



ADV Part 2A

Red Hawk Prosperity Partners

A Registered Investment Advisory LLC *

Helping People Prosper Through Wealth Accumulation and Retention

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This brochure provides information about the qualifications and business practices of Red Hawk Prosperity Partners and its principal advisor. If you have questions about the contents of this brochure, please contact us. 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 Red Hawk Prosperity Partners is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this website by using our name or by our CRD number, 327642.

* Registration is a regulatory requirement and does not imply an elevated level of skill or qualifications.

Item 2—Table of Contents

Item 1	Cover Page	
Item 2	Table of Contents	1
Item 4	Advisory Business.....	2
Item 5	Fees and Compensation.....	2
Item 6	Performance-Based Fees and Side-by-Side Management.....	3
Item 7	Types of Clients.....	3
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	3
Item 9	Disciplinary Information.....	7
Item 10	Other Financial Industry Activities and Affiliations.....	7
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.....	7
Item 12	Brokerage Practices.....	7
Item 13	Review of Accounts.....	7
Item 14	Client Referrals and Other Compensation.....	8
Item 15	Custody.....	8
Item 16	Investment Discretion.....	8
Item 17	Voting Client Securities.....	8
Item 18	Financial Information.....	8
Item 19	Requirements for State-Registered Advisers.....	9

Item 4 - Advisory Business

The founder Paul Howard graduated California State University, Sacramento where he studied Economics and Environmental Science, and then completed the Personal Financial Planning program at the University of California, Davis. He worked for EF Hutton in New York City and Sacramento as a Financial Advisor, licensed in general securities, commodities, annuities, and insurance while specializing in tax-advantaged and retirement fund investments. He left private sector finance to work for state and various local governments where he spent a career managing employee pension, compensation, and benefits, programs. He later returned part-time to UC, Davis as an instructor in the Financial Planning program. He retired at age 55 and has spent much of his time traveling with his wife and their dogs, conducting investment research, and continuing to manage family investments. After his wife retired from her teaching career, they decided to move from Sacramento to Las Cruces where Paul noticed the usual Wall Street wealth management firms throughout the city; firms that ordinary people find inaccessible because of minimum deposit and net worth requirements. Also present were the retail investment outlets that cater to smaller, less financially sophisticated clients, and that levy the highest allowable investment sales charges, coupled with ongoing account service fees. Paul decided he could do better for those who do not have access to the professional advice and guidance afforded the most affluent; so, he established Red Hawk Prosperity Partners (RHPP) as a modestly priced, alternative wealth management advisory on July 1, 2023. He chose to include the word "Partners" in the name to signify a constant partnership in its clients' prosperity efforts.

RHPP's advisory services include: goal setting; retirement planning; Traditional, Roth , SEP, SIMPLE, and Rollover IRAs; 401 (K) plans; Health Savings Accounts (HSAs); college funding strategies and accounts; Social Security benefit analysis; family budgeting and debt management; home, auto, and life Insurance cost analysis; portfolio analysis and construction; discretionary and non-discretionary investment account management; exchange traded funds (ETFs); mutual funds; traditional stock and bond investments; passive real estate investments (REITs); tax free Income strategies; tax reduction strategies; and trusts and estate planning.

RHPP's services will be direct to the client and accounts will be maintained with Fidelity Investments or the client's choice of broker-dealer, bank, or other financial institution. The principal advisor will collaborate with clients to examine their current financial situation and financial goals, establish new or revised goals, understand their risk tolerance and investment time horizon, and then develop an overall financial and investment strategy.

RHPP is a newly established investment advisory with no reportable assets under management.

Item 5 - Fees and Compensation

RHPP does not ask for advance payment of fees. Our discovery discussion is a no-charge, 30-minute session to identify client needs, goals, expectations, resources, and experience involving wealth management. Subsequent consultation and service fees are \$90 per hour billed in half-hour increments @ \$45 each. All fees are non-refundable. Discretionarily managed accounts are subject to an assets under management (AUM) fee of 0.5% annually which is not assessed until account value exceeds \$25,000. AUM fees of 0.125% of total account value will be calculated

and deducted from accounts on the last business day of each quarter, ($4 \times 0.125\% = 0.5\%$ annually.) If the account value falls below the \$25,000 threshold after it has reached that level, the AUM fee will continue to be assessed. Clients with discretionarily managed accounts will not be charged consultation fees for incidental advice related directly to their account. Advice sought and provided on different topics may be subject to hourly consultation fees. There are no account maintenance and service fees, or investment sales charges if accounts and investments are maintained and transacted through Fidelity Investments which does not charge such fees, or sales charges on most investments. Client also understands that all professionally managed investment fund products have some internal operating expenses that are deducted from the fund assets and are not borne directly by Client. Accounts maintained somewhere other than Fidelity can negatively impact investment returns and fees. Contrarily, similar services may be available elsewhere at a lower rate.

