



3EDGE

ASSET MANAGEMENT

For Orion Portfolio Solutions

**NOW AT ZERO
STRATEGIST FEE!**

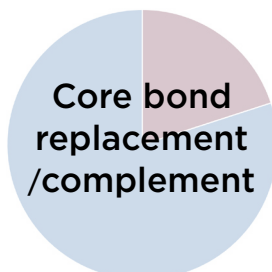


About 3EDGE

- ◇ Multi-Asset Investment Manager with **~\$1.8B in AUM & AUA⁺**
- ◇ **4 Tactical, Actively Managed** Strategies available:
3EDGE Conservative, 3EDGE Total Return, 3EDGE ESG, and 3EDGE Income Plus
- ◇ Portfolios powered by our **Proprietary Global Capital Markets model**
- ◇ **Utilize only ETFs** to construct portfolios for **cost and tax-efficiency**
(Stock ETFs, Bond ETFs, Real Assets including Gold and Commodity ETFs)
- ◇ Focus on the **combination of CAGR, Sharpe and Portfolio Drawdowns**. Seeking risk-adjusted returns while also seeking to minimize volatility.

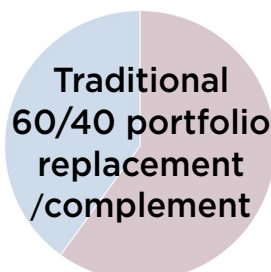
3EDGE Core Strategies aim to protect and grow wealth across full market cycles

3EDGE Conservative



- Daily Liquidity
- Beta to S&P 500: **0.16***
- Max Drawdown Target: **6%***
- Equity min/max: **6%-30%****

3EDGE Total Return



- Daily Liquidity
- Beta to S&P 500: **0.32***
- Max Drawdown Target: **10%***
- Equity min/max: **13%-60%****

*See reverse side for additional 3EDGE strategies and disclosures. Data as of 12/31/2023

Firm Facts for Advisors

**Strategist Fee
/ Low Minimum**

**0 bps[^]
\$10,000**

[^]Zero strategist fee
(not including underlying
ETF expenses)

**Dedicated
Advisor Team**



Focus on regular outreach
with an emphasis on
client communication

**Portfolio
Adjustment Memos**



Direct alerts any time a
tactical asset allocation
change occurs

**Weekly Video
Uploads**



Investment insights & market
analysis available on
YouTube & 3edgeam.com

3EDGE Investment Solutions



Core Investment Strategies

- **3EDGE Conservative Strategy**
Core bond replacement/complement
- **3EDGE Total Return**
Traditional 60/40 replacement/complement

Asset Class Ranges**

Equities	Fixed Income	Real Assets	Short-Term Fixed Income/Cash
6–30%	10–88%	4–22%	2–80%
13–60%	10–81%	4–35%	2–73%

