



Frontier MFG Core Infrastructure Fund *Sub-advised by MFG Asset Management – Sydney, AU* **Institutional Class (FMGIX), Service Class (FCIVX)**

Global stocks rose over the September quarter, to mark their ninth gain in the past 10 quarters, after companies posted higher-than-expected earnings, the U.S. economy expanded briskly, the Federal Reserve reaffirmed that monetary policy would only be tightened gradually, and Japan's economy rebounded. Gains were capped when the U.S. escalated its trade war with China, U.S. bond yields rose on inflationary pressures, a higher U.S. dollar buffeted emerging markets and investors fretted about the impasse over the UK's departure from the EU.

U.S. stocks reached unprecedented heights in September as companies reported strong earnings growth and the economy hummed. Financial research and data company FactSet said that 80% of S&P 500 companies announced earnings per share for the second quarter that beat estimates – a 'beat rate' that is the highest since FactSet began tracking this measure in 2008. In September, the Fed raised the U.S. cash rate by a quarter point to between 2% and 2.25% and, as expected, signaled another five rate increases into 2020. The Fed made its eighth post-crisis rate increases on signs that the U.S. economy was growing at close to capacity. Over the three months, reports showed the U.S. economy completed nine years of consecutive growth (June 2009 to June 2018) when it expanded an annualized 4.2% in the June quarter, its fastest pace in four years. The U.S. jobless rate stayed close to the 18-year low of 3.8% set in May and consumer confidence hit an 18-year high in September (as measured by the Conference Board). Gains were capped when the U.S. and China tit-for-tat tariff enactments widened to about half their traded goods and 10-year U.S. government bond yields rose 21 basis points over the three months to 3.06% on inflation concerns.

European stocks rose after European companies posted higher-than-expected earnings, U.S. and European trade tensions eased, and Sweden's mainstream parties held off populists in elections. In July, U.S. President Donald Trump and EC President Jean-Claude Juncker met and agreed to "work together toward zero tariffs, zero non-tariff barriers, and zero subsidies on non-auto industrial goods", a statement that boosted hopes the U.S. and EU would avoid a trade war. Sweden's centrist parties did better than expected in the country's election to prevent the populist Sweden Democrats from holding a pivotal, rather than nuisance, position in negotiations to form a government, even though the mainstream parties failed to win enough support to immediately mould a coalition. Gains were capped when the EU rejected the latest withdrawal agreement offered by the UK and Italy's new populist government said it was aiming for a budget deficit of 2.4% in 2019, three times the shortfall of the previous government and in breach of EU budget requirements for indebted governments. Reports showed the eurozone and EU economies expanded 0.4% in the second quarter, the same rate as for the first quarter.

Japanese stocks rose as the economy bounced back to expand 1.9% in the June quarter, after contracting in the previous quarter, and pro-stimulus Prime Minister Shinzō Abe overcame a corruption scandal to win a third term as leader of the Liberal Democratic Party, which allows him to stay in office for three more years. In China, stocks struggled amid concerns about the trade war with the U.S. and as signs emerged the economy is cooling. Emerging markets fell as the collapse in Argentina's and Turkey's currencies presaged financial crises in these countries and Brazil's presidential election in October created uncertainty.

Mutual fund investing involves risk; principal loss is possible. The Fund's investment objectives, risks, charges, and expenses must be considered carefully before investing. The prospectus contains this and other important information about the Fund. Read the prospectus carefully before investing.

The information provided herein represents the opinion of the Fund manager and is not intended to be a forecast of future events or a guarantee of future results. Further, there is no assurance that certain securities will remain in or out of the Fund's portfolio. The Fund's top ten holdings as of the most recent quarter may be obtained at www.frontiermutualfunds.com

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The Fund recorded a negative return in U.S. dollars over the quarter.

The biggest detractor was Atlantia following the collapse of a bridge on a tolled road in Genoa. The bridge that collapsed was a tolled section of the A10 motorway that was operated under a concession contract by Autostrade per l'Italia, an 88% owned subsidiary of Atlantia of Italy. The newly formed left-right populist Italian government blamed Atlantia for being derelict in its duties to maintain the bridge. The government appears to have commenced a process that could lead to it revoking the single concession that governs Autostrade per l'Italia's toll-road network in Italy. We have removed Atlantia from the portfolio following internal analysis, including meetings with Italian legal and political experts, that led us to conclude that the range of financial outcomes that Atlantia faces is wide. Thus, we no longer believe the financial returns to shareholders are as reliable and predictable as we require of stocks held in the strategy given our central tenet of capital preservation.

Other stocks that lagged on a contributions basis included the investments in National Grid of the UK and Enbridge of Canada. National Grid lost 5.6% after upheavals in the ruling Conservative Party over how the UK might leave the EU raised the prospect of the UK having a Labour government that has said it would nationalise utilities, possibly at a price well below the prevailing market value of these stocks. Enbridge fell 10% over a quarter during which the oil and gas pipeline operator said it would spend about US\$7.1 billion (in new shares) to buy shares it doesn't own in three North American units so as to simplify its corporate structure.

The stocks that contributed the most included the investments in Grupo Aeroportuario del Sureste of Mexico and PG&E and Edison International of the U.S. Aeroportuario del Sureste rallied 21% on higher traffic numbers – passenger traffic in the company's nine Mexican airports rose 4.8% in the second quarter to 8.3 million. PG&E gained 8.1% and Edison rose 7.9% after Californian lawmakers in September passed a law that will help these utilities pay for billions of dollars of liabilities possibly incurred when power lines were blamed for fires that damaged the state last year.

We expect global monetary conditions to become less accommodative in coming years, which means long-term interest rates are likely to rise. We believe that investment markets are pricing in higher, more 'normal' levels of interest rates. This means that if interest rates increase over the medium term, we can expect the impact on asset prices to be somewhat muted because investors have already allowed for some increase in rates. We are confident that any increase in interest rates will have only a very limited impact the financial performance of the stocks in the portfolio.

Movements in stocks are in local currency.

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