



Best Practices

This document is a follow up to the VectorVest Simulator Quick Reference Guide. Its purpose is to provide tips for quickly modifying, running and analyzing simulations.

Getting Started

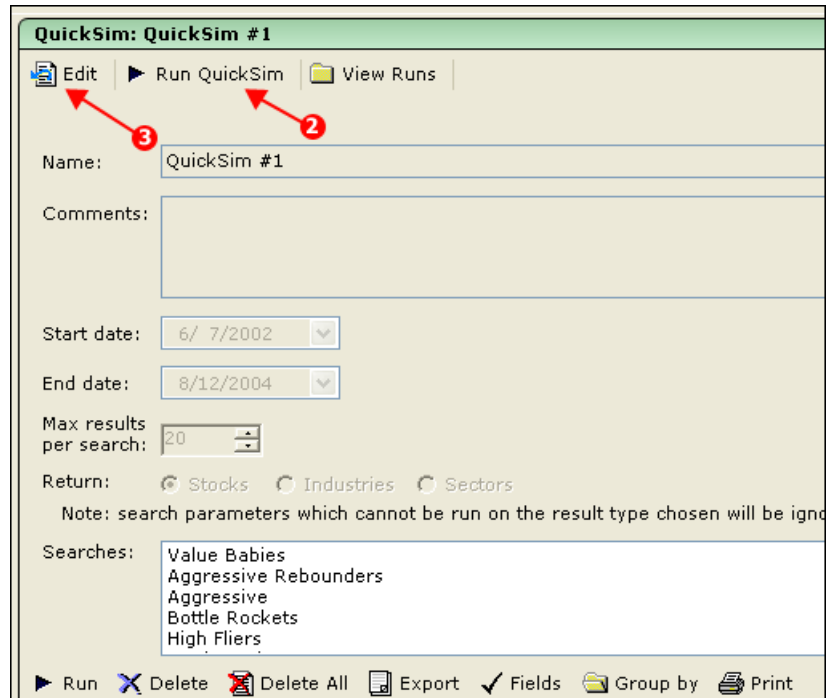
The VectorVest Simulator provides practically infinite possibilities for testing investment strategies and creating trading systems. To get started it is necessary to decide what you would like to test, and searches are a good place to start. Since there are so many searches and search possibilities, we created a tool called QuickSim.

QuickSim measures various rates of return and percentage of winning trades (the same way QuickTest does for a single search in VV ProGraphics v6.0 and OnLine) for hundreds or even thousands of searches at once.

