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Manager's Third Quarter Report for 2013 **October 31, 2013**

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Update on TCA's 3Q Portfolio: As of the end of the third quarter, the Fund's equity exposure increased to 56.70%, from 52.80% at the end of the 2nd quarter, despite exiting a number of positions. Europe remained the largest regional exposure at 26.41% of the Fund's portfolio, down roughly 1.5% from the 2nd quarter, due mainly to trimming back of some of the Fund's larger positions. The allocation to Asia increased by almost 4% to 14.86%, partially through appreciation, but the majority occurred through increasing current positions or adding new positions. As opposed to Europe, where several positions that approached our estimate of fair value were trimmed or sold, no positions in Asia were reduced during the quarter. The allocation to the Middle East rose slightly on performance, but there were no new purchases or sales. Africa increased marginally on our adding to the Housing Finance position and beginning to accumulate an African telecom. The Americas allocation rose through a 20% gain in the Argentine REIT IRSA and doubling the shares held in Scotia Group Jamaica.

Region	Country	Security	Shares	Market value	% of Fund	Share Holdings from Prior Quarter	Price Performance (local currency)
Europe	Hungary	EGIS RT	16,000	2,015,462	3.13%	Decrease	26.43%
	Switzerland	U-Blox	21,904	1,822,711	2.83%	No Change	23.44%
	Greece	Eurobank Properties	145,504	1,462,397	2.27%	Decrease	4.21%
	France	Ste de la Tour Eiffel	21,755	1,417,933	2.20%	Decrease	7.70%
	Hungary	Any Security Printing Co.	553,679	1,326,916	2.06%	No Change	14.32%
	Montenegro	Crnogorski Telekom	242,624	1,247,150	1.94%	No Change	5.56%
	Germany	Vib Vermoegen O.N	74,979	1,128,850	1.75%	No Change	12.99%
	Croatia	Hrvatski Telekom	36,228	1,125,494	1.75%	No Change	-1.67%
	France	Ciments Francais	15,620	1,076,743	1.67%	No Change	17.91%
	Russia	JSC ACRON	308,792	988,134	1.53%	No Change	-17.10%
	Portugal	Portucell	259,423	942,575	1.46%	Decrease	9.63%
	Estonia	Silvano Fashion Group AS	267,000	920,986	1.43%	No Change	-3.04%
	Macedonia	Komercijalna Banka AD Skopje	22,845	904,866	1.40%	No Change	-10.01%
	Serbia	Galenika-Fitofarmacija	10,257	385,840	0.60%	Increase	-1.80%
	Germany	Prime Office	64,654	247,095	0.38%	Decrease	-7.56%
	Poland	KHGM Polska Miedz	0	0	0.00%	Liquidated	
				17,013,153	26.41%		
Asia	Australia	Ardent Leisure Group	807,977	1,392,666	2.16%	No Change	7.56%
	Georgia	Bank of Georgia Holdings Plc	40,800	1,275,871	1.98%	No Change	15.69%
	China	Qingling Motors	4,054,000	1,191,738	1.85%	Increase	18.13%
	Bangladesh	Square Pharma	486,752	1,089,888	1.69%	Increase	2.76%
	Korea	Hyundai Motor Co. Ltd. - PFD	9,760	980,868	1.52%	New	1.98%
	Vietnam	Imexpharm Pharmaceutical JSC.	534,772	896,648	1.39%	No Change	4.12%
	Bangladesh	Brac Bank Ltd	2,436,275	868,922	1.35%	No Change	-7.36%
	Vietnam	Hung Vuong Corporation	721,500	751,812	1.17%	No Change	-10.33%
	Korea	Kumho Petro Chemical Co - PFD	13,940	479,307	0.74%	New	-0.09%
	Korea	Daelim Industrial Co. Ltd.-PFD	15,290	421,149	0.65%	New	6.46%
	Vietnam	Hau Giang Pharmaceutical JSC.	41,890	218,249	0.34%	No Change	26.44%
	Bangladesh	Bangladeshi Company	850	4,141	0.01%	New	21.78%
				9,571,260	14.86%		
Middle East	Oman	Oman Cement	720,950	1,484,893	2.31%	No Change	9.83%
	Qatar	Al Khaliji Bank	273,078	1,372,440	2.13%	No Change	8.28%
	Oman	Oman Refreshment	175,000	1,068,126	1.66%	No Change	6.19%
	Qatar	MASRAF AL RAYAN	135,000	1,065,926	1.65%	No Change	4.17%
				4,991,385	7.75%		
Africa	Kenya	Equity Bank Ltd	4,012,700	1,584,574	2.46%	Decrease	8.80%
	Kenya	Housing Finance Kenya	4,057,200	1,178,049	1.83%	Increase	-0.99%
	Africa	African Telecom	400	45,099	0.07%	New	-3.64%
				2,807,721	4.36%		
Americas	Argentina	IRSA Inversiones y represent. SA GDR RCTP	147,465	1,315,388	2.04%	No Change	20.05%
	Jamaica	Scotia Group Jamaica	3,979,031	819,144	1.27%	Increase	-0.84%
				2,134,532	3.31%		
			Total Equity Exposure		56.70%		

