VIEW FROM THE EDGE

MAY 2019

SUMMARY

- The outlook for **Emerging Market equities** remains positive and is bolstered by nascent signs that government stimulus programs are being effective. The outlook for **U.S. equities** also remains somewhat positive. However, since the major factor driving this is behavioral, it is especially sensitive to short-term changes.
  - *The outlook for **Japanese equities** remains mixed; **European equities** continue to have a negative outlook.*
- ***Fixed Income*** projections remain stable and offsetting forces exerting influence on the value of the U.S. dollar remain.
  - *Credit spreads continue to narrow benefitting equities and commodities; however, caution is still warranted until these spreads stabilize.*
- **Real Assets**
  - *Although **Gold** remains positive, concerns over rising real yields (nominal yield less inflation) could negatively impact this outlook.*
  - *The outlook for **Commodities** remains positive. In addition to tightening credit spreads, the continued rebound in emerging market demand from China fiscal and monetary stimulus continues to be supportive.*

From the desks of:

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ASSET CLASS VIEWS

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

The current policy stance of the Federal Reserve Board continues to support both Emerging Market (EM) and US equities. By remaining patient the Fed has signaled their intention to keep rates steady over the foreseeable future. With clarity that rates are unlikely to rise in the near term, companies and investors alike may have a more positive outlook on the prospects for continued economic growth.

EM equities also continue to benefit from declining long yields which reduce the cost of capital. Furthermore, recent increases in short-term interest rates are a sign of the effectiveness of prior EM stimulus programs. While US equities remain overvalued, they continue to be supported by investor psychology. However, this may be short-lived and requires vigilance should the psychology of greed turn to fear. Risks to EM and US equity outlooks include the increasing relative strength of the US dollar due to a competitive currency devaluation by global (ex US) central banks or the inability of the U.S. and China to strike a meaningful trade agreement, which could exacerbate fears of a global economic slowdown.

Japanese equities maintain a mixed outlook while European equities remain negative. Both Japan and Europe have negative interest rates and flattening yield curves suggesting limited growth opportunities. While Japanese equities are currently undervalued, the catalysts for reinvestment have not materialized.

The outlook for U.S. fixed income remains mixed to positive. 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.

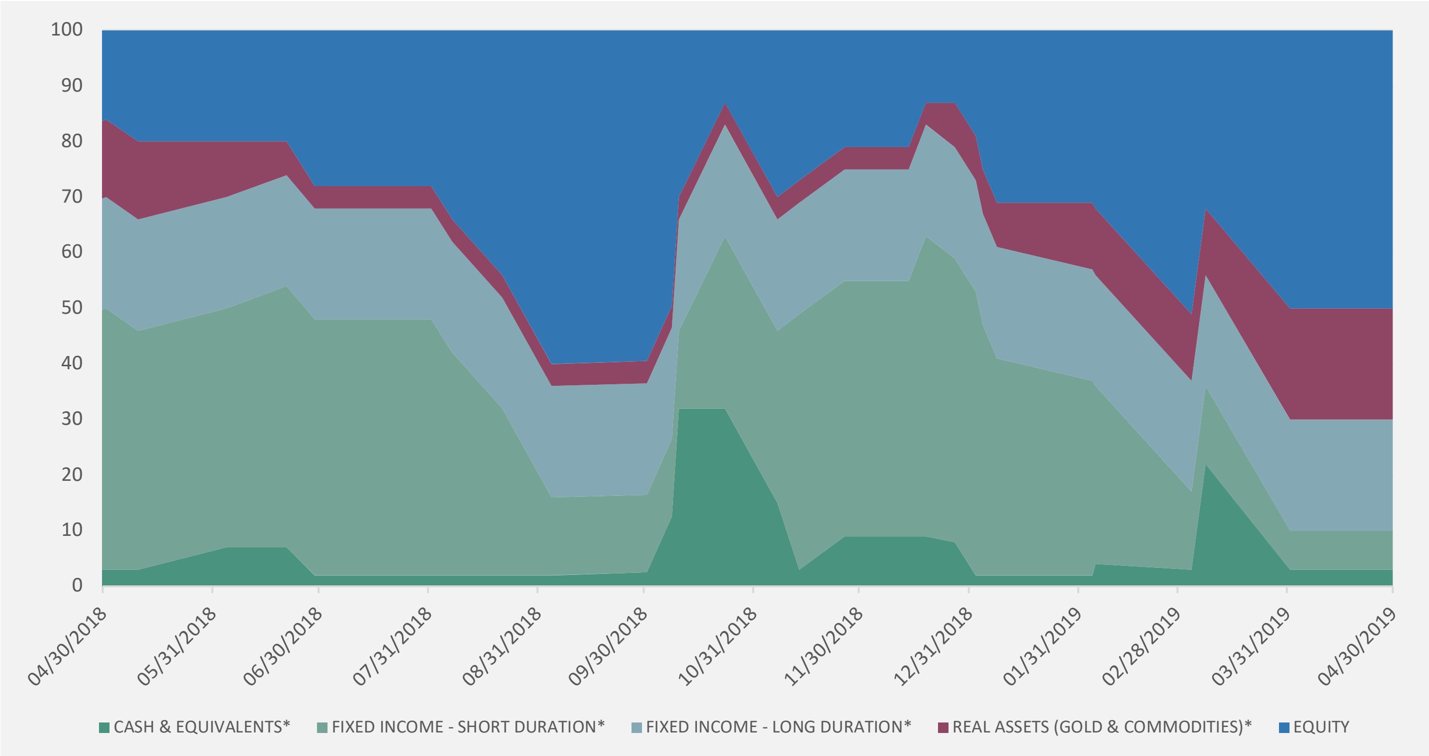
Gold maintains a positive outlook due to low real yields. Sustained increases in real yields would have a negative impact on this outlook as would an increase in the value of the US dollar. The outlook for commodities remains positive due to tightening credit spreads and the nascent signs of the effectiveness of EM central bank stimulus programs.

