



MONTHLY BRIEFING

Disorder – A field day for active management

In a bull market, "a rising tide lifts all boats," and passive indexing often outperforms because it captures the momentum of the largest players. However, when a change comes, the market shifts from **correlation** (everything moving together) to **dispersion** (wide gaps between winners and losers).

In February, dispersion of returns continued. There were large differences between asset class returns, index returns, and security returns. Now that the market is being disrupted by a War and SaaS-pocalypse, the once-loved S&P 500® Index, with its overly concentrated positions in technology stocks, is not only underperforming; it appears downright risky. This leaves strategic and index investors' hands tied, with no way to reach for true diversification, adjust for risk, or simply avoid pitfalls. They are quite literally floating with markets – fun on the way up, terrifying on the way down. Today's investors may deserve more, and they may soon demand that managers act on their behalf.

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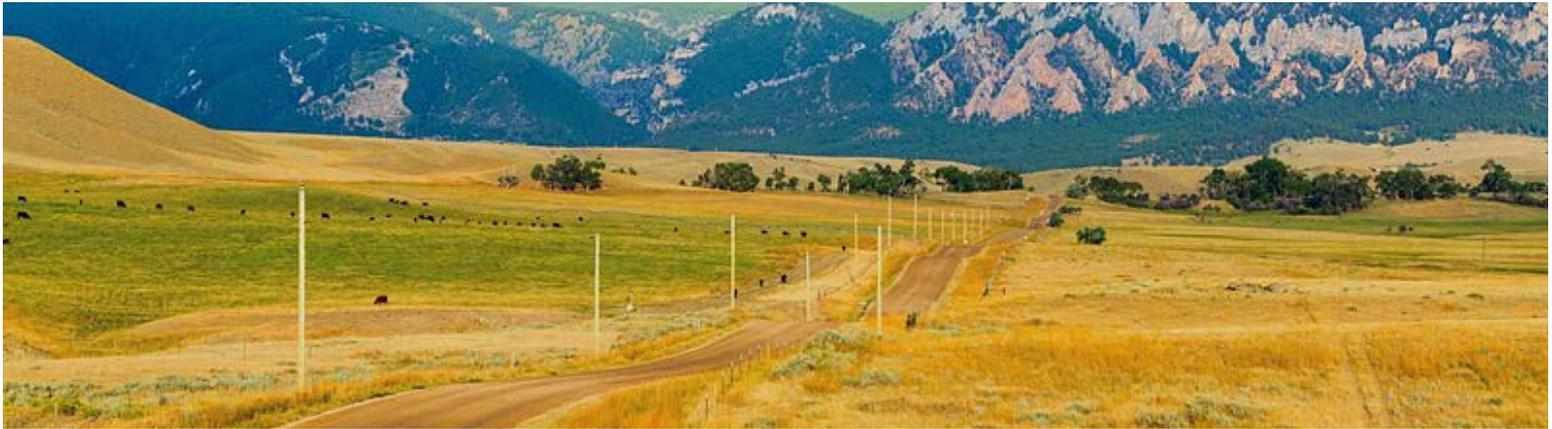
At Frontier, we are not forced to hold indexes or quasi-index proprietary funds, nor do we have to maintain constant allocations; we are free to choose. We are free to adjust our allocations across asset classes, selectively choose mutual funds and ETFs, modify overall risk exposures, and take advantage of market disruptions. This month, we would like to highlight a hidden, much-forgotten point of added value – actively managed mutual funds.

The case for holding actively managed mutual funds is far more nuanced than the simple argument of whether a particular fund outperformed a particular index over a specific time period. But if that is your jam, check out the Morningstar Active Passive Barometer, which clearly shows that in any given year there are literally thousands of funds outperforming their benchmarks. Sure, it has historically been difficult for large-cap managers to outperform the S&P 500, but in any given year, across most other asset classes, upwards of 50% of managers have outperformed. Just because it has been hard for large-cap managers to outperform the S&P 500 is not a reason to index an entire portfolio, but that is exactly what index providers have convinced investors to do.

Now for the important part. Actively managed mutual funds provide differentiated performance patterns that enhance diversification; they can contribute to risk management, can generate alpha opportunities, and capitalize on change.

