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

Another month another all-time high. December 2020 was another historic month for the S&P 500, which made new all time-highs in 3 of the first 4 days of the month and 4 of the 5 weeks in December. This was punctuated by the market's highest closing price in history on the last day of the month. The S&P 500 finished December up +3.7% (dashed line). One may think stock market Defense or as some have referred to 3D Defender, "insurance" would cost you, but we do things differently here at 3D Capital. 3D Defender is built to be nimble to the message of the market and protect you when you need it not when you don't. December 2020 is a perfect example of this where 3D Defender was +0.0% (net of all fees).



Now let's take a look at a longer-term chart of the S&P 500. What do you see when you look at this chart?



I see green (up months), red (down months), and an opportunity to manage risk and invest in the stock market with less pain and more gain. As we all know the S&P 500 finished 2020 at its highest level in history. This was preceded by its fastest descent and "Overnight" bear market in history. "Overnight" has been inserted as the distribution of the S&P 500 returns in Q1 of 2020 was approximately -23% overnight and +3% during the day (not the norm). This was followed by a parabolic and historic +70% rally to new all-time highs to finish the year. As a footnote the chart goes back to 1993 when I began my investment career. Speaking of my three-decade investment career, I take great pride in protecting our clients every day, and how we managed the risk and performed in 2020.

Our 3D Defender S&P 500 Program is built to profit from intraday declines (no overnight risk) and protect investors when they need it not when they don't. If you wanted to write the worst script aka the best test for 3D Defender, 2020 has been it to date: An overnight bear market followed by a +70% rally, intraday swings more than +/-8% and the S&P 500 closing at its all-time high. That said we are thrilled that the buy and hold investor continues to be historically rewarded and that 3D Defender was able to step aside for nearly all of the S&P 500's +70% rally off its March 23 low this year.

> The S&P 500 finished 2020 +16.3% and 3D Defender finished -0.41% (fully funded, net of all fees) and -1.64% (25% funded, net of all fees).

The following page compares 3D Defender, our solution to stock market declines, to other diversifying asset classes during the S&P 500's seven largest declines since November 2013, when 3D Defender was enhanced (solid black arrow in S&P 500 chart above).

| S&P 500 Seven Largest Drawdowns Since November 2013 | | | | | | |
|---|---|---|---|---|---|---|
| Start Date | End Date | S&P 500 | Hedge Funds | CTAs | Gold | 3D Defender |
| Sep 19, 2014 | Oct 15, 2014 | -7.3% | -4.2% | 2.4% | -1.6% | 32.2% |
| Jul 21, 2015 | Aug 25, 2015 | -12.0% | -3.8% | 0.5% | 1.5% | 8.3% |
| Nov 4, 2015 | Feb 11, 2016 | -12.7% | -7.1% | 10.7% | 6.2% | 13.8% |
| Jan 29, 2018 | Feb 8, 2018 | -10.1% | -2.9% | -9.2% | -2.7% | 8.3% |
| Mar 12, 2018 | Apr 2, 2018 | -7.3% | -1.7% | -0.4% | 1.2% | 5.9% |
| Sep 21, 2018 | Dec 24, 2018 | -19.4% | -6.8% | -1.0% | 4.1% | 22.2% |
| Feb 20, 2020 | Mar 23, 2020 | -33.9% | -10.9% | -4.8% | -3.1% | 2.5% |
| Cumulative Return | | -102.7% | -37.4% | -1.8% | 5.6% | 93.2% |

Hedge Funds: HFRX Global Hedge Fund Index
CTAs: SG CTA Index is designed to track the largest 20 (by AUM) CTAs and be representative of the managed futures space.

*3D Defender is 25% funded, net of commissions and gross of 3D's fees, and does not include interest income.*

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

2020 was a clear pandemic and Black Swan event that resulted in moves never seen in the history of the stock market. As a reminder 3D Defender is a rules based global-macro system that uses decades of data and statistically significant patterns that are logical, symmetrical and persistent. This systematic approach and managing the risk one day at a time enables 3D Defender to adapt to the daily narrative of the market. Days make up weeks, months, and years and as you can see from the historical performance below 3D Capital is Different. 3D Defender runs towards the risk and manages it head on using only the S&P 500.

| 3D Defender is one market (S&P 500), one side (Short), one day at a time (No overnight risk) | | | | | |
|---|---|---|---|---|---|
| 11/2013 - 12/2020 | S&P 500 | Hedge Funds | CTAs | Gold | 3D Defender |
| Total Return | 113.8% | 13.9% | 21.6% | 43.2% | 98.6% |
| Annualized ROR | 11.2% | 1.8% | 2.8% | 5.1% | 10.0% |
| Max Drawdown | -20.0% | -9.0% | -14.3% | -19.0% | -13.8% |
| Ann. Standard Deviation | 14.0% | 4.6% | 8.3% | 14.0% | 17.5% |
| Sharpe Ratio (0%) Ann. | 0.83 | 0.41 | 0.37 | 0.43 | 0.79 |
| Correlation to S&P 500 | 1.00 | 0.86 | 0.16 | 0.03 | -0.20 |
| Skew | -0.38 | -1.23 | 0.09 | 0.53 | 1.07 |
| Average Monthly Gain | 3.0% | 0.9% | 2.0% | 3.4% | 5.0% |
| Average Monthly Loss | -3.4% | -1.1% | -1.8% | -2.8% | -2.4% |
| Up Monthly Deviation | 2.6% | 0.7% | 1.5% | 3.0% | 4.5% |
| Down Monthly Deviation | 3.1% | 1.2% | 1.3% | 2.0% | 2.1% |
| **Gain to Pain Ratio*** | 0.91 | 0.39 | 0.31 | 0.38 | 0.93 |

*High ratio means manager is more efficient with losses.

