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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.

Q2 2021: New Market Highs and Trend Reversals

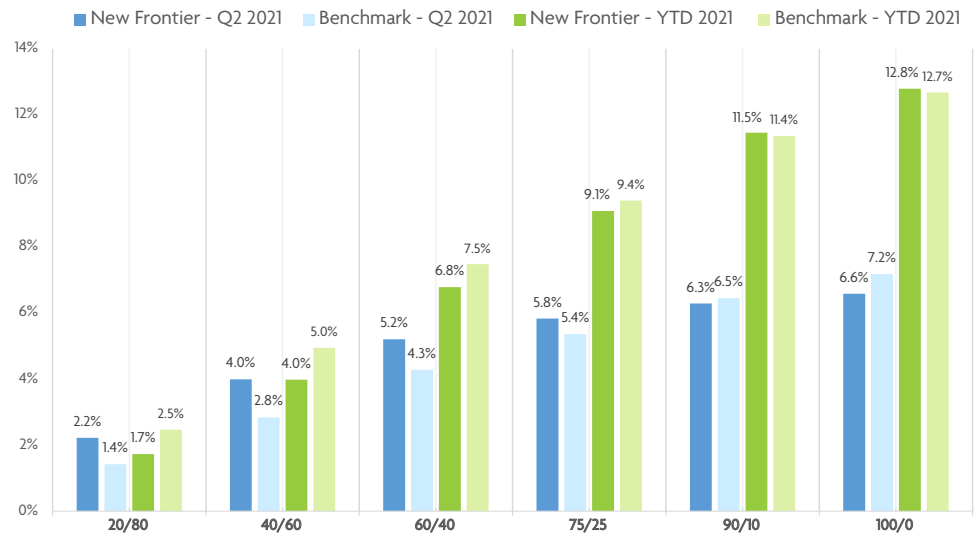
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Key Takeaways

- Stock markets rose to another record high during the second quarter, as did New Frontier ETF portfolios. Return ranged from 2.2% to 6.7% across portfolios.
- Aggressive profiles posted the highest absolute returns while conservative and balanced profiles delivered the best benchmark-relative performance.
- Highly diversified risk exposure contributed to outperformance against a backdrop of falling long-term yields during Q2, a reversal from Q1.

Strategy Performance

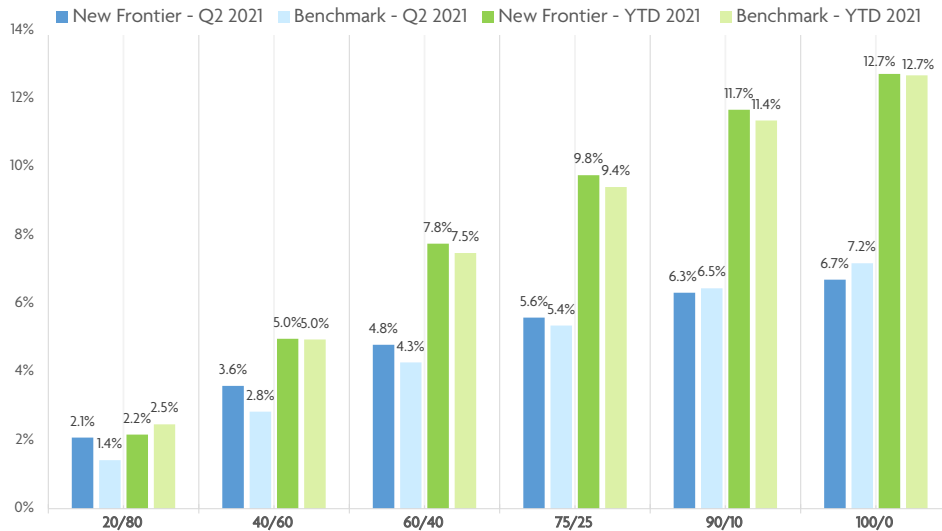
New Frontier Global Core Strategy Performance



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.

