

The Power of Multi-Asset Investing



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The market environment of 2025 provided a compelling example of the benefits of multi-asset investing. Importantly, it is possible that the conditions that supported diversified, multi-asset portfolios last year may persist in 2026 and well beyond. In recent years, the strong performance of U.S. stock indices, such as the S&P 500, has led investors to question the value of diversification altogether. Simply allocating heavily to the S&P 500 appeared to be a winning strategy. However, this was not the case in 2025.

2025: A Case Study in Diversification

Last year, investors were rewarded for investing beyond a traditional 60/40 portfolio of U.S. stocks and bonds. At 3EDGE, we were pleased with the double-digit returns of each of our core multi-asset strategies, despite a market backdrop that included significant macroeconomic and geopolitical risks. Our dynamic, multi-asset management approach allowed us to play both offense and defense simultaneously—providing risk management benefits while also delivering positive investment performance.

Although most major asset classes generated positive performance in 2025, it wasn't the S&P 500 that led the way. Gold—often regarded as a hard asset as opposed to a financial asset—led all major assets classes with an astounding return of 64%. In addition, international equities outperformed U.S. equity indices such as the S&P 500 and the NASDAQ for the first time in many years. Japanese, European, Chinese, and a broad index of emerging market equities all outperformed the S&P 500 and the NASDAQ in 2025.

Guided by our proprietary research model, our core strategies benefited from active, multi-asset diversification, including exposure to hard assets such as gold and commodities, as well as international equities, all of which delivered positive performance last year. At the same time, our commitment to maintaining full-time, broad diversification for risk-management purposes naturally resulted in more mixed performance across certain asset classes.

Not only did our core 3EDGE strategies benefit in terms of investment performance, but our capacity to construct more broadly diversified portfolios and to make adjustments to our asset allocations as appropriate across a wider variety of asset classes also enhanced risk management for our clients. The 3EDGE core strategies helped provide a level of protection against the decline in U.S. equities from mid-February through early April, when the S&P 500 fell by almost 20% amid the Trump administration's Liberation Day tariff announcements. Importantly, once the administration in Washington backed away from its more extreme tariff policies, our core strategies that had helped smooth some of the market volatility in the spring were also able to participate in the market rebound in the second half of the year.

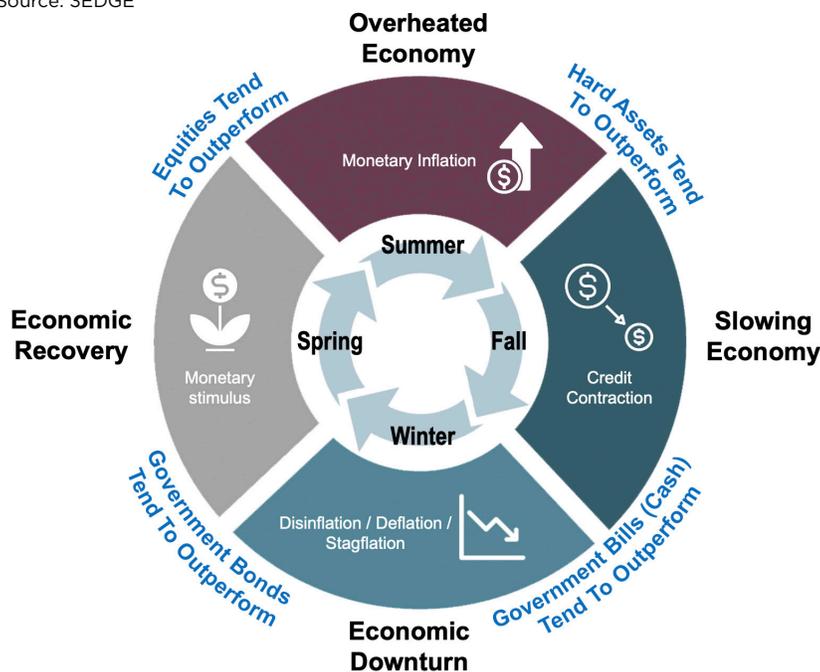
Seasons of the Market & Multi-Asset Investing

At 3EDGE, multi-asset investing is embedded in our DNA, and foundational to our investment philosophy and process. One of the reasons why we are multi-asset investors can be illustrated by our Seasons of the Market framework shown in Figure 1.

Figure 1:

Seasons of the Market

Source: 3EDGE



To explain our philosophy and investment approach, we often use an analogy: comparing economic and market cycles to the seasons of nature. As in nature, the economy and capital markets tend to move in cycles, and different asset classes tend to do better than others depending on where we are in the cycle, i.e., which season of the market we are in.

Importantly, our Seasons of the Market framework shows that to capture all phases of a full market cycle, a multi-asset approach is not just preferable; it is necessary. There are certain periods during an economic/market cycle when neither stocks nor bonds do well, and it can be during these periods that one may rely on hard assets such as gold and commodities to smooth volatility and manage large portfolio drawdowns, while also seeking to be additive to returns. A portfolio limited to only traditional U.S. stocks and bonds may effectively participate in only part of a full market cycle.

“Life can only be understood backwards; but it must be lived forwards”

Søren Kierkegaard, Danish philosopher

The above quote from the Danish philosopher Kierkegaard is particularly relevant to the Seasons of the Market. When making investment decisions, it isn't necessarily obvious where we may be in any given market cycle at any given time. Therefore, to deal with this market uncertainty our 3EDGE core multi-asset strategies will always maintain full-time, broad asset diversification by holding some percentage of a portfolio in equities, bonds, hard assets, including gold and commodities, as well as short-term U.S. government securities.

Conclusion

3EDGE has always believed in the benefits of dynamic, multi-asset investing as a means to create investment solutions that seek to keep our clients safe and generate attractive risk-adjusted returns over full market cycles. We believe markets are cyclical, and different asset classes perform better than others depending on where one is in the cycle. Importantly, traditional U.S. stocks and bonds are most appropriate during only one half of a full market cycle, and therefore, we believe that it is necessary for portfolios to include additional, non-traditional asset classes such as hard assets, including gold and commodities, as well as short duration U.S. Treasury securities, among others, in order for a portfolio to be positioned for all the different aspects of a full market cycle.

We believe that adding one or more of our 3EDGE active, broadly diversified core strategies to an investor's total investable assets can help to smooth the impact of market volatility and manage the risk of outsized portfolio drawdowns, while also seeking to be additive to returns over full market cycles. That is why we define our investment objective as seeking to generate attractive risk-adjusted returns over full market cycles.

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