FastBreak – 2016 Year in Review

We completed our 21th year since the initial release of FastBreak back in 1996; we again want to thank all our loyal users. The investment year 2016 was quit good for most of our tracked FastBreak trading systems - details below.

Housekeeping Issues

No changes to the latest versions of FastBreak since the previous year when we posted free beta upgrades on our website (Beta Version 6.8) for both Standard FastBreak and FastBreak Pro. See the 2015 Commentary or the upgrade notes on the website for details.

We have a new mailing address – see at the end of this commentary.

The vast majority of our technical support requests continue to be related to reinstallation on new computers so check our "installation help guide" that should address the vast majority of issues: http://www.edge-ware.com/FastBreak%20Installation.pdf

As a reminder, we have a new policy regarding providing replacement installation CDs. This new policy will not affect the vast majority of users: http://www.edge-ware.com/Replacement%20Policy.pdf

PaceMaker update The last couple of years we have mentioned development of a new market timing program, named PaceMaker, that we have been testing. You are probably wondering if we will every release the program. Well, we are wondering the same thing! The problem we are having with real time testing is the lack of stock market declines the past couple of years. Up until the November post-election breakout, the market had done little for two years. The two significant selloffs that occurred happened very quickly and were dip buying opportunities. We recommend you read Steve Blumenthal's (Capital Management Group) "A Few Fun Charts" from his 12/9/2016 commentary: http://www.cmgwealth.com/ri/radar-finito-bonds-italian-banks/ Steve presents some interesting data from Ned Davis Research. We recommend you read the entire section (BTW – Steve Blumenthal's weekly commentary is always worth reading), but the most significant take away: "The current case of 1955 days without a 20% correction is more than three times the average of 635 days (1-3-1928 to 12-8-2016)". Market timing is not very useful when there are few meaningful declines.

During the past year we discovered that PaceMaker may, and we want to underscore the word may, be useful in ways we never intended. We found data relationships that resulted in some encouraging bond fund trading signals. For example, we developed a signal for the high yield bond index and then used the signal in FastBreak Pro to build a system that trades among a family of high yield bonds. *Note: This is mostly backtesting and the system has been trading realtime with real money for only a couple of months, but we are encouraged with the results.*

Standard FastBreak Demo Available

The Standard FastBreak 30 day demo on our website is based on V6.2 of Standard FastBreak that contains most of the functionality of the latest release. There isn't a demo for FastBreak Pro.

Contact and other information

Our contact email address is email2ew (put @ here) edge-ware.com for all inquiries and tech support. We recommend you put the word "FastBreak" in the title of your emails so our spam blockers don't block your message.

Visit www.edge-ware.com for more information.

2016 Year in Review

This commentary will review several different types of trading systems.

The first version of FastBreak, now called Standard FastBreak, was released in early 1996. Potential users of any investment software product should always ask the question "What is actual performance?" Soon after the initial release, we developed example trading systems that could be monitored for "real time" performance. We don't modify trading system parameters during the performance reporting period and report on the systems on a yearly basis. If you would like to review all reports since 1997 visit our web site www.edge-ware.com and go to the Strategies page. We tell you the good, bad, and sometimes ugly performance for some trading systems.

The example FastBreak trading systems on the Strategy page of our web site may provide users and potential users a starting point on the different types of trading systems that FastBreak can be build. It also allows us to provide an honest benchmark for real time performance. Users of both Standard and Pro versions can download these systems. The Standard FastBreak 30 day demo (Note: The current demo is based on Version 6.2) that can be downloaded from the web site can also run most of these strategies but will not display the last 60 market days of trades. Many of these systems are several years old. We can now build better trading systems, but we keep these systems on our web site to show that many trading systems are effective for long periods of time.

Note 1: We have done very little research the past few years with stock equity fund/ETF trading systems. This is simply because we tend to research what we trade, and for the past few years, we have been very happy with bonds. Anticipation of the end of the 30+ year bond rally is one of the factors driving us to develop PaceMaker and go back to more actively trading stock equity funds.

Note 2: The example strategies should not be considered investment advice. We don't often post or change the example strategies on our web site because we believe investors' needs are very unique and users of our software should feel confident developing their own trading systems. Edge Ware, Inc assumes no responsibility for anyone trading these strategies. In addition, these systems are not rigorously maintained and with the demise of funds or symbol changes the systems may be affected. For example, several of the bond systems used the Shearson Treasuries Bond Index (STBI-) as part of the strategy. This index symbol became inactive in 2009 requiring strategy modification.

Note 3: All maximum drawdown (MDD) values reported below are daily values. In the investment industry you will typically see reported MDD values that are monthly values. Monthly values are very often substantially less than daily values.

