

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

3dcapitalmanagement.com

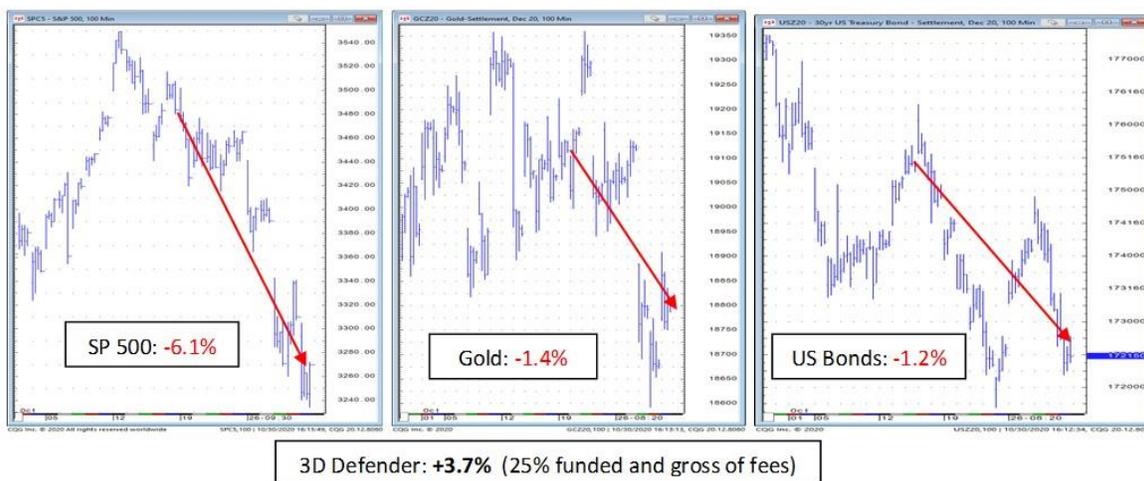
October 30, 2020

Last week we did some fact checking about the stock market. This week we are doing some fact checking about diversification and the 60/40 portfolio.

Conventional wisdom regarding asset allocation reminds investors that they can reduce risk through diversification because historically, the returns of stocks, bonds, cash, and other asset classes haven't moved in unison. However, diversifying your nest eggs into multiple asset classes hoping those asset classes go up when the stock market goes down is not the best way to protect your equity portfolio. The best way to protect the eggs in your equity basket and profit from stock market declines is to short the stock market. This is why I built 3D Capital.

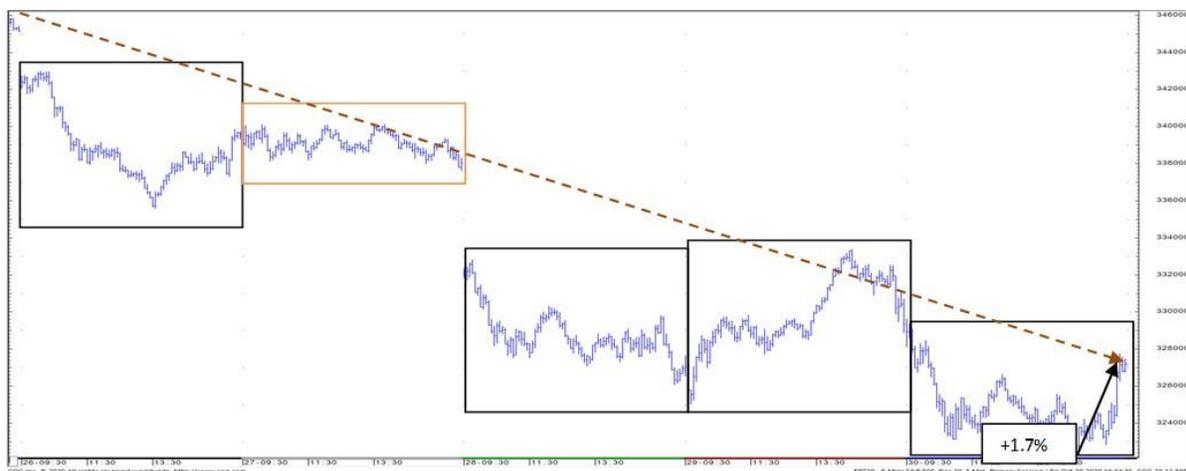
Speaking of diversification let's look at this week. Below are charts of the S&P 500, Gold and US Bonds since the S&P 500 began its descent on October 16, 2020. I have also included 3D Defender's (Short Equity) performance for the same time period.

