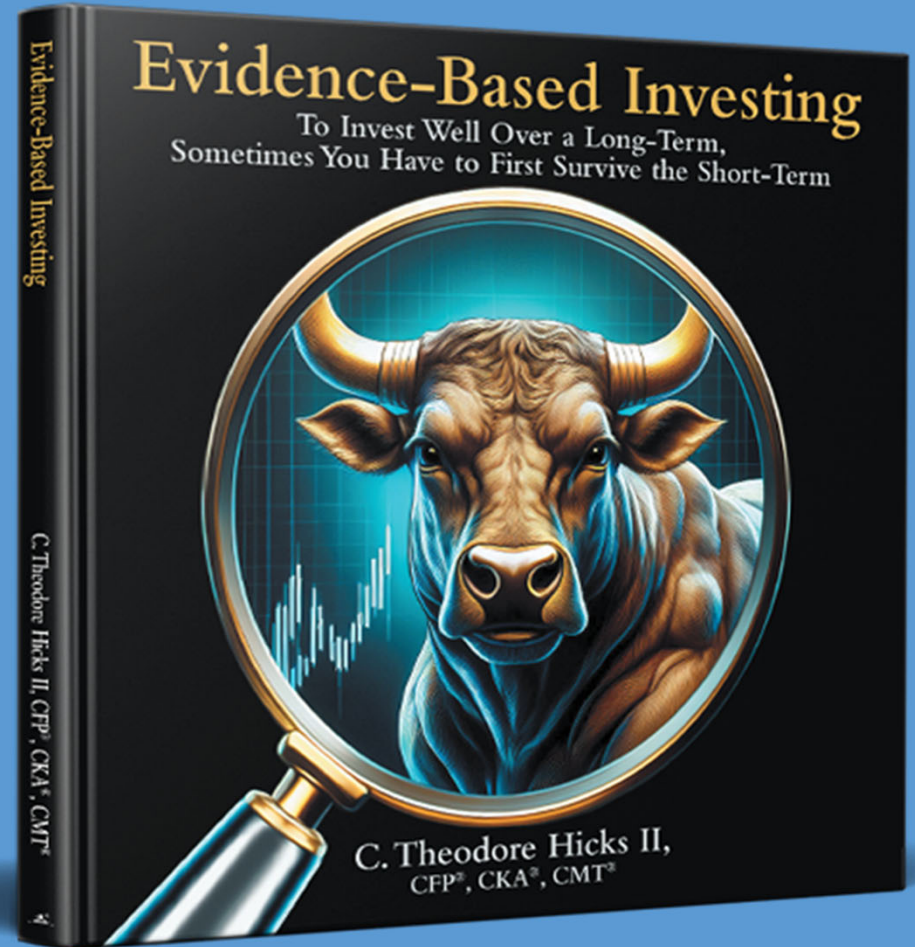


# *Evidence-Based Investing*

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# Disclosures



*Investment advisory services are offered through Hicks & Associates Wealth Management, LLC ("HAWM"), an investment adviser registered with the Securities and Exchange Commission. Registration as an investment adviser does not imply a certain level of skill or training. More information about HAWM can be found in Form ADV Part 2 which is available upon request.*

*Past performance is no guarantee of future returns. HAWM reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. The visuals shown are for illustrative purposes only and do not guarantee success or certain level of performance. This material contains projections, forecasts, estimates, beliefs and similar information ("forward looking information"). Forward looking information is subject to inherent uncertainties and qualifications and is based on numerous assumptions, in each case whether or not identified herein.*

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# Hicks & Associates Wealth Management



Theodore Hicks, CFP<sup>®</sup>, CKA<sup>®</sup>, CMT<sup>®</sup>  
Founder, CEO & Chief Investment Officer

Braxton Furstein, CMT<sup>®</sup>  
Investment Analyst

Paul Richards, CFP<sup>®</sup>, CKA<sup>®</sup>  
Chief Financial Planner

Karen Hydar  
Practice Manager



# Hicks & Associates Wealth Management



Theodore Hicks, CFP<sup>®</sup>, CKA<sup>®</sup>, CMT<sup>®</sup>  
Founder, CEO & Chief Investment Officer



- ✓ Graduated NC State December 1998
- ✓ Joined the industry February 1999
- ✓ Got the CFP<sup>®</sup> designation in 2002
- ✓ Wanted to focus on Financial Planning

# Financial Planning



- 1. Current Financial Situation**
  - a) Net Worth**
  - b) Cash Flow**
  - c) Cash Reserves**
- 2. Tax Planning**
- 3. Protection Planning**
- 4. Retirement Planning**
- 5. Estate Planning**
- 6. Investment Planning**

# Financial Planning



1. **Current Financial Situation**

- a) **Net Worth**
- b) **Cash Flow**
- c) **Cash Reserves**

2. **Tax Planning**

3. **Protection Planning**

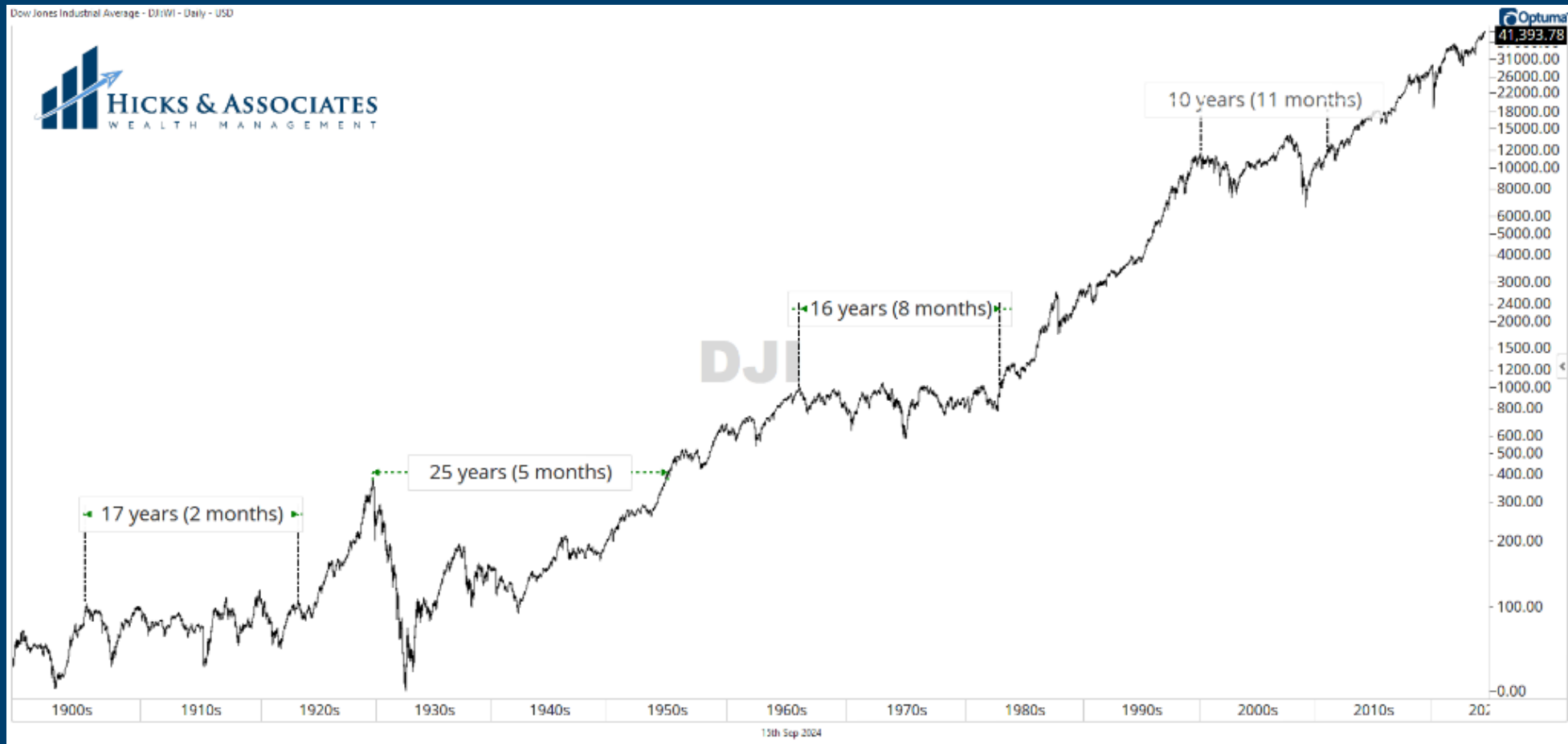
4. **Retirement Planning**

5. **Estate Planning**

6. **Investment Planning**

Why?

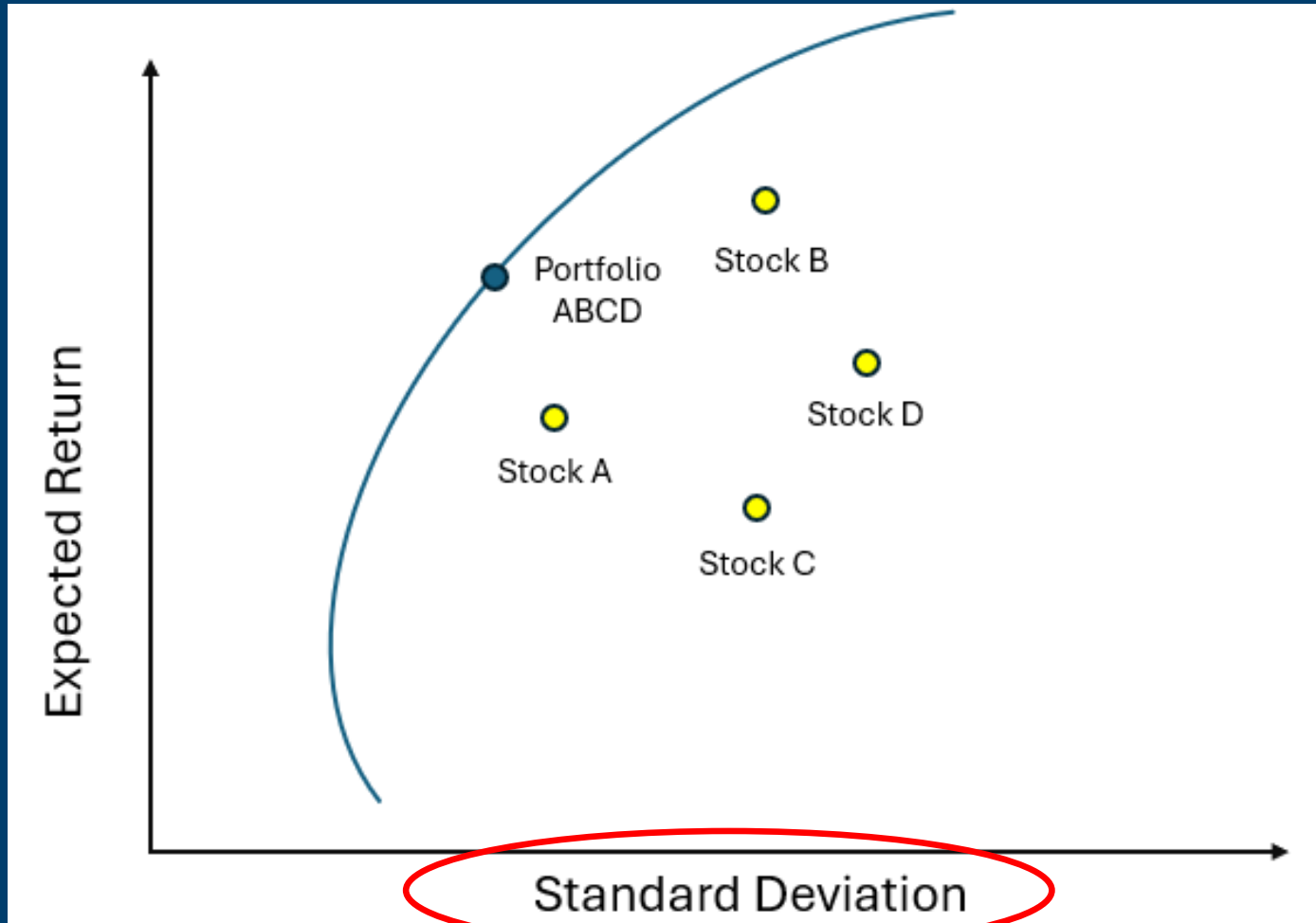
# “Investing” for the “Long Term”



# What Do You Know About Investment Planning?

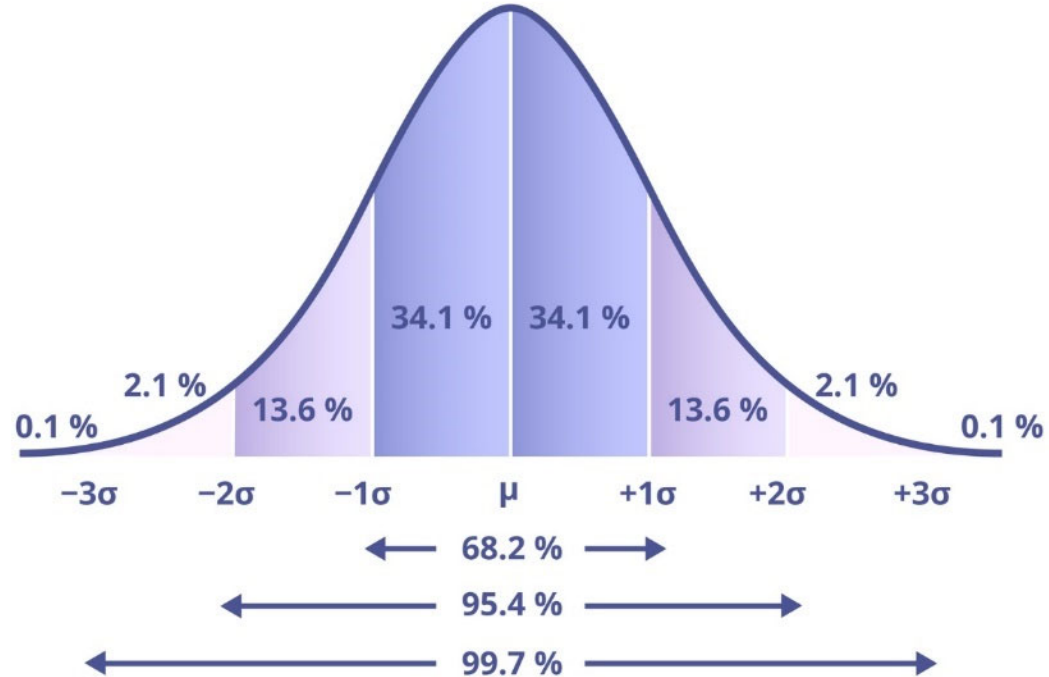
# The Theory is Wrong

# The Theory is Wrong



# The Theory is Wrong

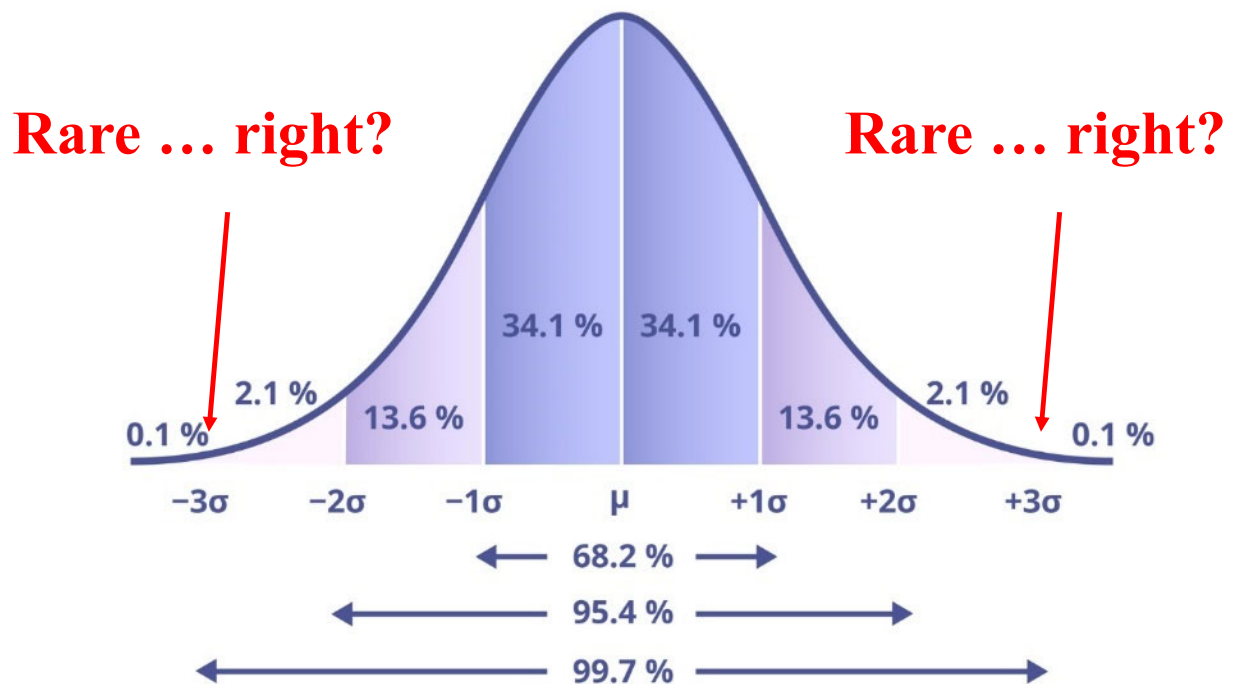
## The Normal Distribution



# The Theory is Wrong

Neither the  
stock market,  
nor the  
economy fit in  
Gaussian  
statistical  
models!

