June 2009 Monthly Comment written 30 June 2009 6PM CDT

Frontaura continued its bullish run in June, gaining an estimated 4%, bringing our Q2 gain to +28% and our 2009 gain to +26%. Our monthly returns were ahead of the roughly break-even returns of the global equity asset classes, such as the S&P 500, EAFE, MSCI EM, and MSCI Frontier Markets. Our lead over all of these indices since our November 2007 inception has increased to 30-40 percentage points (see page 2 of attachment). Our valuations continue to be low with our portfolio PE at 6.8 with a 1.2 price/book and an 8.3% dividend yield.

We made money this month in nearly three-quarters of our positions and countries. Cote d'Ivoire was our biggest country winner in dollar and percentage terms, up 23%, as a lagged effect of the global rally boosted prices there. Nigeria was the biggest loser, as the market sold off 11% last week after Sanusi, the new central bank governor, promised greater transparency in the banking system and increasing the foreign ownership limits on banks. This spooked local investors who now fear the day of reckoning on the country's margin loan problem may be closer at hand than previously thought. We and other foreign investors cheered Sanusi's words and we actually made a small purchase in Nigeria for the first time this year.

In June, we traveled to Tanzania, Zambia, and Zimbabwe. We have five holdings in the first two countries, totaling 13% of the portfolio, and we visited each company. We'd like to own more in Tanzania as it has a large population of 40 million with good economic growth (7% or better annually from 2002-2008, with the IMF estimating 5% GDP growth for 2009 despite the global recession). Their economy has liberalized over the past quarter century after an initial anti-capitalist program of national self-reliance following independence in 1964. Nevertheless, we find it one of the more difficult countries to trade with brokers and the stock exchange seeming to put more effort into preventing rather than facilitating foreign orders. Without positive rule changes, we are unlikely to invest more. We are more positive on Zambia, where a rebounding copper price and an open economy is allowing some mines that closed last year to reopen. We added to our position in Zanaco, as this bank is improving net interest spreads and taking loan market share from multinational banks that are tightening credit. Zimbabwe this year moved from the highest inflation in the world to the highest deflation after the economy dollarized in February. While goods shortages are easing, the country will need to develop a permanent source of hard currency to sustain long-term growth.

The end of June saw a significant milestone for us as we welcomed the first institution to our investor roster, complementing our 30 high net worth clients. Accordingly, our assets will nearly double on July 1. For those individuals watching us for some time, we want to advise that it is likely we will raise our investment minimum for new investors beyond $100,000, perhaps after the August 1 contribution date. This will have not affect investors already in the fund. In terms of personnel, Ekaterina Advena, an MBA intern, is working for us this summer. Katie is a Russian citizen, born in Tajikistan (which does not yet have a stock market!), who speaks Russian, German, and English. She is in the class of 2010 at the Tuck School of Business, where Nick met her earlier this year when speaking on frontier markets at his alma mater. Finally, we will soon begin looking to hire someone to help us with administrative, back office, and basic analytical work. Let us know if you are aware of a recent liberal arts graduate with strong initiative, excellent writing skills, experience living overseas, foreign language fluency (ideally), and an interest in investing.

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 June 2009[1]

Period	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	28%	16%	25%	35%	35%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009 YTD	26%	3%	8%	36%	11%
ITD	- 8%	- 38%	- 42%	- 41%	- 47%

Holdings Summary

Country	Holding
Qatar	19%
Sri Lanka	14%
Zambia	11%
United Arab Emirates	10%
Vietnam	10%
Cote d'Ivoire	7%
Senegal	5%
Philippines	5%
USA (cash only)	4%
Botswana	3%
Egypt	3%
Pakistan	3%
Nigeria	3%
Bangladesh	2%
Tanzania	2%

Industry	Holding
Banks	24%
Consumer Staples	17%
Diversified	15%
Consumer Discretionary	12%
Telecommunication Services	10%
Cash	8%
Oil Marketing	7%
Industrials	3%
Asset Management/Brokerage	2%
Insurance	2%

Portfolio Statistics

Portfolio Price to Earnings	6.8
Portfolio Price to Book	1.2
Portfolio Dividend Yield	8.3%
Weighted Average ROEE	33.1%

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 through 30 June 2009, 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. Index returns are through 30 June 2009.
[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 30 June 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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