

## **SPECIAL REPORT**

### **40-year Anniversary for Tactical**

Tactical began trading for investors July 1, 1981 with the launch of Tactical Commodity Fund. As I write this it is June 30, 2021. That marks 40 years of continuous trading for investors. Wow! What a ride it has been. My hat is off to those of you who have been with us nearly the entire time. Thanks for sticking with us. Your discipline and patience have paid off. And thanks to you more recent investors en route to 40!

When Tactical first started trading 40 years ago, there were a limited number of viable futures markets. The high inflation and associated stellar futures rallies of the 1970's were fresh in memory. Futures were dominated by commercial hedgers, some unprofessional speculators and relatively few professional speculators to compete with. The PC had just been invented. Few people knew how to program computers. I was one of the pioneers in programming trading systems and had to tediously, manually enter price data, which is now ubiquitously available to download, into a PC to run systems tests.

The Tactical trading system is based on the observation that commercial hedgers lose money in the futures markets over time, having to pay the markets a risk premium for the price protection they receive. Hedgers tend to lose when markets trend more than expected. Our trading system generally maintains positions opposite hedgers, with tight money management. Thus, if hedgers lose over time, we win over time. I ran countless computer simulations over the years refining the system but its essence was in place in 1981.

Over the years we added many more markets to our portfolio as they became viable and were one of the first commodity traders to include exotic currencies in its portfolio. As more professional speculators entered the game, we moved our trading time frame to longer and longer periods in order to minimize the short-term noise they injected, which was possible because there is hedging to oppose on all time frames. To further counter the noise, we also subsequently added some discretion in portfolio weighting which attempts to shift risk from less to more promising markets.

But otherwise, the system that Tactical trades today is very much the same as 40 years ago. Believe it or not, we still use large blocks of the same computer code I wrote in 1981 to generate our daily buy and sell signals! The robustness of the Tactical trading system has exceeded all expectations. You can check out its full 40-year track record at <http://tacticalnet.com/TacticalFuturesComposite.php>.

For those of you wondering, I have no plans to retire any time in the foreseeable future. Neither do the rest of the Tactical team--Colleen, Paul and Amber. At least they haven't told me so. As long as a trader's mental faculties are intact, they can keep trading well into old physical age. Just look at Warren Buffett. So hang tight. We plan on many more years of Tactical trading ahead!

Dave Druz