Quarterly Letter – 2011 Q4

In 2011, Frontaura lost 15%, definitely not a good performance, although again, for the fourth year running, we did better than the MSCI Frontier Markets Index, which was down 19%. Certainly, this year's relative result was less satisfying than the prior years due to our loss and a narrower outperformance relative to the index. We won't always be ahead of this index, although we expect to be over the long run. We show performance in Figures 1 and 2 in the Appendix. Figure 3 presents our portfolio mix and statistics.

2011 Review

The year's attribution provides some surprises. Despite a double-digit percentage loss for 2011, we made money on roughly half of our positions. This nearly held true at the country level as well. We had investments in 29 countries at some point during 2011, and we made money in 13 of these. The Central and Eastern Europe (CEE) region hurt us the most, down 29% for the year. But two of our five best performing countries on a percentage basis—Bulgaria and Macedonia—are CEE countries. Figure 4b shows country performance for the year, while Figure 4a shows Q4's country performance. Counting winners and losers can provide insight, but can also be misleading. For 2011 was a year of modest winners more than overcome by significant losers. Just under half of our loss for the year came from only two stocks, each a bank, one in Serbia, and one in Nigeria. They are the two best capitalized banks we know of, with equity / asset ratios of 32% and 21%, respectively. Both trade at a price/book ratio of 0.3, and have trailing PEs of 4 and 7, respectively, so it doesn't seem right to give up on them now. Attributing our loss by theme shows that 45% of the year's dollar loss came from proximity to Europe (CEE stocks), 23% came from Nigeria, 16% came from political risk (Egypt and Cote d'Ivoire), and 16% resulted from everything else.

In the Q4 2010 letter, we named four risks for 2011, and sadly, they all came true to some extent. They were food and energy price inflation in frontier countries; political risk in the Middle East and Africa; global macro events such as European sovereign debt; and strong frontier market inflows at the beginning of the year making it hard to buy frontier stocks in the first half. Nevertheless, as we said on page 6 of that letter, we were sanguine entering 2011, expecting that US stimulus in the form of payroll tax cuts and a deferral of income tax increases, combined with European politicians kicking the can down the road a bit longer would allow for a decent 2011 in the world economy. We expected 2011 to be kind of like 2010, but perhaps with more modest equity returns after back-to-back strong years. In Q1, everything went wrong, from civil unrest across the Middle East, to a devastating earthquake in Japan, to problems in Europe, and more. Yet markets held up, demonstrating their resilience. This continued in Q2, but in the second half the accumulated problems in Europe overwhelmed equity markets around the world, with an August-September selloff that felt a bit like 2008 again. The surprise of the year for us was the failure of European politicians ever to get ahead of their sovereign debt problems. We did not think that they solved the problem back in 2010, but we thought they could put off the problem for longer than they did. We were wrong about that, and markets wised up to the lack of a structural solution earlier than we expected. A year ago, we worried about 2013 when a new US presidential term might mean austerity in the form of spending cuts or tax increases, and when the European Financial Stability Facility (EFSF), i.e. the bailout fund, expired. We thought markets might begin to focus on these items in the second half of 2012. Timing is tricky to predict and the market wobbles we feared arrived a year or more before we expected them. The lesson for us is that if you can see a bad event on the horizon, don't kid yourself about how much time you have until it arrives. This is a lesson that Europe, Japan, and the US continue to ignore.

2012 Outlook

Entering 2012, there's a lot to worry about, mainly from the developed world. The frontier risks of one year ago appear to be less of a threat, however. Frontier inflation is declining in countries such as Pakistan, Romania, Serbia, and Vietnam, and interest rates in these places and others appear to have peaked in the current cycle. While we think the Arab Spring is far from finished, we think most of the market impact of this has happened, and we don't think we have much further exposure to this risk factor. To be sure, there are wildcards like Iran, which could cause an energy price spike that feeds another round of frontier market inflation and tips the world into recession. US troops have left Iraq, a positive move for both countries in our opinion. Obviously, many disagree with us, expecting sectarian tensions to unleash, and Iraq to unravel. We acknowledge this possibility, but it is not our base case. We do expect some scary headlines from Iraq in the coming months. Bear in mind, though, that Iraq's civilian death rate is down 88% from its peak in 2007 and statistically you are less likely to die a violent death in Iraq than in the City of Chicago.[1]

