


3EDGE
 ASSET MANAGEMENT


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 Chief Investment
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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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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.

View From the EDGE®

Q4: Continued Rally or Bubble Burst?

While the U.S.-Iran war had reached an unspoken détente, threats and rhetoric on both sides have picked up, causing gyrations in global markets. Shipping through the Strait of Hormuz has recently picked up, which has provided some level of temporary relief from rising oil prices. In addition, producers and consumers of middle-eastern oil seek alternative means of shipping and delivering oil as well as substitutes to partially offset this global disruption. However, more Middle Eastern actors have entered the conflict, with the Iranian-backed Houthis located in Yemen attempting to control the Bab al-Mandab strait in the Red Sea and attacking Saudi infrastructure.

We have also witnessed the continued and dramatic rise of global bond yields, including the U.S., Europe (France in particular), and Japan among others. As the U.S. 3-month Treasury Bill yield and U.S. 10-year Treasury Bond yield significantly impact the value of all debt here in the U.S. and globally, these increases have set off warning lights regarding a possible breaking point for this bull run in the U.S. equity market. There are also two remaining FOMC (Federal Open Market Committee) meetings this year: at the end of October and in early December. Another interest rate hike is being priced in only for the December meeting currently – though the outlook is shifting day-to-day. With a looming election battle for the control of the House and Senate arriving in early November, we continue to be observant, nimble, and willing to make updates to portfolios as directed by our investment approach and model research.

Equities:

- **U.S. Equities:** We continue to maintain a slightly favorable outlook for U.S. equities near-term. The recent uptick in threats by both the U.S. and Iran alongside the Houthis' involvement has reinvigorated global market gyrations with equity market volatility and oil prices spiking again. We also continue to observe excessive overvaluation in U.S. large-cap equities alongside significant concentration in the major indexes in AI and related companies. Though as we've also noted for some time, the AI-related companies do continue to deliver strong earnings growth and a solid outlook in an environment of positive investor psychology and relatively well-behaved credit spreads. However, credit spreads are beginning to widen for companies of lower credit quality, and we will keep an eye on this development since it can be an indicator of fragility. While signs of increased geopolitical activity, market froth and potential profit-taking may indicate a potential market top, the administration is likely to encourage continued stock market gains at least leading up to Election Day.
- **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 continue to be its next move as inflation has ramped up in the region signaling near-term risks. France, in particular, may be approaching an unsustainable debt burden and severe public finance crisis which may not be easily resolved.
- **Japanese Equities:** Our research continues to remain constructive on the outlook for Japanese equities. Economic and wage growth have exceeded expectations, and Japanese equities continue to be more reasonably valued

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relative to the U.S. While rising oil prices have been 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 interventions and the prospect of continued interest rate increases are likely to further stabilize the Yen, which is excessively undervalued on a purchasing power parity basis. However, should the Yen strengthen too far in too compressed a timeframe could encourage or force an unwind of the so-called Yen-Carry trades, capital flows may return to Japanese assets and leave U.S. bonds and stocks in particular. 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's most recent rate hike has potentially allowed for a pause, though history suggests one rate hike is typically followed by more. Inflation remains stubbornly just above the Fed's 2% target, and interest-rate hikes are a crude demand-quashing tool not capable of increasing oil supplies. With much uncertainty regarding the war, Fed policy, and the outcome of the election, we continue to favor shorter-term, higher-quality issues with less duration risk.
- ▶ **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. However, credit spreads are beginning to widen for companies of lower credit quality, and we will keep an eye on this development since it can be an indicator of fragility.

Hard Assets:

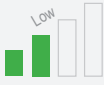
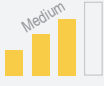
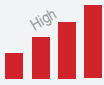
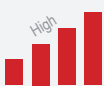
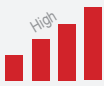
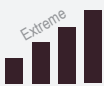
- ▶ **Gold:** We continue to maintain a longer-term favorable outlook for gold which is based upon the belief that accelerating U.S. debt, the rising interest burden to service this debt, and the steps the Treasury and/or the Fed may take to inflate our way out of the debt burden all continue to support a weakening dollar, which should bode well for gold prices. In addition, many of the world's central banks and government reserves continue to diversify away from the U.S. dollar and dollar-based assets, furthering the rationale longer-term. However, nearer-term, gold may still be in a consolidation period following its meteoric rise since 2022. A drop materially below \$4,000 per ounce would be concerning for a steeper correction nearer-term.
- ▶ **Commodities:** Commodities play a role as a hedge against inflation, geopolitical risk, and currency debasement over the longer term. The continued volatility and lack of resolution to the Iranian conflict suggest maintaining an allocation to energy assets nearer-term.

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		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 55–95%	Non-Traditional Fixed Income 5–25%		Income replacement strategy targeting a high yield with emphasis on minimizing drawdowns
Tactical Equity-Focused Solutions						
Aggressive Strategy <i>Typical time horizon: >10 years</i>		60–100%	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)

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