

## Q2 2020 Performance Review

*A Banner Quarter for New Frontier Strategies, Both in Terms of Absolute Return and Performance Relative to Benchmark*

July 31, 2020

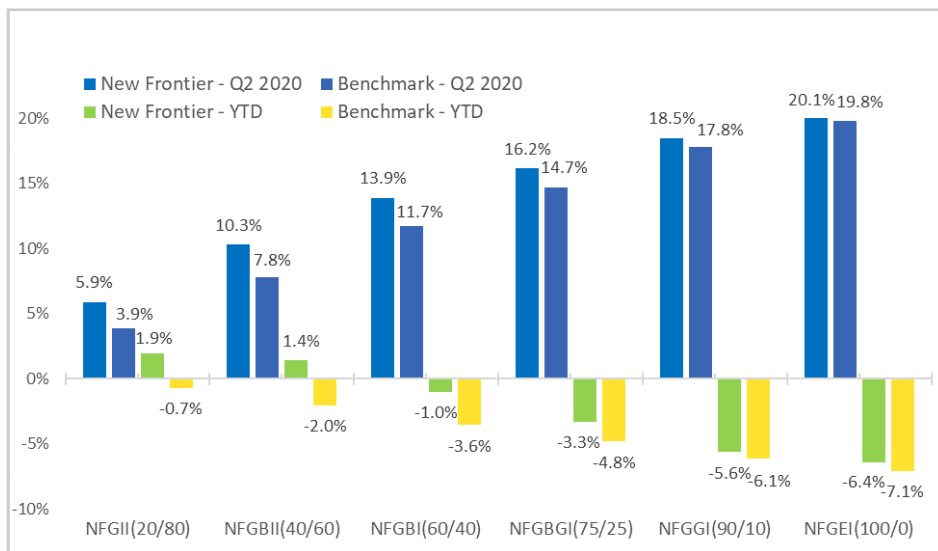
In 2019, markets were relatively calm, the economy was strong, and the stock market was at all-time highs. March 2020 brought an abrupt turn with the global pandemic outbreak as the VIX reached historically high levels. *Remarkably, Q2 brought the quickest recovery from the fastest drawdown in Q1 in history.* Volatility reduced significantly but is still relatively high, and the quarter saw high dispersion within asset classes. After the Fed announced plans to buy back corporate bonds, Q2 saw a steepening of the high yield credit curve, and investment grade corporate spreads dropped to historical lows while high yield credit spreads narrowed but remained historically elevated.

Given rapid changes, and in keeping with our dynamic investment process that adapts to evolving market information, we have traded three times in the last five months to maintain portfolio optimality. Through the recent turmoil, New Frontier outperformed respective benchmarks across our model portfolios.

### **New Frontier Global Indices: Q2 and Year-to-Date (YTD) Performance**

In 2019, we launched a family of six new optimized global indices ranging across the risk spectrum; they are designed to provide transparency into the performance of New Frontier mandates and serve as a testament to the efficacy of our investment process. ***It is important to note that the indices are neither hypothetical nor a back-test; they reflect our performance in index form and can be compared directly to other publicly available indices.*** They are accessible and priced daily in real-time on the S&P Dow Jones website, Bloomberg, New Frontier website, smartphone stocks apps, Yahoo Finance, and on wearable devices such as the Apple Watch. As reflected in the chart below, the indices outperformed their respective benchmarks, both in Q2 and YTD.

New Frontier Global Index Performance<sup>1</sup>



Performance data as of 6/30/20

- [\*The New Frontier Global Equity Index \(NFGEI\)\*](#) posted its **best quarter since 2009 with a 20% gain.**
- The [\*New Frontier Global Balanced Index \(NFGBI\)\*](#), which mirrors the standard advisor (60/40) benchmark, **bounced back 14% in the second quarter and was down less than 1% for the year, exceeding the benchmark by over 2.6%.**
- The [\*New Frontier Global Income Index \(NFGII\)\*](#), which tracks the conservative (20/80) portfolio, has extended gains and **outperformed its benchmark by 2%.**

**Q2: A Quarter Not Soon Forgotten**

Stocks significantly outperformed bonds in the second quarter, and there was an enormous amount of dispersion among asset classes. Small cap growth was up over 30% and large cap value up 12%. U.S. value was the worst performing equity class. Treasuries rose modestly, while corporates, high yield, and municipal bonds also performed well.

