2Q 2025

The Download

Frontier is strategically positioned for this environment.

FRONTIER ASSET MANAGEMENT

What a difference 90 days makes

Frontier is strategically positioned for this environment

Coming into 2025, investors couldn't have been more bullish. Whether you measure it by allocations to equities or investor sentiment – by both ideals – investors were about as bullish as ever.

With a clear trend driven by indexing and the Mag 7, many investors are inordinately positioned toward U.S. large cap stocks.

What a difference 90 days makes.

When trends break, the environment changes, and there is often a change in leadership in the market. Almost all the factors of Frontier's differentiated positioning are in favor of this environment.

POST-COVID ENVIRONMENT What was popular	**WHAT'S WORKING NOW** Frontier's position
• Risk on	• Risk management
• Indexing	• Diversification
• Large cap growth	• Active management
• Domestic	• Value > growth
• Proprietary products	• International > domestic
	• Independent thinking

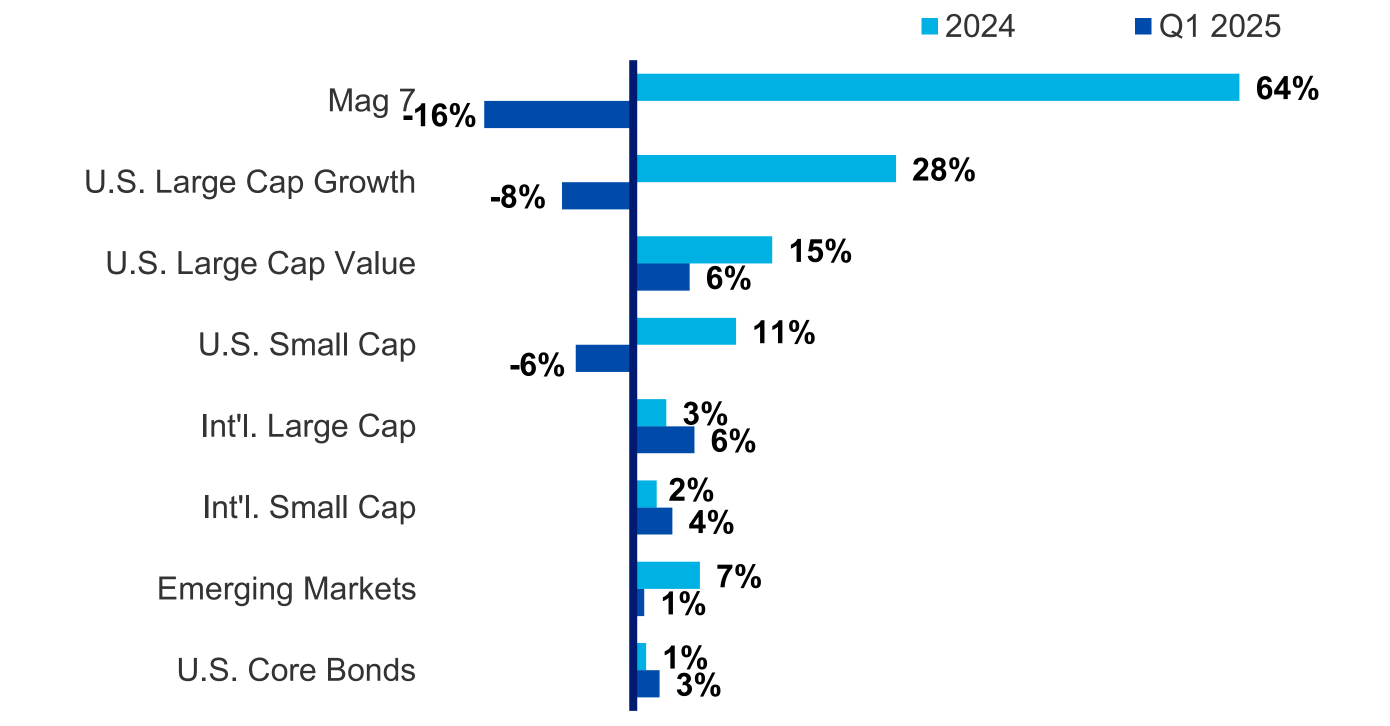
Opposite day

2024 vs 1Q 2025

In 2024 (and over the past 10 years), there has basically only been one way to perform well: to hold more U.S. large-cap growth stocks.

