3EDGE ASSET MANAGEMENT

The 3EDGE Conservative Strategy

A potential solution to the challenges bond market investors are likely to face

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The 3EDGE Conservative strategy is specifically designed to offer clients an alternative to their bond portfolios with a lower targeted risk level and higher targeted returns than the Bloomberg U.S. Aggregate Bond Index[1] under a wide variety of economic and market conditions.

- **In the current low interest-rate environment, investors may struggle to generate the income level they may need, particularly in retirement.**

- **In a desperate search for yield, investors have been tempted to take on too much credit and duration risk.**

- **The specter of inflationary pressure and rising interest rates could pose a threat to both the income and the value of investors' bond portfolios.**

"No one under the age of 60 has any experience whatsoever of a bear market in U.S. Treasury bonds." -John Authers, Bloomberg Opinion

Never have central bank balance sheets been so large, interest rates been so low, and global debt so high. In the current environment, there are more than a few scenarios that could prove challenging to traditional bond portfolios, including the return of inflation, higher interest rates, and tightening of monetary policy, all of which pose a potential threat to holding bonds.

Challenges to bond portfolios

Historically, investors have seen fixed-income markets as low-risk investments that could help offset their equity market risk as well as a source of income, particularly in retirement. Over the past four-plus decades, as interest rates continued to decline, bond portfolios have also provided investors with a bonus of capital appreciation. However, the world of fixed income investments may be about to change, and investors' bond portfolios could be at risk.

If you think that the run-up of the S&P 500 equity index, which began in February of 2009, is impressive and that stocks are now overvalued, consider the bond market where interest rates peaked in September of 1981 with yields at over 15%. Since then, for the past four decades, the investment environment for bonds has been quite favorable. There has been little in the way of inflation, and interest rates have kept going lower, thereby providing additional capital appreciation for bond portfolios. By March of 2020, with the onset of the global pandemic, the yield on the 10-year U.S. Treasury declined to 0.31%. Since 2009, the favorable environment for bonds has largely been thanks to accommodative central bank monetary policies.

[1] Formerly the Bloomberg Barclays U.S. Aggregate Bond Index

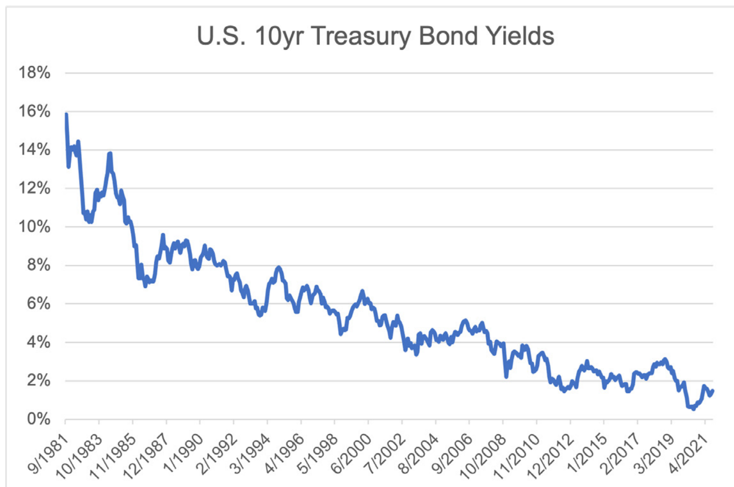
The beginning of the end

At the November 2021 FOMC meeting, the Fed announced its first steps in reigning in its easy monetary policy by beginning to taper its $120 billion in monthly bond purchases. Therefore, the capital markets may have reached the beginning of the end of the extraordinarily easy monetary policy which the Fed and other of the world's central banks have pursued since the onset of the global financial crisis in 2009, and was supercharged in early 2020 with the start of the global pandemic. Tapering may prove to be just the beginning of a process that will eventually lead to the Fed increasing short-term interest rates as soon as the first half of 2022.