## The Normal Distribution



# 3 Sigma ... is Rare, right?



**“In figure 3.3 a look-back period of 1,260 days (5 years) is used to calculate an average daily return and the standard deviation of returns. ... The average return ... was 0.07 percent, and the standard deviation over the same period was 0.71 percent. Therefore, a three sigma move up was up to 2.21 percent, and a three sigma move down was - 2.06 percent.”**

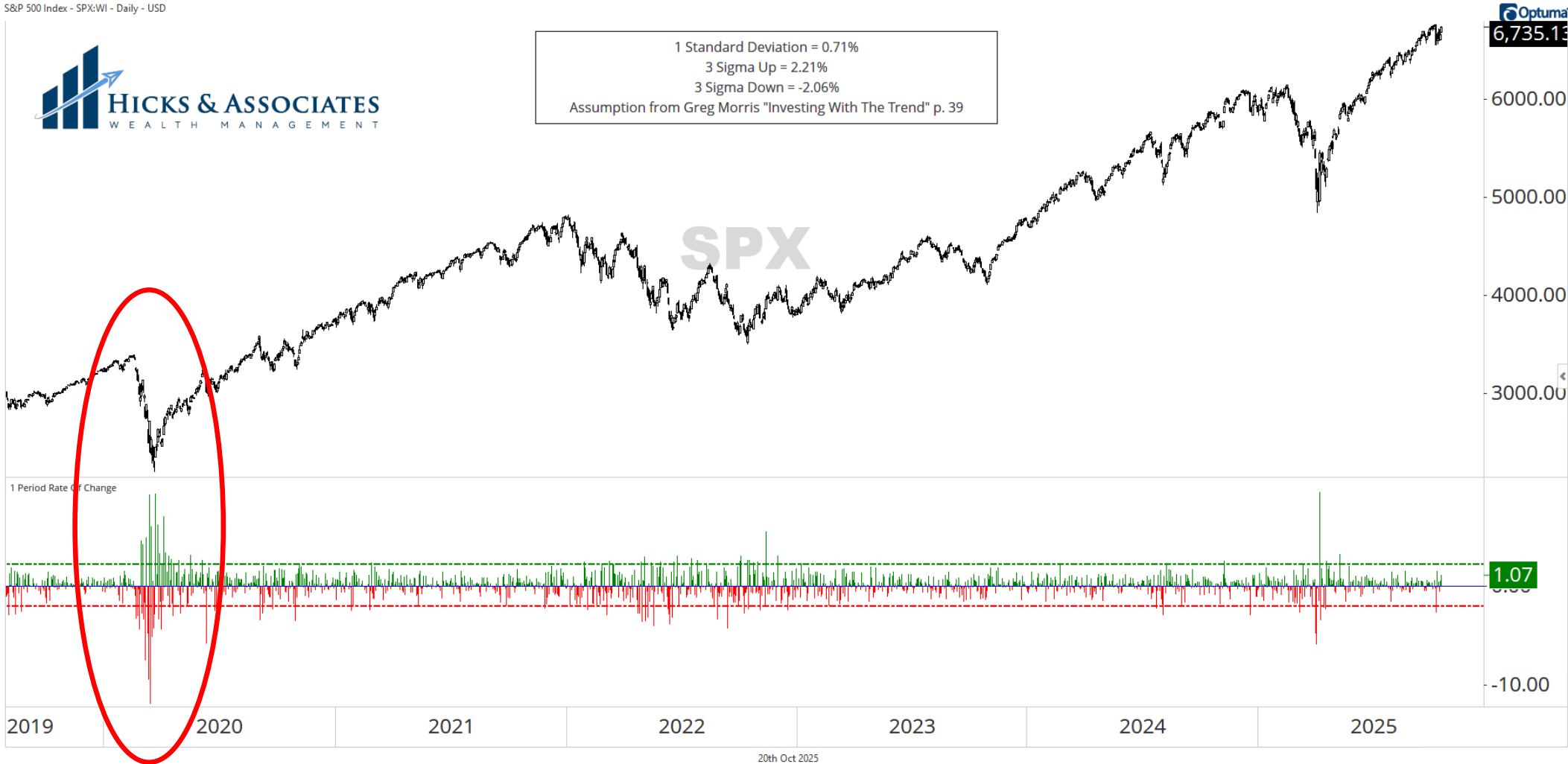
*Investing with the Trend*

**Gregory L. Morris (2014)**

# 3 Sigma ... is Rare, right?

S&P 500 Index - SPX:WI - Daily - USD

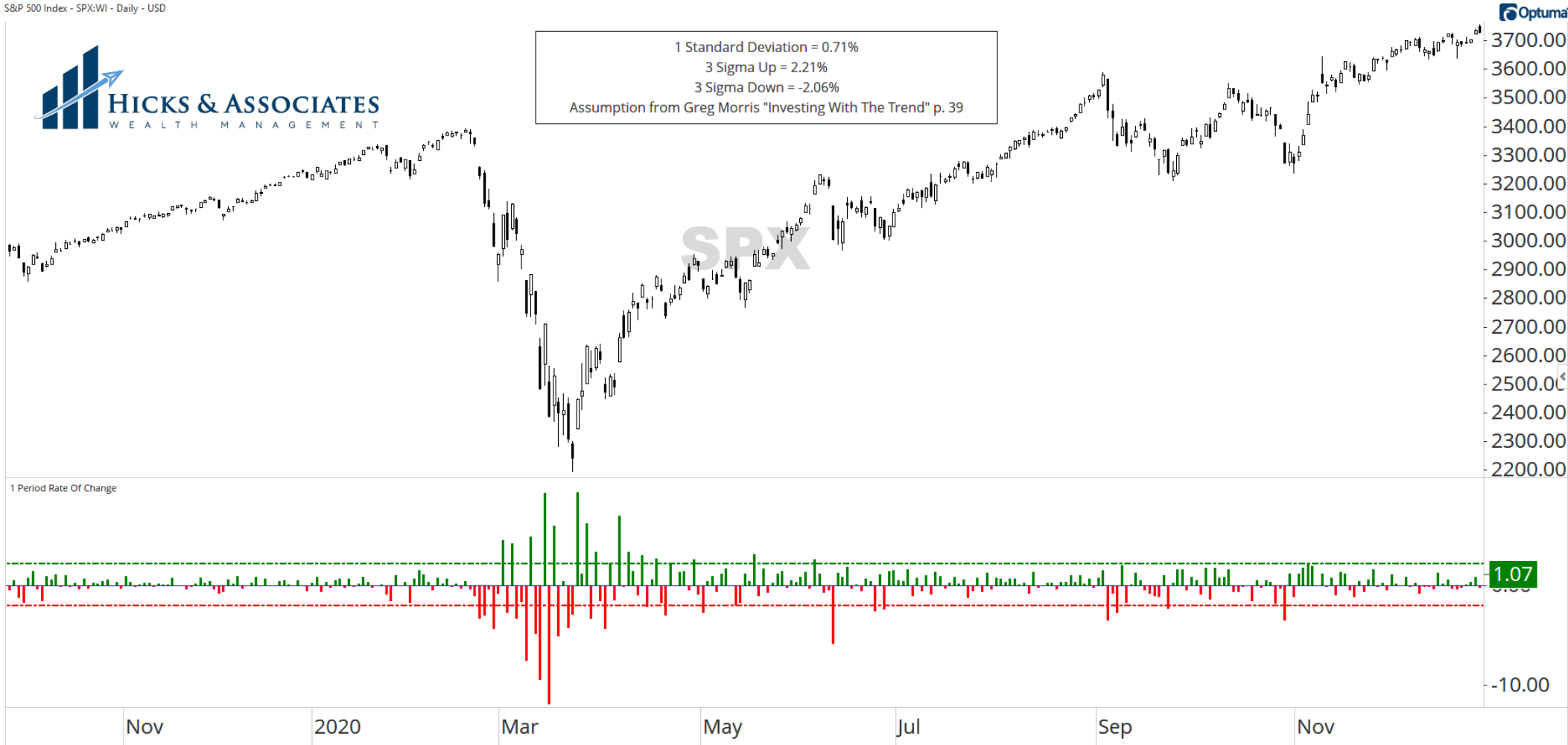
1 Standard Deviation = 0.71%  
3 Sigma Up = 2.21%  
3 Sigma Down = -2.06%  
Assumption from Greg Morris "Investing With The Trend" p. 39



# 3 Sigma ... is Rare, right?

S&P 500 Index - SPX:WI - Daily - USD

1 Standard Deviation = 0.71%  
3 Sigma Up = 2.21%  
3 Sigma Down = -2.06%  
Assumption from Greg Morris "Investing With The Trend" p. 39



