

3D Defender Program (Daily Dynamic Defensive S&P 500)

3dcapitalmanagement.com

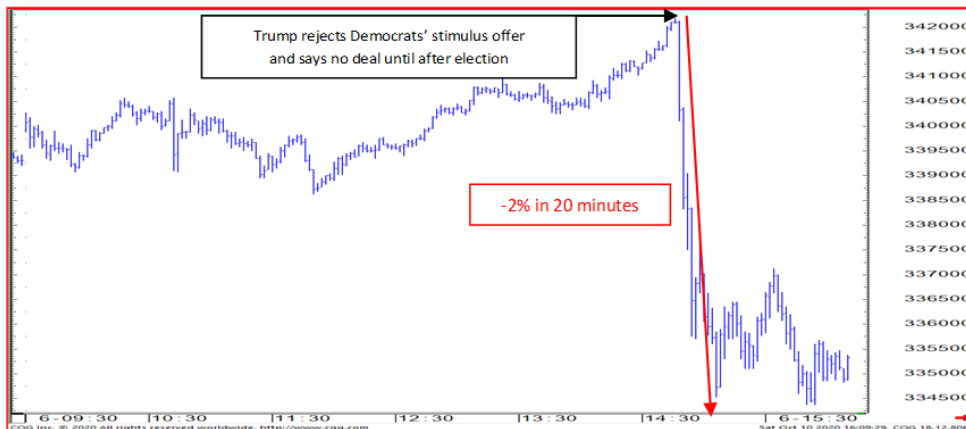
October 9, 2020



In 1993 I began my investment and money management career under the tutelage of legendary hedge fund manager Monroe Trout. If you have never heard of Monroe Trout he is featured in the book *New Market Wizards*. The chapter about him is titled *The Best Return That Low Risk Can Buy*.

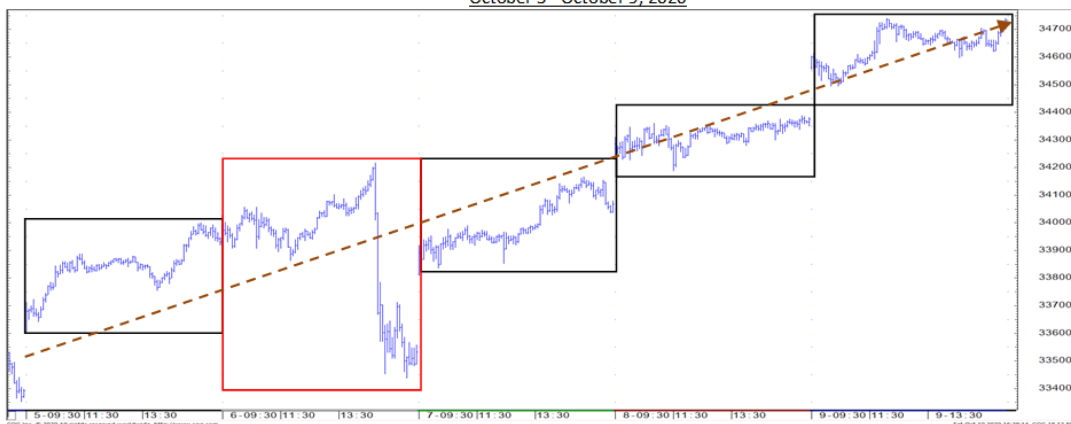
I spoke with Monroe every day for 6 years and one of the many things I remember him saying was: The markets are like playing baseball in the outfield. You could go 8 2/3 innings and not have a ball hit to you the entire game, but you better be ready at all times because you never know when a line drive is going to come screaming at your head. On Tuesday October 6th that line drive came screaming at the buy and hold stock market investor, as the market dropped -2% in twenty minutes when President Trump rejected the Democrats' stimulus offer. Below is a two minute chart of the S&P 500 and is a reminder that the stock market has entered a new volatility regime and that RISK HAPPENS FAST.

S&P 500 October 6, 2020: (2-minute intervals)



President Trump reversed course within hours and the following day the market retraced nearly all of its losses and by Friday's close the S&P 500 settled on its weekly high and had its best week in three months. Below is a chart of the week. The box highlighted in red is the day and chart above.

S&P 500: (5-minute intervals)
October 5 - October 9, 2020



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

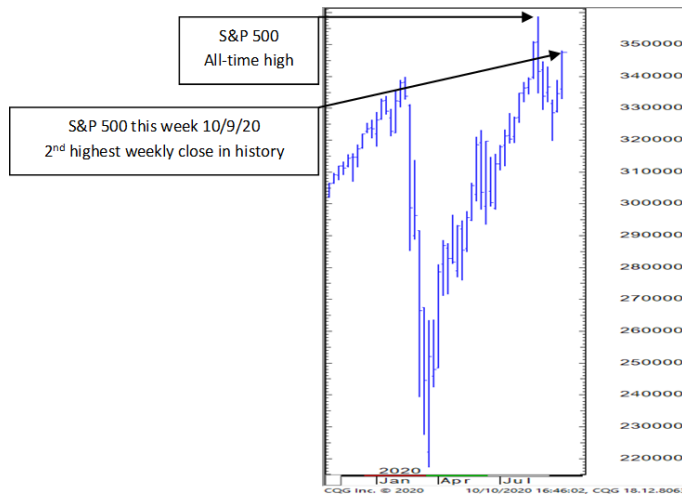
3D Defender Program (Daily Dynamic Defensive S&P 500)