Purchases: The Fund continued to deploy its capital and invested into 5 existing positions and initiated investments in 5 new positions (see table above). The total net capital deployed during the 3rd quarter came to 4.64% of the Fund's June 30 NAV – "net capital" refers to the net result of purchases and sales.

Korean Preferred Equity: Three of the five newly added positions are preferred shares of listed Korean listed companies. The "preferred" appellation is misleading since these are in practice simply non-voting common equity that pays the same dividend as the common stock plus a formulaic additional amount. Although the additional dividend is a positive factor helping to influence the decision to buy these positions, the primary impetus for investing in these securities is the substantial discount the preferred shares trade for in relation to the common and the yield multiplier created by both the structure and the discount. As one example, the common shares of Daelim (a major Korean construction and chemical firm) trade at a P/E of 9.68 and a P/B of 0.78, while the price we can buy the "preferred shares" at creates an implied P/E of 2.96 and P/B of 0.24. Although the preferred's higher dividend still only provides a relatively mundane 1.86% yield, it is more than 3 times the common's paltry 0.56% yield; furthermore, this yield multiplier is quite dramatic. If the yield on the common stock simply rises to the industry average of 1.5% for Korean construction and energy firms due to dividend increases (as opposed to an increase due to a declining price), then the preferred's yield would rise to 5.24%. If the yield premium the preferred equity earns over the common were to narrow to 2x from 3x, whether the common's dividend is stable or increased, the preferred's share price could rise 65-70%.

Investment Rationale: The 3 preferred stocks bought for the Fund are among 148 preferred equities listed on the Korean Stock Exchange and each stock trades at a varying discount to its respective common stock, with some yielding nearly 10%. We ended up investing in this select group for 3 reasons:

1. The underlying businesses are strong and have significant cash flow which allows them to maintain or even increase their dividends; *and*

2. Their discounts to their respective common equity are significant and result in substantial discounts to the company's tangible book value, providing unusually low earnings multiples and a buffer to further price compression; *and*

3. The trading depth of these stocks is sufficient high enough so that the Fund is not adding significant liquidity risk by buying these particular counters (some of the 148 preferreds trade by appointment only).

Potential Risks: Beyond the normal corporate risk in each position (which we tried to minimize by making a thorough analysis of the underlying businesses and diversifying our purchases across three substantial companies in varied industries), the primary risk seems to be either a (i) stagnation or (ii) decrease in the underlying common dividends either of which we believe would adversely affect market interest, further widening the discount and impacting liquidity.

African Telecom: We are currently in the process of buying shares in an African telecom company which is the dominant provider in its domestic market. It is majority owned by a foreign telecom, which we believe materially reduces the risk of a reduction in its strong dividend payout. The country has a very low cell phone penetration rate by African standards providing significant scope for further growth. The company's introduction of 3G services appears to be a significant catalyst for further market penetration growth as well as market share growth. As soon as we reach our targeted holding we will provide a full report on this investment.

Subsequent Events: Subsequent to the quarter ending the Fund made a significant block purchase of a company already held in the Fund, Galenika Fitofarmacija. We had been negotiating to acquire this block for some time but only now did we agree on the price. Due to the size of this transaction (1.6% of the fund as of the date of this report, bringing the equity portion of the portfolio to over 60%) we thought it would be more transparent if we disclosed this transaction at this time rather than wait for the 4th quarter report, as we technically should. We have not changed the above chart showing our positions which shows the positions as of quarter end.

Galenika Fitofarmacija*:* "FITO" is a leading producer of plant protection products (herbicides, insecticides, fungicides etc.) based on generic active substances and located in Serbia. Its portfolio is dominated by its own brands, with a smaller component of products from global companies it co-operates with through agency, co-operation and distribution contracts. FITO generates more than 90% of its revenues in its domestic market, but it makes certain that it complies with European regulatory regulations.

Investment Rationale: The Company is a market leader (25% market share in Serbia) with high profitability (ROE of 21%), growing sales on an expanding market, no net debt, and a strong, stable operating cash flow. FITO trades at a 17% discount to book at a trailing P/E of 5.4 with dividend yield exceeding 5%.

