April 2009 Monthly Comment written 30 April 2009 1PM CDT

Our fund participated in the global rally in April, with estimated performance up in excess of 7%. This brings our YTD result to greater than +5%. Global equity indices such as the S&P 500, EAFE, MSCI Emerging Markets (MSCI EM), and MSCI Frontier Markets were up 10% to 14% for the month through April 29 (as usual, we write this in the middle of the last trading day, so final monthly index values are not known). For the year, MSCI EM is up 15%, while the other indices are down 2% to 9%. Since inception, we maintain an 18-34 percentage point lead over these indices.

We saw across-the-board strength in April, making money in 12 of 14 countries. A purchase we made near month end caused one of the two losers when we bought blocks of an existing holding at up to one-third off the prior price. At this new price, this company trades at a 3.8 PE, with price/book at 0.7, and a 7.9% dividend yield. Values like these have presented themselves since last fall, but we suspect these extreme opportunities are ending, at least in the short term. Even sub-Saharan Africa, which was a lagging region for us through March, gained slightly in April. While some African markets still have more sellers than buyers, we have noticed several stocks across different African countries bounce off a significant low after a large trade cleaned out the remaining sellers. Thus, the intense wave of global selling that commenced last fall seems finally to be exhausting itself nearly everywhere. This of course is old news for most global investors as most markets have rallied for eight weeks now. We are also seeing increased investor interest, with inflows for Q2 already beyond Q1's total, which itself was slightly ahead of Q4. Inflows remain modest however, when compared to earlier periods.

We continue to worry about the following: 1) a second Lehman-sized shoe drops (e.g., perhaps one of the Western Europe banks with high exposure to Eastern Europe folds); 2) a non-financial negative global event undermines still shaky confidence (e.g. swine flu or some other event out of nowhere is to this recession what 9/11 was to the last recession); and 3) near-term enthusiasm gives way to long-term reality. On this final point, even if the downward momentum of bad data is subsiding, we find it unlikely that a once in several generations debt-deleveraging recession will provide the same strength of recovery as a more typical recession. Much of the world remains a mess, with too much debt, unbelievably high government deficits, and forthcoming growth-sapping higher taxes that will hit most taxpayers eventually (not just the rich). In the medium to longer term, governments may be attracted to the printing press like drunks attracted to the bottle, and pronounced inflation may result. Undoubtedly, this is only part of the picture—positive developments in technology that are hard to fathom today will also emerge and provide some positive balance to the negative outlook.

Fortunately, the problems we describe are issues in the developed world. While their knock-on effects will hurt frontier countries, we would rather invest where the effects are secondary rather than primary. Unlike the developed world, consumers where we have economic exposure generally have not lost their jobs, they are not under water on their mortgages, and their credit cards are not maxed out. Further, governments are still generally privatizing businesses instead of nationalizing them.

Overall, we remain cautious and patient with regard to new positions, but our trading is less restrained as the period of name-your-price extreme bargains may be ending in our markets. Having said this, our portfolio continues to offer excellent value with a 6.0 portfolio PE, 6.2% dividend yield, and a 33.0% weighted average ROE.

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 April 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%	- 11%	- 14%	1%	- 17%
2009 Q2	7%	10%	11%	14%	10%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009 YTD	5%	- 2%	- 5%	15%	- 9%
ITD	- 23%	- 41%	- 49%	- 50%	- 57%

Holdings Summary

Industry	Holding
Banks	19%
Cash	15%
Telecommunication Services	14%
Consumer Staples	13%
Consumer Discretionary	13%
Diversified	9%
Oil Marketing	9%
Industrials	4%
Insurance	3%
Asset Management/Brokerage	3%

Country	Holding
Qatar	19%
USA (cash only)	13%
United Arab Emirates	10%
Sri Lanka	9%
Vietnam	7%
Zambia	7%
Cote d'Ivoire	5%
Philippines	5%
Senegal	5%
Bangladesh	5%
Egypt	4%
Pakistan	4%
Botswana	3%
Nigeria	2%
Tanzania	2%

Portfolio Statistics

Portfolio Price to Earnings	6.0
Portfolio Price to Book	1.0
Portfolio Dividend Yield	6.2%
Weighted Average ROEE	33.0%

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 29 April 2009, as 30 April 2009 returns were not available at distribution time.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 30 April 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.

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