AI focused thematic investing comes roaring back, but undervalued assets still won the quarter

Geremy van Arkel, CFA | Director of Strategies

The third quarter saw the return of Mag 7* leadership, as investors drove capital to the few stocks considered most leveraged to AI.

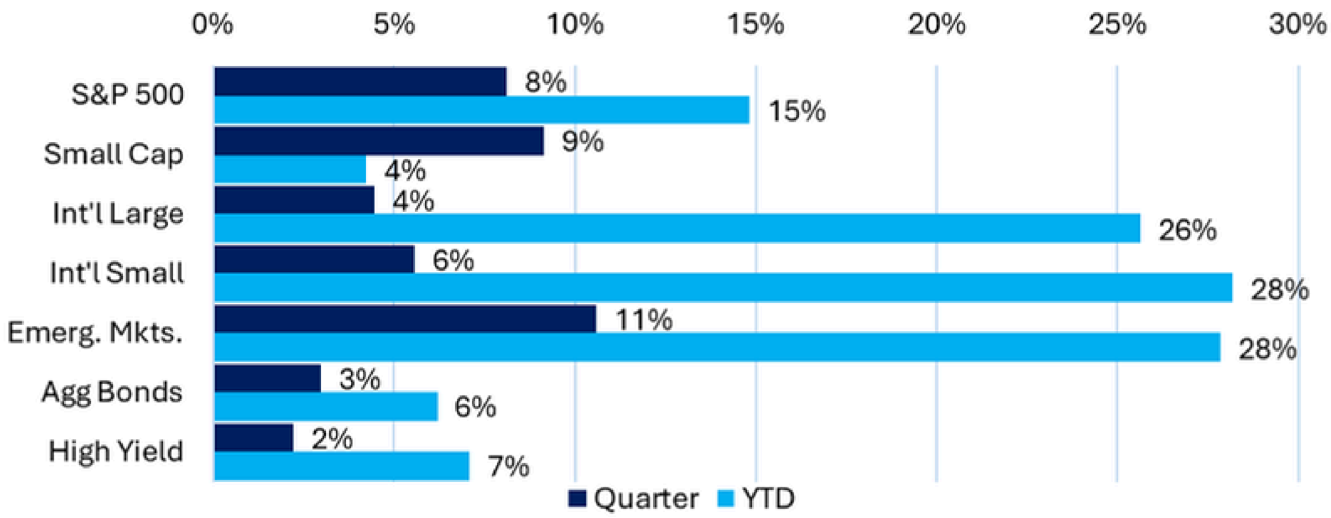
Uniquely, this quarter's gains were not solely concentrated in AI-related stocks—diversification remained "in style". The top-performing asset classes for the third quarter were emerging markets, followed by small-cap stocks, and then the S&P 500® Index. This broader updraft in global equity prices created a favorable backdrop for fundamental and diversified strategies like Frontier, resulting in a strong quarter of performance.

HERE'S WHAT'S UP!

*Apple (AAPL), Microsoft (MSFT), Alphabet (GOOGL), Amazon (AMZN), Meta Platforms (META), Nvidia (NVDA), and Tesla (TSLA).

Capital market returns

YEAR-TO-DATE ASSET CLASS RETURNS – ENDING SEPTEMBER 30, 2025



Source: Morningstar. Data as of September 30, 2025.
Asset Class Index Sources: S&P 500 = S&P 500 Index; Small Cap = S&P 600 Index; Int'l Large = MSCI EAFE Index; Int'l Small = MSCI EAFE Small; Emerging Markets = MSCI Emerging Markets; Agg Bonds = Bloomberg U.S. Aggregate Bond Index; and High Yield = iBoxx HY Index.
Past performance is no guarantee of future returns. Please refer to Important Disclosure information.

