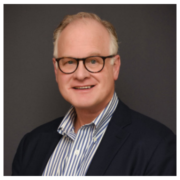
August 2026

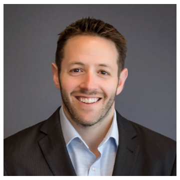
3EDGE ASSET MANAGEMENT

View From the EDGE®

Skating on Thin Ice



DeFred Folts III
Founding Partner
Chief Investment Strategist



Eric Biegeleisen, CFA®
Partner, Deputy 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 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.

Markets generally showed muted performance in July as investors wrestled to handicap three highly anticipated major events:

(1) the legitimacy of a U.S.-Iran ceasefire and uncertainty overship traffic through the Strait of Hormuz;
(2) corporate earnings of the mega-cap tech stocks in the AI ecosystem; and
(3) uncertainty over the Fed's potential future policy decisions under the regime of the tight-lipped, new Fed Chair Kevin Warsh Warsh.

The most recent ceasefire announcement arrived on July 31, and only time will tell if this one will hold. For the time being, the market believes it will, based upon the new all-time highs being reached by several market indices. Regarding AI, the continuing ramp up in capital expenditures have been met with a healthy dose of skepticism in most cases. While AI as a transformative technology seems undeniable, it is unlikely that all of the competitors will ultimately coexist and succeed. As with other technology renaissances in the past, there is likely to be an overbuild, which may give way to a bust. However, for the time being investors are embracing equities of all shapes and sizes as the rally expands across the market cap structure.

While the Federal Reserve meeting ended without any change to current interest rate policy, three members dissented, casting their votes for a 0.25% hike and showing some cracks forming within the committee. Additionally, Fed Chair Warsh prefers less communication than the market has grown accustomed to, which may be leading to even greater interest rate volatility and potentially higher rates across the curve. Taken altogether, while the market July was in a holding pattern, investors now seemed to have potentially moved on, as the market once again continued to the upside in early August.

Equities:

- **U.S. Equities:** We maintain a marginally favorable outlook for U.S. equities at this time, however a myriad of potential threats including a possible re-escalation and potential worsening of the U.S.-Iran war remain. As noted many times prior, we continue to observe excessive overvaluation in U.S. large-cap equities, though as we've also pointed out, the fact that they continue to deliver strong earnings growth and equally strong forward guidance, in an environment of positive investor psychology and well-behaved credit spreads presently. Having reached new all-time highs could augur well for continued gains, but signs of market froth are present and may be indicative of a potential market top approaching.
- **European Equities:** The outlook for European equities remains negative as a result of anemic projected growth in the region. The European Central Bank's (ECB) primary focus is price stability which suggests that interest rate tightening may be its next move as inflation has ramped up in the region.
- **Japanese Equities:** Our research remains constructive on the outlook for Japanese equities. A de-escalation of the U.S.-Iran war and a true reopening of the Strait of Hormuz would potentially benefit the Japanese economy.

(continued on next page)

- Additionally, investor sentiment and market momentum remain positive, and Japan's yield curve measure continues to steepen, which is indicative of potential growth. Interestingly, we witnessed the first U.S.-Japan currency coordination in 15 years as the U.S. Treasury sold Euros to buy Yen in an effort to help support the Yen as it declined to a 40-year low at nearly 164 Yen/USD. There is greatdeal of speculation as to the details and rationale for such a move by the U.S. Treasury. We can only observe that Japan holds more U.S. Treasury bonds than any other country and should they sell those to support their currency, it would likely lead to further increases in yields of U.S. Treasuries, which is untenable for the U.S. administration. This intervention is likely more of a band-aid than anything more lasting, as the market is likely to want to see short-term interest rate hikes by the Bank of Japan to help more directly strengthen the Yen than continued currency interventions. However, Japan is a highly indebted nation, and any interest rate increase will hurt their ability to continue servicing its debt – a problem all too familiar by the U.S. Treasury. Altogether, the outlook is unchanged and remains positive.
- **Emerging Market / Chinese Equities:** The outlook for China and Emerging Market equities remains mixed. While Chinese equities by our measure remain undervalued and oversold, growth remains questionable nearer-term. As we've noted, an oversold market can become even more oversold before rebounding in the absence of a positive catalyst. The broader Emerging Market equities have had a setback recently as exuberance in AI- and DRAM-focused companies particularly in Taiwan and South Korea suffered an unwinding and deleveraging in July.

Fixed Income:

- **Rates**: The Fed remains in a tough position with regard to its dual mandate of full employment and price stability. The Fed chair appears to be fighting inflation through words and not action, as the Fed may experience pressure from the administration to refrain from rate hikes in advance of the mid-term elections in November. As noted, Fed Chair Warsh's minimalist approach to communication has the potential to create further interest rate volatility. Coupled with the risk of inflation remaining sticky or rising, we favor shorter-term, higher quality debt issues such as Treasury Bills and short-term TIPS.
- **Credit**: We maintain that 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 risks of a rise in inflation as well as the potential for a larger global equity market sell-off which would potentially harm credit as well.

Hard Assets:

- **Gold:** We maintain a longer-term favorable outlook for gold which is based upon the potential for declining real (inflation-adjusted) Treasury yields, accelerating U.S. debt, the rising interest burden to service this debt, and the steps the Treasury and/or the Fed may take to inflate our way out of the debt burden. Countries, whether formerly friend or foe, continue to diversify away from the U.S. Dollar and Dollar-based assets. Taken together, this is likely to result in longer-term Dollar weakness, which may benefit gold. However, nearer-term, gold may still be in a consolidation period following its meteoric rise since 2022. Should the Federal Reserve continue to hold rates steady and not hike rates, gold may see a rebound.
- **Commodities:** While commodities play a role as a hedge against inflation, geopolitical risk, and currency debasement over the longer term, the recent de-escalation between the U.S. and Iran led to oil prices declining dramatically, and the near-term risk/reward trade-off in commodities has become less compelling, at least in the short term. Additionally, investor psychology and market momentum in the commodities markets have declined since the de-escalation.

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 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*	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	60–100%	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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