AUGUST 2026

FRONTIER ASSET MANAGEMENT

MONTHLY BRIEFING

Speculation nation

*Just 16% of Americans consider themselves regular readers of books, but over 60% of Americans gambled in the last year.**

This is an odd mash up of statistics, but together they may encapsulate a skeptic's view of today's market. Certainly, we have not all become illiterate. We just read from different sources now: the internet and social media. Those sources may be considered questionable at best, and one could argue that they leave little room for independent thought, deep thinking, or quiet reflection.

Combine that with the explosive rise in gambling, which ranges from the innocence of DraftKings to the sophistication of prediction markets and Robinhood. It's not a huge leap to imagine that a herd of market participants are combining internet-fueled logic with a gambling culture in their approach to investing—which might explain a few things.

In 1841, Charles Mackay wrote a book for times like this: Extraordinary Popular Delusions and the Madness of Crowds.

HERE'S WHAT'S UP!

*Source: National Endowment for the Arts.gov (NEA). "Federal Data on Reading for Pleasure: All Signs Show a Slump." Data as of October 3, 2024; and PBS.org Frontline "Gambling Facts & Stats."

Themes of the quarter

KOREA

Speaking of gambling, I'll begin with Korea. The iShares MSCI Korea ETF Index is down 22% in July but is still up 120% over the past 12 months. What could explain such erratic behavior? After fanatical run-up in prices, the Index is now 40% concentrated in just two companies: SK Hynix and Samsung. Just a month ago, a few people outside investment circles knew what SK Hynix was. Now it's the talk of the internet investing echo chamber.

WHEN DOES MOMENTUM TURN INTO GAMBLING?

Money flow in today's market seems to slosh back and forth between stocks with old school fundamental valuations and those thematic, story-based names that dominate the internet. On days that the tech-heavy S&P 500® Index is down, value stocks typically outperform—and vice versa. That tug-of-war was on display again this month, as tech stocks declined but value stocks gained.

STOCKS TO MARS

The internet can't devote equal attention to the roughly 6,000 stocks traded on U.S exchanges. Instead, it focuses on whatever is hottest and most likely to generate clicks. This month, that story was SpaceX, and what a story it was. SpaceX stock didn't go to Mars—it fell to Earth. SPCX reached a high of $225 on June 30 and closed the month at $108, a decline of 52% from its peak. Keep in mind that IPOs exist because original owners and founders are trying to sell shares, and the greater the hype, the more those original owners stand to make.

THE FED

The Federal Reserve Bank left the Fed Funds Rate unchanged this month. Bond investors, however, didn't seem impressed. The bellwether 10-year treasury yield – the rate that matters because it underpins loans – approached levels not seen in 19 years. One interpretation is that S&P GSCI Copper Index, which gained 3% during the month and over 47% over the past year, may be signaling future inflation pressures. If that's the case, the Fed could once again find itself behind the curve.

Macro headlines

COMMODITY PRICES: *Bloomberg Commodity Index 1-Year Return = 36% (YCharts)*

Commodity price inflation continued in July, and several long-term headwinds remain:

- Supply shocks and shortages—Oil supply from the Gulf remains constrained.
- Global technology capex and energy infrastructure buildouts are significantly increasing demand.
- Monetary and fiscal policies are driving currency hedging and increasing demand for precious metals.
- An inflation spiral is causing inventory storage, transportation, and extraction costs to rise.

	JULY RETURN	1-YEAR RETURN
S&P GSCI Aluminum	**3.0%**	**30.0%**
S&P GSCI Brent Crude	**21.0%**	**57.0%**
S&P GSCI Copper	**3.0%**	**48.0%**
S&P GSCI Gold	**2.0%**	**22.0%**
S&P GSCI Natural Gas	**-16.0%**	**-24.0%**

Source: YCharts. Data as of July 31, 2026.

INFLATION: *June CPI Nowcast = 0%, 12-month rate = 3.4% (Cleveland Fed)*

Wars, a weak dollar, tariffs, global trade friction, geopolitical tensions, rising input and labor prices, and ongoing monetary and fiscal stimulus are all conspiring to keep inflation above a neutral rate. However, inflation pressures have subsided considerably since late June.

ECONOMY: *The ISM Manufacturing PMI leading indicator remains near a four-year high this quarter*

Rising asset prices and a global capex boom are driving coordinated global growth. Employment, manufacturing, consumer spending, and government spending all remain strong, continuing to fuel a strong economy.