# 3 Sigma ... is Rare, right?

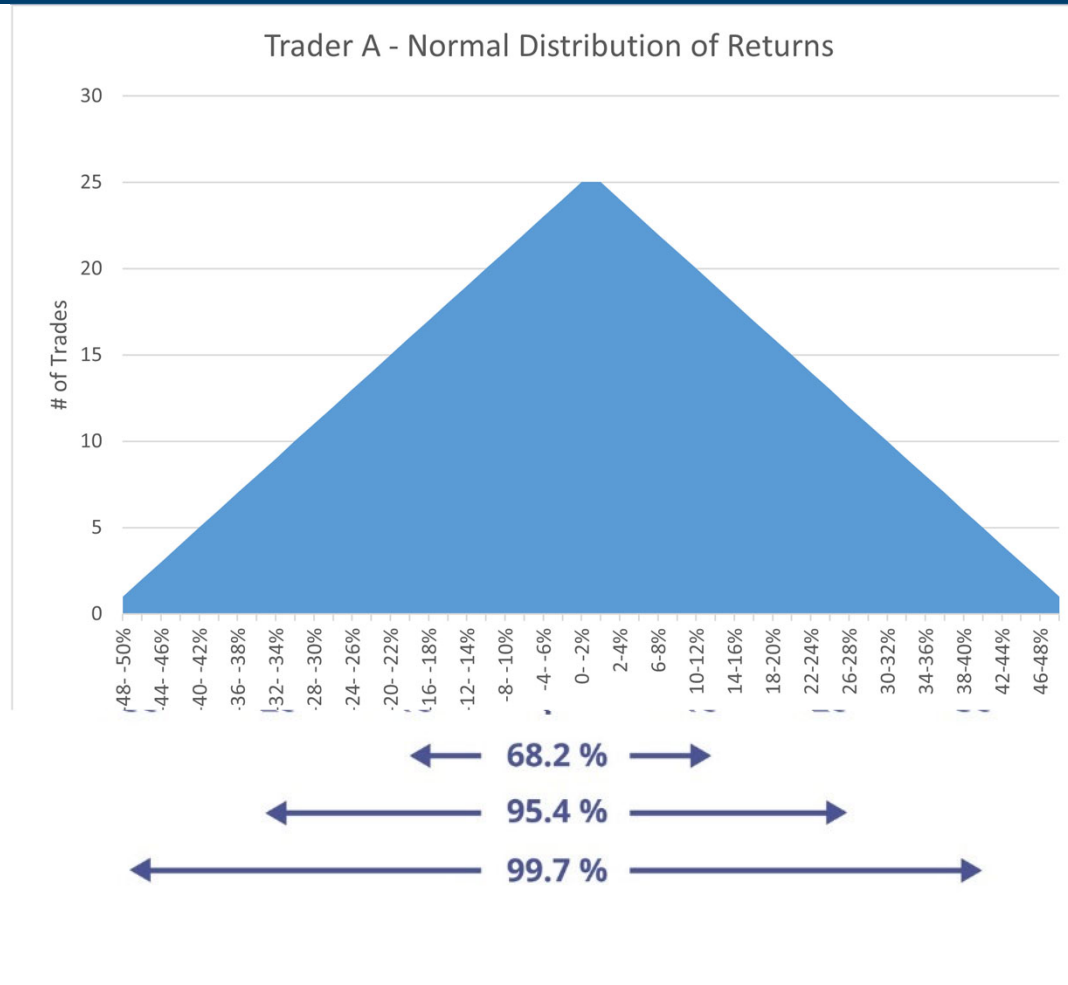
S&P 500 Index - SPX:WI - Daily - USD



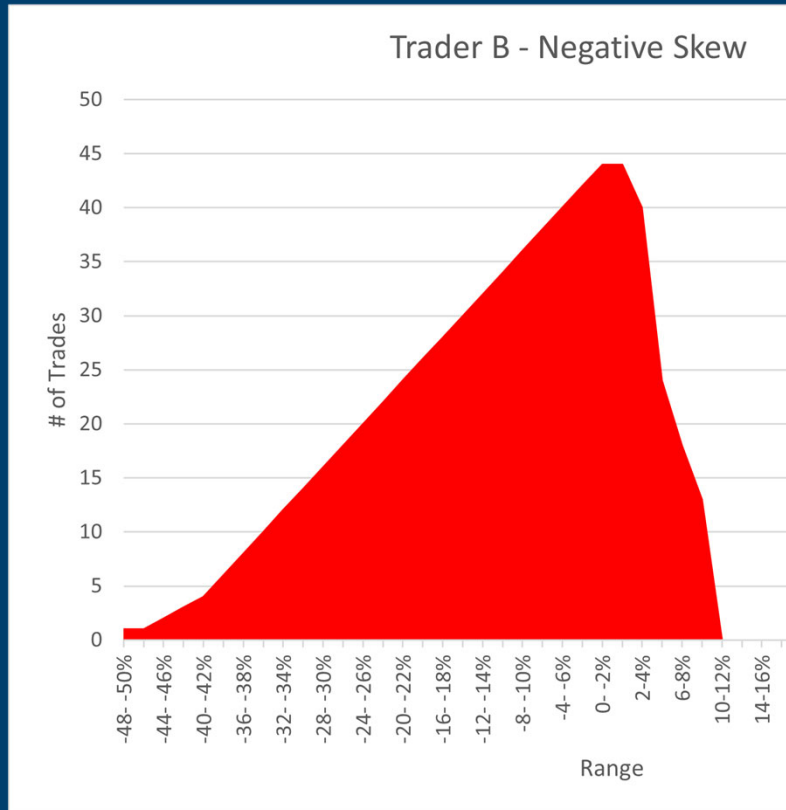
20th Oct 2025

**Even if it did fit Gaussian  
statistics,  
do you want it to?**

# Normal vs. Skew



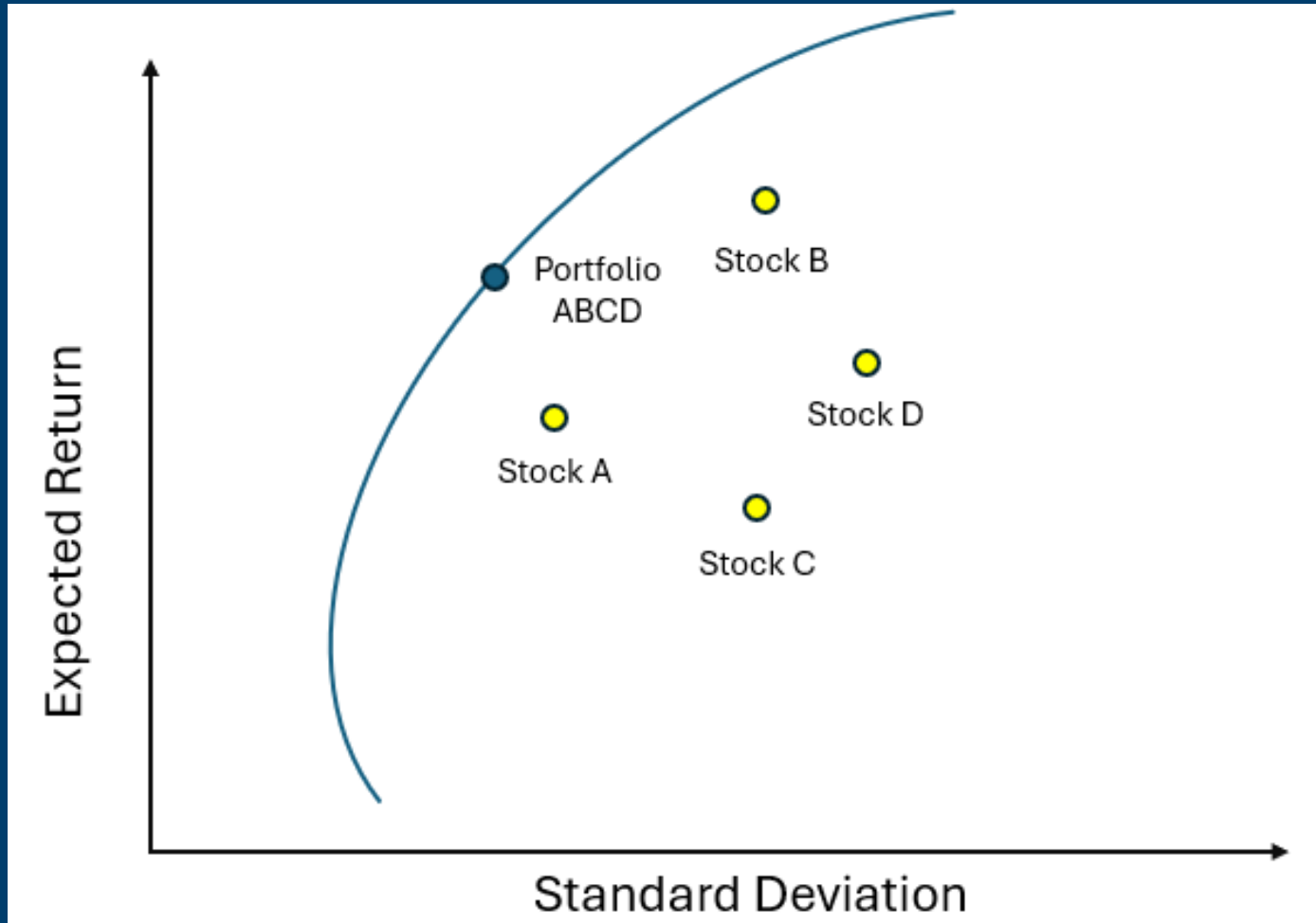
# Normal vs. Skew



**Negative Trades**

**Positive Trades**

# The Theory is Wrong



# The Theory is Wrong

**Correlation:  
How similar  
are two things.**



# The Theory is Wrong

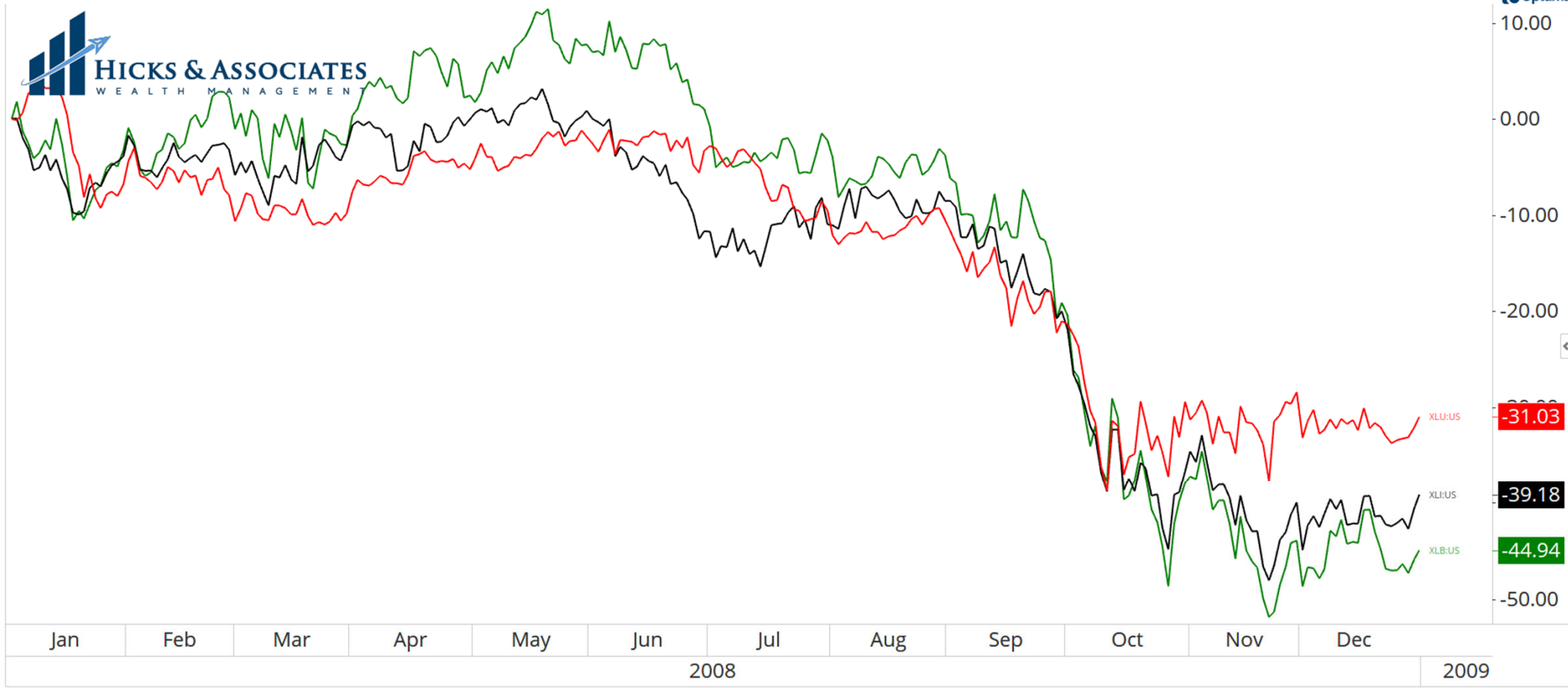
520 Week Correlation Grid - 9/3/2024

Code	XLB	XLC	XLE	XLF	XLI	XLK	XLP	XLV	XLRE	XLU	XLY
XLB		0.59	0.68	0.83	0.88	0.67	0.62	0.66	0.65	0.53	0.74
XLC	0.68		0.46	0.67	0.70	0.81	0.59	0.65	0.61	0.46	0.80
XLE	0.68	0.42		0.67	0.69	0.40	0.42	0.45	0.41	0.36	0.47
XLF	0.83	0.60	0.67		0.88	0.65	0.61	0.65	0.63	0.50	0.74
XLI	0.88	0.63	0.69	0.88		0.74	0.69	0.70	0.68	0.58	0.80
XLK	0.67	0.72	0.40	0.65	0.74		0.62	0.67	0.61	0.44	0.85
XLP	0.62	0.51	0.42	0.61	0.69	0.62		0.70	0.66	0.68	0.64
XLV	0.66	0.55	0.45	0.65	0.70	0.67	0.70		0.60	0.56	0.66
XLRE	0.67	0.57	0.42	0.65	0.71	0.63	0.68	0.64		0.79	0.69
XLU	0.53	0.42	0.36	0.50	0.58	0.44	0.68	0.56	0.76		0.50
XLY	0.74	0.73	0.47	0.74	0.80	0.85	0.64	0.66	0.68	0.50	

# XLB, XLI & XLU in 2008



Daily - Relative Comparison - Date Range: Date Range Start Date: 1/1/2008 End Date: 12/31/2008



Date: 4/28/2008 XLB:US Percent: 5.69% Cursor Value : -39.03

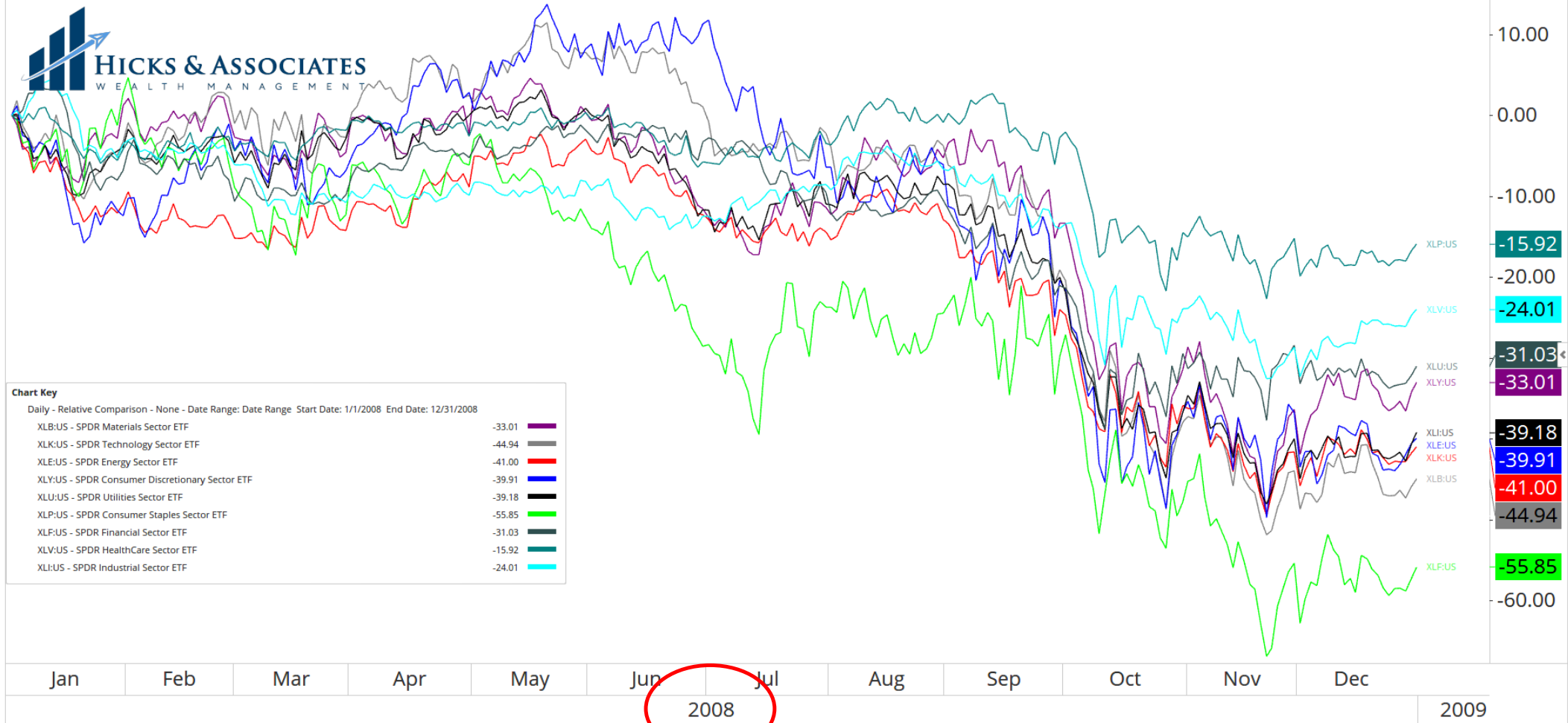
**Did holding this allegedly  
lower correlated asset XLU  
help a portfolio with XLB in  
2008?**

# So, what's the point?

Ticker	2008 Correlation to S&P 500
XLB	83.85%
XLE	83.61%
XLF	87.68%
XLI	91.32%
XLK	93.11%
XLP	81.86%
XLU	81.54%
XLV	80.83%
XLY	88.71%

# Did Diversification Help?

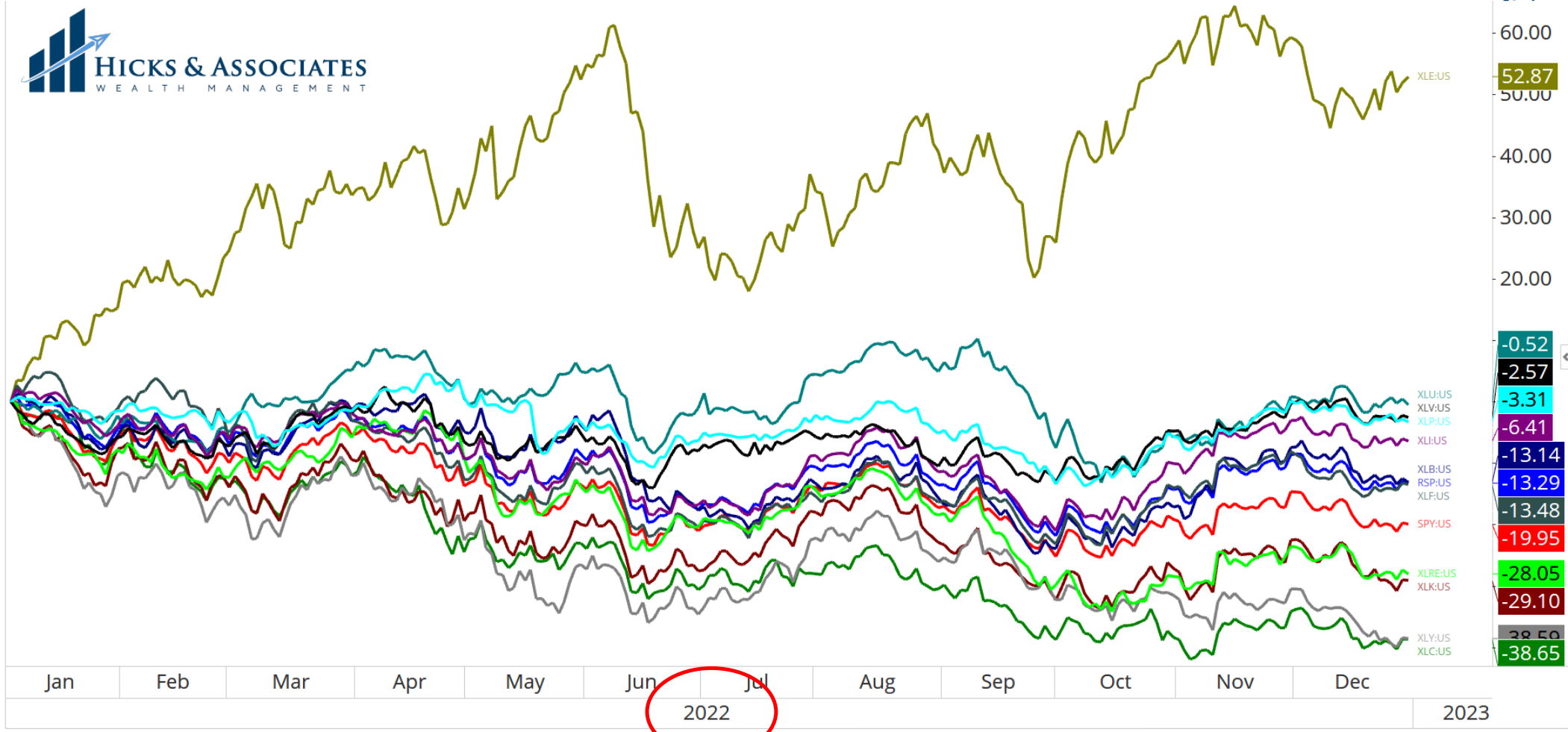
Daily - Relative Comparison - Date Range: Date Range Start Date: 1/1/2008 End Date: 12/31/2008



# Did Diversification Help?



Daily - Relative Comparison - Date Range: Date Range Start Date: 1/1/2022 End Date: 12/31/2022



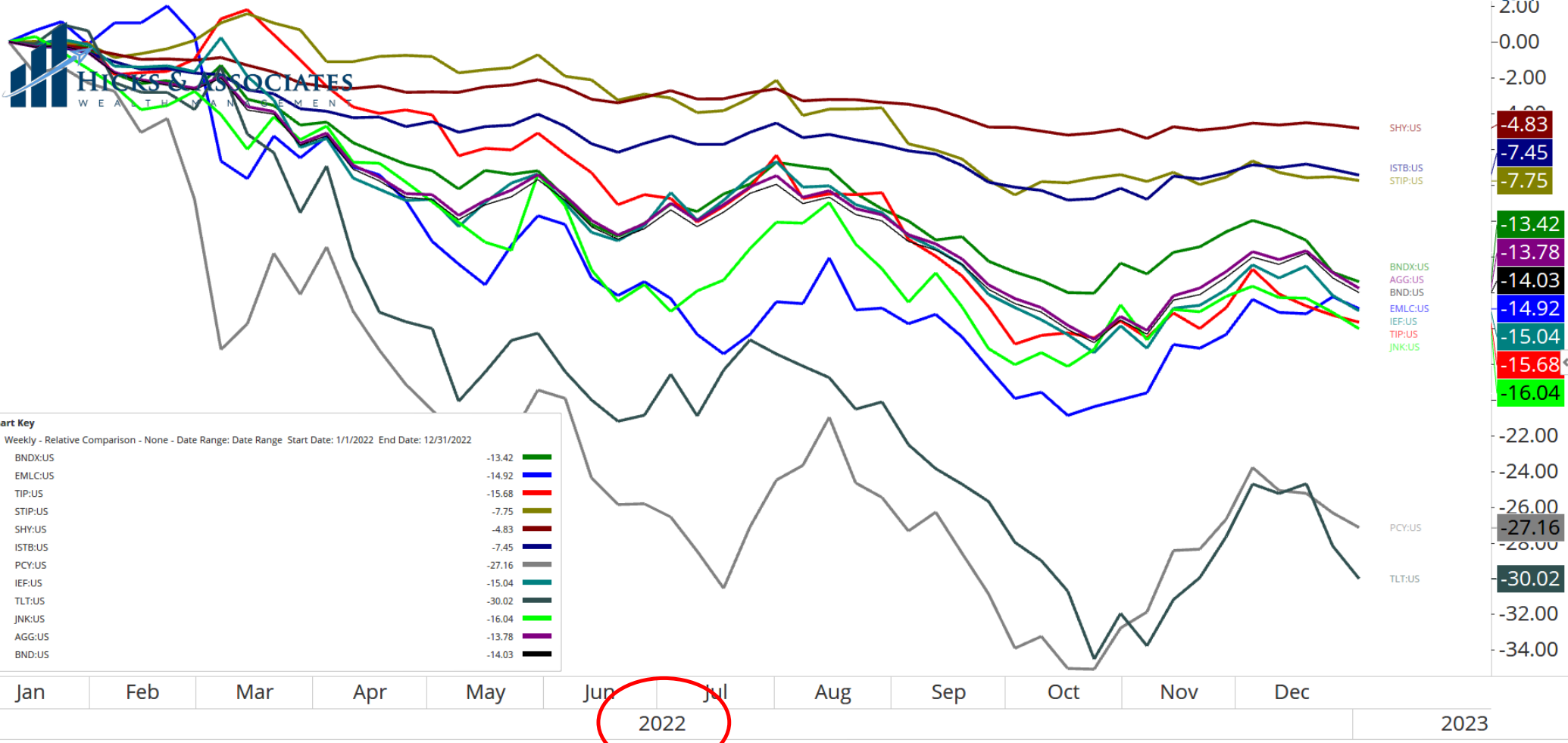
2022

10th Jun 2025

# Did Diversification Help?



Weekly - Relative Comparison - Date Range: Date Range Start Date: 1/1/2022 End Date: 12/31/2022

