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Joy Zheng joined New Frontier in 2018 as a Research Analyst after graduating from Boston University with a M.S. in Mathematical Finance. She is a member of the Investment Committee and her responsibilities include supporting the Investment and Research teams. Her interests include computational finance, quantitative analysis and risk management.

Q1 2021: Optimism Around Economic Rebound

May 4, 2021

The new year rang in good news on multiple fronts. A greater-than-expected fiscal stimulus and faster-than-anticipated vaccine rollout pushed U.S. stocks higher during the first quarter of 2021. The New Frontier Global Equity Index (NFGEI) 100/0 returned 6% for the quarter, 0.8% higher than ACWI IMI index. The New Frontier U.S. Equity Index (NFDEI) 100/0 was up 7%, outperforming the S&P 500 by 1%. All New Frontier strategies reached new highs in Q1.

Yields responded to increased expectations for economic growth and higher inflation levels. The 10-year U.S. Treasury yield rose to 1.74% from 0.93% at the beginning of 2021, steepening the yield curve. The U.S. aggregate bond market fell 3.4% for the quarter as U.S. Treasuries saw their worst quarter since 1980.

Despite a volatility uptick sparked by rate movements, the VIX trended downward, retreating from the extreme high levels in the first half of 2020, back toward historic averages.

Index Performance

The charts below show the performance of [New Frontier indices](#) in Q1 2021 and over a 1-year period, [with six Global and six U.S. optimized indices](#) spanning the risk spectrum. New Frontier indices describe the performance of our core investment strategies in index form and can be compared directly to other publicly available indices.

New Frontier Global & U.S. Q1 Index Performance

		Stock/Bond	20/80	40/60	60/40	75/25	90/10	100/0
Q1 2021	U.S.	New Frontier	0.00%	0.96%	2.89%	4.71%	6.58%	7.05%
		Benchmark ¹	1.22%	2.42%	3.63%	4.54%	5.45%	6.05%
	Global	New Frontier	-0.38%	0.08%	1.60%	3.21%	5.05%	5.96%
		Benchmark ²	1.03%	2.05%	3.07%	3.84%	4.62%	5.14%

Data as of 03/31/2021

¹ U.S. Benchmark: Blended S&P 500 NR / 3 Month T-Bill ² Global Benchmark: Blended MSCI ACWI IMI NR / 3 Month T-Bill

The indices are not investable securities. Any investable security would have performance reduced by fees and expenses. In any case, past performance does not guarantee future results. As market conditions fluctuate, the investment return and principal value of any investment will change.

All New Frontier Global and U.S. indices reached **all-time highs** during Q1 2021.

- Buoyed by small cap, aggressive indices outperformed their benchmarks by up to 1%.
- As rising yields weighed on fixed income, conservative indices were nearly flat for the quarter, with gains from stocks fully or partially offset by losses in bonds.

- Both Global and U.S. 60/40 indices, with the most balanced exposure to different asset classes, were up 1.6% and 2.9% in Q1 respectively. Traditional hedges like long-dated bonds and gold were among the top asset class contributors over the past year but didn't contribute to positive performance this quarter, partly explaining underperformance relative to benchmarks.

While relative performance against the benchmarks was mixed for the quarter, **all indices exceeded their benchmarks on a 1-year basis, ranging from 2% - 10%**. It has been over a year since equity markets bottomed out.

- New Frontier's 100/0 Global Equity Index (NFGEI) was up 83% from the market bottom, 21% above its pre-pandemic high.
- Both Global and U.S. 60/40 indices, benefiting from rebalancing and broad exposure, greatly outperformed their relative benchmarks over the past year.
- The strongest relative performance came from New Frontier's 100/0 U.S. Equity Index (NFDEI), outpacing the S&P 500 by 9.6% over 1 year.

