03/01/2011 FastBreak - Year 2010 Review

Before reviewing FastBreak trading system performance for this past year we want to take care of housekeeping issues. Manuals for all our software can found on our website www.edge-ware.com **Ordering information and prices appear at the end of this commentary.**

Compatibility with Windows® 7

We get inquires asking if FastBreak is compatible with Windows® 7. It has been successfully installed on both the 32 and 64 bit versions of the operating system. During installation if you receive the error "Unable to register Mfc40.dll" click the "Ignore" option and the installation will continue to completion.

FastBreak Discussion on the web has moved

At one time we maintained our own user discussion area on our website; however, automated spamming programs ruined that for everyone so we moved to the subscription site **www.ft-talk.net,** a place where FastTrack users congregate. Note that FT-Talk has moved from .com to .net and we have established a discussion area on their new site.

Upgrades to Version 6 FastBreak Pro

In 2009 we released Version 6 (V6.2) of Standard FastBreak and FastBreak Pro. During 2009 we released two free upgrades for users of Version 6 of FastBreak Pro. We didn't release any upgrades in 2010. **More about what we have been working on in the summary at the end of this commentary**. Version 6 users can downloaded free upgrades from our website, www.edge-ware.com Here is a brief description of the last upgrade:

Combine/Complementary Systems V6.4 Beta
FastBreak Pro V6.4 Beta adds the capability to optimize a new trading system in conjunction with one or two existing trading systems. The intent of this capability is to build complementary systems that may reduce the maximum draw down (MDD) or volatility of an entire portfolio trading multiple systems. We added this feature after our experience with ETF trading systems.

As an example, perhaps the investor has developed a system that trades ETFs. The annual return of this system may be excellent but has significant drawdowns on a regular basis. This is often the case with a system that trades based on very long term trends without the benefit of tight stops. FastBreak Pro now allows you to import the equity curve (FNU file) from this existing system and the optimizer will attempt to build a complementary system that reduces the overall MDD when the two systems are traded together. Perhaps the optimizer finds a new trading system that makes short term trades or finds alternative funds that don't have a high correlation with the equity curve of the original system. A second possible use for an investor who has a trading system unrelated to FastBreak and then uses this new feature in FastBreak Pro to build a complementary system that may improve overall portfolio performance.

FastBreak Version 5 users

Beta Versions for Version 5 users

Read this section carefully as it may be confusing.

As a service to Version 5 users we placed beta versions of FastBreak Pro and Standard FastBreak on our website (www.edge-ware.com) in early 2009 that contained new features we added in the initial release of V6. There is no cost to download and try these beta versions, but they will only work for users who have Version 5. Users of earlier versions of FastBreak will not be able to run the betas. Users who have Standard V5 will be able to run the Standard V6.1 beta. Users who have Pro V5 will be able to run the Pro V6.1 beta.

We are calling these versions Beta V6.1 and they have EXACTLY the same functionality as the initial Version 6 release.

These beta versions will not be upgraded or maintained. As we upgrade the official release version with future changes (V6.3, V6.4 etc.) we will not be updating the betas and only those who purchase V6 will be eligible for the updates.

Standard FastBreak Demo Available

The Standard FastBreak 30 day demo on our website is based on V6.2 of Standard FastBreak. This will allow potential users to try the Trendline option in a manual mode. 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. Email spam continues to be an increasing problem and we recommend you put the word "FastBreak" in the title of your emails so our spam blockers don't block your message.

FastTrack has stopped maintaining their Commentaries, but you may be able to find information about our products in the old commentary sections: 8160, 8161, 8162, 8163, 8164, 8165, 8166, 8167, 8168 and visit www.edge-ware.com

2010 Year in Review

**This commentary will review several different types of trading systems.**

The first version of 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.

The example FastBreak trading systems on the Strategy page of our web site may provide users and potential users a starting point on the many different types of trading systems that can be built with FastBreak. 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 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.