The **US Stock Market -** It was not a particularly great year for the US stock market – until the November election. If you had to pick two words to describe 2016 it would be **"Oil &Trump".** The decline in oil prices early in the year drove the market. Once oil prices began to recover, the market was somewhat directionless until the November election. Small cap stocks, as measured by the Russel 2000, make a moon shot post-election, and at the same time, the DJ-30 significantly outperformed the S&P and OTC indexes by a wide margin. Not to sound like a broken record, but again, many professional investors struggled – as measured by hedge fund and managed futures performance.

World Markets -   Generally, the US was the place to be. World markets were weak as measured by EFA the MSCI EAFE ETF.
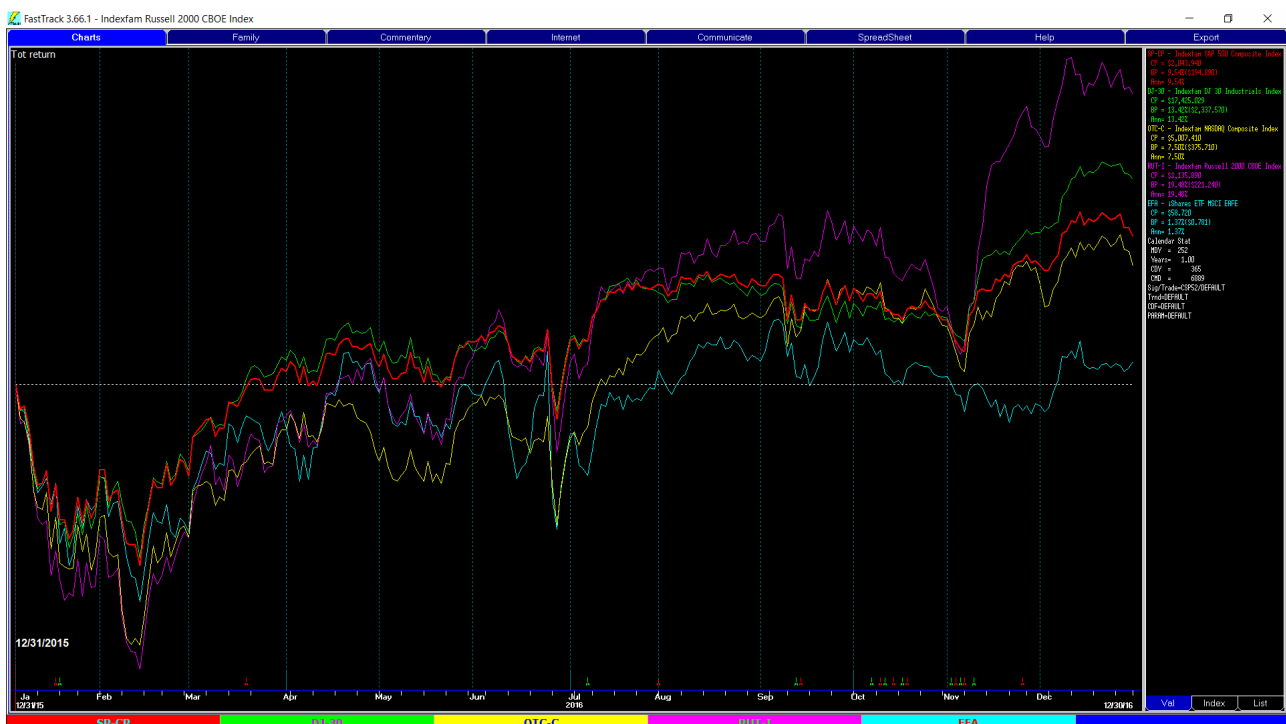
Bonds and US Dollar   Bonds were interesting in 2016. High Yield moved with the price of oil and did very well once oil prices stabilized early in the year. Most other bonds did well until the election (Treasuries were the exception and had begun to weaken in Sept/Oct.) and then there was a significant selloff with the expectation the new administration would encourage growth and increase deficit spending for infrastructure projects. There was also the much belabored commentary regarding "rotation" from bonds into equities. The US dollar (DXY-Z) was very strong late in the year as US interest rates rose. Muni bonds were not immune to rising interest rates. **Note: We have dropped the UPI column in our commentary because of the instability of calculating UPI in the low interest rate environment. See FastTrack Help for details.**
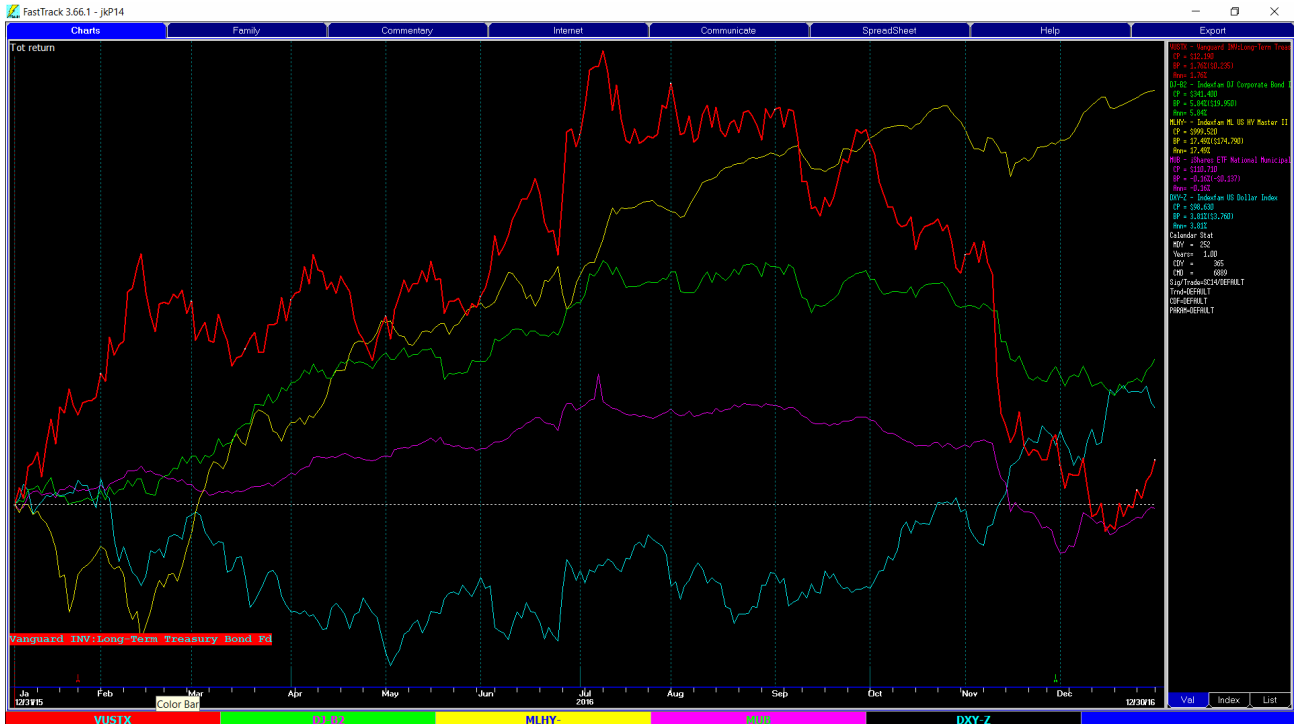
Summary of common benchmark performance for 2016:

	Total Return %	MDD%
S&P 500 (SP-CP)	9.5	-10.5
DJ-30 (DJ-30)	13.4	-10.1
OTC (OTC-C)	7.5	-14.8
Small Cap (RUT-I)	19.5	-16.0
World Markets (EFA)	1.4	-12.5
Treas. Bonds (VUSTX)	1.7	-17.1
DJ Bond Index (DJ-B2)	5.8	-5.1
High Yield (MLHY-)	17.5	-5.1
Muni Bonds (MUB)	-0.2	-6.7
Dollar Index (DXY-Z)	3.8	-7.0

Two measures of investment returns for professional managers:

	Return%
Managed Futures Funds	~ -1 to -2
Hedge Funds	~ +6 to 7

The above values are approximate because of the difficulty obtaining consistent information on these programs, but clearly, performance was not especially good as has been the case since 2008.

How did the FastBreak strategies posted on our web site perform? *Note: The date in the table below indicates when the system was posted on our web site. In most cases the system was trading real-time well before posting.*

|	System Return%	MDD%
Bond system (3/2001)	+19.4	-3.6
International funds (2/2002)	+19.7	-4.6
Bonds LT Gov and HY (12/2002)	+11.5	-3.7
Bonds Conservative zero coupon (12/2002)	+5.9	-3.8
Bonds Aggressive zero coupon (12/2002)	+15.3	-2.8
Income Strategy (1/2009)	+9.0	-4.5
Long/Short Gov Bonds and US$ (7/2007)	+12.4	-13.2
Muni Bond (2/2010)	+2.9	-2.9

We only have one non-bond strategy (International strategy) posted on the website because **Bond systems** continue to be where FastBreak consistently performs well, and the systems have held up in many cases for more than a decade. Another reason we don't post many equity strategies is because most of our favorite strategies use market timing signals that we can't post or maintain on the website.