Quarterly overview

> YOLO – AI investing is back, and zanier than ever.
>
> *— Geremy van Arkel, CFA*

Here's what stood out during the quarter: On an asset class basis, the previously unloved and undervalued asset classes of U.S. small-cap stocks and emerging-market stocks both outperformed the S&P 500 Index for the quarter.

Non-equity assets also offered opportunities for fundamental and diversified investors. Yield opportunities within the bond market outperformed core bonds, providing an added benefit to active management. Furthermore, alternative hedging with managed futures outperformed both core U.S. bonds and high yield bonds during the quarter.

The forces at play here:

- **A strong economy** – Buoyed by high asset prices, driving a real wealth effect among asset owners and top wealth-bracket spenders.
- **Strong earnings** – Driven by capital expenditures and a resilient wealthy consumer.
- **Inflation** – With inflation being the surprise scare for the first half of the year, investors reacted positively to tepid inflation results that were below expectations.
- **Global rates cuts** – Most of the major economies around the world are actually on interest rate easing cycles.
- **Investors continue to be risk seekers** – Willing to buy more and more risk assets, driving equity ownership to record levels.

Performance highlights

Core Strategies - Quarterly Highlights

Frontier strategies produced strong results for the quarter.
The Conservative, Conservative Income, Balanced, and Moderate Growth Strategies each outperformed their benchmarks over this period. Importantly, this outperformance came during a period when focused investing and the AI theme dominated markets—while our strategies maintained a relatively lower-risk posture compared to benchmarks.

Moderate Growth Strategy – "Balanced plus" or "equity lite", you choose
The Moderate Growth Strategy benefited from healthy equity allocations, along with positioning in small-cap and international stocks. Over longer horizons, the strategy seeks to provide a balanced approach to growth while managing downside risk relative to benchmarks.

Past performance is not indicative of future results. Performance shown is net of fees. Please see standardized performance and benchmark disclosures on page 13 for additional information.

Balanced Strategy – "Risk managed core"
The Balanced Strategy benefited this quarter from earlier purchases of international stocks, international small-cap stocks, and U.S. large-cap stocks, which contributed positively to relative results.

Conservative & Conservative Income Strategies – Investors go to for short-term assets
These strategies are designed for investors with short-term asset needs and are managed with a downside risk target of approximately -5%, which is generally lower than the risk profile of a typical 30/70 portfolio. While maintaining a low-risk posture, modest allocations to small caps, international stocks, fixed income, and alternatives contributed positively this quarter. The Conservative Income strategy delivered ~6% yield and positive capital appreciation year-to-date. *There is no guarantee that downside targets will be achieved, and all investments involve risk, including possible loss of principal.*

Benefiting many portfolios this quarter, First Eagle Overseas, Avantis International Small Cap Value, Alger Spectra, or Macquarie Emerging Markets—four completely different funds—have all gained more than 30% this year. When actively-managed funds are adding value, this provides the ability to outperform benchmarks while taking less risk.

Frontier positioning & changes

During the quarter, we made small positioning adjustments to either increase exposure to growth stocks or reduce risk, depending on the strategy. These adjustments were primarily rebalancing trades, designed to bring select strategies closer to their target allocations or risk levels. As growth stocks become cheaper relative to other equity assets during the first half of the year—and as benchmarks reflected a greater concentration in growth assets—we adjusted portfolios back closer toward target allocations. Similarly, as equity prices rose broadly, equity exposures naturally increased relative to non-equity risk management assets, creating the need to rebalance risk back to targets. The following are our current positioning points:

- **Less downside exposure vs. peers –** We believe our strategies are currently exposed to less downside risk than most competitors in similar categories.
- **Less U.S. large-cap / S&P 500; more small-cap & international –** We tend to hold less U.S. large-cap S&P 500 Index-type exposure than most of our competitors and are tilted toward areas with higher expected returns (i.e., small-cap stocks and international stocks).
- **Active fixed income –** Our fixed income positioning remains predominantly driven by active bond managers.
- **More (and more diverse) asset classes –** We hold more asset classes, and more diversifying asset classes such as alternative investments and broader bond positioning than most of our competitors.
- **Active managers + ETFs –** Our strategies are constructed using independent actively managed mutual funds as well as ETFs, which enables us to hold a wider variety of added value active security selection strategies than almost all our competitors.

