3EDGE ASSET MANAGEMENT

View From the EDGE®

A Time for Balance


DeFred Folts III
Managing Partner
Chief Investment Strategist


Stephen Cucchiaro
CEO & Chief Investment Officer

Asset Class	Negative		Mixed		Positive
Equities:					
U.S.				■	
Europe		■			
Dev. Asia			■		
EM / 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.

February was another strong month for global equities as both the S&P 500 and the tech-heavy NASDAQ reached new all-time highs in the first days of March. The S&P 500 increased by 5.2% in February, the best February performance since 2015. Meanwhile, both Bitcoin and gold reached new record highs during the first full week of March.

Equities:

- **U.S. Equities:** Our model research indicates that, even though they remain significantly overvalued, U.S. equities could continue to climb higher from here, supported by positive investor psychology and momentum. However, historically, some of the sharpest increases in equities occur at the beginning and then again at the end of bull markets, so caution at this point is also warranted.

- **European Equities:** Along with the other major global equity asset classes, European equities have experienced gains thus far in 2024. Our overall outlook for the region remains mixed, primarily based on the current shape of the yield curve as we calculate it, which indicates a potential for an economic slowdown and recession in Europe.

- **Japanese Equities:** Thus far in 2024, Japanese equities continue to be the top-performing equity asset class in our model research, with the Nikkei 225 recently rising above 40,000 in its decades-long climb back to highs reached back in 1989. Given the strength of wages and ongoing inflation in Japan, investors are considering that the BOJ may be close to reversing its policy of yield curve control and negative interest rates for the first time since 2007 as soon as this month's BOJ meeting.

- **Emerging Market / Chinese Equities:** Recent reports indicate that the Fed may keep short-term interest rates higher for longer and not cut rates until mid-2024. An environment where rates remain higher for longer could also support the U.S. dollar, which could present a headwind for China and other emerging markets for now. Although the Chinese government has now taken steps to support the economy and the stock market through stimulus programs and market intervention, it is uncertain whether these efforts will be sufficient to satisfy investors and boost Chinese equities, which are significantly undervalued by our measure.

- **Indian Equities:** Similar to the U.S., India's equity markets are benefiting from positive investor psychology and market momentum thus far in 2024. Although India's equity market remains overvalued by our measure, some exposure to Indian equities could be warranted, given its longer-term growth prospects.

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Fixed Income:

- **Rates**: Bond market investors are struggling to determine when precisely the Fed may choose to begin cutting short-term interest rates. Investors had been clinging to the hope that the Fed could start dialing back short-term rates as soon as this month's FOMC meeting. However, that no longer seems likely. Given the risks that inflation may persist along with an increasing supply of government debt issuance, shorter maturities that continue to provide attractive yields remain the better part of valor in the U.S. Treasury market.

- **Credit**: The inversion of the U.S. yield curve continues to signal the risk of a potential economic slowdown, which is not presently reflected in corporate credit spreads, which remain at historically tight levels. As a result, our outlook for the corporate credit markets remains cautious.

Real Assets:

- **Gold:** The price of gold rose to new record highs in the first days of March. Some reasons gold has remained an attractive asset include significant buying by foreign central banks seeking to become less dependent on the U.S. dollar and heightened geopolitical risks. Our longer-term outlook remains positive towards gold, as it could serve as a better hedge than bonds against a downturn in the equity markets during a potential stagflationary environment. In addition, gold may serve as a helpful hedge against continuing heightened geopolitical risk.

- **Commodities:** Based on our model research, the outlook for commodities remains negative. In particular, negative investor sentiment in China continues to impact the outlook for commodities in the near term negatively.

For more information about 3EDGE Asset Management or our offerings, please visit our website at 3edgeam.com

3EDGE Asset Management, 999 Vanderbilt Beach Road, Suite 200, Naples, FL 34108

T 844.903.3343 **W** 3edgeam.com

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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