3dcapitalmanagement.com

This week was a great reminder that RISK HAPPENS FAST and that:

- Protecting your equity market risk every day matters
- The S&P 500 has entered a new volatility regime
- Stock market investors should be prepared
- Stock market investors should be nimble

To give you another perspective of where the S&P 500 sits right now I have included a 2020 weekly chart below. As you can see from the chart, the S&P 500 is hovering near its all-time high and actually closed this week at the second highest weekly closing price in history.



The S&P 500 finished this week +3.84%. You would expect a defensive equity and short seller to get steamrolled in a week like this, not to mention a +65% rally in the last 5 months. That has not been the case because 3D Defender is built to Defend and protect you when you need it not when you don't. 3D Defender finished the week -0.40% (25% funded and gross of fees). 3D Defender got short Tuesday, Thursday and Friday this week and covered the positions when the market retraced too far off its low. Below is an inside look at how we manage risk and includes the short exit prices for 3D Defender and where 3D Defender deemed Defense was no longer needed.



It's important to note that this week's second highest weekly closing price in the history of the S&P 500 is aligned with historic readings in the Warren Buffet Indicator that says the stock market is more overvalued now than it was in 2000, 2007 and Q1 of 2020, which preceded the three largest declines in the S&P 500 in the last 20 years (-51%, -58% and -36%). According to gurufocus (link below), **As of Friday October 9, 2020 the stock market is significantly overvalued.** Based on historical ratio of total market cap

3D Defender Program (Daily Dynamic Defensive S&P 500)

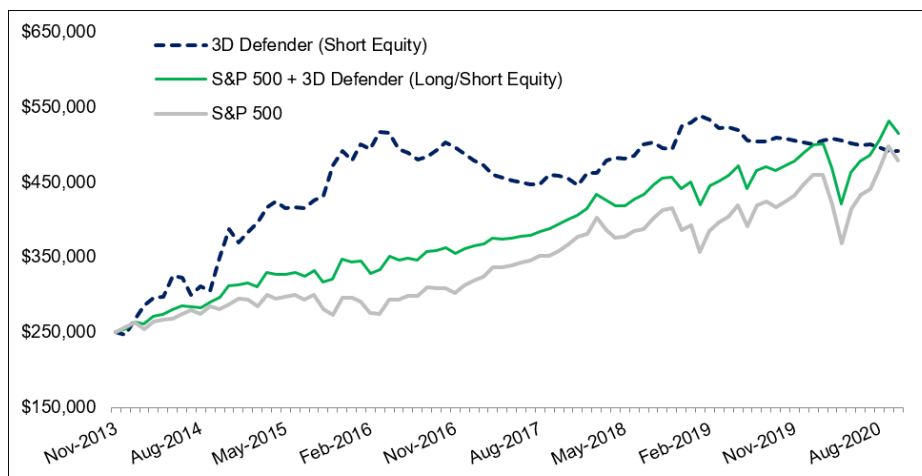
3dcapitalmanagement.com

over GDP (currently at 183.8%), **it is likely to return -3.2% a year** from this level of valuation, including dividends. Below is the chart of the Warren Buffet Indicator. [Gurufocus Stock Market Valuation link](#)



I founded 3D Capital and our 3D Defender program to make the stock market a better investment. Our firm has over 100 years of experience managing equity market risk and researching and developing equity risk mitigating strategies. **3D Defender is a short equity program that only invests in the S&P 500 and does not carry positions overnight.** We take great pride in defending our clients' equity portfolios every day and sharing our live track record below. As a reminder, 3D Defender can be used as Portable Alpha, Long/Short Equity, or a Standalone investment.

3D Defender's performance has been accomplished during the longest bull market in history.



Since Enhancement 11/2013 – 9/2020	3D Defender (Short Equity)	S&P 500 + 3D Defender (Long/Short Equity)	S&P 500
Total Return	96.3%	105.9%	91.4%
Annualized ROR	10.2%	11.0%	9.8%
Max Drawdown (Max DD)	-13.8%	-16.1%	-20.0%
Annualized Standard Deviation	17.8%	10.8%	13.6%
Sharpe Ratio (0%) Annualized	0.78	1.03	0.76
Correlation to S&P 500	-0.20	0.95	1.00

*Green line and column is a 20% 3D Defender and 80% S&P 500 EXAMPLE
(3D Defender is 25% funded, net of fees, and does not include interest income.)*

We love what we do and want to help you. If you would like to learn more please reach out.

Tom: 804-855-4481 or tom@3dcapitalmanagement.com

Eric: 609-947-0405 or eric@3dcapitalmanagement.com

Have a good rest of your weekend and best wishes and health to you and your families.

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