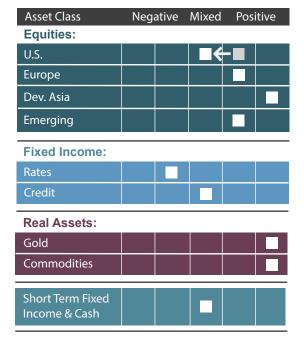








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### **About 3EDGE**

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.

# **View From the EDGE®**

Economic Rebound vs. Inflation Risks

#### **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.

- 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.



## 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	Fixed Income complement or outright replacement
Total Return Strategy  Blended portfolio holding a mix of equities, real assets and fixed income	Blend with existing 60/40 portfolio
ESG Strategy  Blended portfolio holding a mix of equities, real assets and fixed income with ESG focused ETFs	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	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	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	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	Pure representation of model research
<b>Dynamic Strategy</b> Quantitative and qualitative; uses derivatives to hedge exposure	Human and Machine inputs for allocations
Long/Short strategies are not suitable for all investors since they have the potential for heightened volatility investments or to seek to enhance returns. Derivatives entail risks relating to liquidity, leverage and credit the may also engage in short selling. Selling securities short could result in losses significantly higher than the consecurity's price may rise, securities sold short are subject to an unlimited risk of loss.	nat may reduce returns and increase volatility. These strategies

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The Risk Number®, a proprietary scaled index developed by Riskalyze to quantify the risk of a portfolio, is calculated based on downside risk on a scale from 1-99. The greater the potential loss, the greater the number. The Risk Number® includes analysis and proprietary information of Riskalyze. As of 5/31/21. Further information available at Riskalyze.com.

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