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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				
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.

View From the EDGE®

Will Fed Tightening Finally End the Stock Market Rally?

Equities:

- **U.S. Equities:** Although U.S. equities rallied in March, they remain in negative territory year-to-date and may continue to face challenges from a dramatic increase in inflation and monetary tightening by the Federal Reserve. Recent comments from a number of Fed Governors about the need to begin to draw down the Fed's balance sheet sooner and more dramatically than previously thought highlight the Fed's newfound urgency in addressing elevated inflationary pressure. In addition, a recent widening of the TED spread (the difference between the rate banks charge one another and interest rate on U.S. Treasury Bills) could be an early warning sign of the potential for stress in the financial system. However, in the near term the outlook for U.S. equities remains mixed since the market could continue to benefit from the Fed's prior extraordinarily easy monetary policy. There are areas of the U.S. equity markets that are more fairly valued and may provide some respite in these volatile markets, e.g., more value-oriented equities with higher quality balance sheets and growing dividends that could be less sensitive to rising rates and inflation.
- **European Equities:** Elevated and rising inflation in Europe, alongside a still dovish ECB, does not bode well for Europe's capacity to fight inflation which has been exacerbated by the war in Ukraine and the subsequent increases in the cost of energy. Coupled with negative investor psychology and the recent widening of European credit spreads, the outlook remains negative for European equities. However, should there be a cessation of hostilities in Ukraine, European equities could rebound.
- **Japanese Equities:** Continued credit spread widening and flattening yield curve measures in Japan indicate the prospects for slowing growth in the region. The model maintains a negative outlook for Japanese equities in the near term.
- **Chinese Equities:** In the first quarter, China equities were the worst performing equity asset class that we model, down nearly 28% at one point before China's finance minister intervened to assuage the markets with stimulus that allowed the market to claw back approximately half of those losses by the end of the quarter. Negative factors impacting China include a flattening of the yield curve, widening credit spreads, and negative investor psychology. Recently, China has also struggled with the re-emergence of outbreaks of coronavirus, which could negatively impact prospects for economic growth.
- **Indian Equities:** In the first quarter, India was the best-performing equity asset class that we model – down less than 3%. Positive factors for Indian equities include a steepening yield curve, well-behaved inflation, and tightening credit spreads. However, investor psychology in India is weakening. Along with the overall decline in the outlook for global equities, the outlook for India equities is mixed.

Fixed Income:

- Inflationary pressures and negative real interest rates continue to pose a threat to the income earned from owning bonds. At the same time, rising interest rates weigh on the value of bond holdings through price depreciation. Our research continues to favor U.S. Treasury Inflation-Protected Securities (TIPS) and 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 could reduce the principal value of corporate debt.

Real Assets:

- **Gold:** Gold enjoyed solid investment performance in the first quarter, benefitting from a dramatic increase in inflation and the geopolitical uncertainty caused by Russia's invasion of Ukraine. Although real interest rates remain negative (a positive indicator for gold), nominal bond yields rose more than expected inflation during the first quarter, meaning that real interest rates became less negative. Should real rates climb meaningfully in a sustained manner, gold would be vulnerable to a correction. Longer term, we value gold as a portfolio diversifier and a hedge against both global market turmoil caused by geopolitics and any abandonment by the Fed of its latest attempt to normalize monetary policy.
- **Commodities:** Commodities were the top-performing asset class in the first quarter of 2022. The war in Ukraine and sanctions imposed on Russia by the west caused food and energy prices to rise and exacerbated already fragile supply chains and stocks of natural resources. However, like gold, the outlook for commodities can be negatively impacted should nominal bond yields continue to rise more than inflationary expectations. In addition, the influence of the model's negative outlook for economic growth in China is a negative factor for commodities. However, by our measures, the yield curve in the U.S. remains steep enough to indicate the potential for economic growth in the near term, which would benefit commodities. Consequently, the commodities outlook remains positive.

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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