3Q 2025

The Download

A return to fundamentals

FRONTIER
ASSET MANAGEMENT

2025: New leadership persists

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 of indexing and the Mag 7, many investors are inordinately positioned toward U.S. large cap stocks.

While we have seen the Mag 7, tech stocks and the S&P 500® Index experience a dip and recovery this year, assets such as international stocks continue to outperform.

We believe that the conditions for the outperformance of non-S&P 500 equity assets remain intact.

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

Opposite day...again.

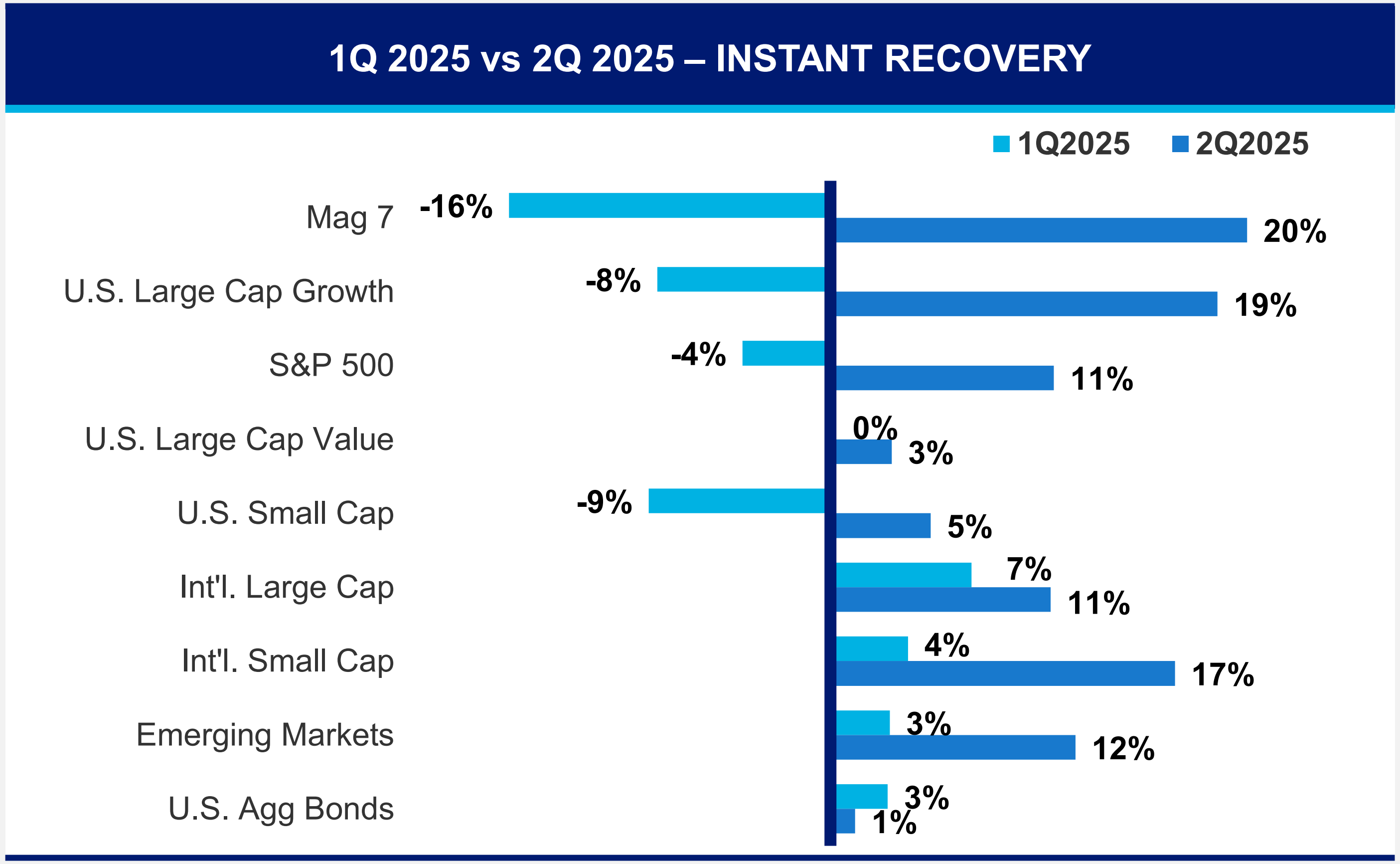
1Q 2025 vs 2Q 2025

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

However, leadership appears to have dramatically changed. Year-to-date, international stocks have far outperformed domestic equities.

