

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



**Quarterly Commentary, September 30, 2021**

Global stocks ended the September quarter almost unchanged, to end a run of nine rising quarters in the last 10. Stocks reached record highs over the first two months of the quarter after the Federal Reserve said it wouldn't overreact to higher inflation readings, U.S. companies delivered better-than-expected earnings reports for the second quarter, and the eurozone and Japanese economies returned to growth. But these gains eroded in September after inflation concerns grew, rising interest rates reduced the value of future profits, Congress failed to lift the U.S. debt ceiling or pass more stimulus, worries emerged about China's economy, energy prices soared in Europe and COVID-19 infections rose worldwide. During the quarter, seven of the 11 sectors fell in U.S.-dollar terms. Materials (-5.0%) fell the most on China concerns while financials (+2.1%) rose most as higher interest rates helped bank margins.

U.S. stocks edged up as investors baked in expectations that monetary policy would stay loose for a while yet. In a key speech in August, Fed Chairman Jerome Powell emphasized that rate increases were a long way off and the central bank was conscious of the economic hit stemming from surging Delta cases. In September, however, Powell said inflation might last longer than thought and that while the central bank is unlikely to hike rates anytime soon it might announce plans to taper "soon". On the fiscal side, the House of Representatives failed to pass President Joe Biden's US\$4.5 trillion agenda as Democrats squabbled though Congress passed a measure that kept the U.S. government funded until December 3. Republicans in the Senate blocked moves to raise the U.S. debt ceiling and thus kept alive the possibility the U.S. could default, insisting Democrats had the numbers to lift the ceiling through the budget-reconciliation process. A boost for stocks was that almost 90% of companies beat expectations for the second quarter, the highest percentage of "beats" since Refinitiv began keeping such records in 1994. Backing the Fed's view, investors regarded reports that showed consumer prices rising at a pace of about 5.3% in the 12 months ending August 31, 2021, as most likely driven by temporary supply constraints.

European stocks fell as German inflation notched a 29-year high when it reached 4.1% in the 12 months ending September 30, 2021, (while eurozone inflation stood at 3.0% in the 12 months ending August 31<sup>st</sup>), business confidence dropped, and a fresh wave of COVID-19 infections threatened. In better economic news, a report showed the euro area's economy expanded a revised 2.2% in the June quarter, after shrinking 0.3% in the previous three months. In political news, Germany's left-leaning Social Democrats won the greatest voting share in the general election and looked to be in the stronger position to form a coalition government with party leader Olaf Scholz as chancellor.

The Fund recorded a negative return in the September quarter. The stocks that detracted the most included the investments in Crown Castle International, Atmos Energy and Norfolk Southern of the U.S. Crown Castle, a U.S.-based owner of telecom towers, fell due to increasing concerns around inflation. Atmos Energy, which distributes natural gas, fell over concerns that rising natural gas prices may hamper its capex plans. Norfolk Southern, which operates railroads in North America, slid as sequential weekly rail volume growth slowed and as President Joe Biden issued an executive order that seeks to promote competition in the sector.

Stocks that contributed the most included the investments in Sydney Airport, Spark Infrastructure and Red Eléctrica of Spain. Sydney Airport surged following a A\$24 billion takeover offer from a consortium led by the infrastructure manager IFM. Red Eléctrica, which operates Spain's electricity grid, performed strongly as the market warmed to its locked-in regulatory outlook and resilience to rising energy prices in Europe. Spark rose after the electricity transmission company received a A\$5.2 billion takeover offer from Ontario

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Teachers' Pension Plan Board and Kohlberg Kravis Roberts.

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.*

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*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)*

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