- **Actively managed mutual funds can offer differentiated investment approaches that strengthen diversification.** For example, there is no index that represents the performance pattern or investment strategy of First Eagle Global, which makes its distinct approach invaluable in a diversified portfolio. Many funds employ specialized strategies that do not align with a single index.
- **Actively managed mutual funds can provide risk management that helps mitigate large major disruptions, like a war or SaaS-pocalypse.** Funds can adjust their stock/bond/cash allocations and shift country, sector, and security weightings in an effort to mitigate the next inevitable risk to capital markets.
- **Actively managed funds can provide security selection alpha.** Teams of experienced managers with independent and disciplined processes can generate alpha through thoughtful security selection. Which securities to purchase, when to purchase them, and at what weightings – these decisions matter.
- **Actively managed mutual funds can capitalize on change.** What if this war or SaaS-pocalypse is actually a buying opportunity? Funds can take advantage of a dislocation – potentially caused by systematic strategies – by buying quality securities at attractive prices. Ironically, this may occur precisely when indexes and systematic approaches are reducing positions to those very same securities.

A final and most important point: for this approach to work, we must begin with a robust list of funds covering not only asset classes but a wide range of investment strategies. Being unbiased and independent fund selectors opens the entire universe of fund strategies to build portfolios from, something few firms appear willing to do today. Frontier stands firmly on this principle.



Major current themes

Broadening trade

February saw a continuation of the broadening trade, with international stocks and small-cap stocks outperforming the S&P 500 Index. International stocks benefited from a continued weakening dollar, and investors continued to pour into emerging markets.

Disorder – A robust environment for active management

As investors continued to lose faith in the S&P 500 Index, frustrations intensified around the far-reaching impacts of AI. Pitfalls emerged as certain sectors, particularly software, took a pummeling. Meanwhile, defensive stocks provided a relative safe haven. As of this writing, war has broken out in Iran, adding to the instability.

This environment has created fertile ground for active managers, as differentiated positioning allows them to avoid the pitfalls that index strategies are forced to participate in.

War, what is it good for? Inflation

Metals prices have been skyrocketing for nearly a year. While gold often captures the headlines, the metals that matter are the foundational materials of the global economy: copper, steel, and aluminum. Input prices for these metals have a direct relationship with inflation.

Now add the new war in Iran, with its obvious consequences of rising energy prices and potential supply chain disruptions. The new risk of unexpected inflation was only reinforced this month.

How to hedge the “Everything Boom”

With Gold trading near \$5,000 an ounce, everyone wants to own it, and many expect gold to become the “new Treasuries” in terms of hedge value. At the same time, it seems like almost every asset class is nearing a state of “priced to perfection.” So what is a risk manager to do? The following is how Frontier Strategies are positioned to seek to mitigate potential risks:

- **Dollar hedge** – Frontier owns international stocks, and First Eagle funds own meaningful allocations to gold.
- **Market hedge** – Many of the mutual funds employed within Frontier Strategies incorporate risk management within their mandates.
- **Economic hedge** – We continue to believe that in the event of a poor economy, U.S. Treasuries can reassert their traditional hedge value.
- **Inflation hedge** – With threats of inflation bubbling up, Treasury Inflation-Protected Securities (TIPS) appear to be a prudent overweight position.

Performance highlights

February provided another solid month for the performance of Frontier Strategies. The following highlights contributed to results across most Frontier Strategies:

International stocks

Frontier continues to maintain elevated positions (relative to peers) in international stocks, along with more diverse positioning. Many Strategies continue to hold core international stock funds, defensive international stock funds, international small-cap exposure, and emerging markets.

Small-cap stocks

Most Frontier Strategies maintain measured relative overweights to small-cap stocks. Small caps experienced a strong month. Importantly, small-cap stocks now carry the highest expected return of the asset classes in our forward-looking models.

Underweight large-cap stocks

Most Frontier Strategies remain relatively underweight U.S. large-cap stocks. While large caps delivered an above-average month, they trailed both international stocks and small-cap stocks.