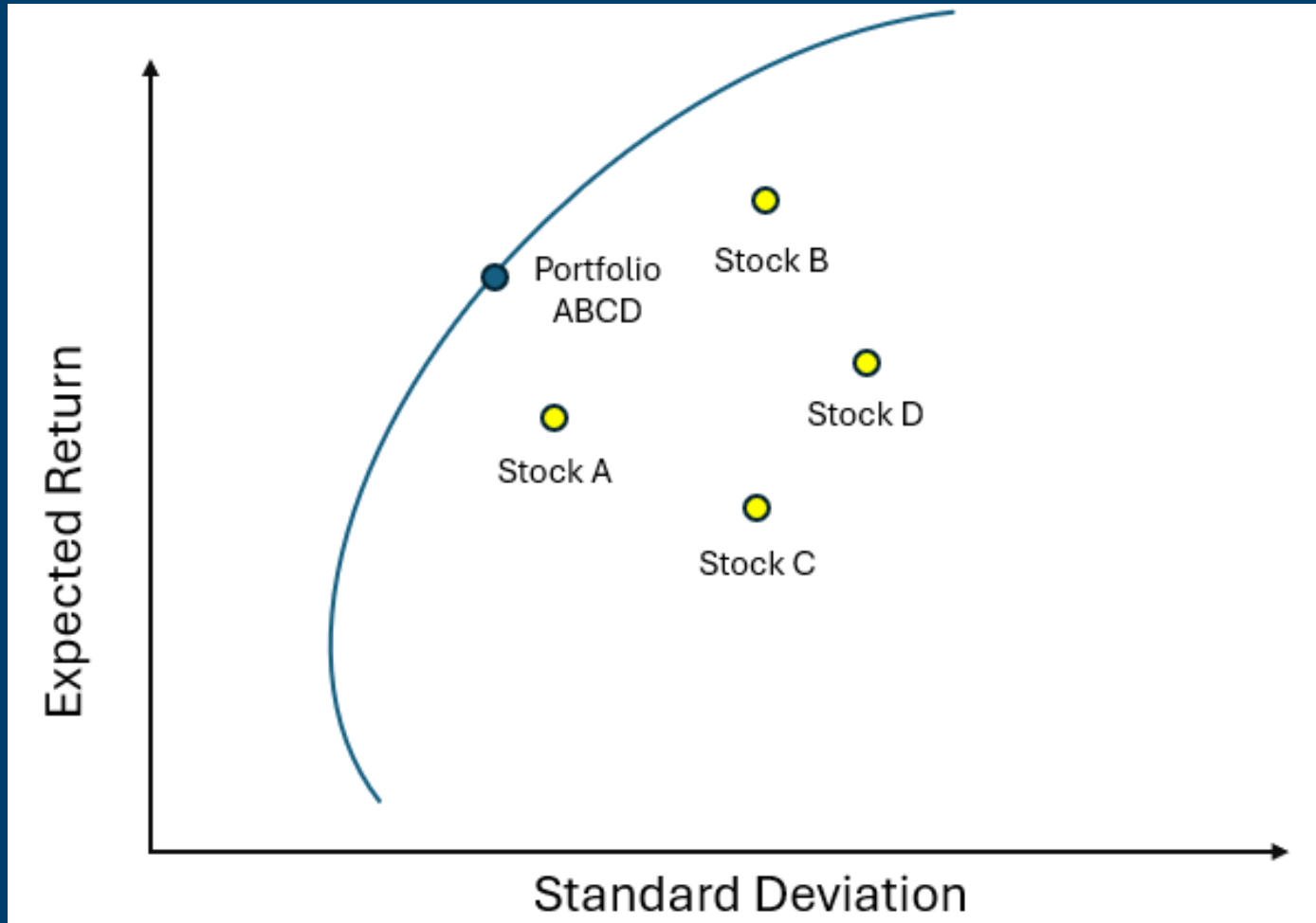


**Chart Key**  
Weekly - Relative Comparison - None - Date Range: Date Range Start Date: 1/1/2022 End Date: 12/31/2022

BNDX:US	-13.42
EMLC:US	-14.92
TIP:US	-15.68
STIP:US	-7.75
SHY:US	-4.83
ISTB:US	-7.45
PCY:US	-27.16
IEF:US	-15.04
TLT:US	-30.02
JNK:US	-16.04
AGG:US	-13.78
BND:US	-14.03

**In a Bear Market, the only  
thing that goes up is  
correlation.**

# The Theory is Wrong

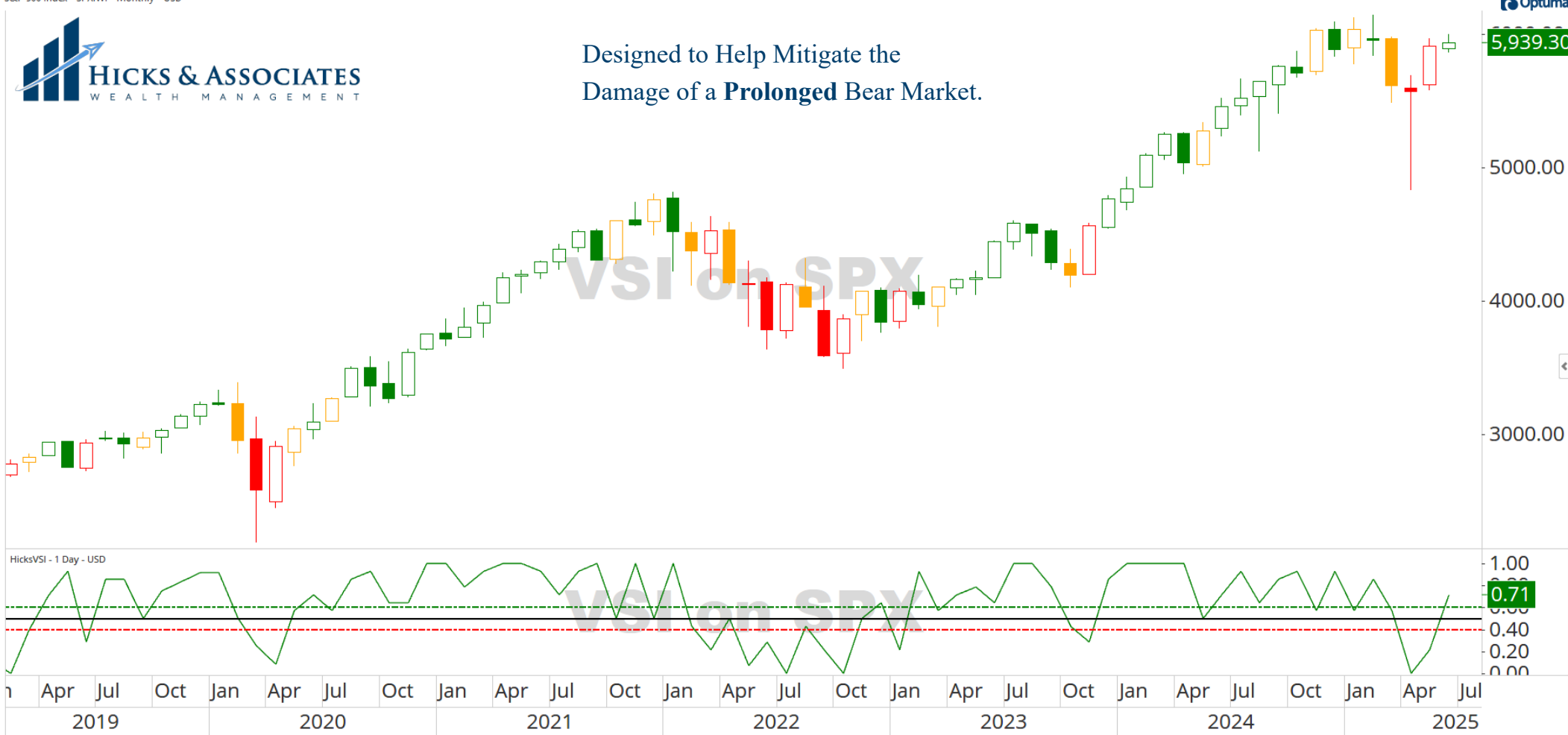


# Reducing Risk Differently



Designed to Help Mitigate the  
Damage of a **Prolonged** Bear Market.

S&P 500 Index - SPX:WI - Monthly - USD



Optima

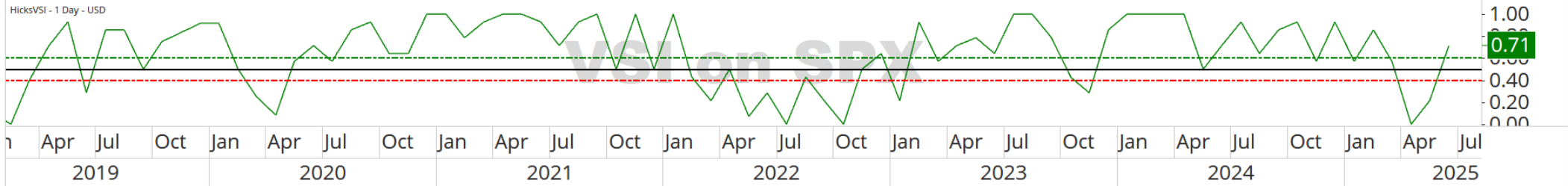
5,939.30

5000.00

4000.00

3000.00

HicksVSI - 1 Day - USD



1.00

0.71

0.60

0.40

0.20

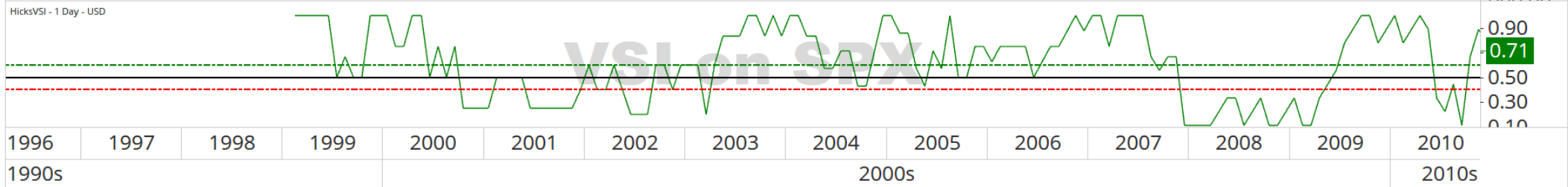
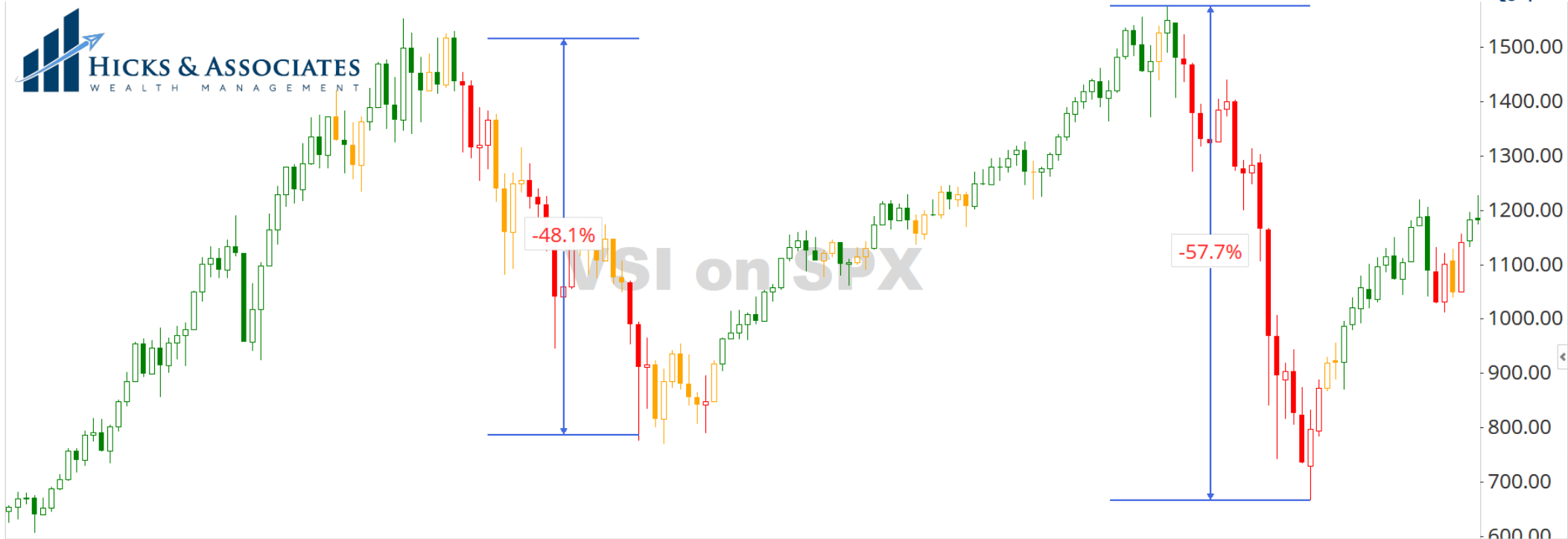
0.00

5th Jun 2025

# Reducing Risk Differently



S&P 500 Index - SPX:WI - Monthly - USD



# The Economic Reality of “Investing”

# “Investing” for the “Long Term”

# “Investing” for the “Long Term”



What does “investing” mean?

Now let’s define “long term”.