New Frontier Global & U.S. 1-Year Index Performance

		Stock/Bond	20/80	40/60	60/40	75/25	90/10	100/0
1-Year	U.S.	New Frontier	11.11%	23.04%	36.35%	46.50%	57.68%	65.15%
		Benchmark ¹	9.79%	20.08%	31.11%	39.90%	49.13%	55.56%
	Global	New Frontier	11.87%	22.43%	33.85%	42.80%	52.46%	58.75%
		Benchmark ²	10.05%	20.67%	32.10%	41.23%	50.86%	57.58%

Data as of 03/31/2021

¹ U.S. Benchmark: Blended S&P 500 NR / 3 Month T-Bill ² Global Benchmark: Blended MSCI ACWI IMI NR / 3 Month T-Bill

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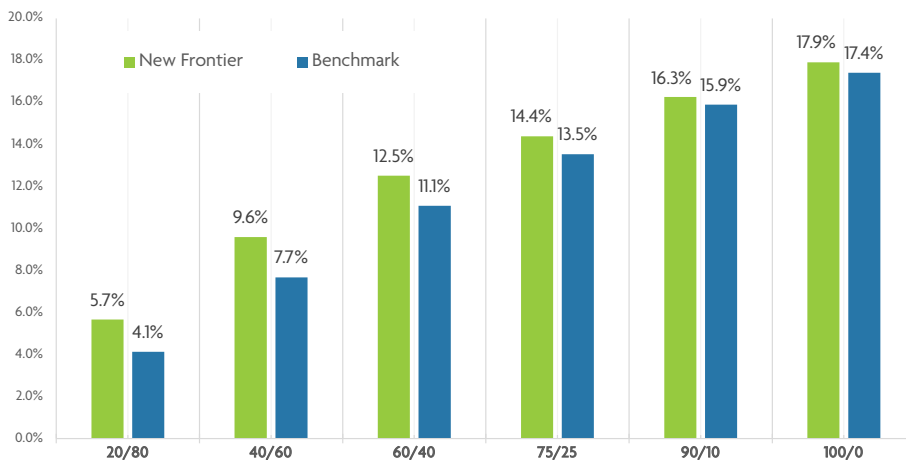
Strategy Performance

The 1-year performance does not include the pandemic downturn. Therefore, it is useful to look at performance extending back to January 2020 for a fuller picture including pre-pandemic highs, the March crash and the subsequent recovery. The positive absolute and relative performance over the full period provides some reassurance.

Q1 and 1-Year Performance

While Q1 was a good time for investing in risky assets, it was not a good quarter for defensive assets. Consequently, the aggressive Global Core portfolios outperformed benchmarks, while conservative and balanced portfolios underperformed this quarter.

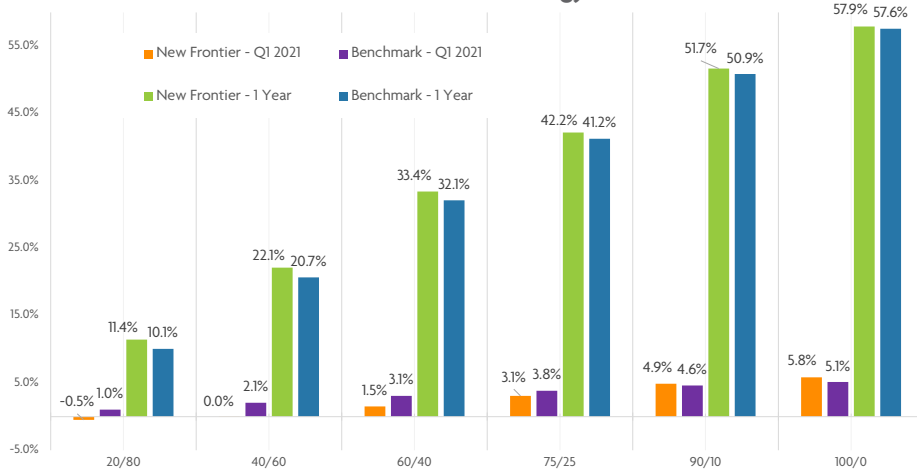
New Frontier Global Core Strategy Annualized Performance



(as of 3/31/2021)
 *New Frontier performance is net of platform and strategist fee. No fees are deducted from benchmark returns.
 *Benchmark is comprised of MSCI ACWI IMI NR (stocks) and FTSE Treasury Bill 3 Month USD (bonds).
 See appendix for additional disclosures.
 PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

- With just over a year since equity markets were badly hit by the March lockdown, our Global Core portfolios returned double-digits, ranging from 11% to 58% over the past year.
- This draws the scope of a rebound from the bottom we experienced and suggests a missed opportunity for those who exited the market in March 2020.
 - The performance is a compelling case for staying invested even in the most volatile and uncertain periods.

