



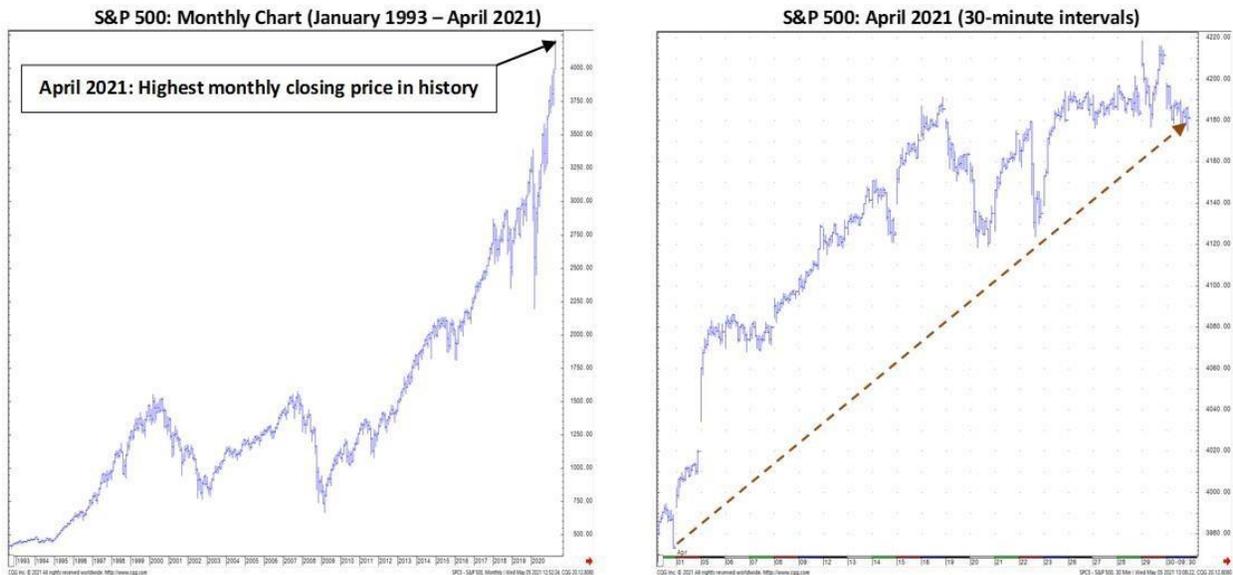
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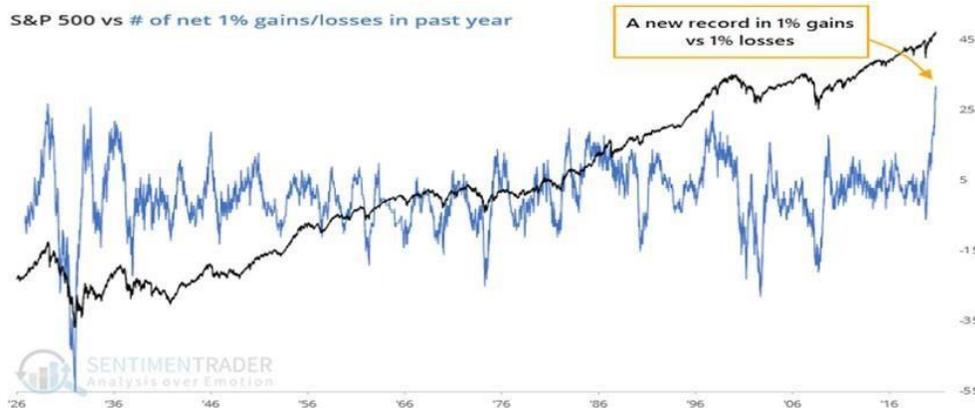
## The Market the Way I See It

*A monthly report for investors and friends from Eric Dugan  
April 2021*

The S&P 500 has made 8 new all-time monthly highs in the last 9 months, rallied a historic +92% from the March 2020 low and closed April 2021 at its highest monthly closing price in history. To give you an idea of how far and fast we have come, during the 2000 Dot-com bubble when the S&P 500 dropped -51%, it took over four and half years to close at a new all-time high. During the Financial Crisis of 2008 when the market dropped -58%, it took four years for the market to close at a new all-time high. Fast forward to 2020 and after dropping -35% in 23 days and finishing Q1 of 2020 down -20% (the steepest and fastest “overnight” bear market in history), it only took the S&P 500 five months to close at a new all-time high. To provide you a big picture perspective I’ve included a monthly chart dating back to 1993 when I began my investment management career. I have also included a 30-minute chart of the month of April 2021.



Just like March 2021, the S&P 500 was a buy on dips in April 2021 and continued its unrelenting and historic surge higher. As Jason Goepfert of Sentiment Trader noted on April 22, 2021 and depicted below the S&P has never seen a year with more +1% daily gains versus -1% losses.



Consistent with the chart above the S&P 500 in the month of April 2021 had multiple days with a gain greater than +1% and no days with a -1% loss. The largest down day in the S&P 500 in April 2021 was -0.91% on April 22, 2021 when President Biden announced he was eyeing a 43% tax rate. This day was a perfect example of the market grinding higher, selling off sharply and the importance of being prepared. Below is a chart of the S&P 500 that day and performance of our 3D Defender Program.

**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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S&P 500: April 22, 2021 (2-minute intervals)



April 22, 2021: Gross Estimate  
 S&P 500: -0.90%  
 3D Defender +0.36%

3D Defender performance is net of brokerage and gross of 3D's fees. 3D Defender is 25% funded and does not include interest income. Past performance is not necessarily indicative of future results. No assurance program will achieve objective or avoid losses.

