



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

Global stocks hit record highs as they 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 proposed pro-growth policies fanned optimism about the U.S. economy and mainstream parties held off populists in the elections in the Netherlands.

U.S. stocks rose as companies overall reported that higher revenue had boosted earnings-per-share growth. In March, the Fed raised the U.S. cash rate by a quarter point for the third time since the 2007-09 recession (to between 0.75% and 1%). Among observations released over the quarter, were that the U.S. economy expanded at an annualized pace of 2.1% in the fourth quarter as consumer spending surged at a 3.5% rate. Others showed that the economy added 628,000 jobs in the three months to February, when the jobless rate stood at 4.7%. The S&P 500 Index Total Return rose 6.07% for the first quarter.

European stocks advanced as companies posted solid earnings growth and incumbent Dutch Prime Minister Mark Rutte thwarted a challenge from anti-EU populist Geert Wilders's Freedom Party. Reports over the quarter showed that loose monetary policy, a lower euro and an easing of fiscal austerity have perked up the eurozone economy. Reports showed the eurozone economy expanded 1.7% in 2016, consumer prices rose 1.5% in the 12 months to March and the jobless rate fell to an eight-year low of 9.6% in January. The STOXX Europe 600 Index added 7.6% in USD.

At an industry level within the benchmark, IT, Health Care and Consumer Discretionary stocks advanced the most while Energy, due to a 6% drop in the oil price, was the only sector to decline.

The portfolio recorded a positive return for the quarter where the largest contributors to performance were the investments in Apple, Facebook and Lowe's. Apple rose 24.5% over the quarter on a better-than-expected first-quarter update that showed iPhone popularity remains high as the installed base is growing at double-digit rates and the company is seeing record numbers of people switching from Android devices. Engagement with the IOS ecosystem is increasing as App store sales grew 43% in the quarter to an all-time high. Facebook increased 23.5% after fourth-quarter revenue exceeded expectations with 51% growth. Facebook's users and engagement is growing and this is being successfully monetised via advertising revenue, particularly via mobile. Lowe's climbed 16.1% after fourth-quarter results saw strong comparable store growth of 5%, driven by buoyant housing and home-improvement spending. Over the quarter, the stocks that detracted from returns included investments in Target, Tesco and Qualcomm.

Target declined 26.5% following the release of the company's fourth-quarter earnings that showed comparative sales were negative over the holiday period and the company's management announced significant downgrades to earnings expectations. This was due to implementation of a strategic initiatives that will entail resetting profitability to contend with a more competitive retail environment. Tesco fell 10.3% in local currency (and lost

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.



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9.2% in U.S. dollars) after the release of mixed trading statements from the company and the announcement of its intention to acquire UK-based food wholesaler Booker added to business complexity compared with the increased simplicity of recent years. Qualcomm slid 11.3% after Apple joined those launching legal action against the company based on claims of unfair royalty practices regarding its baseband chips.

We are cautious about the outlook for equity markets. 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. Should U.S. economic growth accelerate and inflation break out beyond the Federal Reserve's 2% target for an extended period, the Fed might need to tighten monetary policy by more than expected later in the year. In Asia, if North Korea were to dramatically advance its capability to a nuclear intercontinental ballistic missile this could be destabilising. While China appears to have control over the renminbi and capital flows, there is a risk Beijing could lose its battle to prevent a disorderly drop in the currency. In Europe, there are many questions. The upcoming French presidential election could be a seminal moment for the ongoing stability of the EU if Marine Le Pen were to be elected president. In the U.S., new President Donald Trump heightens the risks that protectionist trade policies could become more common, and there is a risk he could make a major mistake in the resetting of the U.S.'s relationship with 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.
- 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 move to a cashless society: There continues to be a strong secular shift from spending via cash and cheque to cashless forms of payments, such a credit cards, debit cards, electronic funds transfer and mobile payments. The explosion of smart and internet connected devices will accelerate this shift on a global basis.

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