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GETTING STARTED WITH AN INVESTMENT STRATEGY

Overview of the financial markets, risk and reward and basics of portfolio construction

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BUILD YOUR PORTFOLIO

1. Determine your risk tolerance and time horizon for investable assets.
2. Create a framework for asset class allocation overall and within each type of account class.
3. Within each asset class determine composition of investments (individual stocks and bonds, ETFs, mutual funds).
4. Quality, Quantity, and Sector allocation will shift during a market cycle.
5. Evaluate net total return against appropriate benchmarks.
6. Revisit.

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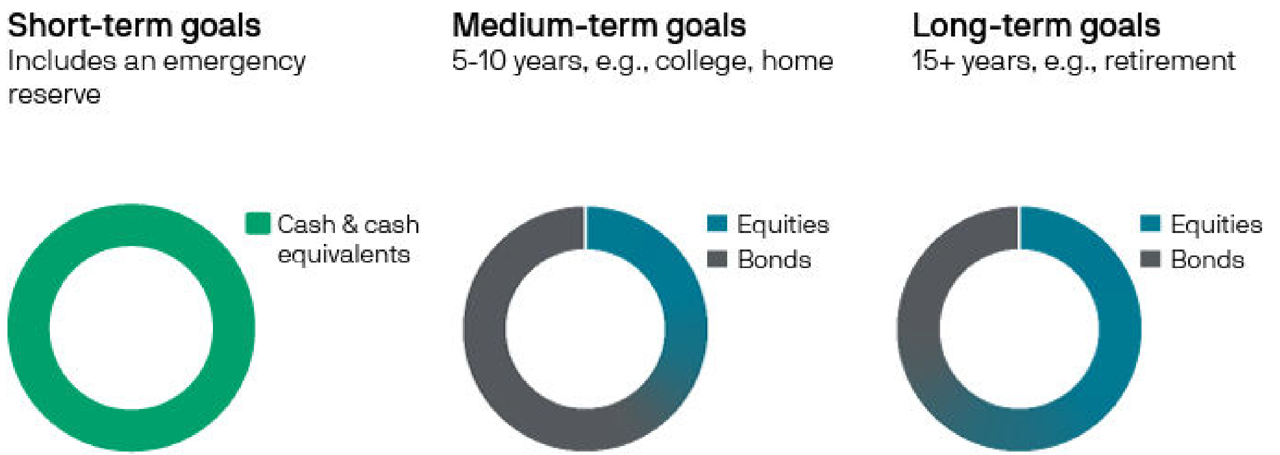
RISK TOLERANCE DETERMINES ASSET MIX

1. Create a Net Worth Statement
2. Define goals
3. Understand your relationship with money
4. “Highest and Best Use”



JP Morgan, Guide to the Markets 9.30.2023

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ASSET ALLOCATION OVERVIEW

For Illustration Only

	Asset Allocation & Risk Tolerance																	
Asset Class	Ultra Conservative			Conservative			Conservative Balanced			Balanced			Growth			Aggressive Growth		
Cash	1%	1%	10%	1%	1%	10%	1%	1%	10%	1%	1%	10%	1%	1%	10%	1%	1%	10%
Fixed Income	45%	50%	55%	35%	40%	45%	25%	30%	35%	20%	25%	30%	13%	18%	23%	0%	5%	10%
Hybrids	15%	20%	22%	15%	18%	22%	13%	15%	18%	13%	15%	18%	10%	16%	21%	13%	15%	18%
U.S. Equity	14%	19%	24%	21%	26%	31%	31%	36%	41%	34%	39%	44%	35%	40%	45%	44%	49%	54%
International Equity	5%	10%	15%	10%	15%	20%	13%	18%	23%	15%	20%	25%	20%	25%	30%	25%	30%	35%
Total	100%			100%			100%			100%			100%			100%		