In the second quarter, as investors digested the tariff shock or tariff not – depending on the day – the crowd ran back to their trusted Mag 7. Blink and you would have missed it.

Uniquely though, this time around international stocks continued to outperform the S&P 500 Index.



All figures as of June 30, 2025. Source: Morningstar. Mag 7 = Roundhill Magnificent Seven ETF; U.S Large Cap Growth Stocks = S&P 500® Growth Index; S&P 500 = S&P 500® Index; U.S. Large Cap Value Stocks = S&P 500® Value Index; U.S. Small Cap Stocks = S&P 600 Index; Int'l Large Cap Stocks = MSCI EAFE Net Index; Int'l Small Cap Stocks = MSCI EAFE Small Cap Index; Emerging Market Stocks = MSCI Emerging Markets Net Index; U.S. Aggregate Bonds = Bloomberg U.S. Aggregate Bond Index.

The economy

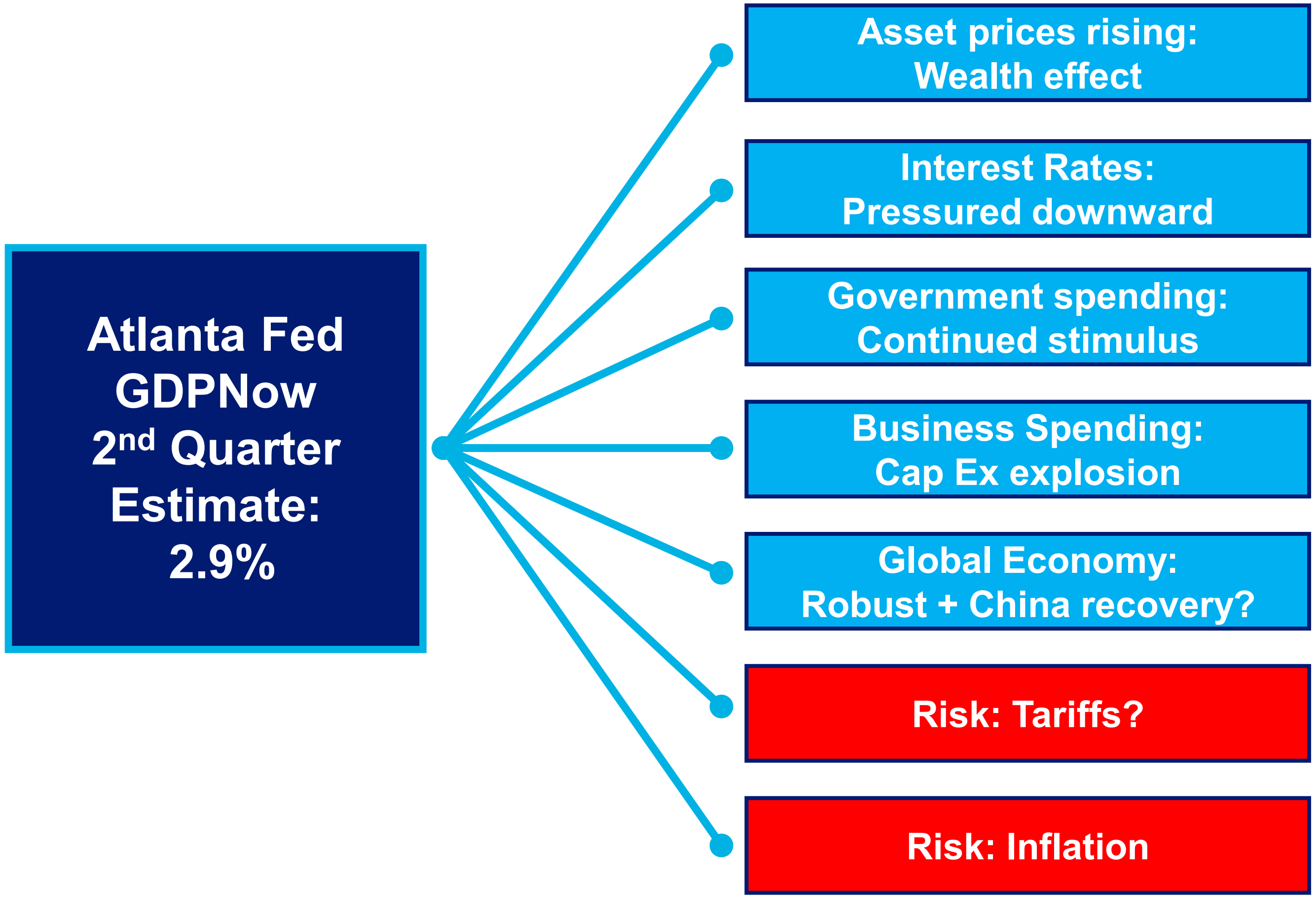
Asset prices drive the economy

ECONOMY SHOULD REMAIN STRONG:

- Asset prices are up – the real wealth effect should continue to drive a virtuous tailwind for consumers and businesses.

RISKS:

- Tariffs are a giant question mark.
- Biggest risk – If interest rates were to rise, and/or if the stock market were to fall. What would most likely cause this? Unexpected inflation. Is that likely? Hard to tell.