The counterintuitive relationship between interest rates yields and bond prices

The strong performance of the bond market beginning back in 1982 is due to a unique relationship between interest rates and the value of bonds. As interest rates decline, the value of bonds increases; conversely, as interest rates rise, the value of bonds decreases. While this inverse relationship may appear to be counterintuitive, it is essential to understand. The decline in interest rates over the past four-plus decades has led to the strong performance of traditional bond portfolios, and this situation has gone on for so long that investors could be forgiven for having forgotten that bond portfolios can also decline in value.

Figure 1:
U.S. 10 Year Treasury Bond Yields
Source: Bloomberg



Period shown from peak of bond yields in Sept 1981 through Sept 2021

Regime change

In the coming years, the capital markets could face changes that could prove challenging to traditional bond portfolios. The specter of rising inflation and increasing interest rates is a direct threat to bond portfolios.

• Should interest rates rise, the value of the bonds in a portfolio will decrease (capital depreciation). For example, 10-year U.S. Treasury bonds declined in value by approximately 16% between July 1980 and September 1981 due to rising interest rates.

• Higher inflation negatively impacts the value (purchasing power) of the income earned from fixed income portfolios which is potentially problematic for people in retirement. Inflation can be seen as a tax on income from bond portfolios.

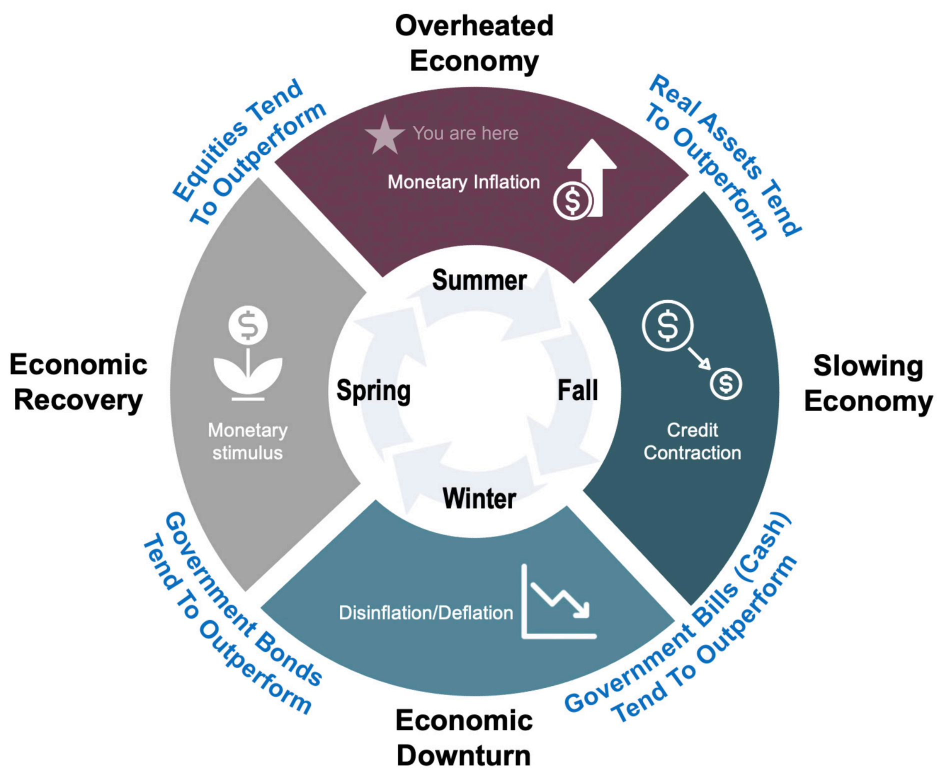
Importantly, investors have not experienced rising interest rates (bond yields) nor rising inflation for the better part of four decades, but both rising rates and inflation could well be what is in store in the years ahead.