New Frontier Global Core Strategy Performance



(as of 3/31/2021)
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New Frontier

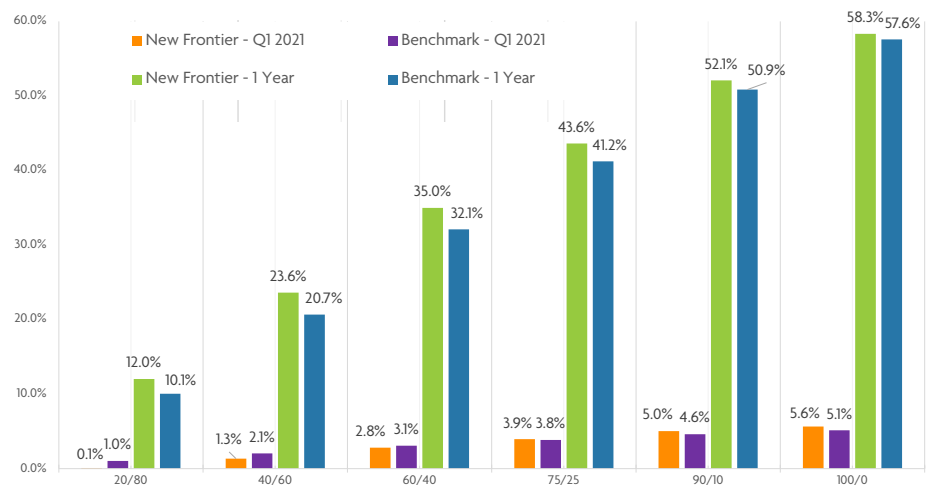
New Frontier manages its **Tax-Sensitive portfolios** with the same investment process as the Global Core (Tax-Exempt) portfolios, with considerations for after-tax returns.

- These strategies performed in line with the Global Core portfolios in Q1, but fared relatively better thanks to allocations to municipal bonds.
 - Compared to other bond segments, U.S. municipal bonds held up well in the first quarter during the rate rally supported by the stimulus package.
- Our aggressive Tax-Sensitive portfolios (75/25, 90/10, 100/0) outperformed benchmarks by 14-60 basis points for the quarter while other risk profiles trailed behind the benchmarks.
- For the 1-year period, all risk profiles outpaced benchmarks by 1% - 3%.

New Frontier's **Multi-Asset Income (MAI) portfolios** are constructed to provide a sustainable and reliable source of income.

- New Frontier outperformed competing MAI strategies.
- MAI lagged its dividend-intensive benchmark due to the benchmark's heavy weight in the financial sector, which performed unusually well during Q1.
- Income-oriented portfolios are currently providing yields around 3.3%, more than 2% of the yield on U.S. Aggregate bonds, and more than twice the yield on the broad global equity market.

New Frontier Global Tax-Sensitive



(as of 3/3/2021)*

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*Benchmark is comprised of MSCI ACWI IMI NR (stocks) and FTSE Treasury Bill 3 Month USD (bonds).

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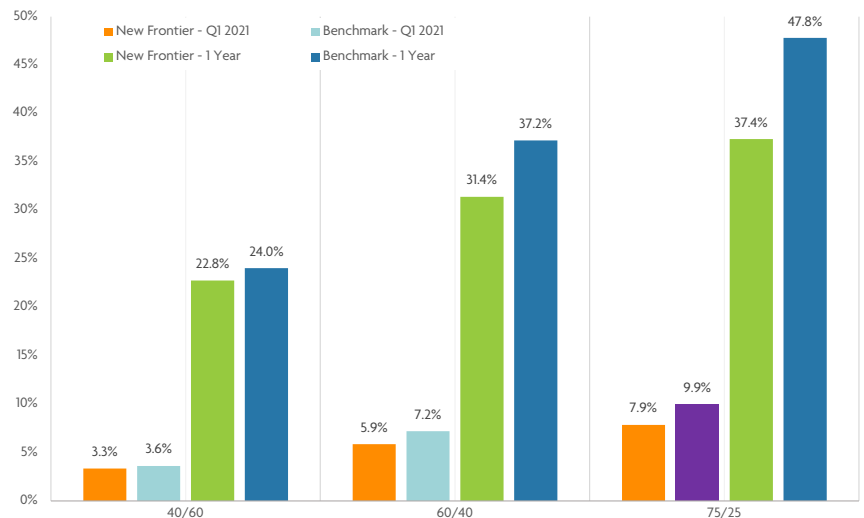
Asset Class Performance

Fixed Income

Overall, it was a **disappointing quarter for fixed income markets**. Treasuries were hit the hardest, followed by investment-grade corporate bonds. High yield, as an income-oriented asset, was the only bond segment that produced positive returns. International Treasuries and emerging bonds posted negative returns this quarter in part due to the strengthening U.S. dollar, which was up 4.0% for the quarter.

