WAYPOINT
WEALTH PARTNERS

Quarterly Markets Review

Q1

FIRST QUARTER 2023

MILL VALLEY / CA

www.waypointwp.com

Markets Update: A Quarter in Review

FIRST QUARTER 2023

ECONOMY

With the first quarter of 2023 behind us, we will be focusing on incoming data over the next few months to assess any further shockwaves from the banking crisis that emerged in early March. Beforehand, markets seemed to be pricing in a risk-on sentiment and a soft-landing scenario. However, the narrative has changed considerably, with growing concerns of a much swifter economic slowdown given restrictive monetary policy to combat inflation and tightening credit standards from lending institutions. The overall level of inflation, along with medium-term expectations for inflation by consumers and investors, continues to fall. Job growth slowed though remained positive over the quarter, and the labor force participation rate increased, resulting in a relatively low unemployment level of 3.5%. Job openings declined, a more positive sign for the economy than layoffs increasing, helping to correct the mismatch in demand and supply for workers. This led to wage growth softening, too, which should also help the level of inflation come down over time. The Fed has now raised interest rates to a target range up to 5%, and given the recent economic data, it seems likely they could raise rates another 25 basis points (0.25%) at the next meeting in early May. Consumers and businesses are becoming more cautious, though there is still modest growth in spending and production.

STOCKS

Equity markets ended a wild quarter generally positive, showing resilience few would've expected given the backdrop of slower earnings growth, less attractive relative value amidst higher interest rates, and a banking crisis. Global stocks were up 7.31% during Q1. Breaking down the regional components, the broad US stock market gained 7.18%. A sharp reversal in trends after the early March fears of bank failure contagion caused large growth stocks to rise and small value stocks to fall. International developed stocks outperformed both US and emerging markets stocks, gaining 8.02% for the quarter. Emerging markets stocks were up 3.96%. As is typically the case, there was wide dispersion in performance from various sectors, styles, countries, and currencies, which is why we take a broadly diversified approach and stay disciplined in our investment process over time.

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Markets Update: A Quarter in Review (Continued)

FIRST QUARTER 2023

BONDS

Volatility remains high in fixed income markets due to the uncertainty around inflation, weakening corporate earnings, and the divergence in expectations for the terminal Fed Funds rate and the length of time rates will stay elevated, between policy makers and markets. US treasury bond yields ended the quarter lower, with most of the retreat occurring in the wake of the banking industry's turmoil. US bonds were up 2.96% for the quarter, while Global bonds ex-US gained 2.86%. The broad municipal bond market returned 2.78%. While many investors fled bonds for cash due to the deeply negative returns in fixed income in 2022 and an inverted yield curve, we believe bonds of intermediate duration will provide better long-term returns and risk management properties for clients that have goals with sufficiently long investment horizons or don't have near-term liquidity needs.

REAL ESTATE

Global real estate was up 1.37% for the quarter, underperforming broad global stocks and bonds. US real estate investment trusts (REITs) outperformed non-US REITs during the quarter. In aggregate, REITs have struggled with increased vacancies, higher costs of capital, and shifting behavior lingering from the Pandemic. With high sensitivity to interest rates and the economic cycle, and a wall of commercial real estate maturities over the next 5 years, it could become more attractive to add to our positioning as we head into the recovery phase depending on how cheap the asset class gets.

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Market segment (index representation) as follows: Global stocks (MSCI All-Country World Index), US stocks (Russell 3000 Index), International developed stocks (MSCI World ex USA Index [net dividends]), Emerging market stocks (MSCI Emerging Markets Index [net dividends]), US bonds (Bloomberg US Aggregate Bond Index), Global bonds ex-US (Bloomberg Global Aggregate ex-USD Bond Index [hedged to USD]), Municipal bonds (Bloomberg Municipal Bond Index), TIPS (Bloomberg US TIPS Index), US REITs (Dow Jones US Select REIT Index), Non-US REITs (S&P Global ex-US REIT Index) and Global Real Estate (S&P Global REIT Index [net dividends]).

