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Asset Class	Negative	Mixed	Positive
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Equities:

U.S.				
Europe				
Dev. Asia				
EM/ China				
India				

Fixed Income:

Rates				
Credit				

Short Term Fixed Income & Cash

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Hard 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®

Buy the Dip; or Sell the Rally?

The start of the third quarter brought a rotation into something familiar: buy U.S. stocks; sell most everything else. While U.S. equities moved higher in July, international stocks (with the exception of Chinese equities) struggled, which feels like a resumption of the familiar bull market in U.S. tech stocks we've seen for the better part of the last decade. Investors must now decide whether they should continue to buy-the-dip, which has been a winning investment strategy, or if things have substantively changed enough that it's time to sell into the rally.

We continue to see mounting signs of an equity market bubble in the U.S.: cheap and plentiful margin lending, euphoria around technology innovation, fear-of-missing-out mentality ("FOMO"), investor overconfidence ("this time is different"), light and reduced regulation, and social media contagion and amplification. However, signs of a bubble are not a tactical timing instrument, and as we know, overvalued markets can get even more overvalued before correcting. With that backdrop, we've also seen weakening labor numbers, stubborn inflation, an increase in tariffs to 1930 levels and a rise in geopolitical turmoil. The passage of the recent tax bill may add short-term fiscal stimulus but with a rising debt level, and monetary policy is now projected to ease beginning in September. Taken together, our research has prioritized broad diversification including U.S. and international equities as well as hard assets such as gold and commodities which serve as hedges against the threat of stagflation, acting to smooth the ride.

Equities:

- **U.S. Equities:** Our model research maintains the current outlook for U.S. equities in the mixed camp. As noted, U.S. equities remain significantly overvalued by our measure. In addition, the Trump administration's negotiated tariff arrangements so far bring the nation's tariff levels to the highest they've been since the 1930s. This is likely to be a drag on growth as U.S. corporations and/or U.S. consumers are paying these additional taxes. Ultimately, this may lead and/or contribute to a surge in inflation leading to an economic slowdown or even recession, i.e., a stagflationary environment. Though as mentioned at the outset, overvalued markets can get even more overvalued. Depending on investor psychology, attaining new record highs may be self-reinforcing – a virtuous cycle which expands the bubble further in the short term.
- **European Equities:** Market momentum and positive investor psychology continue to drive European equity markets higher. However, the yield curve, while steepening, is not yet sufficiently steep to be indicative of longer-term growth. Continued interest rate cuts by the European Central Bank could benefit the overall outlook.
- **Japanese Equities:** The positive outlook for Japanese equities is reinforced by the recent trade deal between the U.S. and Japan. Japan has undergone a long period of deflation and stagnation and has only recently emerged with a positive growth outlook, allowing its central bank to bring short-term interest rates back into positive territory. Tightening credit spread measures along with continued positive investor psychology measures will need to stay entrenched for this positive outlook to remain.
- **Emerging Market / Chinese Equities:** We maintain a modestly positive outlook for emerging market equities, though it remains on watch for a potential

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- ▶ downgrade in the near term. The weakening of the U.S. Dollar continues to be net supportive for emerging market Chinese equities making it easier to repay U.S. Dollar denominated debts with an appreciated currency. However, the U.S.-China trade negotiation saga adds to shorter-term risk. In addition, global geopolitical conflicts between the world's major powers continue to underscore a period marked by elevated uncertainty and continued volatility.
- ▶ **Indian Equities:** The outlook for Indian equities is slightly positive; though concerns between the U.S. and India trade negotiations have led to shorter-term underperformance. While overvalued by our measure, the yield curve measure we calculate for the region continues to be positively sloped which is indicative of the potential for future economic growth. Much focus nearer-term will remain on the outcome of trade disputes between the U.S. and India.

