

FastBreak – 2022 Year in Review

We completed our 26th 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

Edge Ware is now an LLC This was done to simplify accounting. The only change for users is how checks are made out.

Article in February issue of *Technical Analysis of Stocks & Commodities* magazine The article is about using exponential moving averages to trade high yield bond funds. The article doesn't mention using FastBreak, but users could use the trading signal described in the article in conjunction with a FastBreak.

Windows 11 Microsoft released Windows 11[®] in October, 2021. Like most users, we haven't upgraded to this new OS and haven't received any reports (good or bad) from users. If any of our users are running FastBreak/FastGraph with Windows 11[®] drop us a note and let us know what you think of the new OS or if you are having issues.

FastBreak/FastGraph As we noted in 2020, we released FastBreak Standard/ProVersion 6.8.2 early in 2020 to fix a bug in alpha ranking. We also posted that it has become very time consuming to update all the previous versions, which we did as a courtesy to our users. The initial 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. If you are using an earlier version and want to upgrade see the price for upgrades at the end of this commentary.

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 (ftbreak.exe, ftbreakp.exe, ftgraph.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.

2022 Markets and Performance Review

All sample strategies can be downloaded from our website: <https://www.edge-ware.com/strategi.htm> (They follow the Commentary links). **Note: We had to change our longstanding use of the popular VMMXX money market to VMFXX in all the strategies.**

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.

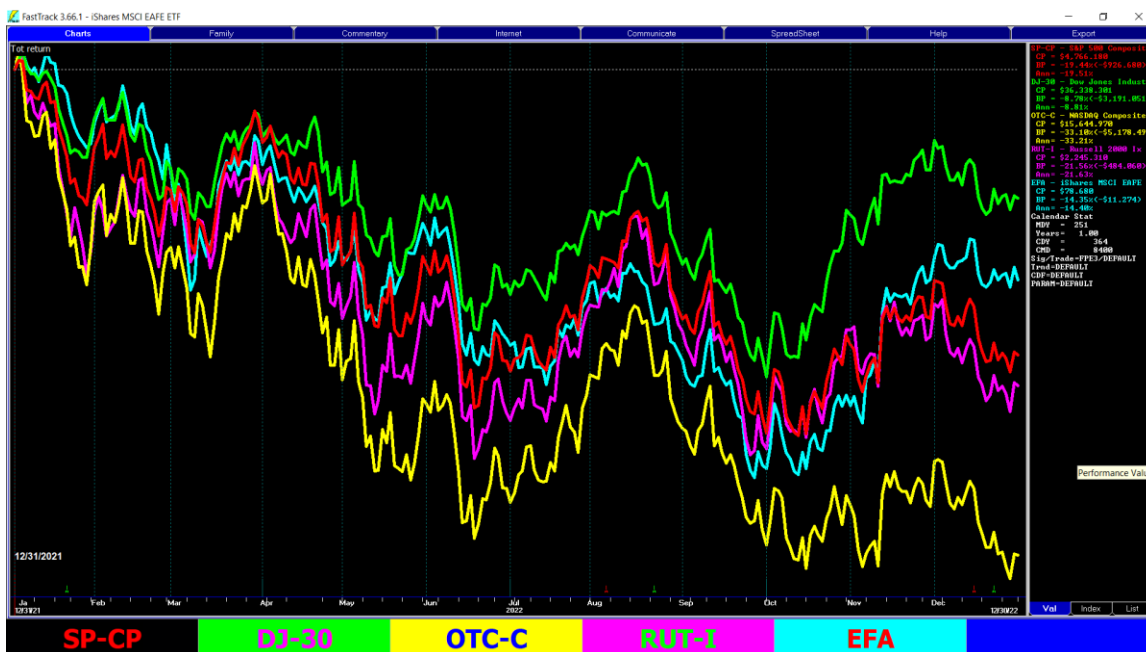
The example FastBreak trading systems on the Strategy page of our web site may provide users and potential users a starting point on the different types of trading systems that FastBreak can build. It also allows us to provide an honest benchmark for real time performance. Users of both Standard and 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, LLC 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 – see the Commentary 2021 notes: See notes below regarding Nationwide style strategy and the Income strategy.)

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.

