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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®

Santa Clause Rally? Or Are We Past the Peak?

November provided a moment for the market to catch its breath on the heels of the gains we witnessed in September and October. Indian equities outperformed the other major equity markets we model with a return of just over 1%. Commodities and gold fared even better with monthly returns of over 3% and 5% respectively. Debate continued throughout the month regarding whether the FOMC will vote for an additional interest rate cut at their December meeting vs. standing pat due to concerns of elevated inflation. This decision made even more challenging with the government shutdown, leaving decision makers that are self-proclaimed as data-dependent having very little data to depend on. Thankfully the government is once again open and hopefully will be able to resume the delivery of this data in short order.

A short-term sell off occurred intra-November due to concerns regarding the profitability of AI companies broadly. However, earnings from these companies were generally in line with or above consensus largely erasing those losses. As we noted last month, it is likely to be a bumpy road ahead as the market looks for signs of continued market gains vs. signs of overbuilding, overspending, and/or lack of return regarding all things AI-related.

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 an all time high level of 3.5 at the end of October. On this measure, U.S. equities are the most expensive they have ever been. As we have also noted for some time, valuation measures are not a tactical timing instrument, and overvalued markets can become even more overvalued before adjusting back to fair value. For the time being, U.S. equities continue to receive support from investors accustomed to "buying the dip," however rallies have failed to reach the market high set on October 29.
- **European Equities:** European equities still maintain a mixed to slightly negative outlook by our research. The yield curve measure is not sufficiently steep to be indicative of growth for the European region, and monetary stimulative measures have potentially stalled out.
- **Japanese Equities:** We maintain our favorable outlook on Japanese equities though with a note of caution. As noted previously, the new prime minister has indicated a desire for increased fiscal stimulus for the Japanese economy which should be helpful for the economy's growth prospects and therefore its equity markets. However, the note of caution is the anticipation for the Bank of Japan to increase short-term interest rates in December which, when taken in concert with a short-term interest rate cut in the U.S., may render the so-called Yen-Carry trade less profitable or outright unprofitable. This may lead to the unwinding of leverage in the global financial system which could be a catalyst for a larger global market sell-off.
- **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. With U.S.-China trade negotiations resolved near-term, both countries can continue to operate while continuing to look elsewhere for new deals with other trade partners.

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3EDGE
ASSET MANAGEMENT



View From the EDGE®

Santa Clause Rally? Or are we Past the Peak?

- ▶ **Indian Equities:** Indian equities have moved into a positive outlook. While U.S. and India trade negotiations have yet to be resolved, there has been some signs that India may stop or delay its purchases of cheaper Russian oil as part of a deal. While Indian equities are still 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.

Fixed Income:

- ▶ **Rates:** The outlook for inflation is fairly subdued when looking at breakeven inflation rates but may prove to be higher than the market currently anticipates due to the longer-term impacts of the U.S. imposed tariffs. 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 nearer-term which may have already occurred with the recent pullback to the \$4,000/oz range. However, gold over the longer term may continue its upward move as weakening job numbers may encourage the Federal Reserve to continue its monetary easing to combat this side of their 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. With the US-China trade relationship dealt with in the near-term, a window opens for stimulative demand from China which could augur well for commodities. The outlook is positive.



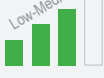

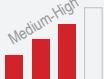
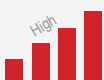
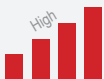
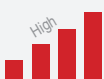
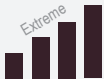
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3EDGE Solutions Designed to Smooth the Ride

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: >5 years</i>		20–80%	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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