VIEW IMPORTANT DISCLOSURE ON FINAL SLIDE

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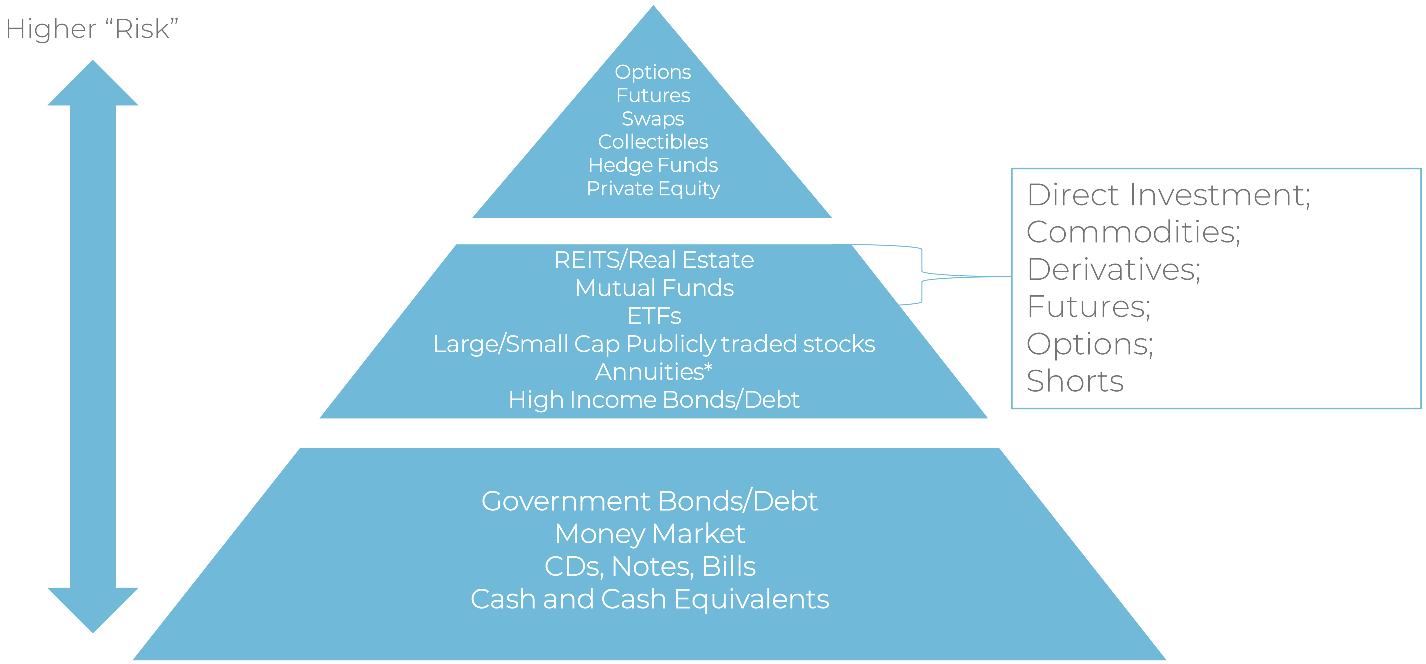
TYPES OF INVESTMENT OPTIONS



Risk varies with the composition and quality of each of these asset types, as does cost.

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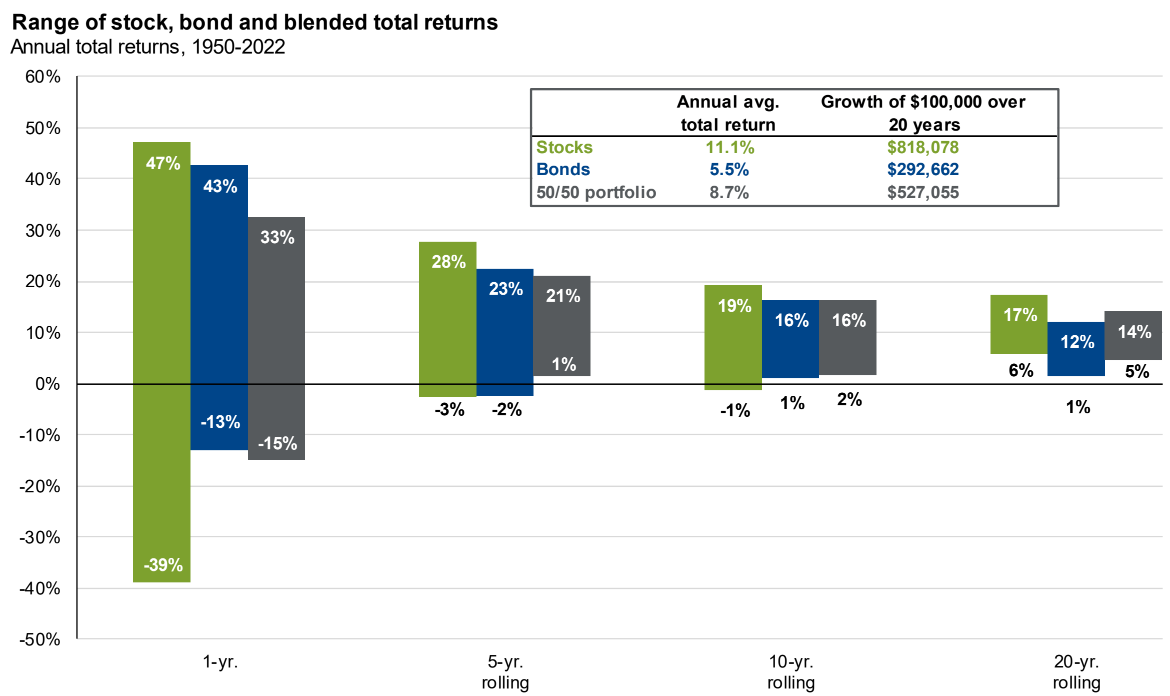
ASSET MIX DETERMINES RETURNS