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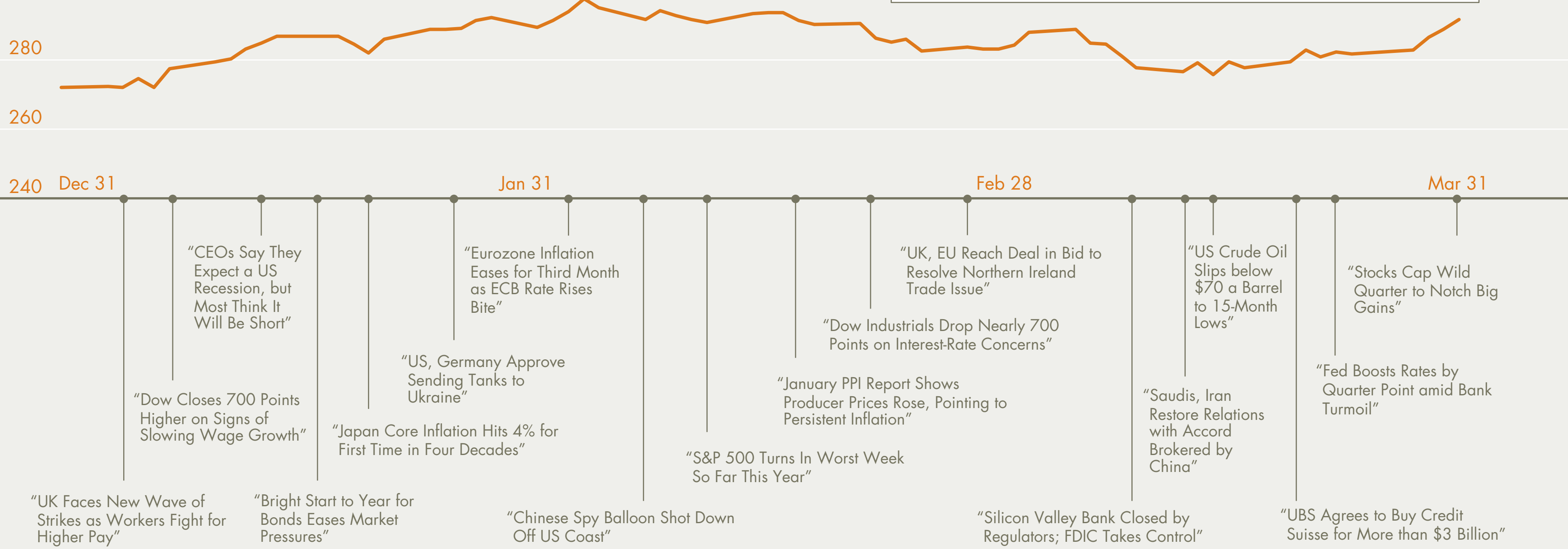
World Stock Market Performance: A Quarter in Review