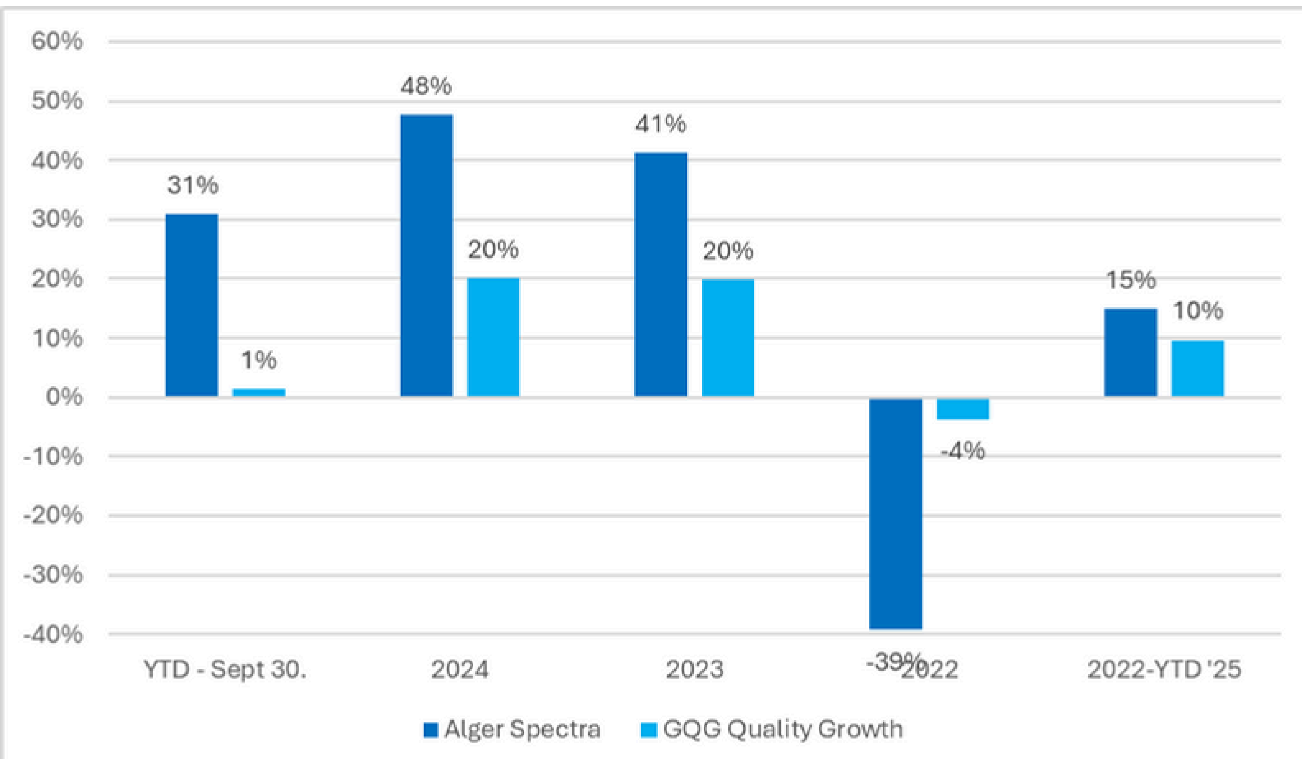
Headlines of the quarter

HEADLINE	QUICK TAKE
GLOBAL RATE CUTS	U.S., Canada, ECB, UK, Switzerland, Sweden, Norway, China, and Australia all are on easing trajectories. Global monetary stimulus, occurring while the economy is strong and asset prices are high, implies that yield curves should be steepening.
TARIFFS	Tariffs are expected to hit consumers in the fourth quarter as businesses slowly shift the tariff burden on to consumers.
INFLATION	Tariffs, global trade friction, geopolitical tensions, rising input and labor prices, and monetary stimulus are all conspiring to keep inflation above the neutral rate.
THE ECONOMY	The modern economy has become reflexive to asset prices. Strong asset prices lead to a strong economy, and a strong economy leads to higher asset prices. What’s not to like?
S&P VALUATIONS	Several firms have called out S&P 500 Index valuations this quarter, highlighting that by most measures, valuations are at or near the highest in history.
AI SPENDING	Global AI capital expenditure has and is expected to continue to explode higher. Some have called out that this spending is circular, as each firm is simply paying each other. Similar to the internet bubble, this spending could easily disappoint if material benefits do materialize.
DOLLAR WEAKNESS	Dollar weakness continues to provide a return tailwind for U.S. investors investing abroad.
ALTERNATIVE HEDGES **Gold, Bitcoin ...**	Predictably, as gold and crypto currencies have experienced outsized price appreciation, investors still seem to believe that these assets could continue to provide a downside hedge. However, history would imply that assets which are both popular and highly priced rarely hold up as effective hedges.

Fund story of the quarter: Alger Spectra vs. GQG Global

Is AI more important to businesses and our lives than the internet, or is this the most overvalued market in history? The truth is probably somewhere in the middle, but in this age of polarization, there seems to be two distinct camps of opinions on this subject. This battle of opinions is occurring within our strategies, as we always hold managers with differing opinions. To exemplify this dichotomy, below is a comparison of two highly experienced management teams' approaches to this market environment.