However, leadership appears to have dramatically changed. And, as usual, it was those assets with the worst past performance that provided safety and return this quarter.

2024 RETURNS VS. YTD MARCH 31, 2025



All figures as of March 31, 2025. Source: Morningstar. Mag 7 = Roundhill Magnificent Seven ETF; U.S. Large Cap Growth = Morningstar US Large Growth TR USD Index; U.S. Large Cap Value = Morningstar US Large Value TR USD Index; U.S. Small Cap = Morningstar US Small TR USD Index; Int'l. Large Cap = Morningstar DM xNA NR USD Index; Int'l. Small Cap = Morningstar DM xUS Small Cap NR USD Index; Emerg. Mkt = Morningstar EM NR USD Index; U.S. Core Bonds = Morningstar US Core Bd TR USD Index.

What changed: Tariffs

ECON 101

When a tariff is instituted, prices rise in the marketplace by the amount of the tariff.

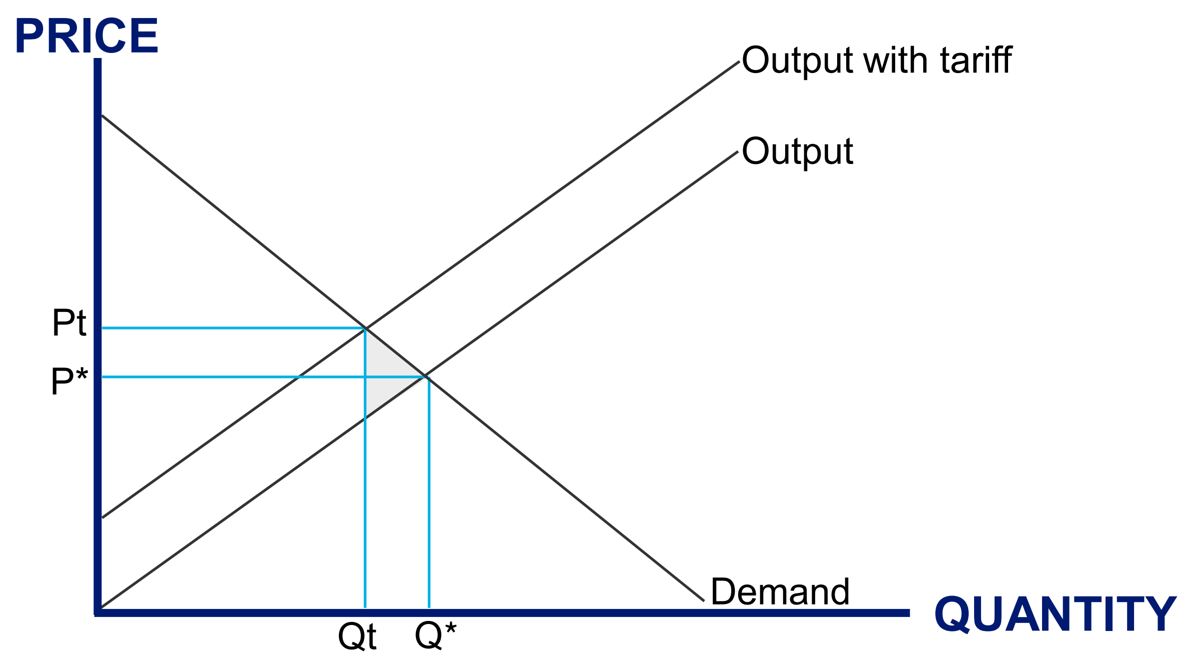
This causes consumers to demand less, which leads to producers adjusting output down.

The marketplace is left with higher prices and less output.

Second-order effects: Asset price declines also lead to less Gross Domestic Product (GDP). Weak U.S. sentiment can lead to fewer exports, which is to the detriment of U.S. manufacturing. The longer tariffs stay in place, the lower GDP becomes.

Lower GDP leads to lower tax revenue – exasperating the deficit problem.