FIRST QUARTER 2023

MSCI All Country World Index With Selected Headlines From Q1 2023

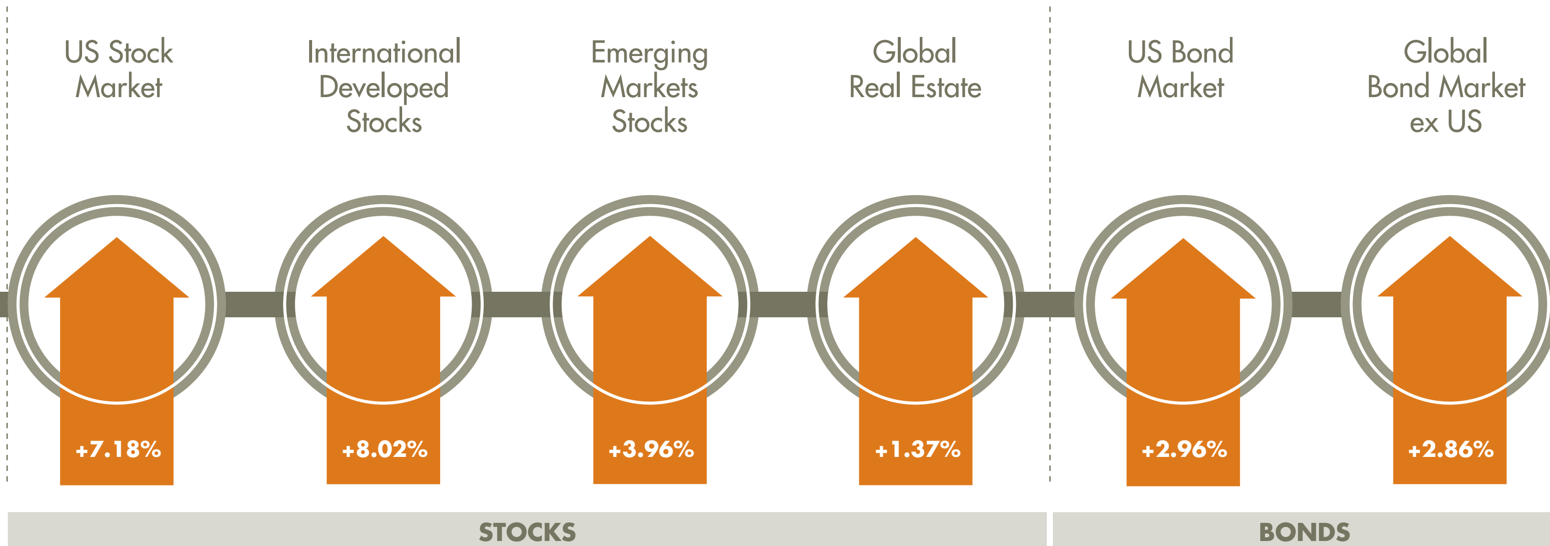


These headlines are not offered to explain market returns. Instead, they serve as a reminder that investors should view daily events from a long-term perspective and avoid making investment decisions based solely on the news.

Graph Source: MSCI ACWI Index (net dividends). MSCI data © MSCI 2023, all rights reserved. Index level based at 100 starting January 2000.Past performance is not a guarantee of future results. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Index returns reflect all items of income, gain and loss and the reinvestment of dividends and other income. For a description of indices: www.waypointwp.com/index-descriptions

Markets Summary: First Quarter 2023 Index Returns

FIRST QUARTER 2023



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Beyond the Quarter: Survey of Long Term Performance

AS OF MARCH 31, 2023

INDEX	5 Years %	10 Years %	20 Years %	Since Inception %	Inception Date
Global Stocks					
MSCI All Country World Index (gross div.)	7.46%	8.62%	9.27%	7.88%	JANUARY 1988
US Stocks					
Russell 3000 Index	10.45%	11.73%	10.44%	11.69%	JANUARY 1979
International Stocks					
MSCI World ex USA Index (gross div.)	4.34%	5.44%	7.92%	9.02%	JANUARY 1970
MSCI Emerging Markets Index (gross div.)	-0.53%	2.37%	9.63%	9.55%	JANUARY 1988
Global Real Estate Investment Trust Stocks					
S&P Global REIT Index (gross div.)	3.48%	4.36%	8.00%	7.93%	JULY 1989
Bonds					
Bloomberg Barclays U.S. Aggregate Bond Index	0.91%	1.36%	3.18%	6.67%	JANUARY 1976
Bloomberg Barclays Global Aggregate Bond Index (hedged to USD)	0.95%	1.93%	3.30%	5.20%	JANUARY 1990
Inflation					
US Consumer Price Index*	3.86%	2.63%	2.51%	2.95%	JANUARY 1926

**As of February 28, 2023.*

Source: Dimensional Fund Advisors. Past performance is not a guarantee of future results. Indices are not available for direct investment.
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Quarterly Article: When Headlines Worry You, Bank on Investment Principles

FIRST QUARTER 2023

On Friday, March 10, regulators took control of Silicon Valley Bank as a run on the bank unfolded. Two days later, regulators took control of a second lender, Signature Bank. With increasing anxiety, many investors are eyeing their portfolios for exposure to these and other regional banks.