In an environment of increasing inflation, higher interest rates, and tightening of monetary policy by central banks, the 3EDGE Conservative strategy could be a better choice than traditional bonds. 3EDGE Conservative is specifically designed to offer clients an alternative to bond portfolios under the widest variety of economic and market conditions.

Seasons of the market

Our proprietary research model adjusts our investment strategies as our market outlook changes. Should the economic and market cycle continue to shift in response to inflationary pressure, real assets such as commodities and gold could prove to be more appropriate for balancing equity market risk, since oftentimes in an inflationary environment, neither stocks nor bonds perform well. While the principal value of bonds suffers when prevailing interest rates rise, the 3EDGE Conservative strategy includes assets that typically respond favorably to such an environment. See Seasons of the Market chart below.

Figure 2:
Seasons of the Market
Source: 3EDGE



Our most recent model research of the global capital markets suggests that we may be entering a period of monetary inflation where real assets could outperform other asset classes.

Beyond Fixed Income

For the potentially more challenging decade to come, investors may need to go beyond the traditional 60/40 portfolio of stocks and bonds and consider incorporating non-traditional asset classes such as real assets, including gold and commodities, into their investment portfolios. We stress test the Conservative strategy across a wide variety of economic and market conditions, including rising inflation, credit contraction, strong economic growth, and recession/depression with the aim of generating lower drawdowns, higher real (inflation-adjusted) returns, and higher returns per unit of risk than bonds.

The 3EDGE global capital markets model

The investment research process at 3EDGE is driven by the firm's proprietary global capital markets model. The model is tested over the widest variety of economic and market conditions and translates decades of research and investment experience into a system of causal rules and algorithms to describe global capital market behavior. 3EDGE Conservative strategy's asset class ranges are derived from this model and are shown below.

While individual investments within the Conservative strategy may be riskier at times (as measured by volatility and drawdown), collectively all investments within the portfolio work together to produce a lower targeted risk solution than the Bloomberg U.S. Aggregate Bond Index.

3EDGE Conservative Target Asset Class Ranges+			
Equities	**Real Assets**	**Intermediate-Term Fixed Income**	**Short-Term Fixed Income/Cash**
6-30%	4-22%	10-88%	2-80%

+ See last page for Disclosures

3EDGE Conservative performance

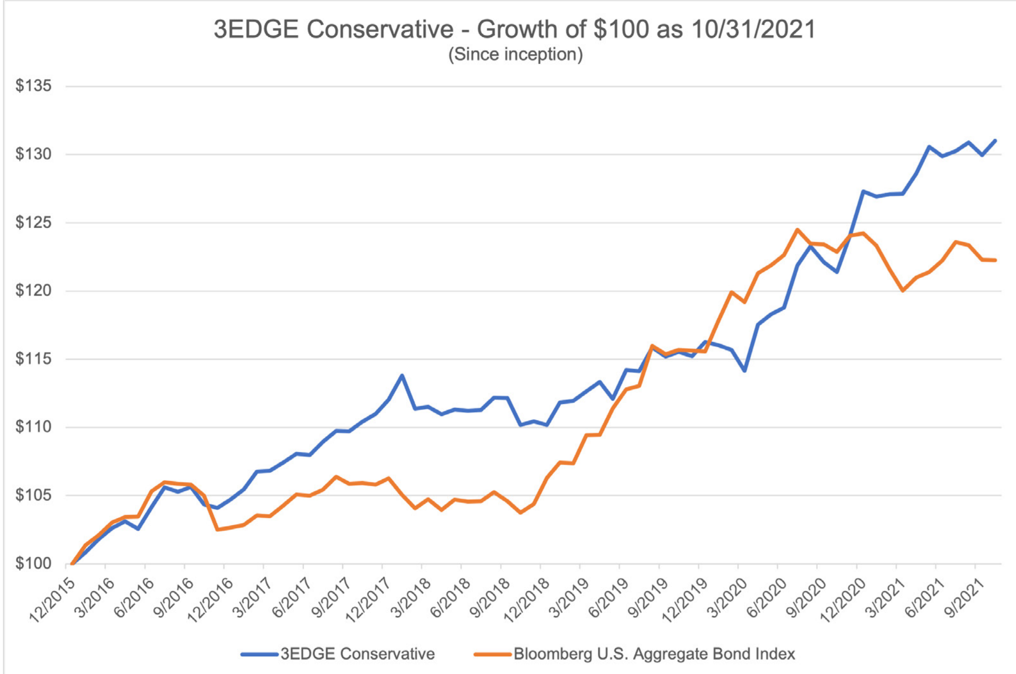
The 3EDGE Conservative strategy has proved itself capable of generating attractive risk-adjusted returns while carrying a consistently low correlation to U.S. equities as the chart below shows. Since its inception, the 3EDGE Conservative strategy has a maximum drawdown of -3.18% vs. the Bloomberg U.S. Aggregate Bond Index of -3.56% and the S&P 500 maximum drawdown of -19.60%

