New Frontier

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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.

Q4 2021 Performance Review

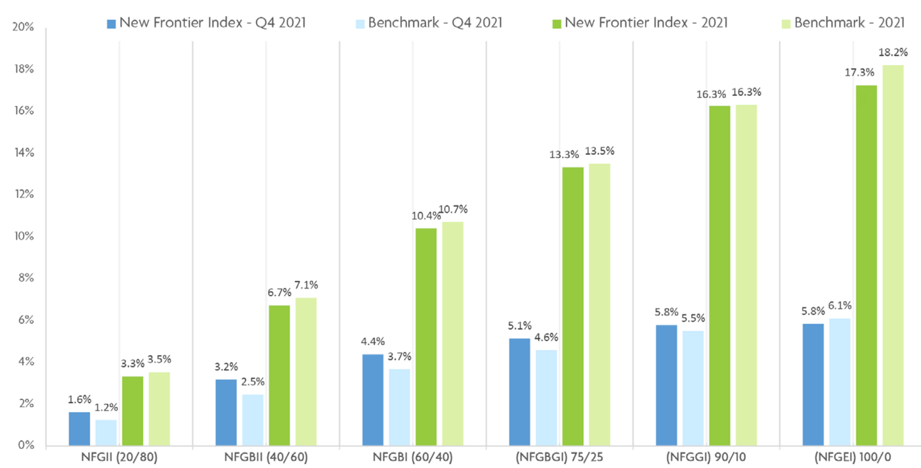
January 25, 2022

Key Takeaways

- Against the backdrop of rising inflation and a new variant of coronavirus, global equity markets proved remarkably resilient, ending the year strongly with double-digit returns.
- New Frontier's entire suite of ETF portfolios delivered positive returns in Q4, adding to the strong annual performance.
- Consistent with major trends for the year, U.S. large-cap dominated the markets with mixed returns seen in other markets, whereas fixed income returns were largely flat for the quarter.
- A surprisingly good 2021 means fewer surprises to be expected in 2022. With uncertainties ahead, it is key to remain cautiously optimistic while staying core and effectively diversified across all asset classes.

Index Performance

New Frontier Global Indices Performance



*New Frontier index performance is calculated by S&P Dow Jones Indices.
See appendix for additional disclosures.
PAST PERFORMANCE IS NOT A GUARANTEE OF FUTURE RESULTS.

In 2019, we launched six global optimized indices ranging across the risk spectrum; they are constructed in the same way as our investment strategies to provide transparency into the performance of New Frontier investments. It is important to note that the index returns 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, and Yahoo Finance.

New Frontier's indices reached all-time highs on November 8. The chart above shows the performance of all our global indices, as calculated by S&P Dow Jones Indices, relative to their respective benchmarks, both in Q4 and for the year. Our indices outperformed the benchmarks in Q4, with only Global Equity Index (NFGEI) slightly trailing due to exposure to riskier equities that underperformed the broad markets. .

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Portfolio Performance

New Frontier Global Core

	20/80	40/60	60/40	75/25	90/10	100/0
Q4 2021	1.46%	2.99%	4.22%	4.99%	5.60%	5.64%
2021	2.77%	6.10%	9.83%	12.75%	15.59%	16.55%

New Frontier Tax-Sensitive

	20/80	40/60	60/40	75/25	90/10	100/0
Q4 2021	1.58%	2.99%	4.12%	4.92%	5.65%	5.65%
2021	3.06%	6.80%	10.47%	13.22%	15.79%	16.44%

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New Frontier's entire suite of ETF portfolios delivered positive returns in Q4, adding to the strong annual performance.

While fixed income returns were mixed but largely muted due to rising interest rates, equities especially U.S. equities contributed most to the portfolio performance. As a result, across all strategies, aggressive portfolios did better than conservative portfolios on an absolute basis - consistent with major trends throughout the year.

New Frontier Global Core portfolios performance ranged from 1.5% to 5.6% for the quarter, helped by U.S. large-cap and U.S. REITs.

Tax-Sensitive portfolios performed in line with Global Core, with municipal bonds outperforming the taxable bonds for the year.

New Frontier Multi-Asset Income (MAI)

	40/60	60/40	75/25
Q4 2021	3.28%	4.43%	5.13%
2021	9.77%	13.90%	16.63%
Trailing 12 Month Yield†	3.00%	3.40%	3.60%

*New Frontier performance is net of platform and strategist fee as of 12/31/2021.
†Yield information is provided by Morningstar for individual underlying assets.
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Multi-Asset Income (MAI) portfolios had an exceptional year with annual returns ranging from 10% to 17%, recovering from a bad 2020.

