Facet WEALTH

A WAY TO INVEST THAT'S ABOUT MORE THAN JUST THE MARKETS

Our belief is that the best investment strategy should be linked to an ongoing financial planning approach that covers your entire life. An evolving plan to guide your investments ensures you're not leaving money on the table by informing critical decisions around how much to invest, what account types to use, and how much risk to take.

Because this is central to what we believe, we manage money for clients 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 strategies that not only help you generate more, but also help you 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 overwhelmingly demonstrates that a carefully constructed portfolio of low cost, globally diversified, tax-efficient investments that captures the total market will outperform an investing strategy that attempts to beat the market.

While a lot of firms provide active management because it sounds good, 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 much lower costs, performance over time, and tax efficiency, exchange-traded funds (ETFs) are a natural fit for use in our portfolios and are hard to beat.

WHAT ARE ETFs?

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

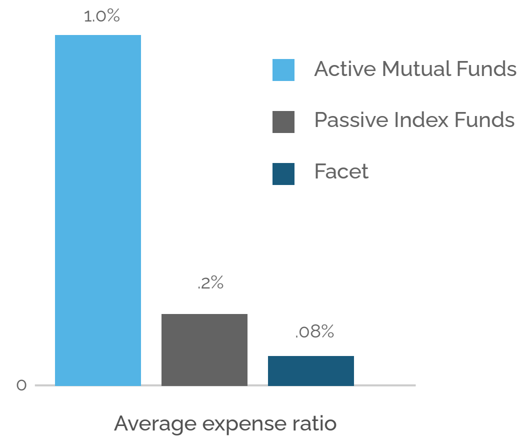
In addition to what we choose to invest in, we enhance the foundation of our approach with ongoing monitoring and regular reviews of the investments held across our portfolios, proactive portfolio rebalancing to ensure appropriate risk levels, and thoughtful tax loss harvesting.

*Our investment approach incorporates research from Nobel prize winners Harry Markowitz, Eugene Fama and Richard Thaler.

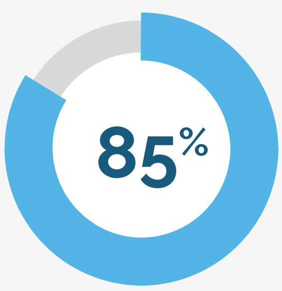
THE BENEFITS OF ETFS EXPLAINED

01 | LOWER EXPENSES

An expense ratio is the annual cost paid to fund managers by holders of 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



of all mutual funds have underperformed the market in the last 10 years[2]

Additionally, **92%** of mutual funds have underperformed the market in the last 15 years.

Even though many mutual funds strive to beat their defined benchmarks, most don't. As a result, ETFs, which mirror the market, can provide better performance over time.

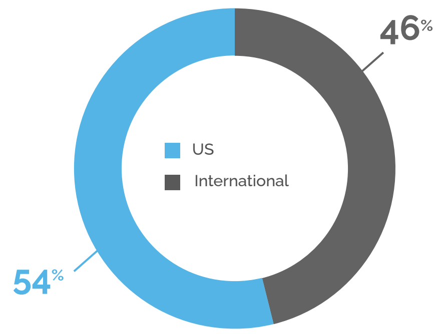
03 | TAX EFFICIENCY

Since ETFs are index funds, they are generally very tax efficient (especially when compared to mutual funds). We specifically look to select funds with low turnover (trading), which have the benefit of being the most tax efficient because the limited trading means there are less occasions that could create unintentional capital gains.

HOW WE USE ETFS IN OUR PORTFOLIOS

A GLOBAL APPROACH IS KEY

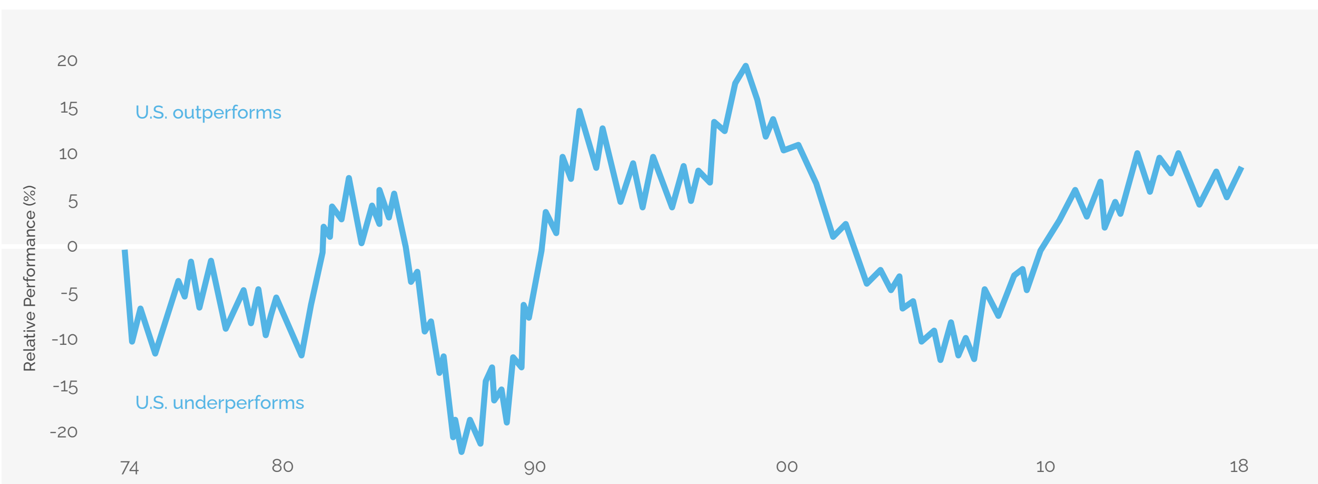
Your dedicated CFP® professional will create a globally diversified portfolio of ETFs with the appropriate asset allocation for you that is rebalanced as needed to help you reach your financial goals. Why global? US stocks only make up 54% of the world market. With no global exposure, you miss out on the opportunity for growth in 46% of equities and you increase your overall risk level.