Fund selection

Frontier Strategies also benefited from the differentiated performance patterns and alpha generation driven by skilled fund managers. Some of our larger active holdings across major asset classes delivered solid results this month, including T Rowe Price Capital Appreciation, First Eagle Overseas, Avantis International Small Cap, and Pzena Emerging Markets.

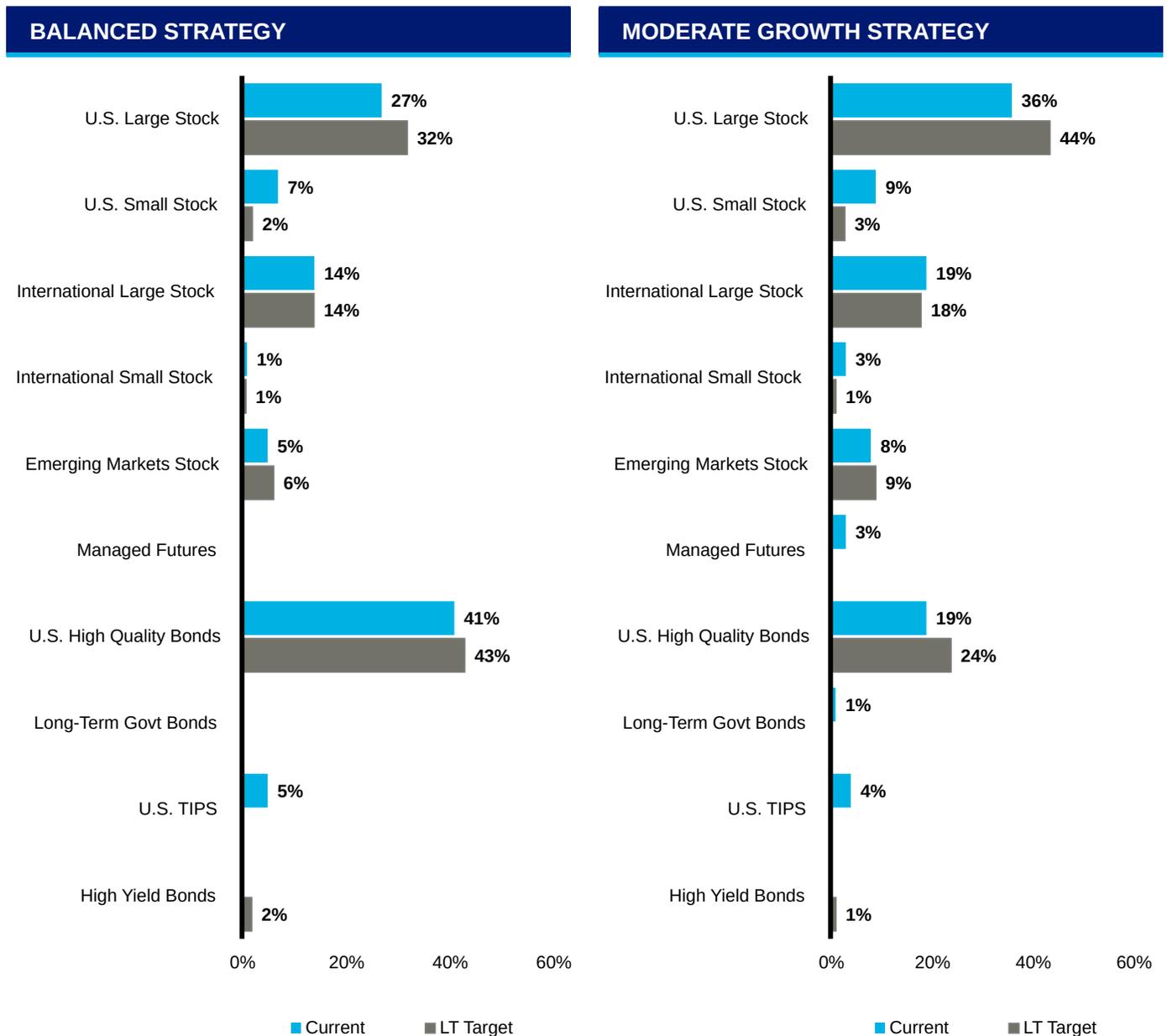
What to watch out for

Volatility and price fluctuations are the norm for capital markets. What tends to create true systemic risk, however, is structural damage to the underlying infrastructure of markets. U.S. Treasury bonds may currently be one of the most disliked assets in the world, but they also serve as a bell weather for disorder within the financial system. It has long been a global precedent that when chaos strikes, the U.S. dollar and U.S. Treasuries are the de facto safe haven. If the dollar continues to weaken and U.S. interest rates rise in the face of global volatility, it could signal a breakdown in one of the foundational relationships within global financial markets. Such a shift would warrant close attention from investors. To diversify this risk, Frontier holds a mix of treasury bond index positions, actively managed diversified bond funds, and TIPs funds.