	Annual avg. total return	Growth of $100,000 over 20 years
Stocks	11.1%	$818,078
Bonds	5.5%	$292,662
50/50 portfolio	8.7%	$527,055

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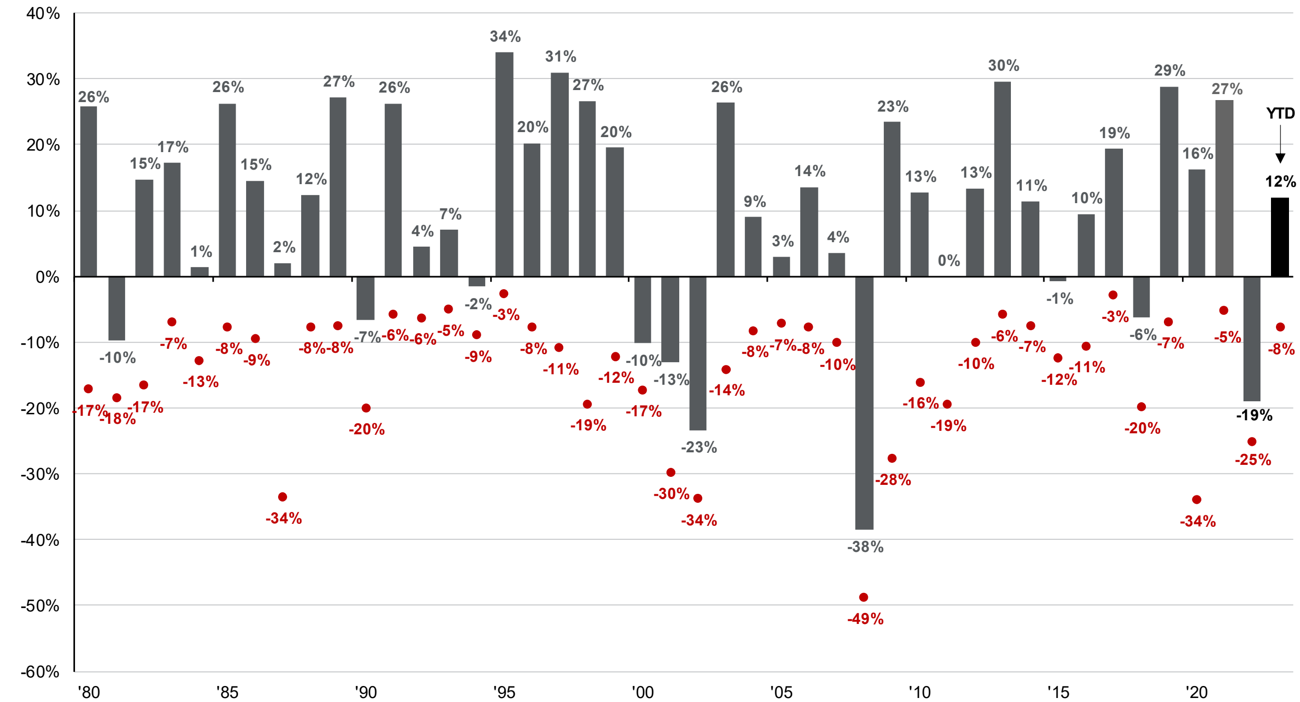
S&P 500 – RETURNS ARE VOLATILE

S&P intra-year declines vs. calendar year returns
Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



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ASSET ALLOCATION IS IMPORTANT

