Facet.

Working With Facet

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

Our belief, built upon extensive research, 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 ensure you're not leaving money on the table.

As part of your membership, we manage your money at no additional cost. Most of our clients invest with us and we manage over $1 billion in assets and counting for them.

Keep more of what's yours.

When it comes to investing, we use 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.

Our approach to investing is based on Nobel Prize–winning research* that emphasizes low-cost, globally-diversified, tax-advantageous investments that capture the total market. The research overwhelmingly demonstrates that a carefully constructed portfolio of this kind will outperform an investing strategy that attempts to beat the market.

While many other companies make decisions based on timing the market, we choose not to do any forecasting because it comes with higher fees, and has been shown to underperform the market and hurt long-term returns.**

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 maximize your return and control risk. We can also help you harvest tax losses by selling off underperforming stocks, and proactively rebalance your portfolio to ensure appropriate risk levels.

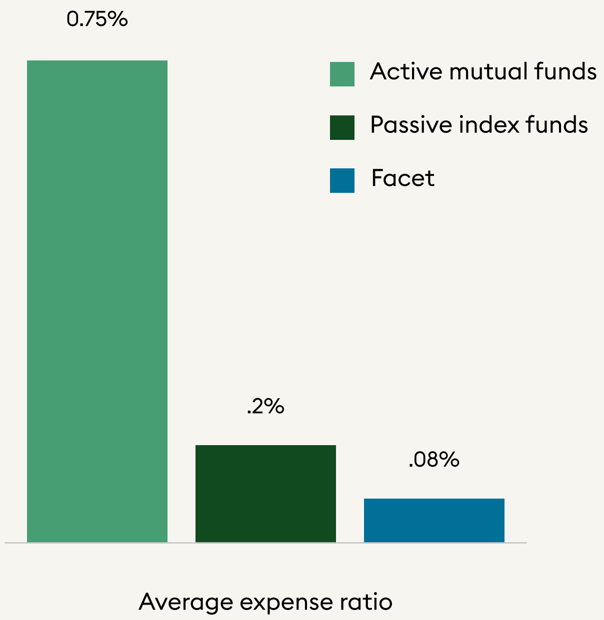
*Our investment approach incorporates research from Nobel prize winners Harry Markowitz, Eugene Fama and Richard Thaler.
**https://www.spglobal.com/spdji/en/research-insights/spiva/ & https://facet.com/investment-management-program-whitepaper/

Why ETFs?

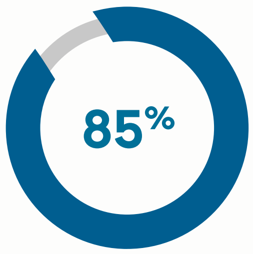
The benefits of ETFs explained.

01 Lower expenses.

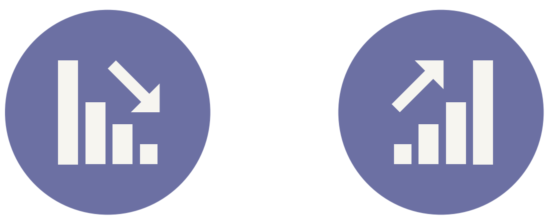
An expense ratio is the annual cost paid to fund managers by people who hold mutual funds or ETFs. As of 12/31/21, the average expense ratio for an actively managed mutual fund is between .5% and 1.0%. For passive index funds, the typical expense ratio is .2%. At Facet, our average portfolio expense ratio is .08%.[1]



02 Better performance over time.



That's the percentage of all mutual funds that have underperformed the market in the last ten years.[2]



Additionally, **89%** of mutual funds have underperformed the market in the last fifteen years.

Even though many mutual funds strive to beat their defined benchmarks, most don't. Index funds, including the ETFs Facet utilizes, have historically outperformed the average active mutual fund over time.[3]