Fixed Income:

- ▶ **Rates:** The outlook for inflation may be elevated in the months ahead due to the U.S. tariffs which may keep the Federal Reserve in a longer-term rate pause. In addition, the tariffs on our major trading partners may reduce demand for longer-dated U.S. Treasuries, resulting in higher yields. These two factors continue to support concentrating fixed-income investments in shorter-term maturities.
- ▶ **Credit:** Corporate credit spreads remain historically tight, making the additional yield over so-called "risk-free" U.S. Treasuries unappealing at this time given the rising risk of recession.

Hard Assets:

- ▶ **Gold:** Tariff measures proposed by the U.S. along with the threat of sanctions have encouraged foreign investors and central banks to seek alternatives to U.S. Dollar-based assets. As Gold is priced in U.S. Dollars, a rising gold price is a reflection of a weakening demand for U.S. Dollars. Additionally, investors' concerns over geopolitical conflicts and relations, even among allied nations, have helped to boost the attractiveness of Gold as a haven asset. As we noted last month, with gold recently having reached an all-time high of over \$3400/oz, the risk of a consolidation and/or profit-taking period has manifested. However, gold may resume its upward move as weakening job numbers may encourage the Federal Reserve to begin a monetary easing campaign of lowering interest rates to combat this side of their dual mandate. Gold continues to provide a nice hedge, i.e., volatility dampening, to equity investments in these more volatile times.
- ▶ **Commodities:** While the prospect of a global economic slowdown resulting from the threat of a tariff and trade war reduces the potential demand for commodities, the potential that trade negotiations may lead to supply chain disruptions can be supportive of prices. In addition, like gold, weakening demand for U.S. Dollars may also benefit commodities more broadly. The outlook remains positive.






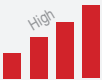
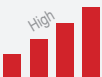
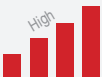
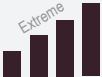
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3EDGE Solutions Designed to Smooth the Ride

Seeking to manage volatility and downside risk while providing the potential to be additive to investment returns



3EDGE Multi-Asset Investment Solutions

3EDGE Strategies		Asset Class Ranges^				Potential Use Case
	Risk Intensity	Equities	Fixed Income	Hard Assets	Short-Term Fixed Inc / Cash	
Tactical Core Solutions						
Conservative Strategy <i>Typical time horizon: 1-3 years</i>		6–30%	10–88%	4–22%	2–80%	Fixed income, core bond, or annuity replacement
Total Return Strategy <i>Typical time horizon: >3 years</i>		13–60%	10–81%	4–35%	2–73%	Traditional 60/40 portfolio replacement
Growth Strategy <i>Typical time horizon: >10 years</i>		13–80%	10–81%	4–35%	2–73%	Growth replacement with an emphasis on minimizing volatility
Tactical Income Solution						
Income Plus Strategy <i>Typical time horizon: >3 years</i>		Equity Income Sources 0–40%	Fixed Income Sources 55–90%	Non-Traditional Fixed Income 5–25%		Income replacement strategy targeting a high yield with emphasis on minimizing drawdowns
Tactical Equity-Focused Solutions						
Aggressive Strategy <i>Typical time horizon: >10 years</i>		40–100%	0%	0–60%	0–60%	Equity complement or outright replacement of equity holdings
Global Equity Strategy <i>Typical time horizon: >10 years</i>		98%	0%	0%	2%	Global equity complement or outright replacement of ACWI holdings
International Equity Strategy <i>Typical time horizon: >10 years</i>		98%	0%	0%	2%	International equity (ex U.S.) complement or outright replacement
U.S. Equity Strategy <i>Typical time horizon: >10 years</i>		98%	0%	0%	2%	U.S. equity complement or outright replacement of S&P 500 holdings
Tactical Crypto Solution						
CryptoPlus Strategy <i>Typical time horizon: >10 years</i>		0%	0%	98%** <i>**crypto ETFs</i>	2%	Alternative store of value (i.e. cryptocurrency holdings in place of gold/real assets)

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

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