

FastBreak – 2020 Year in Review

We completed our 24th year since the initial release of FastBreak back in 1996; we again want to thank all our loyal users. Before we get to a yearly review, along with the performance metrics of a few sample FastBreak strategies, we want to take care of housekeeping issues.

Housekeeping Issues

Magazine Articles: We were privileged to have two articles published in *Technical Analysis of Stocks & Commodities* magazine (www.traders.com) The March issue had our article on how we create synthetic data to extend the price history of issues such as ETFs that are lacking enough history to create reliable trading systems. The December issue article used FastBreak Pro to create a hedging strategy for the S&P 500 Index. More about this strategy later in the commentary. This strategy uses ETFs and is similar to the Rydex funds hedging strategy we posted on our website last year. The Rydex hedging strategy was the topic of a research paper for the National Association of Active Investment Managers (NAAIM) Founders Award (<https://www.naaim.org/programs/founders-award-2021/>). The paper is titled *Hedging the S&P 500 Index: ZIG when the Market Zags* and can be downloaded from our website: https://www.edge-ware.com/ZIG_Hedging%20the%20S&P%20500%20Index.pdf

All sample strategies can be downloaded from our website: <https://www.edge-ware.com/strategi.htm>

FastBreak/FastGraph We released Version 6.8.2 early in 2020 to fix a bug in alpha ranking. As we noted last year, it has become very time consuming to update all the previous versions, which we did as a courtesy to our users. Version 6 has been available since 2009, and we decided it is time to drop support to versions prior to Version 6, and they have been removed from the website.

It is quite easy to upgrade. You can find all the updates on our website: <https://www.edge-ware.com/upgrade.htm> Download the zipped file to the directory where you have your application installed (typically fbreak, fbreakp, fgraph). Click on the zipped file to extract the exe (fbreak.exe, fbreakp.exe, fgraph.exe) This will become the executable you need to run so you will probably want to change all your shortcuts to run this version. You can either put a shortcut on your desktop, start button etc. Different versions of Windows have various ways of creating shortcuts. Typically, you will right click on the exe and select: Pin to Start, Create Shortcut etc.

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>

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, but all our user manuals are available at our website if you want to take a look.

Contact and other information

Our contact email address is [email2ew \(put @ here\) edge-ware.com](mailto:email2ew@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.

2020 Markets and Performance 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.

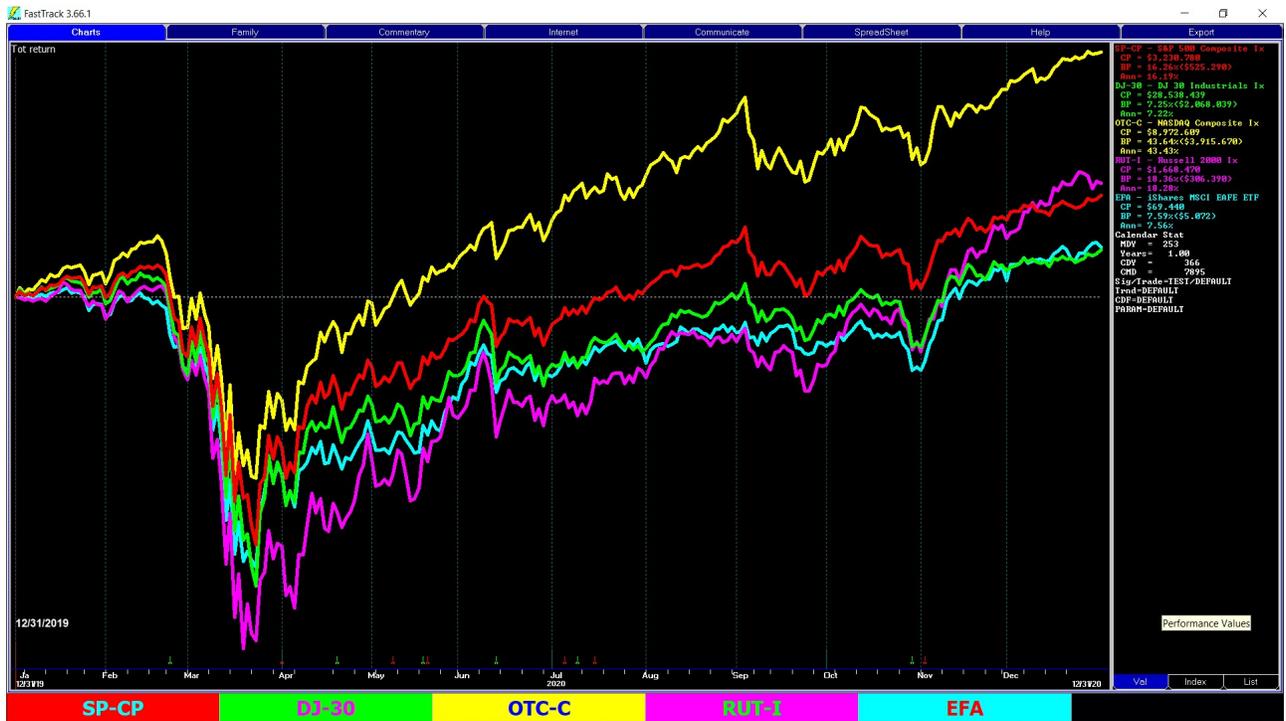
The example FastBreak trading systems on the Strategy page of our web site may provide users and potential users a starting point on the different types of trading systems that FastBreak can build. It also allows us to provide an honest benchmark for real time performance. Users of both Standard and 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: 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.

