

Working with Facet

# A way to invest that's about more than just the markets.

Our belief is that the best investment strategy should be linked to ongoing financial planning that covers your entire life. An evolving plan can guide your critical investment decisions, like how much you invest, what account types to use, and how much risk to take—and help to ensure you're not leaving money on the table.

➤ **As part of your membership, we manage your investments at no additional cost. Most of our members invest with us and we manage over \$3.85 billion+ in assets<sup>1</sup> for them.**

## Keep more of what's yours.<sup>2</sup>



We use financial planning strategies designed to help you generate more *and* keep more. That's also why we don't charge you more as your investment balances grow. After all, it's your money.



## Research-driven decision making.



We focus on low-cost, globally diversified, tax-efficient investments, based on Nobel Prize-winning research.<sup>3</sup> The research shows this strategy outperforms market-beating attempts.

While other companies make decisions based on stock picking, market timing, or macro forecasts, we believe the biggest driver of returns is having the right plan for your goals and sticking with it.<sup>4</sup>

## Low-cost, high-value implementation.



Because of the lower costs and minimized taxes, exchange-traded funds (ETFs) are a natural fit for use in our portfolios and are hard to beat.

### What are ETFs?

Exchange-traded funds, or ETFs, are a basket of stocks, bonds, or other investments that typically track an index, such as the S&P 500. Shares trade daily on major exchanges, and can be bought and sold throughout the day.

## We actively monitor and adjust your portfolio over time.

Our portfolios are not static. We believe optimizing your portfolio based on the current market environment is the best way to potentially maximize your return while managing risk. We can also help you harvest tax losses by selling off underperforming stocks, and proactively rebalance your portfolio to ensure appropriate risk levels.

<sup>1</sup>As of 12/31/2024

<sup>2</sup>Based on an analysis by Facet, comparing a flat planning fee to a fee based on percentage of investment assets for members with investment accounts and calculating the difference in total fee payments over time. In this analysis, Facet used the same variables - investment balance, a set of ongoing contributions, annual return and underlying fund fees - and with those, calculated the difference between a \$3,000 flat fee and a 1% AUM (assets under management fee) over a 10 year period of time. The analysis concluded that the flat fee approach generated significantly greater fee savings over time.

<sup>3</sup>This includes William Sharpe, Harry Markowitz, and Merton Miller, who shared the Nobel Prize in Economics in 1990 for their foundational work on asset allocation, performance measurement, and the importance of market returns. It also includes research from Eugene Fama, who won the prize 2013 for his work on market efficiency.

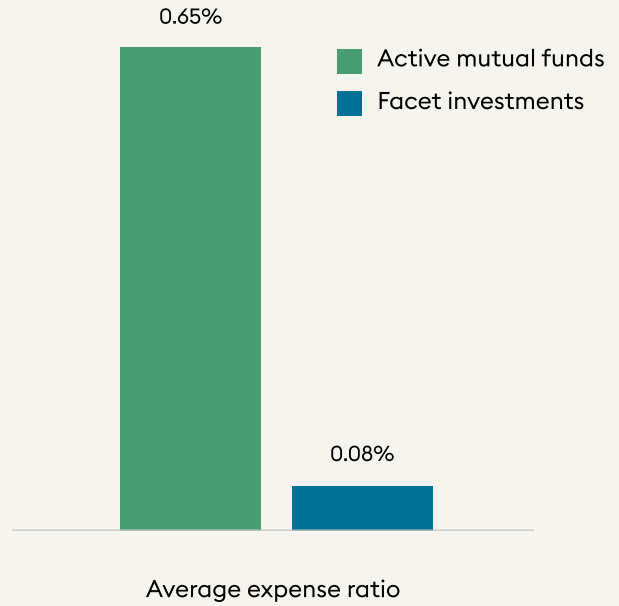
<sup>4</sup><https://facet.com/investment-management-program-whitepaper/>.

# The benefits of ETFs explained.

## 01

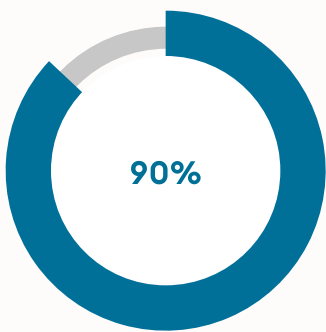
### Lower expenses.

An expense ratio is the annual cost paid to fund managers by people who hold mutual funds. As of January 2025, the average expense ratio for an actively managed mutual fund is 0.65%. At Facet we typically only invest in ETFs and our average portfolio expense ratio is 0.08%.<sup>5</sup>



## 02

### More consistent performance over time.



90.08% percent of all mutual funds have underperformed the market in the last ten years.<sup>6</sup>

Even though many mutual funds strive to beat their defined benchmarks, most don't. Index funds have historically outperformed the average active mutual fund over time, which is why Facet utilizes such funds.

\*Past performance is not indicative of future performance.

