

THREE PILLARS to Wealth

“Sometimes the simplest solution is best.”

Three Pillars Performance

A look at three scenarios – from conservative to aggressive.

Charts and Data tables as of December 31, 2019

Three Pillars Performance

At Three Pillars, we recognize that not every investor is the same. That's why we provide performance information according to different levels of allocation.

Our assumption is that when any one of the Pillars is Bearish, investors move their funds into US Government money market funds. When all three Pillars are Bullish, investors move their funds into SPY, SSO or SPXL, depending on how aggressive and risk tolerant he or she might be.

The following pages describe the performance and risk profile for three levels of aggressiveness and risk tolerance.

For perspective, we compare the performance of Three Pillars' three different aggressiveness levels to a simple buy and hold of the S&P 500 Total Return (which includes reinvested dividends) and to the total return of Berkshire Hathaway.

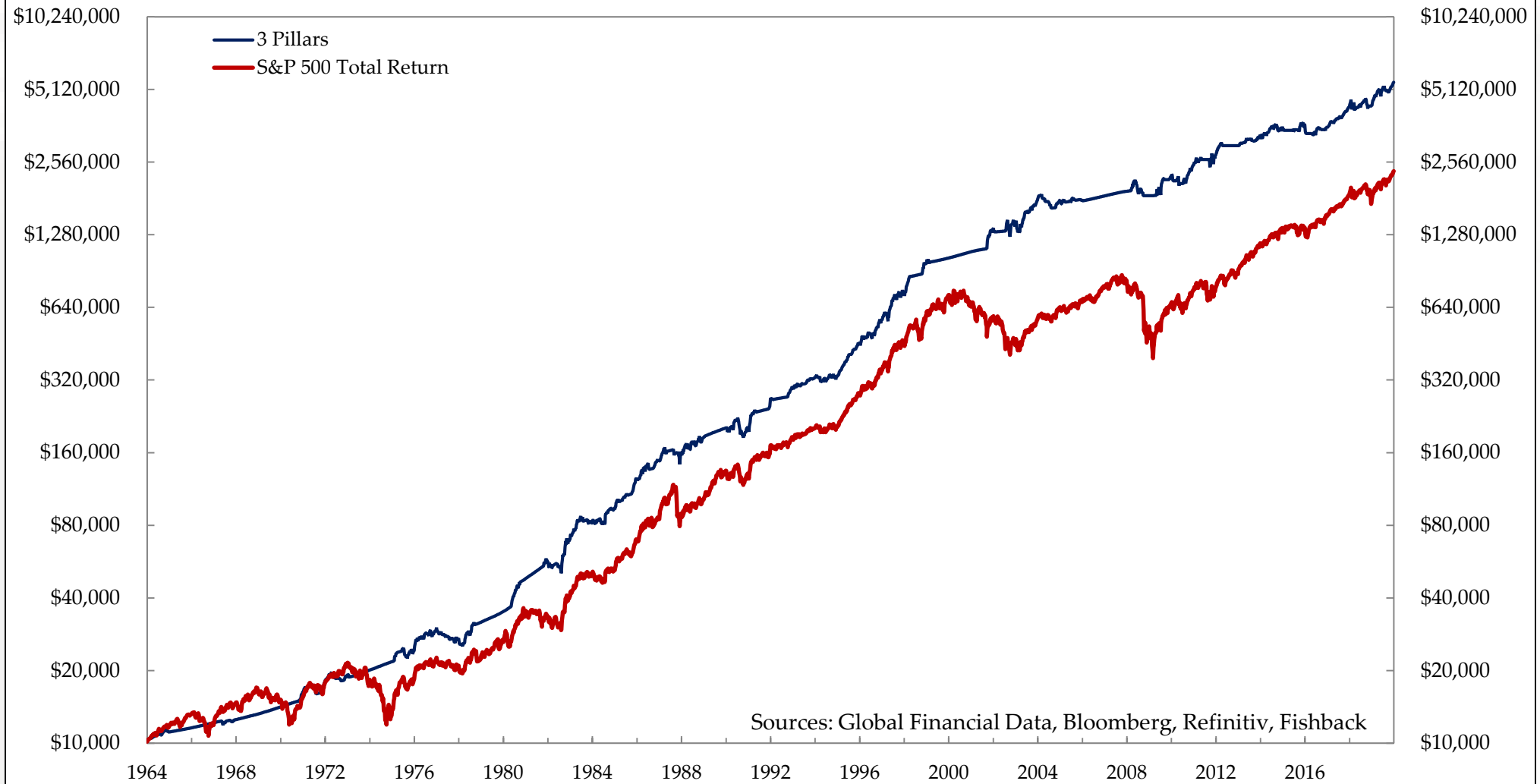
Least Aggressive

Hypothetical Performance using an ETF with characteristics similar to SPY.

