Release notes for FastBreak Pro Version 6.4 *Beta*

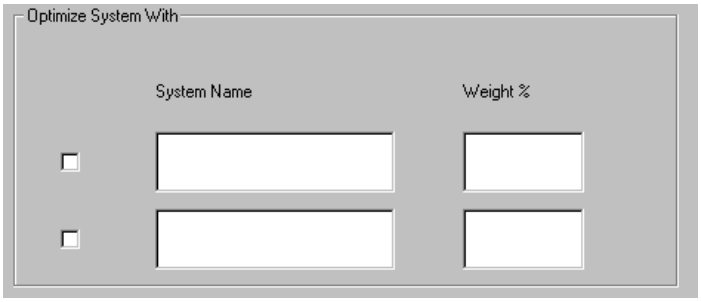
Combine/Complementary Systems

FastBreak Pro V6.4 adds the capability to build a new trading system in conjunction with one or two existing trading systems. One purpose of this capability is to build complementary systems that may reduce the MDD or volatility of an entire portfolio that is trading multiple systems.

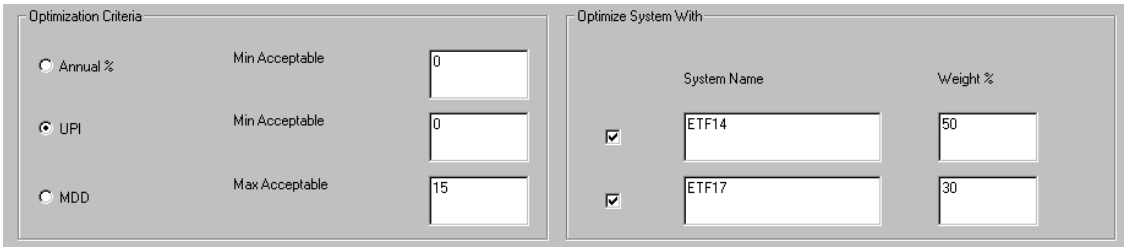
As an example, perhaps the investor has developed a system that trades ETFs. The annual return of this system may be excellent but has significant drawdowns on a regular basis. This is often the case with a system that trades based on very long term trends without the benefit of tight stops. FastBreak 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.

This new functionality is controlled with changes made to the FB Pro GA Screen. You get to this screen using this icon:

When you get to this screen you will see a new series of boxes:



The option is very simple to use. Perhaps you have already built two trading systems and you want a complementary system that works together with these two systems. Let's say one of the existing systems outputs an FNU equity curve called ETF14 and a second system with an FNU equity curve called ETF17. Also, you know you want to invest 50% of your portfolio in ETF14 and 30% in ETF17. Now, you want to invest the remaining 20% of your portfolio in a new system that works together with ETF14 and ETF17 with the goal to maximize the overall portfolio UPI with a portfolio MDD goal of 15%. With these assumptions the GA Screen would look like the following:



FastBreak Pro will look at the Weight% values you have entered and sum them, in the case of our example that would be 80%. FastBreak then assumes the new system to be built will have the remaining 20% weighting (20%= 100% - 80%).

You can use one or two existing systems. Just check the box next to the System Name text box to tell FastBreak Pro which system(s) to use.

The FastBreak Pro optimizer will now attempt to build a new system that maximizes UPI for the three combined systems, while attempting to keep the MDD for the three systems to less than 15%. Obviously you must keep your goals reasonable. If the two existing systems have MDDs of 50% and you want the new system to bring the MDD down to 15% with only a 20% weighting that isn't reasonable.

You can also use the secondary goals, i.e., Minimize Beta, and Minimize Correlation; however, keep in mind that these goals are for the combined systems. The Switches per Year secondary goal is a special case. FastBreak Pro has no knowledge of the number of switches per year for existing systems (ETF14 and ETF 17 in our example) so it can only meet your switches per year goal for the new system the optimizer tries to build.

During optimization FastBreak Pro assumes daily balancing between the existing system(s) and the new system for the purpose of determining equity curve statistics. Using our example above, FastBreak Pro assumes each day that ETF14 makes up 50% of the total portfolio, ETF17 is 30% and the new system being optimized makes up the final 20%.