03 Tax efficiency.

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

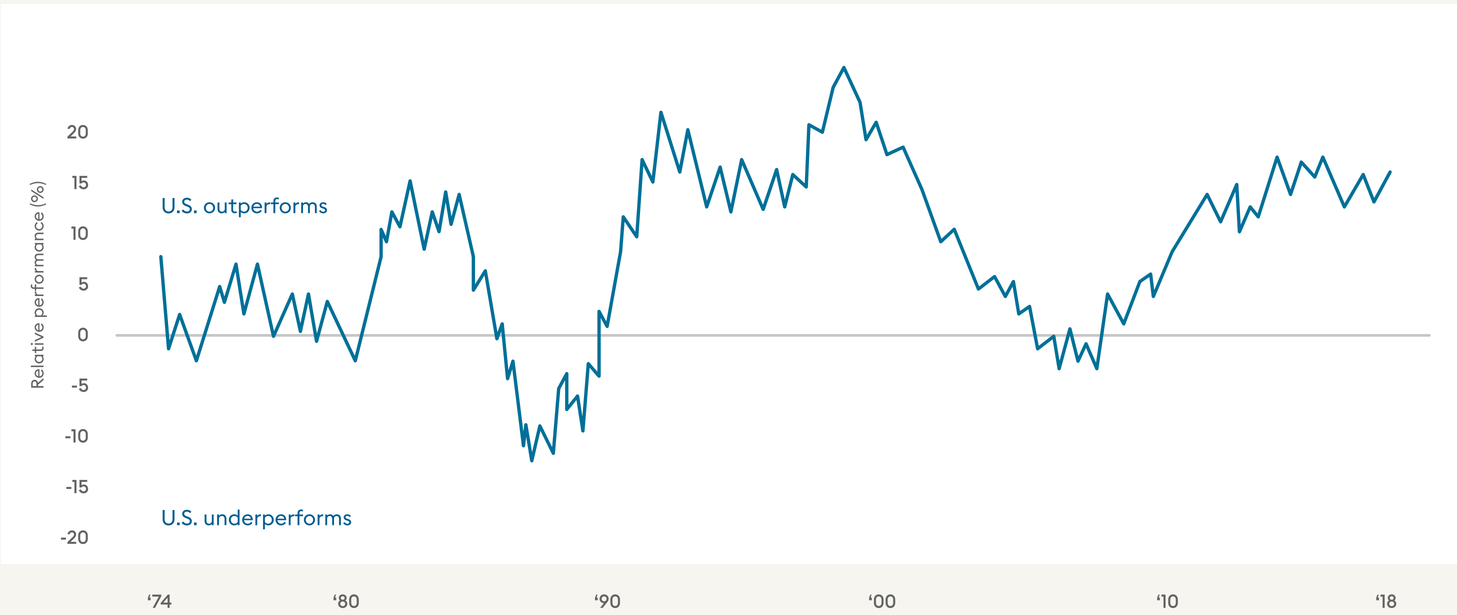
Portfolio process

How we use ETFs in our portfolios.

A global approach is key.

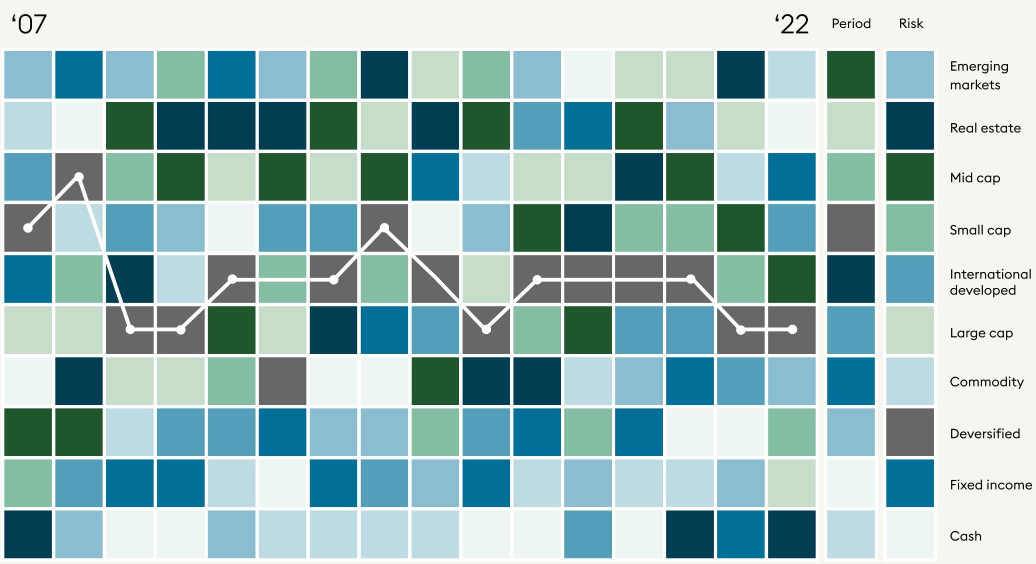
Your CFP® professional at Facet will create a globally diversified portfolio of ETFs that dynamically balances where your money goes in order to help you reach your short- and long-term financial goals. When it comes to global market performance, there are periods of time when the US stock market outperforms international markets, and there will be times when that trend reverses. By creating a portfolio that is diversified across regions, we are able to help 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 2018



Why asset allocation is so important.

