WAYPOINT
WEALTH PARTNERS

Quarterly Markets Review

Q2

SECOND QUARTER 2023

Markets Update: A Quarter in Review

SECOND QUARTER 2023

ECONOMY

The resilience of the economy in the first half of 2023 has been surprising since many leading indicators of recession – equity bear market, higher interest rate environment and inverted yield curve, tightening of credit, reductions in business investment, depressed sentiment, etc. – have been observed. However, the strength of the labor market (and therefore the consumer) led much of the economic data to surprise to the upside so far, as well as a sharp rally in risk assets like stocks. Real GDP was revised higher. Corporate profits, while declining, held up better than expected. Service sector growth accelerated as the pent-up demand for travel and leisure continued, while manufacturing declined. Supply chain delivery improved, lowering input costs, and helping broad inflation measures moderate further, along with a big boost from falling energy prices. Core inflation measures have been stickier, leading the Fed to a "hawkish pause" (meaning no rate increase at their June meeting, but the expectation of further hikes this year and maintaining higher rates for longer). The market now expects a 25bps hike in July, to a target range of 5.25%-5.50%, but doesn't believe the Fed will be able to keep rates higher for longer, anticipating rate cuts to begin toward year-end.

STOCKS

Equity markets generally ended the quarter with a strong showing in June, showing resilience few would've expected given the backdrop of slower earnings growth, higher interest rates, a regional banking crisis in the US that briefly spilled over to Switzerland, and contentious debt ceiling debates that took the U.S. to the brink of default once again. Global stocks rose 6.18% during Q2, bringing the YTD return to 13.93%. Breaking down the regional components, the broad U.S. stock market gained 8.39% in Q2. YTD, U.S. stocks are up 16.17%, predominantly driven by very large tech-focused companies. International developed stocks outperformed emerging markets stocks though trailed the U.S., gaining 3.03% for the quarter, and 11.29% YTD. Emerging markets stocks were up 0.9% during Q2, and 4.89% YTD. We believe upside and downside risks are balanced from here in stocks and continue to favor smaller companies with cheaper relative prices and higher profitability, while maintaining broad diversified exposure to thousands of companies. For example, even with our portfolio tilts, exposure to large cap growth is our highest weighting in U.S. stocks. Whether market breadth and earnings catch up with valuations, or valuations come down in response to weak earnings and slowing economic growth is unknown. We believe we're prepared and well-positioned to ride through either scenario.

CONTINUED OVER ▶

Markets Update: A Quarter in Review (Continued)

SECOND QUARTER 2023

BONDS

Growth and inflation expectations drove interest rates higher over the second quarter. Two-year U.S. treasury bond yields ended the quarter at 4.87%, while 10-yr treasury bonds ended at 3.81%, extending the curve inversion. With yields rising in Q2, prices declined, and broad U.S. bonds lost -0.84% for the quarter, though YTD gains are 2.09%. Global bonds ex-U.S. gained 0.73% for Q2, and 3.61% YTD. The broad municipal bond market lost -0.10% for the quarter and gained 2.67% YTD. While many investors fled bonds for money markets and CDs (cash equivalents) due to sharp losses in fixed income in 2022 and an inverted yield curve, we believe locking in higher yields for longer by extending duration will lead to better returns through a combination of income and capital appreciation if rates adjust downward, which the market is expecting.

REAL ESTATE

Global real estate was up 0.71% for the quarter and 2.09% YTD, underperforming global stocks and matching U.S. bonds. U.S. real estate investment trusts (REITs) outperformed non-U.S. REITs during the quarter, and by an even wider margin YTD. Office and retail sectors have struggled with increased vacancies, and shifting behavior lingering from the pandemic, while increased costs of capital and slowing growth should also start to weigh on industrial and multi-family sectors. Our managers are broadly diversified and have exposure to specialized REITs as well. We remain cautious in the near-term on real estate given the headwinds.

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.waywpointwp.com/index-descriptions

