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Asset Class	Negative	Mixed	Positive
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Equities:

U.S.				
Europe				
Dev. Asia				
China				
India				

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 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®

~~Transitory~~ Inflation? The Fed Begins its Long-Awaited Taper

Equities:

- ▶ **U.S. Equities:** U.S. equities continue to hover around their November highs and remain significantly overvalued. A recent widening in high yield credit spreads in the U.S. has somewhat negatively impacted the attractiveness of the U.S. equity market. Beyond retiring the word 'transitory' in describing the inflationary pressures in the U.S., Fed Chair Powell also expressed support for a quicker taper of the Fed's monthly bond purchases than was laid out in November. Correspondingly, market-based measures indicate a higher probability for rate increases as soon as May 2022 as the Fed attempts to normalize monetary policy. Fed tightening is a potential risk to U.S. equities since the surge of liquidity in response to the pandemic likely provided much of the fuel for the stock market's 20-plus month run. Any significant flattening of yield curve measures alongside further increases in inflation expectations and continued widening in high yield credit spreads could also prove to be potential headwinds for U.S. equities.
- ▶ **European Equities:** European inflationary pressures are at all-time highs, and the ECB has already begun to taper its bond purchases. In addition, the widening of investment-grade credit spreads has decreased the attractiveness of the European equity markets. Momentum measures that previously benefitted European equities have also faded. In addition, the specter of a potential energy shortage in Europe this winter remains a potential risk to European economies, particularly if Russia takes measures to limit fuel supplies to Europe.
- ▶ **Japan Equities:** Although Japanese equity markets remain relatively more attractive on a valuation basis, the flattening of the yield curve in Japan casts some doubt on growth prospects for the Japanese economy and has therefore reduced the attractiveness of Japanese equities in the short to medium term.
- ▶ **China Equities:** The widening of high yield credit spreads in China, and the U.S. is negatively impacting Chinese equities. In addition, the situation in China remains uncertain due to the continuing pressure among Chinese real estate development firms to service their debt and uncertainty as to how the Chinese government will ultimately respond to this situation. However, the Chinese government recently announced its intention to focus once again on generating economic growth in China, which is a pivot away from recent more restrictive government economic policies. A concerted policy shift by the Chinese government could be positive for Chinese equities.
- ▶ **India Equities:** A widening of the TED Spread in India (the difference between the interest rate that banks charge one another and the interest rate on short-term government debt) has recently negatively impacted the attractiveness of India equities. However, the India equity markets continue to benefit from a positively sloped yield curve measure, relatively benign inflation, and attractive long-term prospects for economic growth.

Fixed Income:

- ▶ **Bonds:** Even though the recent decline in interest rates has helped to somewhat boost the outlook for bonds, at current extraordinarily low yields the risk/return trade-off for U.S. Treasury securities is not compelling. In addition, U.S. Treasuries continue to maintain deeply negative real interest rates, meaning that yields are well below inflation expectations.
- ▶ **Credit:** The outlook for credit remains mixed. While there has been some widening in high yield and investment grade credit spreads recently, investors' seemingly insatiable search for yield in today's low-rate environment could continue to be supportive of corporate bond markets. However, any trouble in the credit markets could lead to a rapid widening of credit spreads which could prove to be a decidedly negative event for corporate bond holders.












Real Assets:

- ▶ **Gold:** Gold remains attractive, particularly on a long-term basis, and is supported by a continuation of the current negative real interest rate environment (nominal interest rates minus expected inflation). However, further monetary tightening by the world's major central banks may present a potential headwind to further upside for gold in the near term.
- ▶ **Commodities:** Although commodities remain relatively undervalued in our model research and potentially attractive over the longer term, the current environment of widening credit spreads, a stronger U.S. Dollar, the prospect of a Fed tightening highlights increased risks to commodities over the near term.

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
<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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