Pay particular attention to the drawdown risk. Risk is exponentially lower!

Three Pillars (No Leverage)

Weekly Data 1964 - 2019 (Log Scale)



Sources: Global Financial Data, Bloomberg, Refinitiv, Fishback

Three Pillars to Wealth – No Leverage

Risk and Reward Statistics – SPY

THREE PILLARS SUMMARY STATISTICS ASSUMING DIFFERENT LEVELS OF LEVERAGE

No Leverage

Compound Annual Growth Rate			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	10%	9%	10%
Since 1980	13%	11%	19%
Since 1963	12%	10%	
Higher is better			

Maximum Drawdown			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	-15%	-55%	-51%
Since 1980	-18%	-55%	-51%
Since 1963	-18%	-55%	
Closer to zero is better			

ULCER Index			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	5%	17%	16%
Since 1980	4%	14%	14%
Since 1963	4%	13%	
Lower is better			

Volatility			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	10.36%	17.34%	23%
Since 1980	10.75%	16.10%	23%
Since 1963	9.69%	15.57%	
Lower is better			

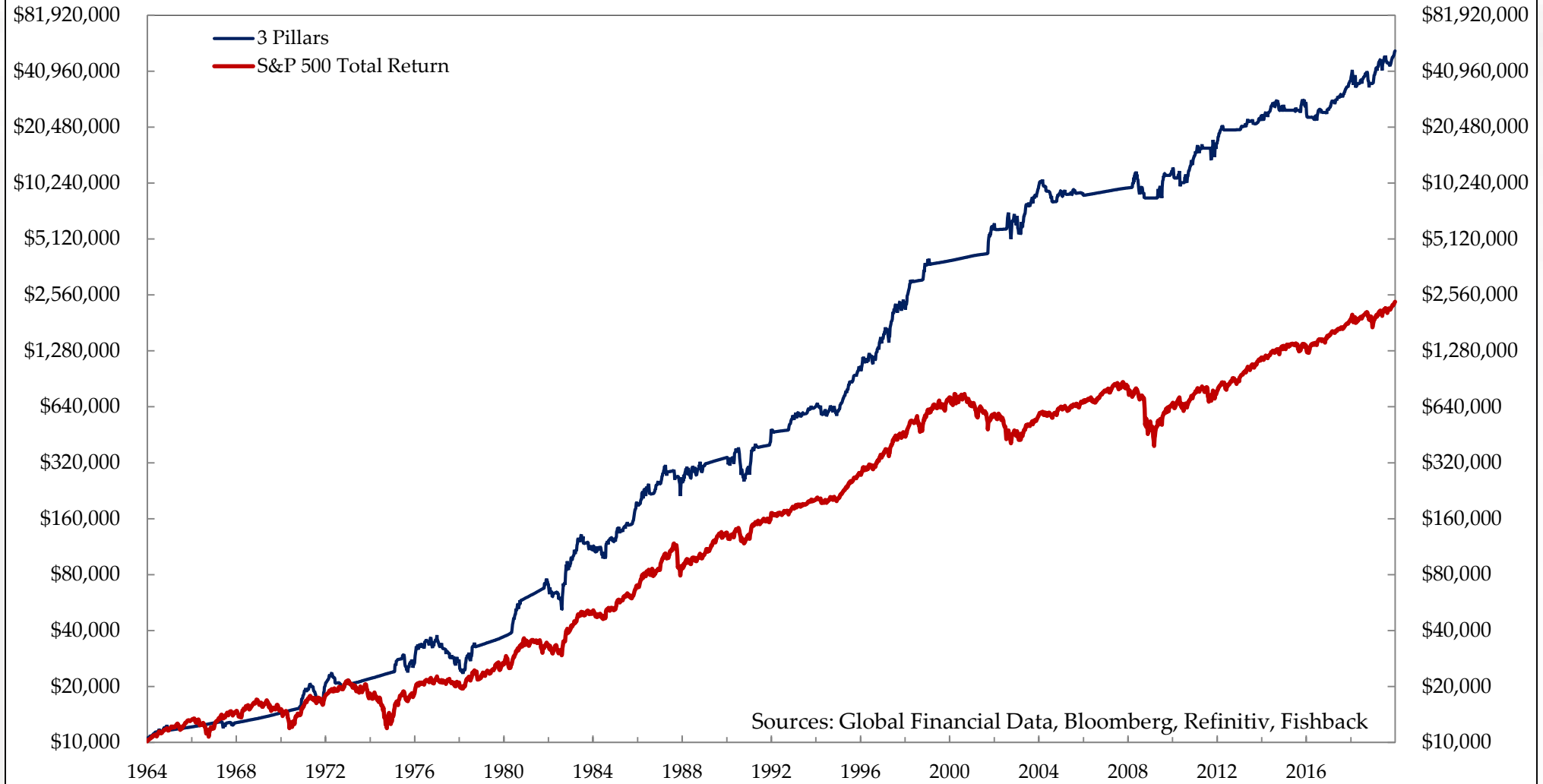
Sharpe Ratio			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	0.80	0.44	0.46
Since 1980	0.80	0.49	0.69
Since 1963	0.72	0.40	
Higher is better			