[Global Core](#) continued to deliver strong returns this quarter, ranging from 2.2% to 6.6% on a net-of-fee basis. The biggest outperformance of 1.2% relative to the benchmark came from 40/60 followed by 60/40, 20/80 and 75/25 profiles, largely benefiting from long duration exposure on the back of falling yield. Additionally, exposure to U.S. REITs and single countries like Switzerland and Canada meaningfully contributed to both total and relative performance. The two most aggressive risk profiles (90/10 and 100/0) slightly underperformed this quarter as the excess returns from the above drivers were offset by the relative underperformance of more aggressive equities including U.S. small cap and emerging markets, especially China. It was an opposite story for year-to-date performance where aggressive risk profiles benefited from small cap exposure and less aggressive profiles suffered from duration exposure in the first quarter.

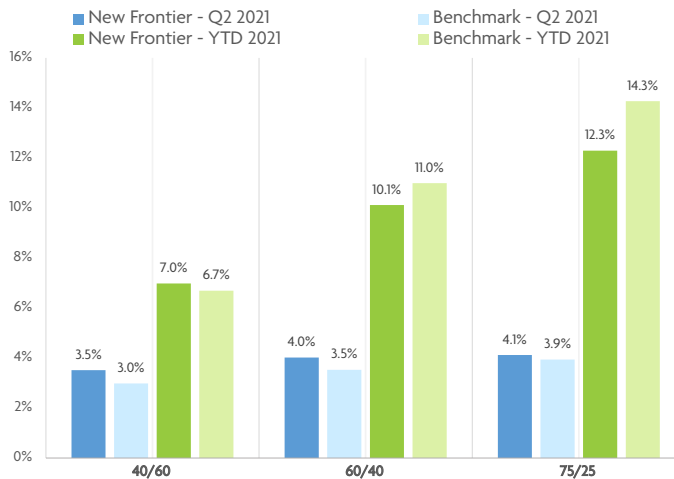
New Frontier Tax-Sensitive Strategy Performance



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.

Tax-Sensitive performed in line with Global Core, with the conservative and balanced risk profiles (20/80, 40/60, 60/40 and 75/25) outperforming the benchmarks, while the aggressive profiles (90/10 and 100/0) slightly underperformed this quarter. On a year-to-date basis, all profiles outperformed except for 20/80.

New Frontier Multi-Asset Income Strategy Performance



Trailing 12 Month Yield [†]		
40/60	60/40	75/25
2.95%	3.16%	3.23%

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. See appendix for additional disclosures. PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

Ever since late 2020 when dividend stocks began to outperform broad equities, [Multi-Asset Income](#) portfolios have performed well, and this quarter was no exception. All profiles posted above benchmark positive returns, driven by U.S. REITs and long duration exposure along with overall strong performance of international dividend stocks this quarter. The dividend yields provided are around 3% - 3.3%, roughly twice the yield on core U.S. aggregate bond and global equities.

		Asset Class Performance			
		Fixed Income		Equity	
		Return(%)		Return(%)	
		Q2 2021	YTD 2021	Q2 2021	YTD 2021
U.S. Aggregate Bonds	1.77	-1.66	Global Equity	7.11	12.34
Short Treasuries	-0.05	-0.14	Global ex-U.S. Equity	5.32	9.57
Long Treasuries	7.02	-7.87	U.S. Large Cap Value	5.05	16.91
U.S. TIPS	3.10	1.57	U.S. Large Cap Growth	11.83	12.88
Mortgage-Backed	0.26	-0.94	U.S. Small Cap Value	4.19	26.43
Inv-Grade Corporates	3.92	-1.77	U.S. Small Cap Growth	3.69	8.85
Long Corporates	6.17	-2.55	U.S. Low Vol	6.70	9.19
High Yield	2.62	3.34	U.S. High Dividends	3.05	23.29
High Yield Muni	3.28	4.94	U.S. Real Estate	11.60	21.41
Municipal Bonds	1.46	0.79	Gold	3.59	-7.02
International Treasuries	0.95	-5.68	Europe	7.71	13.36
Emerging Bonds	4.28	-1.43	Pacific	0.86	4.23
			Emerging Markets	4.81	8.73
			China	1.72	2.30
			International Small Cap	6.73	12.45

Source: Bloomberg

Bond's Contrasting Quarters

Bonds recovered from a rough first quarter after inflation concerns eased following the Fed's reassurance on inflation. Core U.S. aggregate bonds were up 1.77% but still down 1.66% for the year.

