We are very excited to share with you a special CTA interview with Eric Dugan of 3D Capital Management. Mr. Dugan is an accomplished investment industry professional with over 20 years of portfolio management experience involving the research and development of systematic SP 500 programs. This experience also includes the development and trading of global short-term systematic trading strategies, managing trading operations, traders, and global-macro multi-strategy trading systems. Through this experience, Mr. Dugan began to view the world as an interconnected, global marketplace that functions as one big flow chart. In employing this view, Mr. Dugan identified market patterns, trends, and correlations that led to the development and implementation of scalable futures trading strategies for multiple asset classes that are globally focused, yet single-minded in their approach in tracking the S&P 500. These trading strategies form the heart of the Advisor’s trading programs.

What got you interested in trading?

A friend of mine knew I spent my high school and summer vacations working long hours and at all times of the day and night. He was working for Monroe Trout and called me about a Pacific Rim trading position that was available. I flew out to Chicago and within days I was hired.

When did you start trading?

I started trading in January 1993 for Monroe Trout. I began as a junior execution trader and was able to work my way up to Manager within the first year where I was responsible for all trading decisions during the Pacific Rim hours.

Talk a little about the company’s origins and history.

After spending 15 years trading, developing and managing global multi-strategy systems for two multi-billion dollar hedge funds, Trout Trading and Willowbridge Associates, I set out on my own in 2008. Trading nearly every asset and time zone around the world gave me a global perspective and insight into what moved the global markets and I decided to express my global view using one of the most liquid markets in the world, the S&P 500. Identifying a problem and offering a solution was the impetus for the programs. I simply asked myself “who needs a product that can generate absolute uncorrelated returns and consistently outperform the SP 500 in a down market?” I believed the answer was everyone.

With that in mind I started trading my 3D Bull (long only) program in 2008. The program was up 3% on the year and the S&P 500 was down 37%. In mid 2009 I started speaking with industry professionals about my programs and the feedback prompted me to register as a CTA in 2010. 3D Capital was launched in May of 2010. 3D now offers multiple long and short S&P programs that hold positions overnight and trade intraday (no overnight risk). We have had some success and were recently recognized by CTA Intelligence in 2015 as June 2015.
the “Best Specialized CTA in 2014”. We have also been recognized by BarclaysHedge as a top-ten performing CTA twelve times since becoming eligible in September 2012.

**What are your core values / beliefs?**

We believe in identifying and quantifying statistically significant patterns that are persistent and symmetrical. We further understand the relentless diligence of the program’s implementation is imperative to our success. 3D Capital is Different, Defined, & Disciplined.

**What is your competitive advantage?**

I have traded all markets and time zones and have a deep and thorough understanding of what is moving the S&P 500 and other global markets. My experience includes trading, developing and implementing systems for over 22 years. I thoroughly understand the importance of risk management and the implementation of a system with unwavering persistence and diligence.

**What would you tell a prospective client interested in investing with you?**

I endeavor to understand the client’s goals and conversely that they understand how our systems work, including our risk management and how signals are generated. I convey that I am 100% committed to their success, as well as my own. I trade my money alongside theirs in each of the programs. Finally, I invite them to visit our office or to call direct with questions. I personally speak with each client or their designated representative before trading begins. Further, I communicate in writing with all clients each month.

**When you’re not trading, how do you spend your time?**

Most of my day is spent trading, researching and running the business. Downtime is spent with my wife and 3 yr old son. We enjoy hiking, the outdoors and spending time together. I also try and keep fit and enjoy cycling, tennis, yoga and weight training.

**What do investors fear most about trading? What do you do to calm their fears?**

I think most investors fear the unknown. Meeting and/or speaking with me about the programs along with visiting us seems to calm their fears. I am very willing to spend time on SKYPE with prospective clients. Of course clients and prospects are welcome to visit our office. It is always difficult to put your trust with someone you don’t know personally or have at least seen.

**What’s most important to an investor?**

In my experience it’s important the investor knows me as a person and has an understanding of our programs and our risk parameters. Other than that, like most of us, they want to make money with reasonable risk. Again, I personally trade the programs alongside the clients. All of our clients appreciate that we are in the same boat.

June 2015
Do you adjust your trading to consider fundamentals?

Our programs are running and processing global market data on a live and continuous basis. This enables our systems to process and interpret the fundamentals and more importantly the subsequent market's price action. I think a perfect example of this occurred years ago when I was asked what the markets would do if the Bank of Japan intervened. That was such a loaded question. In reality you never know what the markets are going to do or how they are going to react. That is why we allow our systems to process the fundamentals and data. Our trading programs are short term and have holding periods that range from less than one day (no overnight risk) to as long as two days.

What is the worst trade you’ve ever made?

I don’t recall the worst specific trade but I certainly remember several difficult periods in the past dating back to 1993 when I first started trading for Monroe Trout and in the early 2000’s when I was running a 24 hour trade desk and a $120 million book for Phil Yang of Willowbridge.

What other professional CTAs, if any, do you respect? Follow?

I listen to a few podcasts offering interviews with other CTAs but I don’t follow any one CTA specifically.

Can you tell us how you began in the futures trading business?

A college roommate introduced me to the futures markets in the late 1980s. At the time I was working construction during the summers. My roommate was trading the commodities markets and needed money. He asked, ‘Can I borrow $10 grand? I’ll give you $11,000 back at the end of the summer.’ I said sure. I gave him the money. He paid me back with the extra thousand dollars and that was it. At that point, commodities had my attention. It wasn’t until later that it became my business.

Did you have a role model to start you down the path of trading?

Working and trading for Monroe Trout was a tremendous opportunity and learning experience.

What age were you when you put on your first trade?

I put on my first trade over two decades ago when I was 24.

Do you have specific technical indicators you rely on more than others?

Our programs use over 20 global markets, multiple types of trading strategies and time horizons, and I don’t rely on one more than the other. These indicators are transferable to other financial products. In time we expect to offer more alternative investments.

What do you love most about trading?

I love that every day is different. Every day presents the challenge to understand, identify and quantify statistically significant patterns. I understand that in order to remain competitive that I have to evolve and be prepared daily on a high intellectual, psychological and physical level. I
have been trading, researching and developing systems in the global markets for over 22 years and the more I do it the more I love it!

As the marketplace has evolved and more markets have transitioned into electronic trading from the open outcry forum, how has this altered your trading?

Electronic trading and longer trading hours has provided us with more data and with more data comes more trading strategies and updated methodologies.

Have your altered you’re trading method since inception?

Our trading methodology and risk parameters have been updated over time. When we first started trading, we only offered one program, the 3D Bull-Long Only. The long only program has been running since January 2008. This program is either long or neutral. Yes, we consider neutral (out of the market) a trading position. We now offer multiple programs, including programs where no positions are held overnight. Simply put, over time our programs have become more selective, have more stringent risk parameters, and employ different trading strategies. All of the programs are relatively short term and the most recent program is intraday and can be short. In 2012 our risk parameters were tightened and we are pleased with the result.

What role does Capital Trading Group have with you. Tell us about that relationship?

CTG has been very helpful. They have enabled 3D to trade and continue research while they produce our daily profit and loss accounting for each account. Further they produce a daily position reconciliation and assist with some of our other back office operations. CTG looks to add value and obviously want to see 3D succeed.

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June 2015