



3EDGE
ASSET MANAGEMENT



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View From the EDGE®

Economic Rebound vs. Inflation Risks

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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Equities:

- **U.S. Equities:** The U.S. equity market outlook is a bit more neutral currently given the tug of war between the positive impact of the global economic rebound and concerns about whether robust economic growth will prove to be inflationary, thereby prompting the Federal Reserve to withdraw its extraordinary monetary policy support sooner than anticipated. At the same time, equity markets in general, including the U.S., are continuing to benefit from accommodative central bank policies, narrowing credit spreads, and steepening yield curves.
- **India Equities:** Our model research currently finds the India equity market to be attractive. Current struggles with the pandemic and the upcoming elections should encourage highly accommodative monetary and fiscal policies for an extended period and leave room for economic improvement once vaccinations ramp up. Additional factors that enhance the prospects for the Indian equity market include the potential for future economic growth as indicated by a steepening yield curve measure, a benign interest rate environment, and favorable long-term demographic trends.
- **Japanese equities** remain attractive and should continue to benefit from narrowing high yield spreads, steepening yield curve measures, and positive investor psychology. In addition, the global economic recovery from the coronavirus pandemic should benefit many of Japan's largest corporations since they tend to export their products all over the world, including into the U.S.
- **European Equities:** European companies should also 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. In addition, a continued rotation from growth equities to the stocks of more cyclical companies that benefit more from the ongoing global economic recovery should continue to be positive for Europe. Early signs of increasing inflation in the Eurozone will need to be monitored.
- **China Equities:** The model outlook for Chinese equities is currently neutral. While Chinese companies benefit from accommodative monetary policies as reflected in the favorable price momentum we've witnessed recently, the recent uptick in U.S. inflation, elevated U.S. Treasury yields, and strengthening of the Chinese Yuan neutralizes the overall outlook in the short-term.

Fixed Income:

- The bond market has been relatively stable recently, even in the face of economic data indicating signs of inflationary pressures throughout the economy as the U.S. emerges from the pandemic. U.S. Treasuries represent an unattractive risk-return trade-off at current yields as they continue to yield less than the market's expected inflation rate across nearly all maturities.
- Caused in part by investors searching for yield, expectations for economic recovery, and the Fed's continued tacit support of the credit markets (corporate bonds), credit spreads - the difference between high-yield and investment-grade bond yields - have continued to narrow and junk bond issuance remains strong. However, with record amounts of corporate debt outstanding and with historically low yields for high-yield bonds, there is a heightened risk that any accident in the financial markets could cause credit spreads to widen abruptly.

Real Assets:

- Gold has now recovered most of the declines that it suffered earlier in 2021 and continues to be supported by negative real interest rates (nominal rates minus inflation expectations). Gold could also benefit from future inflation prospects, particularly if the Fed maintains its stance on inflation being transient and sticking to its stated timeline on interest rate policy and bond-buying programs.
- Commodities remain attractive due to the longstanding relative undervaluation of real assets and the prospect of a robust global economic recovery in the second half of 2021, as well as the prospects for a weaker U.S. dollar. Other factors positively impacting real assets include; appreciation of the Chinese Yuan, narrowing credit spreads, steepening global yield curves, and positive investor psychology.

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.











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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
<p><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></p>		

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