November 2009 Monthly Comment written 30 November 6PM CST

We estimate Frontaura lost less than 1% in November, better than the -5% performance of the MSCI Frontier Market Index through November 27 (index performance through November 30 not yet available as we write this), but well off the S&P 500's 6% gain, and lesser gains in EAFE and MSCI EM (see page two for details). Thus, November, like October, for us was a month of consolidating recent gains after a strong September. Negative headlines popped up from various developed, emerging, and frontier markets around the world in the second half of November. Emerging power Brazil extended their recently introduced capital controls to cover depository receipts, while government bond spreads for Greece and some of the other more profligate EU countries widened, signaling concern over their deficits and debt levels, and the degree to which Germany and the other more stable EU members would be willing to bail them out. November 25 saw the biggest bombshell—the possible bond default of Dubai World. Lost amidst Dubai's news on the same day was Vietnam's slight 3% currency devaluation—unusual for an Asian Pacific country—and its 1 percentage point interest rate increase to cool re-emerging inflation and address a still-too-wide current account deficit. The volatile Ho Chi Minh Stock Index dropped 25% in US dollar terms from its peak on October 22 through November 26. As luck had it, we eliminated most of our Vietnam exposure on October 23 through the Indochina Capital Vietnam (ICV) liquidation we discussed last month. We retain 2% exposure, down from 11% when the quarter began.

Returning to Dubai, as we have explained previously, our significant position in the UAE is in a company that is not all that exposed economically to Dubai, despite being headquartered there. Kingdom Hotel Investments has ownership stakes in 26 hotels worldwide, mainly in emerging and frontier countries, but only one of them, totaling 8% of revenue, is in Dubai. We first discussed Dubai back in Observer #1 in September 2007, admitting that while it was booming then, we weren't smart enough to have conviction on how it would fare in the medium term (which we are now in). While in hindsight our words were too balanced, we did at least warn that a major Dubai real estate bust was possible and that the emirate could quickly drop from having the best business momentum in the GCC to having the worst. Most importantly, with the exception of Kingdom Hotels and our Qatar holdings, we have avoided GCC investments, thinking they were too much of a play on the overheated real estate and construction sectors. We credit our good relative performance since inception as much to what we have avoided, as to what we have invested in.

Until Dubai's announcement, debt market news from the Middle East had been good in November. For example, Qatar issued $7 billion of bonds in an oversubscribed offering that some media outlets called the largest offering from an emerging market government on record. Further, one of our holdings, Commercial Bank of Qatar, raised $1.6 billion in debt, increasing its high capital levels even further.

We redeployed the ICV cash in November, buying stocks in 10 of the 16 countries where we hold positions. The largest purchases were in Qatar, Sri Lanka, and Montenegro. The Qatar buys took advantage of price dips, while the Sri Lanka and Montenegrin purchases were for new positions. We now have 28 positions, a few more than ideally we prefer, while our cash dropped to 11%. Around two-thirds of our positions and countries were slight losers during the month. Botswana was our best market, up 19%, on further gains in Letshego. Our fund remains inexpensive with a PE below 9 and a 6.5% yield.

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 November 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%
2009 Q3	17%	16%	19%	21%	11%
2009 Q4	- 2%	4%	1%	3%	- 7%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009 YTD	46%	24%	30%	70%	14%
ITD	7%	- 26%	- 30%	- 26%	- 45%

Holdings Summary

Country	Holding
Qatar	16%
United Arab Emirates	12%
Sri Lanka	11%
Zambia	11%
USA (cash only)	9%
Cote d'Ivoire	8%
Botswana	8%
Senegal	6%
Pakistan	3%
Egypt	3%
Iraq	3%
Zimbabwe	2%
Montenegro	2%
Tanzania	2%
Uganda	2%
Philippines	2%
Vietnam	2%

Industry	Holding
Banks	26%
Consumer Discretionary	15%
Consumer Staples	13%
Telecommunication Services	12%
Cash	11%
Diversified	7%
Specialty Finance	6%
Industrials	5%
Oil Marketing	3%
Insurance	2%
Asset Management/Brokerage	2%

Portfolio Statistics[2]

Portfolio Price to Earnings	8.8
Portfolio Price to Book	1.3
Portfolio Dividend Yield	6.5%
Return on Ending Equity	24.1%

Terms / Service Providers

Management Fee	2%	Attorney	Foley & Lardner LLP
Performance Fee	20% with high-water mark	Auditor	RSM McGladrey, Inc.
Subscription	Minimum: $250,000; 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 November 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, through Friday 27 November 2009, as Monday 30 November 2009 returns were not available at distribution time.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 30 November 2009. Portfolio PE and PB are the harmonic means of all positions, weighted by position size. Portfolio dividend yield and return on ending equity are the means of all positions, weighted by position size.

Disclaimer

FRONTAURA

500 North Dearborn Street, Suite 1200 Chicago, Illinois 60654 USA T +1 312 265 6882 F +1 312 268 5004 info@frontauracapital.com www.frontauracapital.com