- The decline in U.S. Treasuries resulted in negative one-year returns, while U.S. corporate bonds were still up roughly 8% from a year ago. Risky bonds have recovered since March, including high yield and emerging bonds, which recorded double-digit returns over a one-year period.

New Frontier Multi-Asset Income Strategy Performance



(as of 3/31/2021)*
 *New Frontier performance is net of platform and strategist fee. No fees are deducted from benchmark returns.
 *Benchmark is comprised of Dow Jones Global Select Dividend TR USD (stocks) Bloomberg Barclays U.S. Aggregate Bond Index (bonds).
 †Yield information is provided by Morningstar for individual underlying assets.
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Equity

Q1 2021 saw gains for most equity markets, though not as dramatic as those in 2020.

- Value and small-cap stocks continued on the strong run that started in October amidst rising hopes of economic reopening.
 - Small-cap value was the top performer and biggest contributor to the portfolio performance for the quarter.
 - Dividend stocks also saw a good quarter.
- Growth stocks, which benefited from the low rate environment and “work-from-home” norm, came under increased pressure.

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 - The Russell 1000 Value Index was up 11.3%, outperforming the Russell 1000 Growth Index by 10.3%, its largest outperformance in 20 years.
- Stronger prospects of economic growth boosted U.S. performance relative to international equity markets.
 - Europe did well even in light of the strengthened U.S. dollars.
 - China, which greatly helped performance in 2020 was almost flat this quarter.
- Hedging assets like gold ended in negative territory in part due to the rise of the U.S. dollar, lowering its 1-year return to single digits.

Asset Class Performance

	Returns(%)			Returns(%)	
	Q1 2021	1-Year		Q1 2021	1-Year
U.S. Aggregate Bonds	-3.37	0.73	Global Equity	4.88	54.54
Short Treasuries	-0.09	0.21	Global ex-U.S. Equity	4.03	49.69
Long Treasuries	-13.92	-16.74	U.S. Large Cap Value	11.29	56.02
U.S. TIPS	-1.48	7.55	U.S. Large Cap Growth	0.94	62.48
Mortgage-Backed	-1.2	0.16	U.S. Small Cap Value	21.34	97.94
Inv-Grade Corporates	-5.47	8.11	U.S. Small Cap Growth	4.98	91.09
Long Corporates	-8.22	8.33	U.S. Low Vol	2.34	30.51
High Yield	0.7	22.68	U.S. High Dividends	11.2	47.93
High Yield Muni	1.61	23.98	U.S. Real Estate	8.79	36.73
Municipal Bonds	-0.66	4.86	Gold	-10.24	8.14
International Treasuries	-6.56	5.84	Europe	5.25	49.05
Emerging Bonds	-5.47	17.24	Pacific	3.34	46.33
			Emerging Markets	3.74	62.45
			China	0.58	45.17
			International Small Cap	5.36	67.31

Source: Bloomberg

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Whatever the future may bring, [New Frontier's time-tested, multi-patented investment process](#) provides an effective way for investors to weather a range of market environments.

Disclosures

The performance of New Frontier indices is calculated by S&P Dow Jones Indices. Since these are not investable securities, the performance does not include trading costs or advisor fees.

The benchmark for the global indices blends the MSCI ACWI IMI NR (stocks) and FTSE Treasury Bill 3 Month USD (bonds). The benchmark for the U.S. indices is comprised of stock/bond ratio blend of Dow Jones Global Select Dividend TR USD (stocks) and Bloomberg Barclays US Agg Total Return Value Unhedged USD (bonds).

Index calculation is based on New Frontier's full transaction history beginning October 29, 2004 for the global indices and June 6, 2019 for the U.S. indices. †Yield information is provided by Morningstar for individual underlying assets.

