

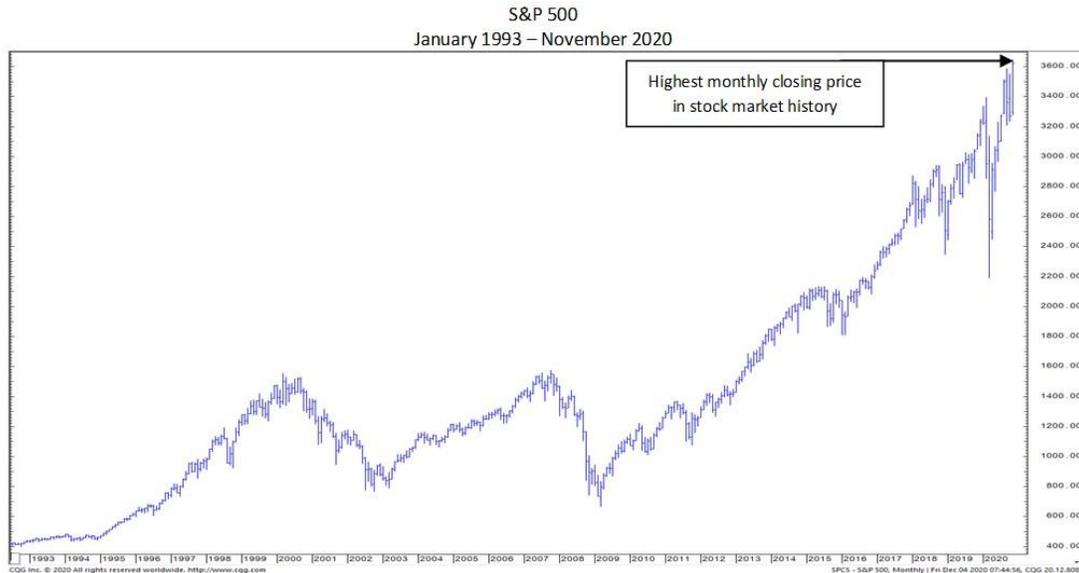
3D Defender Program (Daily Dynamic Defensive S&P 500)

3dcapitalmanagement.com

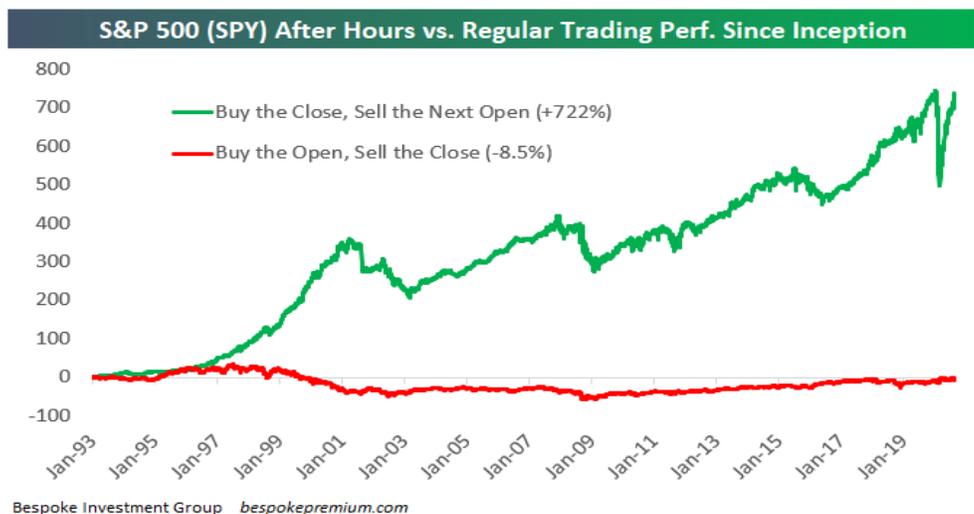
November 2020

Do you remember the song "Ain't No Mountain High Enough?"

That's what comes to mind as the S&P 500 closed the month of November at its highest monthly closing price in history. Below is a monthly chart of the S&P 500 dating back three decades to the beginning of my investment career.