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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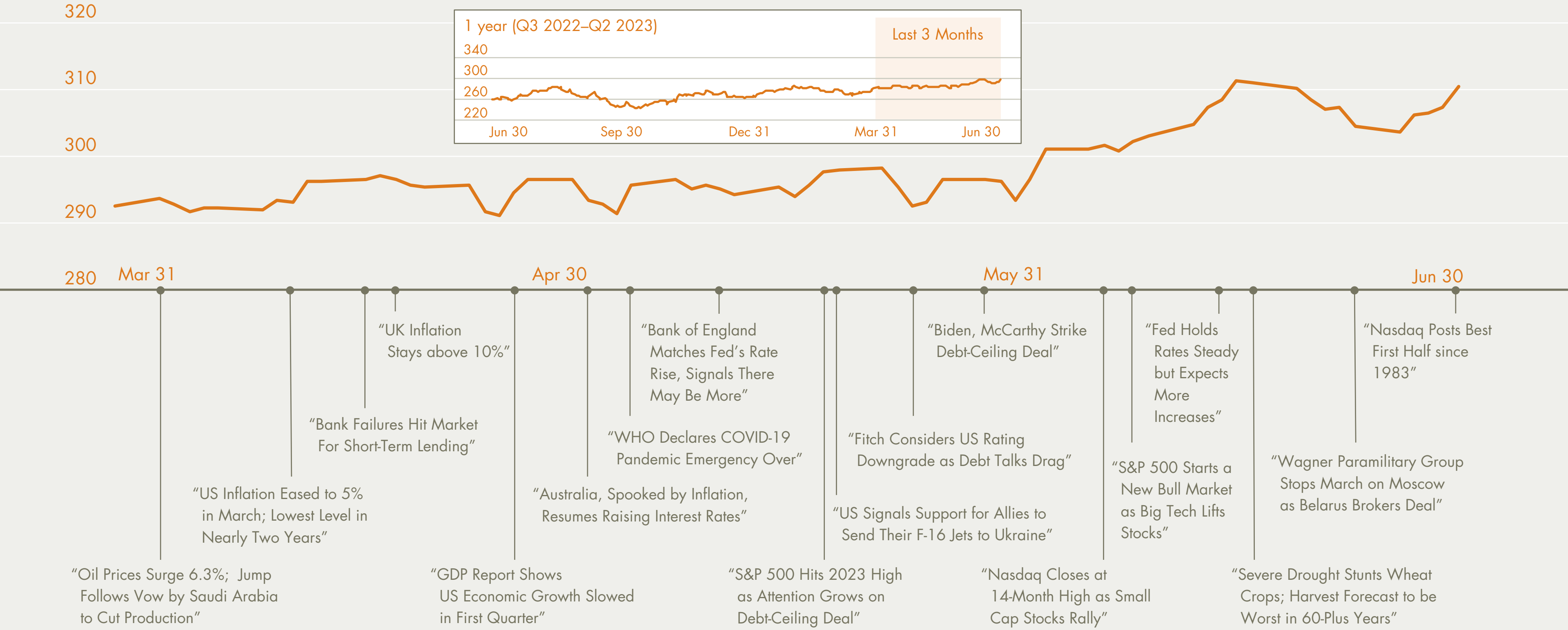
World Stock Market Performance: A Quarter in Review

SECOND QUARTER 2023

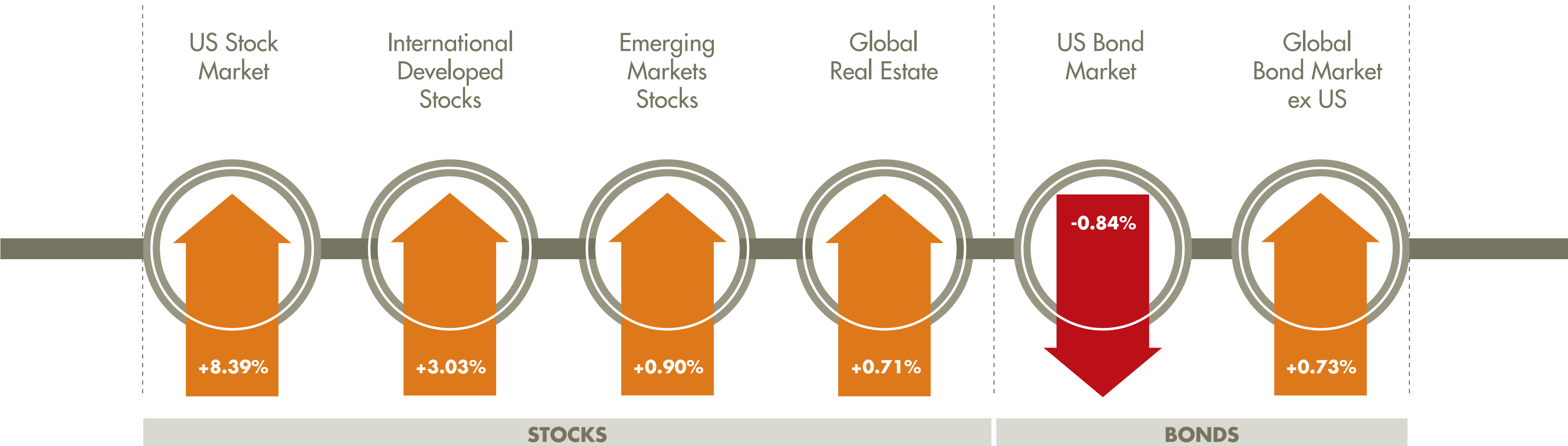
MSCI All Country World Index with Selected Headlines From Q2 2023