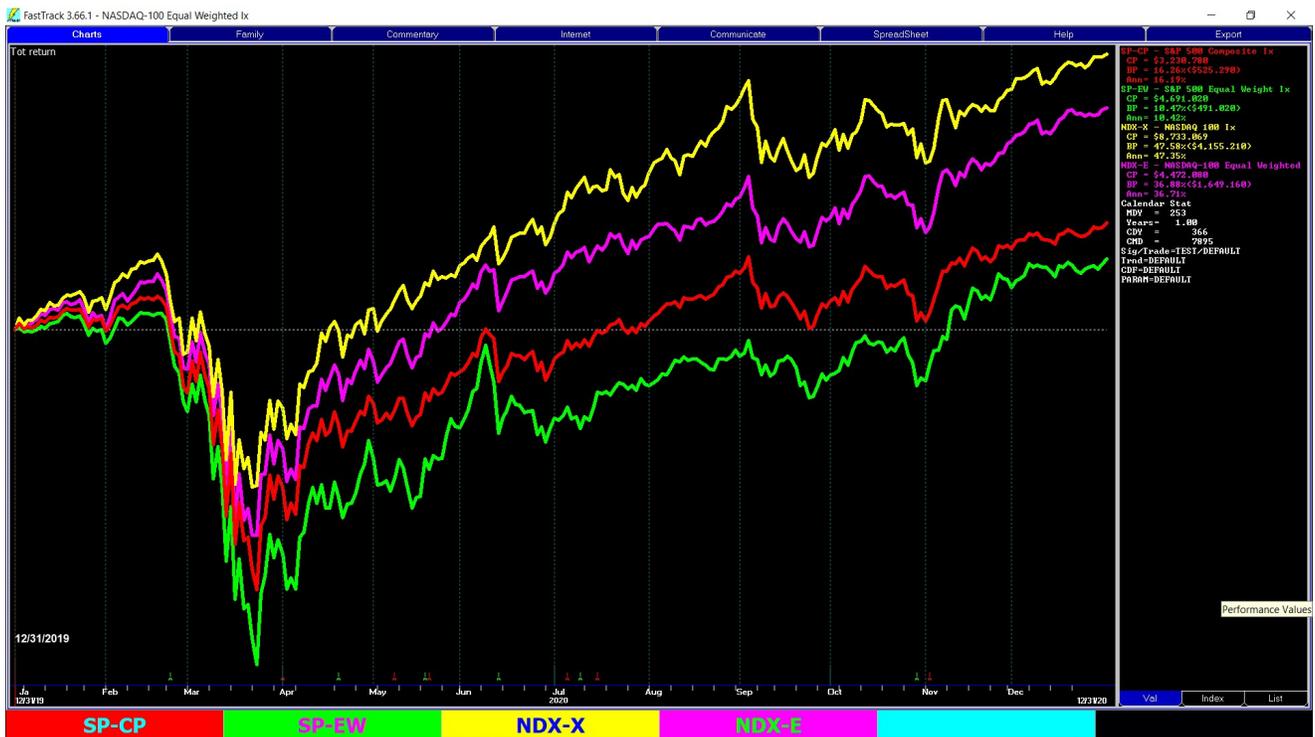
Note 2: All maximum drawdown (MDD) values reported below are daily values. In the investment industry you will typically see reported MDD values that are monthly values. Monthly values are very often substantially less than daily values.