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

The **US Stock Market**. 2010 was a good year with most indexes posting low double digit gains. It was a little choppy, which gave some of our strategies problems, but most did well. There was an early year rally that ended rather abruptly, a choppy mid year with a very nice year end rally.
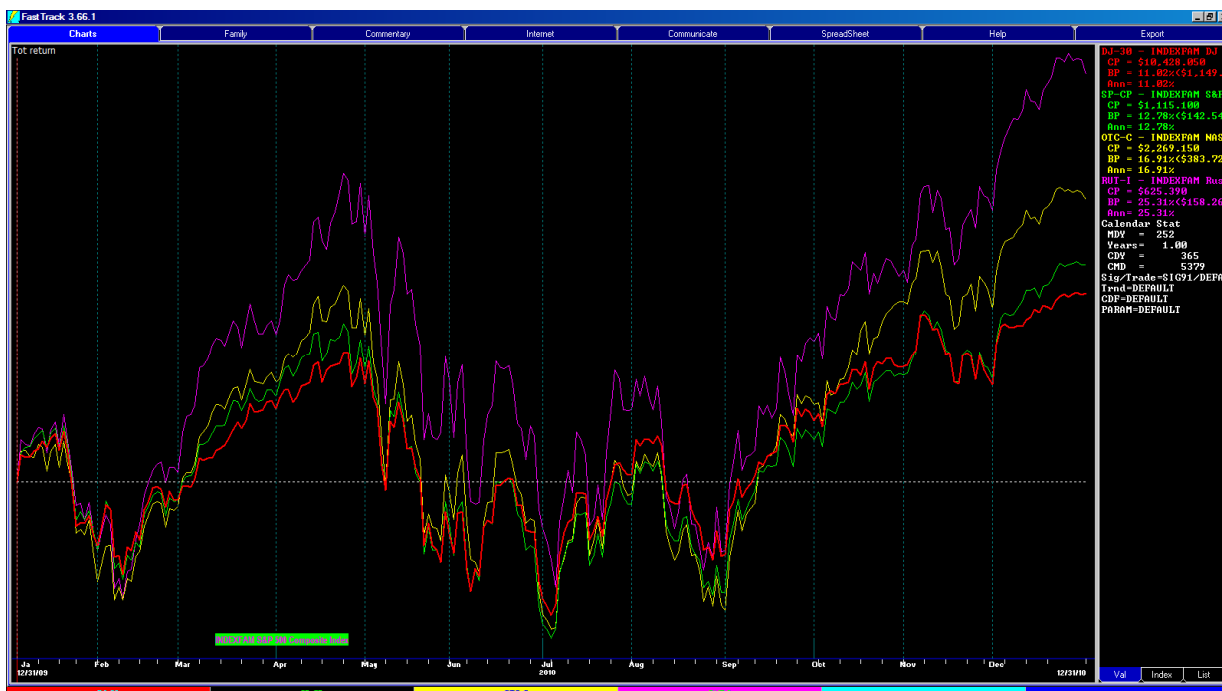
The **Bond and US Dollar markets.** Due to the demise of the Shearson Treasuries Bond Index (STBI-), we will use VUSTX as a proxy for US Treasuries. Treasuries and Commercial bonds (DJ-2B) were generally correlated and sold off late in the year as interest rates rose. High Yield bonds were especially strong as the fear of default continued to decline. Muni bonds had a dramatic selloff in November as the possibility of default gained attention. The US dollar (DXY-Z) was very volatile due to the problems with the Euro.

Here is a summary of common benchmark performance in 2010:

	Return %	MDD	UPI
S&P 500	12.8	-16.0	1.3
DJ-30	11.0	-13.5	1.3
OTC	16.9	-17.3	1.7
Treas. Bonds (VUSX)	8.9	-13.0	1.2
DJ-B2 (DJ Bond Index)	9.0	-4.3	4.2
High Yield (Merrill Lynch Index)	15.2	-4.6	8.1
Muni Bonds (MUB)	0.1	-8.2	-1.8
DXY-Z (Dollar Index)	2.1	-14.6	-0.2

We include two measures of investment returns for professional managers:

	Return%
Managed Futures Funds	Approximately: 10 %
Hedge funds	Approximately: 11 %

The above values are approximate because of the difficulty obtaining reliable information on these programs.