The global risks we see are:

1. Europe enters recession. This may already have begun.
2. At least one eurozone country, Greece, will likely reach the point where it has no choice but to begin issuing its own currency in order to continue paying government employees. A nationalization of its banking sector may follow. Other countries may also need to go down this path in the coming years.
3. Bad loans and the waning effects of Chinese stimulus may cause its growth to slow. China provided tremendous stimulus to its economy and the world in 2009 and 2010. Given the country's high credit growth—the IMF says local currency loans grew 33% in 2009—certainly, there were significant bad loans made. How could there not be with that degree of loan growth? We have no special insight on whether China will

[1] See pages 9-10 of our 2010 Q2 quarterly letter for a discussion of this. We update the figures presented there as follows as of 14 January 2012. Chicago's population was 2,695,569 per the 2010 census and the 2010 murder total was 435, which works out to one death per 6,197 persons. The 2011 murder total is not final—it will likely be slightly lower, but not materially different. Iraq's population was 30,399,572 as of July 2011 per https://www.cia.gov/library/publications/the-world-factbook/geos/iz.html. Iraq violent deaths for 2011 per http://www.iraqbodycount.org/database/ are 4,087, a civilian death rate of one per 7,438 persons. These figures exclude Iraqi military personnel. The latest available trailing 12-month death figures for Iraqis in the military are 539 per http://icasualties.org/iraq/index.aspx. Thus, total Iraqi deaths, civilian and military, are 4,626, a rate of one death per 6,571 Iraqi citizens. Thus, statistically, using the best data available, we can say more clearly now than we could in the 2010 Q2 letter that the violent death rate in Iraq is lower than in Chicago. Please see that letter for further discussion and for some caveats with this data.

be able to manage slowing growth or whether it is due for a hard landing that rattles the world, but clearly, this is a risk.[2]

4. Japan is one year closer to its demographic debt implosion. Projections show its current account balance and its savings rate each may turn negative within a few years, requiring it to rely more heavily on foreign borrowing. We don't know when credit markets will begin saying no to Japan, but we do know the date is one year closer than it was a year ago, as Japanese politicians have done nothing to mitigate this. The same is true for the US, although it appears to have a longer runway.
5. US economic data clearly improved in recent months. Bad news from Europe could change the improved US trajectory, however, either slowly or suddenly. Will it? That's a key question for 2012.

The answer to the key question above about US economic growth depends on how strong the linkages between large global banks are and how disorderly the introduction of new currencies is. There are so many possible outcomes that no one can say exactly how this will play out. While the financial press has written about Europe ad nauseam, most investors we talk with still expect that somehow everything will work out. It might, but we think it will not. Regardless of your view, investors should consider and be ready for both good and very bad scenarios in 2012. We think the potential for a painful negative market surprise remains. We also expect the 2012 US presidential election to be nasty, and Congress to remain dysfunctional. We may not view this as negatively as some do, but it's not going to be a positive for global market sentiment.

How will these developed world risks, if they were to occur, affect Frontaura? The best guidance we can offer is to review 2008-2009, although every episode of history differs. The effect on our portfolio's stock prices was greater than the effect on our country's economic growth or our company's earnings. In hindsight, the companies in our frontier portfolio experienced only a sharp inventory correction lasting about three months, from November 2008 to January 2009. Most of our countries still had positive economic growth in 2008 and 2009. Many of our companies did not see profits decline, which is somewhat remarkable. The global financial crisis did gravely affect some frontier countries and companies mainly due to their high indebtedness. We avoided owning such companies, and investing in such places.

Three Reasons for Optimism

- At the end of 2008, Frontaura's weighted average trailing PE was 6.1. At the end of 2011, it is at exactly the same level. Price/book was 1.1 in 2008, now it is the lowest it's ever been at 0.9. Frontaura's dividend yield was 6.8% in 2008. It's not quite as good now, as it is one percentage point lower at 5.8%, but this is still a quite high level. Overall, we can say the portfolio valuation is about the same as it

[2] China has begun to see some capital flight. Its foreign reserves shrank in the fourth quarter of 2011 for the first time since the 1998 Asian Crisis. Most investors and politicians assume the Chinese yuan is undervalued and would appreciate against the US dollar if the government allowed it to float freely. We think it might actually depreciate in the near term if the government were to end all capital controls and currency management, not that they are about to do that. But one should not expect the yuan to continue to be a one-way, can't-lose appreciation bet.

