&P 500 at -38% or the MSCI EAFE at -43%. It's hard to believe that only three months ago we were down 2% for the year and upset about it.

Some of our stocks have rallied strongly off their lows while others remain in a downward trend. For example, eight of our 25 positions are up 25% or more currently from their intra-quarter low (average bounce of these eight is 42%). Moving east to west, these include positions in the Philippines, Vietnam, Bangladesh, Qatar, Egypt, and Senegal. On the other hand, Sri Lanka, Pakistan, the UAE, Tanzania, Zambia, Botswana, Tunisia, Nigeria, and Cote d'Ivoire have not participated in this rally. This rebound, which began about two months ago, has gradually spread from stock to stock and country to country, making us more encouraged about near-term performance.

Longer term, the portfolio remains sound with a PE of 6, dividend yield of 7%, ROE of 40%, and positive earnings growth. In contrast to the developed world, frontier countries have lower leverage (there is little consumer debt), and instead of potentially harmful deflation, frontier countries are seeing healthy disinflation.

We are actively monitoring foreign currency denominated debt, current account balances, international reserves, and other factors for signs of currency vulnerability. For example, we cut our exposure to Sri Lanka by more than half since mid-September due to our assessment of potential weakness in the banking system and the currency. A trip to Sri Lanka last month confirmed our suspicions and now some of these fears are reaching the headlines. It remains a significant country allocation for us at 9%, but we are comfortable with this reduced size. The country does have low valuations even allowing for currency depreciation, and its internal (as opposed to external) macro situation may be improving with pronounced disinflation and continuing momentum against the LTTE insurgency.

We've had discussions with several potential investors regarding dollar cost averaging. Given the uncertain environment, we would welcome new investors who could meet our minimum through a phased-in approach of periodic contributions. Follow-on contributions for existing investors could also be of any magnitude. Please let us know if you are interested in this.

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Frontaura Global Frontier Fund

Fund Objective

Investing exclusively in frontier markets, provide investors with a net return series that over multiple years exceeds that of the major global developed and emerging equity indices with a low correlation to those indices.

Investment Strategy

We seek to exploit pricing inefficiencies in frontier equity markets. Our investment approach uses both top-down country factors and bottom-up company factors. At the country level, we examine sovereign risk and calculate country scores that measure currency vulnerability. At the company level, we model each company's discounted cash flow using our proprietary valuation tool that accounts for expected exchange rate changes and fading rates of return on invested capital and profit growth as time passes. Ultimately, we aim to own solid businesses at attractive prices in stable or improving countries.

Performance Summary[1]

Month	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
2008 Q1	1%	- 9%	- 9%	- 11%	- 2%
2008 Q2	6%	- 3%	- 2%	- 1%	2%
2008 Q3	- 11%	- 8%	- 21%	- 27%	- 23%
2008 Q4	- 25%	- 23%	- 20%	- 28%	- 40%
YTD	- 28%	- 38%	- 43%	- 53%	- 54%
ITD	- 27%	- 41%	- 46%	- 57%	- 52%

Holdings Summary

Industry	Holding
Banking	25%
Telecommunication Services	17%
Consumer Staples	13%
Consumer Discretionary	9%
Cash	8%
Oil Marketing	7%
Diversified	6%
Asset Management/Brokerage	6%
Insurance	4%
Industrials	4%

Country	Holding
Qatar	19%
Sri Lanka	9%
Egypt	8%
Botswana	7%
Bangladesh	6%
Vietnam	6%
Zambia	6%
USA (cash only)	6%
Senegal	6%
Cote d'Ivoire	5%
United Arab Emirates	5%
Philippines	5%
Nigeria	4%
Tunisia	3%
Pakistan	2%
Tanzania	2%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.1
Portfolio Price to Book	1.1
Portfolio Dividend Yield	6.8%
Weighted Average ROEE	39.8%

Terms / Service Providers

Management Fee	2%	Attorney	Foley & Lardner LLP
Performance Fee	20% with high-water mark	Auditor	RSM McGladrey, Inc.
Subscription	$100,000 minimum, new investors accepted monthly	Fund Administrator	Michael J. Liccar & Co.
Withdrawals	2-year lockup, quarterly with 90-day notice	Global Custodian	Bank of New York Mellon

[1] Frontaura returns are actual returns, net of all fees, with a subject-to-change estimate for the most recent month, for an investor joining the fund at inception and making no further contributions. Investors joining on other dates or making additional contributions may have different returns. Index returns are on a total return basis, net of any withholding tax, through 30 December , as 31 December returns were not available at distribution time.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 31 December 2008. Portfolio PE and PB are the harmonic means of all positions, weighted by position size. Portfolio dividend yield and return on ending equity (ROEE) are the means of all positions, weighted by position size.

Disclaimer

This document does not constitute an offer to sell, or a solicitation of an offer to buy membership interests in Frontaura Global Frontier Fund LLC. We will not make such offer or solicitation prior to the delivery of a definitive offering memorandum and other materials relating to the matters herein. Before making an investment decision with respect to the LLC, we advise potential investors to read carefully the offering memorandum, the LLC operating agreement, and the related subscription documents, and to consult with their tax, legal, and financial advisors. We have compiled this information from sources we believe to be reliable, but we cannot guarantee its correctness. We present our opinions without warranty.

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