The International system has been around since 2002 and has great long-term performance. It didn't do well the past three years due to weakness in many major world markets, but did exceptionally well in 2016 especially considering the general weakness in non-US markets. Read previous yearly reports for background on this system. We have maintained reporting on this strategy to demonstrate long-term strategy performance.

Bond Systems and Income Strategy did exceptionally well this year, even with the dramatic selloff in most bonds post-election.

Long/Short - Dollar/Gov Bond was our attempt to develop a system that zigs when the market zags without actually going short the stock market. The system actually does what we wanted and has slightly outperformed the S&P since development. This year the gains were almost all entirely due to nice gains in the strong dollar and short treasury funds post-election.

Muni Bond In 2010 we introduced a muni bond strategy. The system has nearly double the return of the benchmark with less than half the MDD. It should be noted that a large portion of the gains from the muni bond system are federal tax free, so depending on your federal tax bracket, the comparable taxable return could be several percentage points higher than indicated. Around the same time we developed a muni system that trades among muni ETFs some of which use leverage and have a high beta. The ETF system has performed even better (7.3% in 2016 with a 5.8% MDD), but Muni ETFs are very volatile compared to their open ended counterparts so the ride is rather bumpy (ETF system in yellow, MUB in red, and posted system in green):
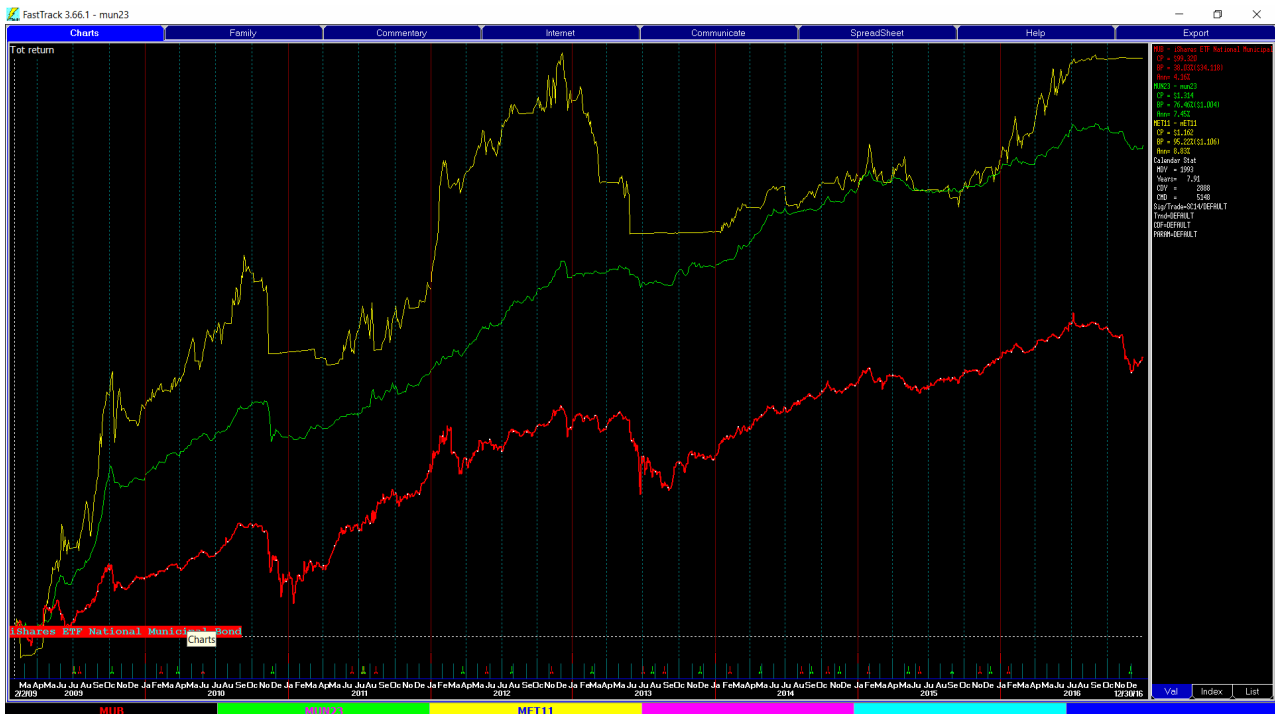
Other Mutual Fund Systems of Interest

Potential FastBreak users often ask about other systems such as Rydex and Fidelity Sectors. Here are some other systems we built to monitor and provide additional information. We don't trade these systems and built them simply for tracking purposes. The trading files for these systems are not posted on our web site.