was at the end of 2008. Then, the mood was extremely gloomy, yet Frontaura more than doubled in the two years that followed.
- Frontier market inflation and interest rates look poised to fall in 2012, in contrast to one year ago. The United Nations food price index for December 2011 is 11% below its all-time high in February 2011, for example.
- Assuming you want to have some equity market exposure in your overall portfolio, where would you rather have it? The developed world has slow growth, poor demographics, and huge debt problems that it will only be solve structurally with one or more of the following elements: a) high inflation, b) a painful restructuring of the relationship between a government and its citizens, or c) significant debt defaults. The frontier world offers good growth, favorable demographics, and much lower debt levels.

2011 Report Card

Each year in our Q4 letter, we examine mistakes that became clear to us in the year just ended, as well as some things we did right. We focus our discussion on process rather than performance, as there is often a timing gap between an action and a clear performance result. We believe that an investment manager who can define and execute a good process should be successful over time, and conversely a manager that has good short-term performance may not necessarily have a good process that provides consistent long-term results.

We note possible mistakes and successes throughout the year, and we review these events when we write this letter. This year, we can group our numerous mistake events into four themes, which we will call an operational mistake, a research mistake, trading mistakes, and a possible allocation mistake. Here we confess our sins for 2011.

What we did wrong:

1. **Not participating in exchange openings.** Academics have proven in their research that IPOs in the aggregate are losers, underperforming the market, even if the press drools over high profile winners with big first-day pops. We can think of two types of exceptions relevant to frontier market investing. The first are privatizations where a government will often underprice an offering to ensure its success, and possibly as a means to distribute wealth to its citizens. The second is when a country opens a stock exchange for the first time. Nothing promotes capital market development like the initial IPOs performing well, capturing everyone's attention, so the promoters tend to price these offerings for success. Often, the first IPOs on a new exchange are themselves government privatizations, which can provide a double boost in terms of likely success.

   Two new markets debuted in January 2011, Laos and Rwanda. The initial IPOs did well, performance we missed and regret. Each situation was different. In Rwanda, the stock market opening was well promoted, we did extensive due diligence on the company, and we intended to participate. Toward the end of the process, however, a structural issue with how the IPO was registered prevented US-based funds like ours from participating. In Laos, officials had delayed the stock market opening and brokers did not promote it that actively. Our experience is that stock market delays tend to compound as one delay leads to another, then another, and so on. Frankly, we had stopped monitoring Laos actively, such that once it became clear there would be no further delays, it was too late for us to register to trade in Laos in time for the opening. (Country setup in Laos took us about four months from start to finish.) So after going 0 for 2 in January 2011, we resolved not to be in this situation again. First, we made some changes so that we would be able to participate in all foreign IPOs. Second, we began to communicate with brokers months in advance of when we expect future markets to open. This helps us know fully what the registration process will be and ensures that brokers keep us in the loop with regard to timing. This is not to say that we will automatically participate in all IPOs or stock market openings, but we want to be in a position to be able to, if a particular offering has merit.

2. **Not refreshing our research on a familiar stock before buying.** We won't name this stock as we are in process of selling it, to correct the buying mistake we made in 2011. The company was familiar to us, as we uncovered it back in 2008. Then its valuation was attractive, its return on equity was good, and we took comfort when we discovered that another investment manager we knew well owned it. We never bought it then for a variety of reasons, generally because our exposure to this country was already full. But we tracked it over the years, we had a valuation model on it, and it was a name that we wanted to own in the right circumstances. In hindsight, casually knowing this stock for a long period gave us a greater comfort level than we should have had. In 2011, everything converged to make us an owner. Cash inflows gave capacity to buy more in the country, the stock price was right, the fundamentals had been good, and a sizable position became available. Our frontier market experience has taught us repeatedly that we must trade aggressively to get the positions we want, given inherent illiquidity in our markets. You need to know how much you want to buy (or sell), and what you are willing to pay (or receive) for a stock in case the market moves against you, as it often does. You can't hesitate when a block comes available, or someone else will take it. You can't be coy on price, or someone will pay a bit more than your limit price and snatch the shares away. We developed these trading rules through painful, firsthand experience. They have served us well. But every rule has an exception and this was one. We made the quick decision to try to buy the sizable block available. Our order executed and we became a significant owner of this small company we'd been watching for several years. Shortly afterward, they released quarterly results. Reading the financial notes, we came across a troubling insider transaction that we previously did not know about. We looked up the prior quarter's notes and although the disclosure was less clear and less detailed, there was a warning sign buried deep in the notes. It was then that we realized the combination of having followed the company for a while and needing to make a quick trading decision had meant that we had circumvented our normal research process of reading the most recent financial notes. We thought we knew the company, but our knowledge was stale, and we had failed to refresh our research. Years of being familiar with a company was no substitute for doing current research. We now make sure that we refresh our research on a company before buying a new position.

