November 2011 Monthly Comment written 30 November 10 AM CST

We estimate that Frontaura lost 5% in November. This drop, along with good Q3 earnings, means that our portfolio continues to get cheaper. The trailing reported PE is now 6.2. By way of comparison, the lowest month-end PE we've ever had was 5.9 in January 2009, although we did reach 5.7 intra-month in November 2008. Our price/book remains at 1.0, and our dividend yield has risen to 5.4%. The weighted average return on ending equity is 23.3%.

Last month we said that while the October 27 euro summit was the most encouraging yet, it had the "usual unanswered questions and details to be filled in later" requiring another even more comprehensive solution. Since then, global markets sold off as the crisis approaches a crescendo with it becoming ever clearer that politicians are lagging behind markets, and may not catch up. At this writing we don't have final index values for the month, but through Tuesday, November 29 on a total returns basis, the S&P 500 and MSCI FM (frontier markets) each lost 4%, MSCI EAFE (developed markets) lost 8%, and MSCI EM (emerging markets) lost 9%. As this crisis is European in origin, we'll characterize it using a soccer analogy. The game has just entered injury time after the second half, with Global Markets ahead of European Politicians two-nil. The Politicians have the ball and are charging up the field, as they head into another round of high-level meetings and summits through December 9. Despite the score, the Politicians are already drafting their victory speech. Their overconfidence stems in part from a peculiar feature of the soccer stadium—the Politicians cannot actually see the scoreboard from their side of the field. Thus, they still think the game is tied and in the first half. Many of the Politicians are encouraging their star player, known by his initials ECB, to enter the game, but Coach Merkel has not yet made this substitution, and ECB himself has said that he cannot play in this match due to a limitation in his contract. We still cannot rule out a spectacular ECB-led comeback by the Politicians, for one never knows how long injury time will run, but the game has moved beyond the point where this is the most likely outcome. We expect the Politicians to announce eventually that in the 2012 season they will pay their Greek players, known as the "government employees," in drachmas, while citizens attending the Greek matches will be able to buy tickets using either drachmas or euros. The Politicians may extend this move to other countries.

We'll close with some examples of the disconnect between fundamentals and price performance / valuation within our portfolio. A manufacturer of consumer household items in Vietnam grew revenue 38% and EPS 60% in Q3, yet it trades near its 52-week low with a trailing PE of 3.0 and a 6.3% yield. ROE is 24% with little debt. We own a South Asian assembler of consumer durable products that has begun a turnaround we anticipated. EPS in Q3 more than tripled from a low base. This company has the leading market share by units in its category, yet it trades at 0.4 times book. Its ratio of market cap to population size is 0.3, while a comparable company owned by the same parent in a neighboring country has a market cap/population ratio of 4.5. Another South Asian company we own grew Q3 revenue by 20%, with EPS up 62%. Its PE is 5.0 with a 7.7% yield. ROE is 22% and it has no debt. Both of these South Asian stocks are flat in Q4 and down for the year. A Middle Eastern infrastructure play grew Q3 revenue by 70% with EPS more than doubling. Its PE is 4.4 with a 5.9% yield. ROE is 16%, with little debt. An Iraqi bank had 54% revenue growth in Q3 with EPS nearly tripling. The stock price is down 11% in Q3 and the PE is 9.4. A sub-Saharan African bank grew EPS 64% in Q3. Its PE is 6.7 and its yield is 4.6%, with ROE of 21%.

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 November 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%	- 14%	- 19%	- 23%	- 12%
2011 Q4	- 6%	6%	1%	4%	- 1%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	37%	15%	8%	19%	24%
2011	-15%	- 3%	- 14%	- 19%	- 18%
ITD CAGR	5.4%	- 4.0%	- 9.9%	- 6.9%	- 14.1%

Holdings Summary

Country	Holding
Vietnam	15%
Qatar	9%
Tanzania	9%
Pakistan	8%
USA (cash only)	7%
Serbia	6%
Iraq	5%
Senegal	5%
Botswana	4%
Nigeria	4%
Romania	3%
United Arab Emirates	3%
Zimbabwe	3%
Estonia	2%
Bulgaria	2%
Rwanda	2%
Sri Lanka	2%
Oman	2%
Cyprus	2%
Ghana	1%
Colombia	1%
Cote d'Ivoire	1%
Laos	1%
Montenegro	1%
Zambia	1%
Others	1%

Industry	Holding
Banks	30%
Consumer Staples	14%
Industrials	14%
Consumer Discretionary	9%
Cash	8%
Telecommunication Services	6%
Energy	4%
Specialty Finance	4%
Insurance	4%
Materials	3%
Diversified	3%
Health Care	1%
Asset Management/Brokerage	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.2
Portfolio Price to Book	1.0
Portfolio Dividend Yield	5.4%
Return on Ending Equity	23.3%

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

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

180 North Stetson Avenue, Suite 1935 Chicago, Illinois 60601 USA T +1 312 265 6882 F +1 312 268 5004 info@frontauracapital.com www.frontauracapital.com