



Frontier MFG Core Infrastructure Fund

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

Global infrastructure stocks outperformed global stocks during the March quarter when they rose for the fourth quarter in the past five. Global infrastructure funds outperformed after investors decided their decline over the December quarter in reaction to higher interest rates was overdone.

Global stocks, as measured by the MSCI World Index, rose for a fourth consecutive quarter during the first three months of 2017, as U.S. companies posted higher-than-expected earnings, President Donald Trump's pro-growth policies fanned optimism about the U.S. economy and mainstream parties held off populists in the elections in the Netherlands. The S&P 500 Index Total Return rose 6.07% and the STOXX Europe 600 Index rose 7.6% in USD over the quarter.

Global infrastructure stocks did even better to more than overturn their decline in the December quarter. Infrastructure stocks fell in the three months to December 31, after Trump's shock election victory sparked a jump in U.S. bond yields on talk that his pro-growth agenda would boost the U.S. economy. Infrastructure stocks are vulnerable in the short term to surges in interest rates because higher rates reduce their allure as so-called bond proxies. These are the stocks that are sought when interest rates are so low investors seek other securities with similar haven qualities to bonds.

A levelling in interest rates over the March quarter and views that infrastructure bonds are more immune to changes in interest rates over the longer term helped infrastructure stocks.

The portfolio recorded a positive return for the quarter while outperforming its benchmark. Over the quarter, an overweight to integrated power and an underweight to toll roads contributed to returns while an overweight to energy infrastructure and an underweight to water utilities contributed little. On a geographical split, overweights to the U.S. and Europe contributed to returns while an overweight to Canada and an underweight to Latin America contributed little.

Over the quarter, OHL México, Fraport of Germany, American Tower and Transurban were among the best performing investments in the portfolio. OHL México rallied 41.6% in USD on a report that its parent intends to delist the company that invests in transport infrastructure. Fraport rose 19.7% in USD after the airport operator said it expects passenger numbers at Frankfurt airport to rise 2% to 4% this year, and at least two analysts upgraded recommendations on the stock. American Tower gained 15.0% after it boosted 2017 earnings guidance on an expected US\$100 million gain in revenue and increased its quarterly distribution to 62 U.S. cents a unit. Transurban jumped 19.2% in USD after the toll-road operator lifted fiscal 2017 guidance on strong traffic, reported 11% revenue growth for the first-half of fiscal 2017, and signed a deal to extend a freeway in Virginia.

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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Over the quarter, investments in SCANA, Koninklijke Vopak of the Netherlands and Enbridge of Canada were among the negative performers in the portfolio.

SCANA fell 10.1% after Moody's Investors Service lowered the company's outlook to "negative" due to concerns that trouble surrounding the company SCANA contracted to install two nuclear reactors in the U.S. will boost the cost of the projects. Vopak tumbled 7.7% in USD after the tank terminal operator said 2017 earnings won't exceed 2016's profit ex-items. Enbridge was flat in USD after the oil pipeline network operator reported lower-than-expected adjusted earnings in the fourth quarter.

During the quarter, four new securities were added to the portfolio. These included three North American regulated utilities, two of which now meet the MAM 75% regulated earnings test, while the third is a pure-play regulated utility. The fourth company was a communication tower operator with long-term customer contracts. The security was previously excluded pending its expected conversion to a REIT structure, which occurred during the quarter. One U.S. regulated utility was removed from the portfolio as a result of a takeover.

Outlook and Strategy

The Frontier MFG Core Infrastructure Fund seeks to provide investors with attractive risk-adjusted returns from the infrastructure asset class. It does this by investing in a portfolio of listed infrastructure companies that meet our strict definition of infrastructure at discounts to their assessed intrinsic value.

We believe that infrastructure assets, with requisite earnings reliability and a linkage of earnings to inflation, offer attractive, long-term investment propositions. Furthermore, given the predictable nature of earnings and the structural linkage of those earnings to inflation, the investment returns generated by infrastructure assets are different from standard asset classes and offer investors valuable diversification when included in an investment portfolio. In the current uncertain economic and investment climate, the reliable financial performance of infrastructure investments makes them particularly attractive and an investment in listed infrastructure can be expected to reward patient investors with a three- to five-year timeframe.

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