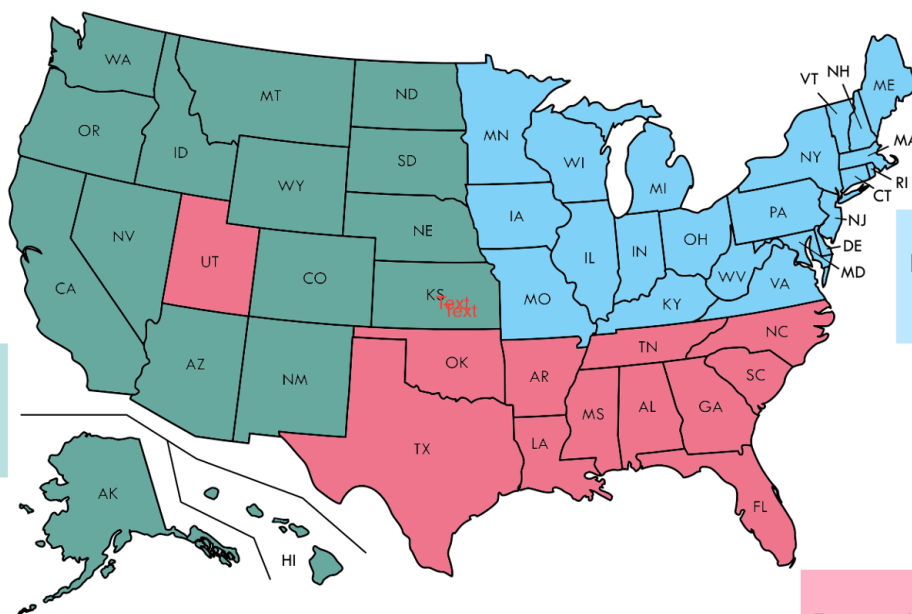


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*\$1.35 Billion in AUM and approximately \$500M in AUA as of 6/30/2024. Assets Under Advisement includes non-discretionary assets managed by other registered investment advisors using 3EDGE's model portfolios.

**Beta statistic is measured since inception as of 12/31/2023. 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. 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.

**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. In terms of asset classes, the Strategy may from time to time be outside of the percentage ranges listed when it is deemed appropriate by 3EDGE Asset Management. The asset classes identified do not represent all of the asset classes purchased, sold, or recommended by 3EDGE and the reader should not assume that investments in the asset classes identified were or will be profitable. 3EDGE may change the Strategy composition at any times in its sole discretion. Investments including common stocks, fixed income, commodities, ETNs and ETFs involve the risk of loss that investors should be prepared to bear. Although there are no fixed limitations on the exposure to any particular asset class, under normal market conditions the 3EDGE Strategies will tend to hold securities in the percentage ranges listed for each of the four mentioned asset classes.

Orion Portfolio Solutions – Spotlight on 3EDGE Asset Management

From the Desk of



DeFred G Folts III
Chief Investment
Strategist
3EDGE Asset Management

Beyond the Role of Traditional Bonds in a 60/40 Portfolio

The bond market environment has changed. Therefore, so should the way you think about fixed-income portfolio allocations. While investors have been focused on the performance of the stock market and companies such as Nvidia, the bond market has struggled.

For decades, beginning in the early 1980's, investors grew accustomed to the idea that the 40% of traditional fixed income in a 60/40 portfolio was easier to navigate than the 60% equity allocation. However, the past couple of years has challenged that assumption about traditional bonds. The bond market has not been kind to investors since July 2020. At one point over that period, 7-to-10-year U.S. Treasuries declined in value by over 20% in one of the worst bond bear markets in history. Notably, this decline included the interest income earned over that period.

3EDGE Conservative – An Alternative to Traditional Bonds

In this new bond market environment, we believe our tactical, broadly diversified, multi-asset 3EDGE Conservative Strategy could be an appropriate substitute for (or a complement to) a traditional bond portfolio and potentially a better hedge against investors' equity holdings. The 3EDGE Conservative Strategy is a globally diversified, multi-asset portfolio invested across a wide variety of asset classes and geographies. The portfolio seeks to generate attractive risk-adjusted returns over full market cycles with a focus on preservation of capital and management of volatility. 3EDGE Conservative is well suited and often utilized in multi-strategy, multi-manager model portfolios as a bond replacement or complement.

Why are investors still considering bonds as the safest part of their portfolios?

Part of the answer lies in the fact that over a four-decade period from 1981 to 2020, we witnessed one of the most significant bond bull markets in history, with interest rates steadily declining. Unfortunately, those days are likely gone.

How 3EDGE Conservative can serve as a complement to, or as a replacement for, core bonds

In a fixed-income environment that has the potential to be dramatically different from the past forty years, it could be necessary to consider alternatives to traditional bonds to hedge against equity risk. The 3EDGE Conservative strategy, either on a stand-alone basis or as part of a mixed model portfolio, can help to navigate this uncertain fixed-income environment and provide a solution that could be a safer way to diversify and hedge against equity exposure.

