3EDGE ASSET MANAGEMENT

View From the EDGE®
Buy the Dip or Sell the Rally?

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

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:** Despite the drop in equity prices during January, the S&P 500 Index of predominately large-cap growth stocks remains highly overvalued by our measure. The Federal Reserve Board recently announced that it will add further monetary stimulus until at least March by leaving its Fed Funds Rate near zero and by continuing to expand its balance sheet, providing further support to the stock market and the economy in the short term. However, the Fed did raise the prospect of tightening its policy for a yet-to-be-determined period beginning no earlier than March should inflation remain elevated and unemployment remain low. While our measures of the yield curve slope are sufficiently steep to be supportive of the equity market, widening credit spreads may serve as an early warning sign of an economic slowdown. In addition, investor psychology has turned less positive given the recent break in the market's persistent uptrend since March of 2020, also weighing on the outlook for U.S. equities. As inflation has risen far higher than expected and well beyond current interest rate levels, the potential for an abrupt shift in policy by the Fed to a stronger inflation-fighting response could trigger a more serious equity market correction. In an environment of rising rates, higher quality and/or value-oriented equities may outperform.
- **European Equities:** Inflationary pressure remains elevated across Europe as the January reports showed inflation climbing to a record high. Concerns over the potential for the ECB to take more aggressive action in response to inflationary pressures than market participants currently anticipate could prove to be a headwind for European equities. In addition, continued widening of investment grade and high yield credit spreads is indicative of concerns. Overall, a negative outlook remains.
- **Japanese Equities:** The potential to regain a more positive outlook exists as we are seeing a tightening of credit spreads in the region. However, indicators of investor psychology show a more negative outlook short-term. On balance this combination of factors contribute to an overall negative outlook for Japanese equities in the short term.
- **Chinese Equities:** Flattening yield curve measures for the region coupled with negative investor psychology continue to weigh on the outlook for Chinese equities in the near-term. A significant tightening of credit spreads alongside steepening yield curve measures would help to improve the environment for Chinese equities. However, currently the outlook for Chinese equities remains negative.
- **Indian Equities:** Recent concerns over the impacts from a widening of the TED Spread in India (a measure of available liquidity in a financial system measured as the difference between the interest rate that banks charge one another and the interest rate on short-term, risk-free government debt) may have subsided. In addition, the yield curve measure for the region has continued to steepen which bodes well for the prospects of future growth. Overall the outlook for India equities remains positive.

Fixed Income:

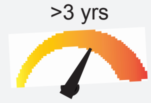
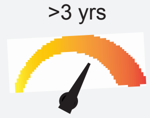
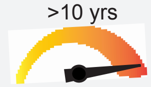
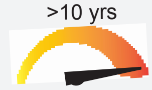
- Inflationary pressures and negative real interest rates continue to pose a threat to the income earned from owning bonds, while at the same time rising interest rates weigh on the value of bond holdings through price depreciation. Research continues to favor U.S. Treasury Inflation-Protected Securities (TIPS) as well as U.S. Treasury Floating Rate Securities, which may perform well in an inflationary and rising rate environment. The outlook for Credit remains negative as the risk of continued credit spread widening would most likely reduce the principal value of corporate debt.

Real Assets:

- **Gold:** The recent uptick in nominal interest rates was largely matched by a similar rise in real rates, a negative factor for gold in the near term. However, Gold remains attractive long-term and is supported by a continuation of the current negative real interest rate environment (nominal interest rates minus expected inflation). Rising geopolitical uncertainty and inflationary pressures globally highlight gold's role within a diversified portfolio as a hedge. Overall, a positive outlook remains.
- **Commodities:** Commodities remain relatively undervalued in our model research and attractive over the longer term. Measures of economic growth suggest a positive outlook; however, concerns from widening credit spreads in the U.S. may be a headwind shorter-term. Overall, commodities maintain a positive 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
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 Crypto Solution		
Crypto Plus Strategy Disciplined approach to investing in crypto currency sources of income	>10 yrs 	Alternative store of value
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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