3EDGE
ASSET MANAGEMENT

VIEW FROM THE EDGE

APRIL 2019

SUMMARY

- **Emerging Market equities** continue to maintain a positive outlook, while the outlook for **U.S. equities** though positive, is more mixed.
  - *The outlook for **Japanese equities** remains mixed; **European equities** continue to have a negative outlook.*
- ***Fixed Income*** projections remain stable with a more positive near-term outlook on rates, amidst offsetting forces exerting influence on the value of the U.S. dollar.
  - *With the recent narrowing of credit spreads, the outlook for credit is improved in the near-term however caution is still warranted until these spreads stabilize.*
- **Real Assets**
  - *The outlook for **Gold** remains positive due to low and declining real yields (nominal yields adjusted for inflation)*
  - *The outlook for **Commodities** is now more positive. In addition to low real yields, commodities may benefit from a rebound in emerging market demand from China fiscal and monetary stimulus.*
- Although **Cash & Equivalents** maintain an attractive absolute yield, the asset class is being crowded out by other investment opportunities

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ASSET CLASS VIEWS

Asset Class		Change	Negative		Mixed	Positive	
Equity	U.S.					●	
	Europe			●			
	Asia				●		
	Emerging						●
Fixed Income	Rates				●		
	Credit				●		
Real Assets	Gold						●
	Commodities	▶				●	
Cash					●		

ABOUT 3EDGE ASSET MANAGEMENT

3EDGE is a multi-asset investment management firm that utilizes a proprietary model to analyze market valuation metrics (long-term), economic forces (medium-term), and investor behavioral factors (short-term) that we believe drive the global capital markets. Our team of professionals draws on decades of investment management experience and their research in quantitative methods, including system dynamics, machine learning, artificial intelligence, and multi-player game theory to seek to identify undervalued and overvalued asset classes across the globe that may be poised to enter a period of market outperformance or underperformance. While we aim to generate attractive risk-adjusted returns, we also prioritize risk-management in an effort to limit portfolio declines for our clients, particularly during periods of extreme market disruptions. Our clients include individuals, family offices, institutional investors, and registered investment advisors.

OUTLOOK

Emerging Market (EM) equities maintain a positive outlook and are more attractive on a valuation basis than U.S. equities. Declining long yields in the U.S. remains supportive of EM equities. Furthermore, the negative impact from EM monetary authorities having to lower short-term interest rates to stimulate their economies may be stabilizing. A potential reversal of positive investor psychology in the face of more data indicating an economic slowdown or the inability of the U.S. and China to strike a meaningful trade agreement is entirely possible and may negatively impact our outlook.

U.S. equities remain modestly positive and continue to benefit from the Fed's pivot towards a pause in monetary tightening. Recently we have seen the tightening of the TED (Treasury-Eurodollar) spread which augurs well for the amount of liquidity available in the financial system. In addition, the narrowing of both investment grade and high yield credit spreads are a near-term positive. However, by our measure U.S. equities remain overvalued which is weighing negatively on our current projection for the asset class but not enough to offset the positive contributions mentioned above. Japanese equities have a mixed outlook while European equities remain negative. Both Japan and Europe have flattening yield curves suggesting limited growth opportunities, and in Europe this is compounded by negative investor psychology.