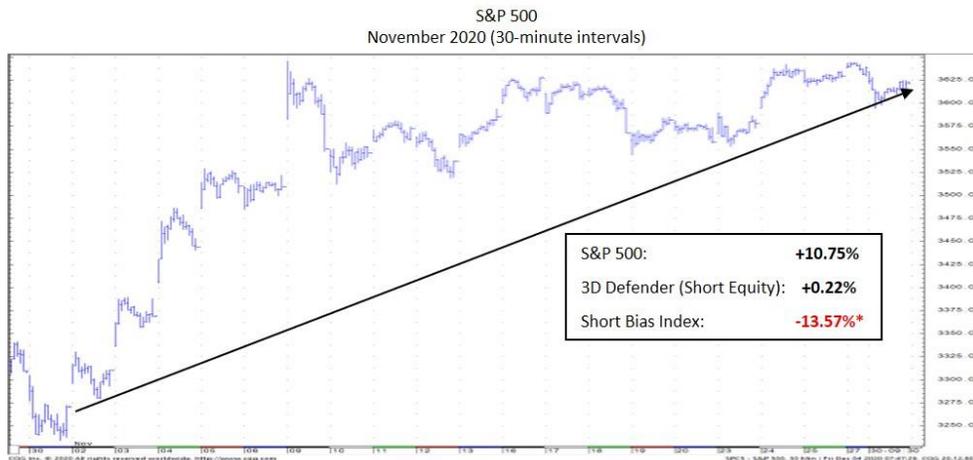
We are thrilled that the buy and hold stock market investor has been rewarded with a historic +68% gain off the March low. This of course comes after the market experienced its fastest descent in history and plunged -20% in Q1 of this year. As a reminder the historic bear market in Q1 this year happened overnight. The violence, velocity, and magnitude of intraday swings in Q1 2020 have never been seen in history. More specifically the distribution of returns in the S&P 500 in Q1 2020 was -25% overnight and +5% during the day. Not only was it the fastest descent in history it was also a complete 180 of the historical "norm". This can be seen in the chart below which shows the historical distribution of S&P 500 returns which also dates back three decades. The green line is the market's performance overnight and the red line is the market's performance during the day.



The above chart of historical distribution of returns of the S&P 500 is a great segue into what happened in November 2020. In November 2020 the S&P 500 was up +10.75%. All of those gains came overnight and is consistent with the green line above.

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

3dcapitalmanagement.com



\* The HFRX Short Bias Index Nov 2020 performance is an estimate.

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

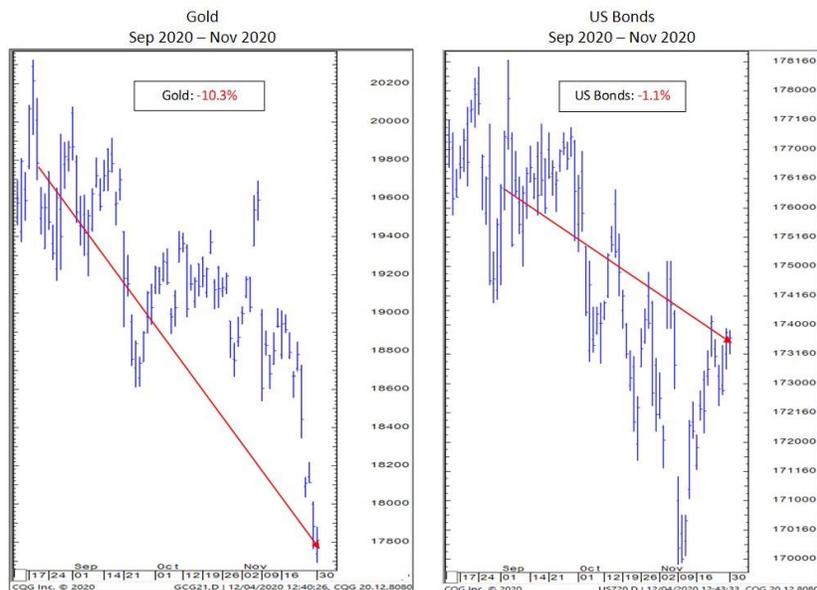
Past performance not necessarily indicative of future results. No assurance program will achieve objective or avoid losses.

As you can clearly see in the November 2020 S&P 500 chart above there were plenty of gaps which reflect the S&P 500 opening higher. Our systems collect data 24/6 from multiple markets around the world and are continuously analyzing global factors that drive the price activity in the S&P 500. We follow a short-term, highly selective, and sophisticated investment process.

Managing the risk one day at a time means we can adapt to the daily narrative of the stock market and seek profits and protection for our clients when they need it not when they don't. The S&P 500 being up a historic +10.75% in November 2020 is a perfect example of how important this is. 3D Defender (Short Equity) was +0.22% in November 2020 (25% funded and net of fees).

You will often hear me say the most logical way to profit, protect and preserve your equity portfolio and stock market gains is to short the stock market when it declines and step aside when it rallies, i.e. manage the risk one day at a time.