ALGER SPECTRA VS. GQG GLOBAL QUALITY GROWTH – There is value in both performance patterns.



Source: Morningstar. Data as of September 30, 2025.
Past performance is no guarantee of future returns.

Fund story of the quarter: Alger Spectra vs. GQG Global (cont'd)

ALGER SPECTRA – A growth & innovation manager

12-MONTH RETURN = 46.5% | ENDING SEPTEMBER 30, 2025

"AI is more important than the internet."

- Alger is a firm focused on being on the forefront and the right side of change.
- Alger believes that AI is a revolution that is going to change every business and life, and that this change is more important than the internet revolution.
- The Spectra Fund is more than just a Mag 7 fund. This is Alger's most flexible and best ideas fund. Although, they currently hold 56% of their portfolio in Mag 7 names.
- Not just an AI fund, the fund will pivot when the next great innovation change happens.

ALGER SPECTRA | AUGUST 2025

TOP 5 HOLDINGS

NAME	%
NVIDIA	15.0%
Microsoft	14.3%
Amazon	8.6%
Meta Platforms	8.2%
Apple, Inc.	4.9%

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

Fund story of the quarter: Alger Spectra vs. GQG Global (cont'd)

GQG GLOBAL – An absolute return oriented global equity manager

12-MONTH RETURN = -1.6% | ENDING SEPTEMBER 30, 2025

"This may be worse than the Dotcom Bubble."

- The GQG Global strategy is their most flexible equity strategy, and they shift their portfolio towards where they find both growth and price appreciation, but with an eye towards absolute returns or risk aversion.
- This fund is not typically a value or risk-averse fund. Most of the time, GQG is positioned as a growth investor.
- GQG Global became conservative in 2021 and lost only 4% in 2022, while the MSCI ACWI World Index lost 18%.
- GQG became a strong buyer of AI stocks following 2022. As of June 2024, GQG Global held 9% NVIDIA.
- The fund then proceeded to earn about 20% in both 2023 and 2024.
- However, in 2024, the fund then moved to a conservative posture once again.