Asset allocation–that is, deciding where to put your money in the market–is a perpetually hot topic in finance, not least because it's so difficult to pick the asset class (type of investment) that will perform the best in any given year. Forecasting performance only becomes more difficult over time. In fact, different regions or asset classes don't persistently outperform in any scientifically identifiable way. Certain classes that perform the best for a year or two often become the worst performers in another. Similarly, those at the bottom don't necessarily remain there for long periods.



How we rebalance.

Rebalancing your portfolio allows us to control your risk and capture natural movement in the market. Many robo-advisors and large firms will review your portfolio on a 90-day calendar frequency; rebalancing only on those pre-selected days misses potential rebalancing opportunities. We review your portfolio daily to make sure each part of your investment portfolio stays within 20% of its target weight.

Portfolio process

Facet returns.

The following table shows Facet's returns for several portfolio mixes: 100% stock ETFs; 80% stock ETFs + 20% fixed-income ETFs; 70% stock ETFs + 30% fixed-income ETFs; and 60% stock ETFs + 40% fixed-income ETFs.

	Quarter to date	Year to date	One year out	Three years out	Inception
Facet 100% equity	11.57%	-13.73%	-13.73%	4.79%	9.59%
Benchmark	9.97%	-18.31%	-18.31%	3.76%	8.97%
Facet 80/20	9.71%	-13.66%	-13.66%	3.38%	7.83%
Benchmark	8.36%	-17.11%	-17.11%	2.70%	7.37%
Facet 70/30	8.77%	-13.65%	-13.65%	2.63%	6.91%
Benchmark	7.55%	-16.54%	-16.54%	2.12%	6.53%
Facet 60/40	7.83%	-13.66%	-13.66%	1.85%	5.96%
Benchmark	6.74%	-15.98%	-15.98%	1.51%	5.67%

*As of 12/31/22. Past performance is not a guarantee of future return, nor is it necessarily indicative of future performance.[4,5]

Email or call your Client Success Manager at Facet Wealth to continue the conversation.

[1] www.investopedia.com/ask/answers/032715/when-expense-ratio-considered-high-and-when-it-considered-low.asp#:~:text=The%20average%20expense%20ratio%20for,typical%20ratio%20is%20about%200.2%25. Facet Expense ratio as of January, 2022. Facet's portfolios are continually optimized and models occasionally change. Changes in underlying security selection can impact expense ratios

[2] Pisani, B. (2019, March 15). Active fund managers trail the S&P 500 for the ninth year in a row in triumph for indexing. CNBC. https://www.cnbc.com/2019/03/15/ active-fund-Managers-trail-the-sp-500-for-the-ninth-year-in-a-row-in-triumph-for-indexing.html

[3] https://www.spglobal.com/spdji/en/research-insights/spiva/?utm_source=pdf_spiva

[4] Performance disclosure: Investment returns shown here are hypothetical intended for illustrative purposes only. All investments involve risk, including the potential for the loss of principal. The model portfolio performance of Facet models began in 2018. Performance was calculated using Facet's most common recommended equity and fixed income ETF portfolios. At times when Facet changed a recommended ETF, the average transaction price of both buys and sells were used to update the portfolio. Otherwise the portfolio was rebalanced monthly. Calculations were performed using the Bloomberg Portfolio Analytics tool. This illustration is meant to most closely resemble what a common Facet client in a given asset allocation mix may have returned. It does not represent any actual client or group of clients. The benchmark used for equity allocations is the Morningstar Global Markets Net Dividends index, which measures the performance of the stocks located in the developed and emerging countries across the world. For fixed income allocation, the benchmark is the Morningstar US Core Bond index, which measures the performance of fixed-rate, investment-grade USD-denominated securities with maturities greater than one year. We believe the sources for this data to be reliable but cannot guarantee the accuracy or completeness of the information. No consideration was given to tax loss harvesting or other activities that occur during the ongoing management of investments nor does Facet assert an opinion on the impact of these actions on these returns. These hypothetical returns were calculated net of the fees associated with the underlying investments. Facet charges an annual planning fee based on the complexity of a client's financial situation but does not charge a separate fee for investment management. The planning fee was not considered in the calculation of returns. Past performance is not indicative of future returns.

[5] Benchmark disclosure: The Morningstar Global Markets Indexand 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.