EARNINGS: *YoY S&P 500® Index Earnings Growth Est. = 23% (FactSet Earnings Insight July 31, 2026)*

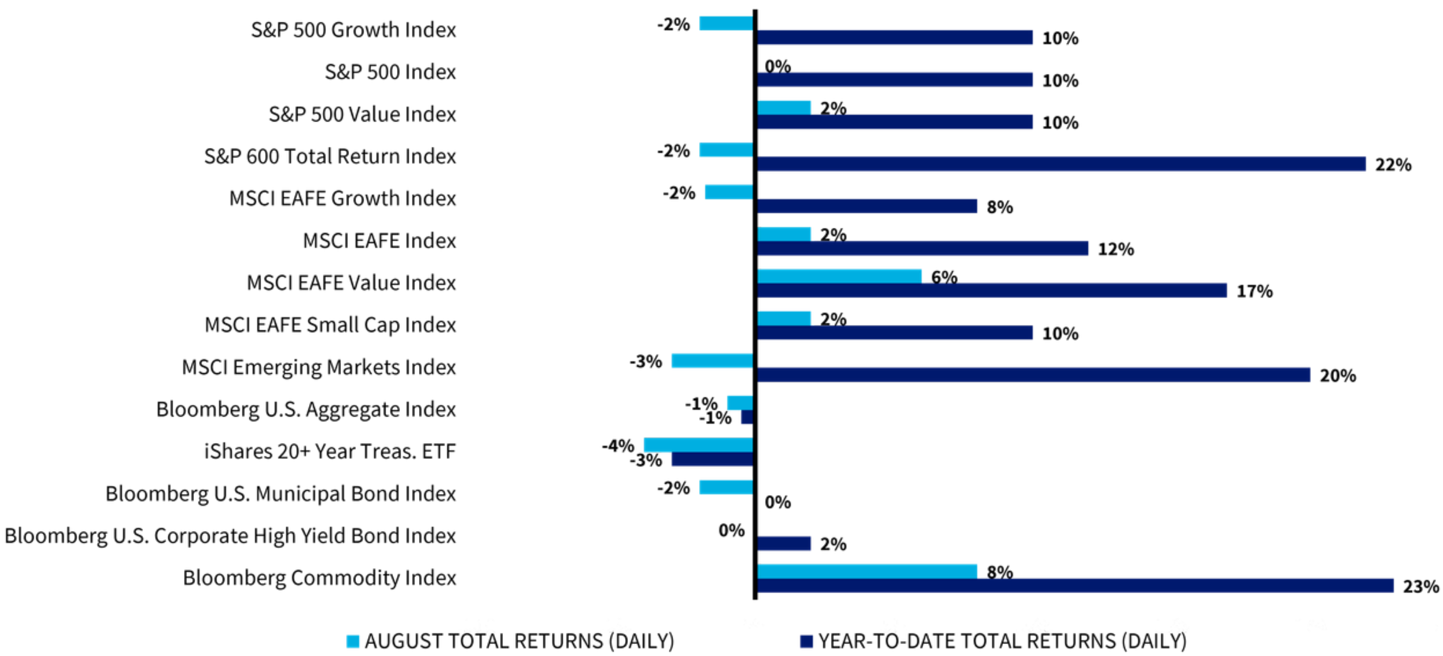
Corporate earnings grew at the fastest pace in five years during this reporting season, and this wasn't just for the headline tech names. The often-overlooked small-cap space is expected to far outpace its more popular large-cap brethren, with the Russell 2000® Index expecting to deliver year-over-year earnings growth of 44%. International stocks are not being left behind either, with earnings growth expected to range between 15 and 20%. These earnings results are the story behind the story for equity outperformance.

INTEREST RATES: *30-Year Treasury bond yields approached their highest level in 19 years during July*

The obvious risk to rising asset prices, a strong economy, and higher commodity prices and inflation is … higher interest rates.

Capital markets overview

EQUITIES: A YEAR'S WORTH OF RETURN IN ONE MONTH | ENDING JULY 31, 2026



Source: YCharts. Data as of July 31, 2026.

EQUITIES: SLOSHING BETWEEN MOMENTUM AND FUNDAMENTALS

With explosive growth in semiconductor and AI-related stocks this year, investors' general fear of losing money has now been replaced with, "I just want to keep up", or worse, "I just want in on the new hot thing."

