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3EDGE ASSET MANAGEMENT

View From the EDGE®

Momentum Rules… For Now

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

September was a banner month for most assets: US, Japanese, Chinese, and Emerging Market equities, gold, commodities, and even intermediate-term treasuries all produced positive returns. All the while, questions regarding Fed independence, ongoing global geopolitical conflicts, tariff negotiations, and, most recently, a government shutdown with no end in sight remain. As the fourth quarter of 2025 begins, investors appear to be shrugging off these concerns (hence the title), and perhaps are expecting the same drivers of performance this year to continue, i.e., momentum, FOMO, buy-the-dip, and everything and anything surrounding AI to propel markets even higher into year-end and perhaps beyond! We remain committed to following our investment research process and watching for the signals of excitement to turn into doubt.

Equities:

- **U.S. Equities:** Our model research has maintained the current outlook for U.S. equities in the mixed to slightly positive camp. As we've noted for quite some time, U.S. equities remain significantly overvalued by our measure, with the P/S (price-to-sales) ratio reaching 3.4 at the end of September – an all-time high level indicating that U.S. equities are the most expensive they have ever been. However, as we have also noted for some time, valuation measures are not a tactical timing instrument, and overvalued markets can always get even more overvalued. As noted above, while several concerns remain in the U.S., for the time being, U.S. equities maintain a cautiously positive outlook.

- **European Equities:** One of the few negative performers in September, European equities still maintain a mixed to slightly negative outlook, as per our research. The yield curve measure is not sufficiently steep to be indicative of growth for the time being, and stimulative monetary measures have potentially stalled out.

- **Japanese Equities:** We maintain our favorable outlook on Japanese equities, which is potentially even stronger now following the outcome of the recent election, resulting in the first-ever female Japanese Prime Minister, Sanae Takaichi. She has indicated a desire for increased fiscal stimulus for the Japanese economy, which should bode well for the equity market provided that inflation moderates without the need for aggressive monetary tightening.

- **Emerging Market / Chinese Equities:** We maintain a positive outlook for emerging market equities broadly, as the weak U.S. dollar continues to be a tailwind for the region. While U.S.–China trade negotiations may have stalled, both countries continue to operate and look elsewhere for new deals. For instance, the U.S. has sought to boost soybean purchases from other trade partners, while China has continued to export cars/goods to its ever-growing share of trade partners.

- **Indian Equities:** Indian equities maintain a mixed to positive outlook. U.S. and Indian trade negotiations also remain stalled, similar to the U.S.-China situation. While Indian equities are still overvalued by our measure, the yield curve measure we calculate for the region remains positively sloped, which is indicative of potential future economic growth.

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Fixed Income:

- **Rates**: The outlook for inflation may be elevated, though perhaps less clear in the months ahead due to both the longer-term impacts of the U.S.-imposed tariffs alongside the government shutdown, which includes the temporary shuttering of many government agencies, including the Bureau of Labor Statistics, responsible for such data. The potential for higher longer-term yields still exists even alongside continued Fed rate cuts at the short end, should they still occur. These factors continue to support concentrating fixed-income investments in shorter-term maturities.

- **Credit**: Corporate credit spreads remain historically tight, making the additional yield over and above so-called "risk-free" U.S. Treasuries unappealing at this time, given the rising risk of a stagflationary environment, i.e., an economic slowdown coupled with rising inflation.

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 noted in prior months, as gold continues to make new all-time highs, there comes an increased risk of a consolidation and/or profit-taking period in the near term. However, gold may continue its upward move as weakening job numbers may encourage the Federal Reserve to continue its monetary easing, which it recently began to combat this side of its dual mandate. Gold continues to provide a nice hedge, i.e., volatility dampening, to equity and bond investments in these more volatile times.

- **Commodities:** Like gold, weakening demand for U.S. dollars may also benefit commodities more broadly. In addition, while the prospect of a global economic slowdown reduces the potential demand for commodities, the potential that persistent geopolitical tensions could continue to affect the supply of various commodities are supportive of prices. The outlook remains mixed to positive.

For more information about 3EDGE Asset Management or our offerings, please visit our website at 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 Multi-Asset Investment Solutions

3EDGE Strategies	Risk Intensity	Asset Class Ranges^ Equities	Fixed Income	Hard Assets	Short-Term Fixed Inc / Cash	Potential Use Case
Tactical Core Solutions						
Conservative Strategy *Typical time horizon: 1-3 years*	Low	6–30%	10–88%	4–22%	2–80%	Fixed income, core bond, or annuity replacement
Total Return Strategy *Typical time horizon: >3 years*	Low	13–60%	10–81%	4–35%	2–73%	Traditional 60/40 portfolio replacement
Growth Strategy *Typical time horizon: >5 years*	Low-Medium	20–80%	10–81%	4–35%	2–73%	Growth replacement with an emphasis on minimizing volatility
Tactical Income Solution						
Income Plus Strategy *Typical time horizon: >3 years*	Medium	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 *Typical time horizon: >10 years*	Medium-High	40–100%	0%	0–60%	0–60%	Equity complement or outright replacement of equity holdings
Global Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	Global equity complement or outright replacement of ACWI holdings
International Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	International equity (ex U.S.) complement or outright replacement
U.S. Equity Strategy *Typical time horizon: >10 years*	High	98%	0%	0%	2%	U.S. equity complement or outright replacement of S&P 500 holdings
Tactical Crypto Solution						
CryptoPlus Strategy *Typical time horizon: >10 years*	Extreme	0%	0%	98%** ***crypto ETFs*	2%	Alternative store of value (i.e. cryptocurrency holdings in place of gold/real assets)

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