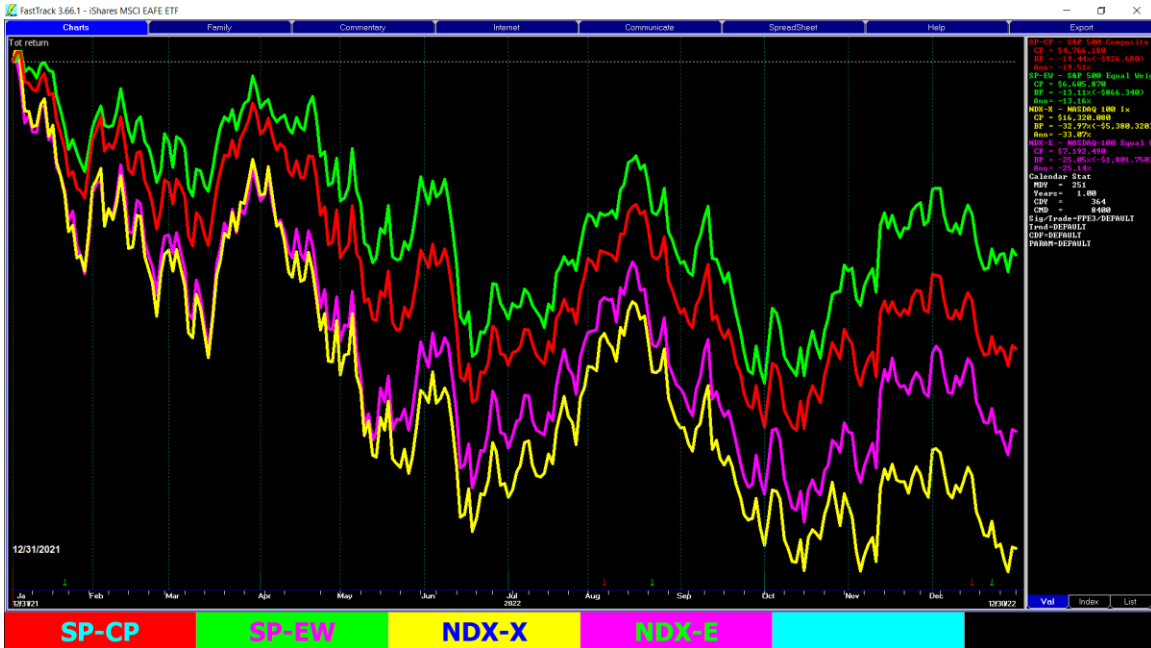
The US Stock Market – In last year’s commentary we said “As we type this in the second week of 2022 the wall of worry may be getting the upper hand.” That proved to be accurate. Between the Russian invasion of Ukraine and the Fed raising rates both the stock market and the bond market had bad years. It has been decades since this occurred and it really impacted those in the 60/40 (stock/bond) strategies. More about this later.

World Markets - Major world markets, as measured by EFA (MSCI EAFE ETF), generally followed the US markets but started to show relative strength very late in the year.