Targeted Diversification

Rather than relying exclusively on traditional bonds, 3EDGE Conservative employs a multi-asset, targeted approach to diversification, which may include,

- Gold and TIPS to hedge against rate cuts, stagflation, geopolitical conflicts
- Shorter-term U.S. Treasuries for credit contraction

Features of the 3EDGE Conservative strategy

- Liquid, Low Cost and Transparent; portfolio constructed through index ETFs
- Lower targeted risk, higher targeted return than the Bloomberg Aggregate Bond Index
- Low Beta to the S&P: 0.16 as of 12/31/23
- Target Maximum Drawdown: -6.00%
- Actual Maximum Drawdown since inception -5.08%

(Inception of 3EDGE Conservative: 1/1/2016)

Potential for Higher Interest Rates for Longer

Both stock and bond market investors have been waiting for what seems like an eternity for the Federal Reserve to begin lowering interest rates. At the beginning of 2024, the market was anticipating up to six 25-basis-point cuts in interest rates. However, as we reach the midpoint of the year, the Fed is indicating that it may lower short-term interest rates perhaps only once in 2024.

When are things going to go back to normal?

When I meet with investors, one question I often hear is, “When are things going back to normal.” What I have discovered is often what is meant by normal is the period when interest rates were close to zero percent due to the extreme monetary policy response by the Fed and other of the world’s central banks to the global pandemic. However, I don’t believe that interest rates will return to zero percent any time soon. In fact, structural inflation could remain elevated, and inflation could be stuck above the Fed’s 2% target for some time. Therefore, interest rates may need to stay higher for longer.

A different environment requires a different approach to traditional bonds

During a disinflationary period, bonds can be an excellent investment. However, there may be other economic environments in the months and years ahead where bonds could disappoint investors. For example:

- If inflation remains elevated, hard assets like gold and commodities could be a better alternative to bonds.
- If the tighter monetary policy of the past couple of years ultimately forces the U.S. economy to enter a credit contraction (whereby liquidity is extracted from the financial system), holding ultra-short-term fixed income and cash equivalents could be better than holding longer-duration bonds.
- Even if the economy goes into a recession (a traditionally reasonable environment for bonds), bonds may suffer if inflation doesn’t decline commensurately. Should the economy dip into recession while inflation remains elevated, we could enter a stagflationary environment like the 1970s, and bonds would suffer.

Potential for Structural Inflation

Since the onset of the global pandemic and Russia’s invasion of Ukraine, among other geo-political tensions, the world has changed dramatically, and many of these changes raise the potential for higher levels of structural inflation and thereby the need for higher interest rates for longer. Structural inflation refers to inflation (higher prices) caused not by demand for goods exceeding supply, but rather by structural factors such as changes in production costs, supply chain disruptions, or changes in government policies. This type of inflation is often more challenging to control and can be more persistent than demand-pull inflation.

The potential causes of higher structural inflation include:

- *Rising real (inflation-adjusted) wages*
- *Accelerating deficit spending*
- *De-globalization and reshoring of supply chains*
- *Potential for tariffs, trade and currency wars*
- *Rising geopolitical conflicts*
- *cost of global defense buildup*
- *prospect of oil price spikes*
- *Cost of energy transition*
- *Insufficient supply of housing*

3EDGE Conservative

In a fixed-income environment that has the potential to be dramatically different from the past forty years, it could be prudent to consider alternatives to traditional bonds to hedge against equity risk and to generate attractive risk-adjusted returns over full market cycles. The 3EDGE Conservative strategy, either on a stand-alone basis or as part of a mixed model portfolio, can help navigate this uncertain environment and provide a solution that could be a safer way to diversify one’s overall investable assets and hedge against one’s equity holdings.

We welcome an opportunity to discuss our 3EDGE Conservative and other tactical strategies in greater detail.