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

Commentary as of May 5, 2019

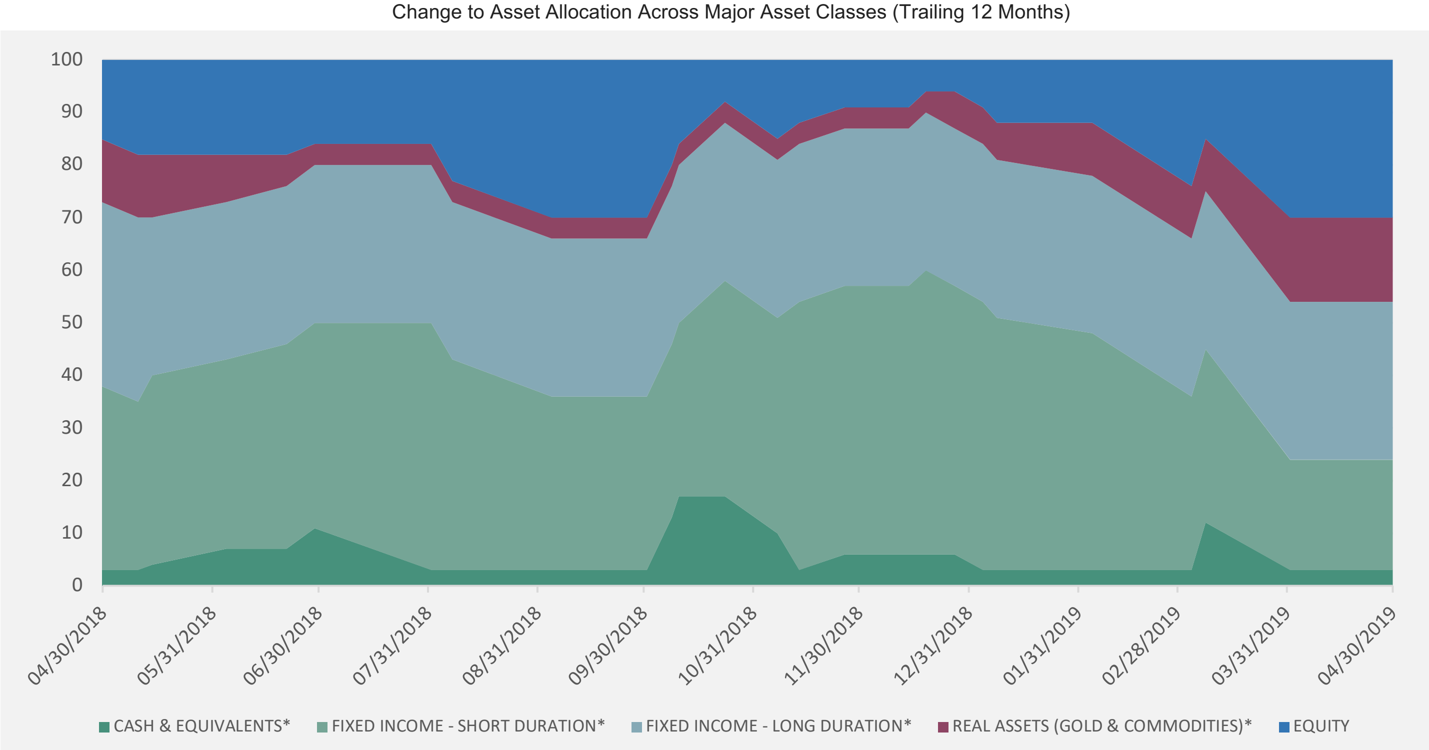
3EDGE TOTAL RETURN STRATEGY

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)



DISCLOSURES: This commentary and analysis is intended for information purposes only and is as of May 5, 2019. Allocations shown above reflect target allocations for the Total Return Strategy and Conservative Strategy (the "Strategies") as of the date the allocation change was made and individual investor allocations may differ. This commentary does not constitute an offer to sell or solicitation of an offer to buy any securities. The opinions expressed in "View from the Edge" are those of Mr. Folts and Mr. Biegeleisen and are subject to change without notice in reaction to shifting market conditions. This commentary is not intended to provide personal investment advice and does not take into account the unique investment objectives and financial situation of the reader. Investors should only seek investment advice from their individual financial adviser. These observations include information from sources 3EDGE believes to be reliable, but the accuracy of such information cannot be guaranteed. Investments including common stocks, fixed income, commodities and ETFs involve the risk of loss that investors should be prepared to bear. Investment in these Strategies entails substantial risks and there can be no assurance that the Strategies' investment objectives will be achieved. Past performance may not be indicative of future results.

*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.