While diversification is important buying other assets to profit from a falling stock market will not help you protect your equity market gains and profit from a falling stock market. Buying Gold and Bonds and other assets are good for taking advantage of rallies in those assets but will also introduce the risk associated with those assets. This can be seen in the Gold and US Bond charts below.



I believe it is our responsibility as investment professionals to educate and protect investors from what is likely the biggest risk and problem in their portfolio which is guaranteed losses when the stock market declines. There is no better time than right now when the stock market is at its highest level in history to review four FACTS about diversification, protecting your equity market risk, and preserving your historic stock market gains.

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

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

3dcapitalmanagement.com

**FACTS**

1. The best way to profit, preserve, and protect your equity portfolio from a falling stock market is to sell it
2. Buying other Equities, i.e. Emerging, Small-cap, Large-cap, etc. will not protect your stock market gains
3. Buying Gold, US Bonds, & BITCOIN will not protect your stock market gains and help you profit from stock market declines
4. A strategy that sells the stock market when it declines and steps aside when it rallies is the best way to protect your historic stock market gains and profit from a falling stock market

The 3D Capital team has over 100 years of experience and exists to do one thing and that is to help you manage your problem of guaranteed losses every time the stock market declines. Let's look at it another way. **What in your portfolio is specifically designed to help you "harvest" or realize some of these unrealized historic stock market gains?** Especially provided this low interest rate environment where bonds have entered a challenging period.

3D Defender is our proven solution to your problem and is specifically designed to help you profit from stock market declines, albeit from historic highs, lows or somewhere in between. Managing equity market risk every day matters and the most logical solution is to short the stock market when you need protection and step aside when you don't. This is our expertise.

The S&P 500 entered a new volatility regime in 2018 and had its first down year in 10 years. The chart below reminds us that the stock market did not reach its new all-time high in a straight line. Risk happens fast. Stock market declines are a risk that needs to be managed AND are an opportunity to profit.



In a recent interview I was asked what my motivation was for founding 3D Capital and creating our 3D Defender (Short Equity) program. The answer is simple. I love the stock market but I don't like pain and I don't like losing. In fact, I don't know anyone who does. Our contribution to creating a smoother equity curve is managing stock market risk everyday and providing our clients the opportunity to turn losing days into winning days. Days make up weeks, months, quarters and years and we all know the power of compounding.

Stock market risk is likely the largest risk in an investor's portfolio and investors deserve to have it defended and protected everyday. The data in the chart below makes it clear that managing the risk one day at a time matters and that missing the worst days matters more than missing the best days.



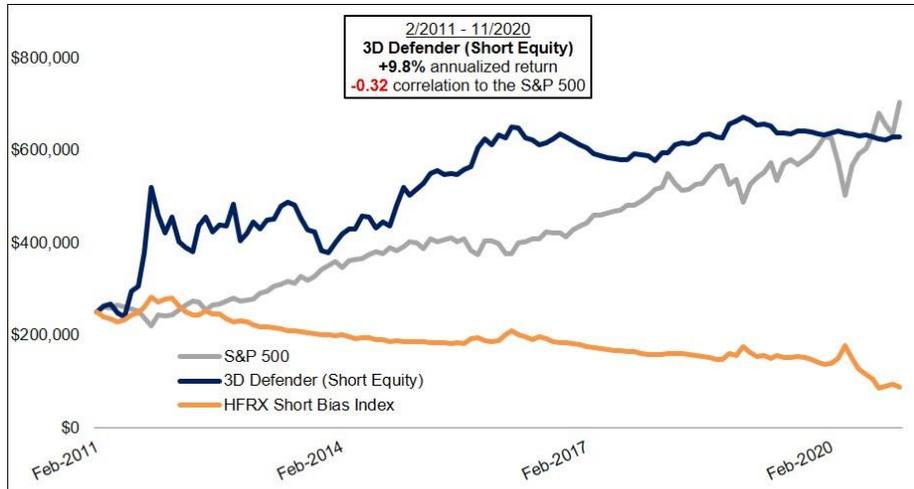
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.  
THERE IS NO ASSURANCE OUR PROGRAMS WILL ACHIEVE THEIR OBJECTIVES OR AVOID LOSSES.**

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

3dcapitalmanagement.com

As a reminder 3D Defender invests in one side (short) of one market (S&P 500) one day at a time (no overnight risk). Managing the risk one day at a time enables our 3D Defender program to be nimble and adapt to the daily narrative of the market. This means we can seek profits and protection for our clients when they need it not when they don't.