That appears to have been the prevailing mindset until this month, when investor exuberance was tamed and rationality returned to the fray. Investors decided that enough was enough for this AI rally – for now – and semiconductor stocks sold off over 20%.

In its simplest form, the S&P 500 Index gained nothing this month, but beneath the surface, growth stocks lost ground while value stocks posted gains.

- **Tech stock leadership has become fractured:** Investors are becoming more discerning about which tech companies they own. It is no longer enough to just index the sector. This year has produced major performance differences between the Magnificent Seven* hyperscalers, semiconductor companies, memory manufacturers, and software firms – which are all tech stocks. This month alone, in a reversal of fortunes, the iShares Software ETF Index outperformed the iShares Semiconductor ETF Index by 25%.
- **Value > growth:** Value stocks outperformed growth stocks for the month as money flowed from the AI trade into fundamentally undervalued areas of the market. More importantly, value stocks provided investors with meaningful diversification and a way to capitalize on changing market leadership.

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

Capital markets overview (cont'd)

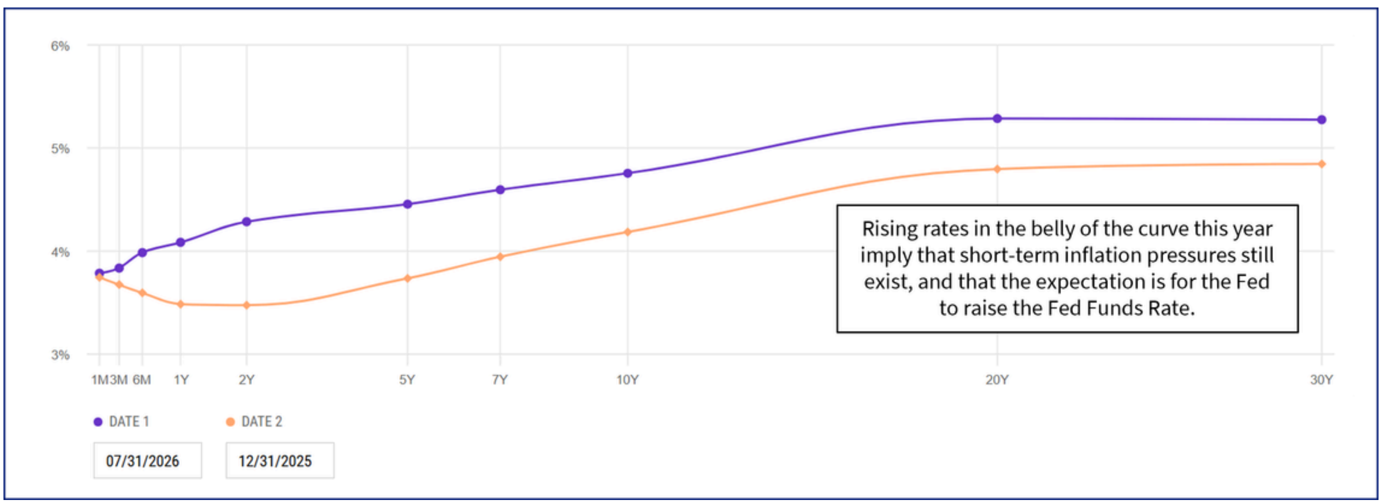
EQUITIES: (cont'd)

- **Small-cap resurgence:** Small-cap stocks are experiencing a quiet resurgence. While loud voices have been calling for the demise of small-cap stocks, the S&P 600® Index is up over 20% this year and 35% for the one-year period ending July 2026. That exceeds the performance of the S&P 500 Growth Index by roughly 10% over both periods.
- **Emerging markets:** Emerging market stocks are suffering from the same issue as many indexes in this momentum environment: increasing concentration in technology stocks. With the AI trade faltering for the month, it's no surprise that the emerging markets experienced marginal losses.

FIXED INCOME:

The bond market faced a sharp reversal in sentiment as early optimism for interest rate cuts was dismantled by evidence of "sticky" inflation. This triggered an abrupt adjustment of expectations, forcing long-dated Treasury yields over the pivotal 5% level. Over the past six months, investors have had to reconcile themselves to a "higher-for-longer" Federal Reserve and renewed inflationary pressures.

