

Frontier MFG Select Infrastructure Fund Institutional Class (FMSIX), Service Class (FMSSX) *Sub-advised by MFG Asset Management – Sydney, AU*



Quarterly Commentary, June 30, 2021

Global stocks soared to record highs as they rose for the ninth quarter in 10 during the three months ending June 30, 2021, after investors backed that vaccines and more government spending would drive economies, dismissed an acceleration in inflation as transitory, and thus believed statements from central banks they would keep monetary policy loose. During the quarter, 10 of the 11 sectors rose in US-dollar terms. Information Technology (+12%) climbed the most on healthy earnings while Utilities (-0.7%) declined on concerns that longer-term bond yields might rise.

U.S. stocks gained as companies, especially tech ones and the banks, reported healthy earnings reports for the first quarter, the administration of President Joe Biden announced plans for another US\$4 trillion in spending (that Congress is still to approve), consumers spent as they grew in confidence, and, by the White House count, 67% of adults have received one vaccine dose. Reports, however, on inflation provoked spasmodic caution. Consumer inflation rose 5.0% in the 12 months ending May 31, 2021, the fastest pace since 2008, while producer prices surged 6.6% in the year ending May 31st. These reports fanned talk the U.S. Federal Reserve might rethink its loose monetary policy. A Fed survey of its policymakers show they had brought forward their expectations of when they would sanction a higher U.S. cash rate. They (as represented by their median forecast) now expect to approve two increases in the cash rate from close to 0% by the end of 2023.

European stocks rose as countries relaxed pandemic restrictions as vaccine programs rolled out and the European Central Bank said it would keep aggressive monetary stimulus in place, though gains were limited by news that an ever-more debt-heavy eurozone economy is contracting. A report showed the eurozone economy shrank 0.3% in the March quarter, which followed a contraction of 0.6% in the December quarter. Another report showed government debt stood at 98% of eurozone GDP at the end of December.

The Fund recorded a positive return in the June quarter when Utilities was the only sector of 11 in the MSCI World Index to decline in U.S. dollars. The stocks that contributed the most were the investments in Crown Castle International of the U.S., American Tower Corp and Transurban of Australia. Crown Castle gained as the owner of 40,000 communications towers and more than 80,000 small cell sites in the U.S. reported solid organic revenue growth of 6.3% for the first quarter, and raised earnings forecasts for the full year due to strong rental revenue and lower borrowing costs. American Tower rose after the company that provides co-location space to wireless carriers across its more than 186,000 communication sites globally announced decent first-quarter earnings and lifted full-year guidance on increased tower use. Transurban climbed after the operator of 21 toll roads in Australia, the U.S. and Canada said that traffic had rebounded to pre-COVID-19 levels in areas where pandemic restrictions had been lifted.

The stocks that detracted the most were the investments in Eversource Energy and WEC Energy of the U.S. and Sydney Airport. Eversource Energy fell after the Connecticut Public Utility Regulatory Authority slammed the utility that through subsidiaries offers electricity, natural gas and water services for its preparation for and response to Tropical Storm Isaias that hit in 2020. In a politically charged decision, the authority found that Eversource did not satisfy relevant performance standards, ordered an indefinite reduction of 90 basis points to subsidiary Connecticut Light & Power's authorized return on equity, ordered the opening of a regulatory docket to consider issuing civil penalties against the subsidiary and foreshadowed the disallowance of certain costs that the authority asserts were imprudently incurred were Eversource to seek recovery. Eversource has indicated it will appeal these findings. WEC Energy, which

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provides electricity and gas across four Midwest states, slid on concerns that utilities were most vulnerable to any rise in interest rates. Sydney Airport declined as Sydney entered its only second city-wide lockdown since the pandemic struck in early 2020.

The Fund outperformed the S&P Global Infrastructure Total Return Index over the quarter despite a strong performance from oil-price-sensitive stocks (that we do not consider infrastructure) because strong performance from communications, toll roads and European utilities more than offset the weakness in U.S. utilities.

Notwithstanding our expectations for greater volatility in the short to medium term driven by the COVID-19 crisis and potential interest rate volatility, 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.

The strategy seeks to provide investors with attractive risk-adjusted returns from infrastructure securities. It does this by investing in a portfolio of listed infrastructure companies that meet our strict definition of infrastructure at discounts to their assessed intrinsic value. We believe that infrastructure assets, with requisite earnings reliability and a linkage of earnings to inflation, offer attractive, long-term investment propositions. Furthermore, given the resilient nature of earnings and the structural linkage of those earnings to inflation, investment returns generated by infrastructure stocks are different from standard asset classes and offer investors diversification when included in an investment portfolio. In the current uncertain economic and investment climate, the reliable financial performance of infrastructure investments makes them attractive, and an investment in listed infrastructure can be expected to reward patient investors with a long-term time frame.

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

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