For more information about 3EDGE Asset Management or our offerings, please visit our website at 3edgem.com

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August 23, 2024

Gold: A Misunderstood Asset Class



DeFred G Folts III
 Chief Investment Strategist
 3EDGE Asset Management

“A margin of safety is the secret of sound investment, distilled into three words”

–Benjamin Graham

At 3EDGE Asset Management, we have always considered gold to be a legitimate, investable asset class that may have long-term benefits in a diversified portfolio. As multi-asset investors, our core strategies invest beyond just stocks and bonds to include real assets, such as gold. Because gold is considered a haven asset, it can serve as a useful shock absorber as part of a diversified portfolio, particularly during periods of market dislocation. In addition, there are times, such as throughout 2024, when gold can also be additive to investment returns.

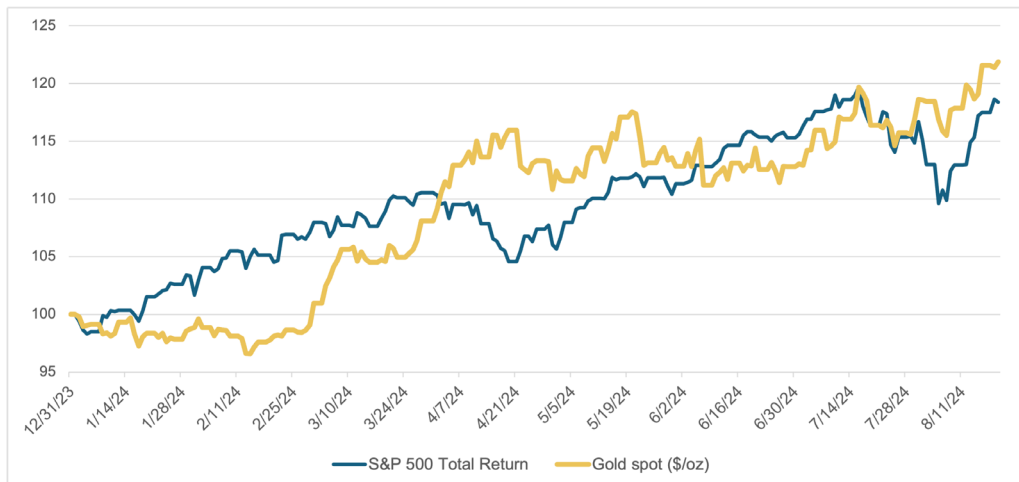
- ◆ Not only have U.S. equities been reaching record highs this year, but gold has also quietly rallied to new all-time record highs in 2024.
- ◆ Gold also happens to be outperforming the S&P 500 index* thus far in 2024.
- ◆ As with U.S. equities, gold is benefitting from positive investor psychology and price momentum.

Figure 1:

YTD Performance of the S&P 500 and Gold 1/1/24 - 8/20/24

Source: Bloomberg

Gold has outperformed the S&P 500 Total Return thus far in 2024*



*Performance shown is reindexed to \$100 and includes dividend reinvestment. Data as of 8/20/2024.

The rise in the price of gold has recently attracted investors' attention; however, most investors are not aware of the fact that, in addition to outperforming the S&P 500 thus far in 2024, gold has also outperformed the S&P 500 Total Return index over the past 2 years and over the past 25 years. (See table below)