Item 6 - Performance-Based Fees and Side-by-Side Management

RHPP will not participate in performance-based fees or side-by-side activity.

Item 7 - Types of Clients

RHPP is a modestly priced fiduciary wealth management practice, dedicated to partnering with ordinary people to help them learn how to increase their net worth through well-thought-out spending, savings, investment, and lifestyle strategies; and to promote overall prosperity that can result from financial security. We will strive to assist individuals, families and small businesses that would not normally access financial advice or service from traditional Wall Street wealth management firms. While we are dedicated to helping these clients in particular, we will always provide our best advice and service to any prospective client whose needs fall within our scope of service and areas of expertise as described in the *Advisory Business* section of this brochure.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Preface

RHPP will encourage clients to utilize exchange-traded funds (ETFs) and/or no-load (no sales charge) mutual funds to implement their objective(s). An ETF is a type of pooled investment security that operates similar to a mutual fund. Typically, ETFs will track a particular index, sector, commodity, or other asset(s), but unlike mutual funds, ETFs can be purchased or sold on a stock exchange the same way a regular stock can. An ETF can be structured to track anything from the price of a large and diverse collection of securities, (e.g., Standard and Poor's 500 index) to a specific investment strategy.

A mutual fund is a financial vehicle that pools assets from shareholders to invest in securities like stocks, bonds, money market instruments, or other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains and/or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus and offer small or individual investors access to professionally managed portfolios of securities. Each shareholder participates

proportionally in the gains or losses of the fund. Mutual funds do not share the same liquidity features as ETFs.

Methods of Analysis

In making both ETF and mutual fund client recommendations, we prefer Fidelity Investment funds primarily because of their wide range of objectives, long histories of operation, management team tenures, historical performance relative to their benchmark indexes, low fund expense ratios and management fees, high liquidity, and excellent price execution. Fidelity ETFs and mutual funds also receive comparatively high ratings from both *FactSet* and *Morningstar* independent research and rating firms. Notwithstanding this preference, we will always recommend the most suitable fund for the client's objective, regardless of the firm offering or managing the fund. RHPP will not recommend any fund that receives less than a 4-star rating from *Morningstar* and that has not at least matched its benchmark index over the prior 5-year period, or any ETF that does not receive a *FactSet* efficiency rating of 80% and an overall quality grade of B or better.

RHPP will not advocate investment strategies based on a portfolio of individual securities unless the client is a sophisticated investor with a history of buying and selling individual securities or insists on doing so. In cases where it is suitable to buy and sell individual stocks, RHPP will evaluate the equities utilizing both top-down and bottom-up fundamental and cyclical security analysis. RHPP relies on individual stock research provided by the Fidelity Investment's retail brokerage platform that offers research reports by independent firms such as *Thompson Reuters/Versus*, *ISS-EVA*, *I/B/E/S-Refinitiv*, *Ford Equity Research*, *Zacks Investment Research*, *Argus Research*, and *McLean Capital Management Research*. Technical analysis tools are also available on the Fidelity platform and may be used in conjunction with fundamental factors to determine market entry and exit points for individual stocks. For individual fixed income securities, we will evaluate both taxable and tax-free debt instruments based on Fitch, Moody's, and Standard and Poor's rating systems and will not recommend bonds below a BBB investment grade rating.

Investment Strategies

RHPP's investment strategies will include *Value*, *Growth*, *Balanced*, *International*, *Sector* and *Special Situation* investments. Value investing is a strategy where investors seek to buy stocks or other assets for less than they are worth. Growth investing is an investment strategy that is focused on increasing an investor's capital. Growth investors typically invest in growth stocks, that is, young or small companies whose earnings are expected to increase at an above-average rate compared to their industry sector or the overall market. For both value and growth strategies, we will utilize the Fidelity Investment's platform fund screening tools to identify the best ETFs and mutual funds specializing in each category. When evaluating individual equities for value and growth strategies, we will utilize classic fundamental analysis to determine intrinsic value or growth potential.

A balanced investment strategy combines asset classes (e.g., stocks and bonds) in a portfolio attempting to balance risk and return. Typically, balanced portfolios are divided between stocks

and bonds, either equally or with a slight tilt, such as 60% in stocks and 40% in bonds. Balanced portfolios may also maintain a small cash or money market component for liquidity purposes.

An international investment strategy involves selecting global investment instruments as part of an overall portfolio. People often invest internationally to expand diversification and distribute investment risk among markets in other countries and global companies or to benefit from another country's economy that is performing better than the domestic economy.

