Frontier MFG Global Equity Fund – Institutional Class (FMGEX)
Sub-advised by MFG Asset Management – Sydney, AU

Global stocks set record highs as they rose for a seventh straight quarter in the December 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. Ten of the 11 industry classifications within the MSCI World Index rose in U.S.-dollar terms over the quarter. IT and Materials were the best-performing sectors while Utilities fell.

U.S. stocks reached unprecedented heights as Amazon, Alphabet and Microsoft were among tech stocks that surged after posting better-than-expected earnings. The biggest rewriting of tax laws since 1986 lowered the corporate tax rate from 35% to 21%. The Fed in December raised the cash rate by 25 basis points to between 1.25% and 1.5% and maintained a projection of three rate increases over 2018. The Fed made its fifth post-crisis rate increase – and third for 2017 – on signs that the U.S. economy is growing at close to capacity. The third reading of GDP showed the U.S. economy expanded 3.2% over the September quarter, a pace not achieved since the first quarter of 2015, while the unemployment rate stayed at a 17-year low of 4.1% in November.

European equities struggled after Chancellor Angela Merkel's Christian Democratic Union of Germany Party was unable to form a coalition after indecisive elections in September, Italy's president in December dissolved parliament and called for elections in March that populist euro-sceptic parties are expected to do well at, and pro-independence parties won a slender majority in elections in Catalonia in December, to leave unresolved the Catalonian drive for independence from Spain.

In Asia, Japanese stocks rose after Japan's Prime Minister Shinzō Abe won a snap general election in October that signaled the country's fiscal and monetary stimulus would continue and Japan's economic expansion reached seven consecutive quarters of growth. In China, stocks rose after the Communist party's 19th congress in October cemented the leadership of Xi Jinping across all levers of the government and a report showed China's economy expanded 6.8% in the September quarter from a year earlier.

The Fund recorded a positive return for the quarter. The largest contributors to performance included the investments in Lowe's, Apple and Microsoft. Lowe's gained after announcing higher-than-expected earnings growth for the third quarter and the U.S.'s second-largest home-improvement chain was seen as a major beneficiary of lower corporate taxes because it sources all its revenue in the U.S. Apple rose after its higher-than-expected quarterly revenue and profit results showed iPhones remained popular, aided by the 10-year anniversary launch of the iPhone X, and that its services and wearables businesses are performing well. Microsoft gained after margin expansion in its server software and personal computers businesses drove quarterly earnings of 84 U.S. cents a share, a result that beat consensus and guidance. While Microsoft has

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 end may be obtained at www.frontiermutualfunds.com.

performed strongly, it remains an attractive investment proposition. Its business software products dominate in their categories and we expect Microsoft will lead the next generation of enterprise computing via its investment in cloud computing.

Over the quarter, stocks that lagged included investments in Sanofi, Oracle and eBay. Sanofi fell amid ongoing disputes regarding patent protections of its diabetes products and after third-quarter revenue missed estimates due to pressure on drug prices in the U.S. Oracle slid as guidance for next quarter's cloud-computing sales fell short of estimates. Despite lower-than-expected growth, Oracle has made significant progress transitioning to cloud computing in recent years, particularly in applications, increasing its total addressable market. eBay fell when the owner of the online auction site marginally downgraded full-year earnings-per-share guidance due to issues at its StubHub ticket-selling site.

Abnormally loose monetary policies have created distortions in asset markets, particularly in what we would call bond-proxy equities, which are sensitive to movements in longer-term interest rates. We are cautious about the outlook for these stocks. The Federal Reserve is likely to gradually increase interest rates and shrink its balance sheet as U.S. economic growth continues. The trajectory of monetary policy tightening will depend, in part, on the expected path of U.S. inflation, which remains below the Fed's 2% target, as well as other economic and political developments.

In Asia, North Korea's endeavours to advance its nuclear intercontinental ballistic missile capability could be destabilising for global equity markets should a diplomatic misstep by either party lead to an escalation in tensions. In Europe, Italy's general election in March could add to political uncertainty in the eurozone. In the U.S., President Donald Trump's protectionist rhetoric presents risks to the management of trading and political relationships, particularly if a mistake were made in relation to China.

Notwithstanding the uncertainty surrounding stock markets, we are confident about the long-term outlook for the investments selected for our portfolio and the portfolio's risk profile. The Frontier MFG Global Equity Fund remains well positioned in high-quality names and has retained exposure to the following investment themes:

•Consumer technology platforms: The leading digital platforms have tremendous opportunities to monetise new services and products (even when they are not the originator). With high switching costs and barriers to entry, their entrenched positions are unlikely to be challenged in the foreseeable future.

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•Enterprise software: Established enterprise software vendors benefit from their incumbency. They typically operate in concentrated markets with high barriers to entry, network effects, and high switching costs. The shift to cloud computing presents a significant opportunity for leading vendors to expand their addressable markets and win a greater share of total enterprise IT expenditure.
•Health Care and aging population dynamics: The Health Care sector has attractive growth tailwinds due to rising patient volumes, increasing expenditure and large unmet health care needs.
•The cashless society: There continues to be a strong secular shift from spending via cash and cheque to cashless forms of payments, such as credit cards, debit cards, electronic funds transfer and mobile payments.