More Aggressive

Hypothetical Performance using an ETF with characteristics similar to SSO.

Three Pillars (2x Leverage)

Weekly Data 1964 - 2019 (Log Scale)



Sources: Global Financial Data, Bloomberg, Refinitiv, Fishback

Three Pillars to Investing – 200% Leverage Risk and Reward Statistics – SSO

THREE PILLARS SUMMARY STATISTICS ASSUMING DIFFERENT LEVELS OF LEVERAGE

2 x 1 Leverage

Compound Annual Growth Rate			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	17%	9%	10%
Since 1980	19%	11%	19%
Since 1963	17%	10%	
Higher is better			

Maximum Drawdown			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	-28%	-55%	-51%
Since 1980	-35%	-55%	-51%
Since 1963	-38%	-55%	
Closer to zero is better			

ULCER Index			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	11%	17%	16%
Since 1980	10%	14%	14%
Since 1963	10%	13%	
Lower is better			

Volatility			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	20.68%	17.34%	23%
Since 1980	21.41%	16.10%	23%
Since 1963	19.29%	15.57%	
Lower is better			

Sharpe Ratio			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	0.75	0.44	0.46
Since 1980	0.73	0.49	0.69
Since 1963	0.64	0.40	
Higher is better			

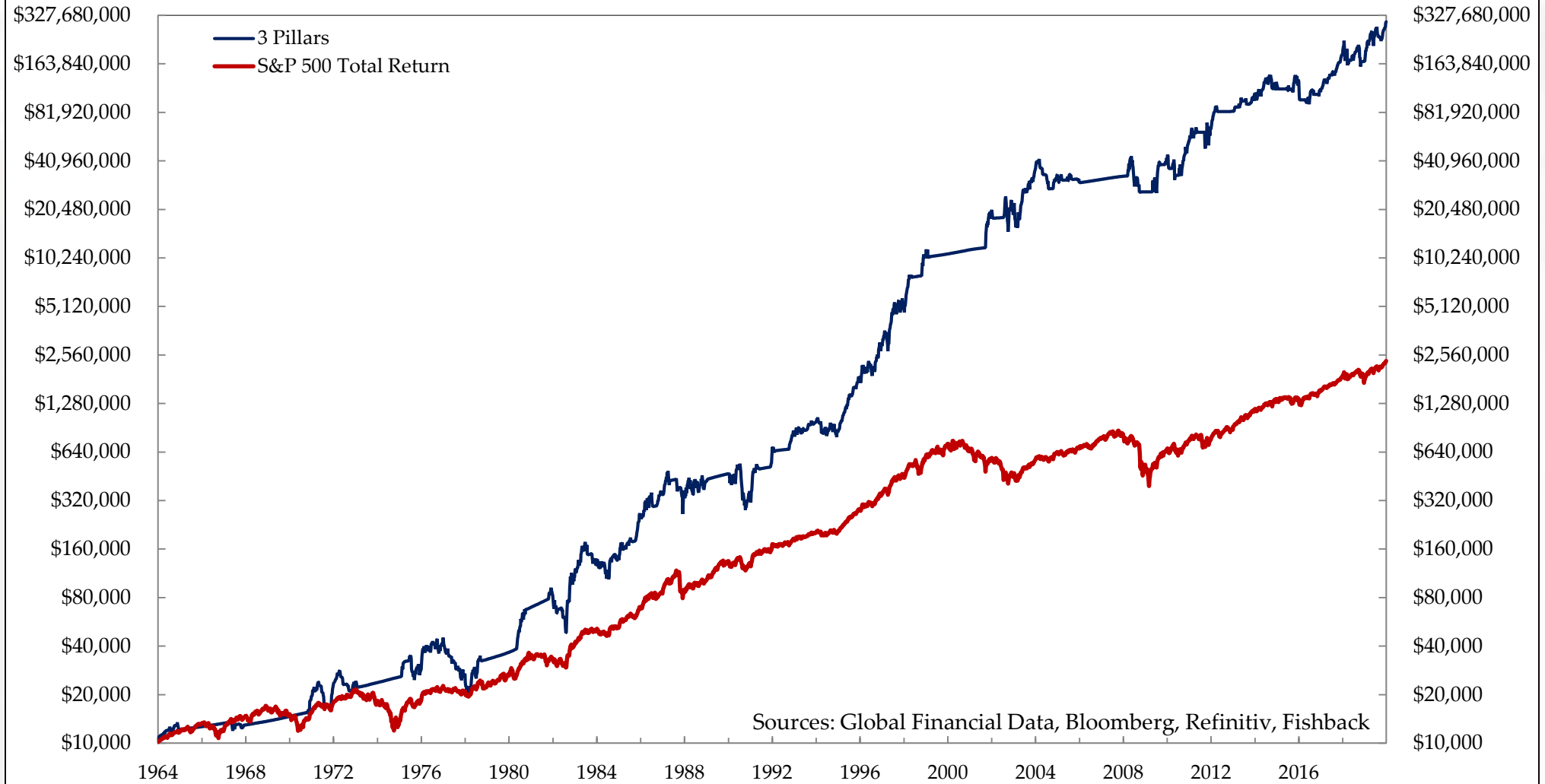
Most Aggressive

Hypothetical Performance using an ETF with characteristics similar to SPXL.