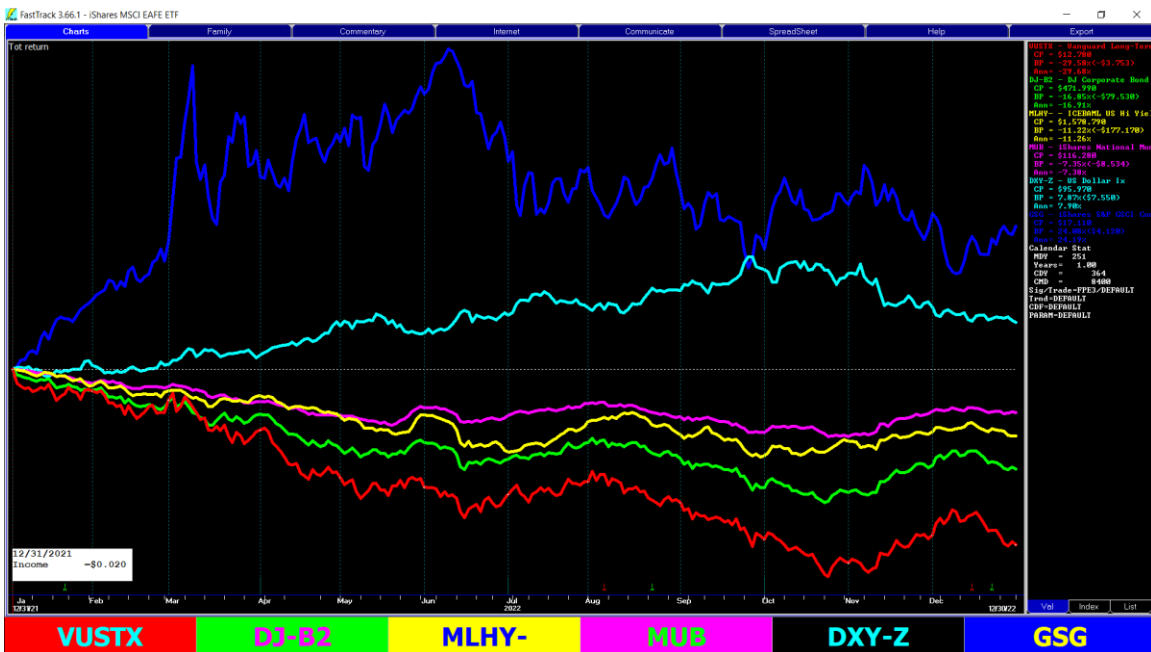


The stodgy old DJ-30 was the best performing major index as the tech wreck took its toll on the OTC/NDX index.

As we noted last year, 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. This year was the exact opposite. Last year equal weighting knocked as much as 10% off the capitalization weighted average. This year as the large cap stocks like Amazon, Tesla, Meta, Google, etc got taken to the cleaners they had an oversized impact on the cap weighted indexes – as much as 8% for the NDX-X vs. the equal weight NDX-E. Same with the S&P, but not quite as dramatic.



Bonds, US Dollar and Commodities Two words – Russia and Fed. Bonds had already started to decline prior to the Russian invasion as investors began to realize the Fed was serious about fighting inflation. With the invasion, commodities (GSG) spiked, further impacting bonds; however, higher rates were good for the US Dollar (DXY-Z). High Yield (MLHY-), which often follows equities more so than interest rates, followed both equities and bonds down. We also added a 60/40 stock/bond balance (VBLX) for comparison - more about this later.



Summary of Common Benchmarks for 2022

	Total Return %	MDD%
S&P 500 (SP-CP)	-19.44	-25.43
DJ-30 (DJ-30)	-8.78	-21.94
OTC (OTC-C)	-33.1	-35.49
Small Cap (RUT-I)	-21.56	-27.40
World Markets (EFA)	-14.35	-28.70
Treas. Bonds (VUSTX)	-29.58	-34.99
DJ Bond Index (DJ-B2)	-16.85	-22.46
High Yield (MLHY-)	-11.22	-14.82
Muni Bonds (MUB)	-7.35	-11.39
Dollar Index (DXY-Z)	7.87	-9.27
Commodities (GSG)	24.08	-24.56
60 stock/40 bond (VBINX)	-16.97	-21.37
Cash (VMFXX)	1.56	0

Two measures of investment returns for professional managers:

https://www.barclayhedge.com/	Return%
Managed Futures Funds (CTAs)	7.4
Hedge Funds	-8.6

Clearly, there were not many places to hide other than cash, commodities (where few can stand the volatility and drawdowns), and the dollar index. Finally, after years of underperformance, CTAs did well in a year with high commodity volatility. Hedge funds, on average, did Okay in preserving capital. Of course, there are hedge funds and CTAs that had an outstanding year, but we are only looking at averages. A large number 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.

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.*

FastBreak Strategy	System Return%	MDD%
Bond system (3/2001)	-3.10	-3.52
International funds (2/2002)	-3.76	-9.68
Bonds LT Gov and HY (12/2002)	-2.97	-3.37
Muni Bond (2/2010)	-7.58	-10.22
ETFstyle11 (1/2/2017)	-24.70	-27.59
Nationwide Style (3/3/2019)	-25.86	-27.15
2 nd Nationwide Style RAT (1/2/2021) (req. V6.8)	-11.61	-17.18
2 nd ETF Style28 (1/2/2021) (req. V6.8)	-21.70	-26.76
TASC ETF Hedging VFINX (50%/50%) (1/2/2021) Hedge only (req. V6.8)	5.36 31.92	-10.34 -14.36
Fidelity Income Strategy (req. V6.8)	-4.02	-4.29
Updated (+commodity fund) Rydex Hedge with S&P (50%/50%) Hedge only (1/2/2017) (req. V6.8)	11.33 46.48	-9.26 -16.24