TARIFFS LEAVE AN ECONOMY WITH HIGHER PRICES AND LESS GDP

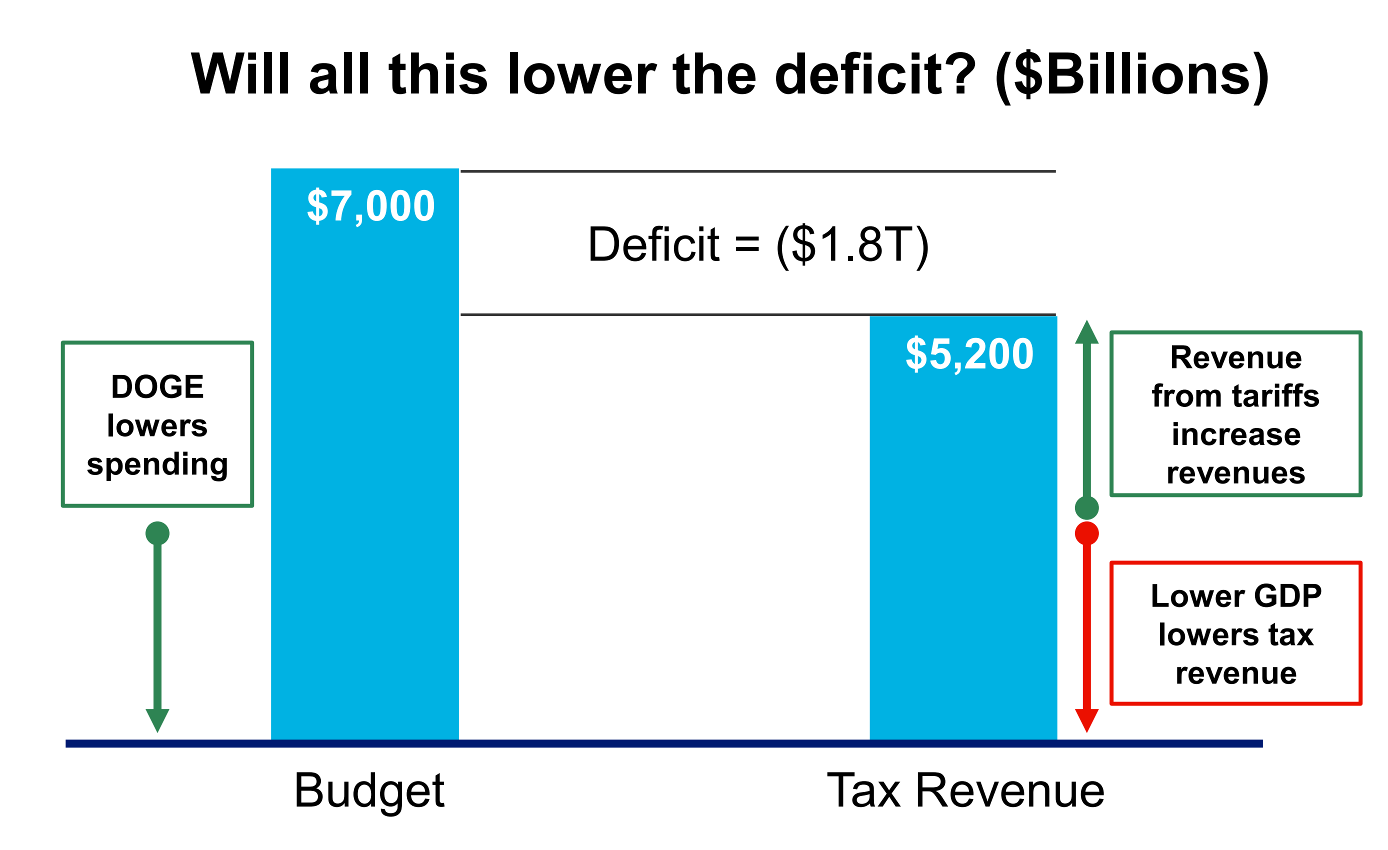


The budget in focus

The budget has come to the forefront of investors' concerns and of the U.S. government's policy goals.

To lower government debt burdens, the current administration is focused on reducing spending through its DOGE initiatives. On the other side of the equation, tariffs are expected to raise revenues. However, it's not known to what degree tax revenues could decline due to expected lower GDP.

Clearly, this is a tricky equation if the goal is to extend the 2016 tax cuts that expire this year. The lynchpin here is GDP. Too much DOGE, unintended consequences from a trade war, and falling asset prices could all conspire to lower GDP and, thus, tax revenue.



