March 2013 Monthly Comment written 31 March 5 PM CDT

We estimate that we gained 1% in March and 10% for Q1. The MSCI Frontier Markets Index and the MSCI EAFE Index also each gained 1% for March, with the frontier index up 8% for Q1 and EAFE up 5%. The S&P 500 added 4% in March and 11% in the quarter, while the MSCI Emerging Markets Index was the laggard among the global indices we cite, down 2% for March and for Q1. All results are on a total returns basis. We note that MSCI does not include Sunday, March 31 trading in their March returns, while we do.

Q1 is the third highest quarterly performance in our history, topped only by Q2 2009 and Q3 2009, when markets were rebounding from financial crisis lows. Further, the past two quarters, Q4 2012 and this quarter, represent our second highest result for consecutive, non-overlapping quarters, although our 21% advance these past six months doesn't really compare to the blistering 48% rebound April-September 2009. Back in 2009, our gains were nearly all attributable to PE multiple expansion, as our trailing portfolio PE increased from 6.3 to 9.2, the ending figure being the second highest month-end PE we've ever had. This time around, we started with an even lower PE, 5.7, and our PE remains low today, at only 6.1. This small change in our PE is due to earnings growth and portfolio mix changes from higher PEs to lower PEs. As we've now had gains for a record nine consecutive months, a pause may be in order. Emerging markets have begun to lag, and the S&P 500, now at its all-time high, looks vulnerable to us, with a PE of 18.1 times trailing, reported earnings—three times our multiple—with reported earnings down year-over-year for three consecutive quarters. US equity market sentiment, a contrarian signal, is very bullish, and the calendar will soon move from a seasonally favorable period to an unfavorable one. We mention these other markets because a pronounced fall in them can eventually affect our frontier world as well. Of course, central bank money-printing endeavors may continue to distort market behavior.

From its April peak in each of the last three years, the S&P 500 fell 16% in 2010, 19% in 2011, and 10% in 2012, with various iterations of the European debt crisis a primary culprit. As if right on cue, Cyprus erupted two weeks ago. As we mentioned in our annual mistakes-made quarterly letter in Q4 2011, we waded into the Cyprus value trap in March 2010. We exited one of our two positions in 2012 at a small gain. The other, a producer of consumer discretionary products, remains with us and is on the short list of the worst buy decisions we've ever made. The good news is a) it's not a bank and it has tangible asset value beyond its enterprise value; b) we stopped buying it two years ago; c) most of the loss we could ever take on it has already occurred; and d) its weight in the portfolio is only 0.27% after the markdown we describe below. Cypriot banks re-opened on Thursday, March 28 for the first time since Friday, March 15, but the stock exchange remained closed. Hastily enacted capital controls make it unclear when trading will resume, and global custodians are unsure whether they can settle foreign investor trades. We marked down our consumer goods Cypriot position by 35% at month end due to this uncertainty. This illiquidity discount is most similar to what we used on a consumer staples manufacturer in Cote d'Ivoire in February 2011 when that market closed during a brief civil war following a disputed election. We reversed the Cote d'Ivoire markdown after three months once the situation was stable enough for us to declare the episode over. For us to reverse our Cypriot discount, the stock exchange would have to reopen for a while, with foreigners able to sell stocks and repatriate the proceeds, and no further disruptions probable.

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 March 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	10%	11%	5%	- 2%	8%
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	9.5%	2.5%	- 3.5%	- 2.4%	- 8.2%

Holdings Summary

Country	Holding
Vietnam	15%
Nigeria	11%
USA (cash only)	9%
Tanzania	8%
Zimbabwe	6%
Iraq	6%
Ukraine	5%
Serbia	4%
Pakistan	4%
Cambodia	4%
United Arab Emirates	3%
Botswana	3%
Estonia	3%
Lebanon	3%
Senegal	3%
Rwanda	2%
Qatar	2%
Kazakhstan	2%
Romania	2%
Cote d'Ivoire	1%
Oman	1%
Laos	1%
Papua New Guinea	1%
Ghana	1%
Others	1%

Industry	Holding
Banks	32%
Industrials	16%
Consumer Staples	15%
Consumer Discretionary	11%
Cash	10%
Telecommunication Services	6%
Specialty Finance	3%
Energy	3%
Materials	2%
Diversified	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.1
Portfolio Price to Book	1.1
Portfolio Dividend Yield	4.8%
Return on Ending Equity	22.5%

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 March 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 29 March 2013. Note that MSCI will include Middle Eastern market results for Sunday, 31 March in April, but Frontaura includes these results in March. This difference is immaterial.

2 Market, portfolio, and most recent 12 months of reported fundamental data as of 29 March 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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