Similar drawdown risk to buy and hold, but 31 times more money!

Three Pillars (3x Leverage)

Weekly Data 1964 - 2019 (Log Scale)



Sources: Global Financial Data, Bloomberg, Refinitiv, Fishback

Three Pillars to Investing – 300% Leverage Risk and Reward Statistics – SPXL

THREE PILLARS SUMMARY STATISTICS ASSUMING DIFFERENT LEVELS OF LEVERAGE

3 x 1 Leverage

Compound Annual Growth Rate			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	22%	9%	10%
Since 1980	24%	11%	19%
Since 1963	20%	10%	
Higher is better			

Maximum Drawdown			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	-41%	-55%	-51%
Since 1980	-49%	-55%	-51%
Since 1963	-55%	-55%	
Closer to zero is better			

ULCER Index			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	17%	17%	16%
Since 1980	16%	14%	14%
Since 1963	16%	13%	
Lower is better			

Volatility			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	31.02%	17.34%	23%
Since 1980	32.07%	16.10%	23%
Since 1963	28.90%	15.57%	
Lower is better			

Sharpe Ratio			
	<u>3 PILLARS TO WEALTH</u>	<u>S&P 500 Total Return</u>	<u>Berkshire Hathaway</u>
Since 1997	0.74	0.44	0.46
Since 1980	0.70	0.49	0.69
Since 1963	0.62	0.40	
Higher is better			

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