April 2011 Monthly Comment written 30 April 2011 11 PM CDT

We estimate that we lost about one-half of a percentage point in April, leaving us up 1% year to date (YTD). In our Q1 letter, we listed eight countries where we had double-digit percentage gains in Q1. The top seven of these lost money for us in April. Zambia lost 3% after gaining 50% in Q1; Tanzania and Bulgaria each dropped 7% (up 36% and 29%, respectively, in Q1); Zimbabwe fell 10% (+29% in Q1); Iraq gave up 1% (+28% in Q1); and Serbia and Macedonia each lost 4% (+17% and +14% in Q1). Our Q1 losers also reversed in April. Of our five worst performing countries in Q1, only one dropped further in April, that being Vietnam, down 7%, after also declining 7% in Q1. In the Philippines, where we lost 12% in Q1, we gained 11% in April; while in Nigeria a 6% Q1 loss became a 7% April gain. Our April performance seems to us to be a case of stocks and countries that may have been overbought on a short-term basis pausing to consolidate their recent gains, while stocks and countries that may have been oversold on a short-term basis reverted toward where they began the year. The MSCI Frontier Markets (FM) Index gained 5% in April on a total returns basis. Our monthly result relative to it was the second worst in our 42 months of history. Nevertheless, we are still ahead of it YTD, as it is down 1% for 2011. We don't benchmark ourselves to this index, nor do we pay much attention to it outside of mentioning it in our written commentaries to provide a point of comparison for our investors. MSCI FM's good April was due to a rebound in previously underperforming Middle Eastern markets where we have no material exposure. For example, Kuwait, Oman, and the UAE all gained 6%-10% this month. Other global markets had a good April and are having a good year. On a total returns basis, the S&P 500 gained 3% in the month and 9% YTD; MSCI EAFE advanced 6% in April and 10% YTD; and MSCI EM was up 3% in the month and 5% YTD. All of these markets, plus MSCI Frontier, remain down since our inception, however, while we are up 48%.

Recent monthlies have provided a running commentary on events in Cote d'Ivoire, so for the sake of completeness, we can conclude this story as follows. Former President Gbagbo, who tried to steal the November 2010 election, was captured in April and is now in custody; internationally recognized President Ouattara is finally in charge; banks are planning to re-open in May; and the BRVM, the regional stock exchange that relocated to Mali, is tentatively planning to return to Cote d'Ivoire in July, assuming conditions allow. Various militias are disarming, and the hopeful outlook we alluded to last month is occurring. Let's not be naïve, though, as backsliding could occur in the months and years ahead. Already, forces loyal to Prime Minister and Minister of Defense Guillaume Soro killed Ibrahim Coulibaly, the leader of one of the militias that helped oust Gbagbo. Soro and Coulibaly united in favor of Ouattara and against Gbagbo, but once Gbagbo was out of the picture, these two allies became rivals and turned on each other. Soro's loyalty to President Ouattara may be more opportunistic than heartfelt. As a military commander, the ambitious Soro is both a protector of and a potential threat to Ouattara. Our exposure to Cote d'Ivoire is modest now at 1%. It could increase some if we lessen the degree to which we have significantly impaired our positions (see our February 2011 comment), but this is yet premature. One position has not traded this year, while the BRVM has suspended the other from trading, so valuation of each is still problematic. We do not want to mark up these positions, only to have to mark them down again. We will change our valuation once it is both obvious we should do so and when there's a reasonable basis for the new valuation level.

Frontaura Global Frontier Fund

Fund Objective

Bloomberg Tickers: FRGLFRO US Equity, FRGLFRC KY 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 2011[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%	- 10%
2010 Q3	9%	11%	16%	18%	14%
2010 Q4	9%	11%	7%	7%	8%
2011 Q1	2%	6%	3%	2%	- 5%
2011 Q2	0%	3%	6%	3%	5%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	37%	15%	8%	19%	24%
2011	1%	9%	10%	5%	- 1%
ITD CAGR	11.9%	- 1.4%	- 5.1%	- 0.8%	- 11.5%

Holdings Summary

Country	Holding
USA (cash only)	14%
Pakistan	12%
Qatar	9%
Tanzania	8%
Vietnam	7%
Botswana	7%
Serbia	7%
Senegal	6%
Nigeria	6%
Iraq	4%
Zambia	4%
Cyprus	3%
Bulgaria	2%
Zimbabwe	2%
Ghana	2%
Sri Lanka	2%
Colombia	1%
Cote d'Ivoire	1%
Montenegro	1%
Others	2%

Industry	Holding
Banks	32%
Cash	16%
Consumer Staples	10%
Telecommunication Services	8%
Consumer Discretionary	7%
Specialty Finance	7%
Industrials	7%
Diversified	5%
Insurance	4%
Health Care	2%
Asset Management/Brokerage	1%
Oil Marketing	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	8.4
Portfolio Price to Book	1.3
Portfolio Dividend Yield	4.7%
Return on Ending Equity	21.2%

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 2011 with a subject-to-change estimate for the most recent month, for an investor joining the fund at inception, making no further contributions, and making no withdrawals. Investors joining on other dates, making additional contributions, or making withdrawals 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 April 2011.

[2] Market, portfolio, and most recent 12 months of reported fundamental data as of 30 April 2011. 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. The yield on Frontaura Global Frontier Fund is less than our portfolio dividend yield due to cash held, withholding taxes, management fees, and operating expenses. At present, we retain all income, rather than distribute it.

Disclaimer

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