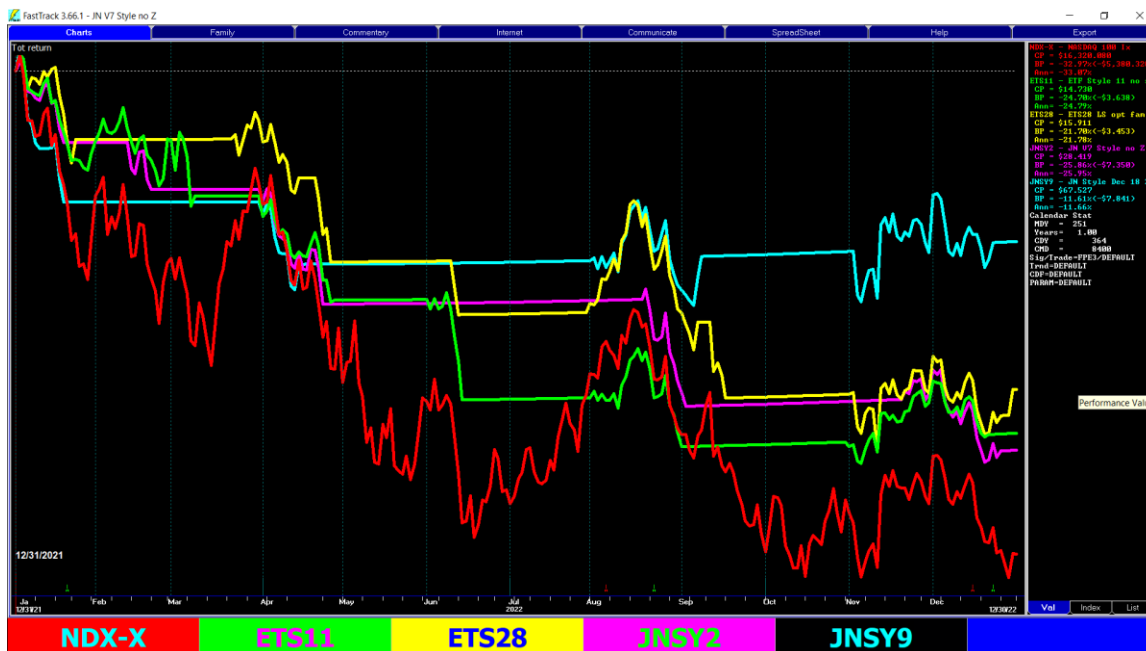
Bond systems – The bond strategies did Okay by preventing drawdowns. Some did get whipped in July/August when the market thought the Fed would pivot. The biggest disappoint was the muni strategy which only matched the MUB ETF benchmark. We have stopped reporting on the bond strategies that used zero coupon Treasury bonds because those funds have all matured and are no longer available.

Income Strategy – *Note: We deleted the original Income strategy because Fidelity deleted/changed most of the funds used in this strategy.* Obtaining low risk income is becoming more and more difficult, but last year we have attempted by replacing the strategy with a new income strategy: Income81.DFT and an updated family. This new trading family is made up of a variety of Fidelity bond and a low volatility preferred stock ETF (FPE). It outperformed nearly all the funds in the trading family. It did get whipsawed a couple of times for small losses. This strategy holds funds for a minimum of 30 days – to avoid breaking Fidelity short term trading rules. The strategy had a small loss at the end of the year, but as this commentary is being written in the second week of the new year, the strategy has completely recovered the loss.

The International system has been around since 2002 and has great long-term performance. It did well, all things considered.

ETF and Nationwide Style Strategies (2022 Note: The mid-cap fund in the Nationwide strategy was dropped by NW so it was replaced with different fund, but the strategy is still the same. The associated family was replaced on the EW website.) – As we have said, in recent years our favorite equity trading

strategy is “style” (some use the term “style factor”) strategies, i.e., switching between large cap, small cap, growth, value etc. We were somewhat disappointed in how the four strategies (2 ETF and 2 Nationwide) strategies performed. No excuses, they simply got caught in the strong bear market rallies. They did outperform the NDX, but we expected better. There is always the tradeoff between using filters, such as EMAs, to avoid bear rallies, but allowing the filters to be loose enough to catch real rallies. Here are the for strategies compared to the NDX.