The US Stock Market – Covid, Covid, Covid – this says it all. Few were expecting the massive rally in the stock market after the rapid decline in March.

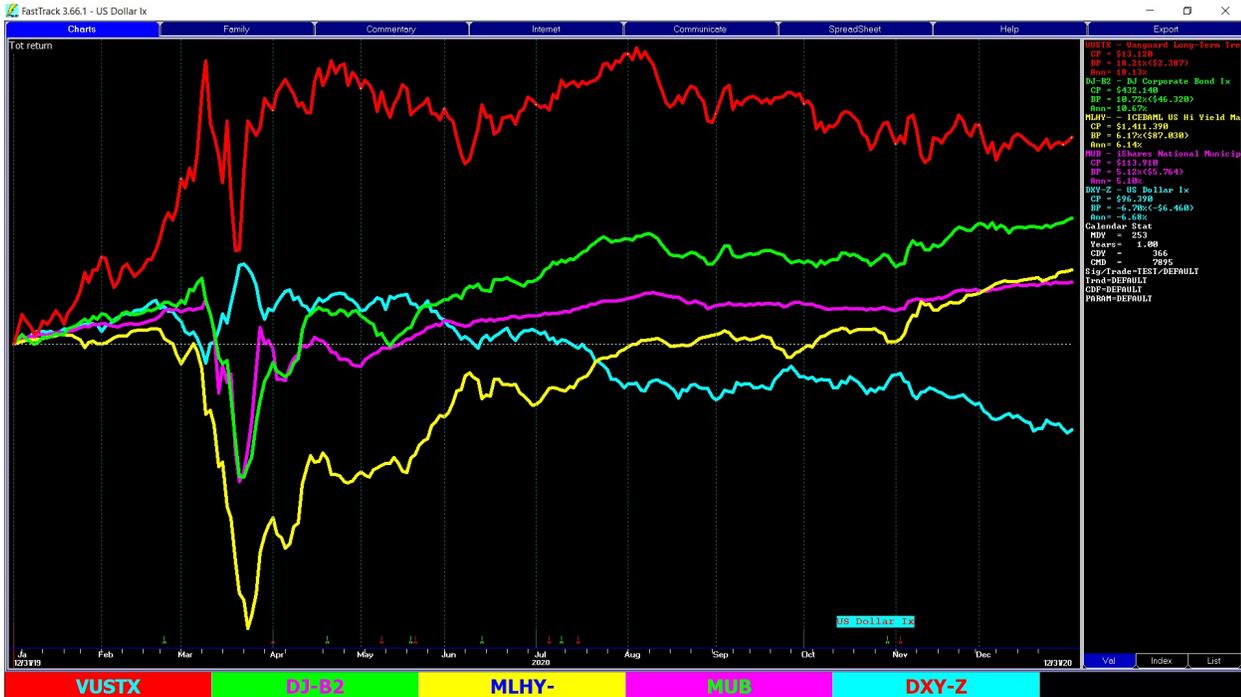
World Markets - Major world markets, as measured by EFA (MSCI EAFE ETF), general followed the US markets but were not as strong.



We are sure most investors are aware that the capitalization weighed averages have been driven in large part by a handful of stocks. FastTrack allows us to take a quick look at this by looking comparing the major indexes to an “equal weight” counterpart. It gives quite a different result with equal weighting knocking 6-11% off the weighted averages.