U.S. TREASURY YIELD CURVE CHANGE — THE "MARKET" DRIVING RATES HIGHER



Source: YCharts. Data as of July 31, 2026.

Capital markets overview (cont'd)

FED STILL NOT OUT OF THE WOODS:

Inflation pressures returned in July, and long-run "higher for longer" forces still exist:

- **Commodity prices:** Rising raw material and energy costs are driving structural, sticky inflation.
- **Growing isolationism:** Deglobalization and trade protectionism permanently increase manufacturing and labor costs.
- **Bond vigilantes:** Investors are demanding higher yields to compensate for massive government deficits, forcing the Fed's hand.
- **Booming economy and stock market:** Robust consumer spending and strong corporate earnings give the Fed room to tighten policy without triggering an immediate recession.

As usual, active managers have been able to navigate this environment well, with many Frontier holdings continuing to generate added value. This is largely due to:

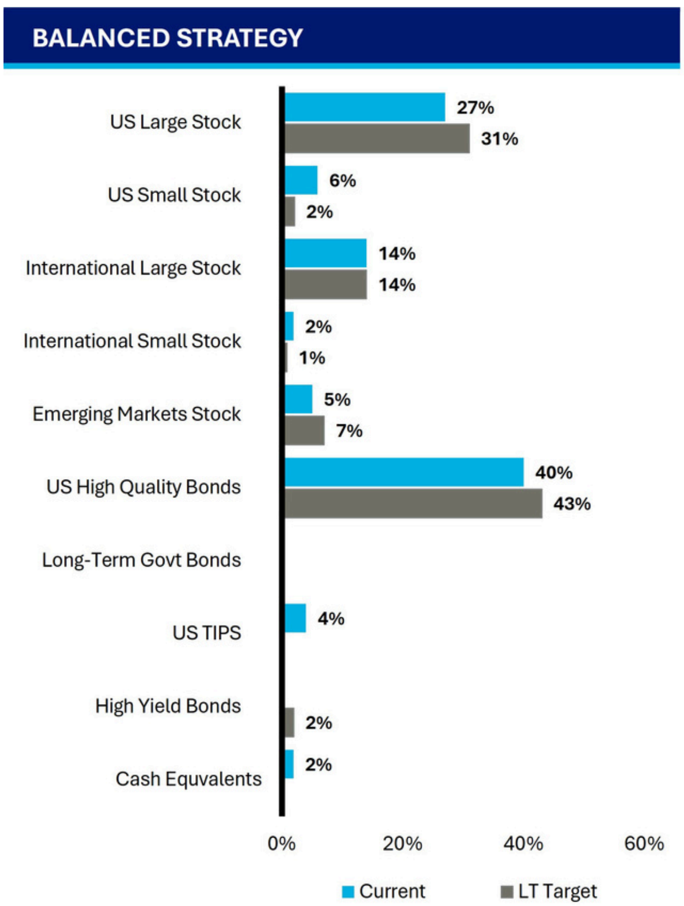
- **Indexes maintain constant durations, while active managers can lower duration.**
- **Sector divergence:** While the broad Bloomberg U.S. Aggregate Bond Index has been flat, credit-sensitive sectors such as high-yield bonds and bank loans have remained resilient, supported by a strong economy.
- **Security selection:** If investors all index at the same time, this can leave grand swaths of the market with mispriced securities.

