



3D CAPITAL
MANAGEMENT



Eric Dugan, Chairman & Portfolio Manager

3D Capital Management Chairman and Portfolio Manager, Eric Dugan: 'Our expertise is to protect stock market investors from volatility and declines in the S&P 500'

*We refuse to accept the status quo that equity market investors must lose money when the stock market declines. 3D Capital's award winning solution to stock market declines is **Daily Dynamic Defense**.*

Do you own a single investment that profits in a falling market? If not, your stock portfolio is unnecessarily exposed to declines in the stock market. If you're not comfortable with losing money every time the stock market falls, we invite you to consider 3D Capital Management.

3D Capital Management specializes in equity risk mitigating strategies. The company was incorporated in 2010 and is headquartered in Basking Ridge, New Jersey.

Eric Dugan, 3D Capital Management Chairman and Portfolio Manager, spoke exclusively to The Silicon Review. Below is an excerpt.

Why was the company set up?

My "ah-ha" moment was in late 2007. All stock market investors have the same problem in that they are guaranteed to lose money when the stock market declines. After spending 15 years managing money for two multi-billion dollar investment firms I realized that with my knowledge

and expertise I could help stock market investors avert daily declines in the stock market. So how could I test this? I did what all buy and hold stock market investors do and I bought the stock market (S&P 500). The caveat was I was going to exit this position and go to cash when my system would identify weakness. This was just in time for the financial crisis of 2008. My long-only strategy generated a positive +3.34% annual return vs. the S&P 500 decline of -38.5%, and was profitable in a horrific year because it avoided many of the declines the market experienced in 2008. My success at avoiding market declines raised a question. What if, instead of getting out of the market during the declines, I'd gotten short? Painstaking and convincing analysis followed. Later, I hired an accountant to comb through the trading records of my long-only S&P 500 strategy to determine what the profits would have been if instead of getting out of the market when I exited my long positions; I had gone short. The results of that analysis were extremely promising, and extremely welcome news to me. Watching the market's freefall of 50% percent during the Great Recession and witnessing the wake of suffering this caused for unprotected stock

market investors, sharpened my belief that it's never conservative to lose 50% percent of one's capital. This belief, coupled with the "short" analysis of my long-only trading in 2008, led to a personal quest to develop a capital-efficient product that would protect investors from stock market declines. This personal quest became 3D's corporate mission and led to the development of 3D Defender. The program commenced live trading in February 2011 and has shorted the longest bull market in history, profitably and capital efficiently (no options and overnight positions).

What kind of responses have you received from your consumers over the years? How have they motivated you to shape your offerings/grow the company?

Shorting the stock market is typically viewed as the most difficult thing any active equity manager can do. It is understandable that some initial responses we've gotten are ones of disbelief. We are often asked if our nearly nine-year track record is real. Those that take the time to learn about our process soon realize it's real and possible. We are grateful that

Eric Dugan: A Charismatic Entrepreneur

Eric Dugan is a highly trained investment professional who specializes in providing stock market investors the defense they so desperately seek. His trading skills were developed under the tutelage of legendary hedge fund manager Monroe Trout. At Trout Trading, Eric learned from one of the industry's great masters how to use financial instruments to reduce risk and enhance returns.

our customers have referred to our investment program as the "Golden Egg".

What challenges did you face in your initial years? What can your peers learn from it?

Perseverance and discipline are probably the two greatest challenges every money manager faces. You must be willing to put the work in if you want to succeed, and you must show up every day.

Another challenge we've faced is that many stock market investors, their advisers, and consultants have been taught that the only way to make money investing in the stock market is to buy-and-hold. In fact in a recent meeting an adviser said to me it's not possible to time the market. I looked at him and asked "have you ever tried?" I have been doing this for 27 years and am approaching 3000 consecutive days (12 years) of exclusively trading the S&P 500. Our mission is to protect and serve stock market investors every day. This relentless discipline and persistence is why we can say stock market investors are better with 3D than without.

"Earning trust and respect of consumers all around the world is through consistent focus on delivering high quality in all of our actions." How do you interpret this statement?

Consumers deserve the best that each service provider has to offer. We embrace this wholeheartedly. Our mindset at 3D Capital is adapt, evolve, compete or die and our

investors appreciate that we are disciplined in our approach and provide the highest quality of service every day.

How do you stay relevant to the consumer interests and needs in this highly volatile market?

We recognize that long-only buy-and-hold stock market investors are vulnerable to declines. Yes they are guaranteed to make money when the market goes up, they are also guaranteed to lose money when the market goes down. Most investors don't realize that there have been 40 down months or over 3 cumulative years of negative returns during this historic bull market. If you are not taking advantage of the downside you are giving up upside and our 3D Defender program's objective is to provide the Daily Dynamic Defense that we believe every stock market investor needs.

How do you maintain your customers' trust and loyalty?

All clients can access 3D Capital Management through their own separately managed account, which provides daily liquidity, transparency, and investor control. 3D Capital does not have access to client money. We are given the power of attorney to trade each client's account. Our mission is to protect and serve our clients every day and our customers know we are available whenever they need us.

What factors make your company a leader in the current market?

We have been recognized by the industry as the best at what we do

and to the best of our knowledge, 3D Capital is the only money manager that has 'shorted' this historic bull market profitably and capital efficiently (no options or overnight risk).

Do you have any new products ready to be launched?

Our investment systems can be applied to other markets around the world, but we are not focused on creating more products at this time. It is far more important to identify investors who have equity market risk that they are concerned about and help them.

Where do you see your company a couple of years from now?

We will not sacrifice investment results for the sake of raising additional assets to manage. Therefore, a couple of years from now, if not sooner, 3D Defender will likely be closed to new investment. At that time we will continue to provide stock market defense for our existing customers.

"Past performance is not necessarily indicative of future results. 3D Defender involves risk of loss and may not achieve its objectives."
