December 2012 Monthly Comment written 31 December 1 PM CST

Frontaura's estimated gain for the month through December 31 is 4%. This brings our Q4 and 2012 estimated gains to 9% and 18%, respectively. All of these figures compare favorably to the MSCI Frontier Markets (FM) Index, which has gained 2%, 3%, and 9% so far for the month, quarter, and year. All index values we cite in this comment are total returns through December 28, as final index values for the year are not available as we write this. US markets struggled at year-end, with the S&P 500 losing 1% to date in December and dropping 2% during Q4. It is up 14% for the year to date. MSCI EAFE (non-US developed markets) and MSCI Emerging Markets did better than the S&P, each gaining 6%-7% for the quarter to date and 17%-18% for the year to date.

2012 marks the fifth consecutive calendar year in which we outperformed the MSCI FM. Cumulatively since inception, we've gained 48% while the MSCI FM has *lost* 42%. On an annualized basis, our +7.8% contrasts with -10.0% for MSCI FM. We caution, however, there will be years when the index beats us. Our contrarian style means we are often early when buying and when selling. We might withdraw prematurely from a strong rally or we may participate prematurely in a down-and-out market: both are cases where the index could post better numbers for a time. Nevertheless, our present valuation levels give us comfort that we can continue delivering good returns. Our portfolio PE of 5.9 on a trailing, as-reported basis compares favorably to the MSCI FM's trailing *operating* PE of 10.6. Notably, despite our 18% gain for the year, our PE is slightly lower now than the 6.1 level where it ended 2011. Our portfolio price/book is 1.0, while our weighted average dividend yield is 5.5%. Weighted average return on (ending) equity is 22.2%. We have also done well competing against the non-frontier global equity indices. We've beaten the S&P 500 four years out of five; we will have the same 4-1 record against MSCI EAFE if our slim lead over it for 2012 holds on this last trading day; and we've beaten MSCI EM three years out of four, with 2012 too close to call yet. On a cumulative basis, our returns are far superior to these indices, as page two shows.

Earlier this month, we held our 5th annual prediction lunch for Chicago-area investors and friends, an enjoyable, but often humbling experience with regard to the prior year's predictions. We note each year that the crowd, including us, often gets it wrong. For example, last year's predictors expected US housing prices to fall in 2012 for the sixth consecutive year. Instead, they rose, with 94% of our predictors underestimating the housing price change. An identical percentage, 94%, was too high in predicting where the US 10-year treasury yield would finish 2012. This actually was an improvement from 2011 and 2010, when every one of our predictors was too high on this yield. Looking forward, where could our crowd be wrong in 2013? We note that 100% of our predictors expect US house prices to rise, an undaunted 86% expect higher 10-year US treasury yields, and 82% pick stocks as the best US asset class, with the S&P 500 rising to 1548. A US recession could spell trouble for those predictions. For the second year running, not a single predictor named MSCI EAFE to do best among the global indices we cite. Recent Middle Eastern headlines influenced our predictors, with 46% citing Bashar al-Assad of Syria as a world leader leaving office next year through extraordinary measures and 32% naming Egypt as the world's worst performing stock market in 2013. We acknowledge that Egypt is a high beta country with potentially good or bad outcomes, but as contrarians, we are more bullish on it than our crowd is, although the currency is a worry. We hold no Egyptian stocks at present.

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 December 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%	- 3%	- 7%	- 9%	- 7%
2012 Q3	5%	6%	7%	8%	7%
2012 Q4	9%	- 2%	7%	6%	3%
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	18%	14%	17%	18%	9%
ITD CAGR	7.8%	0.3%	- 4.6%	- 2.2%	- 10.0%

Holdings Summary

Country	Holding
Vietnam	13%
Nigeria	11%
Tanzania	8%
Zimbabwe	6%
USA (cash only)	5%
Iraq	5%
Ukraine	5%
Qatar	5%
United Arab Emirates	4%
Serbia	4%
Pakistan	4%
Estonia	4%
Botswana	3%
Cambodia	3%
Senegal	3%
Rwanda	2%
Romania	2%
Kazakhstan	2%
Cote d'Ivoire	2%
Oman	1%
Ghana	1%
Laos	1%
Papua New Guinea	1%
Lebanon	1%
Cyprus	1%
Montenegro	1%

Industry	Holding
Banks	29%
Consumer Staples	17%
Industrials	16%
Consumer Discretionary	12%
Cash	7%
Telecommunication Services	6%
Specialty Finance	3%
Materials	2%
Insurance	2%
Energy	2%
Diversified	1%

Portfolio Statistics

Portfolio Price to Earnings	5.9
Portfolio Price to Book	1.0
Portfolio Dividend Yield	5.5%
Return on Ending Equity	22.2%

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 31 December 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 December 2012, as final index values for December are not available at time of publication.

2 Market, portfolio, and most recent 12 months of reported fundamental data as of 31 December 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.

Disclaimer

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