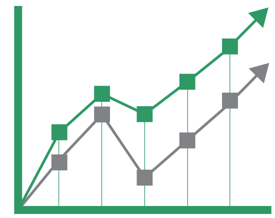
HESPERIAN *Wealth*

Winning By Not Losing

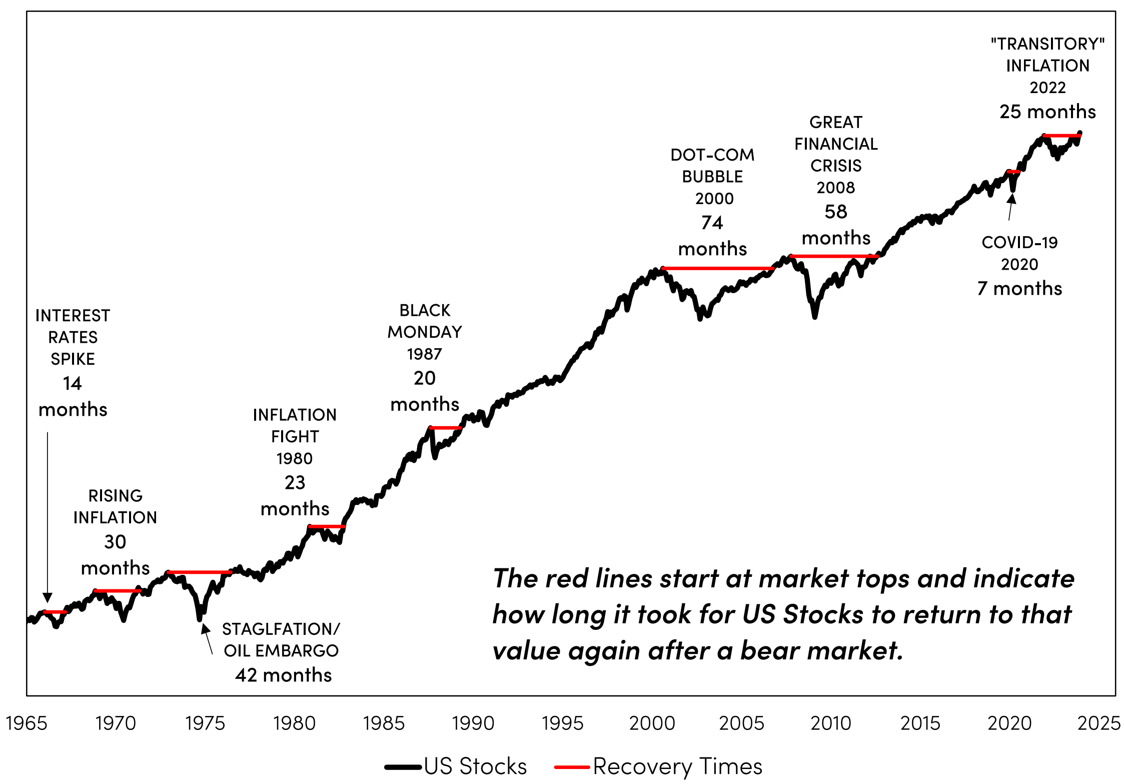


Investment success is about avoiding big losses, not buying lottery tickets. We focus on protecting against the big risks investors face.

Large portfolio declines can slow or stop the compounding of wealth. This can threaten your financial plan, which relies in part on an annual return assumption. It's often taken many years just to get back to where you started after a bear market in US stocks (a 20% or greater decline). Since 1965, a stock investor has spent *over 40% of the time* just recovering from a big loss!

Knowing there are time-tested ways to try to limit these setbacks, we can't sit by and watch our clients' life savings be subject to the markets' fluctuations without acting. Put simply, you deserve an advisor that earns their fee. At Hesperian, we manage portfolios, not neglect them. We won't always time things perfectly, but we've built a historically informed framework we stand behind.

Stock Investors Lose a Lot of Time Recovering from Big Losses



Source: Portfolio Visualizer, Ibbotson. Monthly total return data as of 12/31/23. US Stocks represented by Vanguard 500 Index fund share classes extended by the S&P 500 Index. See the Disclosure section for important disclaimers.