2008 - 2022																	
Ann.	Vol.	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	YTD
Large Cap 8.8%	REITs 23.4%	Fixed Income 5.2%	EM Equity 79.0%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 13.1%
Small Cap 7.2%	Small Cap 23.2%	Cash 1.8%	High Yield 59.4%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 7.6%
REITs 6.6%	EM Equity 23.0%	Asset Alloc. -25.4%	DM Equity 32.5%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	High Yield 5.0%
Asset Alloc. 6.1%	Comdty. 20.2%	High Yield -26.9%	REITs 28.0%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 4.5%
High Yield 5.4%	DM Equity 20.0%	Small Cap -33.8%	Small Cap 27.2%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	Cash 3.7%
Fixed Income 2.7%	Large Cap 17.7%	Comdty. -35.6%	Large Cap 26.5%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	Small Cap 2.5%
DM Equity 2.3%	High Yield 13.0%	Large Cap -37.0%	Asset Alloc. 25.0%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 2.2%
EM Equity 1.0%	Asset Alloc. 12.4%	REITs -37.7%	Comdty. 18.9%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income -1.2%
Cash 0.6%	Fixed Income 4.2%	DM Equity -43.1%	Fixed Income 5.9%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Comdty. -3.4%
Comdty. -2.6%	Cash 0.4%	EM Equity -53.2%	Cash 0.1%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	REITs -5.6%

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TAXES CAN ERODE YOUR INVESTMENTS:

ACCOUNT ALLOCATION IS IMPORTANT

Taxable Accounts

- FDIC insured bank account
- Brokerage Account
- Flow through entities (S Corp, Partnership, LLC, revocable trusts)

Tax Deferred Accounts

- Irrevocable trusts*
- Roth IRA (tax exempt)*
- 529 Plans (tax exempt)*
- 401(k), 403(b), etc.
- IRA
- Pension

EXPENSES CAN ERODE YOUR INVESTMENTS

Expense Ratio (mutual funds and ETFs)

- Management fees
- Administrative costs
- Marketing expenses
- 12b-1 fees (may be included in the expense ratio or in addition to)

Sales charges or loads

- Class A shares – front-end load (purchase fee); typically 4% but cannot exceed 8.5%.
- Class B shares – Back-end load (redemption fee or deferred sales charge). May decrease to zero.
- Class C shares – back-end or front-end load (redemption fee). Generally lower than Class B redemption fees and decreases over time.
- Additional sales charges may apply.

Redemption/Exchange fees
Investment minimums

EXPENSES CAN ERODE YOUR INVESTMENTS

Compare SPY and VOO – two S&P 500 ETFs with substantially the same holdings and performance.

SPDR S&P 500 ETF (SPY)

1 year performance 22.97%
5 year performance 83.10%
Expense ratio - .095%
Dividend yield = 1.24%
Total Assets = $551.6B

Vanguard 500 Index Fund (VOO)

1 year performance 23.13%
5 year performance 83.45%
Expense ratio - .03%
Dividend yield = 1.30%
Total Assets = $498.0B

- Dividend yield may impact current taxation.
- Total asset size may impact liquidity.
- The turnover rate can impact current taxation.
- Investor redemptions may impact current taxation.

As of 9/11/2024

ADVISOR FEE COMPARISON

Inherent conflicts of interest can result in performance erosion.

Fee Only

- Asset based, hourly or flat fees. Typically 1-2% of asset account value with declining breakpoints. Rewards advisor for protecting and growing the portfolio.

Fee Based

- Advisory and planning fee plus a portion of commissions paid to the advisor for buying/selling a certain financial product.

Commission

- Advisor receives compensation for sales/buys and commissions on investments and financial products they recommend for the client.

Wrap Fees

- Single, asset based fee covering advice and execution of trades. Typically 1-3% of asset account value.

CONCEPT TO CONSIDER

"Diworsification"

a play on words that defines the concept— this is an investment term for when too much complexity can lead to worse results. Many mutual fund investors tend to over-complicate matters. That is, they acquire too many funds that are too similar and, as a result, lose the benefits of diversification while believing they are adequately diversified.