## 03

### Tax efficiency.

Since ETFs are index funds, they are generally very tax efficient. The holdings of ETFs are typically traded less frequently than those of active mutual funds, which creates fewer occasions for incurring capital gains taxes. We look for ETFs with especially low turnover (trading) to help maximize your tax efficiency and minimize your costs.

<sup>5</sup><http://www.ici.org/files/2024/per30-02.pdf>. Facet Expense ratio as of January 2025. Facet's portfolios are continually optimized and models occasionally change. Changes in underlying security selection can impact expense ratios.

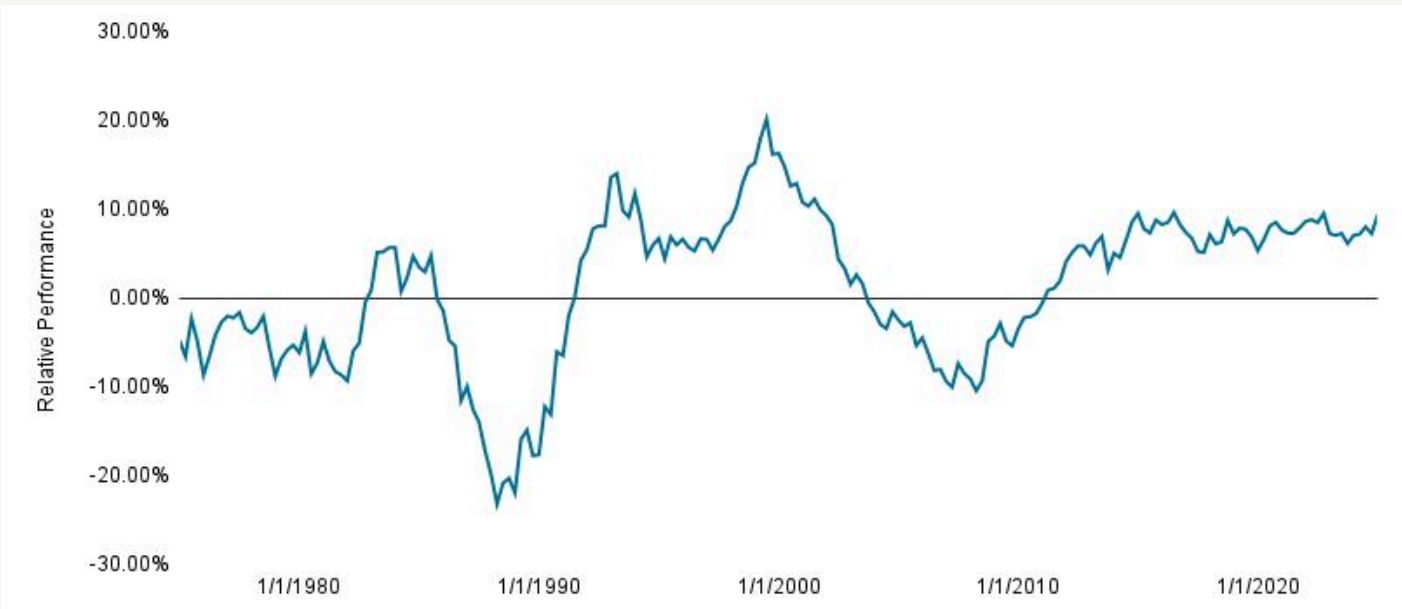
<sup>6</sup>[https://www.spglobal.com/spdji/en/research-insights/spiva/?utm\\_source=pdf\\_spiva](https://www.spglobal.com/spdji/en/research-insights/spiva/?utm_source=pdf_spiva).

# How we use ETFs in our portfolios.

## A global approach is key.

A CFP® professional at Facet will help select a globally diversified portfolio of ETFs that dynamically balances where your money goes in order to help you reach your short- and long-term financial goals. When it comes to global market performance, there are periods of time when the US stock market outperforms international markets, and there will be times when that trend reverses. By creating a portfolio that is diversified across regions, we look to limit downside risk and provide a portfolio that experiences a narrower range of market swings.

### US equity vs. international equity, rolling five-year returns: January 1970–December 2024



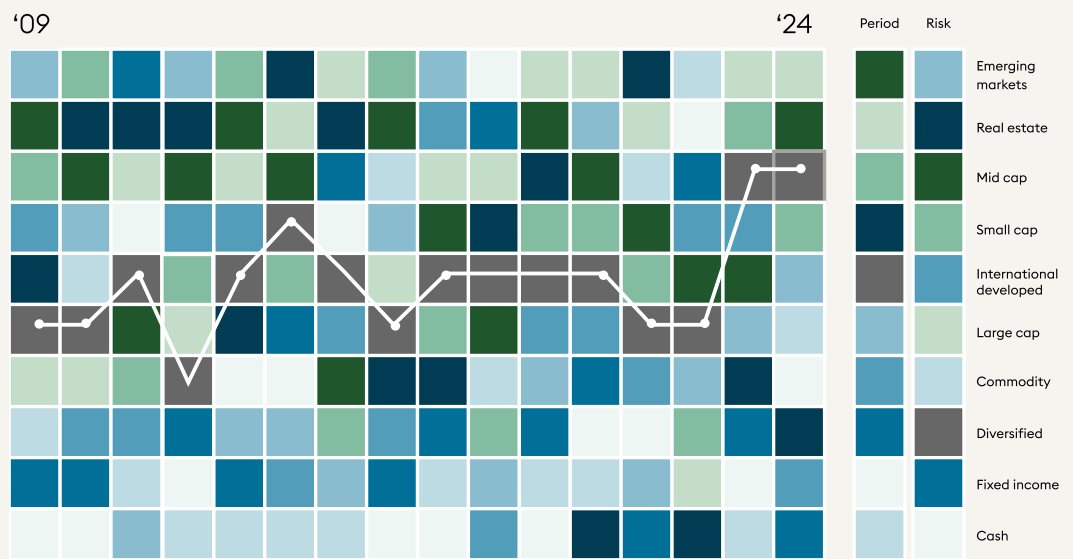
Source: MSCI USA less MSCI EAFE, 5yr Rolling returns