An investor will never know everything about a company. In fact, knowing too much can be a barrier to clear thinking. Further, the opportunity cost of increased knowledge at times is prohibitive. Let's say you have a minor concern and you spend a week or two investigating it. If the concern proves baseless, but the stock advances 20% or if a significant block disappears, then the price of your additional research was too high and you would have been better off buying earlier. There's always judgment involved in deciding when you know enough to be comfortable to buy. No matter how good your judgment is, you will make mistakes. Nevertheless, in this situation, the buried disclosure we could have found was significant enough that we clearly would have been better off doing more research, regardless of how the stock traded in the interim.

3. **Having a locked-in trading mindset that doesn't change when the situation does change.** We identified four distinct situations in 2011 where we continued to execute a trading plan after changing events called for a different plan. The individual details are less important than the general lesson. Portfolio management requires challenging your own premise constantly to ensure it remains valid. By our only-the-paranoid-survive nature, we tend to do this regularly, yet even we can fall into a complacency trap when the same market environment persists for a long period, as the global bull market did from early 2009 to mid-2011. In two situations, we kept buying the same stock for an extended period due to regular cash inflows, when prudence dictated that we take a breather to ensure that we weren't pushing up or supporting the stock price too heavily. With significant cash to invest, we were, per our prior point, aggressive traders, as is necessary in frontier markets, especially when markets are bullish. Again, these are judgment calls and it is only clear in hindsight what action is best. The danger to taking a breather when buying is that prices might continue up in your absence, such that when you return to the market, you are paying more than if you never left in the first place. In these cases, it would be costly to lose your nerve and buying conviction. Nevertheless, in these two situations, it's clear to us in hindsight that we should have paused, and we have now built this into our trading process.

   In two other cases, we did not take advantage of the opportunity to trim or sell strong performing stocks that appreciated well beyond their worth. We admit, we don't like selling, especially on less liquid stocks where we really like the company (if we sell our position, we might never be able to buy it back again in size, even if the price declines). We have selling rules, but all rules involve some judgment, and in these two cases sentimentality got the better of our judgment. We did put in sell orders, but at too greedy of a price. We feared looking bad by selling a rising stock too soon; in the end, we did look bad by not selling when we could and then watching the price drop once market sentiment turned. After more than two years of good market performance and steady cash inflows, unintentionally we had become a bit aloof on our selling discipline. We had engineered a selling process to mitigate human emotion, but human nature triumphed over our process in these two situations. Then, sentiment turned, incoming cash stopped, and we re-established our discipline, but too late. Prices of the sell candidates dropped, we missed our chance. We have now recommitted ourselves to following our selling process more precisely.

4. **Central and Eastern Europe (CEE)—value trap or wise contrarian play?** As mentioned, this region did not perform well for us in 2011, down 29%. Given our repeated citing of European sovereign debt as our top macro concern for all risk-based asset classes, including frontier markets, one could legitimately wonder why we own anything in the CEE. Early in history, we certainly got the CEE right. We

avoided it! In 2007, CEE markets were too expensive. Throughout 2008, their prices fell, but we continued to stay away because their fundamentals became less clear. Frontier CEE markets that MSCI tracks all dropped between 61% and 83% in 2008, losses we entirely avoided by owning nothing. Beginning in late 2009 and for the next two years, with prices still depressed, but off their lows, we began to accumulate CEE positions, stock by stock, country by country. At the end of 2011, we own nine stocks in seven countries. We bought them all cheap—all but one had a trailing PE at the time of initial purchase of either 4 or 5, and the one exception has a price/book of 0.4. In several cases, we did not think that the earnings had troughed, so we expected the PE to rise, but we reflected this in our free cash flow models. All of our positions were at a discount to our estimate of intrinsic value at time of purchase. Through mid-2011, our contrarian CEE play was working and even through year-end we'd made money since inception on five of our nine positions (but the size of our losers has handily exceeded the size of our gainers). But as European sovereign debt concerns resurfaced, the CEE markets sold off and our modest gains turned to significant losses. So were we wrong about CEE or will we be proven correct, with a delay?