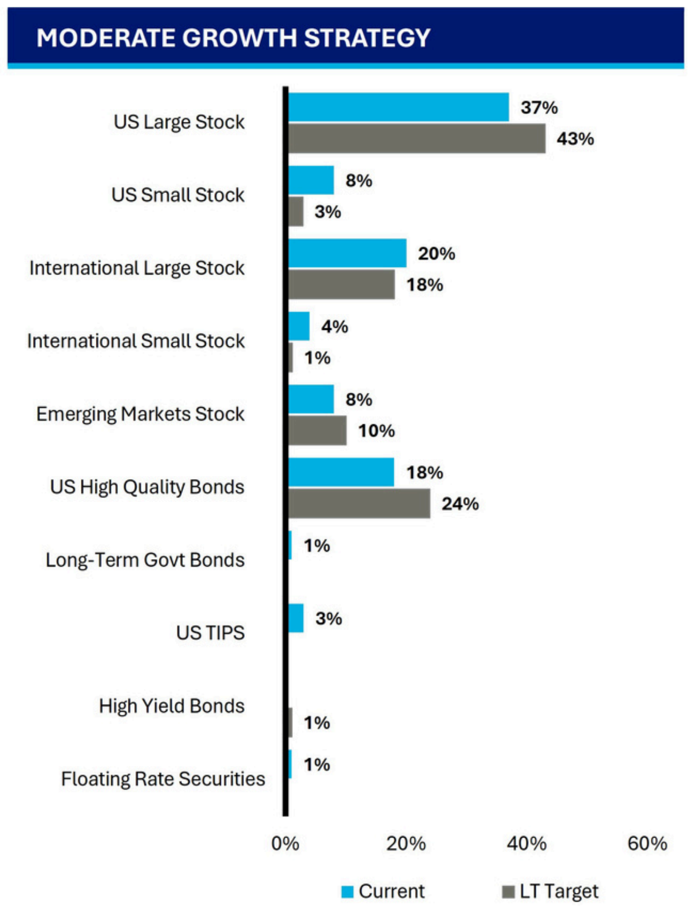
Despite creeping up, yields remained surprisingly subdued: The U.S. bond market has remained quite resilient over the last six months, given the renewed inflation concerns and increased government borrowing.

Portfolio positioning

Important portfolio attributes include:

- **Underweight large-cap stocks:** Most Frontier strategies remain relatively underweight U.S. large-cap stocks.
- **International stocks:** Frontier holds near benchmark positions to international stocks but also maintains unique exposures in international small-cap stocks and emerging markets.
- **Small-cap stocks:** Most Frontier strategies maintain measured overweights to small-cap stocks.
- **Fixed income:** Bond positioning remains below benchmark duration and implemented mostly with active managers.
- **Fund selection:** To provide an additional layer of risk management and strategy diversification, Frontier strategies hold considerable exposure to risk-managed funds.





Source: Frontier Asset Management. Data as of June 1, 2026.
Past performance is no guarantee of future returns. Please refer to important disclosure information.

Performance highlights

July was a solid month for Frontier Strategies as our multi-layered risk management approach was additive. Most Strategies kept up or outperformed benchmarks during this fractured market. For the year-to-date and one-year periods, most Frontier Strategies remain materially above their benchmarks.

July's performance adds to the value Frontier has been delivering since 2025.

- **Frontier strategies are benefiting from a broadening market**, in which asset classes like small-cap stocks and emerging market stocks are experiencing outsized returns.
- **Growth strategies, tech heavy funds, and indexing** drove gains in the second quarter, but lagged significantly for the month.
- **Defensive managers** like First Eagle Global and value funds in general were the point of diversification for the month.
- **Alternative strategies** like covered calls and Victory Market Neutral were additive for the month.
- **The right mix of funds and strategies:** In terms of fund and strategy diversification, our portfolios continue to hold robust combinations of funds with unique performance patterns. We have lost less when markets declined and captured enough upside when markets gained to finish mostly ahead of our benchmarks over the one-year period.

The major performance theme for this year is confirmation of our "strategy" mixes. Because we optimize fund strategies as well as asset allocations, we are effectively combining each fund's differentiated investment strategy and performance pattern. These patterns are often different from those of the indexes. This "strategy" diversification can be greatly beneficial in difficult markets and can generate excess return over time.

Everybody wants to win when the winning is good, but investors will face a myriad of outcomes over their investment horizons. Proper diversification should account for the multiple market environments that are possible in the future, not just the single path that has occurred in the past.