Source: Congressional Budget Office. The Budget and Economic Outlook (2025-2035). Data as of January 6, 2025.

What has changed: Recession risk?

The capital markets lead the economy, not the other way around. This is because capital markets are priced instantaneously by millions of individuals who are all making assessments about the future in real time.

If the stock market is performing well, then the economy will be strong.

If the stock market is losing money, then it's almost impossible to have a good economy.

The market is down because investors see a myriad of new risks.

Under conditions of asset price and economic contraction, it's very difficult to experience sustained inflation.

However, opinions are wildly split on how the economy is likely to perform from here.

1st Quarter GDP Battle of the Feds

Philadelphia Fed Professional Forecasters: 2.5%

VS.

Atlanta Fed Gold Adj. GDPNow: -0.3%

- **Asset price declines**
- **Tariffs: Higher prices/less purchases**
- **Government spending cuts: Less stimulus**
- **Global buyers strike: Less exports**
- **Layoffs + Immigration: Less workers/spending**
- **Greater unpredictability: Less investment**
- **Real estate grinding to a halt**

Source: Atlanta Fed GDPNow.

Buy low, sell high

Skating to where the puck is going to be

Past performance is not indicative of future returns, and in many cases, it is quite the opposite. Often, it's those investments that are being indiscriminately sold today that will likely become tomorrow's winners.

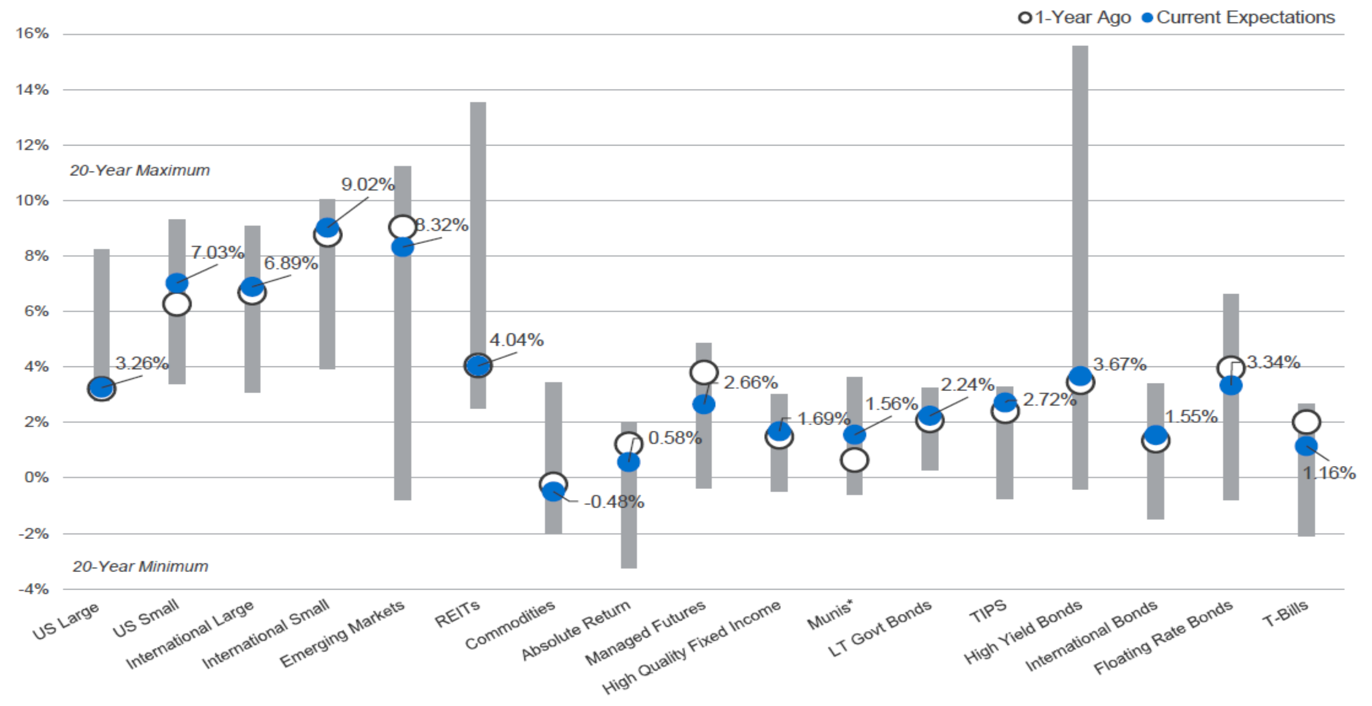
A material driver of the dollars flowing into the S&P 500® Index and the Magnificent 7 over the last decade came from other investments being indiscriminately sold. Understanding this, you can quickly see what an opportunity this creates.