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SECTOR vs. INDEX

SPDR S&P 500 ETF SPY Top 10 Holdings (as of 9/11/2024)		Vanguard Information Technology ETF VGT Top 10 Holdings (as of 9/11/2024)		Totals Top 10 Holdings (as of 9/11/2024)	
Apple	6.95%	Microsoft	16.72%	Microsoft	23.25%
Microsoft	6.53%	Apple	15.86%	Apple	22.81%
NVIDIA	6.18%	NVIDIA	14.03%	NVIDIA	20.21%
Amazon	3.44%	Broadcom	4.17%	Broadcom	5.66%
(Facebook) Meta Platforms Class A	2.41%	Advanced Micro Devices (AMD)	1.92%	(Google) Alphabet Class A & C	3.72%
(Google) Alphabet Class A	2.02%	Qualcomm	1.63%	Amazon	3.44%
Berkshire Hathaway Class B	1.81%	Salesforce	1.62%	(Facebook) Meta Platforms Class A	2.41%
(Google) Alphabet Class C	1.70%	Adobe	1.43%	Advanced Micro Devices (AMD)	1.92%
Eli Lilly	1.61%	Oracle	1.38%	Berkshire Hathaway Class B	1.81%
Broadcom	1.49%	Cisco	1.34%	Qualcomm	1.63%
	34.14%		60.10%		**86.86%**

SPDR Dow Jones Industrial Average ETF DIA Top 10 Holdings (as of 9/11/2024)		(And the remainder of the Dow)		(And the remainder of the Dow)	
United Healthcare	9.70%	The Travelers	3.68%	Merck	2.24%
Goldman Sachs	7.80%	Honeywell	3.34%	The Walt Disney Company	1.93%
Microsoft	6.53%	JP Morgan Chase	3.33%	3M	1.67%
The Home Depot	5.85%	Amazon	3.04%	Nike	1.60%
Caterpillar	5.35%	Apple	2.96%	Coca Cola	1.07%
Amgen	5.21%	Boeing	2.91%	Walmart	1.03%
McDonald's	4.71%	IBM	2.88%	Dow	0.99%
Visa Class A	4.54%	Proctor and Gamble	2.83%	Cisco	0.82%
American Express	3.97%	Chevron	2.80%	Verizon	0.69%
Salesforce	3.97%	Johnson & Johnson	2.51%	Intel	0.53%
	57.63%				

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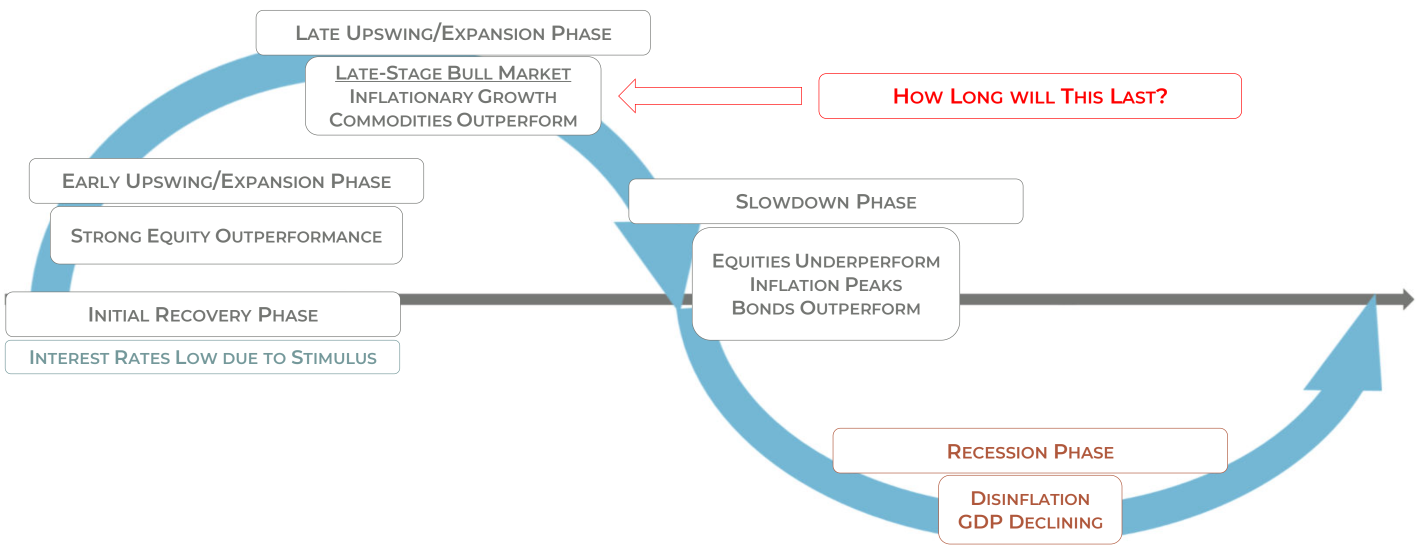
THE MARKET CYCLE IMPACTS ALLOCATION