# “Investing” for the “Long Term”

Dow Jones Industrial Average - DJI (WI) - Daily - USD



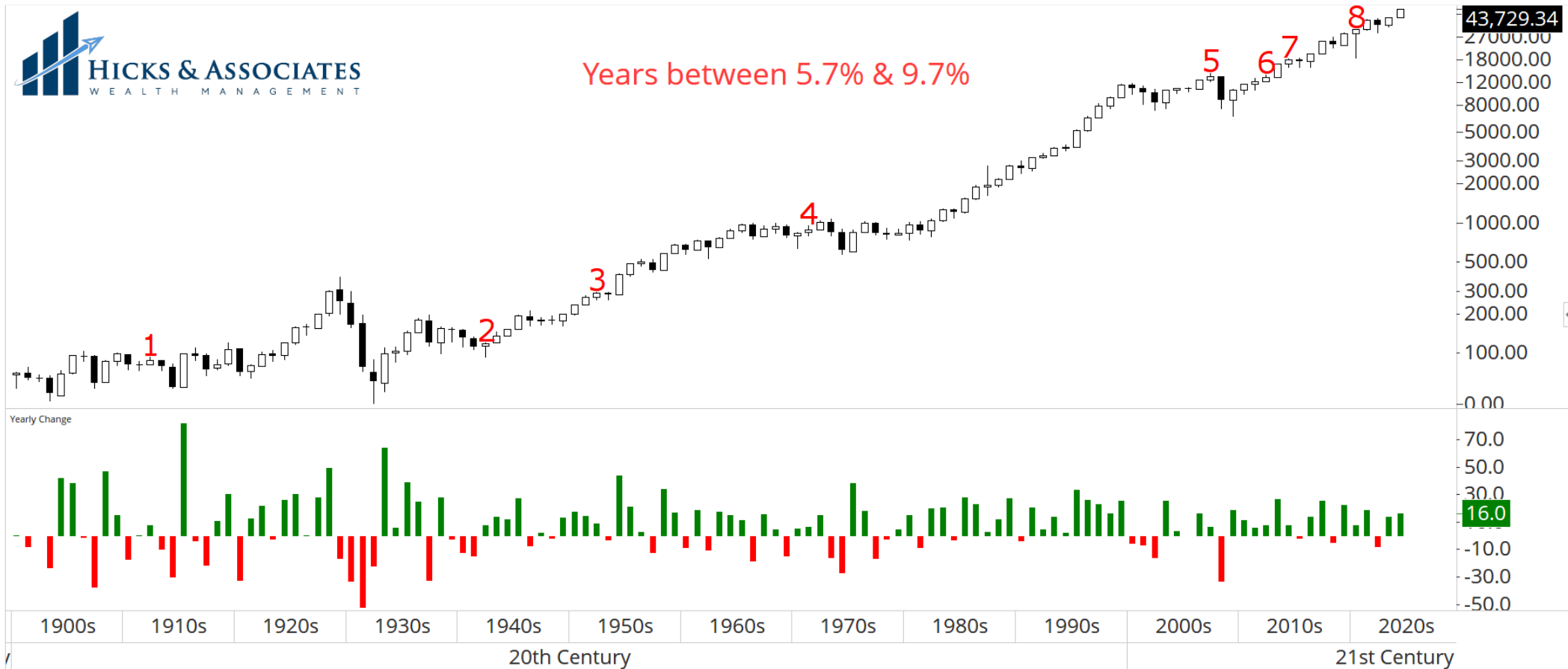
# “Investing” for the “Long Term”

Dow Jones Industrial Average - DJI:WI - Yearly - USD



Yearly

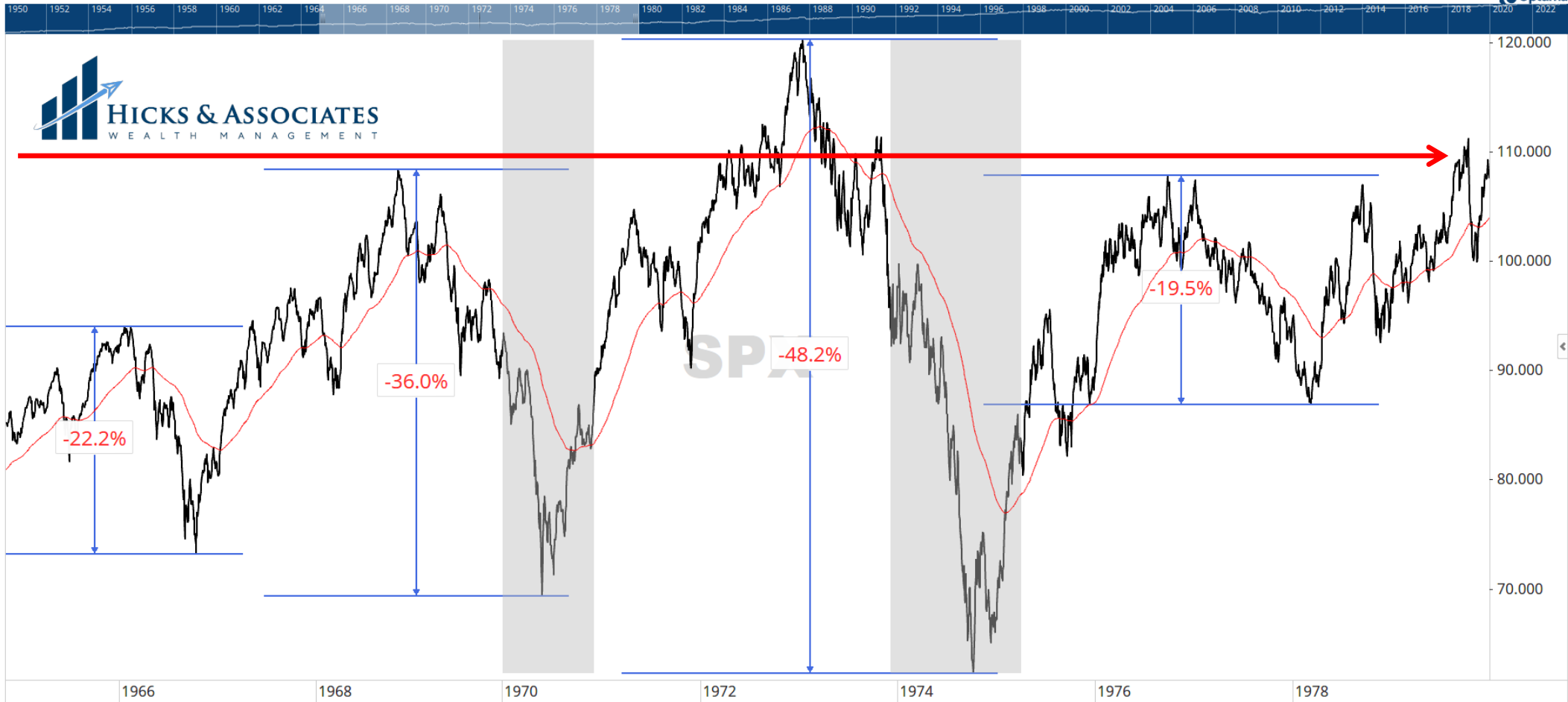
Dow Jones Industrial Average (DJI)



