

MONTHLY BRIEFING

What's not to like?

Jeremy van Arkel, CFA | Director of Strategies

October, by most measures, was a strong month for investors. The S&P 500® Index gained an above average 2% return for the month, extending its streak to seven consecutive months of gains. As stock prices have risen the economy has also improved. Gross Domestic Products (GDP) estimates of economic growth continue to be revised higher, and for this earnings season it looks like the majority of stocks are beating earnings estimates. At the same time, inflation is turning out to be not as bad as some predicted, and the Fed is cutting interest rates.

Going forward though, given the outsized returns of large cap stocks and international stocks this year, Frontier's expected returns are now lower for most equity asset classes. Small cap stocks, obvious laggards this year, appear to be the only asset class left that we believe to offer above average expected returns. As an allocator, looking forward looks a lot trickier than the virtuous path that we have been on for the last couple of years.

In this month's briefing, we'll review capital markets, Frontier strategies, key headlines, and take a closer look at the PIMCO Income Fund.

HERE'S WHAT'S UP!

2 - MONTHLY OVERVIEW

3 - PERFORMANCE HIGHLIGHTS

4 - CAPITAL MARKET RETURNS

5 - FRONTIER POSITIONING & CHANGES

6 - HEADLINES OF THE MONTH

7 - FUND STORY OF THE MONTH

Past performance is no guarantee of future returns.
Please refer to Important Disclosure information.



Monthly overview

Narrow focus

In October, investors returned to the Artificial Intelligence (AI) trade, with a particular frantic focus on semiconductor stocks. For the month, the iShares Semiconductor Index (SOXX) gained 13%, which far outpaced broader market indexes. The AI tech trade was alive and well abroad as well, which benefited emerging market stocks for the month, as Asia is home to some of the world's leading technology companies.

Disparate returns

There was a large disparity in returns between investment styles for the month, as technology-focused strategies like Macquarie Emerging Markets earned 16%, while Artisan International Value earned less than 1%. This divergence not only shows how growth stocks outperformed value stocks for the month, but also the magnitude of returns of technology stocks vs. everything else.

October saw a return to the narrow AI focused market – but for how long?

— *Jeremy van Arkel, CFA*

Fed rate cuts

The Fed cut rates again in October, this time only 0.25%. Post this rate cut, the all-important yield of 10-year government bonds rose 0.10%, representing a slight steepening of the yield curve. This implies a lower yield on savings and slightly higher yields on borrowing, which is not necessarily a good thing.

Geopolitics

The market seemed to shrug off the government shutdown and continued tariff saber-rattling. The government was shut down for the entire month of October, and investors paid this zero credence.

Little to no changes in Frontier strategies

We remain broadly diversified, risk-managed, and tilted toward undervalued asset classes and skilled active managers.

Performance highlights



October was a solid month in terms of absolute returns for Frontier strategies. However, most strategies lagged for the month when compared to static benchmarks due to the narrow AI-focused market environment. The following are some interesting highlights.

The **Balanced Strategy**, which represents a diversified mix of asset classes that is currently approximately 55% equity / 45% non-equity, is performing ahead of its benchmark year-to-date and for the past 12 months. This solid performance is particularly attractive given the defensive overall nature of this strategy.

The **Conservative Income Strategy** continues to offer an attractive yield - which is currently 6% as of October 31, 2025. This level of yield is becoming more appealing to investors as short-term interest rates continue to decline due to Fed rate cuts.

The **Global Opportunities Strategy**, which is overweight to small-cap stocks relative to competitors could be thought of as a way to take advantage of potential returns in small-cap stocks. Of all the asset classes we follow, we believe small-cap stocks offer the highest expected returns from this point, and this strategy seeks to take advantage of that opportunity.

Benefiting many portfolios this year, 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.

Capital markets: A return to AI thematic leadership, but still a great month overall

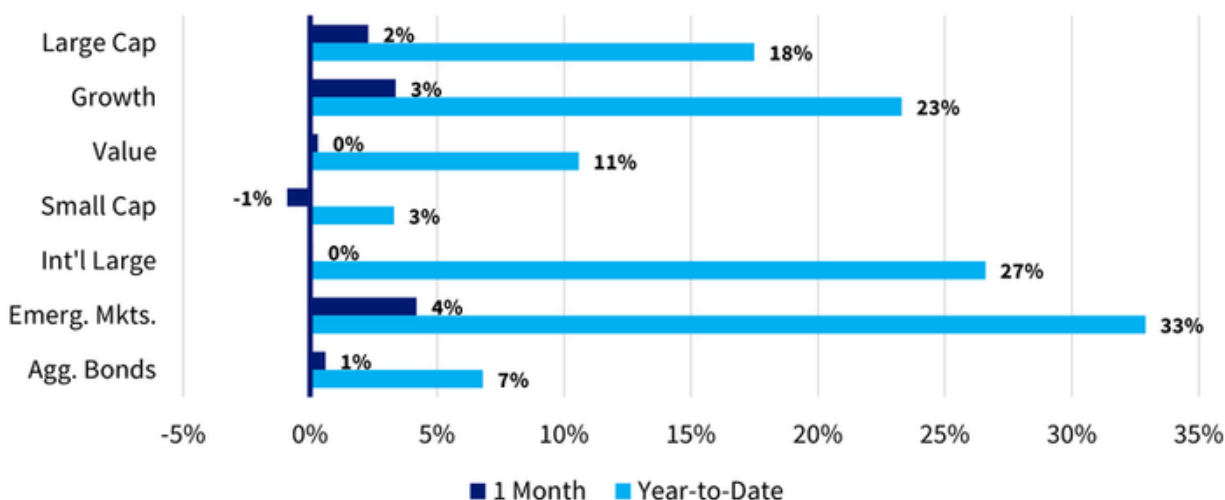
In October, we were hit with a plethora of potential market-moving headlines, running the gamut from Fed rate cuts and earnings season, more tariffs and geopolitics. A veritable daily barrage of information noise, yet the mode of the market was one way - anything AI-related seemed to go up every day.

