June 2013 Monthly Comment written 30 June 10 AM CDT

All good things must end and so did our 11-month streak of gains in June. Nevertheless, our estimated loss is small enough to round to 0%, while most international markets fell further. The MSCI Frontier Markets (FM) Index lost 6% in June, as did MSCI Emerging Markets (EM). Among developed markets, MSCI EAFE lost 4%, while the S&P 500 Index fell 1%. All index results are on a total returns basis. Note that MSCI does not include Sunday, June 30 trading in its June and Q2 returns, while we do. For Q2, we gained 5%, slightly ahead of MSCI FM and the S&P 500, which were each up 3%. MSCI EAFE and MSCI EM, both posted losses for the quarter, losing 1% and 8%, respectively. At the halfway point of 2013, we've gained 17%, ahead of the S&P 500, up 14%, and MSCI FM, up 11%. MSCI EAFE is up 4% YTD, while MSCI EM is having a tough year, down 10%. As we have seen before, global selloffs, such as that in June, tend to be times of relative outperformance for Frontaura, even if we lose money. Low debt levels of our companies, low valuations on our stocks, and our general risk aversion all provide some downside protection. Our fund now has a trailing portfolio PE of 6.3, a price/book of 1.1, and a dividend yield of 5.1%. Our weighted average return on equity is 21.5%. Conversely, as we have warned before, periods of extended gains and high investor bullishness such as this year through May are times when our performance might lag other indices.

We attended three investment conferences in June in Harare, London, and New York City. These conferences had companies attending from, respectively, Zimbabwe, Sub-Saharan Africa, and South Asia (Bangladesh, Pakistan, and Sri Lanka). While in Zimbabwe, we also visited Malawi and Mozambique. Traveling to the business hub of Blantyre, Malawi was never easy, and it has become more challenging following the demise of Air Malawi. We planned our trip when it was possible to take a direct flight from Harare to Blantyre after the conference ended. Then the airline ceased flying (rising African air power Ethiopian Airlines may yet help reconstitute it). Literally, there was no longer any sure way to get from Harare to Blantyre, a mere distance of 300 miles by air, leaving and arriving on the same day. Except, that is, to drive. Being intrepid frontier investors, we undertook an arduous all-day journey with two chaotic border crossings, as one must transit through Mozambique to get from Zimbabwe to Malawi. Two days later, we did half the journey in reverse, before flying from the coal boomtown of Tete, Mozambique back to South Africa and on home to Chicago. You know it's a resource boomtown when your flight out on a Friday afternoon to a more developed city is relatively full, yet has only two female passengers. Long road trips lead to humor. How did we get to Malawi before driving? Airplanes! This is a riff on an old Zimbabwe joke during the days of hyperinflation. What did we use before candles? Electricity! (We credit author Douglas Rogers for this Zim joke.)

Zimbabwe is to have a presidential election this year, perhaps as early as July 31, but delays may occur. The outcome is more certain than the timing, we think. Mugabe will prevail again (75% probability in our opinion). He may do this in the first round (50% probability). And here's the part that will shock the West. He may prevail in a free and fair election (50% probability). Make no mistake: Mugabe is not a reformed man, no matter what soothing words he speaks pre-election. He'll do whatever it takes to stay in power. If that means stealing an election, so be it. But he may not have to fix the outcome; he might win legitimately. Tsvangirai, the current prime minister and opposition leader, has lost the halo he had in 2008 through both personal actions and unmet political expectations.

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 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%
2013 Q2	5%	3%	- 1%	- 8%	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%	16%	17%	18%	9%
2013	17%	14%	4%	- 10%	11%
ITD CAGR	10.1%	2.9%	- 3.5%	- 3.7%	- 7.4%

Holdings Summary

Country	Holding
Vietnam	12%
Nigeria	11%
Tanzania	10%
USA (cash only)	9%
Iraq	7%
Ukraine	6%
Zimbabwe	5%
Pakistan	3%
Serbia	3%
Cambodia	3%
Senegal	3%
United Arab Emirates	3%
Botswana	3%
Lebanon	3%
Romania	3%
Estonia	2%
Papua New Guinea	2%
Rwanda	2%
Qatar	2%
Kazakhstan	2%
Cote d'Ivoire	2%
Montenegro	2%
Oman	1%
Sri Lanka	1%
Laos	1%
Ghana	1%
Others	1%

Industry	Holding
Banks	35%
Consumer Staples	15%
Industrials	14%
Cash	10%
Consumer Discretionary	10%
Telecommunication Services	7%
Energy	3%
Specialty Finance	3%
Materials	2%
Diversified	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.3
Portfolio Price to Book	1.1
Portfolio Dividend Yield	5.1%
Return on Ending Equity	21.5%

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; presently closed, with waiting list for existing and new investors	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 June 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 28 June 2013. Note that MSCI will include Middle Eastern market results for Sunday, 30 June in July, but Frontaura includes these results in June.

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

FRONTAURA

180 North Stetson Avenue, Suite 1935 Chicago, Illinois 60601 USA T +1 312 777 1500 F +1 312 268 5004 info@frontauracapital.com www.frontauracapital.com