



Frontier MFG Core Infrastructure Fund

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

Global infrastructure stocks rose for a fourth consecutive quarter in the December quarter after infrastructure companies reported healthy earnings, although they underperformed global equities because higher U.S. bond yields reduced the relative attractiveness of long-duration assets such as infrastructure stocks, and infrastructure stocks were judged as benefiting less relatively from the lower U.S. corporate tax rate. Utilities, a large subset of infrastructure, was the only one of the 11 industry classifications within the MSCI World Index that fell in U.S.-dollar terms over the quarter.

U.S. government bond yields, the benchmark for global credit markets, rose over the quarter as reports showed the U.S. economy was growing fast enough to stir inflation, even without any investment spurred by the lower corporate tax rate. Over the quarter, U.S. government two-year yields climbed from 1.48% to 1.88% while 10-year yields rose from 2.33% to 2.41%. Higher bond yields dim the appeal of infrastructure stocks, which are viewed as 'bond proxies' over the short term because, like bonds, they offer reliable income streams.

Infrastructure stocks were swept along in the general rise in shares over the quarter when global stocks set record highs as they rose for a seventh straight quarter as U.S. companies overall posted higher-than-expected earnings, the internet giants surged on strong results and their upbeat outlooks, U.S. Congress slashed the corporate tax rate, the Federal Reserve projected that it would only tighten U.S. monetary policy slowly, and the world's major economies grew in unison for the first time in about a decade. European stocks, however, slid on political uncertainty as Germany's indecisive election in September left the incumbent Christian Democratic Union of Germany party led by Chancellor Angela Merkel struggling to form a coalition government.

The Fund recorded a positive return for the quarter. On a stock level contribution basis, the best performers included investments in Aeroports de Paris of France, Aena and Abertis Infraestructuras of Spain. Aeroports de Paris surged 16% on healthy traffic numbers and speculation the French government was readying to sell its 50.6% stake in the airport operator. Aena gained 11% after the Spanish airport operator's third-quarter result showed continued strong passenger traffic growth, and the company indicated strong expected growth for the winter schedule. Abertis jumped 10% after Germany's Hochtief joined a bidding war to take over the Spanish toll-road operator, which reported a 2.4% rise in profit for the first nine months of fiscal 2017 on higher traffic. Some of the lagging stocks on a contributions basis included the investments in PG&E, PPL and Edison of the U.S.. PG&E slumped 34% amid concerns that under Californian law the electricity utility could be liable for billions of dollars of damage from bushfires in October even if it were not found to be negligent. PPL fell 18% after the U.S. energy utility reported third-quarter results that missed key estimates. Edison lost 17% on concerns its power lines might be cited as the cause of bushfires that raged over southern California in December.

MFG Asset Management expects prevailing long-term bond yields to normalise over the medium term and that the increase in bond yields will represent something of a headwind to the share price performance of long-duration investments such as infrastructure. Notwithstanding such headwinds, MFG Asset Management sees good investment opportunities within global listed infrastructure.

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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