GQG GLOBAL | JUNE 2022

TOP 5 HOLDINGS

Mostly defensive

NAME	%
Exxon Mobil	6.5%
Occidental Petroleum	4.9%
Microsoft	4.6%
AstraZeneca	4.3%
Philip Morris	4.3%

GQG GLOBAL | JUNE 2024

TOP 5 HOLDINGS

Mostly growth

NAME	%
NVIDIA	8.9%
Meta Platforms	8.1%
Novo Nordisk	7.1%
Eli Lilly & Co.	7.0%
Apple, Inc.	4.3%

GQG GLOBAL | AUGUST 2025

TOP 5 HOLDINGS

Almost all defensive

NAME	%
Philip Morris	7.4%
AT&T, Inc.	5.6%
Verizon Comm.	4.2%
Progressive Corp.	4.1%
Altria Group, Inc.	3.8%

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

Fund story of the quarter:
Alger Spectra vs. GQG Global (cont'd)

GQG GLOBAL (cont'd)

With all that being said, it is easy to quip that Alger outperformed GQG over this entire time period and under these conditions. However, there is certainly value to each of these return patterns, especially when you consider how well GQG performed relative to Alger in 2022—a time when strong performance was most needed.

More importantly, the question is: who will be right from here—Alger or GQG? Will the AI theme continue to dominate market returns, or is it time to get defensive? Time will tell, but at points of extremes, we are happy to hold both these highly experienced successful managers—often in the same strategy.

For more information, visit frontierasset.com.

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Inflation is the decline of purchasing power of a given currency over time. A quantitative estimate of the rate at which the decline in purchasing power occurs can be reflected in the increase of an average price level of a basket of selected goods and services in an economy over some period of time. The rise in the general level of prices often expressed as a percentage, means that a unit of currency effectively buys less than it did in prior periods.

The "Current Yield" is either an annualized number of the underlying funds' most recent distributions, trailing twelve-month yield, or previous five years depending on the volatility of the fund distributions. The current yield of individual portfolios may vary. Different share classes may have different current yields. The holdings of model strategies may vary from the strategies managed by Frontier, as such current yields may also vary.

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Glossary of indices

It is generally not possible to invest directly in an index* therefore they do not incur frictional costs. Exposure to an asset class or trading strategy or other category represented by an index is only available through third party investable instruments (if any) based on that index.

Bloomberg Commodity Index: Index made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity.

Bloomberg U.S. Aggregate Bond Index: The index is a broad-based flagship benchmark that measures the investment grade, US dollar-denominated, fixed-rate taxable bond market. The index includes Treasuries, government-related and corporate securities, MBS (agency fixed-rate pass-throughs), ABS and CMBS (agency and non-agency).

iBoxx HY Index: Market-value-weighted index from S&P Global that tracks the performance of the high-yield corporate bond market.

MSCI All Country World Index (ACWI): A broad global equity benchmark that tracks the performance of large and mid-cap stocks in both developed and emerging markets.

MSCI EAFE Index: An equity index which captures large and mid cap representation across 21 developed markets countries* around the world, excluding the U.S. and Canada.

MSCI EAFE Small Cap Index: An equity index which captures small cap representation across developed markets countries around the world, excluding the U.S. and Canada.

MSCI Emerging Markets Index: Captures large and mid cap representation across 24 Emerging Markets (EM) countries.

S&P 500® Index: A stock market index tracking the stock performance of 500 of the largest companies listed on stock exchanges in the United States.

S&P 600® Index: Seeks to measure the small-cap segment of the U.S. equity market.