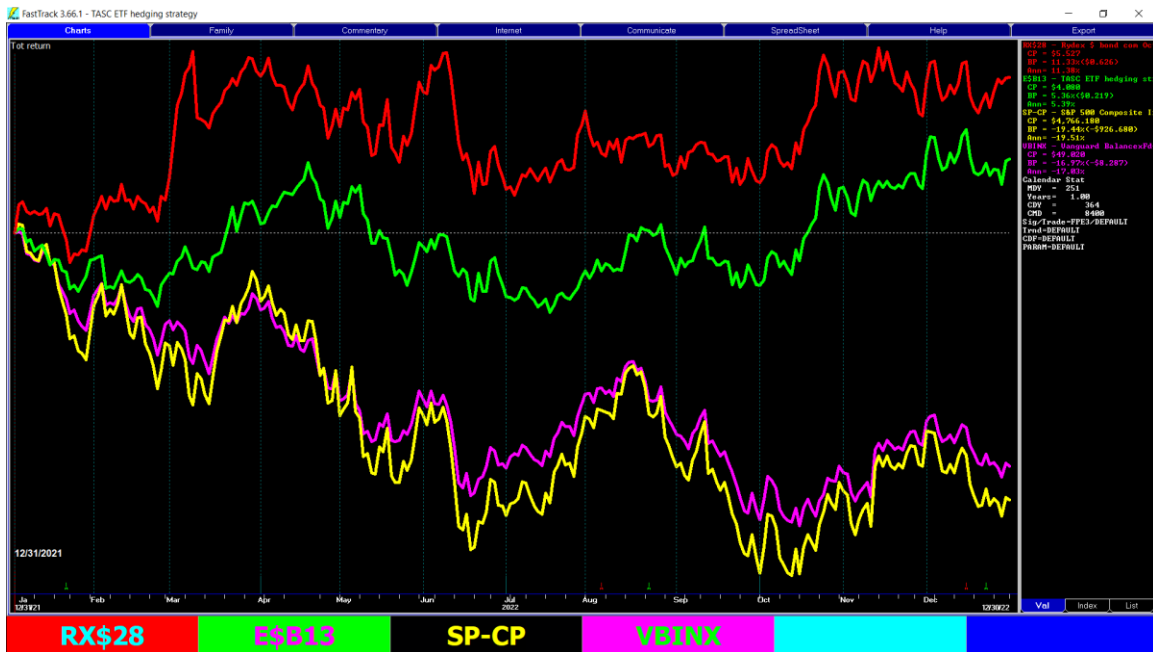
Hedging strategies – If you have read our commentaries the past few years you know we have been worried about the end of the great bond bull. That is why we put so much effort into the hedging strategies. Our benchmark is the 60/40 stock/bond balanced strategy – which has done very well for decades.

One original Rydex hedging strategy was the subject of our National Associate of Active Investment Managers (NAAIM <https://www.naaim.org/>) paper. 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 We posted the Rydex hedging strategy on our website in 2017, and updated it in 2022 – see below.

In 2020 we had two articles (March and December) 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 that synthetic data technique along with FastBreak Pro to create a hedging strategy for the S&P 500 Index using ETFs.

As we noted last year, when we were developing the Rydex and TASC ETF hedging strategies we considered adding a commodity fund to the mix because of the low correlation between the S&P and

commodities, but we “assumed” that if inflation reared its ugly head then the inverse bond funds would provide a safe haven. Also, commodity funds tend to be more volatile than we like. What we didn’t anticipate was the Fed buying bonds in an inflationary market as they did in 2021. So, we took a look at adding the commodity fund to the Rydex hedging strategy. The chart below compares the updated Rydex hedging strategy (W/commodity fund), the TASC article ETF hedging strategy (no commodity fund), the S&P, and finally, a 60/40 fund. The two hedging strategies assume a 50/50 mix of the hedge with S&P500. We couldn’t be more pleased with the results.



Note: We provide these 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, LLC
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. As noted earlier, we don't currently have direct experience with Windows® 11. There can be a few quirks with installation, 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!!**