Portfolio positioning

There were little to no changes to Frontier Strategies for the month.

In general, most Frontier Strategies maintain modest underweights to U.S. large-cap stocks and relative overweights to small-cap stocks, while remaining on target with respect to international equity exposure and portfolio duration. The following allocations within the Balanced and Moderate Growth Strategies below are representative of Frontier’s overall positioning as of February 1, 2026.



Source: Frontier Asset Management. Data as of February 1, 2026.

Past performance is no guarantee of future returns. Please refer to important disclosure information.

Current headlines

HEADLINE	QUICK TAKE
IRAN WAR	History suggests that small-scale wars tend to have little long-term influence on stock prices. However, wars can add to inflationary pressures. In this case, oil prices have already moved higher in response to the conflict. If a war contributes to inflation, it can lead to asset price disruptions. However, these reactions tend to manifest as volatility rather than lasting structural damage to markets.
INFLATION	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 the neutral rate.
ECONOMY	The modern economy has become increasingly reflexive to asset prices. Strong asset prices support economic strength, while a strong economy often leads to higher asset prices. Conversely, when asset prices decline, it is almost impossible to have a good economy. Given that asset prices are now being disrupted, this relationship would imply that the economy is likely to slow.
INTEREST RATES	Both the Federal Reserve and the European Central Bank declined to lower interest rates at their last meetings, ending a streak of global rate cuts and monetary easing. Central banks around the world are now caught between the possibility of unexpected inflation and falling asset prices. Inflation would pressure interest rates up, but central banks know that their unspoken role is to rescue asset prices in the face of chaos, which implies cutting rates. Once again, it's a tough time to be a central banker. If history is a guide, falling asset prices usually win over inflation concerns. This dynamic could lead to a steepening yield curve.
ENERGY CHOKE POINT	The Strait of Hormuz is the world's most critical energy chokepoint, with approximately 20%–25% of global petroleum liquids passing through the region. For net energy importers, especially Asian economies like China, India, and South Korea, any disruption immediately could trigger severe energy price spikes and physical shortages. A closure of the strait would likely trigger global inflationary pressures, surging shipping costs, and significant, widespread economic disruptions.