Candidly, we struggle with the answer to this question. It depends on how bad Europe gets and as we said earlier that is essentially unknowable. If Europe plays out as most investors expect, then our CEE allocation decision should prove correct. On an individual stock basis, we think only one of nine positions is clearly a mistake. That position is in Cyprus; we bought it in early 2010. It has exposure to real estate activity, which we knew to be in decline, and it had about 20% of its revenue from neighboring Greece, which we flagged two years ago as a country headed for big trouble. On its merits, however, the company was still a solid buy, even assuming a sizable dropoff from recent year's results. But we definitely did not do enough scenario analysis. We used single-point thinking in determining our intrinsic value estimate. While our single-point estimates were more negative than what we believe the consensus expected, we did not think through and apply the draconian scenarios for Greece and Europe that we knew to be possible. This was a failure of imagination in our research process and a failure to exercise a top-down portfolio management veto on such a research idea. Now the market is pricing this stock, which is 1% of our portfolio, around the company's liquidation value. That seems extreme. Its debt is modest and it should remain profitable even if its Greek sales go to zero and its Greek receivables prove worthless. Thus, we will keep holding this position. Our biggest CEE loser is AIK Banka in Serbia, which, in addition to negative market sentiment, had a specific negative event in 2011 that we expect will eventually resolve itself satisfactorily.[3] Bad luck for us, but not a process mistake, in our opinion, based on what we know and expect right now. We entered a second position in Serbia in June 2011 and an initial position in Romania in July 2011. Clearly, bad timing on our part, coming right before the August selloff began, but not research process mistakes. We recall similar buys in August 2008 right before Lehman collapsed that lost a lot of money initially, before eventually turning profitable. Whether these CEE buys were portfolio allocation mistakes due to their Europe exposure is a different question, with a less clear answer as again it depends on how bad Europe gets. The safe choice would have been not to buy these

[3] We discussed this in the last paragraph of page 3 of the 2011 Q3 quarterly letter.

positions, but we found the valuations too compelling to ignore. Our CEE exposure hit 18% in October, but going forward, we have decided to limit it to only 15% of the fund, which we accomplished without selling when new cash arrived in Q4.

What we did right

1. **Tools and Processes to Uncover Mispricings When Prices Change Rapidly.** This is an example where actions in 2008 and 2009 had a payoff in 2011. In August and September of 2011, the flow of price change information was potentially overwhelming. In the first two weeks of August, the S&P 500 had a run where it moved up or down 4% or more five days out of six. In other words, several months' worth of price changes were occurring every day. Stock mispricings occur more frequently when volatility is high, so a manager who can process this amount of price change information can have an advantage, spotting an underpriced stock and buying it before the price normalizes. Back in 2008 and 2009 there were times when we did feel less in control of the price change information than we wanted to be, so we developed a system of tools and processes to help us evaluate rapidly changing information. These include adjusting fundamentals to cyclical averages; creating an automated portfolio system that calculates intrinsic values daily and sorts by the biggest discounts several times per day; and developing a system of watch lists, price alerts, and news alerts. This combination of tools alerted us to a selloff in one new stock in Q3 in time for us to buy it at an attractive price. We probably would have missed this opportunity a few years ago.

2. **Reinvesting When Terrified.** Renowned investor Jeremy Grantham coined this phrase when he penned a letter in early March 2009 about the need to invest when fundamental valuation levels are compelling even if world events terrify you. So this August and September, we stuck to our process. We bought steadily, as we did in 2008, typically buying modest amounts each day, as today's bargain might become tomorrow's even bigger bargain. We insisted on greater discounts to intrinsic value than we normally do. We can't say when these purchases will pay off. We were comfortable buying in Q3 2011 because the discounts available relative to our estimates of intrinsic value were the most we'd seen since the 2008-2009 period.