3EDGE Conservative Composite Net Returns and Risk/Return Metrics as of 10/31/21						
Performance/ Risk Statistics	**Net Return Since Inception***	**R^2 vs. S&P 500[1]**	**Beta vs. S&P 500[2]**	**Standard Deviation[3]**	**Sharpe Ratio[4]**	**Maximum Drawdown[5]**
3EDGE Conservative	4.74%	0.47	0.16	3.33%	1.10	-3.18%
Benchmark	5.48%	0.44	0.26	5.62%	0.80	-5.96%
Bloomberg U.S. Aggregate Bond index	3.51%	0.00	0.00	3.17%	0.81	-3.56%

*Since inception is an annualized return and is based on a period of 12 months using monthly returns.
The Conservative Strategy composite creation date is 1/1/2016.
1-5 See the following page for information on Benchmark, Risk Measures and other Disclosures. Source: Bloomberg

The table above highlights the Conservative strategy's ability since inception to generate greater absolute and risk-adjusted return (as measured by Sharpe ratio) compared with the Bloomberg U.S. Aggregate Bond Index, while at the same time experiencing less maximum drawdown (i.e., worst peak-to-trough decline).

Figure 3:
Growth of $100 as of 10/2021
Source: Bloomberg



See next page for Disclosures
Source: Bloomberg

The time may be right for 3EDGE Conservative

The past four decades have been a generally favorable environment for investors' bond portfolios. However, in the years to come, investors could face a series of challenges to their bond holdings, including the return of inflation, higher interest rates, and tightening of monetary policy, all of which are a direct threat to bond portfolios. The 3EDGE Conservative strategy is specifically designed to augment clients' bond portfolios under a wide variety of economic and market conditions.

In a more challenging fixed income environment, the 3EDGE Conservative strategy with its use of non-traditional asset classes, tactical navigation of the seasons of the market, and asset class range guardrails could serve as an appropriate complement to or substitute for a traditional bond portfolio.

DISCLOSURES:

3EDGE Conservative Strategy Composite performance is shown net of actual management fees and all other expenses and includes the reinvestment of dividends and other earnings. Composites creation date was 1/1/2016 for the 3EDGE Conservative strategy. We do not actively seek to outperform any specific benchmark index on a relative basis. Nonetheless, we have established the Conservative Multi-Asset Benchmark ("the Benchmark") for the Conservative strategy. The Benchmark is 70% Financial Times Stock Exchange World Government Bond Index WGBI / 20% Morgan Stanley Capital International All Country World Index MSCI ACWI TR / 10% Bloomberg Commodity Total Return Index BCOMTR. The Benchmark is rebalanced on a monthly basis and its returns are net of withholding taxes.

