



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

Global stocks hit record highs in the three months to September 30<sup>th</sup> as they rose for the sixth quarter in seven after reports showed stimulus is helping reopening economies recover from the pandemic, the Federal Reserve indicated it would keep rates low for a while yet, and tech stocks reported earnings that showed how much they have benefited from the shift to online. During the quarter, 10 of the 11 sectors rose in US-dollar terms. Consumer Discretionary (+16%) rose the most as economies reopened while Energy (-16%) was the sector that declined.

U.S. stocks set fresh record highs after readings showed the jobs market had recovered nearly half the jobs lost when the economy was closed to restrict the pandemic, Big Tech shone and the Federal Reserve moved to a flexible average inflation target by allowing inflation to exceed 2%. The Fed's shift suggested lower interest rates for longer as it indicated the central bank would not pre-emptively raise interest rates when unemployment was low so long as inflation was under control. During the quarter, reports indicated the U.S. economy was recovering from the record 31.4% annualised decline in the second quarter. Of note, a report showed the jobless rate fell to 8.4% in August and that the economy had added 10.6 million jobs since it shredded 22.2 million jobs in March and April when the jobless rate was 14.7% (compared with 3.5% in February). Big Tech CEOs survived a grilling from Congress over the alleged anti-competitive nature of their businesses as the tech icons posted healthy earnings for the second quarter. In political news, the Democratic and Republican parties held their conventions and at quarter end polls placed Democrat presidential nominee and former Vice President Joe Biden ahead of President Donald Trump in the quest for the White House.

European stocks fell as reinfection rates picked up enough for restrictions to be reimposed. Of note during the quarter was that EU leaders struck an agreement to allow the EU to sell debt on a large scale for the first time so it could install a 750-billion-euro pandemic recovery fund.

The Fund recorded a positive return for the quarter. The biggest contributors were the investments in Alibaba Group, Facebook and Starbucks. Alibaba rallied after the Chinese e-commerce giant reported revenue growth of 34% in the second quarter from a year earlier as lockdowns turned Chinese to online retail, and China's economy rebounded. Facebook rose after its 11% surge in second-quarter earnings beat expectations and the social-media company said its main site has 2.7 billion users per month. Starbucks rose after the coffee chain said its businesses in China and the U.S. were recovering well as these economies reopened.

A detractor was Novartis. Novartis fell after the health-products group refused to discuss revenue or the prospect of profits when revealing that sales for the first half rose 1%, the higher end of expectations.

The outlooks for the economy and equity markets are clouded by the ongoing threats from reinfection waves and suboptimal policy responses. Nevertheless, there has been some incremental reduction in overall risk as

---

*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](http://www.frontiermutualfunds.com).*



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

economies have adapted to COVID-19. The next three months should provide greater insight into the near-term possibility of a vaccine or effective therapeutic, either of which might be rolled out in 2021. Alternatively, the December quarter brings with it the risk of more reinfections as the northern hemisphere economies enter winter.

A V-shaped recovery, or fleeting recession, would require a quick and successful reopening supported by policymakers, with most furloughed workers returning to their pre-pandemic hours. This scenario still appears relatively unlikely.

The worst scenario is a depression, where reopening is very slow and there is a policy error, hurting employment and output. This would be the worst outcome for markets, but also appears increasingly unlikely in the near term.

The two middle scenarios are a U-shaped recovery from a recession and a prolonged and deep recession. Right now, the probabilities of each seem roughly similar, though further adaption to COVID-19, a vaccine or effective therapeutic might tilt the probabilities to the former.

Due to a slight reduction in COVID-19-related risks, we reduced the cash position in the strategy incrementally from approximately 15% to approximately 12% over the September quarter.

Even amid the uncertainty hovering over stock markets, we are confident about the long-term outlook for the investments selected for our portfolio and the portfolio's risk profile. Many of the stocks in the portfolio benefit from having a stronghold on the enterprise software market, being leading digital platforms, the shift to a cashless society, consumption growth in China, resilient demand given the essential nature of their services or the dynamics of ageing populations.

*Index movements and stock contributors/detractors are based in local currency terms unless stated otherwise.*

---

*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](http://www.frontiermutualfunds.com).*