You can make the opposite mistake, though, and be *too* active. You don't want to overmanage your portfolio by constantly trading and following the whims of the crowd. We don't need to perfectly time the markets' daily ups and downs. It's the big turning points that count.

We know an investor's long-term return can be significantly improved by just modestly lowering downside. And while no one can eliminate portfolio declines, we do believe we can *limit* them so portfolios recover quicker. That's where we focus our analysis. We believe our in-depth research can lead to better results.

Systematic, Not Subjective

Our strategy is systematic, which means we let data be our guide, not human emotion. The place for human judgment was in the designing of our investment framework and the rules that govern it. After that, we try to limit subjectivity. Some new piece of information would have to be particularly compelling to drive us to make material changes to our way of investing, which has been informed by decades of financial history.

We believe markets and economies move in cycles. As students of these cycles, we've conducted extensive research on reliable indicators of where the investment environment is headed. We're interested in what will work going forward, not what has worked in the recent past. But before we'll deviate from any target stock and bond allocation, we demand "corroborating evidence"—multiple independent data points that support the same conclusion. That gives us the confidence to act.

The Big Risks

Every investor faces two big risks: *recession risk* and *inflation risk*.

- **Recession**—The largest, longest declines in stock market history have typically coincided with recessions. We've constructed proprietary models to help us measure recession risk. We think they will do a good job of identifying the start and end of US recessions in real-time. But they're not infallible, so we always look for confirming indicators before making significant allocation changes.

- **Inflation**—High or rising inflation can be bad for both stocks and bonds. Inflation can also wreak havoc on our buying power as consumers. But if you understand when inflation risk is high, you can incorporate investments that will hold up better or even perform well in an inflationary environment.

Want to dive deeper?

We regularly share our proprietary research on the investing world:

VISIT OUR BLOG

Seeking to Protect Portfolios

We use three main tools to try to protect against these big investment risks:

1. **Tactical Allocation**—First and foremost, we seek to lower risk and increase returns by adjusting our clients' portfolio allocations over time based on our understanding of the current investment environment and our expectations for the future.

2. **Manager Selection**—For some asset classes, particularly bonds and alternative investments, we may look for fund managers that we believe have the potential to add value through security selection and/or their own analysis of the economic and market environment.

3. **Diversifying Investments**—We also look for nontraditional strategies, many of which were only available to institutional investors previously. These are becoming increasingly accessible. The right ones can lower volatility and downside while generating higher returns than bonds, allowing an investor to invest more in higher-returning assets.

The Benefit of Looking Different

Our portfolios may look very different at times than most other investors' portfolios. But it can pay off to look different as long as the odds are stacked in your favor. That's our job—to evaluate the probabilities and tilt toward what we believe is a better allocation. There's always noise in the short term. But over the long term (five to 10 years), we think our strategies will substantially outperform those used by most other advisors or how investors might do on their own. We invest our own money the same way.

Sticking to It

The last requisite for investment success with Hesperian involves you. You can only benefit if you can stick with our strategies. We help you do that with our quarterly newsletter of investment commentary and analysis. We lay out the evidence as we see it. That lets you be the judge of our investment decisions over time. And as our client, you can reach out at any time for a discussion of the markets, the economy, or your portfolio.

If our approach inspires trust, we encourage you to use the button below to schedule a no-obligation Discovery Meeting where you can get to know us and decide whether we're a good fit:

SCHEDULE

Disclosure

Hesperian Wealth LLC (HW) is registered as an Investment Adviser with the State of California. Registration of an Investment Adviser does not imply any level of skill or training. Additional information about HW is available on the SEC's website at www.adviserinfo.sec.gov, which can be found using the firm's identification number, 317351.

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Investing involves substantial risk, including the potential loss of principal. HW makes no guarantee of financial performance nor any promise of any results that may be obtained from relying on the information presented. HW may analyze past performance, but past performance may not be indicative of future performance.

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