The S&P 500 being up a historic +10.75% in November 2020 is a perfect example of why many people may believe it's not possible to short the stock market and or why many short sellers have likely been decimated given the recent +68% rally in the last 8 months not to mention the +450% rally since the March 2009 low. **3D Defender (Short Equity) was +0.22% in November 2020** (25% funded and net of fees). Here is a chart showing our live track record versus the S&P 500 and our peers (HFRX Short Bias Index).



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

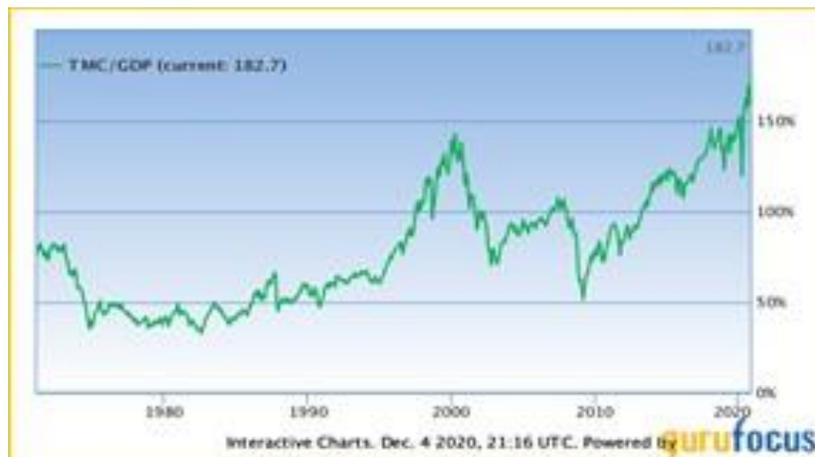
Past performance not necessarily indicative of future results. No assurance program will achieve objective or avoid losses.

While we are thrilled with the historic stock market gains we are also concerned that the Warren Buffet Indicator is saying the stock market is significantly overvalued. As pointed out by Warren Buffet, the percentage of total market cap (TMC) relative to the US GDP is "probably the best single measure of where valuations stand at any given moment."

The Warren Buffet Indicator right now is over 182 and is higher than it was in September of 2020 before the S&P 500 dropped over -10%. In fact the Warren Buffet Indicator is saying the stock market is more overvalued now than in history. While we are not advocating getting out of the market, we do believe you should be protected. **Do you have anything in your portfolio that profits from stock market declines?**

Also worth noting is that the Warren Buffet Indicator has accurately forecasted the three largest S&P 500 declines in the last 20 years (-51%, -58% -36%). The chart below and the following information was published by GuruFocus on Friday December 4, 2020:

- As of **2020-12-04 3:05:02 PM CST** (updates daily): **The Stock Market is Significantly Overvalued**. Based on historical ratio of total market cap over GDP (currently at 182.7%), it is **likely to return -2.3% a year** from this level of valuation, including dividends.

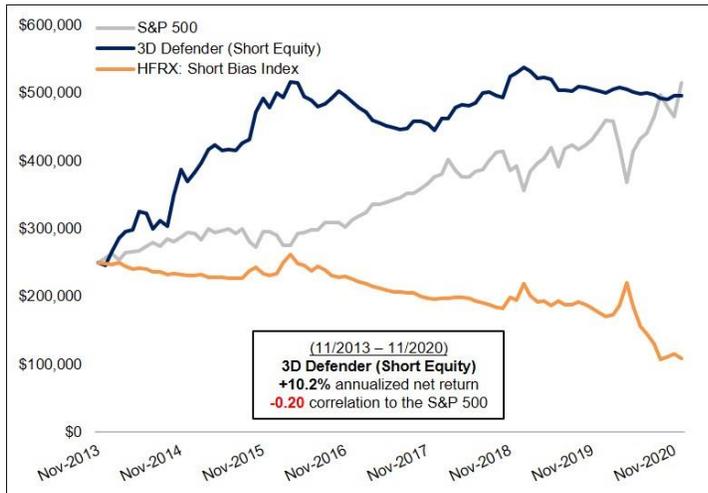


**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.  
THERE IS NO ASSURANCE OUR PROGRAMS WILL ACHIEVE THEIR OBJECTIVES OR AVOID LOSSES.**

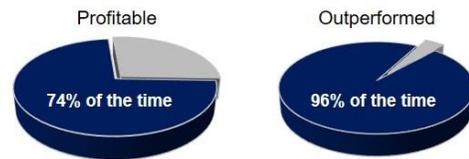
**3D Defender Program (Daily Dynamic Defensive S&P 500)**

[3dcapitalmanagement.com](http://3dcapitalmanagement.com)

The 3D Defender 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. Since 3D Defender's inception in February 2011 we have made one enhancement to the program seven years ago in November 2013. Below is 3D Defender's performance since the enhancement and during the 27 down months in the S&P 500 during this time period.