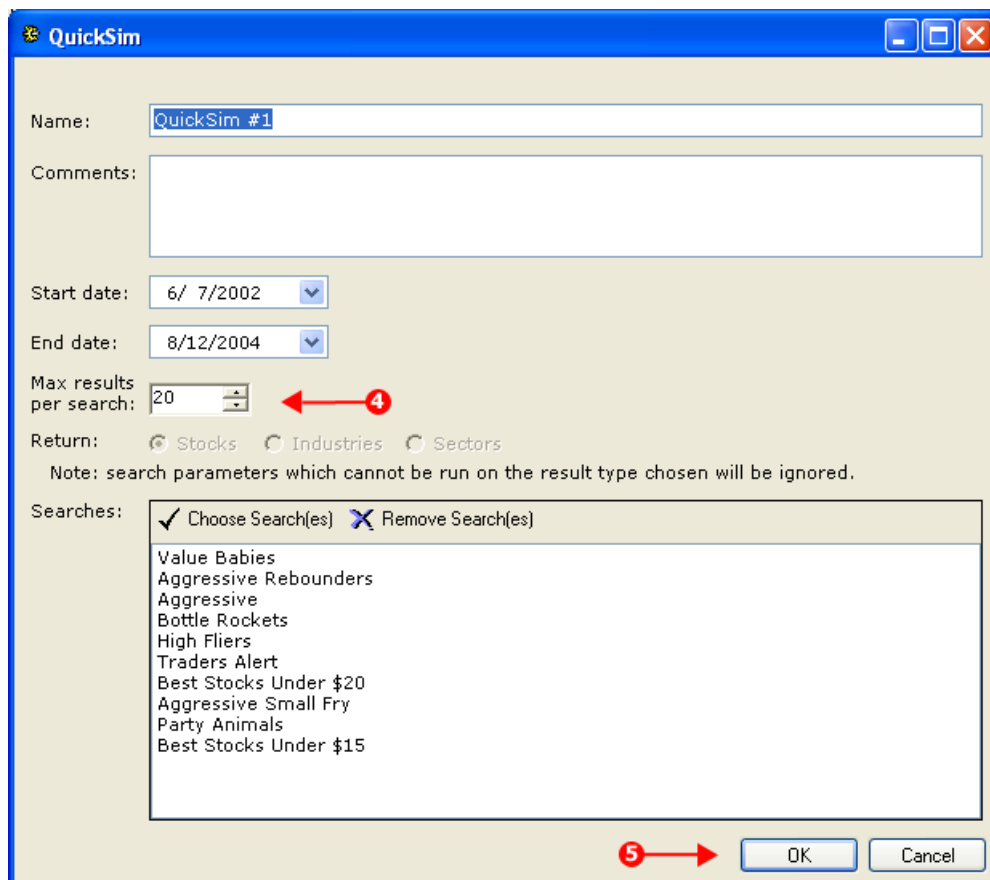
QuickSim allows you to edit the Start Date, End Date, and the number of stocks tested, and then re-run the same QuickSim. Each time this is done, the new results are added to the Runs folder along with the results of prior runs. You may then group and sort Simulation results in order to find out which variant worked best.

Follow these instructions for comparing QuickSims:

1. Create a **new QuickSim** following the instructions in the Quick Reference Guide.
2. Click the "**Run QuickSim**" button.



3. Click on the QuickSim then click the "Edit" button in the upper middle toolbar.



4. Change the "Max results per search" from **10** to **20**.
5. Click "OK" then click the "Run QuickSim" button.
6. When the QuickSim is completed, click on its **Runs folder**. On the right screen you will see all of the QuickSim results.
7. Click the "Group by" button on the toolbar. This will allow you to group results by column name.

The screenshot shows the 'QuickSim Runs' window with a toolbar containing 'Run', 'Delete', 'Delete All', 'Export', 'Fields', 'Group by', and 'Print'. Below the toolbar is a table with the following columns: Name, % Gain / (Loss), Ann RR, and Compounded RR. The table contains 18 rows of data, each with a 'View' link in the first column. A red circle with the number 6 is positioned to the left of the first column, and a red arrow points from the 'Group by' button in the toolbar to the 'Ann RR' column header.

	Name	% Gain / (Loss)	Ann RR	Compounded RR
View	Aggressive	30.63 %	14.04 %	13.02 %
View	Aggressive	32.95 %	15.10 %	13.94 %
View	Aggressive Rebounders	74.63 %	34.20 %	29.11 %
View	Aggressive Rebounders	82.34 %	37.73 %	31.69 %
View	Aggressive Small Fry	-1.50 %	-0.69 %	-0.69 %
View	Aggressive Small Fry	8.34 %	3.82 %	3.74 %
View	Best Stocks Under \$15	-5.97 %	-2.74 %	-2.78 %
View	Best Stocks Under \$15	-1.27 %	-0.58 %	-0.58 %
View	Best Stocks Under \$20	-3.93 %	-1.80 %	-1.82 %
View	Best Stocks Under \$20	7.80 %	3.58 %	3.50 %
View	Bottle Rockets	-4.99 %	-2.29 %	-2.32 %
View	Bottle Rockets	9.76 %	4.47 %	4.36 %
View	High Fliers	14.32 %	6.56 %	6.33 %
View	High Fliers	26.95 %	12.35 %	11.56 %
View	Party Animals	-2.12 %	-0.97 %	-0.98 %
View	Party Animals	5.77 %	2.65 %	2.61 %
View	Traders Alert	43.36 %	19.87 %	17.95 %
View	Traders Alert	27.07 %	12.40 %	11.60 %

8. Click on the "Name" column with your left mouse button and drag it up to the grey area labeled "Drag a column header here to group by that column" then release your mouse button.