Mutual fund corner

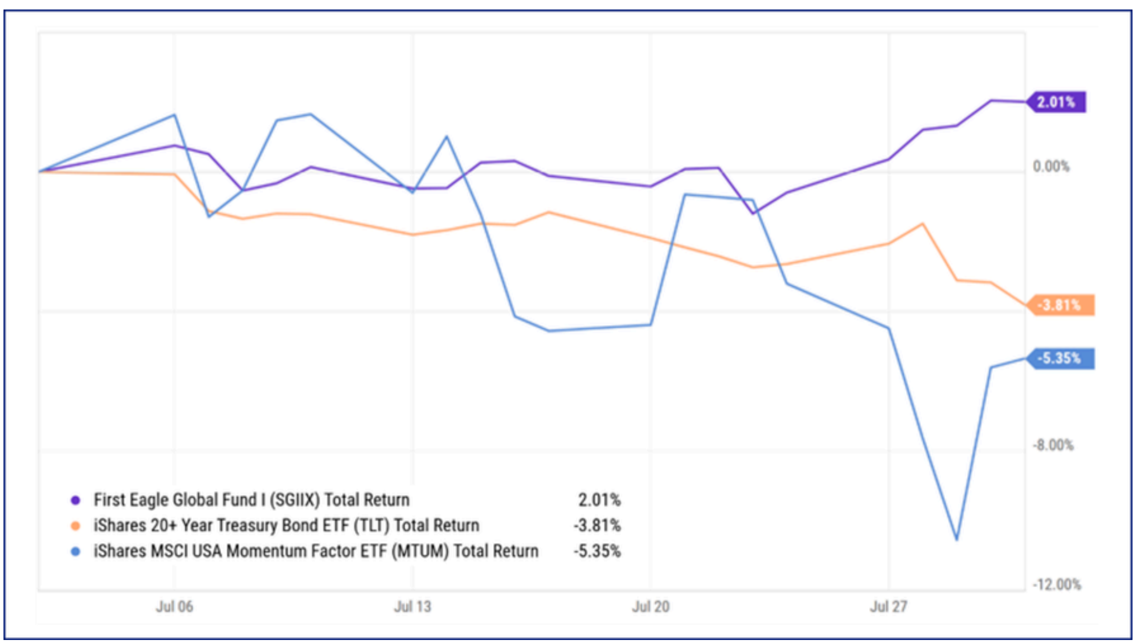
We are clearly living in a momentum-based investment environment. Thematic story-based stock ideas are thrown around the echo chamber, and investors want in on what is “hot.” Indexes, too, are wholehearted participants, as market-cap weighting rewards whatever has gone up in value. As highlighted last month, it’s not just the S&P 500 Index that has become tech-heavy; there are also many other indexes that make up the pie charts that the industry puts so much faith in.

Add to that the idea that stocks and bonds have been correlated in the higher-for-longer post-COVID environment. In down months for stocks, bonds are either leading the way or are dragged down as well.

Where is an investor to go for diversification, which is just another word for taking advantage of change? The last tool left to provide added value in down markets may just be the thing that almost the entire industry has abandoned – active management. True strategy diversification and pure stock selection may be your only hedge to take advantage of change.

Case in point: First Eagle Global. First Eagle Global has long represented defensive equity exposure in our portfolios. And with the market forces competing between momentum and fundamentals, First Eagle has historically been a winner when a momentum-driven market changes direction.

FIRST EAGLE GLOBAL JULY PERFORMANCE



Source: YCharts. Data as of July 31, 2026.

Strategy diversification is not the same thing as index diversification. First Eagle Global does not represent a pie slice, per se, in our portfolios; it represents exposure to those specific businesses that tend to perform well in times of stress.

For more information, visit frontierasset.com.

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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.

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 is 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 (AGG): 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).

Bloomberg U.S. Corporate High Yield Bond Index: A tool that tracks the performance of U.S. dollar-denominated, high-yield, fixed-rate corporate bonds.

Bloomberg U.S. Municipal Bond Index: A flagship measure of the US municipal tax-exempt investment grade bond market.

MSCI EAFE Growth Index: Captures large and mid cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the US and Canada.

MSCI EAFE Index: An equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the US and Canada.

MSCI Small Cap Index: An equity index which captures small cap representation across Developed Markets countries around the world, excluding the US and Canada.

MSCI Value Index: Captures large and mid cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada.

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

MSCI Korea ETF Index: Designed to measure the performance of the large and mid cap segments of the South Korean market.

Russell 2000® Index: Measures the performance of the small cap segment of the US equity market. The index includes approximately 2,000 of the smallest companies based on a combination of their market cap and current index membership.

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 500® Growth Index: Tracks companies in the S&P 500 that are expected to grow their sales and earnings faster than other companies

S&P 500® Value Index: Measures constituents from the S&P 500 that are classified as value stocks based on three factors: the ratios of book value, earnings and sales to price.

S&P 600® Index: A market-capitalization-weighted stock index maintained by S&P Dow Jones Indices that tracks 600 small-sized U.S. companies.

S&P 600® Total Return Index: Tracks 600 small companies in the United States.

S&P GSCI Copper Index: A sub-index of the S&P GSCI, provides investors with a reliable and publicly available benchmark for investment performance in the copper commodity market.