January 2013 Monthly Comment written 31 January 11 AM CST

We estimate that we gained 7% in January. This is the fourth best month in our history, behind only a string of strong months in 2009 following the Global Financial Crisis stock market bottom. Back then, we gained 14% in May 2009, 11% in September 2009, and 8% in April 2009. Nevertheless, our top performers pulled back this week, and it would not surprise us if this were to continue, given that we are up 12% in two months and 24% in seven months. Even if some of our stocks are overbought on a short-term basis, however, the portfolio is not overstretched on a valuation basis. Our trailing PE is only 6.2. Since our November 2007 inception, this has ranged from 5.5 to 9.3, so today's PE remains in the lowest fifth of our historical range. Our trailing price/book is 1.1, while the weighted average dividend yield is 5.1%, and the weighted average return on ending equity is 21.7%. Global markets also had a strong January. Through January 30 (final index values for the month are not available as we write this), the MSCI Frontier Markets (FM) Index is up 7%, while the S&P 500 is up 5%, MSCI EAFE is up 6%, and MSCI Emerging Markets (EM) is up 1%, all on a total returns basis.

We resume travel in February, attending investment conferences in Nigeria, on Sub-Saharan Africa; in Egypt (provided this is not canceled for a third year running due to political risk), on Middle East / North Africa; and in Ukraine. We will speak on frontier markets at CFA events in Mauritius and South Africa; also, we will visit companies in Ghana, Mozambique, and Namibia.

Nigeria is a hot market lately, with our stocks up 33% in January, following an 11% gain in December. We have trimmed our Nigerian positions steadily throughout Q4 and into January, but our Nigerian weight has continued to rise; at one point this month, it became our biggest country weight. By month-end, however, Vietnam was largest again for the 20th consecutive month, now at 13% of the portfolio. Our Vietnamese stocks continued the strong run of 2012 (up 30%) with a further 10% advance in January. For most of our history, our largest country weight was Qatar (34 months out of 63, but not since February 2011). The only other countries to have been largest as of a month end are Sri Lanka, five times; and Pakistan, four times. Qatar is now only 3% of the portfolio. During January, we sold Qatar Insurance, a company we held since our inception, after it announced a rights offer. Before the rights offer, the stock traded above our estimate of its intrinsic value, but not by enough that we were motivated to sell it. The below-market rights offer, however, presented us with two undesirable choices: don't participate and suffer stock price dilution; or participate and buy 20% more shares in Qatar Insurance at a price relative to intrinsic value that was inferior to what existed elsewhere in our universe. Instead, we opted for a third path and sold the stock, avoiding both the stock price dilution and having to buy at an unattractive price for us.

The exercise of looking at country holdings in past months shows how much our portfolio changes with time, even if it does not change much from month to month. For example, consider that three years ago in January 2010, our top eight country holdings were Qatar, Sri Lanka, Zambia, the United Arab Emirates, Cote d'Ivoire, Botswana, Senegal, and Colombia. These accounted for 77% of our portfolio then. We still have positions in six of these eight countries, but today they total only 14%. We deploy new money wherever we find the best values in the world, and that changes slowly with time, with the changes becoming significant as the years pass. Since inception, our annualized turnover averages 27%; over the past 12 months, it is 19%.

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 January 2013[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%	0%	7%	6%	3%
2013 Q1	7%	5%	6%	1%	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	18%	16%	17%	18%	9%
ITD CAGR	9.2%	1.6%	- 3.5%	- 1.9%	- 8.6%

Holdings Summary

Country	Holding
Vietnam	13%
Nigeria	13%
USA (cash only)	8%
Tanzania	7%
Zimbabwe	5%
Iraq	5%
Ukraine	5%
Serbia	4%
United Arab Emirates	4%
Pakistan	4%
Cambodia	4%
Estonia	3%
Botswana	3%
Senegal	3%
Qatar	3%
Lebanon	3%
Rwanda	2%
Romania	2%
Kazakhstan	2%
Cote d'Ivoire	1%
Ghana	1%
Oman	1%
Laos	1%
Papua New Guinea	1%
Montenegro	1%
Cyprus	1%
Others	1%

Industry	Holding
Banks	32%
Consumer Staples	17%
Industrials	15%
Consumer Discretionary	12%
Cash	9%
Telecommunication Services	6%
Specialty Finance	3%
Materials	2%
Energy	2%
Diversified	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.2
Portfolio Price to Book	1.1
Portfolio Dividend Yield	5.1%
Return on Ending Equity	21.7%

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 January 2013 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 January 2013, as final index values for January are not available at time of publication.

2 Market, portfolio, and most recent 12 months of reported fundamental data as of 31 January 2013. 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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