3. **Giving up on Egypt.** In our Q1 letter, we wrote one and one-half pages on Egypt and why we sold our positions there, even though we were hopeful that in the end the 2011 events would make the country more attractive. As a trade, our sells had not worked when we wrote the Q1 letter, although now they have as prices have fallen below where we sold. That's not why we list this point here. We still don't know if our decision to exit Egypt will save us money or cost us money in the end. We think we were right to sell because a significant pillar of our Egypt investment thesis vanished. The government sacked its pro-business ministers and adopted populism. It raised corporate taxes; increased government spending despite an already large deficit; persecuted former government officials and business leaders; and tried to prop up the currency, leading to a significant drain in international reserves. Unless they change the path they are on, Egypt is heading toward a currency crisis later this year, which could foster inflation and further unrest. We happily are not invested there, even though the prices of many companies otherwise appear attractive.

4. **Investing in Tanzania When Few Foreigners Wanted to.** Tanzania was our fourth best percentage gainer in 2011, and due to a significant allocation, we made more money there than in any other country in 2011. We first invested in Tanzania in 2008, increased this some in 2009, and then more significantly in 2010 and 2011. We recall vividly a phone conversation with one global frontier market broker about two years ago where he questioned why anyone would ever want to own a stock in Tanzania. We certainly understood what he meant. We have written before that due to the market's cumbersome rules, the market regulator, stock exchange, and broker at times seem to act as a triple entente to prevent trading. Nevertheless the hassle was worth it as we bought several companies with ROEs between 20% and 50%, trading at single-digit PEs, and offering high dividend yields. Our view was that Tanzania's backwardness was its virtue. It had about the same population of neighboring Kenya, but its per-capita GDP back in 2007 was only a bit more than half, and its PEs were less than half. Those differences were too large to last. Our thesis was that Tanzania should have faster GDP growth and its stock market should perform better. It now has, and other foreigners are now beginning to notice. Even the broker we cited has wised up. In our last conversation with him recently, he was pitching us on a Tanzanian offering, and touting the cheap valuations there.

Management Company News

Assets grew from $45 million at the end of 2010 to $85 million at the end of 2011. New contributions occurred primarily from January 1 to May 1, although we did see a second smaller wave of inflows November 1 and December 1 when two institutions doubled and tripled down on their existing investment due to the low portfolio valuations. We had one small redemption in 2011 and there are no pending redemption requests at this writing, although we expect some to occur naturally later in 2012.

We think 2012 may be challenging due to global events, but with portfolio valuations near the lowest in our history, and our companies using low degrees of leverage, we think have positioned Frontaura to ride through whatever storms may occur. We thank you for being a Frontaura client.

Regards,

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Appendix

Figure 1
Frontaura Global Frontier Fund LLC
Performance[4]
31 December 2011

Period	Frontaura	S&P 500	MSCI EAFE	MSCI Emerging	MSCI Frontier
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%
2008	- 28%	- 37%	- 43%	- 53%	- 54%
2009	46%	26%	32%	79%	12%
2010	37%	15%	8%	19%	24%
2011	- 15%	2%	- 12%	- 18%	- 19%
Inception to Date	25%	- 11%	- 33%	- 25%	- 46%
ITD CAGR	5.5%	- 2.7%	- 9.2%	- 6.6%	- 13.9%

Figure 2
Frontaura Global Frontier Fund LLC
Monthly Performance
31 December 2011

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2007											0.4%	1.6%	2.0%
2008	0.7%	0.6%	-0.1%	3.4%	3.9%	-1.0%	-0.8%	-2.2%	-7.9%	-17.5%	-10.7%	1.4%	-28.1%
2009	-2.0%	-0.4%	0.7%	7.7%	14.4%	4.1%	1.4%	4.7%	10.6%	-1.4%	-0.2%	0.2%	46.0%
2010	-0.9%	4.2%	6.6%	4.5%	-1.2%	1.9%	3.4%	0.7%	4.7%	3.5%	1.5%	3.3%	37.1%
2011	2.8%	-3.7%	2.7%	-0.4%	1.0%	-1.7%	-2.4%	-4.0%	-3.9%	-1.6%	-4.9%	0.7%	-14.8%

[4] Returns commence 1 November 2007. Frontaura returns are net of all fees, 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. Index returns are in US dollars on a total return basis, net of any withholding tax.