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	UPI
Bond system (3/2001)	11.7	-5.2	3.9
International funds (2/2002)	16.6	-7.4	3.1
Bonds LT Gov and HY (12/2002)	15.3	-3.4	8.1
Bonds Conservative zero coupon (12/2002)	20.1	-3.2	13.6
Bonds Aggressive zero coupon (12/2002)	8.3	-9.8	1.1
Short bond (Rydex) (12/2002)	-7.8	-8.7	-2.1
Short NDX-X (Rydex) (12/2002)	-10.5	-10.8	-2.0
Short S&P 500 (Rydex) (2/2002)	-7.8	-9.0	-2.0
Income Strategy (1/2009)	-3.7	-13.2	-1.0
Long/Short Gov Bonds and US$ (7/2007)	-5.0	-13.2	-1.4
Muni Bond (2/2010)	4.6	-4.7	0.6

Bond systems were generally very good to excellent. **Note: The bond systems that use zero coupon funds needed to be modified slightly.** As noted earlier, STBI- is no longer available as an index for US Treasuries. These strategies used STBI as an index for beta filtering of the zero coupon funds. We have substituted VUSTX for STBI- and reposted the systems on the website. Last year we introduced a muni bond strategy. This system was up over 9% heading into November. When the selloff in the muni market began the system gave back about half the gains. The reason for giving back a little more of the gain than we would have liked was because of a 30 day minimum hold. This requirement is driven by the brokerage company restrictions where we trade the strategy. We were in that 30 day period when the selloff began so the strategy gave back some gains; however, it should be noted that many muni bond funds gave back all the gains for the year and in

the case of some ETFs and closed end funds they gave back even more. The selloff continued into 2011. We have built an ETF muni system to avoid the minimum holding period problem but it is too early to report on this system.

The only bond system that didn't so well is the strategy that uses a Rydex fund to short the bond market. The Rydex long and short bond funds are very volatile and subject to whipsaws.

The International system has been around since 2002 continues to have amazing performance. Read previous yearly reports for background on this system. We have maintained reporting on this strategy to demonstrate long term strategy performance. In 2004 we described a trading system that used Closed End Country funds as a possible substitute for this system. Since 2004 this system has returned over 14% per year vs. 1% for the S&P 500. It had a 30% MDD at the bottom of the 2009 bear market, but has averaged 36%/year in 2009 and 2010 (double the S&P 500 return in those two years.)

The **Short Market systems** had a poor 2010 (after an outstanding 2008) with the choppy market. We will admit that we haven't really concentrated on short selling (it is very hard to do well!) and this is probably just a poor system that we should delete. We didn't feel too bad after we read that the average short bias hedge fund lost 16% in 2010.

The **Income strategy** was the biggest disappointment. An earlier version of this system has been around since 2003 and has been one of our favorite trading systems. We reoptimized the system in 2008 (see 2008 commentary) due to a 2008 MDD higher than we liked. The system was whipsawed in the real estate fund twice this year and just didn't do well.

The **Long/Short - Dollar/ Gov Bond** trading system. This system didn't perform well mainly due to the volatility in both treasuries and the dollar index.

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 trade or monitored during the full year to provide additional information. The trading files for these systems are not posted on our web site.

System	Return%	MDD%	UPI
Annuity (4 funds no signal)	12.5	-6.1	3.2
Rydex no signal	17.2	-16.0	1.4
Select no signal	14.8	-12.1	1.5
ProFunds w/signal	37.0	-21.3	3.6

The **Annuity** system holds four positions in a trading family of approximately 40 funds. The trading family includes a very diverse group of funds including international and bond funds. This strategy is reoptimized nearly every year due to annuity company changing many of their funds. One of the advantages of FastBreak Pro is the ability to quickly rebuild trading systems when there is significant change in investment program such as annuity or retirement programs. System performance was very good with a very small MDD. Even though this system has market like returns, here is how the system equity curve compared to the S&P 500. Obviously this system has a much smoother ride without the benefit of a timing signal.