# A National Crisis Would Become Your Crisis

# Secular Bear

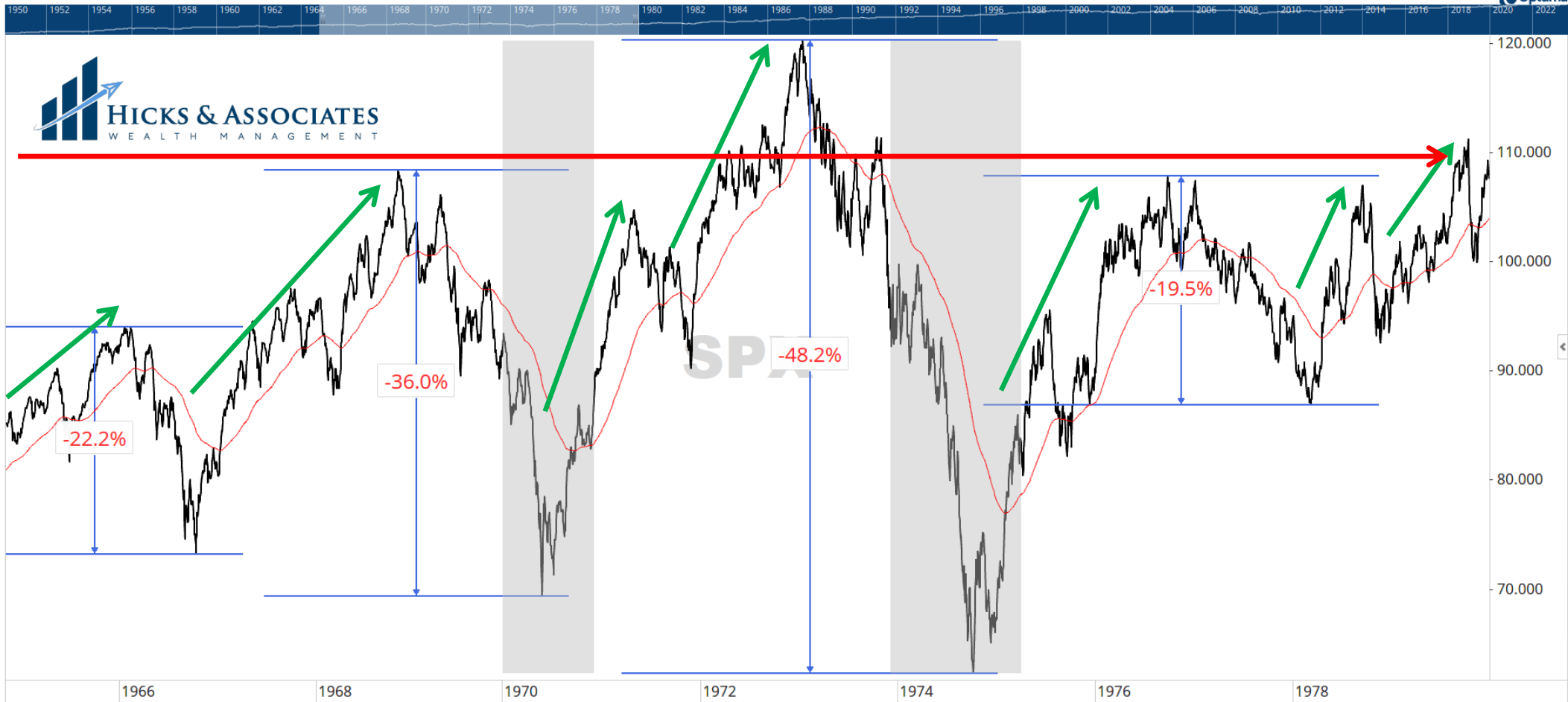
S&P 500 INDEX - SPX:WI - Daily - USD



18th Aug 2023

# Cyclical Bulls within Secular Bear

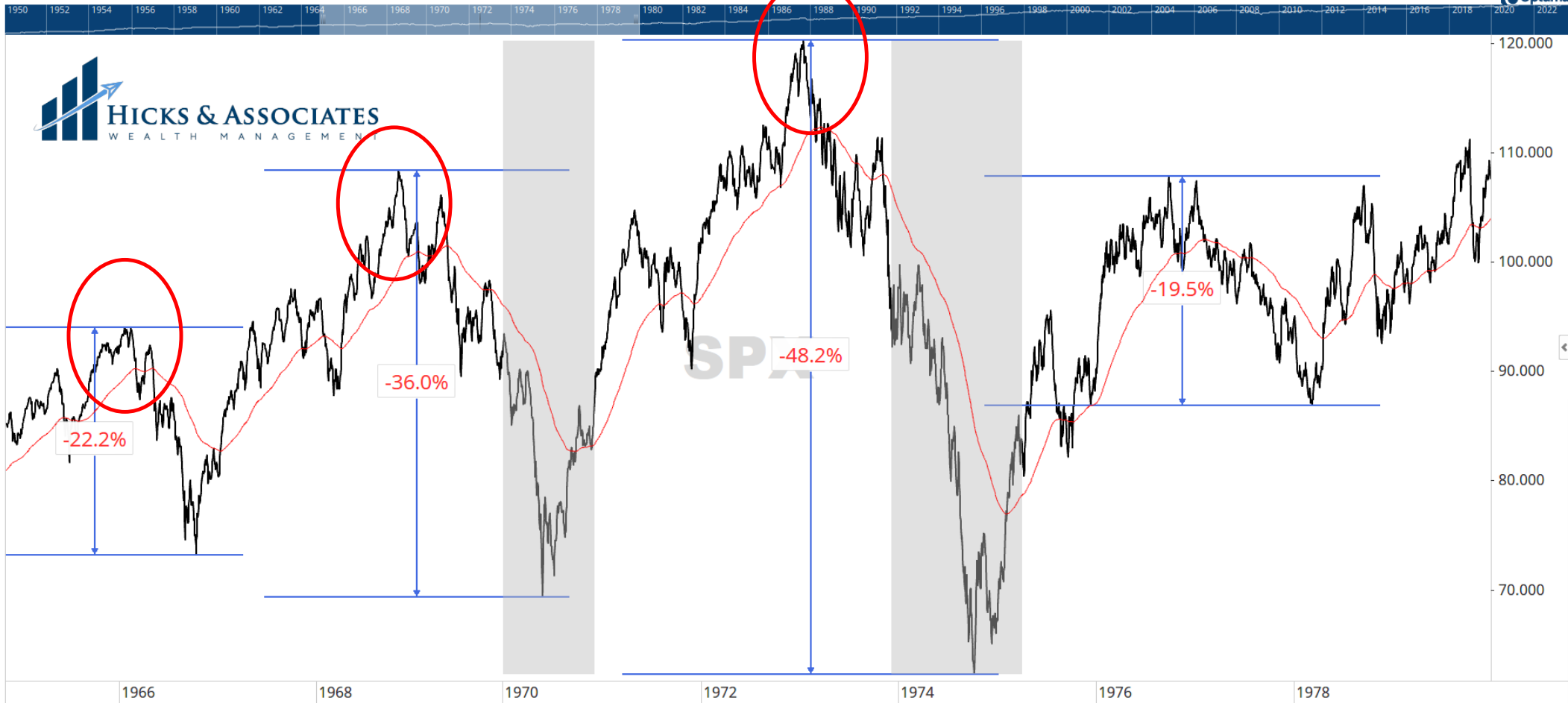
S&P 500 INDEX - SPX:WI - Daily - USD



18th Aug 2023

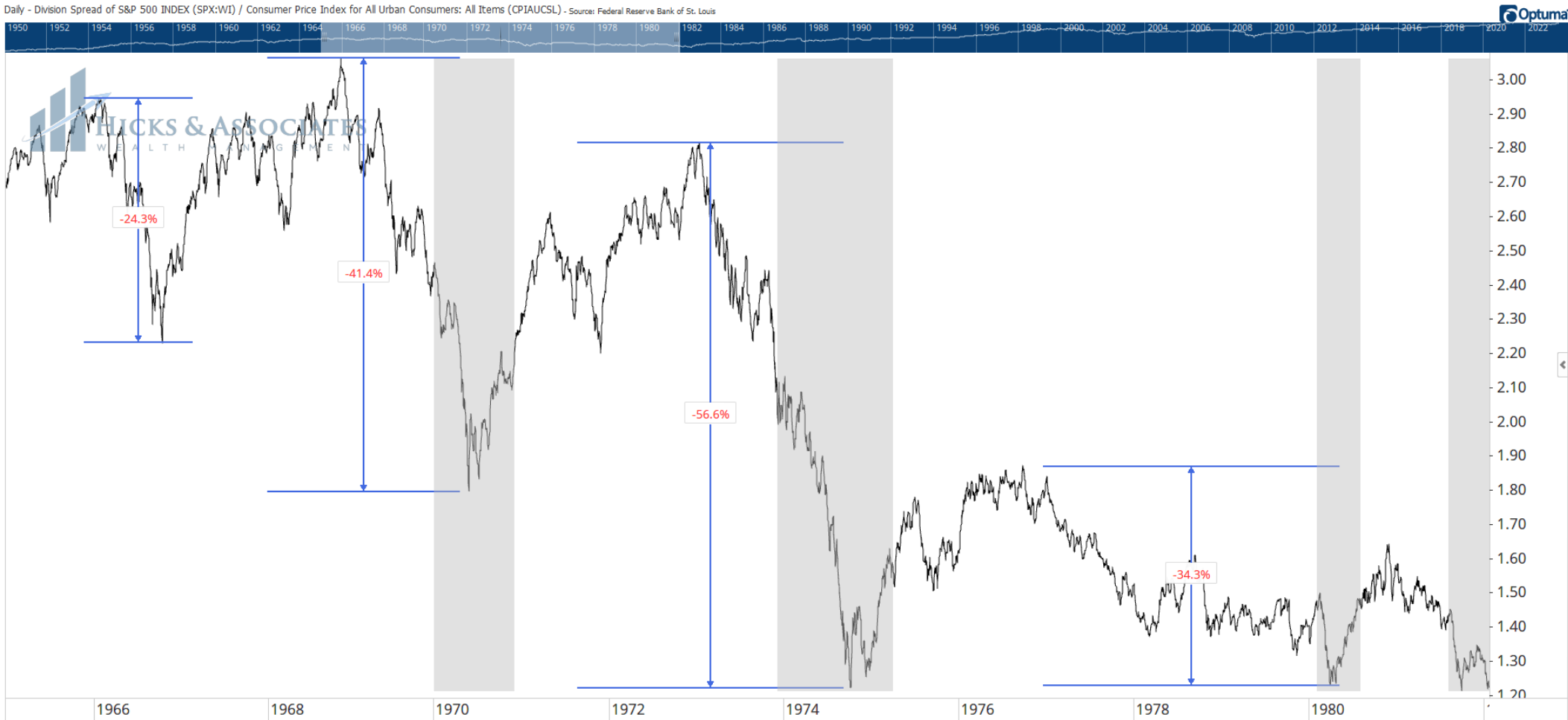
# All-Time Highs within Secular Bear

S&P 500 INDEX - SPX:WI - Daily - USD



# Secular Bear

Adjusted For Inflation



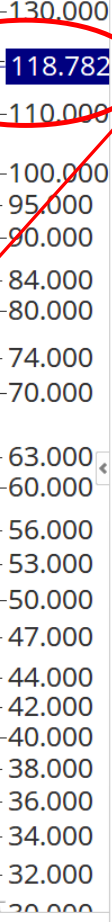
18th Aug 2023

# Federal Debt as Percentage of GDP



**We cannot afford to keep adding to the debt.**

**118%**



118.782

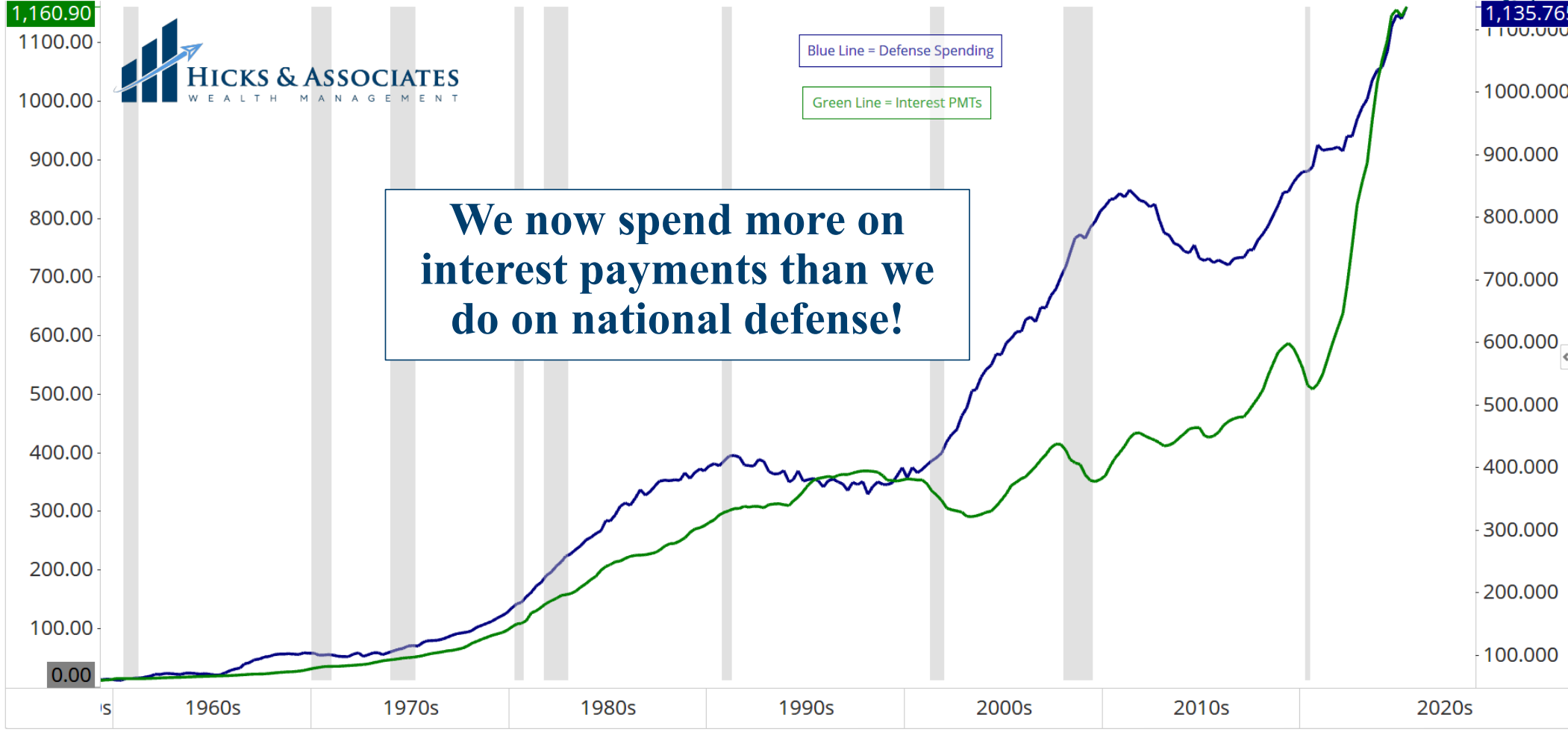
Federal Debt: Total Public Debt as Percent of Gross Domestic Product - GFDEGDQ188S:FD - Monthly - USD - Source: Federal Reserve Bank of St. Louis

1960s 1970s 1980s 1990s 2000s 2010s 2020s

# Interest Payments > Defense Spending



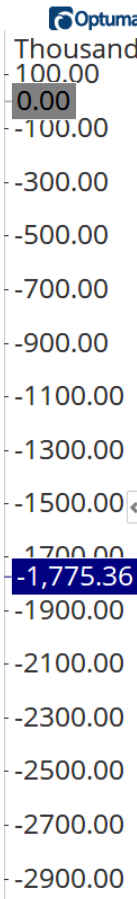
Federal Government: National Defense Consumption Expenditures and Gross Investment - FDEFX:FD - Monthly - USD - Source: Federal Reserve Bank of St. Louis



# Federal Surplus or Deficit

Federal Surplus or Deficit [-] - FYFSD:FD - Monthly - USD - Source: Federal Reserve Bank of St. Louis

**Deficits Have Gotten Out of Hand!  
Getting worse since the 1970s!**



1930s 1940s 1950s 1960s 1970s 1980s 1990s 2000s 2010s 2020s

# Raising Taxes Won't Cut It

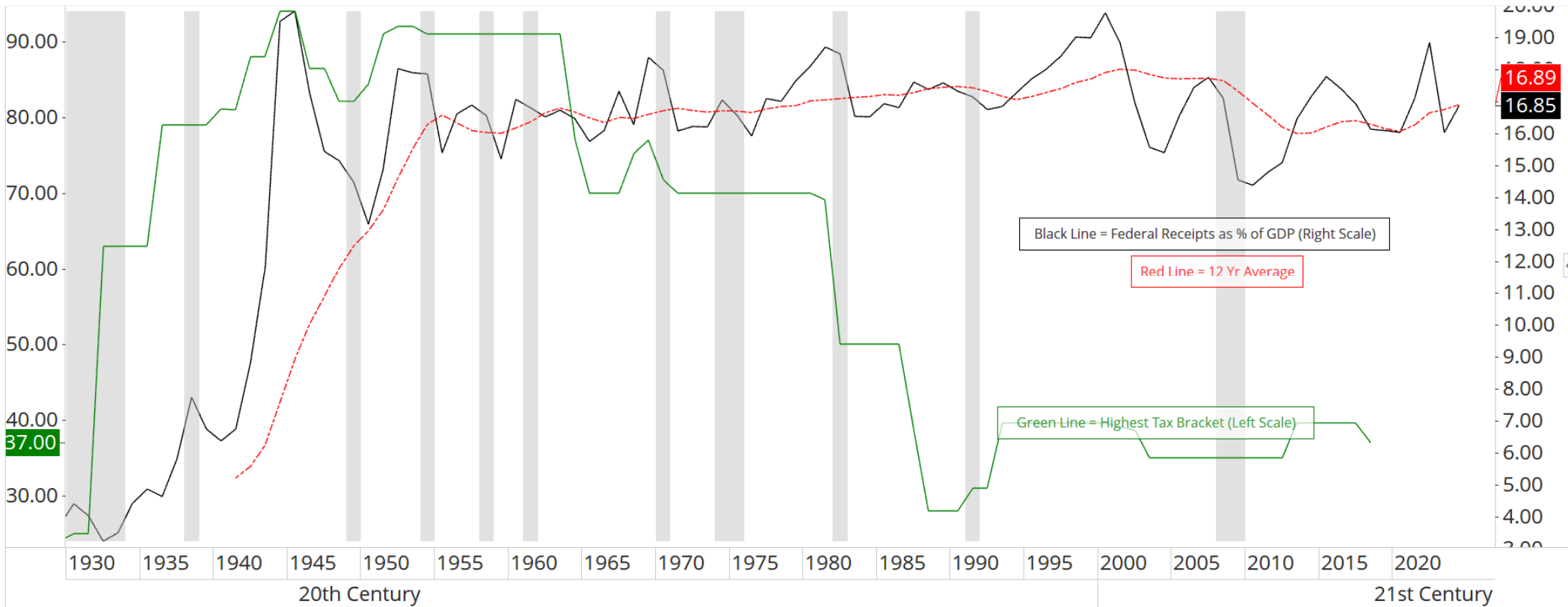


Federal Receipts as Percent of Gross Domestic Product - FYFRGDA188S:FD - Monthly - USD - Source: Federal Reserve Bank of St. Louis



Hicks & Associates Wealth Management  
 1225 Crescent Green Suite 100, Cary NC 27518  
 (919) 851-5512  
[www.Hicks-Associates.com](http://www.Hicks-Associates.com)

## Federal Receipts as Percent of Gross Domestic Product (FYFRGDA188S)

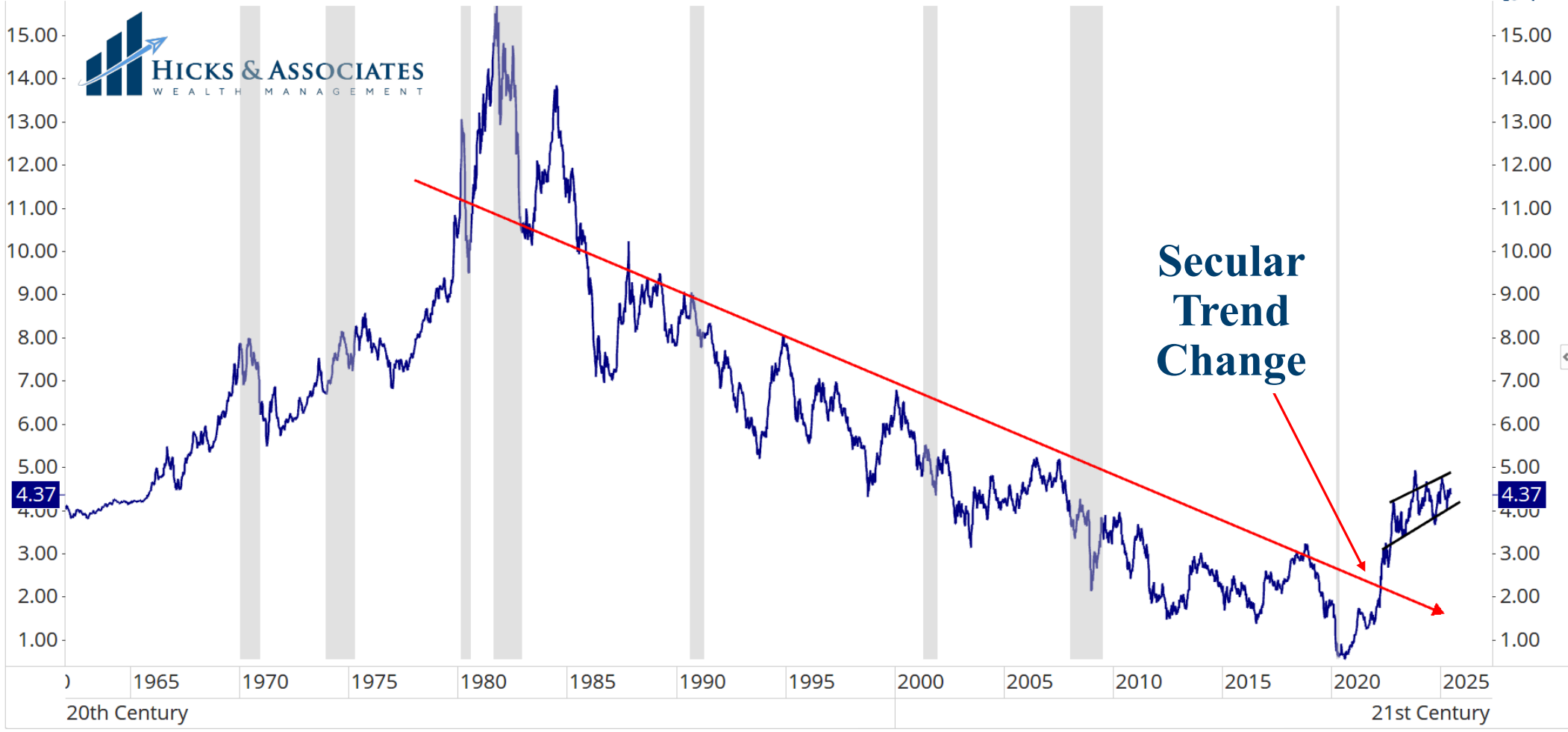


Date: Sunday, January 1, 1961 Open: 16.79 High: 16.79 Low: 16.79 Close: 16.79 Range: 0.00 Volume: 0 Position: 32 Cursor Value : 3.92

4th Jun 2025

# Pressure on Budget Will Grow

10-Year Treasury Constant Maturity Rate - DGS10:FD - Weekly - USD - Source: Federal Reserve Bank of St. Louis



# Pressure on Budget Will Grow

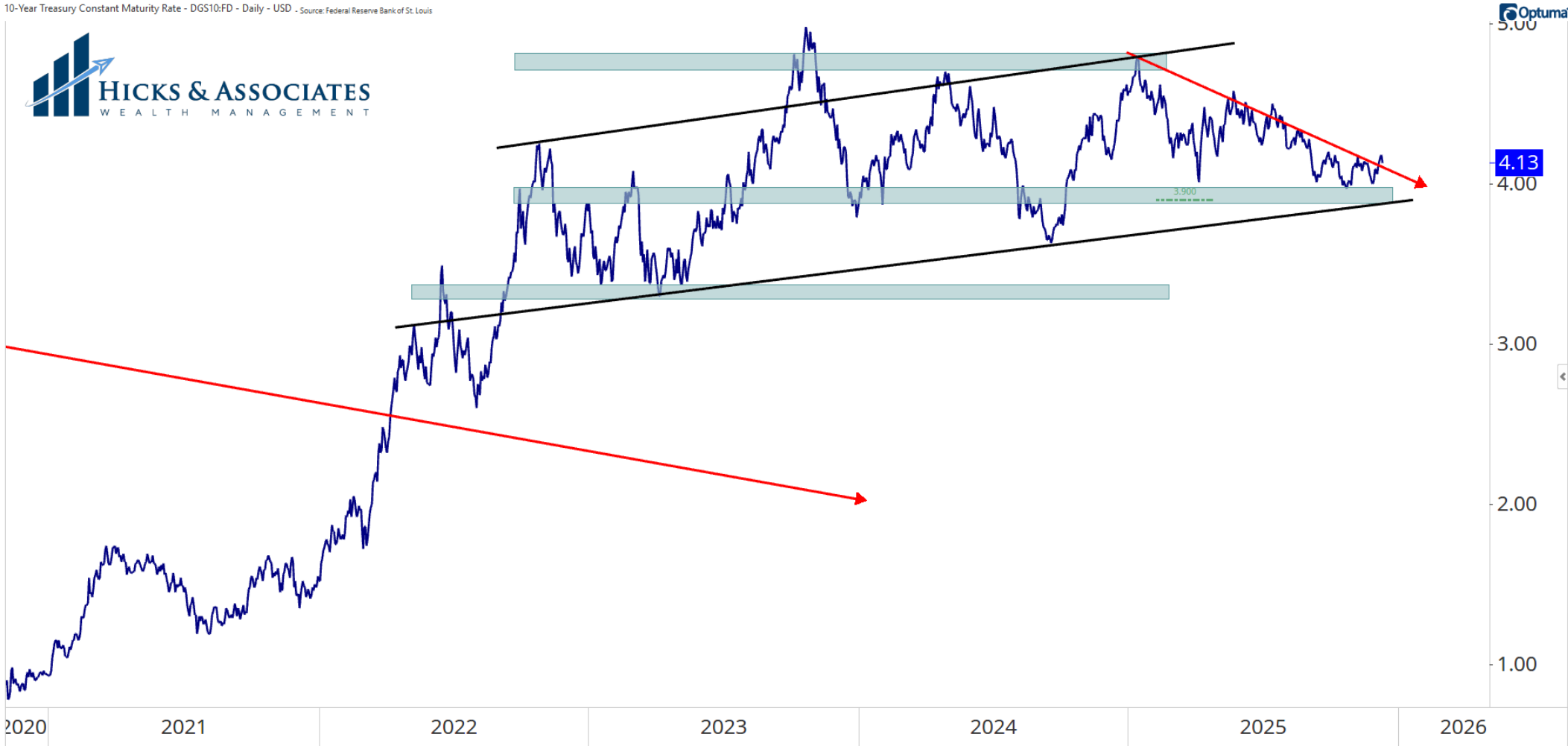
10-Year Treasury Constant Maturity Rate - DGS10:FD - Weekly - USD - Source: Federal Reserve Bank of St. Louis



# Pressure on Budget Will Grow



10-Year Treasury Constant Maturity Rate - DGS10:FD - Daily - USD - Source: Federal Reserve Bank of St. Louis



12th Dec 2025

# Safe No More?

**“Sovereign debt is often thought of as the best possible debt because the government issuing it usually has broad power to raise taxes to service the debt. ...”**

# Safe No More?

**“... For countries like the United States that have never failed to perform on federally issued debt, there is a strong expectation that the full faith and credit of the country will continue to back their bonds. ...”**

# Safe No More?



**“... But a spotless sovereign credit history is the exception rather than the norm.”**

*Modern Portfolio Management:  
Moving Beyond Modern Portfolio Theory*  
Todd E. Petzel (Wiley 2022)

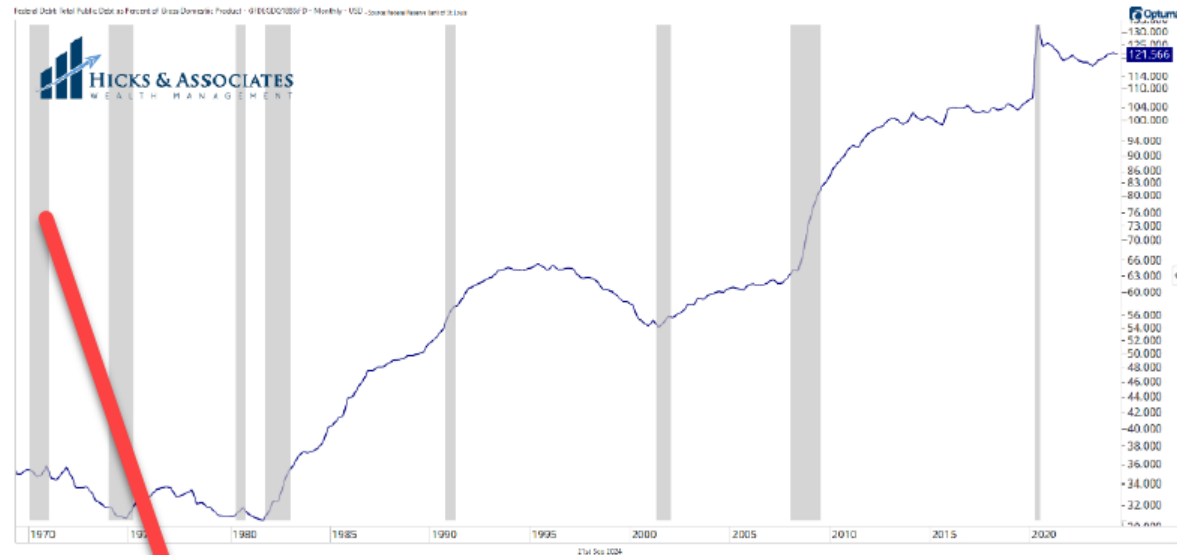


Chart 3.1 - Total National Debt as a Percentage of Gross Domestic Product

Furthermore, bankruptcy happens slowly ... then all at once.