This return to AI stock leadership led to a bifurcated market, again. As shown by the chart below, growth stocks and emerging market stocks were basically the only sources of return for the month. However, this chart does not properly display the magnitude of the market's focus. For example, semiconductor stocks (which are leveraged to the AI trade) were up 13% for the month. Some days it feels like NVIDIA is the only stock in the world.

Similar to other points in time, what was good for AI stocks is perceived as bad for small-cap and value stocks, and they were once again the laggards for the month.

What might surprise many investors: emerging market stocks won the month as the AI-thematic focus took hold abroad, and Asian technology stocks had their day in the sun, too. Year-to-date, emerging market stocks are now the clear performance winners of 2025.

OCTOBER AND YEAR-TO-DATE MAJOR ASSET CLASS RETURNS – ENDING OCTOBER 31, 2025



Source: Morningstar, iShares and Frontier Asset Management. Data as of October 31, 2025.

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 = MSCI Emerging Markets Index ; and Agg. Bonds = Bloomberg U.S. Aggregate Bond Index (AGG).

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Frontier positioning & changes

We have had little to no change in the positioning of our strategies over the past month. 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 we believe have higher expected returns (i.e., small-cap stocks and international stocks).
- **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 fixed income** – Our fixed income positioning remains predominantly driven by active bond managers.
- **Active and passive funds** – Our strategies are constructed using third-party 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 month

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 not 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.

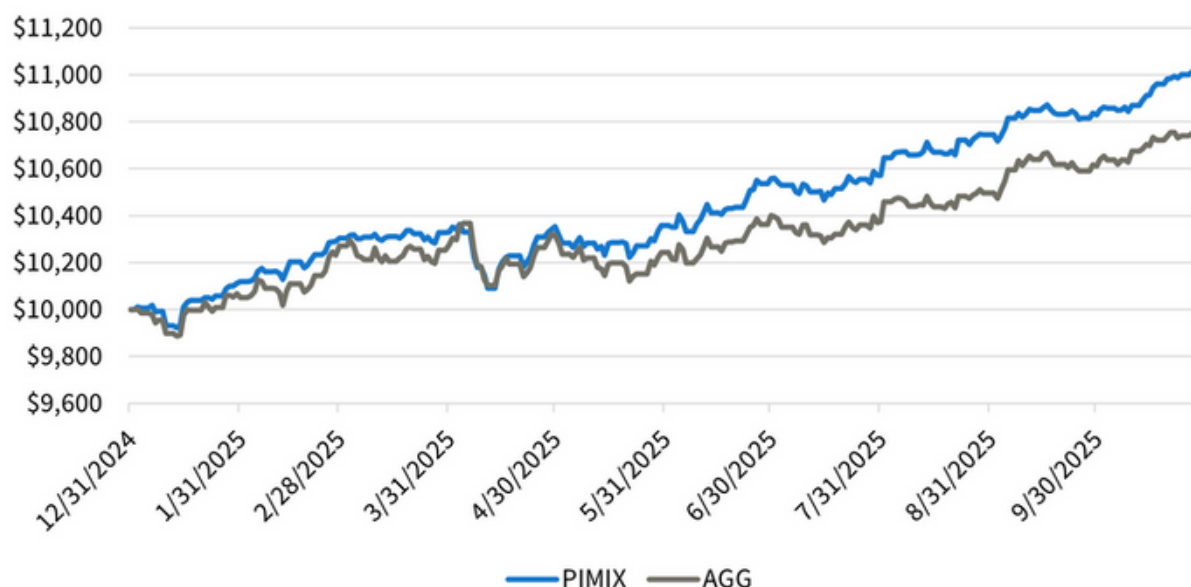
Fund story of the month: PIMCO Income Fund

As part of Frontier's long-standing belief in the value of skilled active management within fixed income, this month we're highlighting an example of how one widely used fund, PIMCO Income Fund, illustrates key principles of active bond management in today's market.

This year, PIMCO Income is outperforming the Bloomberg U.S. Aggregate Bond Index (what many investors call "core bonds") by about 3%. This considerable excess return in a short time exemplifies how inefficient the bond market can be, and the possible return advantage active management can provide. How did they do that?

- Much of PIMCO's performance has come from finding value in the yield curve. This fund has a long history of adjusting their duration to seek to take advantage of interest rate changes.
- PIMCO Income is a diversified strategy, actively managing their positioning among sectors such as government bonds, corporate bonds, high yield bonds, and securitized and mortgage securities.
- All the while, this fund has provided this outperformance with a low risk profile. In 2022, when interest rates rose significantly, the fund lost 8% for the year while the Bloomberg U.S. Aggregate Bond Index lost 13%.

PIMCO INCOME I VS. BLOOMBERG U.S. AGGREGATE BOND INDEX



Source: YCharts. Data as of October 31, 2025.

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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 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).

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.

iShares Semiconductor ETF (SOXX): Seeks to track the investment results of an index composed of U.S.-listed equities in the semiconductor sector.

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 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.

Quarterly performance | As of September 30, 2025

CORE STRATEGIES			Annualized Returns					Cumul. Return	Standard Deviation		Inception Date
	QTD	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Inception		5-Yr	Inception	
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%			

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