Source: Atlanta Fed GDPNow.

S&P 500 Index remains overvalued

Earnings growth slowed, but prices remain high.

While the S&P 500 Index returns to all-time highs, the current run rate of earning implies that the 12-month earnings growth rate was just 5%. This is far below the 5-year average earnings growth rate of 12.7%

For 2026, analysts are projecting earnings growth of 13.8%. Is this too optimistic?

“Priced to perfection” implies that the stock market has already fully priced in the most optimistic case for earnings and then some.

This also implies that only small deviations from a narrow perfect outcome could result in sudden downward adjustments in prices.

A buy low approach would look to add assets with low prices where earnings expectations can improve; the opposite of this situation.

S&P 500 FORWARD 12-MO. EPS vs PRICE (LIGHT BLUE)
10-YEARS ENDING JUNE 27, 2025

Source: FactSet “Earnings Insight.” Data as of June 27 2025.

FRONTIER ASSET MANAGEMENT

U.S. dollar implications

Domestic vs. international stock leadership

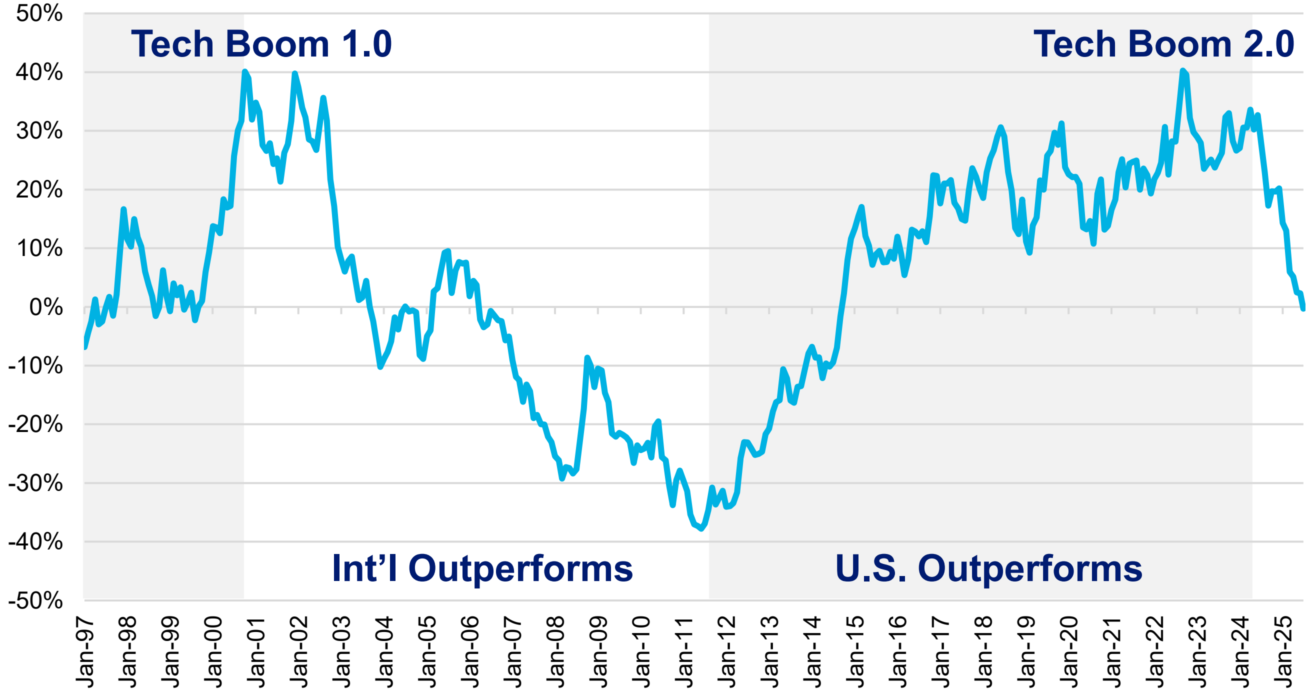
Dollar strength tends to coincide with U.S. stock leadership, and international stocks become worth less in dollar terms.