QuickSim Runs

▶ Run ✕ Delete 🗑️ Delete All 📄 Export ✓ Fields 📁 Group by 🖨️ Print

Drag a column header here to group by that column.

	Name	% Gain / (Loss)	Ann RR	Compounded RR
View	Aggressive	30.63 %	14.04 %	13.02 %
View	Aggressive	32.95 %	15.10 %	13.94 %
View	Aggressive Rebounders	74.63 %	34.20 %	29.11 %
View	Aggressive Rebounders	82.34 %	37.73 %	31.69 %
View	Aggressive Small Fry	-1.50 %	-0.69 %	-0.69 %
View	Aggressive Small Fry	8.34 %	3.82 %	3.74 %
View	Best Stocks Under \$15	-5.97 %	-2.74 %	-2.78 %
View	Best Stocks Under \$15	-1.27 %	-0.58 %	-0.58 %
View	Best Stocks Under \$20	-3.93 %	-1.80 %	-1.82 %
View	Best Stocks Under \$20	7.80 %	3.58 %	3.50 %
View	Bottle Rockets	-4.99 %	-2.29 %	-2.32 %
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View	High Fliers	14.32 %	6.56 %	6.33 %
View	High Fliers	26.95 %	12.35 %	11.56 %
View	Party Animals	-2.12 %	-0.97 %	-0.98 %
View	Party Animals	5.77 %	2.65 %	2.61 %
View	Traders Alert	43.36 %	19.87 %	17.95 %

9. The results will now be grouped by the search name and the average gain/loss, winning trades etc. will be displayed.

QuickSim Runs

▶ Run ✕ Delete 🗑️ Delete All 📄 Export ✓ Fields 📁 Group by 🖨️ Print

Name ▾

	Name	% Gain / (Loss)	Ann RR	Compounded RR
- Name: Aggressive - Avg Ann RR: 14.57 %				
View	Aggressive	30.63 %	14.04 %	13.02 %
View	Aggressive	32.95 %	15.10 %	13.94 %
2 QuickSims:		31.79 %	14.57 %	13.48 %
- Name: Aggressive Rebounders - Avg Ann RR: 35.97 %				
View	Aggressive Rebounders	74.63 %	34.20 %	29.11 %
View	Aggressive Rebounders	82.34 %	37.73 %	31.69 %
2 QuickSims:		78.48 %	35.97 %	30.40 %
- Name: Aggressive Small Fry - Avg Ann RR: 1.57 %				
View	Aggressive Small Fry	-1.50 %	-0.69 %	-0.69 %
View	Aggressive Small Fry	8.34 %	3.82 %	3.74 %
2 QuickSims:		3.42 %	1.57 %	1.53 %
- Name: Best Stocks Under \$15 - Avg Ann RR: -1.66 %				
View	Best Stocks Under \$15	-5.97 %	-2.74 %	-2.78 %
View	Best Stocks Under \$15	-1.27 %	-0.58 %	-0.58 %
2 QuickSims:		-3.62 %	-1.66 %	-1.68 %
- Name: Best Stocks Under \$20 - Avg Ann RR: 0.89 %				
View	Best Stocks Under \$20	-3.93 %	-1.80 %	-1.82 %
View	Best Stocks Under \$20	7.80 %	3.58 %	3.50 %
2 QuickSims:		1.93 %	0.89 %	0.84 %
- Name: Bottle Rockets - Avg Ann RR: 1.09 %				
View	Bottle Rockets	-4.99 %	-2.29 %	-2.32 %
View	Bottle Rockets	9.76 %	4.47 %	4.36 %
2 QuickSims:		2.38 %	1.09 %	1.02 %

10. Click the Ann RR (annualized rate of return) column header twice (not double click) to sort it in descending order. The results are now sorted by the average Ann RR of each grouping of runs. The results will show whether the searches consistently produce profits buying either 10 or 20 stocks.

