December 2009 Monthly Comment written 31 December 3PM CST

We estimate Frontaura finished December roughly flat, as a modest rally in the final week lifted us from the slightly negative result we had for most of the month. Through December 30 (December 31 index performance not yet available as we write this), the MSCI Frontier Market (FM) Index was down 1%, completing a poor quarter where it lost 10%. In contrast, we were down only 1%-2% for the quarter. For all of 2009, we gained 46%, while the MSCI FM gained only 11%. Since inception 26 months ago, we are now 54 percentage points ahead of the MSCI FM. Other global indices had a better month, quarter, and year than the MSCI FM did. We show this on page 2.

December was a placid month for us, with only two countries having double-digit changes—Sri Lanka, up 12%, and the United Arab Emirates down 10%. The Colombo (Sri Lanka) All-Share Index gained 123% in US dollars for the year, making it one of the best global performers. Commentators seem universally positive on Sri Lanka's outlook, which gives us some pause, as does an uptick in its inflation rate after numerous interest rate cuts. Interest rates there likely need to rise after the January 2010 presidential election. We added two new positions and countries in December, with Colombia and Ghana bringing our country total to 18 and our position total to 30. Cash is now down to 5%. In addition to our two new positions, we added to eight existing positions during the month, nearly all of it buying on dips, and much of this related to regional markets that dropped for a few days over Dubai World default concerns before rebounding. Our portfolio remains attractively priced with a trailing PE of 9.0, price to book of 1.3, and dividend yield of 7.0%. Other global markets such as the US or emerging markets are now roughly about twice as expensive.

Earlier today, we held our annual New Year's Eve Prognosticator's Lunch for Chicago area clients and friends. While the predictions are not frontier specific, a few frontier ideas did surface. In the category of worst performing currency for 2010, the Malawi kwacha (along with the Japanese yen) received multiple nominations. We think Malawi devaluation is imminent. In the category of world leaders likely to be ousted in 2010, Nigeria's President Umaru Yar'Adua was named, as he is currently ill and hospitalized in Saudi Arabia, presenting the potential for a constitutional crisis. Turning to the US, our prediction group thought the improving economy was largely factored into markets, with the S&P 500 only expected to gain 5% on average to 1179 (predictions ranged from 975 to 1341). Our predictors see US real GDP growth of 2.8% over the next four quarters, certainly better than -2.6% of the prior four quarters, but a more anemic recovery than is normal. Our predictors see unemployment remaining elevated, with a modest fall to 9.2% from the present 10.0%. Nearly every predictor expects the Democrats to lose seats in the November 2010 mid-term elections, but to retain a majority in both houses of Congress. The Democrat seat total falls from the current 257 in the House to a projected average of 233 (out of 435) and from the current 60 in the Senate to a projected average of 54 (out of 100).

The offshore feeder fund to our existing fund becomes operational 1 January 2010, allowing non-US and US tax-exempt investors to more easily invest in Frontaura. We are seeing increasing interest from non-US investors, especially after global investing guru Marc Faber mentioned us favorably in his latest monthly market commentary. Our offshore vehicle allows us to cater to this group. Please let us know if you are interested in learning more about our offshore feeder fund.

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 December 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	- 1%	7%	2%	8%	- 10%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	28%	32%	77%	11%
ITD	7%	- 23%	- 29%	- 23%	- 47%

Holdings Summary

Country	Holding
Qatar	17%
Sri Lanka	12%
Zambia	11%
United Arab Emirates	10%
Botswana	7%
Cote d'Ivoire	7%
Senegal	6%
Colombia	4%
US (cash only)	3%
Pakistan	3%
Egypt	3%
Zimbabwe	2%
Iraq	2%
Montenegro	2%
Tanzania	2%
Uganda	2%
Philippines	2%
Ghana	2%
Vietnam	1%

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

Portfolio Statistics[2]

Portfolio Price to Earnings	9.0
Portfolio Price to Book	1.3
Portfolio Dividend Yield	7.0%
Return on Ending Equity	24.7%

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 31 December 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 30 December 2009, as 31 December 2009 returns were not available at distribution time.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 31 December 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

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 an 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 accuracy. We present our opinions without warranty. Past performance is no guarantee of future results.

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