Dollar weakness makes international investments more attractive in dollar terms and tends to coincide with international stock leadership.

Currencies tend to experience long-term sweeping trends. All the while, most international stock markets appear to be performing well despite these currency shifts.

Why is the dollar weaker? Best guess is foreign investors have less confidence in U.S. capital markets. Whether it be tariffs, valuations, or fiscal responsibility, foreigners may see our position differently than we do.

U.S. DOLLAR (DXY) ROLLING 10-YEAR RETURN



Source: Yahoo Finance, Frontier Asset Management, LLC

A Fed under pressure

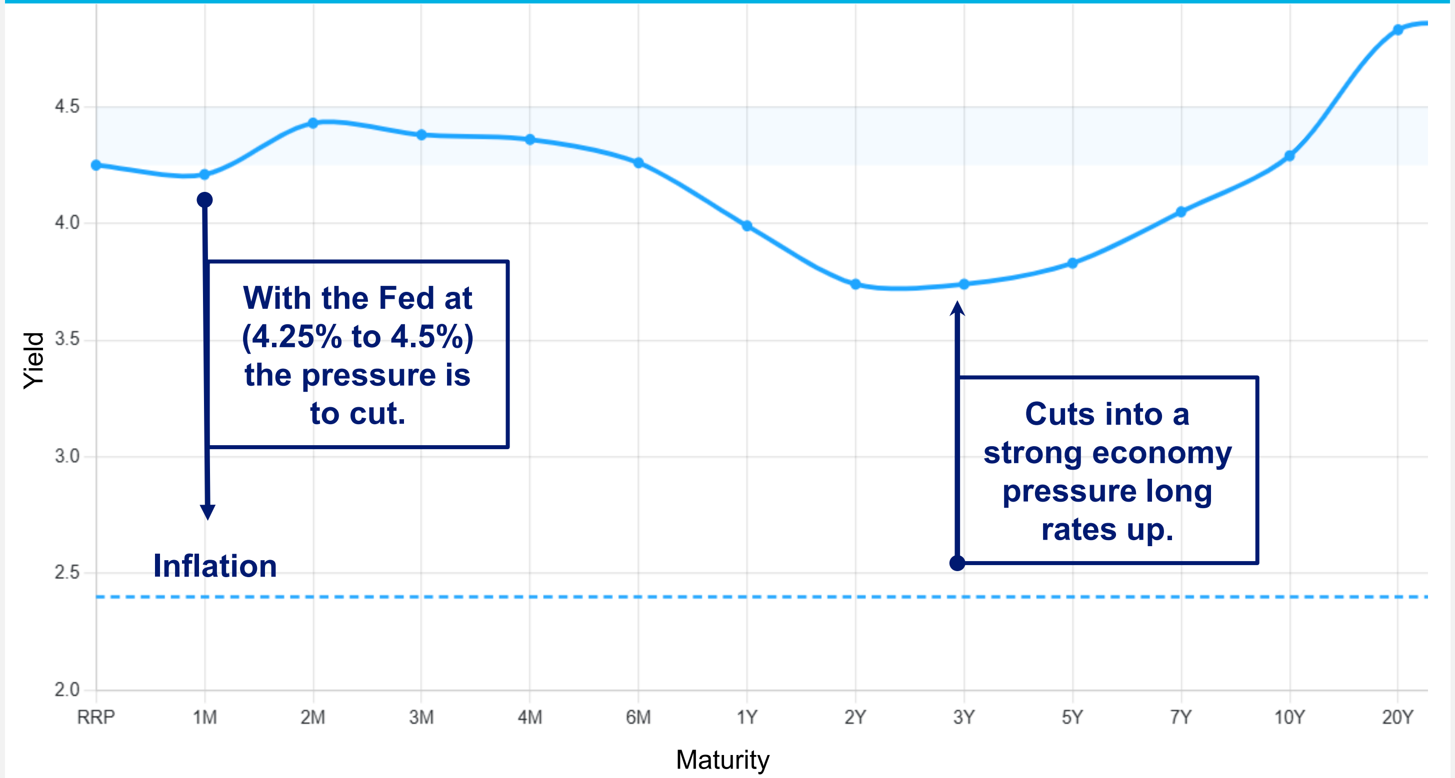
With inflation approaching the Fed's 2% target, the Fed appears out of sync leaving the Fed Funds Rate at 4.25%.