FRONTIER ASSET MANAGEMENT

Quarterly performance | As of September 30, 2025

CORE STRATEGIES			Annualized Returns						Standard Deviation		
	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception	Cumul. Return	5-Yr	Inception	Inception Date
Capital Preservation											
Gross of an advisory fee	2.3%	5.2%	4.3%	5.7%	2.4%	2.6%	2.7%	59.6%	3.6%	3.8%	07/01/2008
Cap Preservation Benchmark	2.0%	5.3%	3.7%	6.0%	3.1%	3.2%	2.1%	43.0%	5.6%	5.3%	
Net of max advisory fee	1.6%	2.9%	1.2%	2.6%	-0.7%	-0.4%	-0.3%	-4.9%			
Conservative											
Gross of an advisory fee	3.4%	7.5%	6.6%	8.6%	4.5%	4.5%	5.1%	207.6%	5.9%	5.8%	01/02/2003
Conservative Benchmark	3.3%	7.8%	6.5%	9.5%	5.1%	4.7%	4.3%	160.4%	7.4%	6.4%	
Net of max advisory fee	2.6%	5.2%	3.5%	5.4%	1.4%	1.4%	2.0%	55.5%			
Conservative Income											
Gross of an advisory fee	3.7%	7.5%	7.1%	8.0%	4.3%	4.3%	3.6%	54.4%	5.4%	4.7%	01/04/1999
Balanced Benchmark	3.3%	7.8%	6.5%	9.5%	5.1%	4.7%	3.7%	56.1%	7.4%	6.2%	
Net of max advisory fee	2.9%	5.1%	3.9%	4.8%	1.2%	1.2%	0.5%	6.4%			
Balanced											
Gross of an advisory fee	5.3%	13.1%	11.8%	12.3%	5.6%	6.6%	5.8%	352.7%	9.0%	8.7%	01/04/1999
Balanced Benchmark	5.1%	12.0%	10.6%	14.5%	8.2%	7.3%	5.2%	290.3%	10.2%	9.3%	
Net of max advisory fee	4.5%	10.6%	8.5%	9.0%	2.5%	3.5%	2.7%	103.3%			
Moderate Growth											
Gross of an advisory fee	6.5%	14.5%	12.6%	16.2%	8.3%	8.6%	6.9%	495.6%	11.5%	11.3%	01/04/1999
Moderate Growth Benchmark	6.2%	14.7%	13.5%	18.5%	10.9%	9.4%	6.0%	376.6%	12.5%	12.0%	
Net of max advisory fee	5.7%	12.0%	9.4%	12.9%	5.1%	5.4%	3.8%	167.9%			
Long-Term Growth											
Gross of an advisory fee	6.0%	15.9%	11.3%	16.5%	8.8%	8.9%	7.7%	633.6%	13.4%	13.5%	01/04/1999
LT Growth Benchmark	7.6%	18.0%	16.5%	21.4%	12.8%	10.8%	6.4%	421.2%	14.0%	14.3%	
Net of max advisory fee	5.3%	13.3%	8.0%	13.1%	5.6%	5.7%	4.6%	229.7%			
Global Opportunities											
Gross of an advisory fee	7.2%	14.1%	10.5%	15.8%	9.1%	9.9%	9.8%	776.7%	15.1%	15.0%	07/01/2002
Global Opps Benchmark	7.4%	18.5%	16.7%	22.7%	13.3%	11.9%	8.7%	594.8%	15.1%	15.2%	
Net of max advisory fee	6.4%	11.5%	7.2%	12.4%	5.9%	6.6%	6.6%	337.8%			

Past performance is no guarantee of future returns. An investment in this strategy involves the risk of loss, including principal, as well as the potential for gain. There can be no assurance that any Frontier strategy will achieve its objectives or avoid substantial losses. Before investing consider the investment objectives, fees and expenses. Please see additional disclosures in the "Important Disclosure Information". Performance shown represents total returns that include income, realized and unrealized gains and losses. The Frontier performance shown above are composites of accounts actually managed by Frontier and are shown gross of an advisory fee, which includes the Frontier and financial advisor investment advisory fees, and net of a max 3% advisory fee. Performance in the Balanced, Moderate Growth and Long-Term Growth strategies includes predecessor performance. Benchmarks shown are Frontier's custom benchmarks. Benchmark composition can be viewed here: https://frontierasset.com/frontier-benchmark-composition-asset-class-detail/

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