- The yield curve flattened during Q2 with the 10-year treasury yield down to 1.47%, from 1.74% at the end of March. Consequently, long-duration led Q2 performance, followed by credit. Investment-grade corporate bonds performed better than high yield this quarter but worse for the year.
- International treasuries were up about 1% in line with the weaker US dollar, after declining more than 6% in the first quarter when the dollar rose 4%.
- Emerging debt regained 4.3% this quarter due to lower yields, a weaker dollar and improvement in the global economy.

Duration for Long-Term Risk Management

- An unexpected decline in long-term yields in Q2 proved to be another case where directional bets on interest rates suffered.
- While duration alone might help or hurt performance in the short term, duration hedges credit and equity risks and therefore provides risk-management benefits in an optimized portfolio. With the Delta variant's rise injecting uncertainty into markets, New Frontier's portfolios are positioned to dynamically balance risks and maintain effectively diversified global exposure to prepare for all possible future scenarios.

Another Record Quarter for Equities

Rising vaccination levels combined with sustainable economic re-openings across the country in Q2 led a surge in economic growth that helped U.S. markets continue to outpace the rest of the world during the second quarter.

- Europe has begun to catch up in part due to improved vaccination rollout and widespread economic re-opening, followed by emerging markets and pacific markets.
- Despite the notable outperformance since late 2020, value didn't continue its positive trend this quarter. After the markets took in the Fed's signal on controlling inflation expectations, growth outperformed value with large cap growth as the best performing asset in Q2. On a year-to-date basis, small cap value still led the broad market with a 26% gain.
- Rising housing prices amid the economic restart boosted U.S. real estate stocks, up 11.6% in Q2 and 21% for the year.

Asset Allocation Changes

After rebalancing core portfolios a record six quarters in a row, New Frontier didn't rebalance this quarter. The major trends in the first quarter reversed in the second including a flattening yield curve accompanied with the shifts in stock returns, offsetting some asset movements and stock/bond ratio changes. Meanwhile, volatility retreated to pre-pandemic levels with the VIX remaining below 20 for much of the quarter, and dispersion across asset classes has come down to a more normal range. As a result, portfolios remained within statistical confidence of their risk targets.

New Frontier has been closely monitoring capital market volatility and drifts from portfolio optimality on a nightly basis using our patented Michaud-Esch Rebalancing Test.

New Frontier Indices Performance

The charts below show the performance of [New Frontier indices](#) in Q2 2021 and year-to-date, with [six Global and six U.S. optimized indices](#) spanning the risk spectrum. New Frontier indices reflect the performance of our core investment strategies in real-time.

All New Frontier Global and U.S. indices reached all-time highs during the second quarter, with U.S. indices edging higher due to the overall outperformance of U.S. over international markets.

New Frontier Indices Performance

Q2 2021	Stock/Bond		20/80	40/60	60/40	75/25	90/10	100/0
	U.S.	New Frontier	2.28%	4.06%	5.41%	6.19%	6.89%	7.36%
Benchmark ¹		1.67%	3.34%	5.02%	6.30%	7.58%	8.44%	
Global	New Frontier	2.35%	4.12%	5.33%	5.94%	6.41%	6.72%	
	Benchmark ²	1.42%	2.84%	4.28%	5.36%	6.45%	7.18%	

YTD 2021	Stock/Bond		20/80	40/60	60/40	75/25	90/10	100/0
	U.S.	New Frontier	2.28%	5.06%	8.46%	11.20%	13.92%	14.93%
Benchmark ¹		2.90%	5.84%	8.83%	11.12%	13.44%	15.00%	
Global	New Frontier	1.96%	4.21%	7.02%	9.34%	11.78%	13.08%	
	Benchmark ²	2.47%	4.95%	7.48%	9.41%	11.36%	12.68%	

Data as of 06/30/2021, calculated by S&P Dow Jones Indices
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

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 S&P 500 NR USD (stocks) and FTSE Treasury Bill 3 Month 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.

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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