A sector investment strategy involves allocating assets to specific industries or sectors of the economy (e.g., energy, healthcare, finance etc.) By concentrating on specific sectors, investors can achieve targeted exposure to the industries that have the most potential for growth as the economy cycles with each sector being impacted differently by macroeconomic changes during the cycle.

RHPP's definition of special situation investments includes precious metals, (gold, silver, etc.). Real Estate Investment Trusts, (REITS) and commodities (oil, corn, lumber, etc.). If asked by the client, RHPP will offer advice in these areas based on the principal advisor's background. Special situations may also include company mergers and acquisitions, bankruptcies, and restructurings which RHPP will not offer advice on due to lack of expertise in this area.

When implementing a balanced, international, sector or special situation strategy, we will not attempt to identify or recommend individual securities to our clients, but rather will utilize the Fidelity Investment platform screening tools to identify the best ETFs and mutual funds specializing in these areas.

Risk of Loss and Mitigation Efforts

Investment risk is the possibility that loss could incur when money is put into an investment with the hope of earning a desired return on that investment. In general, the higher the expected return on any investment, the greater the risk of loss. Investing with RHPP involves distinct types of risks that investors should be aware of. Despite our best risk mitigation efforts, there is no full-proof method for protecting against, or eliminating risks associated with investing and capital loss, even with professional advice and management.

Market risk the potential for loss due to factors that affect an entire market or asset class. Market risk is also known as *undiversifiable risk* because it affects all asset classes and is unpredictable. The types of market risk that can affect client investments are equity price risk, liquidity risk, interest rate risk, credit risk, currency risk (foreign exchange risk), commodity risk, concentration risk, and reinvestment risk.

Equity price risk is the risk of price volatility that causes a decline in the value of a security's or portfolio. Equity price risk is the single most troublesome risk for investors. Beta is a volatility measurement used to determine stock, ETF, and mutual fund share price volatility relative to the market in general. E.g., the S&P 500 index has a beta of 1.0. If a particular stock has a beta of 1.5, it means that that stock's price is 50% more volatile than the index. Conversely, a stock with a 0.5 beta is 50% less volatile than the index. Beta evaluations are part of our methodology in

client portfolio construction, and we will strive to reduce volatility during the portfolio construction process. For clients who have equity exposure, another risk mitigation technique that we will advocate is Dollar-Cost-Averaging (DCA) which helps price volatility work in the investor's favor. DCA is the practice of investing a fixed dollar amount on a regular basis, regardless of share price. The main benefit is by investing in set dollar amounts over time, the investor buys more shares when prices are low and fewer shares when prices are high which lowers the average share purchase price. DCA can be especially effective for long-term investors.

Liquidity risk is the risk of not being able to sell securities quickly enough, at a fair price and losing value because of the delay. For longer-term investors, liquidity does not pose the same concern as for short-term investors. RHPP will always strive to recommend investments with ample liquidity, particularly for clients who may require more immediate access to their funds.

Interest rate risk primarily affects income generating securities (e.g., bonds) and can result in price decline if interest rates rise. (the opposite holds true if rates decline) To mitigate interest rate risk associated with income producing securities, and before recommending these investments, we will consider where in the interest rate cycle the economy is, any economic, monetary, or fiscal events that may affect interest rates, the duration of the fixed income securities being considered for investment, and the client's investment time horizon.

Credit risk also affects income producing securities and occurs when the credit rating of the company issuing the debt security declines. Credit risk will be mitigated by recommending ETFs and mutual funds that hold investment grade debt or if using individual securities, by recommending BBB credit rated or better from issuers that have a sound credit history.

Currency risk, or foreign exchange risk, is a form of risk that arises when currency exchange rates are volatile. E.g., assume the investor has a realized 50% return on investment in China, but the Chinese yuan depreciates 20% against the U.S. dollar. Due to the change in currencies, the investor will only have a 30% return (50%-20%).

Commodity risk is volatility in a security's market price due to the price fluctuation of a commodity. Commodity risk affects various sectors of the market, e.g., airline stocks which can negatively be affected by the rising cost of oil and jet fuel.

To mitigate both currency and commodity risks, RHPP may consider the use of ETF hedging strategies with advance written client approval.

Concentration risk is the potential for loss because of investment in only one security or one type of security. To mitigate concentration risk, RHPP will always promote sound portfolio diversification practices relying primarily on ETFs and mutual funds to achieve this.

Reinvestment risk is the chance that cash flows received from an investment will earn less when put to use in a new investment. To mitigate reinvestment risk, RHPP will recommend managed bond funds, and when using individual debt securities, non-callable bonds, zero-coupon bonds, long-term bonds, and when constructing fixed-income portfolios, bond ladders.

