



Frontier MFG Select Infrastructure Fund An important update

The following seeks to explain how we view the covid-19 crisis. While the situation is fluid, we can see that the lockdown of communities is hurting many companies including some that we invest in. This has prompted us to increase the defensiveness of the Global Listed Infrastructure strategy by reducing our weighting to airports and toll roads and increasing cash in the strategy from approximately 4% to approximately 15%.

Our investment universe comprises regulated utilities (water, gas and electricity) and infrastructure companies (toll roads, airports, communications infrastructure, energy infrastructure and rail). Overall, the health emergency has impacted infrastructure businesses harder than utilities.

Regulated utilities might face some short-term declines in earnings but we do not expect significant changes to their long-term earnings outlooks. Their earnings are highly defensive and regulators generally allow for losses due to issues outside of the control of the regulated utility to be recovered over the near to medium term.

Within our infrastructure universe, the airports and toll roads segments face significant short-term declines in patronage. Airports and toll roads provide essential services and the demand for the services will return over time. However, the duration of the lockout and any following economic downturn will be key to how these companies recover. We have allowed for a significant drop in passenger movements and car trips in our forecasts and assess that our companies have sufficient cash flow and liquidity to manage through the economic downturn. While we expect that some of these companies will reduce their dividends in the short term, our experience of previous demand shocks in the transport industry gives us confidence that the demand for transport will recover over the longer term, which will lead to resilient earnings and dividends.

The strategy has investments in U.S. rail companies which are likely to experience a drop in volumes across their networks. The U.S. rail businesses are diversified across a range of segments and we would expect volume losses due to interruptions to supply and economic decline to be recouped as the U.S. economy recovers. Similar to above, we have appraised the financial strength of these companies to be able to withstand a U.S. recession.

While the pace of development of the infrastructure networks of telecommunications infrastructure companies might slow, we expect the earnings of these companies to be highly defensive in response to this crisis. The demand for data across mobile telephony and the internet will grow and continued investment in telecommunications infrastructure is necessary for this demand to be satisfied.

The energy infrastructure companies in the strategy generate earnings by storing oil, gas and chemicals or transporting oil and gas across their pipeline networks. These companies have limited exposure to changes in the oil price and, while the revenues they earn from transporting oil and gas can change with movements in volumes, underwritten 'take or pay volumes' usually account for the majority of revenues so we assess their exposure to volume decreases as low. If the customers of these businesses have solvency issues then this could cause problems, but access to energy infrastructure services is essential to their ability to earn revenues (i.e. it's non-discretionary spend to the extent they remain operating). Importantly, we note that the overwhelming bulk of customers these companies serve are investment-grade credit quality. We thus believe the energy infrastructure companies are well placed to cope with the economic consequences of the virus.



Frontier Funds

We are confident that the underlying businesses that we have included in our defined universe and in our investment strategy will prove resilient over the longer term. We regard the businesses that we invest in to be of high quality and, while short-term movements in share prices reflect issues of the day, we expect that share prices in the longer term will reflect the underlying cash flows leading to investment returns consistent with our expectations.

We understand that communications with investors and advisers are important to enable you to understand and explain the issues to your clients. We are working to thoughtfully consider and manage our investment portfolios in a proactive manner. We understand that clients are concerned by the state of the world. Please rest assured that we are focused on the task at hand.

Please keep safe and best wishes,

**Gerald Stack,
Head of 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.

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