

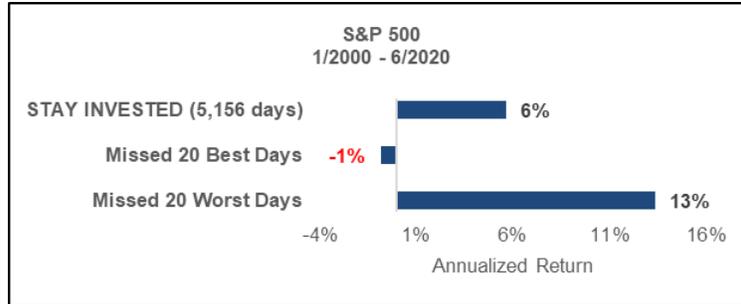
3D Defender Program (Intraday short-bias S&P 500)

3dcapitalmanagement.com

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Since founding 3D Capital and our 3D Defender program our investment objective has always been to consistently profit and outperform the S&P 500 when the S&P 500 is down on the month. After all, we are all guaranteed gains when the stock market goes up (not the problem). It is the guaranteed losses when the stock market goes down that is clearly the problem. Managing stock market risk is what 3D Capital does every day.

You will often hear me say, “3D Capital manages stock market risk every day because everyday matters”. We all know how important it is to stay invested in the stock market. As the table below demonstrates: Missing the Best Days matters, Missing the Worst Days matters more.



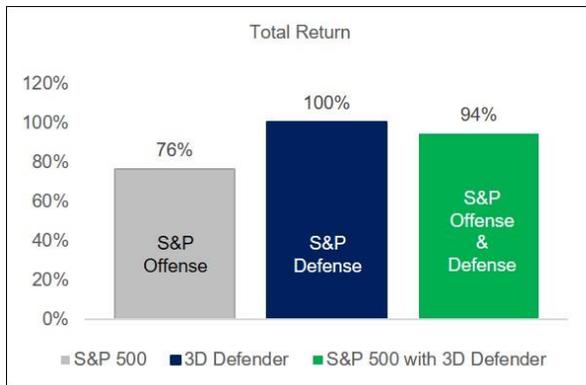
3D Defender does not try to miss the worst days in the stock market; its objective is to profit from them.

Being told to just ride it out and tolerate a loss in the stock market is 100% unacceptable. Doing something about it is logical. This is why I developed our 3D Defender Program. The best way to profit from a rising stock market is to own it, and the best way to profit from a falling stock market is to short it.

3D Defender is our defensive short bias S&P 500 program that only invests in the E-mini SP 500 futures contract. The E-mini is the most capital efficient instrument on the planet to profit from stock market declines, manage equity market risk, and to reduce the overall volatility of your equity portfolio.

Winning when the stock market goes up and winning when the stock market goes down makes a win-win scenario possible! It is with great pride we can say we have helped our investors profitably short the longest bull market and fastest bear market in history. This could not be done if we did not manage the risk and protect our clients one day at a time. The stock market is going to move up and down forever. The S&P 500 is all Offense all the time. Adding 3D Defender S&P 500 stock market Defense makes sense. 3D Defender’s live track record in the following charts makes this clear.

**S&P 500 (Offense) & 3D Defender (S&P 500 Defense) Wins Championships**



11/2013 – 6/2020	S&P 500	3D Defender	S&P 500 with 3D Defender
Total Return	76.5%	100.2%	94.2%
Annualized ROR	8.9%	11.0%	10.5%
Max Drawdown (Max DD)	-20.0%	-13.8%	-16.1%
Annualized Standard Deviation	13.4%	18.0%	10.7%
Sharpe Ratio (0%) Annualized	0.70	0.83	0.99
Correlation to S&P 500	1.00	-0.19	0.94

*Green column is 20% 3D Defender and 80% S&P 500  
3D Defender was enhanced in November 2013.  
(3D Defender is 25% funded, net of fees, and does not include interest income.)*

Our 3D Defender Program has a long history of helping investors profit from stock market declines and stepping aside during market rallies. Now many will likely say it is not possible to short the stock market profitably and understandably so given the nature of the beast and its inherent underlying bid. Just look at the last 16 months where the S&P 500 has seen two rallies in excess of +48%. The most recent rally off the March 2020 low has included the greatest 50-day rally in the history of the stock market. This again reinforces why 3D Defender manages equity market one day at a time and why you will often here me say “you cannot profit from weakness without identifying strength”. I discussed this in my recent post and [LinkedIn Video](#) where I shared statistically significant evidence that said the S&P 500 was heading higher on Friday July 10th.

**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.  
THERE IS NO ASSURANCE OUR PROGRAMS WILL ACHIEVE THEIR OBJECTIVES OR AVOID LOSSES.**

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This week was another example of why 3D Capital manages equity market risk one day at a time. As the weekly S&P 500 chart above shows, the theme this week was “buy the dip”. As you can also see, there were multiple intraday swings in excess of +/-1%. The S&P 500 finished the week +1.8%. There have been only seven trade days thus far in July and the S&P 500 is up +2.7% MTD. 3D Defender finished the week and MTD -0.12% (25% funded and gross of fees).

As of Friday’s open we were seeing signs of strength around the globe for the S&P 500. These statistically significant signs were discussed in the LinkedIn video I posted on Friday. As of now we continue to see strength but are concerned about recent weakness in global stock markets and EURJPY.

Interestingly enough, LPL Financial Senior Market Strategist Ryan Detrick recently posted that S&P 500 gains could be hard to come by the second half of this year: [Ryan Detrick post](#). He shared that although 2020 is like nothing we’ve seen before; the fact of the matter is a weak first half of the year could mean weaker than normal returns for the rest of the year. He provided data which said since 1950 there has been 21 times the S&P 500 was lower the first six months of the year. The final 6 months were only higher 52% of the time and up only 1.2% on average.

This seemingly aligns with the Warren Buffet Indicator which is saying the stock market is more overvalued now than it was prior to the -50% correction during the Dot-com crash in 2000-2002, -50% correction during the Financial Crisis of 2008, and -36% correction and historic bear market descent in Q1 of 2020. Below is a chart showing the reading and here is the link to the site where it is posted: [Stock Market Valuations](#).

As of 2020-07-10 03:35:04 PM CDT (updates daily): The Stock Market is **Significantly Overvalued**. Based on historical ratio of total market cap over GDP (currently at 151%), it is likely to return 0.4% a year from this level of valuation, including dividends.



We are rooting for the stock market to continue its historic ascent and prepared for when it does not. If you are looking for a team and firm dedicated to helping you profit from stock market declines, we are here to help.

You have a choice on how to manage the largest risk in your portfolio. Some even have the responsibility. If you, your advisor or consultant have any questions or want to begin a dialogue I encourage you or them to reach out now. We would gladly arrange a zoom meeting or call to help you understand how we manage equity market risk and why we run towards the risk and not away from it.

Thank you for your participation and interest in 3D Defender.

Have a wonderful weekend and best wishes and health to you and your families.

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