From this point forward, Frontier expects small stocks and international stocks to outperform the S&P 500 Index by a wide margin (in some cases nearly double the expected return). These high expected returns are almost too good to pass up. Rarely are we offered this sort of opportunity.

All the while, we are maintaining reduced risk postures in our strategies.

FRONTIER'S ASSET CLASS "REAL" EXPECTED RETURNS: APRIL 1, 2025

Rarely do we see differences in expected returns of this magnitude



All figures as of March 31, 2025, unless otherwise stated. Source: Frontier Asset Management

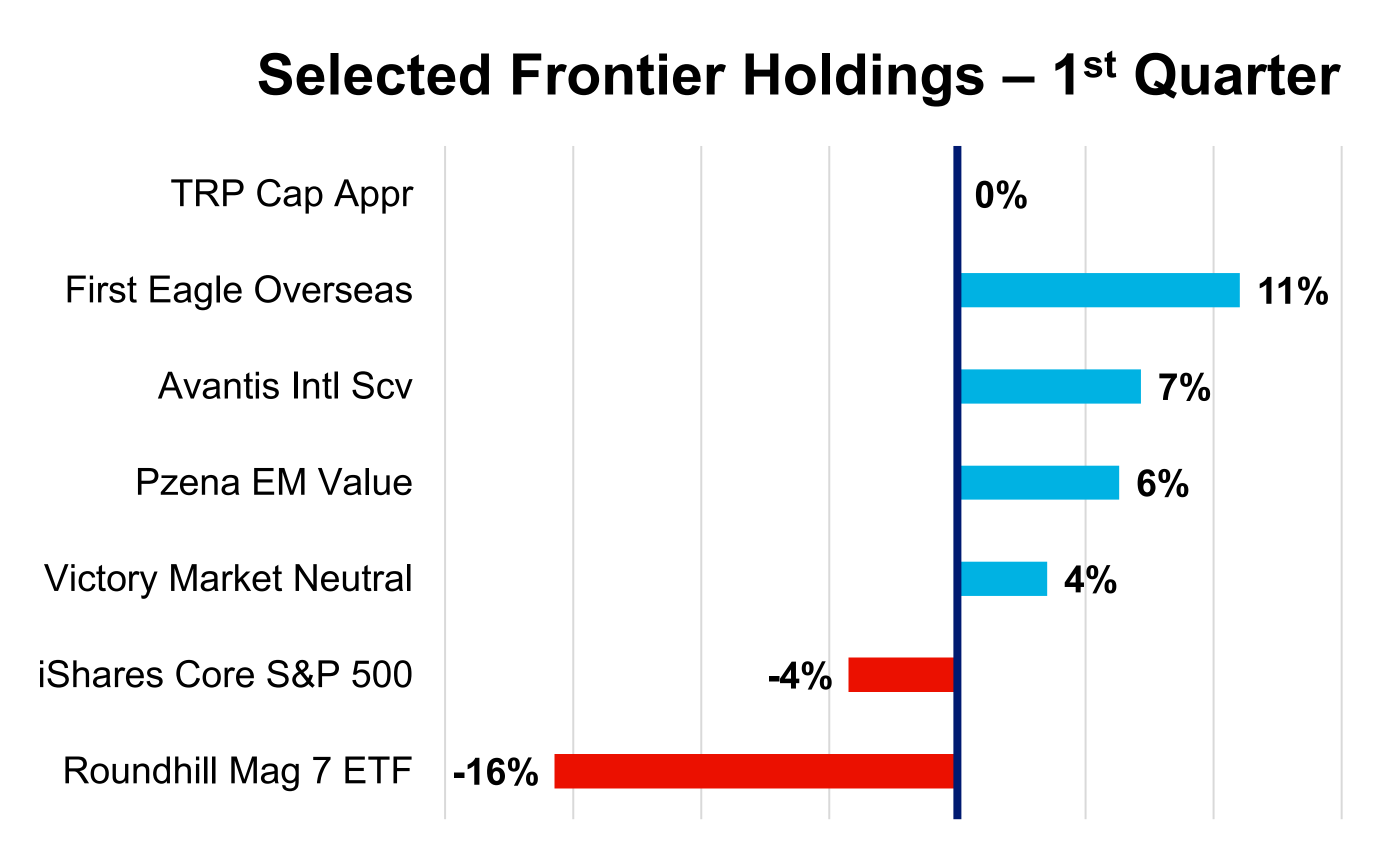
For illustrative purposes only. Expected Returns are hypothetical in nature and are not a guarantee of future performance. Any estimate or similar predications of returns are based on assumptions and assessments made by Frontier that it considers reasonable under the circumstances. Frontier Asset Management calculates capital market assumptions at least monthly and sometimes more frequently if markets are exhibiting significant volatility. All data is represented on an annualized basis. Each asset class is associated with a unique expected time horizon, determined by the investment's duration. Volatility and correlations are forecasted for a period of one year that includes inflation. While Frontier believes that these assumptions are reasonable, there can be no assurance that the results will be obtained. *Full 20-year expected return data is not available.