Furthermore, U.S. Fed policy is also out of sync with the rest of the world, as Europe and China continue to cut rates.

However, tariffs are still looming, the dollar is weak (import inflation), global trade policies remain restrictive, and the Big Beautiful Bill appears expansionary.

If the Fed cuts rates into a strong economy and rising asset prices, long-dated interest rates could rise, negating any interest rate relief.

U.S. TREASURY YIELD CURVE
DATA AS OF JUNE 25, 2025



Buy low, sell high

Skating to where the puck is going to be

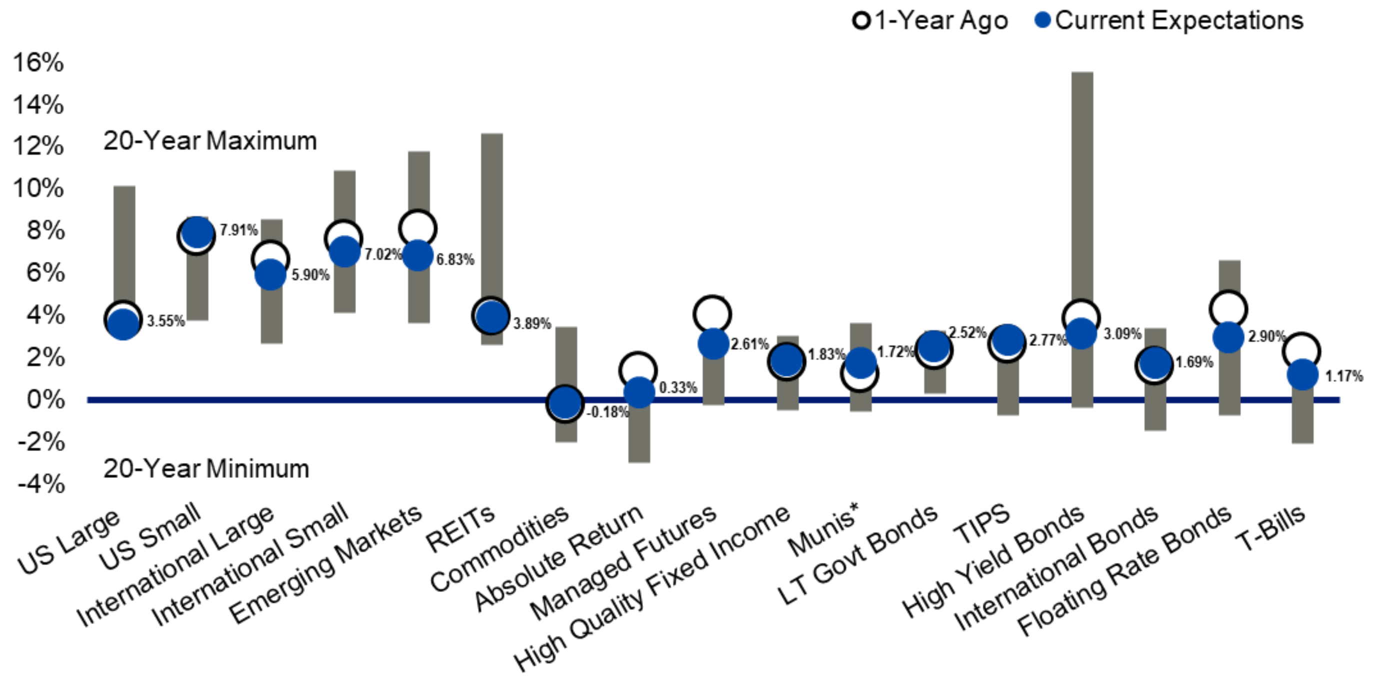
Past performance is not indicative of future returns, and in many cases, it is quite the opposite. Often, it's those investments that are being indiscriminately sold today that will likely become tomorrow's winners.