3EDGE Asset Management's investment objective is to seek to earn attractive risk-adjusted returns over full market cycles. The Conservative strategy is not an index fund and its portfolio holdings, country exposure, portfolio characteristics and performance will differ from that of the Benchmark. The Benchmark is simply a baseline against which we monitor the Conservative strategy. It is intended to represent a passive, global, multi-asset class portfolio with similar risk characteristics to the Conservative strategy. The Benchmark has not been selected as a specific benchmark to compare to the performance of the Conservative strategy, but has been provided to allow for comparison of the performance of the Conservative strategy to that of well-known and widely recognized indices. The Indices used in the Benchmark are represented by total return prices. Indexes are unmanaged and therefore do not include fees and expenses typically associated with investments in managed accounts. One cannot invest directly in an index. Benchmark Data Source: Bloomberg.

DEFINITIONS:
• The Morgan Stanley Capital International All Country World Index (MSCI ACWI) TR is designed to provide a broad measure of equity market performance throughout the world. Maintained by Morgan Stanly Capital International, it captures large and mid-cap representation across 23 developed and 27 emerging market countries, covering approximately 85% of the global investable equity opportunity set.
• The Financial Times Stock Exchange World Government Bond Index (WGBI) is a broad benchmark providing exposure to the global sovereign fixed income market. It measures the performance of fixed-rate, local currency, investment-grade sovereign bonds comprising sovereign debt from over 20 countries, denominated in a variety of currencies.
• The Bloomberg Commodity Index (BCOM) is a broadly diversified commodity price index tracking prices of futures contracts on physical commodities on the commodity markets. The Bloomberg Commodity Index Total Return (BCOMTR) reflects the BCOM on a "total return" basis, combining the BCOM returns with the returns on cash collateral invested in 13 week U.S. Treasury Bills.

RISK MEASURES:
1. R2 is a statistical measure that represents the percentage of a fund's movement that can be explained by movements in a benchmark index. Calculated as realized values vs. S&P 500 TR.
2. Beta is a measure of the volatility of the portfolio in comparison to the market as a whole. Calculated as realized values vs. S&P 500 TR.
3. Standard Deviation measures the degree of variation of investment returns around the mean (or average) return and is calculated as the square root of the variance.
4. Sharpe Ratio is typically calculated as annualized excess returns divided by annualized volatility. It is a measure of investment return per unit of volatility experienced by the investment within a given investment horizon.
5. Maximum Drawdown is a measure of risk that captures the worst cumulative peak-to-trough decline of an investment or portfolio from any month- end data point to any other month-end data point. It shows in percentage terms how much money an investment portfolio would have lost before returning to its breakeven point.

Target objectives are desired risk/return targets over a full market cycle, i.e., 5-7 years. Target risks and returns are subject to certain limitations. One limitation is that target risks and returns do not consider the impact that real market and economic risks may have on actual results. In addition, projected/target risks and returns are subject to uncertainties that may change at any time, and, therefore, the actual risks and performance results may differ materially from target risk and returns. The investment performance of the Conservative Strategy offered by 3EDGE cannot be guaranteed. Inherent in any investment is the possibility of loss.

+ In terms of asset classes, the Conservative strategy may from time to time be outside of the percentage ranges listed when it is deemed appropriate by 3EDGE Asset Management. Although there are no fixed limitations on the exposure to any particular asset class in the Conservative strategy, under normal market conditions the Conservative strategy will tend to hold securities in the percentage ranges listed for each of the four mentioned asset classes. 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. Intermediate-Term Fixed Income includes fixed income funds with an average duration of greater than 2 years and less than 10 years. Short-Term Fixed Income and Cash includes cash, cash equivalents, money market funds, and fixed income funds with an average duration of 2 years or less.

This paper is updated as of November 29, 2021. The opinions expressed by DeFred G. Folts III of 3EDGE are provided for informational purposes only and are subject to change without notice. They are not intended to provide personal investment advice. Investors should only seek investment advice from their individual financial adviser. Observations include information from sources 3EDGE believes to be reliable, but the accuracy of such information cannot be guaranteed. Investments including ETNs, ETFs, common stocks, fixed income and commodities involve the risk of loss that investors should be prepared to bear. Past performance is not indicative of future results.