Active managers shine

We believe that the current market conditions of index popularity and an extreme focus in just a few securities is a fertile environment for active management to shine.

As the prevailing trend has come under pressure this quarter, it's confirmation of our process that active managers are shining once again.

Several Frontier holdings are experiencing differentiated positive returns in this market environment.



Source: Frontier Asset Management. Data as of March 31, 2025.

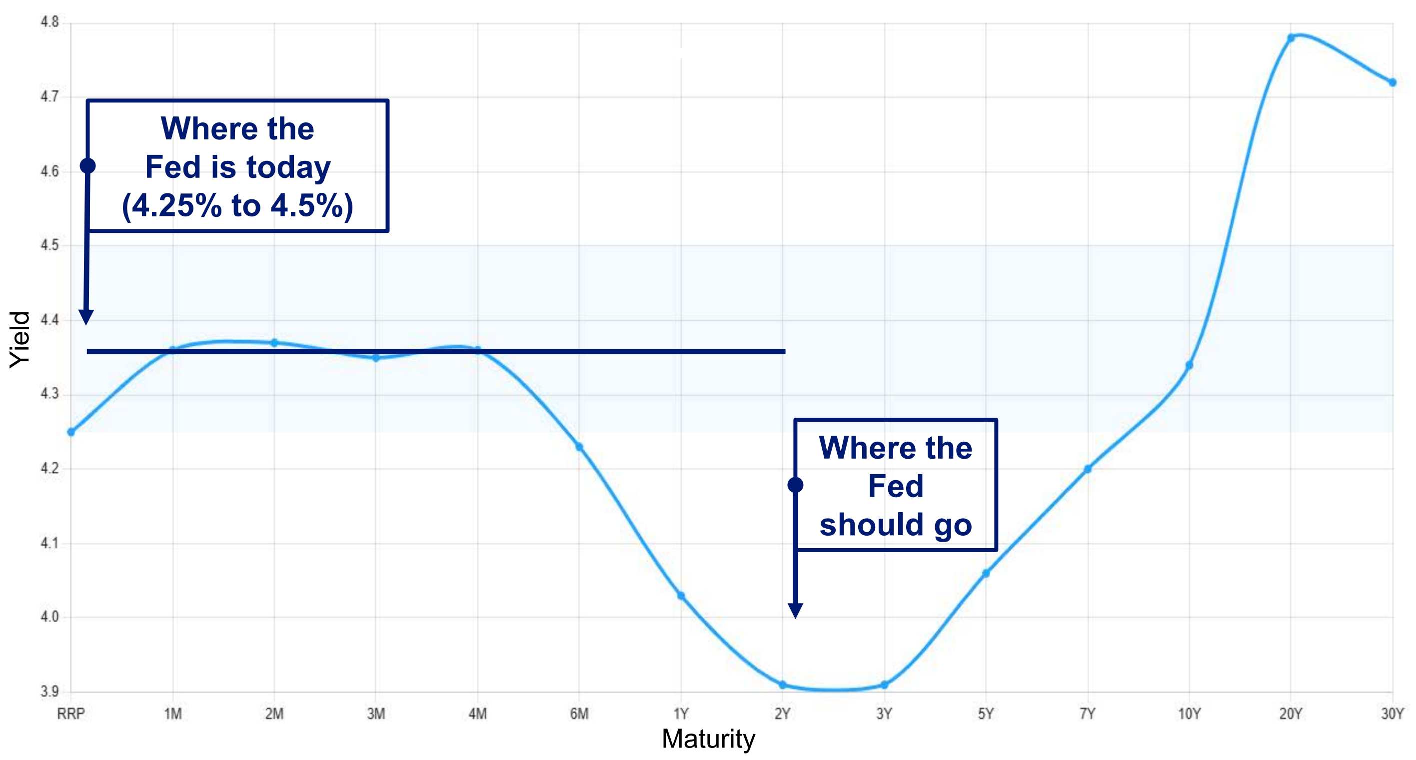
The Fed will likely cut rates

Market perception is that the Fed is paralyzed between the inflation pressure of tariffs, and the deflation pressure of falling GDP and asset prices. If tariffs lead to a trade war, then prices could spiral upwards but, it’s clear that asset prices and the economy do not like tariffs. The downside of tariffs is falling asset prices and less GDP, and it is this deflationary force that usually wins the day. The Fed has always followed the market and cut rates in times of stress.

