June 2010 Monthly Comment written 30 June 2010 4 PM CDT

We estimate Frontaura gained nearly 2% in June, bringing our QTD and YTD results to +5% and +16%, respectively. Global markets had three distinct phases in June: down in the first week by 3%-4%; up 6%-10% over the next two weeks; and then down again by 6%-7% through June 29. We followed a different path: flat during the initial selloff; flat for the first week of the rally; then up 2%-3%, largely due to company-specific news, before giving up less than 1% in the final week. So only when there were big moves in the last few days did our fund seem to take any notice of global markets, which is typical. For the month through June 29 (June 30 index values are not final as we write this) on a total returns basis, the S&P 500 lost 4%, EAFE lost 1%, MSCI Emerging was flat, as was MSCI Frontier. These indices lost anywhere from 8% to 14% for the quarter. For the year, MSCI Frontier is up 1%, the rest are down between 6% and 13%.

Steve visited Zimbabwe, Mongolia, and Kazakhstan in June. He was last in Zimbabwe one year ago following its then recent dollarization that marked the end of hyperinflation. Visibly, the largest city Harare looks better than it did a year ago, with shiny and new replacing rundown and in disrepair. But business people are decidedly glummer due to Mugabe's ongoing high jinks. Earlier this year, he introduced an indigenization law requiring majority local ownership of Zimbabwe companies. While we think the 50% ownership rule will likely be whittled down to something more like 20%, give or take 5 percentage points, similar to neighboring countries, the presence of this unclear rule has frozen much of the foreign direct investment (FDI) that had begun to resume last year. Reduced FDI means little new dollar currency in circulation, and diminished economic growth. So the country that printed too much money ironically now has too little circulating. Our companies are already majority locally owned, so the indigenization law doesn't affect them directly but the slower growing economy does, one in particular. For perspective, though, having shrank for 10 consecutive years through 2008, slow growth (the IMF estimates 2010 GDP growth of 2.2%, down from 4.0% in 2009) is still an improvement and better than much of the developed world. And our struggling company still grew profit after tax by 25% in its just completed fiscal year, although the prior year numbers are only an estimate due to hyperinflation. We limit our Zimbabwe country exposure to around 2.5% and that continues to look appropriate for now.

We have mentioned periodically that Sri Lanka's gains would likely lead to us trimming our exposure and we have now done that. The Colombo All-Share Index tripled since the end of 2008 and is up 36% in 2010. In some cases, valuations of stocks we owned moved from very cheap to beyond what we think they are worth. We began pruning Sri Lanka in May. We now have completed selling one position that gained six-fold since the end of 2008 and we trimmed another back to its original weight after it rose 2.4x for us in the last eight months. Sri Lanka continues to be a significant country for us, but its weight of 7% is half the level of May. Pakistan's weight rose from 5% to 8%, mainly due to performance, but also we bought more of an existing position. This country contributed most the fund's performance for June. We also increased our exposure to Egypt and Serbia each from 2% to 5%, boosting the size of positions already held. We presently hold 33 positions in 21 countries, down from our peak the last two months of 35 and 22. Our top 20 positions are 86% of the portfolio. Our intrinsic value discipline continues to show in our portfolio metrics, with a trailing PE of 8.3, price/book of 1.5, and a dividend yield of 5.9%.

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 June 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	5%	-11%	- 14%	- 8%	- 9%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	16%	- 6%	- 13%	- 6%	1%
ITD CAGR	8.4%	- 11.8%	- 16.7%	- 11.0%	- 20.7%

Holdings Summary

Country	Holding
Qatar	14%
United States (cash only)	9%
Cote d'Ivoire	8%
Pakistan	8%
Zambia	8%
Sri Lanka	7%
Egypt	5%
Serbia	5%
Senegal	5%
Tanzania	5%
Botswana	4%
Colombia	3%
Montenegro	3%
Nigeria	3%
Zimbabwe	3%
Cyprus	2%
Iraq	2%
Ghana	2%
Uganda	2%
Philippines	1%

Industry	Holding
Banks	34%
Consumer Staples	13%
Cash	11%
Telecommunication Services	11%
Diversified	9%
Industrials	7%
Specialty Finance	4%
Insurance	4%
Asset Management/Brokerage	3%
Consumer Discretionary	2%
Oil Marketing	2%

Portfolio Statistics[2]

Portfolio Price to Earnings	8.3
Portfolio Price to Book	1.5
Portfolio Dividend Yield	5.9%
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: $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 June 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 June 2010.

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

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