June 2012 Monthly Comment written 29 June 11 AM CDT

We begin the second half of 2012 with a cheaper portfolio than we have ever had on a trailing PE basis. Much may go wrong in the world and our PE may get cheaper still, but we are at a point from which we expect good returns over the medium to longer term. Here are the weighted average portfolio numbers, all using trailing as-reported data, with no bad stuff removed: PE 5.7, price/book 0.9, dividend yield 5.7%, return on ending equity 22.0%. We estimate we lost 1% in June and 3% in Q2. Through June 28 (final index values for the month not available as we write this), all of the indices we typically mention did better than we did in June, but underperformed us in Q2 due to their larger May decline. Frontier markets did not have a June rebound, however, with the MSCI Frontier Markets (FM) Index down 1% in June, and down 7% in Q2. Year-to-date, we've squeezed out a 3% gain, behind the S&P 500's 7% total return, but ahead of EAFE, EM, and FM, whose total returns are -1%, +1%, and -2%, respectively.

Continuing last month's travel discussion, Steve recently toured Cambodia, Laos, and Myanmar, an itinerary more about the future than the here-and-now for stock market investors. We first discussed Myanmar (Burma) in our May 2011 comment when Nick visited. Activity there is bustling now with the suspension of US economic sanctions, whereas it was sleepy one year ago. Nevertheless, we don't expect a proper stock exchange before 2015. There has been a quasi-securities market since 1996, but it trades only two stocks and foreigners cannot access it. Parliamentary elections are to occur in 2015 as well. One cannot really be sure if the encouraging reforms of this year and last are here to stay until we see whether the military government allows the opposition to freely contest and to potentially assume political control of the country. In 1990, an earlier hopeful time, the military nullified results of an opposition election win. For the next few years, the opportunities are in foreign direct investment for multinationals like Coca-Cola, who stated this month that it would resume selling in Myanmar after a 60-year absence. During one long flight, we viewed *The Lady,* a biopic on Aung San Suu Kyi, the leading Burmese opposition figure, who endured 15 years of house arrest, during which she won the Nobel Peace Prize, before her 2010 release. While some critics panned this movie, labeling it too slow, too long, and too formulaic, we found it good background and would recommend it to those wanting to learn about recent Burmese political history.

We discussed Cambodia's stock market launch in our April comment two months ago. The initial IPO, Phnom Penh Water Supply Authority, overpriced at 19 times this year's earnings, gained 62% in the first three days. Since then it has steadily declined, and now is desperately holding 1% above its inflated IPO price, trying to avoid its own Phacebook Phlop. We hope this experience chastens the government to price any future privatizations more realistically. We have Cambodian exposure, but through another company on an exchange outside of the country. In Laos, in addition to company visits, we met with the securities market regulator as part of a months-long initiative on our part to ease some foreign investor restrictions. In June, we were successful and, should we choose, we could now buy additional shares in our Lao holding, whereas before we were at our limit. While new markets can be frustrating, the various organizations tend to be willing to meet you and open to feedback, as our Lao experience shows. We don't think we would be so successful in the United States getting the SEC to change their regulations for us. Closing out this discussion of Southeast Asia, Nick will spend part of July in Singapore and is available for investor meetings there.

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 June 2012[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%	12%	3%	4%	- 2%
2012 Q1	6%	13%	11%	14%	6%
2012 Q2	- 3%	- 5%	- 10%	- 12%	- 7%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	37%	15%	8%	19%	24%
2011	-15%	2%	- 12%	- 18%	- 19%
2012	3%	7%	- 1%	1%	- 2%
ITD CAGR	5.5%	- 1.1%	- 8.4%	- 5.8%	- 12.9%

Holdings Summary

Country	Holding
Vietnam	16%
Tanzania	8%
Qatar	8%
Nigeria	7%
Zimbabwe	6%
Pakistan	5%
Estonia	5%
Iraq	5%
United Arab Emirates	4%
Serbia	4%
Cambodia	4%
Ukraine	4%
Senegal	3%
Botswana	3%
USA (cash only)	3%
Rwanda	2%
Romania	2%
Bulgaria	2%
Cyprus	1%
Laos	1%
Oman	1%
Colombia	1%
Cote d'Ivoire	1%
Ghana	1%
Others	1%

Industry	Holding
Banks	28%
Consumer Discretionary	16%
Industrials	16%
Consumer Staples	15%
Telecommunication Services	7%
Cash	4%
Insurance	3%
Specialty Finance	3%
Energy	3%
Materials	2%
Diversified	2%
Asset Management/Brokerage	1%

Portfolio Statistics

Portfolio Price to Earnings	5.7
Portfolio Price to Book	0.9
Portfolio Dividend Yield	5.7%
Return on Ending Equity	22.0%

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 29 June 2012 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 28 June 2012, as final index values for June are not available at time of publication.

2 Market, portfolio, and most recent 12 months of reported fundamental data as of 29 June 2012. 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.

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