The market pricing of two-year notes likely believes this as well, as a current yield of 3.9% implies that the Fed should cut rates by 0.50% this year. If asset prices continue to deteriorate, it would not be beyond expectations for the Fed to deliver a surprise rate cut.

When the Fed cuts rates into a weak economy, market derived bond yield generally fall. This should be a positive driver for duration-based bonds. However, with such a heightened focus on U.S. government debt, it could be called into question whether treasury bonds will provide their historic hedge value.

U.S. TREASURY YIELD CURVE | APRIL 9, 2025



Source: U.S. Treasury Yield Curve. Data as of April 9, 2025.

Bond positioning: Shorter-term yield

Frontier's bond positioning continues to favor short and corporate exposure, implemented with flexible actively-managed funds.

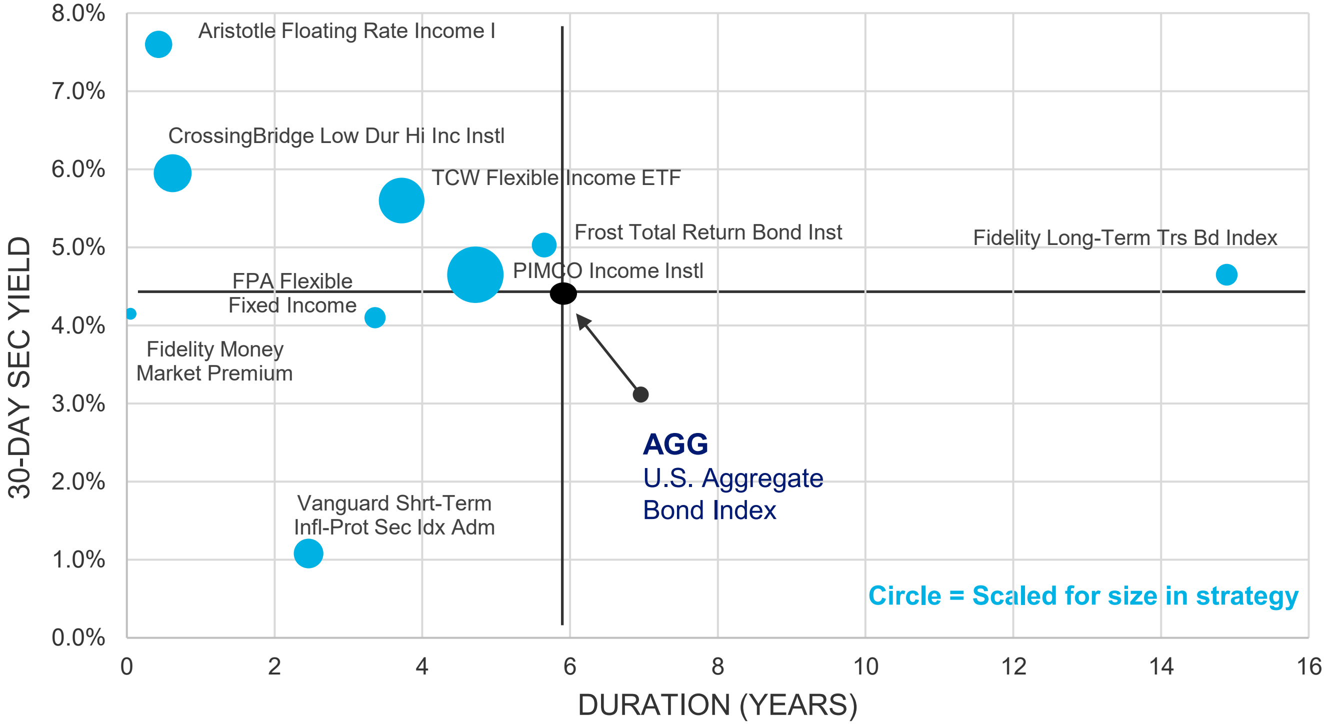
This position has benefited Frontier strategies greatly during this higher for longer environment.