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



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Beyond the Quarter: Survey of Long Term Performance

AS OF JUNE 30, 2023

INDEX	5 Years %	10 Years %	20 Years %	Since Inception %	Inception Date
Global Stocks					
MSCI All Country World Index (gross div.)	8.64%	9.31%	8.73%	8.01%	JANUARY 1988
US Stocks					
Russell 3000 Index	11.39%	12.34%	10.05%	11.83%	JANUARY 1979
International Stocks					
MSCI World ex USA Index (gross div.)	5.12%	5.93%	7.14%	9.04%	JANUARY 1970
MSCI Emerging Markets Index (gross div.)	1.32%	3.33%	8.54%	9.51%	JANUARY 1988
Global Real Estate Investment Trust Stocks					
S&P Global REIT Index (gross div.)	2.41%	4.90%	7.38%	7.90%	JULY 1989
Bonds					
Bloomberg Barclays U.S. Aggregate Bond Index	0.77%	1.36%	3.18%	6.61%	JANUARY 1976
Bloomberg Barclays Global Aggregate Bond Index (hedged to USD)	0.95%	1.52%	3.01%	5.16%	JANUARY 1990
Inflation					
US Consumer Price Index*	3.87%	2.70%	2.51%	2.95%	JANUARY 1926

**As of May 31, 2023.*

Source: Dimensional Fund Advisors. 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.waywpointwp.com/index-descriptions.

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Quarterly Article: Let the Compounding Commence!

SECOND QUARTER 2023

Every year, families and friends celebrate students who are graduating from colleges and universities. Parents beam with pride at their children's accomplishments and exhale in relief now that the tuition bills have finally stopped. It's a time when adults give a lot of advice, which is why I have one simple idea I want to pass along to this year's graduating class that I hope you never forget. Parents, take note too, because with college out of the way, you can get back to focusing on retirement.

LET THE COMPOUNDING BEGIN!

In case you didn't come across this idea in an econ class, let me explain compounding simply. It's the process by which the value of an investment increases over time as earnings or interest are reinvested. It's the snowball effect but with money. Here's an example.

If you're a US investor and lucky enough to have up to $35,000 left over in your 529 college savings plan, you can roll it over into a Roth IRA starting in 2024, provided the account has been open at least 15 years.[1]

If you don't touch that $35,000 for 50 years, and the market averages a 10% annualized return, which is close to its long-term historical average, then guess how much you'll have?[2]

A. $1,584,074

B. $2,551,167

C. $4,108,680

The answer is C. Over $4.1 million!

If you were to start this in your mid-20s and invest that same initial amount for only 45 years, you'd end up with B, or $2.6 million. That's great, but not as great as C.

If you do it for 40 years, you'll end up with A, or $1.6 million. Also good, but, you know, not C.

Another benefit of compounding is that it can help you pursue financial goals along the way, like making a down payment on a home. But don't worry if you spent your whole college fund or took out student loans. Start with a little and get in the habit of adding when you can. As you can see from this snowballing, having a lot of time can help make up for not having a lot of money.

CONTINUED OVER ▶

1. *Laura Saunders, "Your Child Picked a College! Tee Up Your 529 Plan," Wall Street Journal, May 5, 2023.*
2. *In US dollars. Based on S&P 500 Index annual returns, 1926–2022. S&P data © 2023 S&P Dow Jones Indices LLC, a division of S&P Global. All rights reserved. Indices are not available for direct investment; therefore, their performance does not reflect the expenses associated with the management of an actual portfolio.*

Quarterly Article: Let the Compounding Commence! (CONTINUED)

In addition to increasing the value of your investments, compounding can also be a valuable force in life. For example, you've made an investment in time and money over the last few years that may have an enormous effect on the rest of your life. How much money are we talking about? College graduates, on average, earn 84% more than those with a high-school education, and that adds up to an extra $1.2 million over a lifetime.[3] Parents, I hope you're feeling a little better about your investment too.

But it's more than just money. When you get to be like me, someone who graduated from college more than 50 years ago, you see that you are the result of the compounding of your life's decisions, both good and bad. It's hard to quantify exactly, but it's sure there. For example, in graduate school, I decided I didn't want to be a professor. That one decision continues to have a profound impact on the rest of my life. Instead, I started a company with the people I met in graduate school. Four decades later, I'm still working with some of them. I even got to go watch my former professor and current colleague Eugene Fama receive a Nobel Prize in Economic Sciences. That was not on my bingo card when I graduated from college. Life is full of surprises, and many of them can come from how your decisions compound over decades.

So, start rolling your snowball, both in life and in investing. Let the compounding commence!

3. "How Does a College Degree Improve Graduates' Employment and Earnings Potential?", Association of Public and Land-Grant Universities.

Important Disclosures and Data Sources

SECOND QUARTER 2023

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