March 2014 Monthly Comment written 28 March 5 PM CDT

We publish March's comment one workday early due to travel as we leave tomorrow for Moldova and Ukraine. Through today, we estimate we've lost 1.1% in March and 0.7% for Q1; obviously, these figures will change with trading Monday, March 31 (and Sunday, March 30 in Iraq and Oman). Through March 28, most of the global indices we cite have total net returns within two percentage points of break-even, either plus or minus, for March and within one percentage point of break-even for Q1. The notable exception is the MSCI Frontier Markets (FM) Index, a standout recently, with a 3% gain in March and a 7% gain in Q1. As mentioned last month, this advance has been narrow. GCC countries are up 4% in March and 12% for Q1. Ex-GCC, the MSCI FM index is up 1% in March, but down 2% for Q1. We have only 2.4% GCC exposure. Our portfolio metrics are little changed, with trailing PE and price/book at 6.8 and 1.0, respectively; a 4.7% weighted average dividend yield; and a 19.6% weighted average return on ending equity.

Ukraine continues to dominate headlines and we expect this uncertainty to remain for a long time, just as several Middle Eastern countries remain unsettled more than three years into the Arab Spring. Ukraine is presently 6% of our portfolio. We have lost 15% in Ukraine in March and 24% in Q1, with about two-fifths of the quarter's loss coming from currency. It now takes 11.01 hryvnia to buy a dollar whereas it took only 8.24 entering 2014. On March 3, we decided to freeze our Ukraine positions for one year, with a checkpoint in six months to verify that decision. This means, barring extreme valuation changes, we don't intend to buy or sell anything while Ukraine is in the freezer. We decided this when, for two consecutive weekends, the picture changed materially between the time we left the office Friday night and the time we returned Monday morning. On the last full weekend of February, President Yanukovych went from inking a political transition deal on Friday to fleeing Kiev the next day. This victory for the West was short-lived. On the next weekend, within 24 hours of us publishing our February comment, Putin knocked down one of the pillars of our potential optimistic scenario when his Crimea game plan—a slow motion, *fait accompli* invasion—echoed that of Georgia in 2008. On a positive note, the IMF did announce a $14-$18 billion bailout loan yesterday—another pillar of our optimistic scenario. We also wrote last month that frontier country risk was last this high in Q1 2011. It was our experience then—being unable to predict fast-moving events in Egypt and Cote d'Ivoire—that led us to freeze Ukraine now. Trying to follow every political twist and turn of a country changing rapidly from day to day is exhausting, all consuming, and potentially detrimental to performance. Human nature makes us prone to three mistakes: 1) selling unwisely when the news is at its most grim; 2) being a premature contrarian and buying too early, failing to imagine just how bad things can get; and 3) missing an important development elsewhere in the world as we obsess over a crisis country. Putting Ukraine in the freezer eliminates these three risks for now. On the other hand, it introduces at least two other risks. First, we may fail to buy more at a low point. Having invested a lot in Ukraine in the past two years at PEs of 3, however, we don't feel obliged to buy more. Second, we may fail to sell before prices drop further. We discount this risk also. Liquidity has dried up, and given the low valuations we started from, we are not inclined to sell. We made our decision to invest in Ukraine already—the freezer rule keeps us invested for now, come what may. Warren Buffet frequently explains that one secret of his investment success is doing nothing. We actually think our best chance of success long-term in Ukraine is to force ourselves to do nothing in the short-term.

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 2014[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%	- 41%
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	7%	11%	6%	2%	7%
2014 Q1	- 1%	1%	0%	- 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%
2013	26%	32%	23%	- 3%	26%
ITD CAGR	10.0%	5.2%	- 0.6%	- 2.4%	- 3.7%

Holdings Summary

Country	Holding
Vietnam	14%
Nigeria	12%
Tanzania	9%
Iraq	6%
Ukraine	6%
Sri Lanka	5%
Botswana	5%
USA (cash only)	4%
Pakistan	4%
Rwanda	3%
Romania	3%
Montenegro	3%
Serbia	3%
Zimbabwe	3%
Lebanon	3%
Cote d'Ivoire	2%
Estonia	2%
Laos	2%
Papua New Guinea	1%
Kazakhstan	1%
Cambodia	1%
Oman	1%
Qatar	1%
Ecuador	1%
Ghana	1%
Mongolia	1%
Cyprus	1%
Others	1%

Industry	Holding
Financials	47%
Consumer Staples	16%
Industrials	12%
Consumer Discretionary	8%
Energy	5%
Cash	4%
Telecommunication Services	4%
Materials	2%

Portfolio Statistics[2]

Portfolio Price to Earnings	6.8
Portfolio Price to Book	1.0
Portfolio Dividend Yield	4.7%
Return on Ending Equity	19.6%

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 28 March 2014 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 March 2014, as final index values for the current month are not available at time of publication.

2 Market, portfolio, and most recent 12 months of reported fundamental data as of 28 March 2014. 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