While the Fed has cut short-term rates, income opportunities still exist due to what appears to be a Fed on hold.

The yield curve remains flat as the market seems to believe that the Fed is stuck between possible slowing economy and higher prices due to tariffs.

If the Fed is hamstrung, then income should prevail over duration. As always though, Frontier is diversified across income, duration, and flexible managers that can adjust to a changing market environment.

CONSERVATIVE INCOME STRATEGY FIXED INCOME FUNDS



Source: Frontier Asset Management. Data as of March 31, 2025.

Key takeaways & parting thoughts

As in the first quarter, we expect that that risk management, diversification, and active management to continue to be material contributors to portfolio performance.

Large scale changes in government policies are driving volatility, which would imply that investors should continue to value risk management over “keeping up”.

We believe that at points of change like this, holding what is valuable vs. what is popular is not only a low-risk strategy, but one that should produce higher returns.

With indexes being the major holder of what is popular, it appears that active management should be advantaged in this environment.

With the Fed stuck in a holding pattern between inflation from tariffs and GDP declines from asset prices, short-term yield may remain the preferred bond position.

JIM SIMMONS
Founder, Renaissance Technologies

1. Don’t run with the pack. Try to do something original.
2. Partner with wonderful people.
3. Mathematics is beautiful and is a wonderful aesthetic to follow.
4. Don’t give up too soon. Worthwhile investments can take time to come to fruition, you ought to have patience.
5. Hope for good luck.

Jim Simmons

Source: Investment Books (Dhaval) @InvestmentBook1.

Important Disclosure Information

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GLOSSARY OF INDICES:

- **S&P 500 Index:** Tracks the stock performance of 500 leading companies listed on stock exchanges in the United States.
- **U.S. Large Cap Growth:** Morningstar US Large Growth TR USD Index = Measures the large-cap growth segment of the US equity market, with no overlapping constituents across styles.
- **U.S. Large Cap Core**: Morningstar US Large TR USD Index = Measures the performance of large-cap US stocks, specifically the top 70% of the investable universe by market capitalization.
- **U.S. Large Cap Value:** Morningstar US Large Value TR USD Index = Designed to provide consistent representation of the value segment of the US equity market, with no overlapping constituents across styles
- **U.S. Small Cap:** Morningstar US Small TR USD Index = Measures the performance of small-cap stocks in the U.S.
- **International Large Cap:** Morningstar DM xNA NR USD Index = Measures the performance of large- and mid-cap stocks in developed markets outside of North America, representing the top 85% of the investable universe by float-adjusted market capitalization.
- **International Small Cap:** Morningstar DM xUS Small Cap NR USD Index = Measures the performance of small-cap stocks in developed markets around the world, excluding the U.S.
- **Emerging Markets:** Morningstar EM NR USD Index = Measures the performance of large-, mid- and small-cap stocks in emerging markets around the world, representing the top 97% of the investable universe by market capitalization.
- **US Core Bonds:** Morningstar US Core Bd TR USD Index = Measures the performance of fixed-rate, investment-grade USD-denominated securities with maturities greater than one year.

Frontier provides model strategies to various investment advisory firms and does not manage those models on a discretionary basis. The performance and holdings of model strategies may vary from strategies managed by Frontier.

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