February 2009 Monthly Comment written 27 February 2009

For February, we were slightly below break-even, with estimated results between 0% and -1%. This was the third consecutive flattish result for us, following December's +1% and January's -2%. In contrast, world markets continued to perform poorly, with February's losses similar to January. (We write this mid-day Friday, February 27, after all of our frontier markets have closed, but before index providers have calculated final values for the month.) Through February 26, monthly total index returns for the S&P 500, EAFE, MSCI Emerging Markets, and MSCI Frontier Markets were -8%, -9%, -4%, and -6%, respectively. Year to date, these indices have lost -16%, -18%, -11%, and -23%, respectively, through February 26. We are down an estimated 2% in 2009 through February.

We traveled within the US this month, speaking on frontier markets at the Tuck School of Business (Dartmouth) and visiting current and potential clients and other friends in New York and Boston. Interest in frontier markets remains high, and we are again welcoming new investors to our fund after a period of inactivity following the Lehman collapse. We explained to those we met with that the frontier universe consists of two groups of countries—those suffering more than the US, such as Eastern Europe and some of the former Soviet republics—and those that are fundamentally sounder than the US right now, but that will be affected by the global economy nonetheless. As this impact is occurring with a delay and to a degree that is hard to quantify, we are inclined to wait—we think patience is a key virtue in 2009. There are many companies on our watch list, but we are not yet ready to act, preferring to see results through at least Q1.

In fact, our portfolio changed little in February—we made only one trade all month, topping up a position that dropped due to trading factors (it later rebounded partially). We remain pleased with the selective aggressive purchases we made in Q4 (see our last quarterly letter) when extreme mispricings were present, and these purchases have performed well so far in 2009. They are a key reason why we are more than 20 percentage points ahead of the frontier index in 2009, after beating it by more than that amount last year. Nevertheless, it is early in the year, and the volatility of these positions combined with the possibility of a bear market rally in the frontier index could erase some of our advantage. We are not inclined to chase rallies, but we will deploy cash aggressively if extreme mispricings arise again.

Two of our smaller country holdings performed well in February, led by Nigeria (2% of the portfolio), up 50%, and Pakistan (3% of the portfolio), up 12%. Valuations in these countries remain temptingly low. We have debated adding to our positions for some time, but to date have elected not to do so. With Pakistan, we are unclear what will improve the underlying poor fundamental factors (a high current account deficit, a low level of international reserves, and significant vulnerability to global economic issues) that required an IMF bailout last fall. Nigeria is getting more attention from investors wondering if its late January low (down 67% in local currency and 74% in USD from the March 2008 peak) will be the bottom. The market is up roughly 8% since then but there is some uncertainty remaining as to further currency devaluation and to the magnitude and impact of outstanding margin loans. These lingering loans from Nigeria's stock market bubble could be a market overhang or a source of banking system NPLs, or both. We will visit Nigeria in late March.

Attractive portfolio valuations are similar to last month with the trailing PE at 6.1 and the dividend yield at 6.5%. The weighted average ROE of our positions is 38.7%.

Frontaura Global Frontier Fund

Fund Objective

Investing exclusively in publicly traded companies 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.

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 through February 2009[1]

Month	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
2007 Q4	2%	- 5%	- 5%	- 7%	4%
2008 Q1	1%	- 9%	- 9%	- 11%	- 2%
2008 Q2	6%	- 3%	- 2%	- 1%	2%
2008 Q3	- 11%	- 8%	- 21%	- 27%	- 23%
2008 Q4	- 25%	- 22%	- 20%	- 28%	- 39%
2009 Q1	- 2%	- 16%	- 18%	- 11%	- 23%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009 YTD	- 2%	- 16%	- 18%	- 11%	- 23%
ITD	- 28%	- 50%	- 56%	- 61%	- 63%

Holdings Summary

Industry	Holding
Banking	19%
Telecommunication Services	17%
Consumer Discretionary	14%
Consumer Staples	14%
Cash	10%
Diversified	7%
Oil Marketing	7%
Asset Management/Brokerage	4%
Industrials	4%
Insurance	3%

Country	Holding
Qatar	14%
United Arab Emirates	12%
Sri Lanka	11%
USA (cash only)	9%
Egypt	7%
Vietnam	7%
Zambia	7%
Bangladesh	5%
Botswana	5%
Cote d'Ivoire	5%
Senegal	5%
Philippines	5%
Pakistan	3%
Nigeria	2%
Tanzania	2%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.1
Portfolio Price to Book	1.1
Portfolio Dividend Yield	6.5%
Weighted Average ROEE	38.7%

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. Returns for 2007 Q4 commence 1 November 2007. Index returns are on a total return basis, net of any withholding tax, through 26 February 2009, as 27 February 2009 returns were not available at distribution time.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 27 February 2009. 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

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