Bonds and US Dollar If the stock market was a surprise, bonds were even more so. High Yield (HY) bonds often move in tandem with the stock market (and oil prices since a large amount of high yield debt is tied to energy companies). All bonds, except for Treasuries were devastated in March – until the Fed/Treasury stepped in and said they would buy bonds - even HY bonds. The US dollar (DXY-Z) was generally in a decline that picked up speed near year end (and into the 2021).



Summary of common benchmark performance for 2020.

	Total Return %	MDD%
S&P 500 (SP-CP)	16.19	-33.92
DJ-30 (DJ-30)	7.22	-37.09
OTC (OTC-C)	43.43	-30.12
Small Cap (RUT-I)	18.28	-33.93
World Markets (EFA)	7.56	-8.07
Treas. Bonds (VUSTX)	18.13	-14.23
DJ Bond Index (DJ-B2)	10.67	-14.88
High Yield (MLHY-)	6.14	-21.54
Muni Bonds (MUB)	5.10	-13.68
Dollar Index (DXY-Z)	-6.68	-12.78

Cash (VMMXX)	0.52	0
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Two measures of investment returns for professional managers:

https://www.barclayhedge.com/	Return%
Managed Futures Funds (CTAs)	4.8
Hedge Funds	10.9

Clearly, the OTC was the place to be – largely driven by large cap tech. One would expect hedge funds and CTAs to perform well in a year with high volatility, but clearly that was not the case. Of course there were hedge funds and CTAs that has outstanding years, but we are only looking at averages. Hedge funds haven't really had a good year since 2008. Also, large numbers of funds continue to close so "survivor bias" may make the above numbers look even better than actual performance due to poorly performing funds closing and not included in the above numbers. Note on Commodity Trading Advisors (CTAs): By some measures, CTAs as a class have only five positive years 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 many cases the system was trading real-time well before posting.*

	System Return%	MDD%
Bond system (3/2001)	33.42	-14.23
International funds (2/2002)	19.46	-10.58
Bonds LT Gov and HY (12/2002)	-1.16	-20.25
Income Strategy (1/2009)	-9.40	-21.75
Muni Bond (2/2010)	2.86	-13.37
ETFstyle11 (1/2/2017)	32.07	-18.85
Nationwide Style (3/3/2019)	34.61	-12.27
New Nationwide Style RAT (1/2/2021) (req. V6.8)	21.53	-15.59
New ETF Style28 (1/2/2021) (req. V6.8)	40.02	-13.50
Rydex Hedge with S&P (50%/50%)	8.97	-17.55
Hedge only (1/2/2017) (req. V6.8)	-5.31	-27.94
New TASC ETF Hedging w/VFINX (1/2/2021)	27.12	-13.46
W/O VFINX (req. V6.8)	29.51	-12.53

Bond systems – The bond strategies were a mixed bag. The original bond strategy that has been around for 20 years hit it out of the park. The LT Gov bond/High Yield strategy stayed in the Treasury fund way too long when it should have switched to the HY. The Muni ETF strategy did just Okay. We have stopped reporting on the bond strategies that used zero coupon Treasury bonds because those funds have disappeared.