(11/2013 - 11/2020)  
During the **27 down months** in the S&P 500  
3D Defender has been:



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

Past performance not necessarily indicative of future results. No assurance program will achieve objective or avoid losses.

You will often hear me say the most logical way and best way to profit from a falling stock market is to short it. This can be seen in the table below which compares the performance of 3D Defender (Short Equity) program to Hedge Funds and CTAs during the seven largest drawdowns for the S&P 500 in the last seven years.

Start Date	End Date	S&P 500	Hedge Funds	CTAs	3D Defender (Short Equity)
19-Sep-14	15-Oct-14	-7.3%	-4.2%	2.4%	32.2%
21-Jul-15	25-Aug-15	-12.0%	-3.8%	0.5%	8.3%
4-Nov-15	11-Feb-16	-12.7%	-7.1%	10.7%	13.8%
29-Jan-18	8-Feb-18	-10.1%	-2.9%	-9.2%	8.3%
12-Mar-18	2-Apr-18	-7.3%	-1.7%	-0.4%	5.9%
21-Sep-18	24-Dec-18	-19.4%	-6.8%	-1.0%	22.2%
20-Feb-20	23-Mar-20	-33.9%	-10.9%	-4.8%	2.5%
<b>Cumulative Return</b>		<b>-102.7%</b>	<b>-37.4%</b>	<b>-1.7%</b>	<b>93.3%</b>

Hedge Funds: HFRX Global Hedge Fund Index  
CTAs: SG CTA Index

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

Past performance not necessarily indicative of future results. No assurance program will achieve objective or avoid losses.

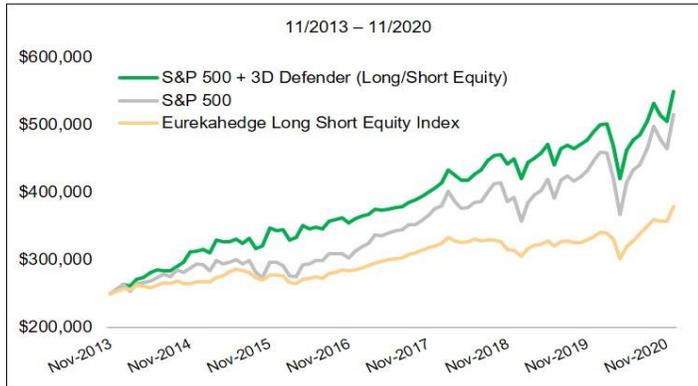
In its most simplistic form 3D Capital exists to make the stock market a better investment. Remember 3D Defender is not a square peg trying to fit in a round hole. We are not introducing the risk of other asset classes. 3D Defender is 100% S&P 500. It is a round peg that is designed to make the stock market component of your portfolio better. 3D Defender runs towards stock market risk and seeks to profit from the stock market declines that are causing the pain in the first place.

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

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

3dcapitalmanagement.com

It's with great pride we can share 3D Defender has profitably shorted the longest bull market in history, fastest "overnight" bear market in history and has made the stock market a better investment. This can be seen in the chart below which shows an example of what adding 3D Defender and defense can do for your S&P 500 offense. If interested we can customize a long/short equity program for you which combines 3D Defender and the S&P 500 and can be seen in the green line example below.



Since Enhancement 11/2013 – 11/2020	S&P 500 + 3D Defender (L/S Equity)	Eurekahedge Long Short Equity Index	S&P 500
Total Return	<b>119.7%</b>	51.3%	106.1%
Annualized ROR	<b>11.8%</b>	6.0%	10.8%
Max Drawdown	<b>-16.1%</b>	-11.5%	-20.0%
Ann. Standard Deviation	<b>11.1%</b>	6.9%	14.1%
Sharpe Ratio (0%) Ann.	<b>1.06</b>	0.88	0.80
Correlation to S&P 500	<b>0.95</b>	0.90	1.00

*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.)*

Past performance not necessarily indicative of future results. No assurance program will achieve objective or avoid losses.

Thank you for your participation and interest in 3D Defender. We encourage and welcome any questions you may have.

Despite being confined to our home and not traveling on Thanksgiving Day our family still enjoyed the day. We hope you did too.

Best wishes and health to you and your families. We hope you have a good holiday and rest of the year.