Capital markets



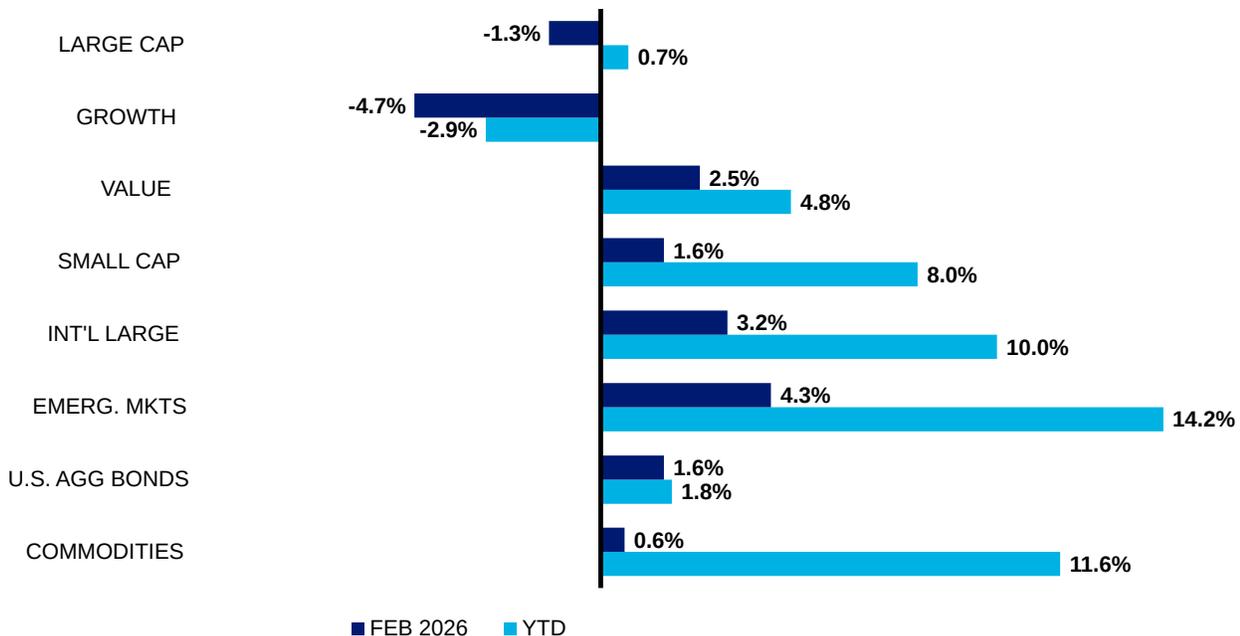
February continued the shift in market leadership — a development advisors should pay close attention to. After a prolonged period of U.S. large-cap and growth dominance, the month's returns tell a different story. International stocks, emerging markets, and value-oriented strategies led the way, while U.S. growth stocks posted negative returns.

A clear rotation away from U.S. growth

U.S. Growth fell -4.7% in February, making it the weakest performer among major asset classes. U.S. Large Cap was also negative at -1.3%, suggesting that mega-cap, technology-heavy companies that drove markets higher in recent years faced real headwinds during the month. Year-to-date, U.S. Growth is now down -2.9%, reinforcing that this may be more than one bad week.

In contrast, U.S. Value gained +2.5% in February and is now up +4.8% year-to-date. That represents a spread of more than seven percentage points between Growth and Value in just the first two months of the year.

HOW THE MONTH STACKED UP | ENDING FEBRUARY 28, 2026



Source: YCharts, iShares and Frontier Asset Management. Data as of February 28, 2026.

Asset Class Index Sources: Large Cap = iShares Core S&P 500 ETF (IVV); Growth = iShares S&P 500 Growth ETF (IVW); Value = iShares S&P 500 Value ETF (IVE); Small Cap = iShares Core S&P Small-Cap ETF (IJR); Int'l Large = MSCI EAFE Index (EAFE); Emerging Markets = iShares MSCI Emerging Markets ETF (EEM); U.S. Agg. Bonds = Bloomberg U.S. Aggregate Bond Index (AGG); and Commodities = Bloomberg Commodity Index (BCOM).

Past performance is no guarantee of future returns. Please refer to important disclosure information.

Capital markets (cont'd)

International markets take the lead

One of the defining stories of early 2026 may be the resurgence of international equities, building on strong momentum from 2025. Emerging Markets surged +4.3% in February and are now up +14.2% year-to-date, while International Large Cap gained +3.2% for the month and +10.0% year-to-date. Both have significantly outpaced their U.S. counterparts so far this year.

On a one-year basis, Emerging Markets are now up +45.8%, more than double the return of U.S. Large Cap. For clients who have been heavily concentrated in domestic equities, this serves as a timely reminder of the importance of global diversification.

Small-cap and bonds also positive

U.S. Small Cap stocks gained +1.6% in February and are now up +8.0% year-to-date, another sign that market strength is broadening beyond the mega-cap names. U.S. Aggregate Bonds returned +1.6% for the month, providing welcome stability within diversified portfolios.

Key takeaway

February's data continues the story for 2026: market leadership has rotated. Value is outperforming Growth. International markets are outperforming domestic stocks. Small caps are holding their own.

Granted this is a short time period, but portfolios that are heavily tilted toward U.S. Large-Cap Growth may warrant review. Diversification across styles and geographies appears to be rewarding investors once again.

Fund story of the month

Pzena Emerging Markets Value Fund

As emerging markets extend their strong rally into 2026, the Pzena Emerging Markets Value Fund continues to demonstrate the potential benefits of active management in an index-heavy environment.