	System Return%	MDD%
Rydex no signal	+19.6	-11.1

Fidelity Select no signal	+14.7	-5.1
ProFunds w/signal	+17.5	-15.1

Rydex, Fidelity, and ProFunds Sector Systems – Very good year for all these systems. The ProFunds system would have done even better if the signal used (No, it isn't a PaceMaker signal!) hadn't given a very untimely exit just days before the "Trump" rally. <u>With the sell signal, the system would have returned an even more amazing 31.5%.</u> These systems are many years old (Hence, the Rydex name), and could use some refreshing. Sector trading can be very challenging, but when markets are trending well, sector trading can be very profitable – see chart below for all these systems in real-time since 2006 compared to the S&P (purple). All have done well except the Rydex system, and that is due to the terrible 2015 performance. As you can see, trading high beta ProFunds can be very exciting.

Summary

We tend to be very harsh on ourselves when our systems don't beat the benchmarks, but this year was quit good for the majority of the systems.

What is FastBreak and Who needs FastBreak

Unlike other trading methods, the FastBreak "mechanical" trading strategies gives specific buy and sell recommendations. Mechanical trading systems leave no room for historic "revision". These types of

trading systems may not be for everyone, but we believe they should be considered if you recognize yourself in the following:

- Do you have trouble "pulling the trigger" on trades, e.g., selling your losers, taking profits on your winners, waiting for a bounce to get out of a bad trade ...?
- Do you have a limited amount of time to devote to your investments? If you are a full time investor, or enjoy sitting in front of CNBC and your computer all day, you may be able to do better with other investment methods. However, if you have limited time (or better things to do with your time!) a few minutes an evening is all you need to download your FastTrack data and run your FastBreak strategies.
- We have stopped reporting on some of the older FastBreak systems for a variety of reasons: Many of the mutual funds used in these old trading system families have since been discontinued, the market timing signals (unrelated to FastBreak) used did not stand the test of time, and we can build much more effective strategies with the functionality added to FastBreak in recent years. We felt that those systems don't accurately reflect the performance that FastBreak can produce.

Standard Disclaimer

As the saying goes, "Past performance is not a guarantee of future results."

Ordering information - PLEASE READ CAREFULLY

Standard FastBreak

- New user purchase: $499
- Current user upgrade: $199 (If you have purchased ANY previous version of Standard FastBreak – even if it was 20 years ago!)
- Save up to $125 on FastGraph (see commentary 8163) when purchased with Standard FastBreak: add $125

FastBreak Pro

- New user purchase: $1900
- Current user upgrade: $400 (If you have purchased ANY previous version of FastBreak Pro even if it was Version 1 back in 2000!)
- Save up to $125 on FastGraph when purchased with FastBreak Pro: add $125

FastGraph

- New user purchase: $250

If you have any questions contact us at email2ew (put @ here) edge-ware.com

When ordering include:

1) New user or Upgrade
2) FastTrack account number (not your password)

If you purchase Standard FastBreak and later decide to purchase FastBreak Pro within 60 days, we will credit your full purchase price toward the FastBreak Pro purchase.

Order by check or money order, send check to:

Edge Ware, Inc
118 Bartlett St, #D
Marietta, Ohio 45750

All orders receive an installation CD and hardcopy manuals. New users will also receive a 60 minute DVD. The video is to help you get started faster with the basic functionality of Standard FastBreak and FastGraph. Although the DVD doesn't cover FastBreak Pro it will help you with general functionality in FastBreak Pro.

FastBreak **IS NOT** offered with a money back guarantee. If you are not sure FastBreak is for you, we recommend going to our web site (www.edge-ware.com) and download the user manuals and 30 day Standard FastBreak demo program. You can also download the sample trading system from our web site and run them in the demo.

Compatibility with Windows®

We get inquires asking if FastBreak is compatible with the latest versions of Windows® and is it compatible with Apple OS? FastBreak has been successfully installed on both the 32 and 64 bit versions of the Windows® 7 operating system, Windows® 8, and Windows® 10. However, there can be a few quirks, but if you read the guidelines at this link you shouldn't have any installation or reinstallation problems: http://www.edge-ware.com/FastBreak%20Installation.pdf During installation if you receive the error "Unable to register Mfc40.dll" click the "Ignore" option and the installation will continue to completion. As for Apple OS, we are aware of users running FastBreak on Apple OS, but we have no direct experience.

If you have additional questions we can be contacted at email2ew (put @ here) edge-ware.com **DO NOT CALL INVESTORS FASTTRACK for information!!**