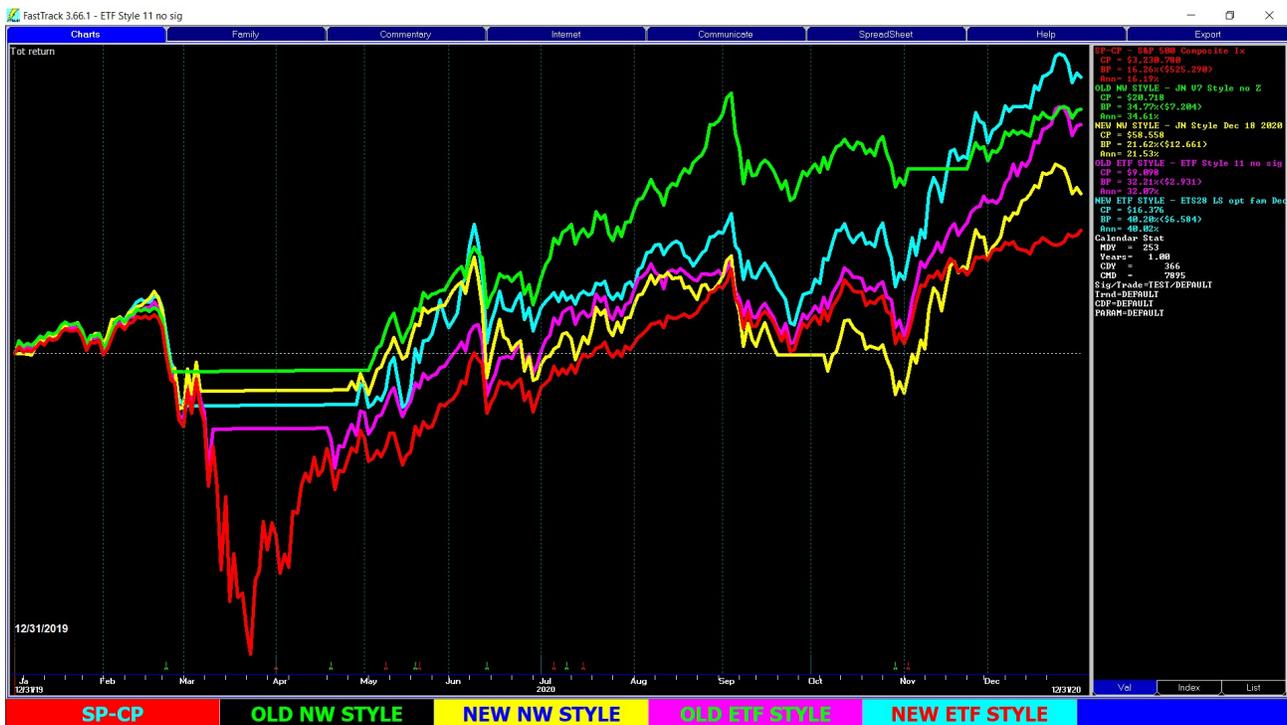
Income Strategy – This is the biggest disappointment. Unfortunately, this strategy went into emerging market bonds just at the start of the Covid decline and was locked into the trade. It recovered, but couldn't make up the drawdown.

The International system has been around since 2002 and has great long-term performance. It general outperformed the world markets.

ETF and Nationwide Style Strategies – If you ask us our favorite equity trading strategies in recent years we would say it is “style” (some use the term “style factor”) strategies, i.e., switching between large cap, small cap, growth, value etc. Both the ETF and Nationwide style strategies hit it out of the park by sidestepping much of the March decline by going to cash and then rotating into the strongest styles during the recovery.

New Style Strategies – We are posting two new style strategies on the website. The new Nationwide strategy is a bit of an experiment. It uses only three actively managed funds that have very good long term performance, and it uses the Return Advance to Trend (RAT) option in FastBreak. This is a bit of a “return to mean” strategy. The other is an ETF style strategy that uses a trading family that was optimized by FastBreak Pro.

The following chart shows 2020 performance for the old and new style strategies. Yes, the new Nationwide underperformed the old Nationwide, but the new strategy has better long term optimized performance.



Hedging strategies – The hedging strategy that was the subject of our NAAIM paper (using Rydex funds) did what it was intended to do and that is hedge a buy and hold position in the S&P 500 index. In the chart below the strategy (green) was matching the S&P, with much less volatility, until getting whipsawed around the election before getting back on track.

New TASC Article ETF Hedging Strategy- We posted the December TASC article strategy on our website. It is the yellow line in the chart below. *Note: As we noted in the TASC article, the long Euro ETF used in the strategy is currently a VERY small ETF and thinly traded. Recently, it has been getting some love as the Dollar has declined.*

Note: All new posted strategies have VERY limited real time performance, and as are all the posted strategies, for informational purposes only.



Summary

Generally, we are happy with many of the posted strategies and especially thrilled with the style strategies. Best wishes for the New Year.

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](mailto:email2ew@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
188 Huck Lane
Vincent, OH 45784

All orders receive an installation CD (if you prefer a USB drive let us know) 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, 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> 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](mailto:email2ew@edge-ware.com) **DO NOT CALL INVESTORS FASTTRACK for information!!**