April 2010 Monthly Comment written 30 April 5PM CDT

April was another good month for Frontaura as we estimate that our frontier markets fund gained over 4%. Through April 29 (final index values for April 30 not available yet as of this writing), the S&P 500 gained 3% on a total returns basis, while international indices finished closer to break even. MSCI EAFE (developed countries) lost 2%, MSCI EM (emerging markets) gained 1%, while MSCI FM (frontier markets) was flat. Year to date, we are now up 15% and lead the indices cited by between 4 and 16 percentage points. From our November 2007 inception, our compounded return is +8.7% versus -7.4% for the S&P 500, -13.4% for MSCI EAFE, -8.5% for MSCI EM, and -18.9% for MSCI FM. See page 2 of the PDF for details. Further, our fund continues to trade at roughly half the valuation levels of global markets. Our portfolio PE is 9.3, with a price/book of 1.5 and a 6.4% dividend yield (all figures are for the trailing 12 months as reported). We believe these ratios continue to suggest that Frontaura is positioned better for future gains than are global markets as a whole.

We've said for some time that the main risks for Frontaura were spillover risks emanating from the developed world. Always on the lookout for a second shoe to drop since the global financial crisis began, we believe we heard it happen this month. On April 26, S&P downgraded Greece's long-term government debt rating three notches to junk status at BB+. A long time brewing, we'll pick this event as the start of what we see as the developed world's sovereign debt crisis. With Greece's two-year notes yielding around 13% now, markets are telling us that they expect Greece to default, never mind ECB President Jean-Claude Trichet's pronouncement April 27 in Chicago that this was "out of the question." The stronger politicians and central bankers deny that a default or devaluation will occur, the more certain it is to happen—call this Frontaura's Law of Sovereign Doublespeak. Despite months of dithering that allowed the Greek crisis to spin out of control, Europe will still likely provide a lifeline before Greece's May 19 debt repayment. But even if we cannot predict how Greece will default or whether it will occur next month, next year, or even beyond, it appears to us that the die is cast, with eventual default inevitable, and possible sovereign debt contagion forthcoming. The next most likely stop on the PIIGS default express—Portugal. Spain, Ireland, and Italy, your turn is coming. UK, Japan, and the US, don't be complacent about these risks, contagion may reach your shores before the decade ends, and perhaps much sooner. The outcome? A dampened global recovery, further declines in the euro, possible failures of European banks holding Greek debt, and US exporters becoming less competitive due to a stronger dollar. This in turn will lower US growth and increase the US current account deficit. Like the last crisis, our countries and companies may be affected eventually, although we would again expect them to prove more resilient. Fortunately, frontier countries generally don't have the same debt, demographic, and entitlement issues present in the developed world.

Our business continues to grow. The six new investors joining May 1 are the largest incoming group since January 2008, bringing our outside investor total to 51. During post-Q1 discussions, we encouraged clients to add to the fund and nearly one in five did. In total, our May cash inflows were the second highest in our history. This good news comes with some bad. Due to SEC look-through rules, we are rapidly running out of available investor slots. Thus, for new investors joining June 1 or later, our investment minimum is now $1 million. This has no effect on our existing investors who can remain at their present level and make follow-on contributions in any amount they desire, $10,000 or more.

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 April 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%	5%	1%	2%	11%
2010 Q2	4%	3%	- 2%	1%	0%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	15%	9%	- 1%	3%	11%
ITD CAGR	8.7%	- 7.4%	- 13.4%	- 8.5%	- 18.9%

Holdings Summary

Country	Holding
Qatar	16%
Sri Lanka	14%
United Arab Emirates	11%
Zambia	9%
Cote d'Ivoire	7%
Botswana	5%
Senegal	4%
Tanzania	4%
Colombia	3%
Cyprus	3%
Serbia	3%
Zimbabwe	2%
Pakistan	2%
Egypt	2%
Ghana	2%
Montenegro	2%
Nigeria	2%
Philippines	2%
Iraq	2%
Uganda	1%
United States (cash only)	1%
Vietnam	1%

Industry	Holding
Banks	29%
Consumer Staples	16%
Consumer Discretionary	14%
Telecommunication Services	10%
Industrials	9%
Insurance	5%
Specialty Finance	5%
Diversified	5%
Asset Management/Brokerage	3%
Oil Marketing	2%
Cash	2%

Portfolio Statistics[2]

Portfolio Price to Earnings	9.3
Portfolio Price to Book	1.5
Portfolio Dividend Yield	6.4%
Return on Ending Equity	23.7%

Terms / Service Providers

Management Fee	2%	Attorney	Foley & Lardner LLP
Performance Fee	20% with high-water mark	Auditor	RSM McGladrey, Inc.
Subscription	Minimum: $1,000,000; 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 30 April 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 29 April 2010, as 30 April returns were not available at distribution time.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 30 April 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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