Helped by U.S. dividends and REITs, MAI portfolios have been sizably outperforming their benchmarks and peers in the market.

Designed for the income-oriented investors, MAI portfolios have been meeting the objective by providing consistent yields of roughly 3% - 3.6%, over twice as much as yields as broad equity and fixed income markets.

Asset Class Performance and Attribution

Fixed Income	Return(%)	
	Q4 2021	2021
U.S. Aggregate Bonds	0.01	-1.54
Short Treasuries	-0.58	-0.61
Long Treasuries	3.10	-4.56
U.S. TIPS	2.36	5.96
Mortgage-Backed	-0.37	-1.04
Inv-Grade Corporates	0.29	-1.49
Long Corporates	1.03	-1.28
High Yield	0.65	5.35
High Yield Municipal	1.02	7.02
Municipal Bonds	0.67	1.02
Intl. Treasuries	-1.51	-8.67
Emerging Bonds	0.40	-2.24

Source: Bloomberg

As markets actively look for the next moves of major central banks, the tighter-than-expected monetary policy announced at the Fed's November meeting led to a higher and flatter yield curve. The 10-year U.S. Treasury yields declined to 1.52% but were still 60 bps above where they started the year. As a result, U.S. aggregate bonds had a flat return in Q4, but were still down 1.5% for the year.

Long-duration bonds were the biggest contributor to the performance for the quarter; however, gains were offset by losses from the first quarter, resulting in a negative annual contribution.

The dollar increased by 1.4% in Q4 and 6% annually, weighing down returns of international treasuries and emerging markets debt, both detracting from performance. We have been underweighting International Treasuries across the portfolios with only modest exposure.

Equity

	Return(%)	
	Q4 2021	2021
Global Equity	6.68	18.54
Global ex-U.S. Equity	1.82	7.82
U.S. Large Cap Value	7.77	25.16
U.S. Large Cap Growth	11.64	27.60
U.S. Small Cap Value	4.36	28.27
U.S. Small Cap Growth	0.01	2.83
U.S. Low Vol	10.41	21.01
U.S. High Dividends	7.75	32.25
U.S. Real Estate	14.66	39.35
Gold	4.10	-4.15
Canada	7.66	28.14
Europe	5.24	16.13
Switzerland	13.20	20.19
Pacific	-2.98	2.53
Emerging Markets	-0.98	-0.28
China	-5.56	-19.46
Intl. Small Cap	1.68	13.15

Source: Bloomberg.

Q4 closed the year higher demonstrating a resilient stock market, immune to a new variant of COVID. ACWI was up 7% this quarter and 19% for the year, marking its double-digit gains for three years in a row.

Consistent with the major market trends for the year, Q4 saw the dominance of U.S. large-cap stocks. Notably, size drove returns this year, with small-cap stocks returning half the gains of large cap.

Benefitting from the economic recovery, U.S. REITs impressively bounced back from 2020 to become the best performing asset class both for the quarter and for the year - an overweight which contributed most to the relative performance.

While international developed markets did not help much this quarter, Switzerland, as a single-country diversification to Eurozone exposure, rose 13% in Q4, boosting the relative performance.

Looking at the full year, two other notable drivers to the annual performance were Canadian markets and small-cap value stocks, both of which outperformed the broad equity markets in the first half of 2021, ending the year up more than 27%.

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Asset Allocation Changes

Recent asset allocation changes were made to address emerging risks from interest rate volatility and China's equity market. Global Core ETF portfolios, all risk levels, were rebalanced December 8, 2021. The rebalance included the addition of one ETF and the removal of another.

We added iShares MSCI EAFE Min Vol Factor ETF (EFAV) to enhance risk management in response to elevated fixed income volatility. The allocation to a low volatility equity permitted a slightly higher overall allocation to equities (and reduction in fixed income) while reducing average equity volatility thereby maintaining the portfolio risk targets. This will improve equity diversification and help hedge interest rate and duration risk without increasing the overall portfolio risk.

We removed SPDR S&P China ETF (GXC) from all Global Core portfolios. Regulatory changes in China have increased portfolio risk from GXC. Therefore, portfolios have been updated to include a moderate increase to broad emerging markets, which continue to have some exposure to China, without the risk posed by GXC. We continue to follow developments in China and the ongoing regulatory transformation.

Additional specific allocation changes include lower exposure to long bonds due to a flatter yield curve and gains from US large cap and REITs were locked in as they have significantly outpaced other equity markets.

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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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