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.

FRONTIER'S ASSET CLASS "REAL" EXPECTED RETURNS | JULY 1, 2025

Rarely do we see differences in expected returns of this magnitude



All figures as of July 1, 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.

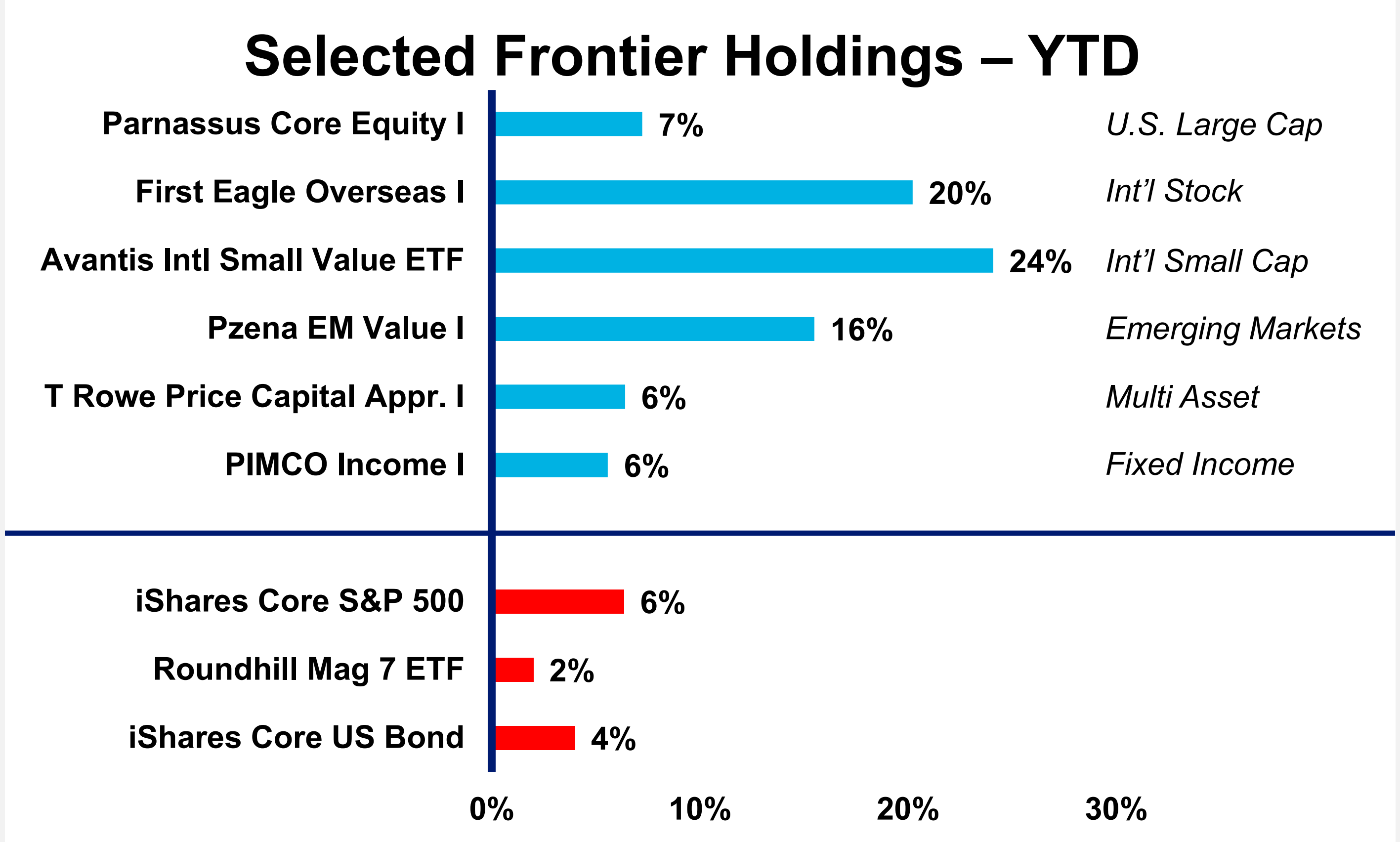
Active managers shine

Rumors about my demise have been grossly exaggerated

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 trends have come under pressure this year, a broad array of asset classes and active investment strategies continue to outperform.

