November 2013 Monthly Comment written 1 December 2 PM CST

We estimate that we gained around 2.6% in November, which would bring our Q4 advance to 5.8%. The gains are coming easy with the Fed throwing gas on the fire. Incoming chair Janet Yellen vowed in her November 14 Senate Banking Committee testimony to continue the pyromania, so there's really nothing at all to worry about, is there? It won't always be this way, but let's enjoy our 24% year-to-date gain for another month before the year resets. On a total returns basis, the S&P 500 advanced another 3% in November, with MSCI EAFE up 1%, and MSCI Frontier Markets (FM) up 2%. Emerging markets continue their 2013 struggle, with MSCI EM down 1% in November and for the year as a whole. The other indices are all up over 20% for the year, led by the S&P 500, with a 29% total return; MSCI FM, 23%; and MSCI EAFE, 21%. Somehow, in this euphoric environment, our low-beta frontier fund has edged ahead of the frontier index in the calendar year race, but we think there's a greater than 50% probability that the index will better us when the year completes. Our beta since our November 2007 inception is only 0.55 against MSCI FM and 0.53 against the S&P 500. While our gains this year have all come from multiple expansion, we'd feel guiltier about that if we'd named our fund say the Frontaura S&P 500 Index Fund. Such a fund would trade at 19.1 times trailing reported earnings with all-time high profit margins. Our actual fund trades on a relatively miserly 6.8 times trailing earnings, albeit up from 5.9 times when 2012 ended, with profit margins not at all-time highs.

Our foreign travel for 2013 is complete, with Nick, Steve, and Tom visiting Cote d'Ivoire, Georgia, Libya, Malta, Montenegro, Romania, Rwanda, Serbia, and Zimbabwe between them in November. Nick will visit New York and Boston area clients December 9-11. This was Frontaura's first trip to Libya and Malta. Steve found Libya not yet investable, which is saying something, considering the list of former danger zones that have made it into our portfolio. The Libyan Stock Market first opened in 2007. Originally, it welcomed foreigners, but later Qadaffi reconsidered, and the exchange prohibited foreign investment. After closing for a year during the 2011 revolution, the exchange reopened in 2012. We learned that foreigners can now invest again, and that they own 2% of the market. Central bank permission may be necessary to invest in banks, however, which are a sizable portion of the market. We met the central bank, but we remain unclear as to what, if any, currency controls exist. We've found in some early stage markets the only way to find out what's possible is to try—you will certainly learn something unexpected from the experience. We like to be early when investing in a country, but we aren't inclined to try yet in Libya because the country remains in an unsettled state after its 2011 revolution. There's no real functioning police force or unified army. Various militias are on the government payroll as a means of keeping the peace. Steve's hotel had one set of militia in a mix of uniforms. While a large number of diaspora have returned post-2011 revolution and they remain optimistic, most pre-revolution projects have not restarted—cranes stand idle. Oil revenue and thus government revenue is well below peak, although the government does have ample reserves. While offshore energy production continues, onshore facilities have either not resumed production or suffer frequent interruptions. Inter-militia fighting is common and Steve could hear artillery blasts from his hotel at night. While this fighting is localized and usually does not affect foreigners, guests had to evacuate Steve's hotel briefly the night after he left when anti-aircraft gunfire struck it. One week later, 40 or more people died in militia fighting, and the government declared a state of emergency in Tripoli, asking militias to leave the city.

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 November 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%
2013 Q3	1%	5%	12%	6%	6%
2013 Q4	6%	8%	4%	3%	4%
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	24%	29%	21%	-1%	23%
ITD CAGR	10.5%	4.9%	- 0.9%	- 2.1%	- 5.3%

Holdings Summary

Country	Holding
Vietnam	12%
Nigeria	10%
Tanzania	10%
USA (cash only)	8%
Iraq	6%
Ukraine	6%
Sri Lanka	5%
Zimbabwe	4%
Serbia	3%
Romania	3%
Cambodia	3%
Pakistan	3%
Senegal	3%
Estonia	3%
Lebanon	3%
Botswana	2%
Rwanda	2%
Montenegro	2%
Cote d'Ivoire	2%
Papua New Guinea	2%
Kazakhstan	2%
Laos	2%
Qatar	1%
Oman	1%
Ghana	1%
Ecuador	1%
Others	2%

Industry	Holding
Banks	38%
Consumer Staples	15%
Industrials	11%
Consumer Discretionary	9%
Cash	9%
Telecommunication Services	7%
Energy	5%
Specialty Finance	2%
Materials	2%
Diversified	1%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.8
Portfolio Price to Book	1.1
Portfolio Dividend Yield	4.9%
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; 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 Friday 29 November 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 Friday 29 November 2013.

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