October 16, 2020 – October 30, 2020



Now let's look at what happened this week. Clearly the market moved lower this week albeit with multiple intraday swings in excess of +/-1%. As you can see from the weekly chart below, Tuesday (orange box) was the quiet before the storm as the market had its quietest day in two weeks before descending to its monthly low. The market held unchanged on the year and then rallied +1.7% in the last 90 minutes on Friday (black arrow).

S&P 500: (5-minute intervals)
October 26 - October 30, 2020



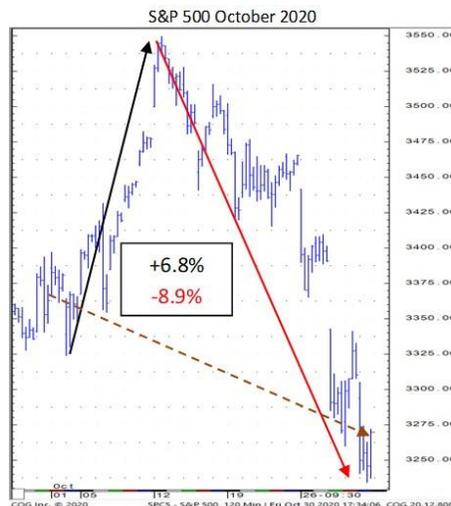
- S&P 500 finished the last week of October -5.6%.
- 3D Defender (Short Equity) finished the last week of October +1.4% (25% funded and gross of fees).

**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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As you can see from the monthly S&P 500 chart below, the market continues to remind us that RISK HAPPENS FAST and reinforces how important it is for stock market investors to be prepared. The chart also shows what you've heard me say since 2018, "the stock market has entered a new volatility regime."



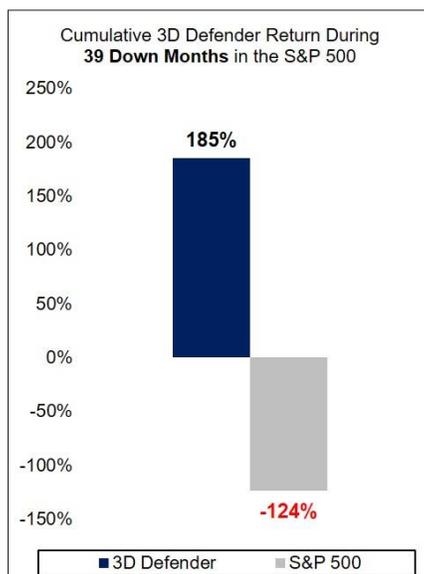
- The S&P 500 finished the month of October **-2.8%** (dashed line).
- 3D Defender (Short Equity) finished the month of October **+2.6%** (25% funded and gross of fees)

As a reminder, **3D Defender's investment objective is to profit from intraday declines in the S&P 500, and consistently profit and outperform the S&P 500 when the S&P 500 is down on the month.**

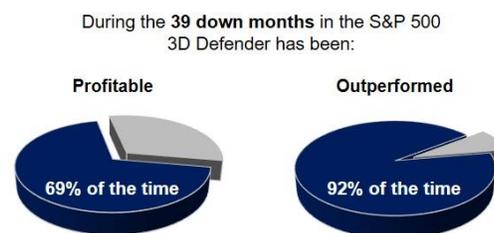
October 2020 is the 39th down month in the S&P 500 since 3D Defender's inception in February 2011. 39 down months out of 117 total months is 33%. This is consistent with over 100 years of stock market data. The stock market goes up approximately 2/3rd of the time and down 1/3rd of the time.