Figure 3
Frontaura Global Frontier Fund LLC
Portfolio Mix and Statistics[5]
31 December 2011

Holdings Summary

Country	Holding
Vietnam	15%
USA (cash only)	13%
Qatar	9%
Tanzania	8%
Pakistan	7%
Serbia	5%
Iraq	5%
Nigeria	5%
Botswana	4%
Senegal	4%
United Arab Emirates	3%
Romania	3%
Estonia	3%
Bulgaria	2%
Zimbabwe	2%
Laos	2%
Rwanda	2%
Oman	1%
Cyprus	1%
Ghana	1%
Sri Lanka	1%
Colombia	1%
Cote d'Ivoire	1%
Montenegro	1%
Zambia	1%
Others	1%

Industry	Holding
Banks	30%
Cash	14%
Industrials	13%
Consumer Staples	12%
Consumer Discretionary	9%
Telecommunication Services	5%
Specialty Finance	4%
Energy	4%
Insurance	3%
Diversified	2%
Materials	2%
Health Care	1%
Asset Management/Brokerage	1%

Portfolio Statistics

Portfolio Price to Earnings	6.1
Portfolio Price to Book	0.9
Portfolio Dividend Yield	5.8%
Return on Ending Equity	23.1%

[5] Portfolio valuation statistics use the most recent 12 months of reported fundamental data as of 31 December 2011. 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.

We hold most, but not all cash, in the United States. We also include in the US total any euros or other currencies we hold in countries outside of our investment universe. These other currency amounts often are immaterial. We include all other cash we hold outside the US in that country's total, regardless of currency. For example, Vietnam is a prefunding market, so we include our cash there in the Vietnam total, even though nearly all of this cash is in US dollars.

Figure 4a
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries
2011 Q4

5 Best Countries			5 Worst Countries		
Country	Frontaura Return	MSCI Return[6]	Country	Frontaura Return	MSCI Return
Oman	15%	6%	Nigeria	-22%	5%
Botswana	12%	1%	Cyprus	-19%	--
Bulgaria	5%	-16%	Serbia	-18%	-14%
Tanzania	3%	--	Montenegro	-17%	--
Macedonia	3%	--	Zimbabwe	-14%	-1%

Figure 4b
Frontaura Global Frontier Fund LLC
5 Best and Worst Performing Countries
2011

5 Best Countries			5 Worst Countries		
Country	Frontaura Return	MSCI Return[4]	Country	Frontaura Return	MSCI Return
Zambia	44%	--	Serbia	-50%	-23%
Sri Lanka	33%	-28%	Cyprus	-37%	--
Bulgaria	26%	-29%	Nigeria	-36%	-16%
Tanzania	23%	--	Egypt	-33%	-47%
Macedonia	19%	--	UAE	-23%	-18%

[6] MSCI country indices stated on a total return basis with dividends net of any withholding tax. We show "--" if MSCI does not have an index for a given country.

Figure 5
Frontaura Global Frontier Fund LLC
Significant Quarterly Country Mix Changes[7]
2011 Q4

Country	Percentage Point Change	Explanation
Laos	+2	New position
Zambia	- 3	Exited a position, realizing a long-term capital gain

Figure 6
Frontaura Global Frontier Fund LLC
Portfolio Concentration[8]
31 December 2011

			Change from Prior Quarter	
	Companies	Countries	Companies	Countries
Positions	50	27	0	+1
Top 5	22%	44%	- 1	- 4
Top 10	38%	65%	- 2	- 6
Top 20	60%	83%	- 5	- 8
Top 20 + US (Cash)	72%	96%	+3	0

[7] We show countries whose weighting has changed by two percentage points or more. Total may not add to 0 due to rounding and exclusion of countries changing by less than two percentage points. Note that we do not show the United States as we only hold cash there. See the Figure 3 footnote for a discussion of how we classify cash by country.
[8] We do not include the US in our country count and most of the percentage totals as we hold only cash there. Change from Prior Quarter represents the change in the number of positions and the change in percentage points for the top 5, 10, and 20 positions. The Top 20 + US row does include the US cash percentage in the percentage totals. See the Figure 3 footnote for a discussion of how we classify cash by country.