

# Forcastix LLC – *Ask. Decide. Invest*

## Brochure of Ethics, Offerings and Investment Philosophy

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Designation as a registered investment adviser does not imply any specific skill or training.

This brochure provides information about the qualifications and business practices of Forcastix LLC. If you have any questions about the contents of this brochure, please contact us at...The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about Forcastix LLC. also is available on the SEC's website at [www.advisorinfo.sec.gov](http://www.advisorinfo.sec.gov).

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## **Advisory business**

### **Ownership and History**

Forcastix LLC is a privately held Investment Advisory company, based in Gaithersburg, Maryland. Forcastix was founded in 2011 by Richard Alan Dude, Jr. and Zeshan Genghis Khan. Both members are currently principal owners of the company.

### **Advisory Service Offerings**

Forcastix was founded on the principals of simplifying the decision making process when investing in equities ("stocks") for both amateur and professional investors. We analyze US-based and International companies that are publicly traded on a stock exchange, and advise clients on what companies, sectors, and geographic regions offer the best balance of safety and opportunity in investments. All of our advice is from the perspective of purchasing publicly traded common stock and is indirect, which means that the advice is offered as solicited by our clients through means of our web portals. The investment strategy is self-tailored by the client, using the capabilities of our web portal offerings. Our advice is intended optimize the equities portion of an individual's or company's entire investment portfolio by helping individuals select companies with the best fiscal health. We do not offer advice on other financial instruments such as bonds or fixed income assets. We also do not hold or in any way control client funds. All investment decisions are executed directly by the client. Since we only focus on equities, we do not offer comprehensive financial planning, and we strongly recommend all of our clients to ensure they are well diversified in other financial instruments outside of equities. All of our services are internet-based, and are described as follows:

#### **Free Stock Scoring (<http://free.forcastix.com>)**

Forcastix offers automated scoring and analysis of the roughly 9000 publicly traded companies listed on the US stock exchanges through our free web portal, <http://free.forcastix.com>. The scoring grades these companies on fundamental factors only, specifically their profitability and debt control over the last 10 years in comparison to competitors. This tool is primarily geared towards the novice investor but the scores are beneficial for anyone interested in investing in equities. Various other advisory services are based upon the Forcastix Scoring Model.

#### **Quant Adviser: Quantitative Backtesting and Screening**

Forcastix offers an Advanced Backtesting and Screening Platform called the Quant Adviser, accessed at <http://quant.forcastix.com>. The Quant Adviser is intended to assist novice and professional investors in determine equity selection and sector allocation based upon analysis of

historical trends. Our backtesting and screening services use our proprietary Scoring Model as well as common fundamental factors, and cover US and International equities.

### **Fundamental Research and Data Feeds**

From time to time, Forcastix enters engagements with other advisory firms to provide equities research as well as specialized derived data feeds such as individual stock as well as aggregated ratios. This service is not offered to individuals.

## **Fees and Compensation**

Forcastix bills clients on a pre-paid subscription basis. The fee schedule for the Quant Adviser, accessed via <http://quant.forcastix.com>, is determined by the level of service and length of the subscription purchased, can range from \$39 monthly to \$5000 annually (payable in 4 quarterly payments) and can be discounted at Forcastix's discretion. Clients can request prorated refunds for any portion of service not used. For example, if an Annual subscription was purchased but the client would like to cancel after 3 months, the first 3 months would be billed to the client at the month to month rate, with the remaining money refunded, or any balance due billed. Fees for data feeds and customized research varies based upon effort, scope, and frequency. Terms for refunds for data feeds and customized research are negotiated at the time the contract is executed, are reasonable, and are uniform among clients to the best of our ability. All fees must be paid prior to service being delivered. Since Forcastix does not hold any client assets nor offer brokerage services, all investments recommended by us and purchased by the client are done so through an unaffiliated third party broker of the clients choosing.

## **Performance-Based Fees and Side-by-Side Management**

Forcastix does not bill nor accept performance based fees, and therefore exhibits no conflict of interest in the investments we recommend. Forcastix does not actively manage any portfolios in behalf of our clients and therefore exhibit no conflicts of interest due to side-by-side management of portfolios.

## **Types of Clients**

Forcastix services a wide variety of clients, including individual investors and other asset managers. Any individual or entity who is engaged in purchasing individual equities would classify as our client demographic.

