September 2011 Monthly Comment written 30 September 11 AM CDT

We estimate that Frontaura lost 4% in September. As of this writing, we don't have final index values for the month, but through September 29 on a total returns basis, both the S&P 500 and the MSCI Frontier Markets (FM) Index lost 5%, while MSCI EAFE dropped 8%, and MSCI Emerging Markets (EM) plunged 13%. For Q3, we dropped 10%. The S&P 500 and MSCI FM are down 12% for the quarter to date, with MSCI EAFE dropping 17%, and MSCI EM collapsing by 21%. We continue to become more attractively valued, with our trailing PE now at 7.0, with a price/book of 1.1, and a 4.9% dividend yield.

Our September travels took us to Tunisia and the Baltic countries of Estonia, Latvia, and Lithuania. All four of these countries have suffered traumatic events over the past three years. The global financial crisis caused a depression in the Baltics, with country-level RGDP declining 27%-33%, peak to trough. By comparison, the US economic output dropped only 5%. The Baltics met the crisis stoically, especially Estonia, the northernmost country, which has some cultural similarities to its Nordic neighbor Finland. The Baltics tightened their belts, embraced austerity, and endured the pain of massive layoffs, reduced spending, and government salary cuts of 20% or more. Now they are growing again, with each Baltic country tracking toward RGDP growth of 4%-6% or more this year, according to projections the IMF published last week. Signs of the Baltic Depression were not visible to us; in fact, visually, the largest cities look more impressive to us than they did on our last visit in 2005. The old towns of Tallinn, Riga, and Vilnius remain charming—think of a more compact and less expensive version of Prague—while gleaming office buildings now dot the skyline's periphery, a reminder of the boom that ended abruptly in 2008.

Tunisia's turmoil was more recent. January's Jasmine Revolution overthrew President Ben Ali, the strongman in power since 1987, launching the Arab Spring throughout the MENA region. Signs of revolution remain visible, with barbed wire, military vehicles, and armed troops stationed strategically around Tunis. Nevertheless, we walked for miles in Tunis without hassle, or any concern for our safety. It seems to us that the country is digesting its revolution more smoothly than Egypt, which toppled its strongman leader a month after Tunisia. We attribute this to Tunisia's smaller, wealthier, and better-educated population. Whereas Egypt has set a populist course and has diverted its energy to a search for scapegoats, Tunisia's interim government is preaching reform. Hearing Tunisia's Minister of Finance speak on the economic changes they plan reminded us of speeches by the former Egyptian Minister of Finance on the economic reform program that Egypt ran from 2004 through 2010, before abandoning it in January. Nevertheless, while Tunisia appears to us to be headed in the right direction, it remains early days, and much could go wrong. The first of a possible series of elections occurs October 23, so the long, tortuous process of rebuilding the state has barely begun. Frankly, though, we don't see Tunisia as an interesting investment location because of high valuations, due to captive domestic investors. From 2003-2010, its market was up every year, advancing at a 21% compounded annual rate. This year's 9% drop still leaves the country as a relative outperformer. So we think stocks there are expensive, which is not to say that they can't go higher in a post-election reform euphoria, but a few years' time we expect the market to have been a relative underperformer. The ratio of market cap / GDP is low at 20%, but that gap is more likely to close through more companies listing and more state privatizations, rather than higher valuations.

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 September 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	- 1%	0%	2%	- 1%	0%
2011 Q3	- 10%	- 12%	- 17%	- 21%	- 12%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	37%	15%	8%	19%	24%
2011	-10%	- 6%	- 13%	- 21%	- 17%
ITD CAGR	7.5%	- 5.0%	- 10.1%	- 7.6%	- 14.3%

Holdings Summary

Country	Holding
Vietnam	16%
Qatar	9%
Pakistan	9%
Tanzania	9%
Serbia	6%
Iraq	5%
Nigeria	5%
USA (cash only)	4%
Senegal	4%
Zambia	4%
Botswana	4%
Romania	3%
United Arab Emirates	3%
Zimbabwe	3%
Bulgaria	2%
Sri Lanka	2%
Cyprus	2%
Rwanda	2%
Ghana	2%
Colombia	1%
Estonia	1%
Cote d'Ivoire	1%
Oman	1%
Montenegro	1%
Others	1%

Industry	Holding
Banks	33%
Consumer Staples	14%
Industrials	14%
Consumer Discretionary	8%
Cash	6%
Telecommunication Services	5%
Energy	4%
Specialty Finance	4%
Insurance	3%
Materials	3%
Diversified	2%
Health Care	2%
Asset Management/Brokerage	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	7.0
Portfolio Price to Book	1.1
Portfolio Dividend Yield	4.9%
Return on Ending Equity	23.4%

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 September 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 29 September 2011, as final index values for September are not available at time of publication.

2 Market, portfolio, and most recent 12 months of reported fundamental data as of 30 September 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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