QuickSim is also useful for finding "Bear Market Beater" type searches that make money consistently. Repeat the example above, (steps 1-10) varying the Start Date rather than the number of stocks to discover which searches consistently produce profits regardless of when you enter the market.

When using Market Timing in your Simulation, you should set your QuickSim Start and End Dates to correspond with the upturn and downturn dates in your selected timing list. This will help you gather information and decide which searches produce the best results.

Once you decide which searches to start with, create and run your Simulation according to the instructions in the Quick Reference Guide, then continue on and learn how to make quick modifications.

Modifying a Simulation

The Quick Reference Guide describes how to create a Simulation from Scratch, but once a Simulation is created, it is much faster to modify the existing Simulation than it is to create a new one.

When running similar Simulations (for example, changing one or two parameters in an effort to find the best exit criteria, timing list or money management scenario) for comparison purposes, it is best to modify the existing Simulation and re-run it each time you make a change.

This editing method is quicker and enables you to compare performance data for each modified Run side by side. Just click on the Runs folder and this data will be displayed on the right side of the screen. This screen displays averages and allows you to sort the data columns.

Follow these instructions for editing one or more criteria of an existing Simulation:

Note: It is not necessary to edit each item.

Edit Simulation options:

These are global settings that affect the entire Simulation.

1. Click on the **Simulation** you wish to edit (not the Run).
2. To edit or change the timing list - click the blue hyperlink below "**Market Timing List**".
3. To change the start or end dates - click the calendar below "**Start Date**" or "**End Date**".
4. To change basic portfolio settings - click the blue "**Portfolio Settings**" hyperlink.
5. Choose whether to "**Automatically close positions on end date**". You would generally choose this option if you do not intend to update this Simulation Run in the future.
6. Choose whether to "**Always keep Simulation Run current**". If you choose this option, the Simulation will update this Run to current each time the Simulator is opened, if new data has been downloaded.

Edit Market Timing Situation Options:

These settings affect what happens during each specific market timing situation. Apply these steps separately to each situation. Each situation is represented by an index card located in the center of your screen

Simulation: Doug Timson

▶ Run Simulation 📁 View Runs

Name:

Market Timing List: [DEW Timing](#)

Start Date:

End Date:





Comments:

[Portfolio Settings](#)

Automatically close positions on end date.

Always keep simulation run current.

Situations:

Situation: Up	Situation: Dn
Trading Mode: Long	Trading Mode: Short
Turn Action: Close All 	Turn Action: Close All
Purchase Search: Timsons Tigers 	Purchase Search: Doug's Downers Supercharged
Sell / Cover: (none) 	Sell / Cover: (none)
Money Mgt.  : No duplicates (current holdings). Always keep 10 positions. Don't buy more than 5.00 % of outstanding shares of a company. Don't hold more than 10 positions in a single industry. Don't hold more than 100 positions in a single sector.	Money Mgt.: No duplicates (current holdings). Always keep 10 positions. Don't buy more than 5.00 % of outstanding shares of a company. Don't hold more than 10 positions in a single industry. Don't hold more than 100 positions in a single sector.
Invest at least the average value of current positions. Invest no more than the average value of current positions. If not enough stocks are found, reserve funds for the stocks which were not found.	Invest at least the average value of current positions. Invest no more than the average value of current positions. If not enough stocks are found, reserve funds for the stocks which were not found.
Redeploy Never	Redeploy Never

1. To change the turn action, click to the right of **"Turn Action"** then click the down arrow. Turn Action controls whether positions are closed upon entering this situation. ***If you choose not to close positions, there may be little or no buying power to purchase/short stocks in the new situation.***
2. To change the purchase search, click to the right of **"Purchase Search"** then click on the button to the right to open UniSearch.
3. To change Sell/Cover criteria, click to the right of **"Sell / Cover"** then click on the button to the right to open UniSearch. *Note: You may drag and drop Stop Templates from the left side onto the Situation card using the left mouse button.*
4. To change money management settings, click to the right of **"Money Mgt"** then click the button to the right to open the Money Management screen. Choose the number of stocks to hold, duplicate positions, Max % ownership and Avg. Volume, industry and sector diversification, Min. and Max. symbols, purchase amounts and whether or not to reinvest excess buying power. *Note: You may drag and drop Money Management Templates from the left side into the Situation card using the left mouse button.*

Once you have made your desired edits, you can save the Simulation by clicking the Save button in the upper left toolbar. *Note: You can always view the criteria of a Simulation Run by clicking the Run then clicking the Simulation tab.*

Remember, there are no pre-defined limitations on how many Simulations can be queued up to run. Using these techniques you can stack up dozens or even hundreds of Simulations to run overnight.