The other type of non-market risk is *specific risk* which is a hazard that applies only to a particular company, industry, or sector. (E.g., a pharmaceutical company is optimistic about a new drug it has developed, and it fails to receive approval by the Food and Drug Administration.) RHPP will mitigate specific risk through diversification of investments across sectors and asset classes and our preference for ETFs and mutual funds over individual securities will help provide this diversification.

Item 9 - Disciplinary Information

RHPP and its principal advisor have not been subject to any complaints or disciplinary action.

Item 10 - Other Financial Industry Activities and Affiliations

RHPP and its principal advisor will not be engaged in other financial industry activities.

Item 11- Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

RHPP permits its principal advisor to engage in personal securities transactions. A personal securities transaction by the advisor could raise a potential conflict of interest if he trades in a security that is considered for purchase or sale in a client's account. Because we are fiduciaries and must always act in our client's best interest the principal advisor will not buy or sell individual securities that are being recommended to or are owned by clients. There will be no such restrictions on ETF and mutual fund transactions by the principal advisor.

Item 12 - Brokerage Practices

We will recommend that clients establish accounts and transact security trades through Fidelity Investments. We will not be affiliated with or compensated by Fidelity Investments and having a Fidelity account will not be required to receive RHPP advice. Fidelity is simply our preferred choice of accounts custodian based on the belief that they offer comprehensive, high-quality, low-cost service and products. We will not have any compensation arrangements including soft-dollar compensation from any broker-dealer. Clients are free to make brokerage arrangements wherever they choose but should understand that accounts maintained, and trades transacted somewhere other than Fidelity can negatively impact investment returns and account fees.

Item 13 - Review of Accounts

The principal advisor will review each client's account at least quarterly and more frequently should economic or monetary conditions change in a way that could impact client holdings. If the account custodian is Fidelity Investments, clients will receive monthly statements directly from Fidelity. If accounts are held at a different institution of the client's choosing, statements will be issued in accordance with that institution's practice. Regardless of where the account is held, clients will be counseled to carefully review their statements for accuracy and to contact RHPP immediately with concerns. Each client will be contacted at least quarterly by the principal advisor for an in-person or over-the-phone meeting to discuss progress toward their goals and objectives,

and to see if there are any changes or adjustments that need to be accounted for. RHPP will not generate additional statements beyond what is provided by the custodian.

Item 14 - Client Referrals and Other Compensation

RHPP and its principal advisor will not receive any outside compensation from third parties and will not compensate third-party solicitors or engage independent contractors for client referrals.

Item 15 – Custody

Custody of client accounts and securities will be maintained by Fidelity Investments, or another institution designated by the client in the *Investment Advisory Agreement*. RHPP's *Investment Advisory Agreement* authorizes the deduction of fees directly from client accounts; therefore, RHPP is considered to have limited custody under applicable rules and regulations.

Item 16 – Investment Discretion

For discretionary accounts as detailed in the *Investment Advisory Agreement*, RHPP will receive authority from the client to determine account asset allocation, selection of securities, amount to be purchased or sold and when to effect these actions. When selecting securities, RHPP will adhere to any client limitations or restrictions regarding certain types of securities for social responsibility investing purposes, or for other reasons deemed important to the client. In all cases, such discretion will be exercised in a fiduciary manner consistent with the information regarding the client's investment goals and risk tolerance provided during client intake and as delineated in the *Investment Advisory Agreement*. This discretionary authority will remain in effect until revoked by the client in writing.

Item 17 - Voting Client Securities

The client will receive all proxy materials directly from Fidelity Investments, or their designated custodian. RHPP will not vote proxies and or tell the client how to vote their shares and the client will be responsible for directing the manner in which proxies shall be voted. If requested, RHPP will provide technical advice or explanations relative to proxy voting.

Item 18 - Financial Information

- A. RHPP will not require pre-payment of six months or more in advance of more than \$1,200 in fees per client, so a balance sheet is not required as part of this brochure.
- B. RHPP does not foresee any financial circumstances that are likely to impair its ability to meet its contractual commitments to clients.
- C. RHPP has never been the subject of a bankruptcy petition.

Item19 - Requirements for State-Registered Advisers

- A. The founder and principal advisor, Paul Howard's education and business background are discussed in *item 4 - Advisory Business* section of this brochure.
- B. The principal advisor is formally retired with no other business engagements or activities.
- C. RHPP and its principal advisor will not engage in performance-based fee activities.
- D. RHPP and its principal advisor have not been the subject of any arbitration, civil awards, or administrative proceedings.
- E. RHPP and its principal advisor have no relationship with any entity issuing securities.