## **Methods of Analysis, Investment Strategies and Risk of Loss**

### **Forcastix Scoring Model and Related Equity Recommendation Method**

Forcastix employs quantitative fundamental analysis in the Forcastix Scoring Model to offer equities recommendations, which are presented as a score from 0-200, 200 being the best possible score. A

recommendation for a buy is generally any company scoring over 150. A clients specific needs and tolerance of risk could dictate that a recommendation would include companies with a score lower than 150. Forcastix never recommends companies scoring below 50. Companies are rescored weekly based upon the most recent financial filings we have on hand.

The Forcastix Scoring Model is proprietary and uses sound principals in comparing debt leverage and profitability of public companies in the backdrop of their competitors over the last 10 years. Company competitors are determined using the "Industry Building Blocks Classification Database" ("IBBCD"), which is similar to the NAICS, but with more detail. Where a company has not been classified by the IBBCD, we use Thomson Reuters Sector and Industry classifications to determine competitors. Fundamental data used for scoring is received from Thomson Reuters on a daily basis, and is accurate to the best of our ability.

### **Forcastix Scoring Model Validation**

Equity selection using the Forcastix Scoring Model has been backtested over a 20 year period (from May 1992 to April 2011) with companies scoring over 150 (a good score) outperforming the S&P500 over this time period as a group, and companies scoring under 50 (a poor score) underperforming the S&P500 over this time period as a group. We have conducted similar sector-specific backtests, and results demonstrated that over a 12 year period (from May 1999 to April 2011) companies scoring over 150 as a group outperformed the SPDR Index-based Sector ETFs.

### **Risks**

It is important to note that past performance and backtesting is not an indication of future returns. This should be carefully weighed when using any backtesting results created by Forcastix for equities selection.

Since Forcastix makes recommendations on individual securities, unforeseen company risk can expose the investment to complete loss in a single security. Forcastix encourages diversification to hedge against this risk.

Unforeseen total market risk can expose an entire lot of investments to significant loss. Forcastix attempts to reduce risk by recommending companies that have sufficient equity and are generating income year over year, as this strategy is built into the scoring algorithm. Furthermore, Forcastix advocates a buy and hold strategy to reduce total market risk. Finally, Forcastix always encourages investing in other asset classes besides equities to reduce risk.

Forcastix enables clients to construct their own strategies, using backtests and screens based upon fundamental factors the client customizes, via the Quant Adviser. Since this strategy has not been vetted by Forcastix, there is additional risk that the strategy may not conform to common standards for risk management in equity selection and diversification, and increase risk of significant or total loss. These strategies are presented to the user with associated backtesting and screening over a time period of the user's choice. It is important to remember that past performance and backtesting results is not

an indication of future returns. All investments in individual equities carry the risk of significant and even total loss.

## **Disciplinary Information**

Neither Forcastix, nor any persons affiliated with or under the control of Forcastix has been accused of or disciplined for any actions in regards to financial misdemeanors of any type or a felony of any kind.

## **Other Financial Industry Activities and Affiliations**

Forcastix, persons under control of Forcastix, or its affiliates are not engaged in any other Financial Industry activities outside of what has already been stated in this brochure.

## **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

From time to time, managers of Forcastix, persons under the control of Forcastix, and affiliates may buy or sell securities from their personal accounts. This presents a conflict of interest when the recommendations provided by Forcastix cover securities which persons affiliated with Forcastix may own, intend to buy, or intend to sell. This conflict of interest is mitigated because Forcastix makes recommendations on a purely quantitative basis, without any consideration as to non-formulaic qualitative opinions of the issue. Therefore, all recommendations from Forcastix will be free and independent of any affiliated individual's investing ownership or trading activity.

## **Brokerage Practices**

Forcastix is not a broker-dealer, is not affiliated with or incentivized by any broker-dealers, and makes no recommendations of broker-dealers at this time. All actions based upon Forcastix recommendations that a client may execute are done so through a third-party broker-dealer of the clients choosing.

## **Review of Accounts**

Forcastix does not maintain any client's accounts. All recommendations are solicited by the client, and can be retrieved at any time by the client through our web portals. Recommendations are updated on a weekly basis and based upon the most current financial filing information we have at the time.

## **Client Referrals and Other Compensation**

Forcastix does not engage in any referral programs or any compensation programs with any 3<sup>rd</sup> parties.

## **Custody**

Forcastix does not have custody of any client funds or securities.

### **Investment Discretion**

Forcastix does not have custody of any client funds or securities, and therefore would not carry any discretionary authority over client assets.

### **Voting Client Securities**

Forcastix does not have custody of any client funds or securities, and therefore would not carry any voting authority in the client's behalf.

### **Financial Information**

Forcastix does not collect or solicit money for any services 6 months or more in advance, does not exercise discretionary authority over client assets, and has not been subject to any bankruptcy petition and therefore is not obligated to disclose financial information.