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



Source: Morningstar. Data as of June 30, 2025.

Balanced

The environment when Frontier outperforms

Time period case study: 20 Years ending 2019

- The post COVID-19 focused tech environment has been tough for risk managed added value strategies.
- Similarly, Frontier underperformed during late stages of the internet boom of the 90s – an environment that closely resembles the current Mag 7 focused technology environment.
- Once the market environment returned to the fundamental principles of risk management, valuations, and alpha, Frontier strategies shined for 20 years.
- Frontier's Balanced Strategy outperformed in 13 of these 20 years.
- We believe that the current market environment has dramatically shifted away from a Mag 7 and S&P 500 Index focus and is returning to investment fundamentals.

PERFORMANCE DETAIL

	Strategy (Gross)	Benchmark	Strategy (Net of 3%)
2019	15.8%	17.1%	12.4%
2018	-3.2%	-6.0%	-6.1%
2017	13.9%	12.3%	10.5%
2016	7.9%	7.2%	4.7%
2015	-1.3%	-3.7%	-4.1%
2014	6.9%	2.7%	3.7%
2013	10.9%	11.3%	7.7%
2012	11.4%	9.1%	8.1%
2011	0.8%	-2.8%	-2.2%
2010	14.8%	11.6%	11.5%
2009	20.6%	20.9%	17.1%
2008	-25.8%	-26.2%	-28.1%
2007	7.1%	8.5%	4.0%
2006	12.6%	11.8%	9.3%
2005	6.9%	7.7%	3.7%
2004	10.3%	8.3%	7.0%
2003	20.3%	21.4%	16.8%
2002	-9.0%	-8.0%	-11.7%
2001	0.0%	-4.6%	-3.0%
2000	7.7%	-2.9%	4.5%
1999	8.4%	14.4%	5.2%

Key takeaways & parting thoughts

A return to fundamentals: Risk management, asset class valuations, diversification, and manager added value all appear to be coming back into favor as the prevailing tech stock trend and indexing comes under pressure.

The economy should stay strong as long as asset prices remain high.

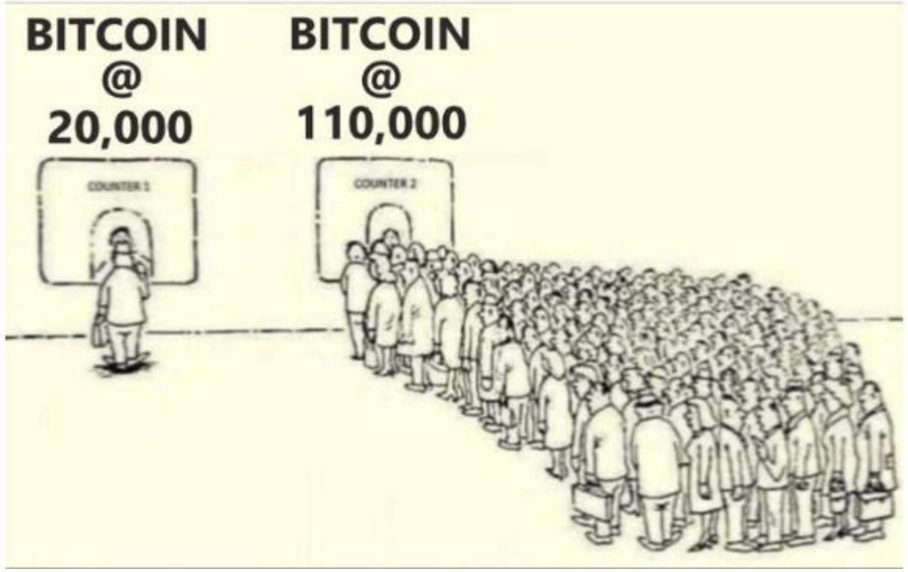
The biggest risk to asset prices is surprise inflation and/or rising interest rates.

A continued weak dollar should benefit international investments.

Opportunities in asset classes other than U.S. large cap stocks continue to be robust, despite recent gains.

Frontier is winning on several fronts as capital markets return to fundamentals.