Rather than rummaging through your portfolio looking for trouble when headlines make you anxious, turn instead to your investment plan. Hopefully, your plan is designed with your long-term goals in mind and is based on principles that you can stick with, given your personal risk tolerances. While every investor's plan is a bit different, ignoring headlines and focusing on the following time-tested principles may help you avoid making shortsighted missteps.

1. UNCERTAINTY IS UNAVOIDABLE

Remember that uncertainty is nothing new and investing comes with risks. Consider the events of the last three years alone: a global pandemic, the Russian invasion of Ukraine, spiking inflation, and ongoing recession fears. In other words, it may have seemed as if there were plenty of reasons to panic. Despite these concerns, for the three years ending February 28, 2023, the Russell 3000 Index (a broad market-capitalization-weighted index of public US companies) returned an annualized 11.79%, slightly outpacing its average annualized returns of 11.65% since inception in January 1979. The past three years certainly make a case for weathering short-term ups and downs and sticking with your plan.

2. MARKET TIMING IS FUTILE

Inevitably, when events turn bleak and headlines warn of worse to come, some investors' thoughts turn to market timing. The idea of using short-term strategies to avoid near-term pain without missing out on long-term gains is seductive, but research repeatedly demonstrates that timing strategies are not effective. The impact of miscalculating your timing strategy can far outweigh the perceived benefits.

3. "DIVERSIFICATION IS YOUR BUDDY"

Nobel laureate Merton Miller famously used to say, "Diversification is your buddy." Thanks to financial innovations over the last century in the form of mutual funds, and later ETFs, most investors can access broadly diversified investment strategies at very low costs. While not all risks—including a systemic risk such as an economic recession—can be diversified away (see Principle 1 above), diversification is still an incredibly effective tool for reducing many risks investors face.

In particular, diversification can reduce the potential pain caused by the poor performance of a single company, industry, or country.[1] As of February 28, Silicon Valley Bank (SIVB) represented just 0.04% of the Russell 3000, while regional banks

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1. Consider that a study of single stock performance in the US from 1927 to 2020 illustrated that the survival of any given stock is far from guaranteed. The study found that on average for 20-year rolling periods, about 18% of US stocks went through a "bad" delisting. The authors note that delisting events can be "good" or "bad" depending on the experience for investors. For example, a stock delisting due to a merger would be a good delist, as the shareholders of that stock would be compensated during the acquisition. On the other hand, a firm that delists due to its deteriorating financial condition would be a bad delist since it is an adverse outcome for investors. Given these results, there is a good case to avoid concentrated exposure to a single company. Source: "Singled Out: Historical Performance of Individual Stocks" (Dimensional Fund Advisors, 2022).

Quarterly Article: When Headlines Worry You, Bank on Investment Principles (CONTINUED)

represented approximately 1.70%.[2] For investors with globally diversified portfolios, exposure to SIVB and other US-based regional banks likely was significantly smaller. If buddying up with diversification is part of your investment plan, headline moments can help drive home the long-term benefits of your approach.

When the unexpected happens, many investors feel like they should be doing something with their portfolios. Often, headlines and pundits stoke these sentiments with predictions of more doom and gloom. For the long-term investor, however, planning for what can happen is far more powerful than trying to predict what will happen.

2. Regional banks weight reflects the weight of the "Regional Banks" GICS Sub-Industry. GICS was developed by and is the exclusive property of MSCI and S&P Dow Jones Indices LLC, a division of S&P Global.

Important Disclosures and Data Sources

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