

3D/L Capital Management

3D/L Capital Management (3D/L) was formed by 3D Asset Management and Lee Capital Management having combined their investment adviser business. 3D/L is an SEC-registered investment advisor headquartered in Hartford, CT. The firm is led by investment veterans with extensive industry experience and manages a broad array of investments for institutional investors and other investors through their financial advisors.

Its proprietary investment models and strategies include Global Asset Allocation, Multi-Risk, and Tactical strategies. Its Tactical products, managed as “Lee Adaptive” strategies, represent a suite of quantitative portfolios in nature and designed to systematically allow investors to participate in up markets while seeking to mitigate the impact of down markets, depending upon each product’s specific risk profile. As a tactical approach, it seeks to “adapt” investment portfolios to market conditions. Lee Adaptive products represent both ETF-based as well as stock-based portfolios.

What are the Lee Adaptive Strategies?

A suite of investment products and capabilities managed by 3D/L Capital Management that are quantitative in nature and designed to systematically allow investors to participate in up markets while seeking to mitigate the impact of down markets, depending upon each product’s specific risk profile. As a tactical approach it seeks to “adapt” investment portfolios to market conditions. Lee Adaptive products represent both ETF-based as well as stock-based portfolios.

The Lee Adaptive Philosophy

The belief that equity and fixed income markets over time, and on average, naturally tend to increase in value and that this appreciation is a fundamental source of wealth accumulation. It recognizes that while markets generally rise over long periods, they do not rise every month, every year or even every decade. Most importantly, the Lee Adaptive Philosophy is based on the core belief that it is not necessary to bear the brunt of significant down-market periods in order to benefit from up markets. It is based on the principal that with careful quantitative modelling it is possible to identify periods when risk outweighs reward in the market and that portfolios can be managed tactically to reflect these periods. As a general approach, Lee Adaptive believes that risk represents the danger of loss, rather than the volatility of daily results.

Lee Adaptive Strategy Profiles

Lee Adaptive Large Cap Sector Strategy

Investment Strategy

The Lee Adaptive Large Cap Sector Strategy is a portfolio that can hold sector ETFs, which contain large cap US equities from each industry sector, as well as cash. Each of the eleven sectors is evaluated individually. Those that are expected to appreciate in absolute terms are held in the portfolio. If only a few are expected to appreciate, the portfolio will be partially weighted in cash. If no sectors are expected to appreciate, the portfolio will be entirely in cash.

Investment Decision Making Process

The decision to own or not own a sector ETF is based on a disciplined, consistent, and repeatable quantitative process. Each sector is rated on its medium-term prospects for appreciation, based on a variety of quantitative factors that include momentum and valuation. Those that score above a threshold on our quantitative model are considered more likely to gain than lose in value and will be held in the portfolio. Those below the threshold are not owned. The quantitative model is run, and the scores refreshed, daily, although buys and sells are much less frequent in the portfolio.

Portfolio Construction

The output of our quantitative model is binary, a decision to own or not. We do not take partial positions in ETFs, nor do we have “best ideas” that are overweighted. Owned sectors are weighted proportionally to a normal weight that is calculated as the average between an equal and capitalization based weighting for each sector. If at least five (of eleven) sectors are owned in the portfolio, the portfolio will be fully invested in equity and hold no cash. If fewer than five sectors are owned, the portfolio will hold some or all cash. At four sectors owned, the portfolio will be 20% cash, at three 40% cash, at two 60%, at one 80%, and at no sectors owned will be 100% in cash.

Lee Adaptive Broad Market Sector Strategy

Investment Strategy

The Lee Adaptive Broad Market Sector Strategy is a portfolio that can hold sector ETFs, which contain large-cap US equities from each industry sector, a Russell 2000 (small cap) ETF, and cash. Each of the twelve ETFs is evaluated individually. Those that are expected to appreciate in absolute terms are held in the portfolio. If only a few are expected to appreciate, the portfolio will be partially weighted in cash. If no ETFs are expected to appreciate, the portfolio will be entirely in cash.

Investment Decision Making Process

The decision to own or not own an ETF is based on a disciplined, consistent, and repeatable quantitative process. Each is rated on its medium-term prospects for appreciation, based on a variety of quantitative factors that include momentum and valuation. Those that score above a threshold on our quantitative model are considered more likely to gain than lose in value and will be held in the portfolio. Those below the threshold are not owned. The quantitative model is run, and the scores refreshed, daily, although buys and sells are much less frequent in the portfolio.

Portfolio Construction

The output of our quantitative model is binary, a decision to own or not. We do not take partial positions in ETFs, nor do we have “best ideas” that are overweighted. Owned ETFs are weighted proportionally to a normal weight that is calculated as the average between an equal and capitalization based weighting for each market segment. If at least five (of twelve) sectors are owned in the portfolio, the portfolio will be fully invested in equity and hold no cash. If fewer than five sectors are owned, the portfolio will hold some or all cash. At four sectors owned, the portfolio will be 20% cash, at three 40% cash, at two 60%, at one 80%, and at no sectors owned will be 100% in cash.