Asset Class Performance

	<i>Return(%)</i>		
	<i>Q2 2020</i>	<i>Q1 2020</i>	<i>1-Year</i>
<b>Equity</b>			
Global Equity	18.81	-21.05	2.07
U.S. Large Cap Value	12.7	-25.07	-7.52
U.S. Large Cap Growth	29.24	-13.77	24.89
U.S. Small Cap Value	20.97	-34.98	-16.49
U.S. Small Cap Growth	32.89	-24.25	7.78
U.S. Low Vol	12.82	-17.16	0.35
U.S. Dividends	12.52	-23.97	-6.67
U.S. Real Estate	13.53	-24.16	-6.88
Gold	13.05	3.6	25.65
Europe	16.93	-25.64	-6.22
Pacific	14.93	-20.63	-2.42
Emerging Markets	18.71	-24.72	-4.47
China	15.59	-11.11	11.25
Intl. Small Cap	23.48	-29.57	-5.9

	<i>Return(%)</i>		
	<i>Q2 2020</i>	<i>Q1 2020</i>	<i>1-Year</i>
<b>Fixed Income</b>			
U.S. Aggregate Bonds	3.08	3.1	8.9
Short Treasuries	0.22	2.72	3.98
Intermediate Treasuries	0.65	10.5	12.65
Long Treasuries	-0.23	22.15	25.88
International Treasuries	4.29	-3.33	1.09
Emerging Bonds	14.25	-15	0.77
Mortgage-Backed	0.83	2.66	5.52
Inv-Grade Corporates	9.72	-2.97	11.63
Long Corporates	11.13	-4	13.99
High Yield	9.32	-12.84	-1.09
Municipal	2.71	-0.41	4.46

Contributors and detractors to performance include:

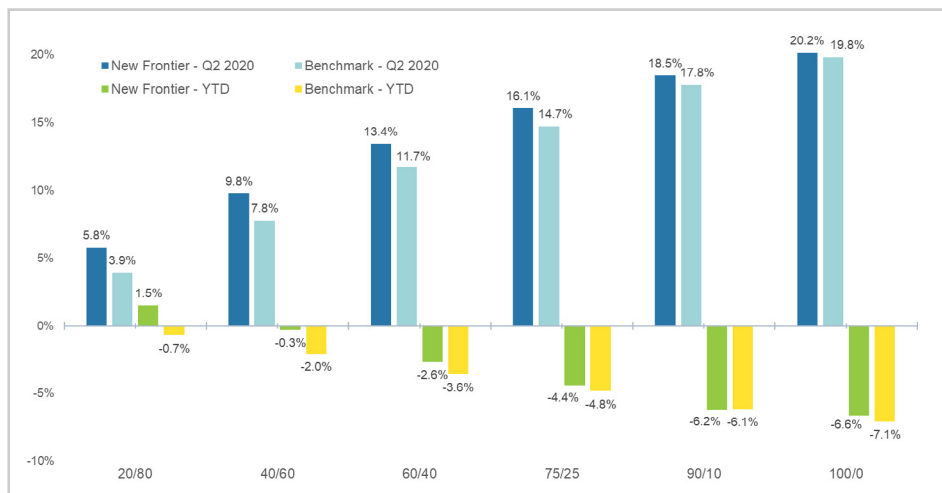
**Contributors:** The quarter saw investors pour back into riskier assets. Risky bonds produced gains in Q2, including investment grade corporate and high yield and emerging market debt; all equity ETFs delivered positive returns in the second quarter, recovering from the sell-off in March. U.S. stocks beat both developing and emerging market stocks. The primary contributor to performance was exposure to U.S. growth stocks, which outperformed broader U.S. stocks. U.S. small cap started to pick up momentum that helped performance as well.

**Detractors:** Value and U.S. minimum volatility lagged the broader market, which weighed on relative performance. The only detractor from performance was exposure to U.S. treasuries, specifically longer-duration issues. The second quarter was a mirror image of the flight-to-quality trend that dominated the first quarter. On a year-to-date basis, long treasuries are still the biggest contributor to performance, with a 21.8% gain.

**New Frontier Tax-Sensitive Model Portfolios Post Double Digit Returns**

New Frontier’s six Tax-Sensitive portfolios all performed well in Q2, with our balanced and aggressive portfolios posting double digit returns, as municipal bonds rebounded and volatility decreased. The strategies have outperformed their benchmarks YTD. It is worth noting that the performance of the Tax-Sensitive portfolios has been in line with that of our Standard Portfolios.