Rydex, Fidelity, and ProFunds sector system performance was generally good to excellent. The ProFunds system was described in the 2007 commentary year. The system uses the ProFunds sector and 1x and 2x index funds.

Jefferson National Last year we mentioned work with the funds available from Jefferson National, a favorite annuity company of many active investors. We didn't build the systems until late May, 2009 so we didn't report on real time performance. Now that we have a full year, here are the results:

System	Return%	MDD%	UPI
All bonds available	23.0	-4.6	10.8
7 day hold bonds	25.9	-4.6	16.3
30 day hold bonds	25.9	-4.6	16.3
7 day Equity funds – no signal	19.2	-9.1	3.1

Jefferson National has different holding periods on their funds. We build different bond systems based on the different holding rules. Note: Jefferson National is constantly changing funds available and holding rules. These systems were built with the funds and rules in place at the time. We are very pleased with the results.

ETF Trading Systems

As we have previously said, ETFs are fantastic investment vehicles; unfortunately, there isn't a lot of historical data for testing and system optimization for the vast majority of ETFs. Some investors have successfully developed systems using other sector funds or indexes that have a long history and then substituting the ETFs into the system. We didn't do much research with ETF systems in 2010. Systems built in 2009 generally had an OK year, with market index like performance.

Stock Trading Systems

Review the 2005, 2006 and 2007 commentaries that described stock trading systems built using FastBreak Pro. Trading individual stocks can produce spectacular returns or equally impressive failure. We have continued to do a lot of personal system development with stocks, more so than ETFs. We especially like small cap value stocks and energy stocks. We have described our general approach to developing such systems in previous years. The small cap value systems we trade or monitor returned ~19-45% with MDDs generally less than 20%. The energy stock system we have discussed in previous years returned 26% in 2010; even with a couple brief, but dramatic selloffs, in the energy sector.

As has been stated in previous commentaries, individual stock trading systems are very volatile and not suitable for everyone.

Summary and development plans for 2011

The one message that we keep emphasizing is that investors should diversify across multiple trading systems and asset classes. No one system is going to trade well in all markets.

2010 was unusual in that we didn't release any upgrades to FastBreak. Last year we said in the commentary that we hoped build some systems with the new complementary system feature in the latest version of FastBreak Pro, and this lead to a lot of research, i.e., reading a couple thousand pages on trading system development. We have coded some new features and they are in testing. The new features try to take advantage of buying into short term weakness. Early testing has found that this is useful, especially for individual stocks. We hope to have the beta posted on our website by mid-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: $475 (check) $499 (credit card)

Current user upgrade: $190 (check) $199   (credit card) (If you have purchased ANY previous version of Standard FastBreak)

Save up to $135 on FastGraph (see commentary 8163) when purchased with Standard FastBreak: add $115 (check) $125 (credit card)

FastBreak Pro

New user purchase: $1800 (check) $1900 (credit card)

Current user upgrade: $380 (check) $400   (credit card) (If you have purchased ANY previous version of FastBraek Pro)

Save up to $135 on FastGraph (see commentary 8163) when purchased with FastBreak Pro: add $115 (check) $125 (credit card)

If you have any questions about ordering contact us at [email2ew (put @ here) edge-ware.com](mailto:)

When ordering by either phone or check specify:

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.

At user request, we are going to continue offering discounts for those who make their purchase by check. When payment is made by check we avoid the credit card and 800 order line fees. We pass along those savings to you.

Order using your VISA or MasterCard by calling our toll free order line 800-420-9588. Do not use this number to obtain additional information. This is a commercial order line and the operators are not equipped to answer technical questions.

If ordering by check or money order, send check to:

> Edge Ware, Inc
> 3536 Onyx Circle #4
> Beavercreek, Ohio 45431.

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 FastBreak and FastGraph.

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.

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