3EDGE ASSET MANAGEMENT

View From the EDGE®

From De- to Re-escalation

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Shipping traffic in the Strait of Hormuz remains far below pre-war levels, and we've witnessed a re-escalation of military strikes on both sides. We've similarly witnessed a re-escalation in the Israel-Hezbollah conflict as well as with the Russia-Ukraine war. In addition, the U.S. administration pushed through aggressive tariffs on Canada, our second largest trading partner. Despite all this, equity markets generally ignored these historically market-moving headlines and pushed higher in August with the U.S., Europe, Japan and Emerging Markets more broadly up each in the 3-5% range for the month. Gold and commodities also produced strong gains for the month as well. The tug-of-war continues between the bulls and bears on whether the benefits of AI earnings and productivity will outweight the risks of overspend and circular financing. Note that the Nasdaq 100 index has still yet to eclipse its peak set on June 3. Friday's CPI report showed inflation pressures remained persistent, prompting investors to increase the implied probability of a rate hike at next week's Federal Open Market Committee meeting to nearly 90%, with the outcome likely to influence the path of interest rate policy in the months ahead. (Source: CME FedWatch Tool)

Equities:

- **U.S. Equities:** Our outlook for U.S. equities is mixed. While oil and commodity prices have moved higher once again adding to inflationary pressures, equities have seemingly muddled through so far. As the U.S. Strategic Petroleum Reserve dwindles down to 1982 levels, concerns are mounting regarding how much longer the Strait of Hormuz remains obstructed. We continue to observe excessive overvaluation in U.S. large-cap equities, though as we've also noted, they continue to deliver strong earnings growth and a solid outlook in an environment of positive investor psychology and well-behaved credit spreads. As noted, unlike the Nasdaq 100, the S&P 500 did reach a new all-time high in August, however signs of market froth and potential profit-taking 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 signaling near-term risks.
- **Japanese Equities:** Our research remains constructive on the outlook for Japanese equities. Economic and wage growth has exceeded expectations, and Japanese equities are more reasonably valued relative to the U.S. While rising oil prices are a headwind to the Japanese economy given Japan's dependence on Mid-east energy imports, investor sentiment and market momentum remain positive. Japan's yield curve measure continues to steepen, which is indicative of potential growth. Bank of Japan currency intervention and the prospect of an imminent rate hike has stabilized the Yen, which is excessively undervalued on a purchasing power parity basis. However, with rising Japanese interest rates coupled with a strengthening Yen, investors who have shorted the Yen to buy U.S. stocks, bonds and other assets may be encouraged or forced to unwind their so-called Yen Carry trades, result-

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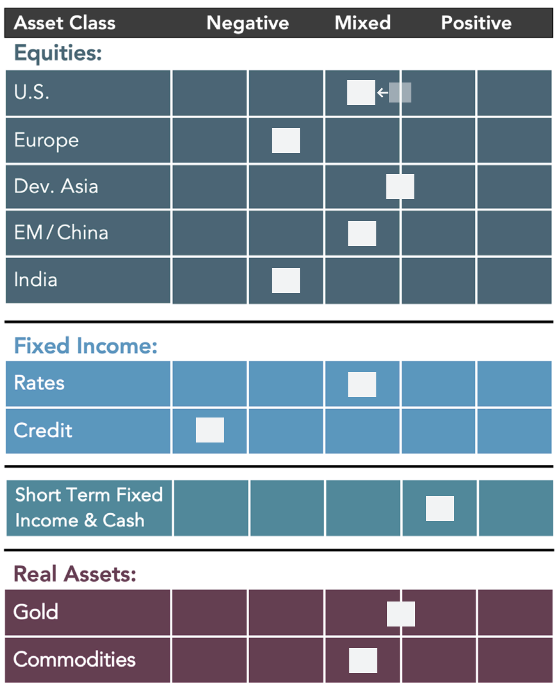

About 3EDGE

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.

-ing in capital flows returning to Japanese assets. 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.
- **Indian Equities**: Overvaluation, neutral investor psychology, and several months of widening credit spread measures have acted as headwinds for Indian equities. The outlook remains negative.

Fixed Income:

- **Rates**: The Fed remains in a difficult position with regard to its dual mandate of full employment and price stability. The resumption of the U.S.-Iran conflict calls into question whether inflation may subside on its own given the recent spike in oil prices, though any impact is likely to emerge in the data with a lag. With inflation risks still present and markets increasingly anticipating additional Fed tightening, we continue to favor shorter-term, higher-quality issues.
- **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 belief that real (inflation-adjusted) Treasury yields have likely peaked and more likely to trade sideways or decline. In addition, 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 all continue to support a weakening dollar, which should bode well for gold prices. Countries, whether formerly friend or foe, continue to diversify away from the U.S. Dollar and Dollar-based assets too furthering the rationale longer-term. However, nearer-term, gold may still be in a consolidation period following its meteoric rise since 2022, and should the Federal Reserve hike rates rather than pause, gold could correct.
- **Commodities:** Commodities play a role as a hedge against inflation, geopolitical risk, and currency debasement over the longer term. The recent shift from a de- to a re-escalation between the U.S. and Iran has led to oil prices spiking, suggesting some concerns nearer-term and a mixed outlook.

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 55–95%		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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