The bar chart below shows the cumulative net return of 3D Defender during those down months versus the S&P 500, and the pie charts show the percentage of time 3D Defender was profitable and outperformed the S&P 500 during those down months.

Since Inception: (February 2011 – October 2020)



(3D Defender is 25% funded, net of fees, and does not include interest income.)



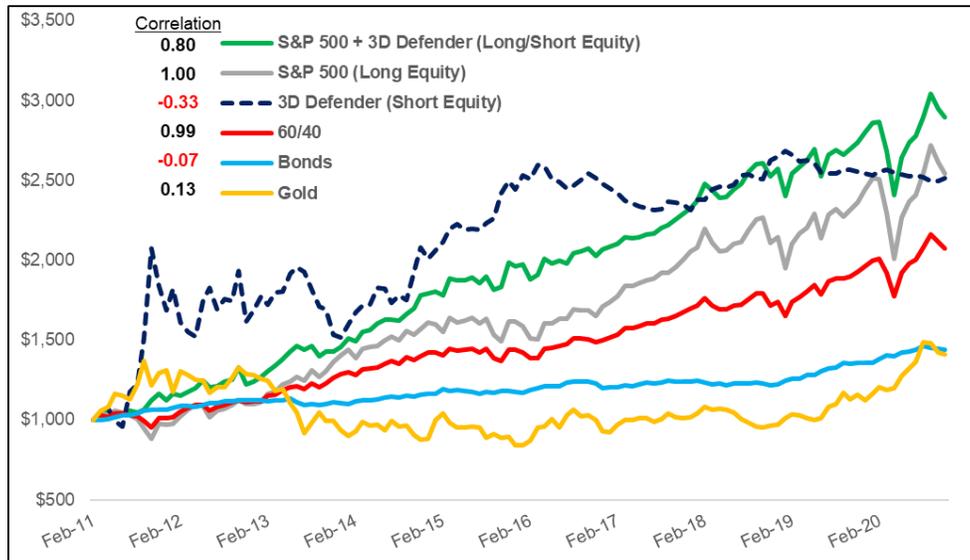
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There is a lot of financial literature focused on the importance of building a diversified portfolio. Most of the literature recommends investing in different non to negatively correlated asset classes. The 60/40 portfolio comprised of 60% stocks and 40% bonds in the chart below has served as the benchmark for most discussions over the past few decades thanks to declining interest rates, healthy bond market returns, and the low correlation between stock and bonds. Unfortunately, with interest rates near zero the bond market has entered a challenging time period. Experts say the safety associated with fixed income is gone. Stock market volatility and zero interest rates are causing investors to rethink their asset allocation.

February 2011 – October 2020



Dark Green column and line 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.)

The S&P 500 (gray line in chart above) has proven to be an impressive investment over the long-term. You don't have to be a sophisticated investor to realize that guaranteed gains when the stock market rises are not the problem. The problem is guaranteed losses when the stock market declines. Losses represent risk and investment professionals get paid to manage risk.

Take a close look at your asset allocation with specific emphasis on the eggs in your equity basket. Does your equity basket contain guaranteed losses when the stock market declines? Do you own any stock market investments that seek to identify weakness in the stock market, profit from it, and step aside during rallies?

3D Defender (Short Equity) is our solution to stock market declines. **Our mission is simple: Protect and defend stock market investors by identifying weakness in the S&P 500, profiting from it, and stepping aside during rallies.**

If you are looking for a team of investment professionals dedicated to helping you profit from stock market declines we can help.

Happy Fall Back this weekend and best wishes and health to you and your families.

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

P.S.

As a reminder, in an effort to reduce the amount of information and incoming emails you are likely receiving, especially since the start of the Covid-19 Pandemic, our weekly updates will become monthly updates beginning in November 2020. When necessary we will send out special updates to keep you informed about any market information we believe is time sensitive. We also encourage you to reach out with any questions any time. We are here to help you manage your stock market risk so please contact us to begin a dialogue.

We will also be scheduling a webinar before year end and encourage you, your advisor and or consultant to join us to learn more.