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3EDGE ASSET MANAGEMENT

View From the EDGE®

Fed Remains Dovish Despite Rising Inflation

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Asset Class	Negative		Mixed		Positive
Equities:					
U.S.			■		
Europe			■		
Dev. Asia				■ ←	□
China		■			
India					■
Fixed Income:					
Rates		■			
Credit		■			
Real Assets:					
Gold				■	
Commodities				■	
Short Term Fixed Income & Cash			■		

About 3EDGE

3EDGE Asset Management, LP, is a 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** have continued to reach record highs pushing the S&P 500 even further into significantly overvalued territory. At the conclusion of the most recent FOMC meeting in early November, the Fed officially announced its plan to begin to taper its current $120 billion in monthly bond purchases. However, the announcement was not a surprise to the markets, and the Fed has successfully separated its tapering of bond purchases from any intention to raise short-term interest rates for the foreseeable future. Therefore, U.S. equity markets seemed to take the Fed's announcement in stride. However, the risk that current heightened inflationary pressure from supply chain disruptions could continue well into 2022 remains a risk to the U.S. equity markets, particularly if the Fed's reaction to these pressures is dismissed for too long.

- The outlook for **European equities** remains unchanged. Although economic activity has rebounded throughout the EU, inflationary pressures have risen well above their comfort zone, and as in the U.S., it remains to be seen how transitory inflation in the EU will turn out to be. The EU has also experienced a widening of investment grade credit spreads which is a concern for corporations looking to refinance and service their debts. Further complicating the picture, the EU is already facing an energy shortage heading into winter which could be further emboldened should the winter weather in Europe be more severe than normal.

- **Japanese equity** markets remain relatively more attractive on a valuation basis, though growth prospects as displayed by our flattening yield curve measure for the Japanese economy have dimmed somewhat. However, the recent elections in Japan have increased the possibility of future additional fiscal and monetary stimulus.

- **India equities** continue to benefit from a yield curve that is both positively sloped and continuing to steepen. India should also continue to benefit from stimulative monetary and fiscal policy leading up to the elections.

- The outlook for **China equities** remains clouded in uncertainty around the continuing financial difficulties among Chinese real estate development firms, more restrictive government policies and a slowing Chinese economy. The most recent report of GDP growth out of China showed that economic growth had slowed from +7.9% to +4.9% in the most recent quarter.

Fixed Income and Real Assets:

- As inflationary expectations continue to rise faster than nominal interest rates, real interest rates remain decidedly negative (nominal interest rates less inflationary expectations) and our model research continues to favor real assets (commodities and gold) over fixed income as an asset class.

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
ESG Aggressive Strategy Blended portfolio with potential for high equity holdings; includes real assets and fixed income with ESG focused ETFs	>10 yrs 	Equity complement or outright replacement utilizing 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		
Global Equity Strategy Globally diversified equity portfolio with tactical shifts between geography and market capitalization	>10 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

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.

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