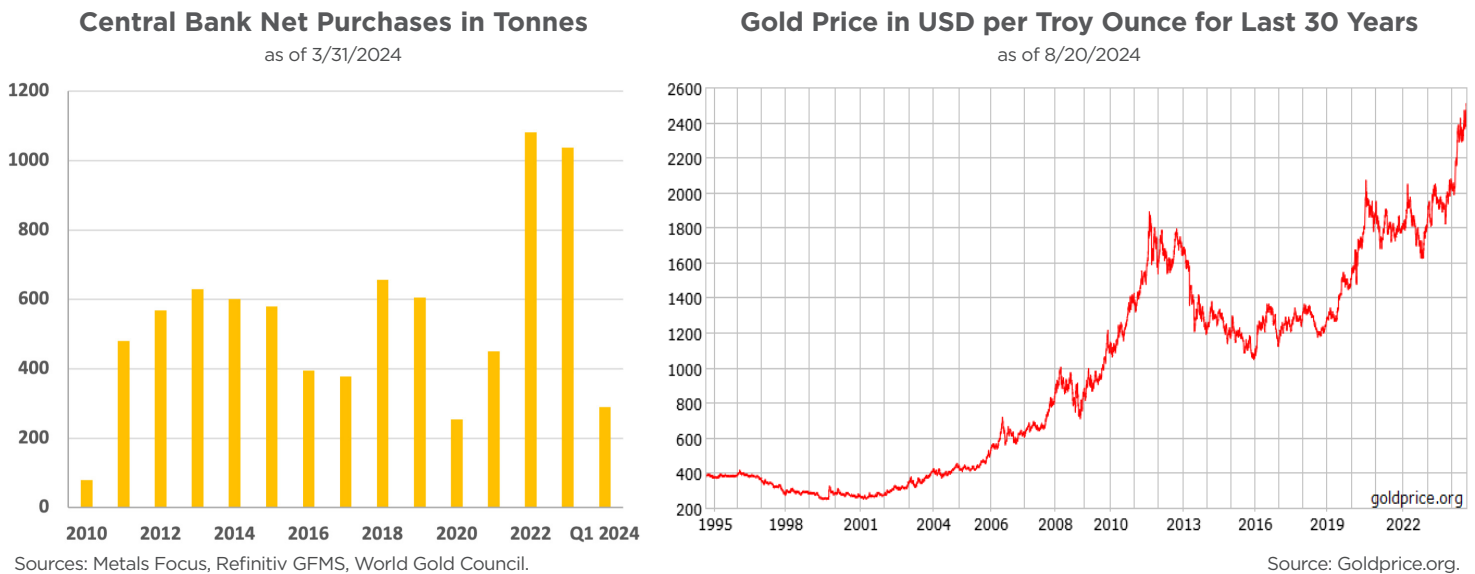
Figure 2:

S&P 500 Total Return vs Gold Average Annual Return 2 years & 25 years as of 8/20/24

Source: Bloomberg

	2 Year Return	25 Year Return
Gold	20.3%	9.5%
S&P 500 Total Return	18.2%	7.9%

Figure 3: Gold has Continued to Benefit from Central Bank Purchases



Gold could continue to play a beneficial role in multi-asset portfolios

- ◆ Russia's invasion of Ukraine and the current tensions in the Middle East have heightened geopolitical tensions. Gold has a long track record of serving as a hedge against the volatility of geopolitical conflicts.
- ◆ Gold can also serve as a hedge against the value of fiat currency (paper money). Governments around the world, and certainly here in the U.S., have taken on record levels of debt and ultimately may be pressured into policies of financial repression to keep down the cost of servicing such massive debt. The net effect of these policies would be to weaken a nation's currency (the value of their fiat currency/paper money). Gold can benefit from financial repression.
- ◆ In Figure 3 above, we can see how gold has benefited from foreign central banks' buying. Central banks have been buying gold to diversify away from the U.S. dollar as the world's reserve currency, particularly in countries not aligned with the U.S. The Chinese central bank, the PBOC, has been swapping out of U.S. Treasuries and into gold. China sees this not only as a move away from the U.S. dollar as the world's reserve currency but also as a safeguard against potential dollar-based sanctions the U.S. government could impose, if tensions between the two nations should rise. In addition, Chinese citizens have been purchasing gold as a haven asset to diversify away from the ongoing turmoil in the Chinese property market.
- ◆ Gold could also further benefit if real interest rates were to decline from here. This could happen if inflation expectations move higher or if interest rates fall faster than the rate of inflation.

We believe that gold can not only play a beneficial role as a long-term hold in a diversified portfolio, but it can also be additive to returns, potentially even in excess of equities under the right economic conditions. Gold is undoubtedly having a moment thus far in 2024, and we are pleased to hold it in our core multi-asset portfolios. It also stands to reason that the price of gold could be subject to a normal correction after reaching a new all-time high in August.

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