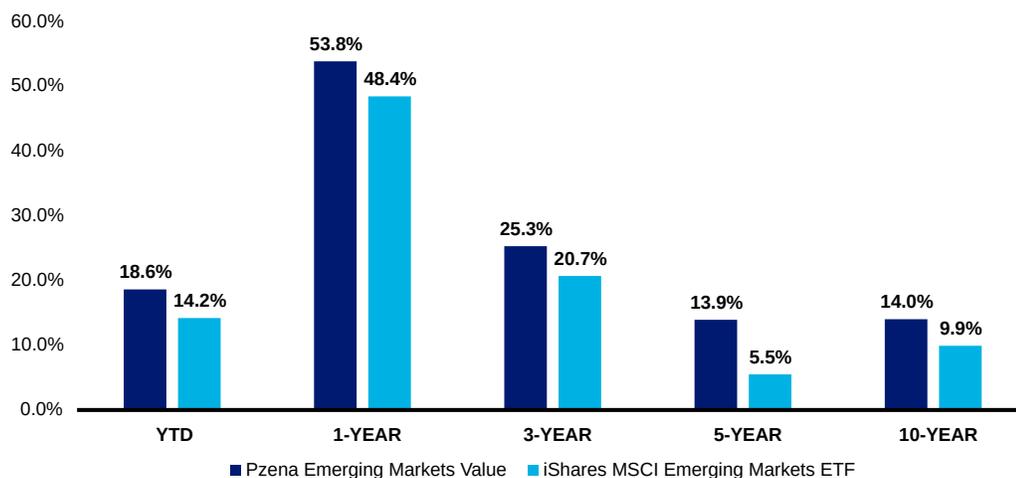
Pzena Investment Management’s Emerging Markets Value Fund employs a "deep-value" investment philosophy, focusing on buying high-quality companies when they are trading at historically low prices due to temporary, fixable problems. The firm believes that in emerging markets, emotional, short-term investor behavior often creates significant price dislocations, allowing disciplined, bottom-up researchers to identify undervalued, high-quality companies.

Investment philosophy:

- **Deep value approach:** The strategy focuses exclusively on the cheapest 20% of the investment universe, targeting companies that are underperforming their historical earnings power.
- **Quality first:** Aims to buy "good businesses on sale"—companies with solid long-term prospects, industry leadership, or strong balance sheets, rather than simply buying cheap, struggling companies.
- **Fundamental research:** While many investors shy away from the uncertainty of emerging markets, Pzena views this volatility as opportunity. Market disruptions often present opportunities to buy companies with strong fundamentals that may have been overlooked.

The Fund targets companies that trade at a significant discount relative to their intrinsic value. This can be seen through its year forward P/E ratio of 11x, compared to 15x for the benchmark. Year-to-date, the Fund’s underweight positioning in Asia and overweight allocation to Financials have contributed to strong alpha generation relative to the benchmark. Over the past two months alone, the Fund has outperformed the iShares MSCI Emerging Markets ETF by 4.5%.

PZENA EMERGING MARKETS VALUE VS. ISHARES MSCI EMERGING MARKETS ETF



Source: Morningstar. Data as of February 28, 2026. Data is shown gross of fees.

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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.

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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 (BCOM): Tracks the prices of 24 major commodity futures contracts across six sectors.

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).

iShares Core S&P 500 ETF (IVV): Seeks to track the investment results of an index composed of large-capitalization U.S. equities.

iShares Core S&P Small-Cap ETF (IJR): Seeks to track the investment results of an index composed of small-capitalization U.S. equities.

iShares S&P 500 Growth ETF (IVW): Seeks to track the investment results of an index composed of large-capitalization U.S. equities that exhibit growth characteristics.

iShares S&P 500 Value ETF (IVE): Seeks to track the investment results of an index composed of large-capitalization U.S. equities that exhibit value characteristics.

MSCI EAFE Index (EAFE): 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 Emerging Markets Index (EEM): 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.

SaaS-pocalypse: A predicted or perceived collapse, disruption, or major reset of the Software-as-a-Service (SaaS) industry—driven largely by advances in artificial intelligence and automation that may reduce the need for traditional software applications.