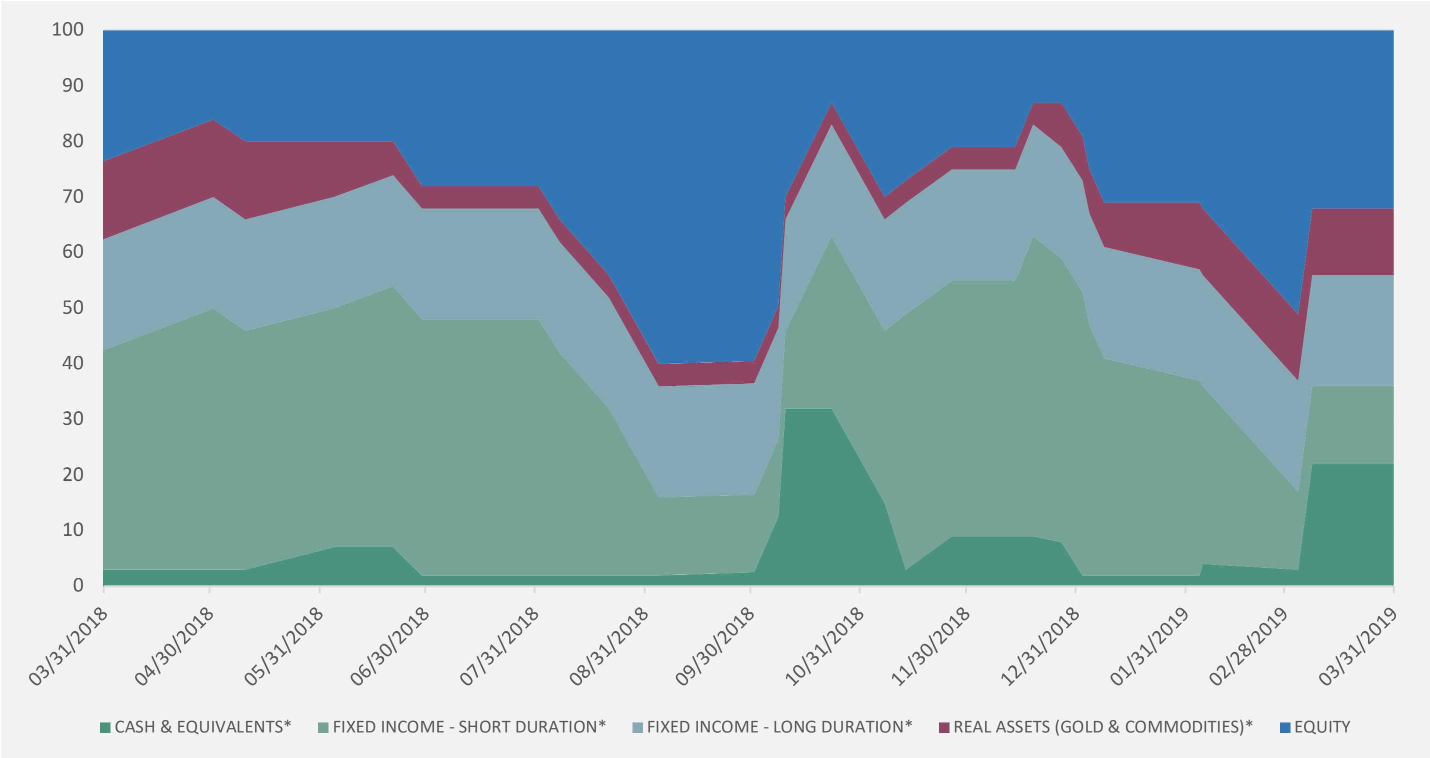
The outlook for U.S. fixed income remains mixed to positive. The U.S. dollar has had mixed performance against leading currencies, strengthening against some and weakening against others, creating an offsetting effect for Treasuries. Our yield curve measure while still positively sloped continues to flatten indicating the potential for a slowdown in economic growth which would be favorable for bonds. The outlook for credit is less negative due to recent narrowing amongst a variety of credit spreads indicating the potential for increased credit creation.

Gold maintains a positive outlook due to low and declining real yields, an increase in central bank purchases, positive investor psychology and the Fed's perceived policy reversal. The outlook for commodities has improved due to low real yields and the potential for a continued rebound in EM demand driven by China stimulus.

While Cash & Equivalents remain attractive on an absolute yield basis, they now have a less attractive relative outlook given the positive prospects for Emerging Market equities, gold, and commodities.

