February 2010 Monthly Comment written 27 February 3PM CST

We had a good month in February, with an estimated gain to date of 4% (note that 19% of our portfolio still has one trading day remaining on Sunday, February 28). Year to date, we are now +3% while, on a total returns basis, the S&P 500 has lost 1%, and the MSCI EAFE and Emerging Markets indices have each lost 5%. The MSCI Frontier Index is also up 3% YTD.

Most of our companies have reported 2009 results and we are generally pleased with the results and the resulting valuations. Here's a sampling, with all PE and price/book (PB) figures stated on a trailing as-reported basis. Kingdom Hotel Investments grew profit 23%, yet trades at only 0.6x book. It's our largest position and accounted for about half of our monthly gain. French West African telecoms carrier Sonatel grew profit 20% with great free cash flow. Its PE is 8.3, its return on ending equity is 33%, and it raised its dividend to provide a 10% yield. This stock gained 8% through month end after Steve mentioned it favorably in a February 10 Bloomberg TV interview. Qatar Insurance held profit steady (up 4%) in a tough year and now trades with a 7.9 PE and an 8.5% yield. We increased our position size before and after its results. Commercial Bank of Qatar saw profit fall 11%, but its capital strength remains intact: equity/assets are 21% (most global banks are well below 10%), non-performing loans are only 2% of total loans, and are 100% reserved for. Its PE is 9.0, its PB is 1.2, and its yield is 9.4%. Hatton National Bank in Sri Lanka grew 2009 EPS by 58%. Its non-voting shares trade at 6.7 times profit, with a 1.1 PB. It increased its dividend to provide a 5.0% yield. Not to be outdone, Royal Ceramics in Sri Lanka more than doubled EPS in its December quarter, and has grown EPS 61% in the first nine months of its March 2010 fiscal year. Its PE is 7.1. Millat Tractor in Pakistan trades with a PE of 6.8 despite more than tripling EPS in the six months through December. Its announced dividend yield is 10.6%. We continue to get this stock wrong by owning too little of it! Pepsi Philippines boosted EPS 57% in the six months through December. It has more than tripled off its 2008 lows, yet trades at only 8.6 times earnings with a 6.8% yield. We'll stop for space reasons, but there are many other examples like these in our portfolio. Overall, the portfolio PE is 8.5 with a 1.4 price/book and a 6.4% yield.

These encouraging earnings reports and the ongoing reasonable valuations—especially in comparison to prices in developed and emerging markets—caused us to commit more personal capital to the fund for March. We last did so in January 2009. This comes despite Frontaura's NAV hitting an all-time high at the end of February, surpassing the July 2008 mark. While we cannot predict what markets will do over the next year or two (and there are plenty of global macro concerns that linger), we feel good about the ability of the companies we own to grow earnings and generate returns for our investors over the medium to long term.

One global macro concern is sovereign risk of the European PIIGS (Portugal, Ireland, Italy, Greece, and Spain) due to their high indebtedness and large budget deficits. 18% of our portfolio is euro-denominated (Montenegro), euro-pegged (Cote d'Ivoire and Senegal), or euro-correlated (Serbia). We began hedging part of this euro currency exposure in February, as we want to mitigate developed country sovereign risk in our frontier markets fund. Overall, US dollar strength cost us nearly one percentage point of return in February.

In addition to the Bloomberg TV piece, we were also featured in a February 6 *Wall Street Journal* story on frontier markets. Effective March 1, we are moving. See the new address in the e-mail or PDF footer. Our phones and e-mail are unchanged.

Frontaura Global Frontier Fund

Fund Objective

Bloomberg Ticker FRGLFRO US Equity

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 2010[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%	6%	2%	9%	- 10%
2010 Q1	3%	- 1%	- 5%	- 5%	3%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
ITD	11%	- 25%	- 33%	- 26%	- 45%

Holdings Summary

Country	Holding
Qatar	17%
Sri Lanka	14%
United Arab Emirates	12%
Zambia	10%
Cote d'Ivoire	8%
Botswana	6%
Senegal	5%
Colombia	5%
Pakistan	3%
Ghana	3%
Tanzania	3%
Egypt	3%
Montenegro	2%
Serbia	2%
Iraq	2%
Zimbabwe	2%
Uganda	2%
Philippines	2%
Vietnam	1%

Industry	Holding
Banks	28%
Consumer Staples	16%
Consumer Discretionary	14%
Telecommunication Services	11%
Industrials	6%
Asset Management/Brokerage	6%
Insurance	5%
Diversified	5%
Specialty Finance	5%
Oil Marketing	3%
Cash	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	8.5
Portfolio Price to Book	1.4
Portfolio Dividend Yield	6.4%
Return on Ending Equity	25.4%

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, through Friday 26 February 2010 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 2010. Note that final February 2010 performance for Frontaura, but not for the indices, will include Islamic market trading on Sunday 28 February 2010.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 26 February 2010. 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

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