

FastBreak - Years 2013 and 2014 Review

As we enter our 20th year since the initial release of FastBreak back in 1996, we again want to thank all our loyal customers.

Housekeeping Issues

You may ask “Why didn’t you publish a review for 2013?” The reason is that we were busy writing code for a new application at this time last year. The new application (working name: PaceMaker) is out for beta testing. Based on the beta testing feedback, we will decide if we want to make it available as a commercial product.

In 2014 decided to drop our 800 order line. The 800 order line no longer made sense because most customers contact us directly.

The vast majority of our technical support requests are related to reinstallation on new computers so we put together a “help guide” that should address the vast majority of issues. Newer versions of Microsoft Windows[®] have a few quirks when it comes to installation: <http://www.edge-ware.com/FastBreak%20Installation.pdf>

We also 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>

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](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.

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 and Windows[®] 8. However, there can be a few quirks, but if you read the guidelines at this site you shouldn’t have any installation 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 a couple uses running FastBreak on Apple OS, but we have no direct experience.

2013/14 Years 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.

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 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 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.

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 - It was two very good years for all the major US stock market indexes; however, many professional investors again struggled – as measured by hedge fund and managed futures performance. **Not to make excuses**, but when the stock market goes straight up, as it generally has for the past five years, it is often difficult to beat the indexes/benchmarks. This is when you begin to hear commentators again talk about the benefits of “buy & hold”, buy the dips, and how market timing doesn't work. FastBreak systems are generally built to avoid severe losses, and because of this, the trading systems often move to safe havens during market declines, and yes, in recent years these decline have been buying opportunities, but sometimes you need to trade some return performance for risk aversion.

World Markets - Generally, the US market was the place to be and outperformed most major foreign markets. One measure of international stock performance is (ETF) EFA. This ETF returned 13.9% total during 2013-14.



The Bond and US Dollar markets - Bonds were very volatile in 2013 with early indications that the FED would raise rate, but to the surprise of many “experts”, bonds were very strong in late 2013 and all through 2014. Treasuries were extremely volatile with “risk on and risk off” – mostly due to words from the FED and the various European problems. The US dollar (DXY-Z) was very volatile due to the ever changing problems with the Euro, but was very strong late in 2014. Muni bonds were weak in early 2013, due to expectations of rising rates, the Detroit default, and potential Puerto Rico default; however, muni bonds had an excellent 2014. **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 in a combined 2013/2014:

	Total Return %	MDD%
S&P 500 (SP-CP)	44.4	-7.4
DJ-30 (DJ-30)	36.0	-7.3
OTC (OTC-C)	56.8	-8.4
World Markets (EFA)	13.9	-14.0
Treas. Bonds (VUSX)	8.9	-15.8
DJ Bond Index (DJ-B2)	6.2	-6.6
High Yield (MLHY-)	10.1	-5.7
Muni Bonds (MUB)	5.5	-9.1
Dollar Index (DXY-Z)	13.2	-6.6

Two measures of investment returns for professional managers:

	Return%
Managed Futures Funds	Approximately: negative 0.9 (2013) & +8.6 (2014)
Hedge funds	Approximately: 7.4% (2013) & 2.9% (2014)

The above values are approximate because of the difficulty obtaining consistent information on these programs, but clearly, performance was not good compared to benchmarks. Managed futures finally had a “decent” year in 2014, likely because of strong trends in the interest and currency markets. This is the first Okay year for managed futures since the market crash in 2008/09 (when going short in managed futures provided some relief).

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)	15.5	-8.1
International funds (2/2002)	5.9	-13.2
Bonds LT Gov and HY (12/2002)	18.8	-5.3
Bonds Conservative zero coupon (12/2002)	2.9	-4.8
Bonds Aggressive zero coupon (12/2002)	11.0	-5.0
Income Strategy (1/2009)	8.5	-8.6
Long/Short Gov Bonds and US\$ (7/2007)	1.4	-18.5
Muni Bond (2/2010)	10.8	-2.6

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 over 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 but didn’t do well the past two years due somewhat to weakness in many major world 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 all did very well except for the more conservative zero coupon bond system which doesn't typically trade the longer duration zero bonds and that is where all the action has been. The "Bond" system that has been on our website since 2001 continues to have amazing performance.

The **Income strategy** did poor in 2013 but had a good 2014. An earlier version of this system has been around since 2003 and has been one of our personal favorite trading systems. We reoptimized the system in 2008 (see 2008 commentary) due to a 2008 MDD higher than we liked when real estate funds became very volatile after many years of low volatility.

Long/Short - Dollar/Gov Bond trading system is a tale of two years. It had a poor 2013 with whipsaws in the bond market followed by a great (+20%) 2014 with the US dollar and long term treasuries doing well. This system tends to have a negative correlation with the stock market so there may be an opportunity to use the strategy as a hedge against other strategies.

Muni Bond In 2010 we introduced a muni bond strategy. The system nearly had double the benchmark return 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 higher than indicated.

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. The trading files for these systems are not posted on our web site.

	System Return%	MDD%
Rydex no signal	12.3	-15.0
Fidelity Select no signal	47.1	-7.8
ProFunds w/signal	40.0	-14.7

Rydex, Fidelity, and ProFunds Sector Systems - Sector trading can be very challenging, but when markets are trending well, sector trading can be very profitable. These systems are many years old (Hence, the Rydex name), and could probably use some refreshing. The Rydex system continues to generally underperform the Fidelity and ProFunds systems. Sometime when we build systems that allow very active trading it can actually hurt performance.

Summary

We tend to be very harsh on ourselves when our systems don't beat the benchmarks, but then we usually feel much better when we compare our results to the Hedge Fund and Managed Futures averages. We consistently outperform these averages. We also monitor many active money manager programs, and our systems generally compare well. The bond systems continue to do very well, and we are especially happy with the muni-bond 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 15 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 V1 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
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 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.

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!!**