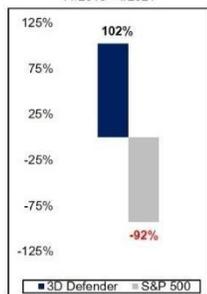
Here is a link to a quick video where I share another S&P 500 chart and other examples of RISK HAPPENING FAST: [Video Link](#).

As the market has seemingly done for the last year and historic +92% rally in the last 13 months, stock market weakness was short lived, dips were bought, and the market rallied back over +1% from April 22<sup>nd</sup> to April 30<sup>th</sup>. The S&P 500 finished April 2021 up +5.2%. Our S&P 500 short only 3D Defender Program finished the month down -0.56% (25% funded net estimate).

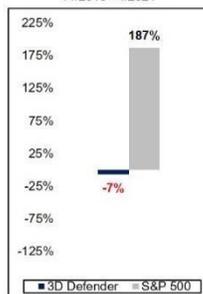
Also, worth noting in the historic month of April and according to Bloomberg: "During 18 sessions in April (2021), 95% or more of the index's members traded above their 200-day moving average. That's the most ever observed in a single calendar month and double the previous high of nine in September 2020."

As a reminder 3D Defender is our short only S&P 500 Program. Shorting the stock market is the best way to preserve your historic stock market gains and profit from stock market declines. 3D Defender invests in one-side (short), of one-market (S&P 500) for one-day at a time (no overnight risk). Its investment objective is to consistently profit and beat the S&P 500 when the S&P is down on the month. 3D Defender also seeks to step aside during rallies since you do not need defense when the stock market is rallying. The following charts put this in perspective.

Cumulative 3D Defender Return During 28 Down Months in the S&P 500 11/2013 - 4/2021



Cumulative 3D Defender Return During 62 Up Months in the S&P 500 11/2013 - 4/2021



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We take great pride in our work and protecting stock market investors when they need it not when they do not. We recognize that investors have many choices at their disposal to manage stock market risk. One of those choices that is getting a lot of press these days is called Tail Risk Hedging, which utilizes options. Here is a comparison.

11/2013 - 04/2021	3D Defender	EurekaHedge Tail Risk Hedge Fund Index
Ann. Return	9.4%	-4.5%
Correlation to S&P 500	-0.20	-0.51
Max Drawdown	-13.8%	-45.3%
Ann. Standard Deviation	17.1%	16.0%
Sharpe Ratio (0%) Ann.	0.74	-0.22
Average Monthly Gain	5.0%	3.5%
Average Monthly Loss	-2.3%	-1.6%
Up Monthly Deviation	4.5%	7.9%
Down Monthly Deviation	2.1%	1.1%
<b>Gain to Pain Ratio</b>	<b>0.88</b>	<b>-0.25</b>

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Though the S&P 500 closed at its all-time monthly closing high we are beginning to see signs that the market is tiring, and up trend is deteriorating. This is disconcerting because in my 30 years of managing equity market risk I have witnessed numerous times when those that have been rewarded for buying dips will likely be forced to sell and accentuate the market's move lower when there is no subsequent bounce. **3D Capital believes the world is one big global-macro flow chart and because 3D's systems analyze multiple global markets and manage risk one day at a time, we see things differently. This daily global-macro view provides us a front row seat and statistically significant data and insight into what is moving the S&P 500.** This data includes global markets and asset classes that as of now are also indicating the S&P 500 is vulnerable. This aligns with historical seasonal weakness in the S&P 500 in May and other metrics saying the stock market is more overvalued now than in history. All of that said we believe investors should remain in the market and continue to "buy and hold", but also add an active defensive component which actively manages the downside. This is how you mitigate volatility during stock market declines and make the stock market a better long-term investment.

Friends and investors have asked for it, and we are excited about their enthusiastic response to our new **3D Hedged Equity Program**, which combines passive and active investing. The market moves in two directions and we are thrilled to provide investors a program that combines our proven solution to stock market declines with guaranteed gains when the stock market rallies.

**Like the five-star rated JPMorgan Hedged Equity Fund (See JHEQX below), our 3D Hedged Equity Program investment objective is to participate in equity market upside and mitigate volatility during market declines.** The data makes it clear and can be seen below; our 3D Hedged Equity Program, i.e. passive and active investing, can produce better long-term results.



Dec 2013 - Apr 2021	3D Hedged Equity	S&P 500	JP Morgan Hedged Equity
Annualized ROR	12.8%	12.0%	8.8%
Correlation to S&P 500	0.73	1.00	0.89
Max Drawdown	-12.5%	-20.5%	-7.8%
Ann. Standard Deviation	9.8%	14.2%	6.7%
Sharpe Ratio (0%) Ann.	1.28	0.87	1.30
Gain to Pain Ratio	1.76	0.97	1.57

The analysis begins December 2013, which is the inception of JP Morgan Hedged Equity.  
**\*Dark Blue line is an example of 60% S&P 500 plus 40% 3D Defender's live track record.** 3D Defender is 25% funded, net of all fees, and does not include interest income. 3D Defender uses constant account sizing. Past performance is not necessarily indicative of future results. No assurance program will achieve objective or avoid losses. 3D Defender live track record begins in February 2011 and was enhanced in November 2013. The track record since inception is available upon request.

3D Capital believes it is our responsibility as investment professionals to manage risk and protect stock market investors. If you are searching for experts singularly focused in helping you achieve better long-term results in the stock market, we can help you.

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