US VERSUS INTERNATIONAL MARKET PERFORMANCE

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.

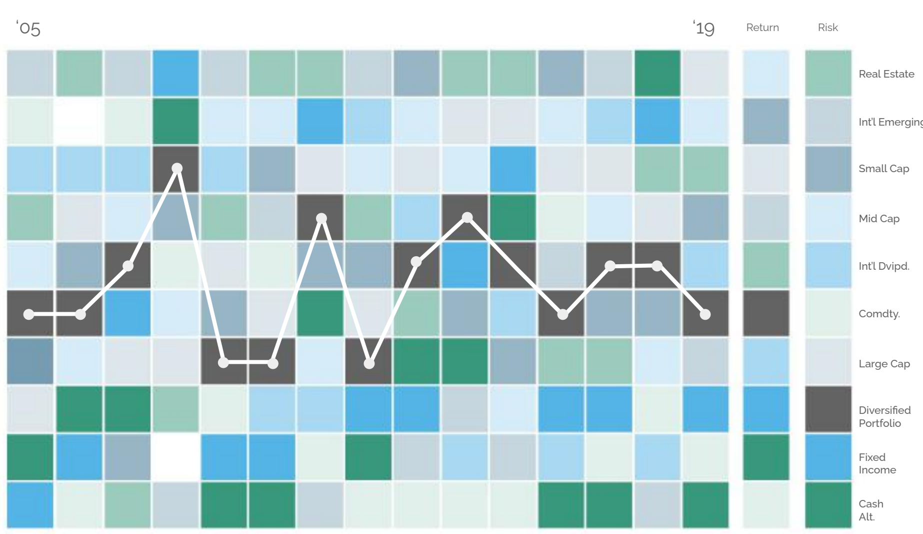
(US EQUITY VS. INTERNATIONAL EQUITY ROLLING FIVE YEAR RETURNS: JANUARY 1970-DECEMBER 2018



Source: Morningstar Direct, Vanguard analysis.

WHY ASSET ALLOCATION IS SO IMPORTANT

It is extremely difficult to pick the asset class that will perform the best in any given year, and it only gets more difficult over time. In fact, outperformance of different regions or asset classes does not persist over time 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 do not remain there for long periods.



HOW WE REBALANCE

Rebalancing your portfolio allows us to control your risk and capture natural movements in the market. Most firms will review your portfolio on a 90-day calendar frequency, which potentially misses rebalancing opportunities by picking pre scheduled days to update your allocations. We review your portfolio daily and use a 20% tolerance band rebalancing strategy applied to sub asset allocations.

FACET HISTORICAL RETURNS

The following table shows the historical returns of three Facet portfolio mixes: 100% stock ETFs, 80% stock ETFs/20% fixed income ETFs, and 60% stock ETFs/40% fixed income ETFs.

Portfolio	Annualized 1 yr (daily)	Annualized 5 year (daily)	Annualized 10 year (daily)[3]	Annualized 20 year (daily)[3]
100% Facet Stock Benchmark Portfolio	-18.10%	3.89%	7.74%	8.65%
80/20 Benchmark Facet Portfolio	-16.76%	3.18%	6.46%	7.58%
60/40 Benchmark Facet Portfolio	-15.42%	2.48%	5.17%	6.51%

As of 9/30/22. Past performance is not a guarantee of future return, nor is it necessarily indicative of future performance.[3]

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] Performance returns shown are for illustrative purposes only. All investments involve risk, including the potential for loss of principal. Performance reflects the reinvestment of dividends and interest and is shown net of fees. Facet was founded in 2016 and in order to show the performance of our portfolios prior to 2016 we use the return history of the ETFs used in our current models to simulate how our portfolios would have performed over a 20 year time period. For time periods prior to the existence of each ETF, we use the returns of the benchmark or index for that ETF available during that time period. It is possible that Facet's Portfolio would have performed better or worse than the ETFs and benchmark proxies prior to 2016. These differences may be attributed to but are not limited to portfolio rebalancing (Facet uses drift rebalancing methodology), dividend reinvestments and fees. While we believe the use of our model ETFs and benchmark indexes prior to 2016 simulates a portfolio most similar to Facet's portfolio prior to our first investment period, it cannot be completely precise.