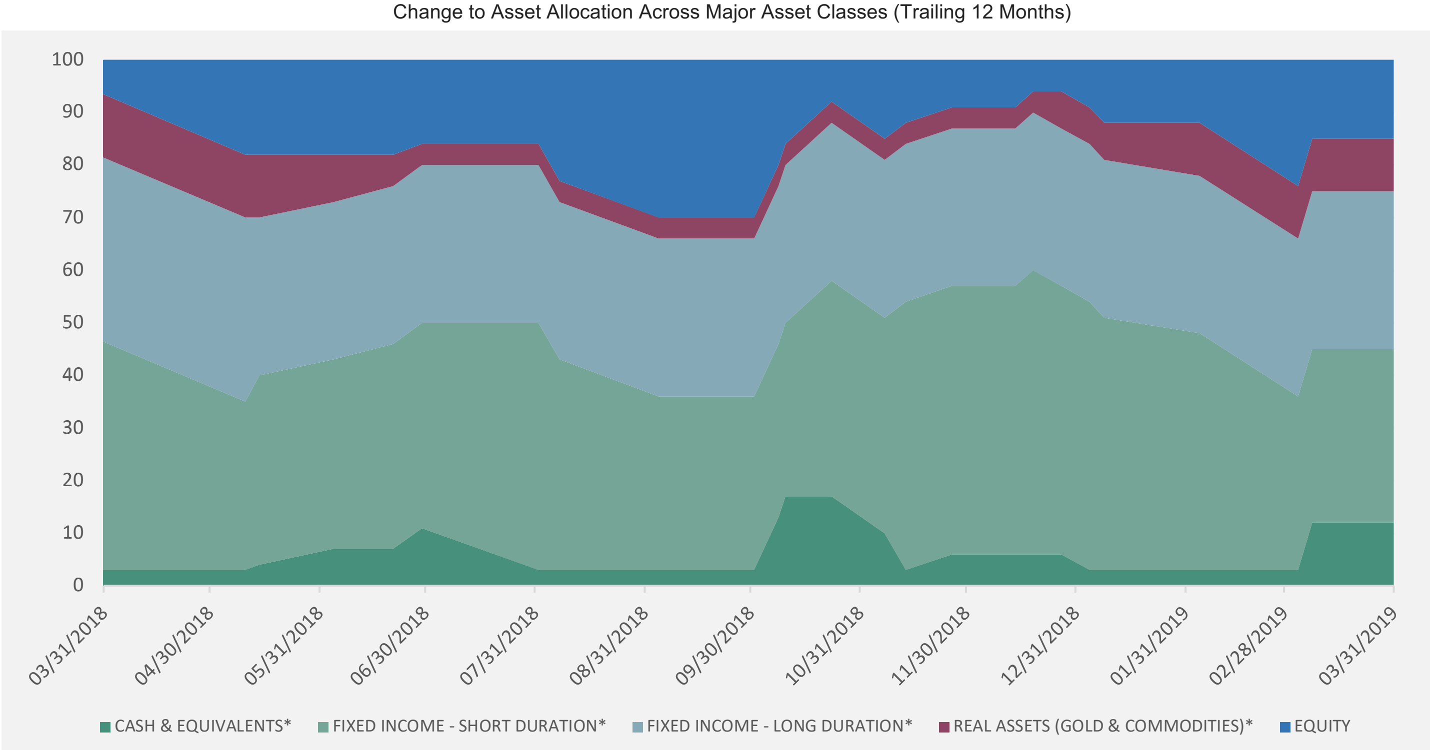
3EDGE TOTAL RETURN STRATEGY

Change to Asset Allocation Across Major Asset Classes (Trailing 12 Months)



3EDGE CONSERVATIVE STRATEGY

Change to Asset Allocation Across Major Asset Classes (Trailing 12 Months)



*Cash & Equivalents includes cash, cash equivalents, and money market funds. Fixed Income – Short Duration includes fixed income funds with an average duration of 2 years or less. Fixed Income – Long Duration includes fixed income funds with an average duration of greater than 2 years. Real Assets (Gold & Commodities) includes precious metals such as gold as well as investments that operate and derive much of their revenue in real assets, e.g., MLPs, metals and mining corporations, etc.