Since at least 151 different countries have defaulted on their loans since 1960<sup>15</sup>, we have to recognize that it is at least conceivable that our nation **could** suffer the same fate. This is especially true when we consistently elect a varied group of seemingly smart individuals who cease to act like adults as soon as they arrive in Washington D.C. Then, when we look at the financial conditions of our nation, coupled with the lack of wisdom in our government, a wise citizen concludes that a national federal crisis, and even bankruptcy, is certainly possible<sup>16</sup>.

It is important to note that our nation does not have to go into bankruptcy in order for our economy to have a significant financial crisis. There are a myriad of ways that our nation could experience

<sup>15</sup> Bank of England research paper *Boc-BoE Sovereign Default Database: What's New in 2023?* Written by David Beers, Obiageri Ndukwe, Karim McDaniels and Alex Charron, published August 30, 2023

<sup>16</sup> Possible. I'm not saying it is **probable**. I am merely suggesting that it is **possible**.

## Evidence-Based Investing

### Theodore Hicks

# Safe No More?



**“Debt crises are inevitable.  
Throughout history only a very  
few well-disciplined countries  
have avoided debt crises. ...”**

*How Countries Go Broke:  
The Big Cycle*

**Ray Dalio** (Avid Reader Press, 2025)

**“Most debt crises, even big ones,  
can be managed well if economic  
policy makers spread out their  
negative impacts.”**

*How Countries Go Broke:  
The Big Cycle*

**Ray Dalio** (Avid Reader Press, 2025)

# Portfolio Math

# Portfolio Math



## 1<sup>st</sup> Principle:

Cut our losses short, but let our profits run.

# Portfolio Math



Starting Account Balance	Percent Loss	Ending Balance After Loss	Needed Gain to Restore Loss	Ending Balance After Gain
\$1,000	-5%	\$950	5.3%	\$1,000
\$1,000	-10%	\$900	11.1%	\$1,000
\$1,000	-15%	\$850	17.6%	\$1,000
\$1,000	-20%	\$800	25.0%	\$1,000
\$1,000	-25%	\$750	33.3%	\$1,000
\$1,000	-30%	\$700	42.9%	\$1,000
\$1,000	-35%	\$650	53.8%	\$1,000
\$1,000	-40%	\$600	66.7%	\$1,000

## What's better?

One Trade with a 25% Return?

- 25%

Five Trades each with 5% Returns?

- 5% compounded 5 times = 27.6%

# Portfolio Math



## What's better?

One Trade with a 50% Return?

- 50%

Five Trades each with 10% Returns?

- 10% compounded 5 times = 61.05%

# Portfolio Math



Starting Account Balance	Percent Gain	Ending Balance After Gain	Compound Return
\$1,000.00	5%	\$1,050.00	5.0%
\$1,050.00	5%	\$1,102.50	10.25%
\$1,102.50	5%	\$1,157.63	15.76%
\$1,157.63	5%	\$1,215.51	21.5%
\$1,215.51	5%	\$1,276.29	27.6%

# Portfolio Math



Starting Account Balance	Percent Gain	Ending Balance After Gain	Compound Return
\$1,000.00	10%	\$1,100.00	10.0%
\$1,100.00	10%	\$1,210.00	21.0%
\$1,210.00	10%	\$1,331.00	33.10%
\$1,331.00	10%	\$1,464.10	46.41%
\$1,464.10	10%	\$1,610.51	61.05%

# Portfolio Math



**Allocation x Gain/Loss = Contribution to Return**

**25% Stock ABC X 25% Gain = 6.25% for Portfolio Return**

**25% Stock ABC X -4.5% Loss = -1.125% damage to Portfolio**

# Portfolio Math



**Allocation x Gain/Loss = Contribution to Return**

25% Stock ABC X 25% Gain = 6.25% for Portfolio Return

25% Stock ABC X 25% Gain = 6.25% for Portfolio Return

25% Stock ABC X 25% Gain = 6.25% for Portfolio Return

25% Stock ABC X 25% Gain = 6.25% for Portfolio Return

# Portfolio Math



**Assume a \$400,000 Portfolio**

**4 Hypothetical Trades**

$\$100,000 \times 25\% \text{ Gain} = \$125,000$

$\$125,000 \times 25\% \text{ Gain} = \$156,250$

$\$156,250 \times 25\% \text{ Gain} = \$195,313$

$\$195,313 \times 25\% \text{ Gain} = \$244,141$

# Portfolio Math



**Assume a \$400,000 Portfolio**

**4 Hypothetical Trades**

**\$100,000 Trades → \$244,141**

**\$300,000 Was Never Invested**

**$(\$544,141 - \$400,000) / \$400,000 \rightarrow 36\%$  Return**

# Portfolio Math



**Is this 'investor' taking a lot of risk to get that return?**

# Portfolio Math



**Does this 'investor' need to be fully invested all year?**

# Portfolio Math



**Allocation x Gain/Loss = Contribution to Return**

**25% Stock ABC X 25% Gain = 6.25% for Portfolio Return**

**25% Stock ABC X -4.5% Loss = -1.125% damage to Portfolio**

# Shifting Back to Offense



Start with Small Positions to Gain Traction

1% Stock ABC X -4.5% Loss = -0.045% damage to Portfolio

# Shifting Back to Offense



As You Gain Traction ...

... Increase the size of your trades.

This is why we wait to increase  
our position sizing until after  
we've gained traction.

# Supply & Demand

# Supply & Demand



Do the same principle of economics apply to the stock, bond and commodities markets?

# Supply & Demand

If the **supply** is limited,  
And there is increasing **demand**,  
What will happen to **price**?

# Supply & Demand



**Actual Trade Examples**  
**Nothing is Guaranteed**

# Supply & Demand

Global X MSCI Argentina ETF - ARGT:US - Daily - USD



## Actual Trade Examples Nothing is Guaranteed



9th Jun 2025

# Supply & Demand

Global X MSCI Argentina ETF - ARGT:US - Daily - USD



## What happened here?



9th Jun 2025

# Supply & Demand

Global X MSCI Argentina ETF - ARGT:US - Daily - USD



**Looks like Demand  
Outstrips Supply.  
We buy here.**



**Javier Milei Wins Election**



# Supply & Demand

Global X MSCI Argentina ETF - ARGT:US - Daily - USD



In 11 days, ARGT is up ~9-10% from our buy point.

We sell half.