## Why asset allocation is so important.

Everyone wants to know the best place to invest (asset allocation). But picking the top-performing asset class each year is a challenge.

Here's why:

- Performance is unpredictable: Forecasting future returns is difficult, and past performance doesn't guarantee future success.
- No consistent winners: Different asset classes take turns leading and lagging—what's hot today might be cold tomorrow.



\*Facet produced analysis from 2024 based on data from Bloomberg and Dow Jones.

Fortunately, our team of experts is here to help.

## How we rebalance.

Rebalancing your portfolio helps in mitigating your risk and allows us to potentially capture natural movements in the market. Many robo-advisors and large firms only review your portfolio on a 90-day calendar frequency, but rebalancing on those pre-selected days may miss potential opportunities. We review your portfolio daily to look for opportunities to rebalance your account to the target allocations.



# Facet returns.

The following table shows the returns of common Facet portfolios with each one representing the allocation of equity and fixed income ETF's.

	Quarter to date	Year to date	One year	Three years	Five years	Inception
Facet 100% equity	-1.59%	16.66%	16.66%	6.81%	10.20%	12.59%
Benchmark	-1.35%	16.31%	16.31%	4.91%	9.56%	12.18%
<b>Difference</b>	<b>-0.24%</b>	<b>0.35%</b>	<b>0.35%</b>	<b>1.90%</b>	<b>0.64%</b>	<b>0.41%</b>
Facet 80/20	-1.84%	13.58%	13.58%	5.00%	8.18%	10.42%
Benchmark	-1.68%	13.20%	13.20%	3.51%	7.70%	10.07%
<b>Difference</b>	<b>-0.15%</b>	<b>0.38%</b>	<b>0.38%</b>	<b>1.49%</b>	<b>0.47%</b>	<b>0.35%</b>
Facet 70/30	-1.97%	12.07%	12.07%	4.09%	7.14%	9.31%
Benchmark	-1.85%	11.67%	11.67%	2.79%	6.74%	8.99%
<b>Difference</b>	<b>-0.11%</b>	<b>0.40%</b>	<b>0.40%</b>	<b>1.30%</b>	<b>0.40%</b>	<b>0.32%</b>
Facet 60/40	-2.09%	10.56%	10.56%	3.17%	6.09%	8.19%
Benchmark	-2.02%	10.15%	10.15%	2.07%	5.77%	7.90%
<b>Difference</b>	<b>-0.07%</b>	<b>0.41%</b>	<b>0.41%</b>	<b>1.10%</b>	<b>0.32%</b>	<b>0.29%</b>

Investment returns shown here are as of 12/31/2024 for the mostly commonly held Facet portfolios. The inception date for Facet portfolios is 12/31/2018 which is the date the portfolios were formalized and performance tracking began for these portfolios. All Facet portfolios are composed of ETF's and may have an equity and fixed income portion which are displayed in the portfolios highlighted above. Past performance is not a guarantee of future return nor is it indicative of future returns. See footnote 7 for the disclosure on the benchmarks Facet uses.<sup>7</sup>

<sup>7</sup>Benchmark disclosure: The Morningstar Global Markets Index and US Core Bond indices have been licensed for use for certain purposes by Facet. The services provided by Facet are not sponsored, endorsed, sold, or promoted by Morningstar, Inc. or any of its affiliated companies (all such entities, collectively, "Morningstar Entities"). The Morningstar Entities make no representation regarding such services. All information is provided for informational purposes only. The Morningstar Entities do not guarantee the accuracy and/or the completeness of the Morningstar Indexes or any data included therein. The Morningstar Entities make no warranty, express or implied, as to the results to be obtained by the use of the Morningstar Indexes or any data included therein. The Morningstar Entities make no express or implied warranties, and expressly disclaim all warranties of merchantability or fitness for a particular purpose or use with respect to the Morningstar Indexes or any data included therein. Without limiting any of the foregoing, in no event shall the Morningstar Entities, or Morningstar's third party content providers have any liability for any special, punitive, indirect or consequential damages (including lost profits), even if notified of the possibility of such damages.

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