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**You will often hear me say the best way to profit from a falling stock market is to short it.**
**The tables above make this clear.**

The stock market's historic surge to new all-time highs in December, a surge in the VIX, valuations, market cap concentration, IPOs, Warren Buffet Indicator, and news headlines likes these create confusion and can overwhelm stock market investors:

**Forbes: Dec 21, 2020: Here's How High the Stock Market Will Go In 2021**, According To Wall Street's Experts: In a weekend note to clients, Goldman Sachs said it expects the S&P to end next year at about 4,300 points (indicating 17% upside)

**BARRON'S: Jan 6, 2021: The Man Who Called the 2008 Market Bubble Says This One Could Pop in Spring,** Jeremy Grantham, the long-term investment strategist of GMO and a renowned stock-market skeptic, says that the "epic" stock bubble of today could deflate as early as the late spring
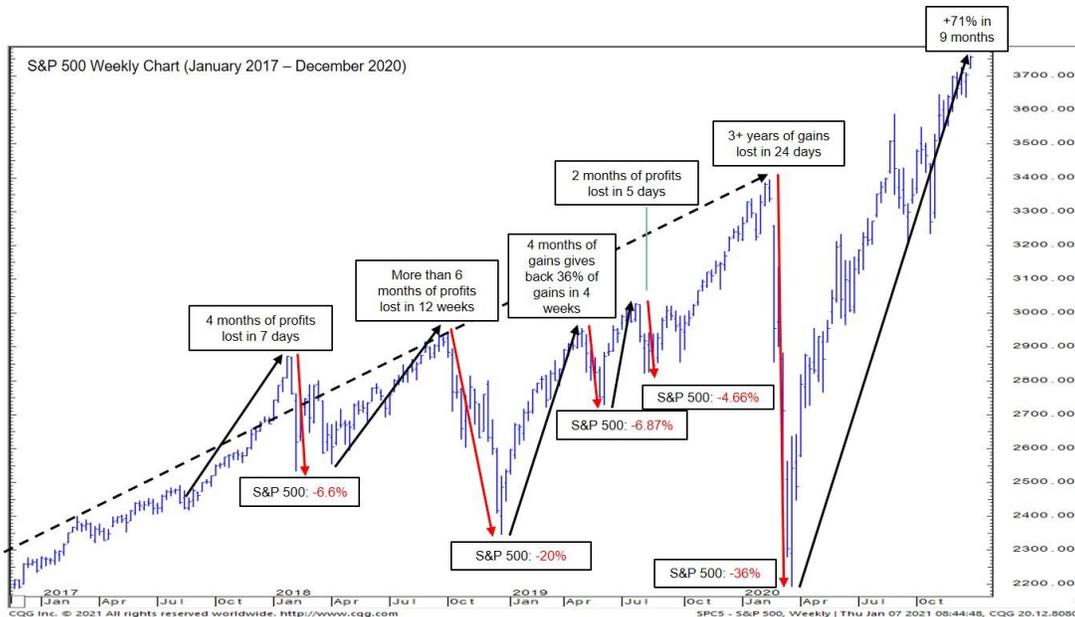
**PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE RESULTS.**
**THERE IS NO ASSURANCE OUR PROGRAMS WILL ACHIEVE THEIR OBJECTIVES OR AVOID LOSSES.**

One thing we know for sure about the stock market is depicted in the following S&P 500 chart. The stock market grinds higher and sells off sharply i.e., RISK HAPPENS FAST.



We encourage investors to invest in the stock market because we believe it is an excellent long-term investment. We also encourage stock market investors to protect their stock market investments from stock market declines. 3D Defender is our solution to stock market declines.



3D Capital exists to make the stock market a better investment. That can be done by actively managing the problem, which is stock market declines. If you are looking to preserve your historic market gains and a team dedicated to protecting the largest risk/problem in your portfolio we are here to help. It is our pleasure to help defend your historic stock market gains and protect your portfolio from future stock market declines. 3D Capital manages your equity market risk every day because everyday matters.

Here is also a recent article https://www.raynergobran.com/2020/12/low-correlation-high-sharpe-ratio/ written by Ian Rayner titled "**Keep Your Eyes On The Prize**". It discusses the importance of Correlation and Sharpe and how important it is for investors to keep their eyes on "The Prize" i.e., the overall performance of their portfolio.

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

Happy New Year to you and your families. We wish you health, happiness, and great things for 2021.