March 2010 Monthly Comment written 31 March 4PM CDT

Our good February performance accelerated in March, bolstered by continued favorable earnings reports and a buyout offer for our largest holding. We estimate we gained between 6% and 7% in the month, with Q1 up 10%. Global markets also had a strong March, with total returns up 6%-8% through March 30 for the indices we show on page 2 (final index values for March 31 not available yet as of this writing). For the quarter through March 30, the MSCI Frontier Markets (FM) Index leads the way, up 12%, followed by the S&P 500, up 6%, with EM and EAFE lagging, up 2% and 1%, respectively. Thus far in 2010, index leadership has reversed from last year when EM led and the S&P and FM lagged. We are pleased to have performed well during both periods. Our portfolio remains much cheaper than these indices, as we have a PE of 8.8, price/book (PB) ratio of 1.5, and dividend yield of 5.9%.

Kingdom Hotel Investments (KHI) received a cash buyout offer from its majority holder (ultimately Prince Alwaleed of Saudi Arabia) for $5.00 per share, 25% above where it closed February. We aren't thrilled with this price, as it is still substantially below the $6.97 book value at which we had expected the stock to eventually trade again, having bought as low as $1.00. KHI now trades now at $4.90 and the offer expires in May. With March's appreciation, KHI now comprises 13% of our portfolio.

Like last month, we'll give highlights of some of the 2009 earnings reports released during the month. Again, we state all PE, PB, and return on ending equity (ROEE) figures on a trailing as-reported basis. ZANACO, a leading bank in Zambia grew EPS by 32% and improved ROEE from 16% to 20%. It increased its dividend by one-third, which will boost its yield to 3.9%; its PE is 7.9. Zain Zambia, the country's dominant mobile phone operator with 69% market share, had a tough year in 2009, but still managed a 2% EPS gain. It's one of the more expensive stocks we own with an 11.8 PE and a 3.3% dividend yield. Letshego, a consumer microlending business based in Botswana with offices throughout Eastern and Southern Africa, announced that their January year will see pretax profit growth over 60% and that does not include a one-time gain. Letshego trades at 9.6 times trailing earnings that include only the first half of the aforementioned fiscal year. At 2.2%, charge-offs remain around their historical norm. NSGB, Societe Generale's affiliate in Egypt, grew earnings by 3% when we expected a profit decline. Its PE is just under 10 and its ROEE is 22%. These numbers include goodwill amortization that will end after 2010. Ex-goodwill, the PE is 7.5. Also, the ratio of NPLs to gross loans dropped by over 2 percentage points from 2008. Swissport Tanzania, which handles cargo and provides airport services, grew EPS by 23% through good cost controls in a challenging year for freight shipments. Its PE is 5.3, its ROEE is 45%, and its dividend yield is 15.0%. Foreign ownership limits prevent us from buying more shares, unfortunately. National Bank of Pakistan surprised positively, growing EPS 15%. Its PE is 5.0, its PB is 0.8, and its yield is 8.8%.

During the month, we attended conferences in Egypt for Middle East/North African companies, in London for sub-Saharan African companies, and in New York for Pakistani companies. Our summary comment would be that companies are bullish on 2010 and in hindsight see the past 18 months as only a sharp inventory destocking caused by a global financial panic. There are exceptions of course (e.g. overleveraged companies), but most frontier businesses we've met with recently now see things returning to their normal. This contrasts with developed world companies grappling with the new normal in the US and Europe.

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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 March 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	10%	6%	1%	2%	12%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
ITD	18%	- 20%	- 29%	- 21%	- 40%

Holdings Summary

Country	Holding
Qatar	17%
Sri Lanka	14%
United Arab Emirates	13%
Zambia	10%
Cote d'Ivoire	8%
Botswana	5%
Senegal	5%
Colombia	4%
Tanzania	3%
Serbia	3%
Pakistan	3%
Ghana	2%
Egypt	2%
Montenegro	2%
Zimbabwe	2%
Iraq	2%
Philippines	2%
Uganda	1%
Vietnam	1%

Industry	Holding
Banks	28%
Consumer Staples	16%
Consumer Discretionary	15%
Telecommunication Services	11%
Industrials	6%
Insurance	5%
Diversified	5%
Asset Management/Brokerage	5%
Specialty Finance	4%
Oil Marketing	3%
Cash	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	8.8
Portfolio Price to Book	1.5
Portfolio Dividend Yield	5.9%
Return on Ending Equity	24.8%

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 31 March 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 30 March 2010, as 31 March returns were not available at distribution time.
[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 31 March 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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