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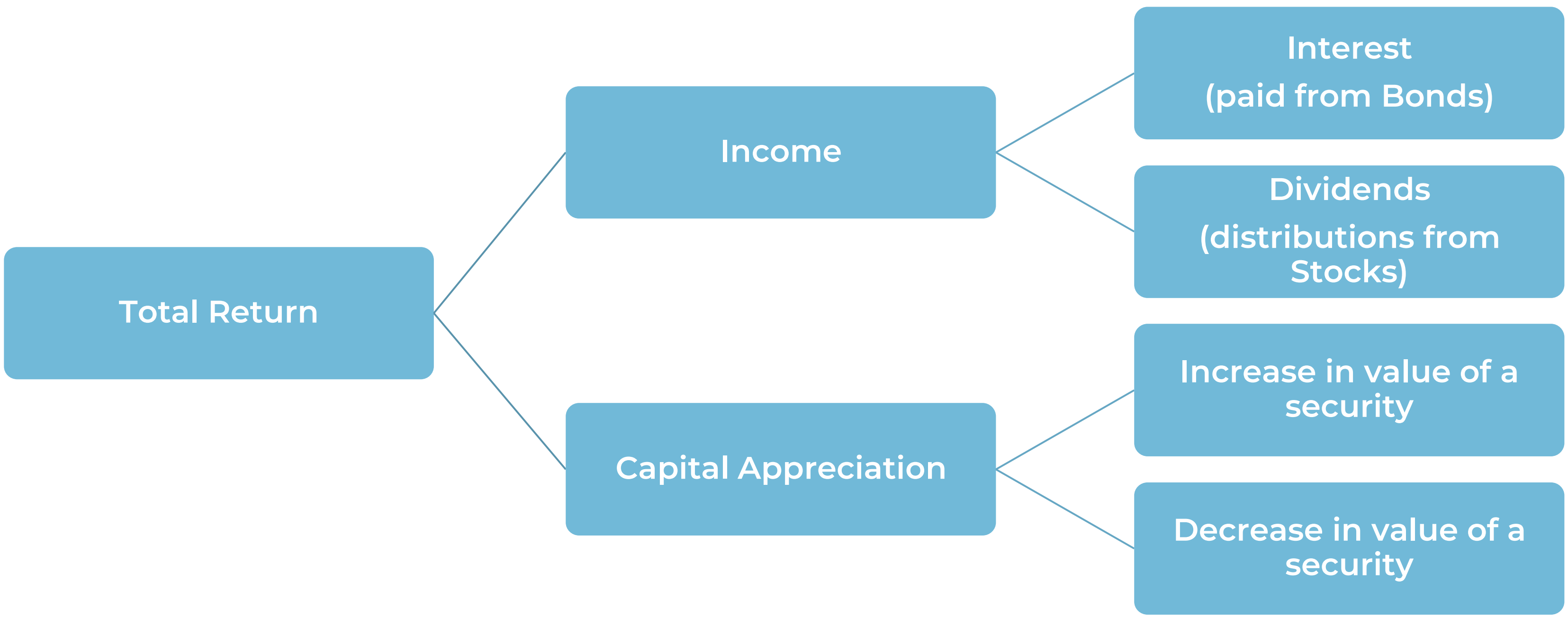
TOTAL RETURN IS YOUR MAIN CONCERN

Did you know that a security can decline in price and yet you can still make money?

Total Return = Income + Capital Appreciation



COMPARE TO APPROPRIATE BENCHMARKS

- Cash and Cash Equivalents = ICE BofA US 3-month Treasury Bill
- Fixed Income = Bloomberg US Aggregate
- Hybrids = Hybrids Blended Index
- U.S. Equity = S&P 500 Composite
- International Equity = International Equity Blended Index
- MSCI EAFE Net = International developed markets
- MSCI EM = International emerging markets

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CONTACT US

At Waverly Advisors we strive to provide proactive, personalized service by listening and fully comprehending your team's financial goals. With us by your side, you can expect an unwavering commitment to help your team work towards financial security in their retirement years.

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IMPORTANT

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