Javier Milei Wins Election



# Supply & Demand

# What happens next?

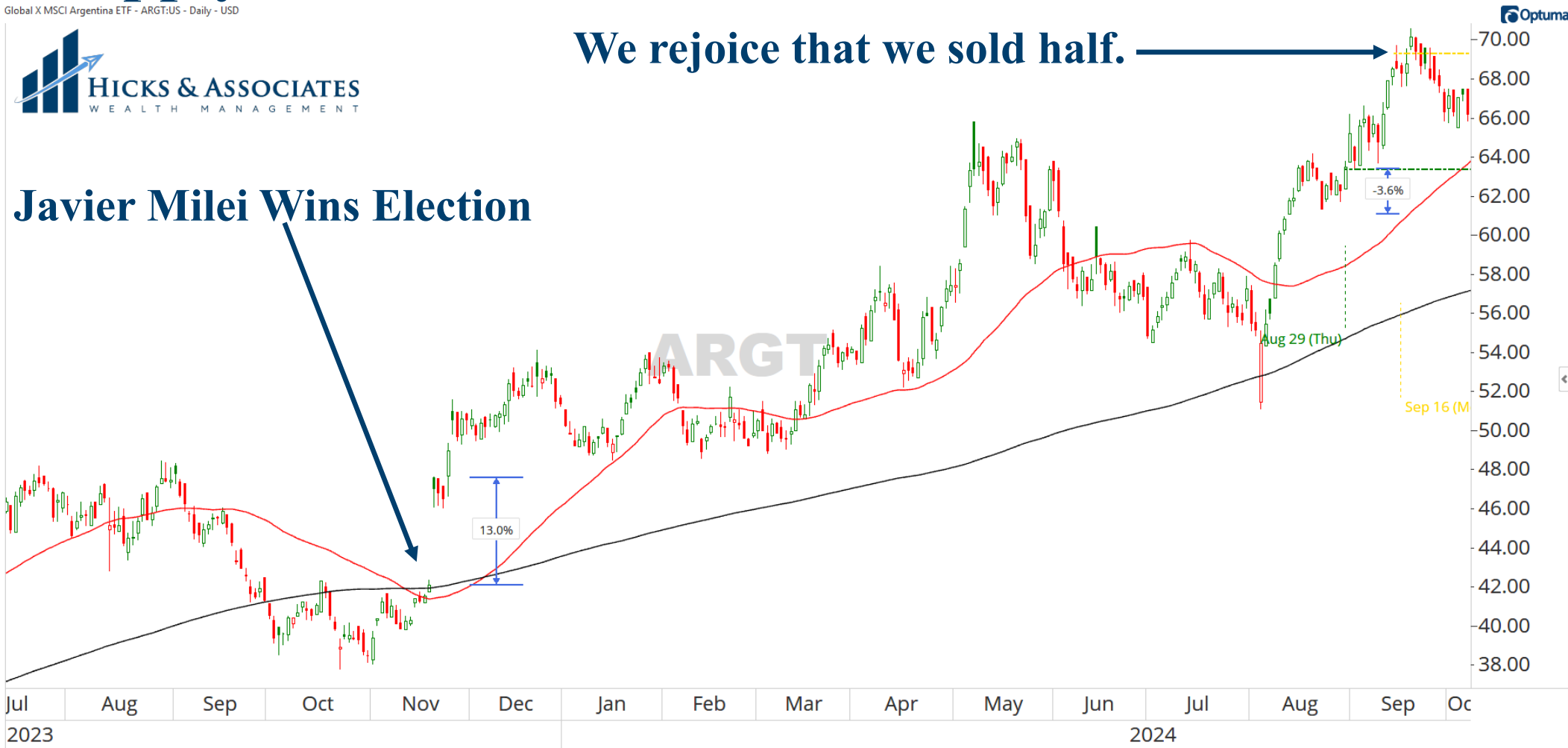


Global X MSCI Argentina ETF - ARGT:US - Daily - USD



We rejoice that we sold half. →

# Javier Milei Wins Election





# Supply & Demand

Global X MSCI Argentina ETF - ARGT:US - Daily - USD



## What happens next?



Close Trade

Start New Trade



# Supply & Demand

## What happens next?



Global X MSCI Argentina ETF - ARGT:US - Daily - Total Returns - USD



# Supply & Demand



Invesco Solar ETF - TAN:US - Daily - Total Returns - USD



10th Jun 2025

# Supply & Demand



Invesco Solar ETF - TAN:US - Daily - Total Returns - USD



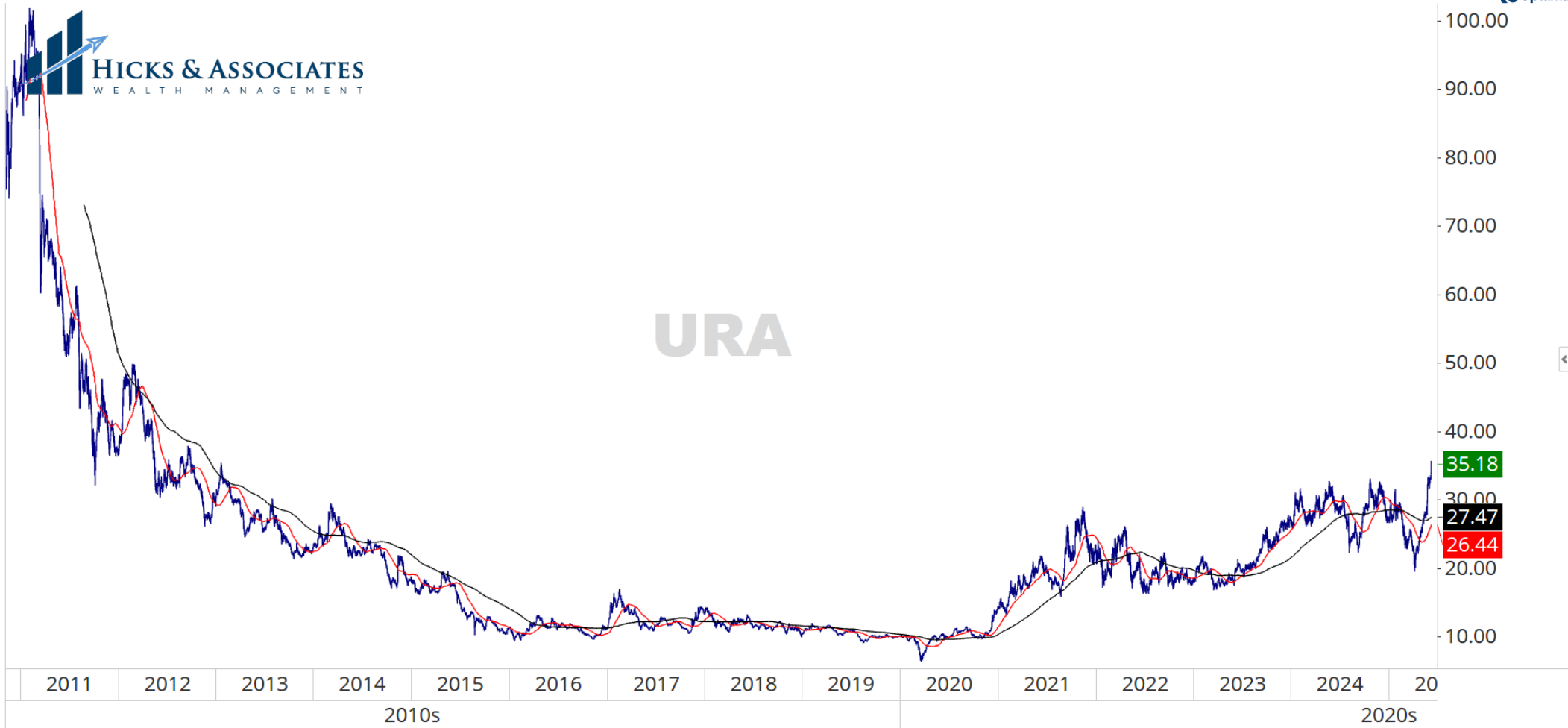
20th Oct 2025



# Supply & Demand



Global X Uranium ETF - URA:US - Daily - Total Returns - USD



10th Jun 2025

# Supply & Demand



Global X Uranium ETF - URA:US - Daily - Total Returns - USD



10th Jun 2025

# Supply & Demand

VanEck Uranium Nuclear Energy ETF - NLR:US - Daily - Total Returns - USD



20th Oct 2025

# Overhead Supply ... Wrung out



Tesla Inc - TSLA:US - Daily - USD



12th Dec 2025

# Overhead Supply ... Wrung out



Tesla Inc - TSLA:US - Daily - USD



12th Dec 2025

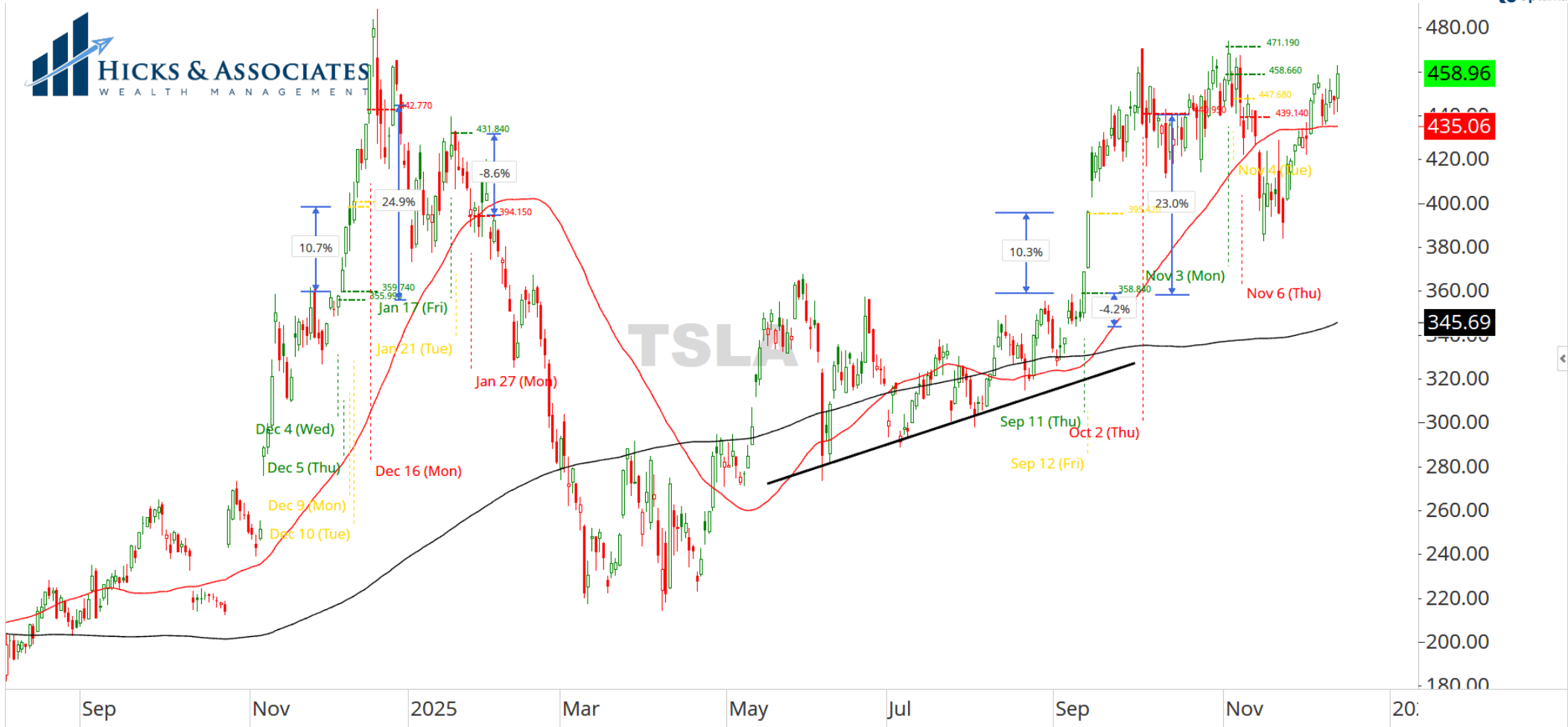
# Overhead Supply ... Wrung out

Tesla Inc - TSLA:US - Daily - USD



# Overhead Supply ... Wrung out

Tesla Inc - TSLA:US - Daily - USD



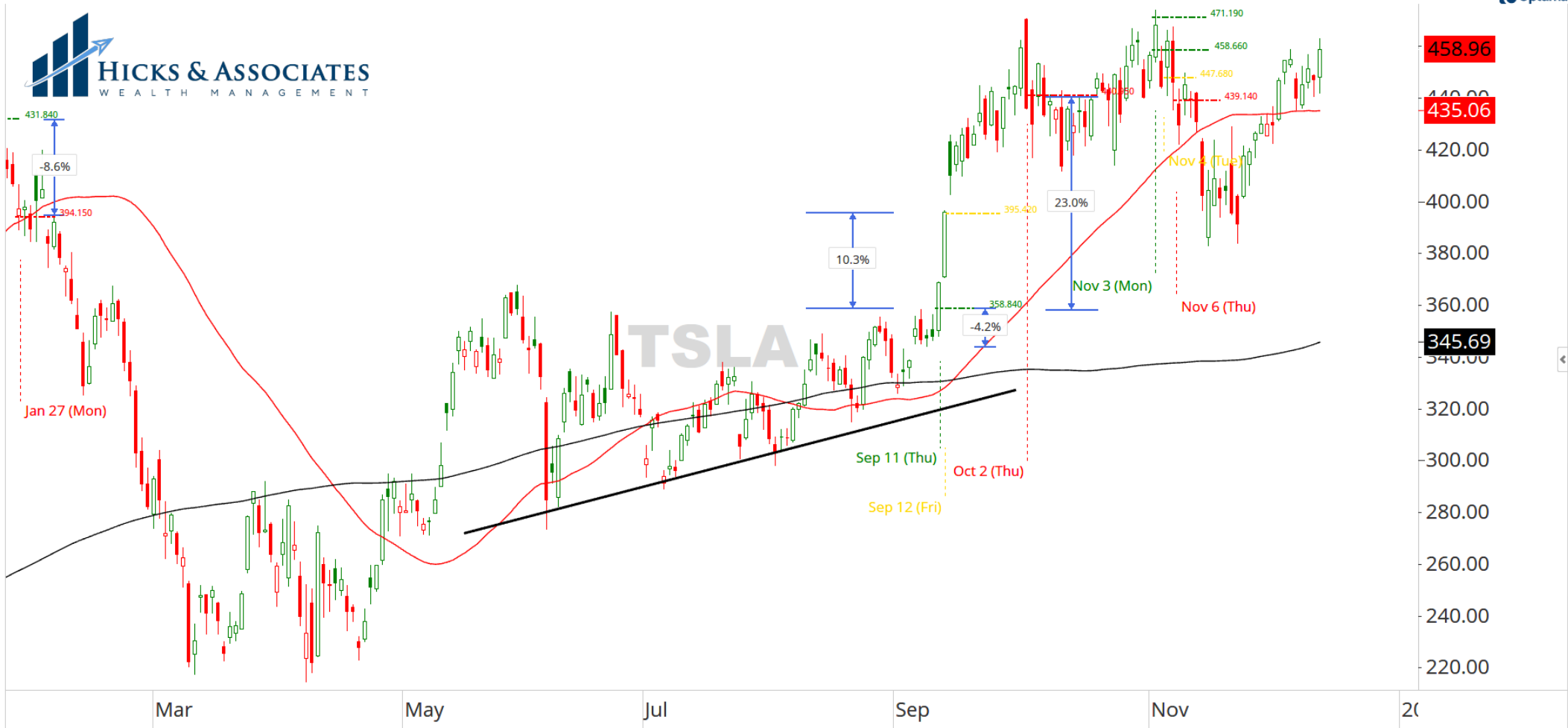
# Overhead Supply ... Wrung out

Tesla Inc - TSLA:US - Daily - USD



# Overhead Supply ... Wrung out

Tesla Inc - TSLA:US - Daily - USD



# Our Investment Philosophy



- 1. History teaches us that the stock market does experience prolonged periods of negative environments.**
- 2. We do not know where the market is going.**
- 3. We must have a plan for either direction, our clients are counting on us.**

# Our Investment Philosophy

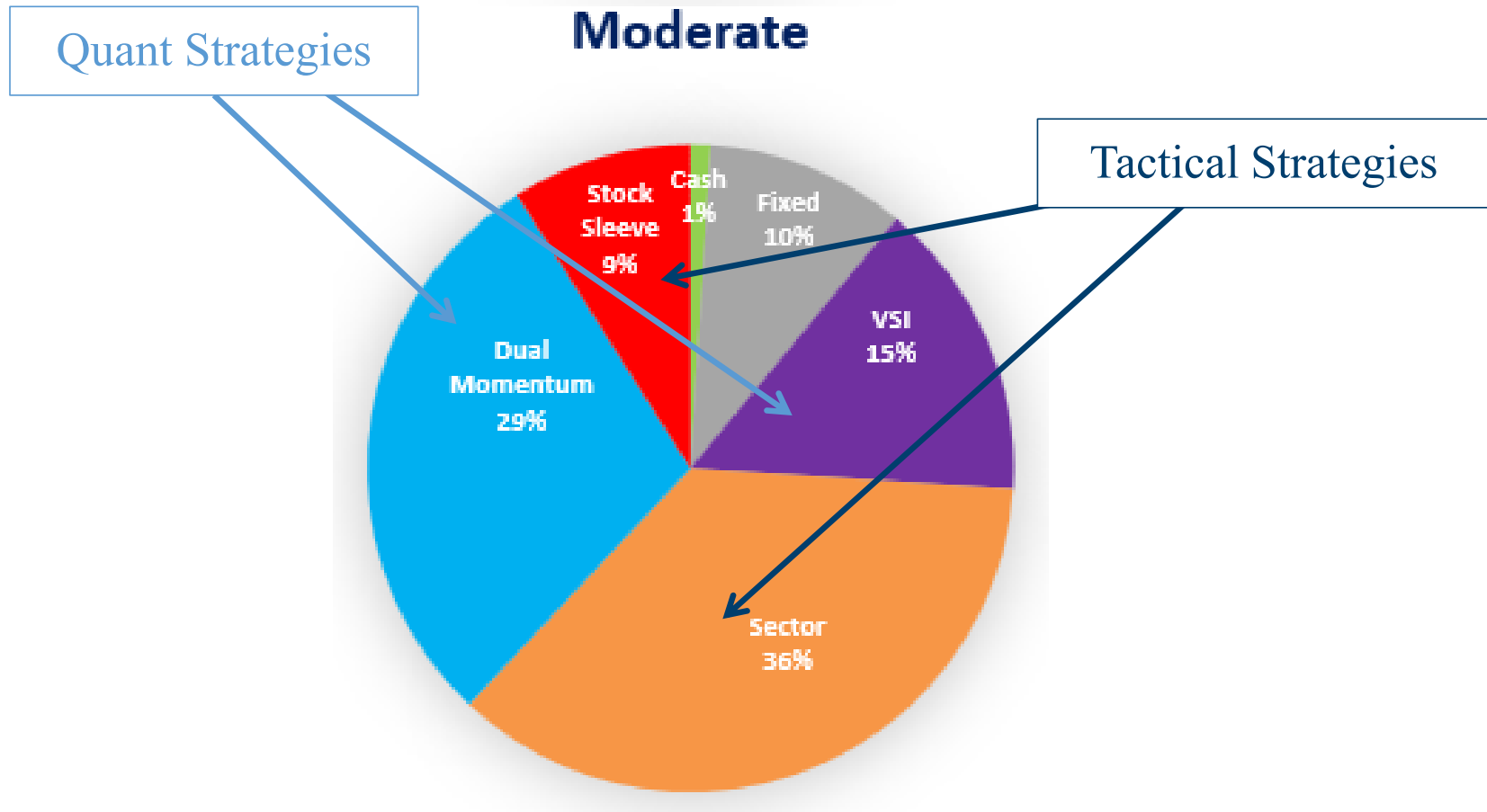


We do not predict.  
We prepare.

# Multi-Strategy Models

## 2 Quant + 2 Tactical

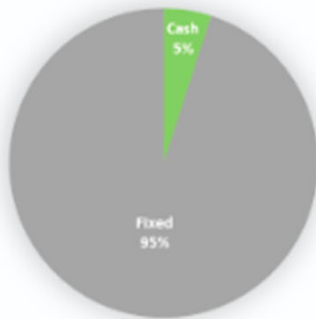
+ Fixed Income



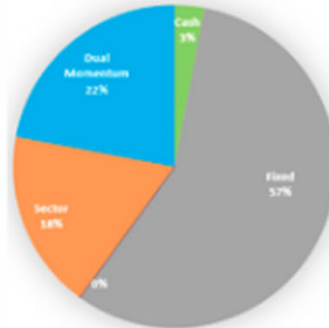
# Multi-Strategy Models

2 Quant + 2 Tactical  
+ Fixed Income

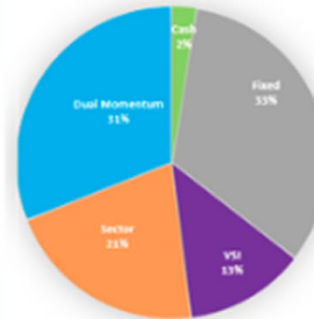
Ultra Conservative



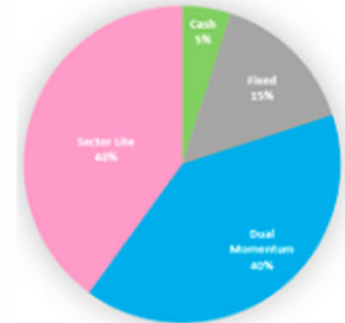
Conservative



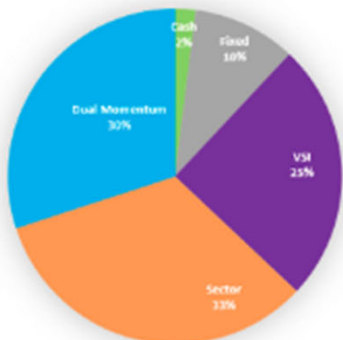
Mod Conservative



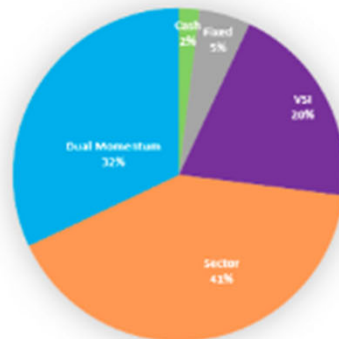
Sub 25K



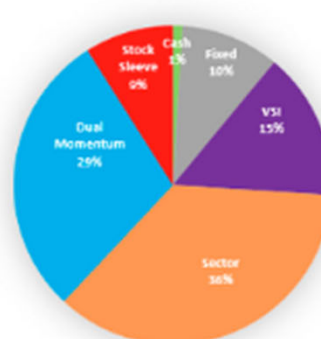
Mod - ExStocks



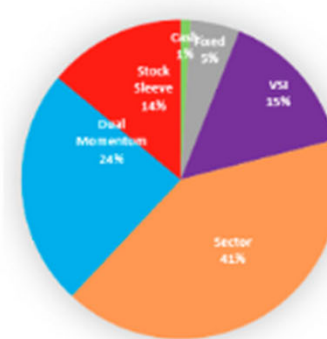
Mod Agg-ExStocks



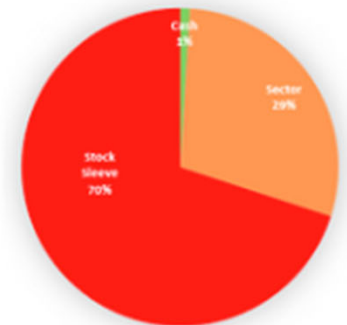
Moderate



Mod Aggressive



Total Equity



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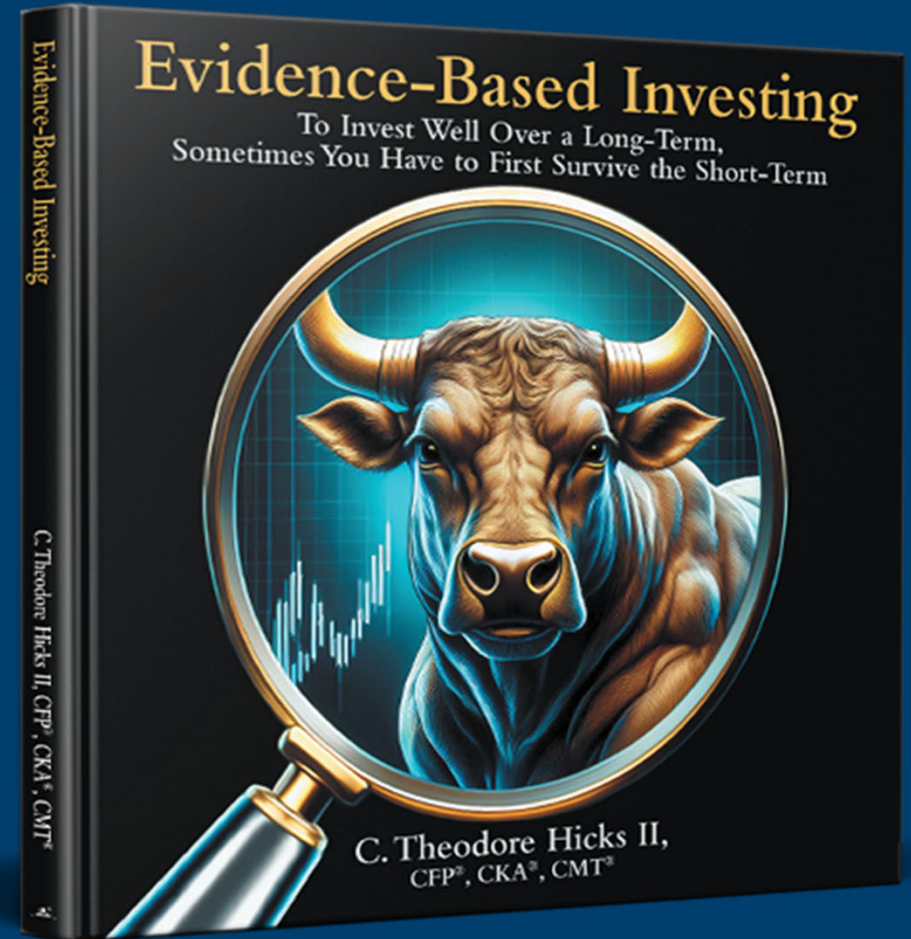
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# *Evidence-Based Investing*



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