**Tax-Sensitive Performance<sup>2</sup>**

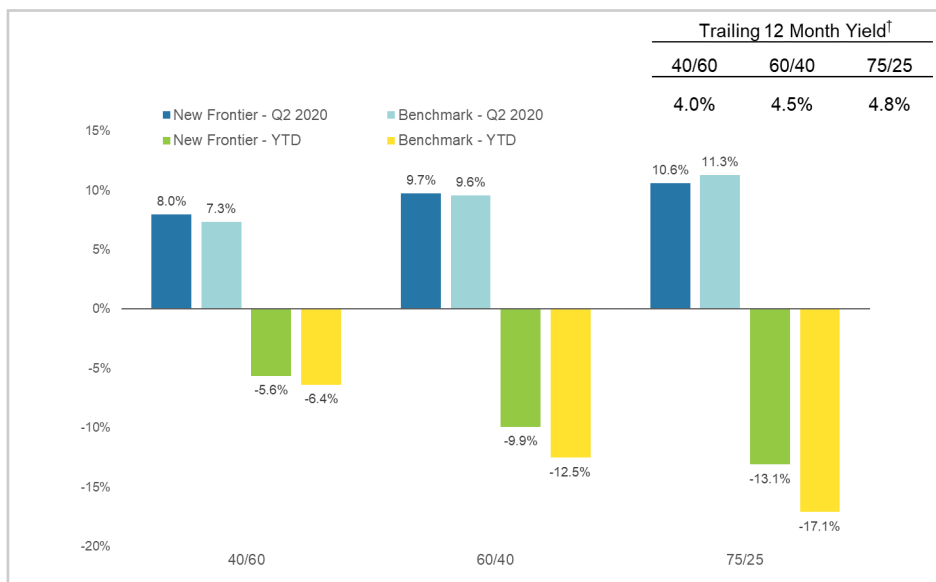


Performance data as of 6/30/20

### Multi Asset Income (MAI) Strategies Focus on Sustainable Yields

In Q2, both our Conservative and Balanced MAI Portfolios beat their benchmarks, MSCI ACWI IMI NR (stocks) and FTSE Treasury Bill 3 Month USD (bonds) blends corresponding to the risk target of each portfolio, as defined by its stock/ bond ratio. Given the nature of their income-orientation and a plunge in dividend payments, the MAI portfolios did not see as dramatic of a rebound as our Standard and Tax-Sensitive portfolios. The most aggressive portfolio trailed slightly behind the benchmark for the quarter. MAI outperformance is more pronounced YTD. Our three MAI strategies offer trailing 12 month yields of 4% (40/60), 4.5% (60/40), and 4.8% (75/25), even in this low interest rate environment.

#### Multi-Asset Income Performance<sup>3</sup>



Performance data as of 6/30/20

#### A Word to Investors

Investment uncertainty exists in any time period but investors who cashed out in March missed a historic rebound. Timing the market is not recommendable for long-term investors. A key lesson of 2020, as evidenced by our performance, is the importance of staying invested even during times of high volatility. An appropriately risk-targeted, globally diversified portfolio is as important as ever.

For a video overview of our Q2 Performance, please click [here](#).

To read New Frontier's Market Perspectives for the second quarter of 2020, "An Uncertain Rebound," please click [here](#).

### **New Frontier Portfolios: Morningstar Top Performers**

Once again, New Frontier portfolios have dominated Morningstar's rankings, with our portfolios holding six of the top 12 spots, including First, Second, and Third out of over 110 strategies in the category based on 5-year return. The [Morningstar Screener](#) allows for free, easy comparison of several managed strategies across many categories.

To view New Frontier's performance on Morningstar select the following filters on the left-hand side panel:

1. [Global](#) under Universe
2. [Balanced](#) under Asset Breadth
3. [Strategic](#) under Portfolio Implementation

The 1 Year, 3 Year, and 5 Year Return headers may be used to sort and rank the strategies.

*This note was posted as an entry on New Frontier's investment blog on July 31, 2020. Read this entry and other posts at: [newfrontieradvisors.com/blog](http://newfrontieradvisors.com/blog).*

<sup>1</sup>Performance of New Frontier Global Index returns is calculated by S&P Dow Jones Indices and does not include trading costs or advisor fees. Benchmark comprised of stock/bond ratio blend of MSCI ACWI IMI NR and FTSE Treasury Bill 3 Month USD is not an investable security. Index calculation is based on New Frontier's full transaction history beginning October 29, 2004.

<sup>2</sup>New Frontier performance is net of platform and strategist fee. Benchmark is comprised of MSCI ACWI IMI NR (stocks) and FTSE Treasury Bill 3 Month USD (bonds). No fees are deducted from benchmark returns.

<sup>3</sup>New Frontier performance is net of platform and strategist fee. Benchmark is comprised of Dow Jones Global Select Dividend TR USD (stocks) Bloomberg Barclays US Agg Total Return Value Unhedged USD (bonds). No fees are deducted from benchmark returns.

<sup>†</sup>Yield information is provided by Morningstar for individual underlying assets.

PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.