



3EDGE
ASSET MANAGEMENT



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View From the EDGE®

Markets Hover Near Record Levels, But Risks Remain

Asset Class	Negative	Mixed	Positive
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Equities:

U.S.				■	
Europe				■	
Dev. Asia					■
Emerging				■	

Fixed Income:

Rates		■			
Credit			■		

Real Assets:

Gold				■→■	
Commodities				■→■	

Short Term Fixed Income & Cash			■		
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About 3EDGE

3EDGE Asset Management, LP, is a global, multi-asset investment management firm serving institutional investors and private clients. 3EDGE strategies act as tactical diversifiers, seeking to generate consistent, long-term investment returns, regardless of market conditions, while managing downside risks.

The primary investment vehicles utilized in portfolio construction are index Exchange Traded Funds (ETFs). The investment research process is driven by the firm's proprietary global capital markets model. The model is stress-tested over 150 years of market history and translates decades of research and investment experience into a system of causal rules and algorithms to describe global capital market behavior. 3EDGE offers a full suite of solutions, each with a target rate of return and risk parameters, to meet investors' different objectives.

Equities:

- **U.S. Equities:** Major U.S. equity market indices continue to reach all-time highs as well as record levels of overvaluation by our measure. However, even at elevated valuations, monetary and fiscal stimulus remains supportive. In addition, high-yield credit spreads continue to tighten even further. Our research model is indicating that a potential regime shift in the global capital markets could be underway. This is supported by an increasing focus on fiscal (government) spending and an increase in readings of inflation in many areas of the economy. Should such a regime shift continue there could be an additional rotation out of U.S. large-cap, high growth equities that have outperformed over the last several years and towards more cyclical U.S. value companies that are more closely tied to the growth of the real economy.
- **Japanese equities** continue to be the most attractive equity asset class in our model research. Japan equities benefit from a more favorable valuation measure than other equity markets, a continued narrowing of high-yield credit spreads, a steepening yield curve and sustained monetary stimulus from the Bank of Japan.
- **European Equities:** European companies should continue to benefit from the sustained and extraordinary monetary and fiscal stimulus required to support the region because of a slower recovery from the coronavirus pandemic and inconsistent progress on vaccinations. Also, should the U.S. dollar resume its strengthening relative to the Euro, European equities could benefit since a material percentage of companies based in Europe export their products worldwide. Lower local exchange rates can help exporters either expand market share and / or profit margins due to the price advantages a lower exchange rate provides.
- **Emerging Market Equities:** While the region still exhibits positive economics, it remains somewhat overvalued and our measure of investor psychology for the region has softened. Should increasing levels of inflation in the U.S. persist, this could prove to be a headwind for EM equities, offsetting the positive impact of a steepening U.S. yield curve and negatively impacting the attractiveness of EM equities. However, emerging market countries and their equity markets could benefit from U.S. fiscal stimulus measures given the degree to which the U.S. imports from emerging market countries.











Real Assets:

- While gold struggled in Q1 2021, it continues to be supported by negative real (nominal rates minus inflation expectations) interest rates. During the first quarter, negative real rates climbed from around -110 bps to -60 bps. However, more recently they have retreated into the negative 80 bps range – a positive for Gold. Gold may also benefit from the recent fiscal stimulus package that was passed which could raise the prospects of future inflation in consumer prices, especially if the Fed also acts to further repress long-term bond yields. Gold is an asset class that can serve as a critical portfolio hedge against the prospects of future central bank money printing and financial repression over the longer term.
- **Commodities** remain attractive due to the longstanding relative undervaluation of real assets and the prospect of a continued strong global economic recovery for the remainder of 2021. Other factors positively impacting real assets include: appreciation of the Chinese yuan, narrowing high-yield credit spreads, a steepening of U.S. and global yield curve measures and positive price momentum. If the U.S. dollar were to strengthen, it could present a risk for the commodities outlook.

3EDGE Solutions Designed to Smooth the Ride

Seeking to manage volatility and downside risk while providing the potential to be additive to investment returns



3EDGE Strategies		Potential Use Case
Tactical Multi-Asset Core Solutions		
 Conservative Strategy Blended portfolio holding predominantly fixed income; also includes equities and real assets	1-3 yrs 	Fixed Income complement or outright replacement
 Total Return Strategy Blended portfolio holding a mix of equities, real assets and fixed income	>3 yrs 	Blend with existing 60/40 portfolio
ESG Strategy Blended portfolio holding a mix of equities, real assets and fixed income with ESG focused ETFs	>3 yrs 	Blend with existing 60/40 portfolio with ESG focused ETFs
Growth Strategy Blended portfolio with potential for high equity holdings; also includes real assets and fixed income	>10 yrs 	Equity complement or outright replacement
Tactical Multi-Asset Income Solution		
Income Plus Strategy Blended portfolio of traditional equity income and fixed income sources as well as non-traditional sources of income	>3 yrs 	Income replacement strategy targeting a 4% yield with emphasis on minimizing drawdowns
Tactical All Equity Solution		
Equity Plus Strategy Globally diversified equity portfolio with tactical shifts between geography and market capitalization	>3 yrs 	Global equity complement or outright replacement of ACWI holding
Tactical Long/Short Solutions		
Systematic Strategy Pure quantitative representation of 3EDGE model; uses derivatives to hedge exposure	>10 yrs 	Pure representation of model research
Dynamic Strategy Quantitative and qualitative; uses derivatives to hedge exposure	>10 yrs 	Human and Machine inputs for allocations
<i>Long/Short strategies are not suitable for all investors since they have the potential for heightened volatility and significant loss. They may use derivatives to hedge their investments or to seek to enhance returns. Derivatives entail risks relating to liquidity, leverage and credit that may reduce returns and increase volatility. These strategies may also engage in short selling. Selling securities short could result in losses significantly higher than the original investment. Because there is no limit on how much a security's price may rise, securities sold short are subject to an unlimited risk of loss.</i>		

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