The Yolo Investor Environment –
Over 50 Million Americans now own Bitcoin



A story that is as old as time –
might apply to tech stocks too…

Your dedicated regional team at Frontier

Let us know how we can help you succeed

Contact us to learn more today.

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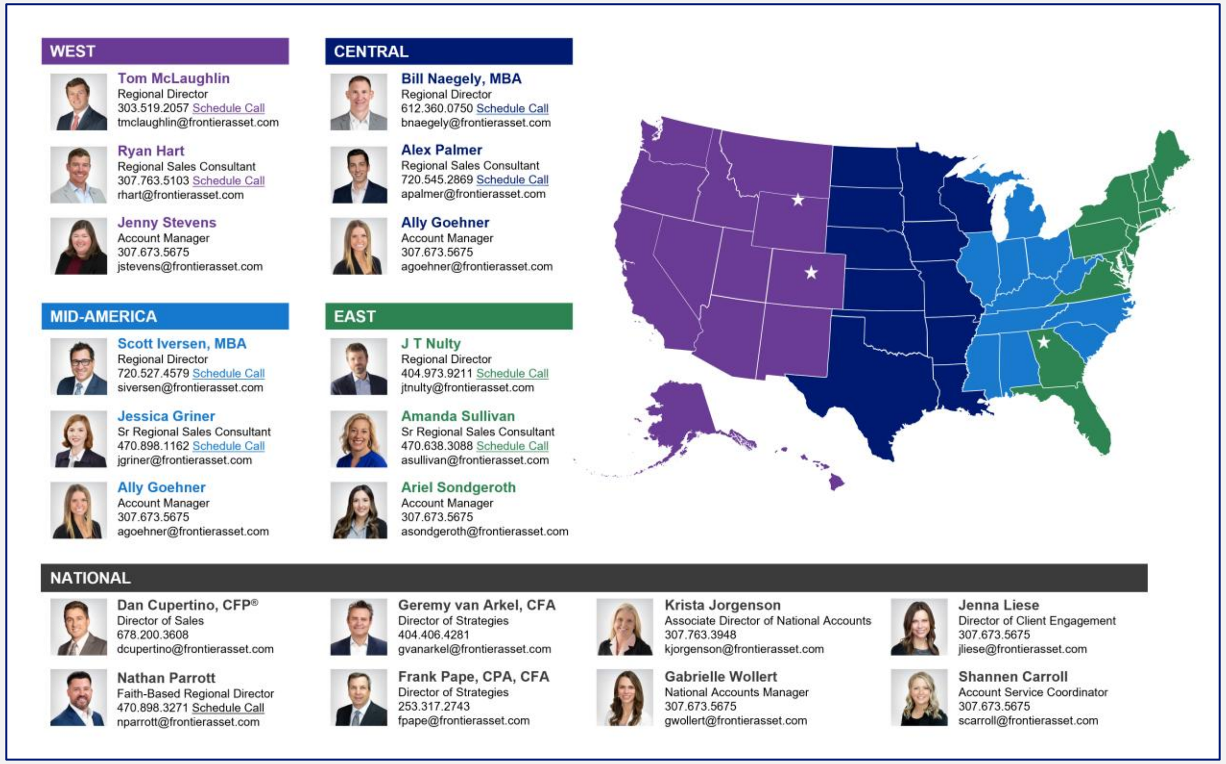

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GLOSSARY OF INDICES:

- **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:** S&P 500 Growth Index = Measures the performance of the large-cap growth segment of the U.S. equity market.
- **U.S. Large Cap Value:** S&P 500 Value Index = Represents the value companies of the S&P 500 Index.
- **U.S. Small Cap:** S&P 600 Index = Measures the performance of small-cap stocks in the U.S.
- **International Large Cap:** MSCI EAFE Net Index = Measures the performance of large and mid cap representation across 21 developed markets countries* around the world, excluding the U.S. and Canada.
- **International Small Cap:** MSCI EAFE Small Cap Index = Measures the performance of small cap representation across developed markets countries around the world, excluding the U.S. and Canada.
- **Emerging Markets:** MSCI Emerging Markets Net Index = Measures the performance of large and mid cap representation across 24 Emerging Markets (EM) countries.
- **US Core Bonds:** Bloomberg U.S. Aggregate Bond Index = Broad-based fixed-income index used by bond traders and the managers of mutual funds and exchange-traded funds (ETFs) as a benchmark to measure their relative performance.

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