Data Analysis

The Simulator provides a tremendous amount of analytical data, such as % Gain/Loss, Max Drawdown, % Winning and Losing trades, Long vs. Short analysis, situational summary data, and much more.

Once one or more Simulation runs have been completed, you may start analyzing the results. Just click the plus sign next to your Simulation then click on the Runs folder. The right side of the screen will display a spreadsheet of analysis data for each Simulation Run. You may sort any of the data columns (by clicking on the header) or click the report button on the toolbar to view a report containing summary data for all of the runs. Press the F1 key to view column definitions in the help file.

You can view the details of any Run by clicking on it within the Runs folder, or by clicking the View link to the left of each Run in the spreadsheet. View detailed reports of a Run by clicking the Reports tab in the upper middle of the screen. To rename a Run, right click on it, click Edit, type a new name and click OK.

Your risk tolerance will, to some degree, dictate how you analyze the data. For example, one investor may find a Simulation Run which produces a 100% gain with a 50% drawdown to be acceptable, while another would prefer a Run that produced a 50% gain with a 20% drawdown and a high percentage of winning trades. The key is to find a trading system that you can live with in real time, with real dollars.

Tips for making your Simulations more realistic

1. Use minimum average volume criteria in your search to ensure that your positions are liquid.
2. Use the "Max % of Avg. Volume" feature in the money Management section of the situations. This ensures that you will not buy/short more than your specified percentage of avg. daily shares traded.
3. Use minimum stock price criteria in your searches. Be sure to use the Price-(Actual) parameter for this purpose.
4. When possible, enter your real commission amount in the Portfolio Settings screen.
5. Open and close positions at the Next day's average price in Portfolio settings.
6. Enter actual current interest rates in the Portfolio Settings screen.
7. Use sell criteria that are compatible with your purchase search. For example: if your sell criteria is $REC = S$, do not allow your purchase search to buy stocks that have a Sell REC.

General Tips

Computer Specs

The Simulator will run on any computer that ProGraphics v. 6.0 will run on, but due to the brute force nature of the Simulator we recommend having a fast computer.

Below are some recommendations.

- Processor – the faster the better. The current desktop champion (as of march 2005) is the 3.8GHz Pentium 4. On a notebook, we have found that the Intel

mobile Pentium chips, even at lower clock speeds (2.0GHz) are faster than all of the current Pentium 4 chips available in notebooks.

- RAM Memory – The Simulator can (and will) use up to 2GB of memory on Windows XP Professional. If you are buying a new computer I would recommend at least 1GB but not more than 2GB as Windows cannot use more than this.
- Hard Drive – Not as important as processor and RAM but fast seek times, large cache and higher RPM speeds do help. You should have a minimum of 2-3GB of free space after software (Simulator and VV ProGraphics v6.0) installation.

Simulation Speed

- On some computers, with slower video cards, Simulations may run faster when not showing the Dashboard or any other real time status screen. You can click on a Simulation, or other item in the upper left screen to hide the Dashboard.
- As an alternative to the above tip, enabling **Quick Mode** under the Tools – Options menu will turn off the current holdings display and can speed things up on some slower computers.
- Turning off "**Use Interest**" in the Portfolio settings if you are not concerned about tracking interest can give a significant speed boost.
- Although you can change the **Max Concurrent Simulations** setting under Tools-Options, even the fastest home computers cannot efficiently run more than four at a time. Most computers run best at three. If you have a slower computer, things will probably run faster if you turn it down to two or one.