Potential Risks: There are 4 main risks to the position:

1. 2013 has seen a marked increase in the insolvency of many Serbian agricultural businesses. The crisis may deepen, taking into account the current prices of agricultural products especially commercial wheat and corn, which in turn is likely to lead to a spike in write-offs on FITO's receivables;

2. Weakening of the Serbian dinar against the euro or dollar would lead to an increase in the price of FITO's imported raw materials but due to market constraints, it is unlikely to be able to proportionally increase its prices;

3. FITO is currently expending considerable resources in order to receive approval for the sale of four of its compounds into the EU. If these are rejected or significantly delayed, it would impede a major potential source of future growth;

4. There is a risk of a continuing absence of a catalyst in the stock market. Despite FITO's profitability, its value would remain locked in for some time due to its low liquidity.

Summary of Sales

Despite the net increase in the Fund's invested positions, the Fund also completed the total liquidation of one position (KHGM Polska Miedz) that it began selling in the 2nd quarter and reduced exposure to 6 others totaling 3.75% of the Fund's June 30 NAV. Of the six positions the Fund reduced, four had risen to prices that were at or near what we estimated to represent their fair value. We slightly trimmed our position in Equity Bank in Kenya (which was less than 4% of the Fund's holdings) during the frontier market's July surge to manage the Fund's exposure (Equity Bank is the Fund's 3rd largest equity position). The Fund also moved to exit its position in the Frankfurt-listed REIT Prime Office as Prime's board agreed to a merger we believe is disadvantageous to Prime's shareholders.

Significant Events in Current Positions:

Egis Pharmaceutical: This Hungarian company is 51% owned by Arts et Techniques du Progrès, a wholly owned subsidiary of France's Servier Group, a privately held pharmaceutical concern. During the quarter Servier offered HUF 28,000 per share for the remaining shares in the company on September 24th, an approximate 35% increase to the stock's prior day's closing price. Egis was the Fund's largest equity position at the end of the 2nd quarter and we sold a portion of its holding before quarter end to lock in the gain and reduce the Hungarian currency risk. The Fund is submitting the remaining shares to the merger offer and will receive the cash in the 4th quarter.

ANY Security Printing Company: ANY is a Hungarian document security company that specializes in producing cards (identity, bank, hotel, loyalty, public health), identification systems (identity documents, product identity, RFID), forms (lottery, election ballots), digitization of physical documents, and mobile banking (mobile wallet: MasterCard PayPass, Visa Paywave, etc.). The company's 12-month earnings increased over 21%, it continues to reduce its debt (debt-equity: 28%), and its current dividend yield exceeds 8%.

U-Blox: This company produces wireless and GPS semiconductors and registered revenue growth of 35% and 33% EBITDA growth over the previous year and introduced its first 4G LTE compatible chip. The stock has risen almost 100% year-to-date, and 23.44% on the quarter. If it continues to rise, we will likely realize some of the position to lock in the substantial profits we have made on paper.

Acron Group: This company, a vertically integrated fertilizer producer, owns a large stake in the Russian potash miner Uralkali that amounted to 40% of its equity at the end of the 2nd quarter. In last quarter's report we identified this stake as a potential risk to the position, and that risk unfortunately came to the fore during this quarter. The duopolistic cartel that Uralkali had established with Belarusian Potash Company (BPC) abruptly collapsed during the 3rd quarter, forcing investors to adjust their forecasts for potash prices and Uralkali's price fell as much as 34%, before finishing the quarter 22% lower. Moreover, Acron has embarked on an effort to develop its own potash mining operations, which is now in serious doubt given the current conditions. Acron fell 17% during the quarter.

Prime Office: Prime is a German REIT with properties located primarily in Frankfurt and Dusseldorf. The REIT went public in 2011 and subsequently its price fell dramatically to trade at a 50-60% discount to NAV, where we bought in. Its inability to maintain its debt-equity levels as required by law was threatening its REIT status. Oaktree, a large U.S. asset manager and significant owner of Prime's shares, offered to merge its OCM German Real Estate Holdings with Prime. We had closely scrutinized Prime as a potential takeover, but before we could finish our due diligence on its underlying properties, Prime agreed to merge with Oaktree. After studying the terms of this merger, we concluded that the merger only created a dilutive structure for Prime's shareholders and offered no clear catalyst to eliminating Prime's discount to NAV. Accordingly, we decided to exit this position and are almost out at the time of this report.

Share Buy-ins: As publically announced, during the third quarter the Fund exercised its authorization to buy in shares and purchased 900,000 shares for $0.80 per share.

Respectfully submitted,

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