New Frontier Advisors, LLC ("New Frontier") is retained as a portfolio strategist ("Strategist") to provide model portfolios. Model portfolios are provided either (1) to registered investment advisors or broker-dealers ("Financial Advisors") through third-party asset management platforms ("Sponsors"), or (2) to individual clients where New Frontier acts as subadvisor to the client's Financial Advisor and accesses the client's account through a qualified custodian ("Custodian") to execute the model portfolio's transactions. New Frontier does not provide investment advisory services tailored to the individual needs and objectives of any investor. New Frontier acts solely as subadvisor, strategist, model provider, and/or model manager, and its relationship with any investor is limited to a subadvisory role working with the investor's Financial Advisor. Investors should consult with their Financial Advisor if they have any questions concerning the information provided here.

The performance shown here is the performance of New Frontier's model portfolios on Sponsors. Returns from inception of the taxed profiles on October 29, 2004 until July 1, 2009 (except for 20/80 which switched on October 1, 2010 and 40/60 which switched on January 1, 2010) and the inception of the MAI profiles on July 1, 2012 until October 1, 2012 for the 40/60 and 60/40 profiles or April 1, 2013 for the 75/25 profile do not reflect the actual investment results of any individual investor, as investor-level data is not available for those periods. Therefore, these returns represent the performance of a hypothetical investor's account whose assets were managed in line with the model portfolios during that period, assuming the model portfolio's signals were promptly implemented. Actual investors' performance results for those periods would have varied based upon the timing of contributions and withdrawals from individual accounts. Since the switching date when investor-level account data became available, performance results are a weighted average of actual investor returns in accounts following each model portfolio offered by New Frontier. Returns in excess of one year are annualized.

New Frontier acquires gross of fees monthly composite performance data of the accounts invested in each model portfolio at each Sponsor and weights the returns according to each Sponsor's assets under management for that model. Some Sponsors provide insufficient performance information for New Frontier to include them in the weighted average. On the account level, each Sponsor sets the criteria for account exclusion and rules for return calculation. We consider our partner Sponsors to be reliable sources of information, but we are unable to warrant that the data will be complete or error-free as we do not have direct access to individual account data at any of our Sponsors. We also track our model portfolios using publicly available ETF prices as an outside check on Sponsor data.

The performance shown is net of underlying ETF fees and trading fees, and we deduct estimated Strategist and Sponsor fees from the historical data provided by our Sponsors at the highest fee rate reflected by an account in the composite for that Sponsor. Fees are subtracted on a quarterly basis, so performance for a period of less than one quarter may not show the full impact of fees. This includes reinvestment of income and deductions for transaction costs. It does not include advisory fees that may be charged by individual Financial Advisors, which may range as high as 2% per year, or custody fees. On one small platform, the custody fees are deducted since they are not separated from the Sponsor fee. Thus the reported performance does not reflect the compounding effect of any such fees.

Benchmark returns for the taxed profiles are blended returns of the MSCI's ACWI IMI NR returns (stocks) and FTSE 3-month US T-bill returns (bonds) according to the stock/bond ratio of each model portfolio. Benchmark returns for the MAI profiles are blended returns of the Dow Jones Global Select Dividend Index (stocks) and the Bloomberg Barclays US Agg Total Return Value Unhedged USD Index (bonds) according to the stock/bond ratio of each model portfolio. These blended benchmarks are used to reflect the global exposure of our portfolios while being denominated in U.S. dollars. The MSCI ACWI Investable Market Index (IMI) captures large, mid, and small cap representation across both developed and emerging market countries. The index is comprehensive, covering approximately 99% of the global equity investment opportunity set. The FTSE 3 Month US T Bill USD Index tracks the daily performance of 3 Month US Treasury Bills and is designed to operate as a reference rate for a series of funds. The Dow Jones Global Select Dividend Index aims to represent the performance of leading dividend-paying companies from developed markets. The Bloomberg Barclays US Aggregate Bond Index measures the performance of the total U.S. investment-grade bond market. These benchmarks are not intended to represent the security selection process or holdings, but serve as a frame of comparison using established, well known indices. These indices are not available for direct investment. A person who purchases an investment product which attempts to mimic the performance of an index will incur expenses such as management fees, transaction costs, etc. which would reduce returns.

The performance displayed here does not guarantee future results. As market conditions fluctuate, the investment return and principal value of any investment will change. Diversification may not protect against market risk. There are risks involved with investing, including possible loss of principal. Volatility represents the expected risk of the portfolio relative to major asset classes. Before investing in any investment portfolio, the investor and Financial Advisor should carefully consider the investor's investment objectives, time horizon, risk tolerance, and fees. The Financial Advisor assumes full responsibility for determining the suitability and fitness of each portfolio for their clients.

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