

To the Clients of Evergreen Wealth Management,

Our team at Evergreen Wealth Management has the responsibility of stewarding the retirement dreams of a large number of amazing families and individuals. We remain honored for the trust you continue to place in us and the relationships we have, many of which have spanned multiple decades now. Working for you, your families and your retirement journeys are always top of our minds. This is the reason we take time to write this important annual letter. Our mission has always been to serve you in a way that maximizes your return on time. We aim to build trust and remove the many burdens of financial management so you can focus on what you love doing most. To this extent we like to reflect each year during our annual letter on our business, what it means to you, recent happenings, and a quick 2022 investment recap.

Why We Are Different

Evergreen Model

As many clients can attest over the years...we are very different. For starters, just about all of our growth up until 2022 came in the form of referrals. The only major exception was our recent acquisition of Haynes Financial in 2022 (more on that below). This is not normal and a strong reflection of decades of doing the right thing for clients.

Also outside the norm is our ongoing planning approach. How can we be so bold to say this...we hear it constantly. It is not the plan alone that is powerful to a family. It is in the nuance of understanding the right questions to ask; the ability to overlay our team's combined experience to figure out what nickles and dimes are slipping through the cracks and how we can catch them. It is about helping clients make the best decision customized to their own needs. Value is often relative to the choices a person might make. We have countless stories about helping clients avoid poor alternative decisions. Over a lifetime, helping families avoid bad decisions, catching nickels and dimes, and executing a clear and concise plan is the major value we bring to the table. This value can't happen in one meeting and sticking money into static funds. It is a dynamic and ever-flowing relationship. The client-to-advisor relationship and conversations are ongoing; the advisor and money manager conversations are constant. Research, analysis, planning, and operations all happen behind the scenes to free your time up to do what you love. This is why our ultimate value as a team is providing you with a high return on time. Just like a great investment provides a high return on capital and compounds

over time we believe giving you a high return on time compounds your life experience to a new level.

Perhaps one of the most unique elements of Evergreen is our team structure. Having in-house money managers who dedicate the bulk of their time to actual direct equity research is not a normal structure within the advisory business. Our model is a very specific design constructed around maximizing collective hours spent per each client account. This is a near-impossible structure to create without the selfless effort of each team member and a long-term focus. Our talented team could likely find higher-paying structures in the short term elsewhere. Planners could shortcut management, embrace industry-higher fee schedules and choke out more money for their pocketbooks. Managers could prefer working for larger firms that scale more volume (rather than purposely serve a smaller client base) and make a higher salary. Anyone could choose commission-based products over clients' best interest or guide decisions based on large kickbacks like many broker-dealer structures. The industry is ripe with conflicts of interest that could make us wealthier in the short term. However...we are not building a 5-year company nor are we trying to line our pocketbooks with maximum profit. We do not think any of those things result in long-term joy, and all of those things are a detriment to you. We fully believe... If we serve our families well, offer an amazing team, and have an unrelenting focus on your goals then everything else will take care of itself. This is what we do! We love it and plan on doing it for decades to come. Everything we do is built to create a sustainable 100-year business model that can benefit you and generations after you!

The Secret Sauce

An advisor recently asked me, "how can you love working with all your clients? Don't some of them drive you nuts?". It was an easy question to answer because we are blessed with the greatest clients in the world. To those who are not a good match we say NO to working with them and look to part ways. There is no point in us working with someone who is not a good match, nor is it beneficial for them. We certainly are not a perfect match for everyone and that's just fine. Long term, this is perhaps the greatest secret we hold for longevity in our business. Work with people you like. Said another way...do what you love doing.

"Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do." - Steve Jobs

Evergreens Big Happenings in 2022

Haynes Financial Acquisition

The biggest *happening* in 2022 for our business was certainly the acquisition of Haynes Financial. In July we officially took over Haynes Financial and roughly 150 new families have entrusted us with stewardship of their retirement journeys. John Haynes, the owner of Haynes Financial, had worked a lifetime caring for these families, and we are honored he selected us to carry on his legacy. We knew this was a real possibility many years ago when we first started discussions with John. Like any good advisor, John did in-depth due diligence and worked to set up a solid continuation plan in the event anything happened to him, including his eventual retirement. We were pleased to see him retire into the sunset in 2022 and wish him and his beautiful family many more years of blessings as they enjoy a well-earned retirement journey!

Our team has been working very hard to circle the wagons on every new client and bring them into the Evergreen family. It's not easy to absorb a large group of new clients, design or wrap your head around financial plans, and align investments, among other things all within a short period time. While there are always some unexpected bumps in the road with any transition...our team is doing an amazing job and we believe the credit is equal part Evergreen AND equal part clients. The group of clients we added are a great match and I think are enjoying getting to know us and our unique DNA as a company. A word to any former John Haynes client.... I think the longer you are with us, the more small things you will pick up on that make us different and hopefully the more value that will compound for you and your families! We work for you so reach out to us anytime. Our focus is to make sure you are comfortable with everything we do for you.

New Team Members Kelsey & Dave

In 2022 we officially added two new team members; Kelsey Erickson and Dave Bensch. Kelsey has been an amazing head of operations, transforming our Williamston branch office into a service machine. Most importantly, she makes sure to keep Jeff accountable so nothing slips through the cracks in our planning and service endeavors. In many ways, she has become the oil that keeps everything flowing so clients can have a wonderful experience with Evergreen. Dave Bensch took on our Chief Compliance Officer role and has freed up our team, specifically Andrew Nutter, Portfolio Manager, from having to spend any time on our regular compliance review requirements. In today's world, it is of utmost importance to create a culture of high compliance. As we continue to grow we are confronted with more and more regulations. Having Dave oversee the compliance operations has been an extreme blessing. This allows our team to continue focusing more and more resources and time toward service, planning, and management....the real value all clients deserve.

Custodian Goldman Sachs Officially Absorbs Folio

While you may not have felt many changes last year when Goldman officially absorbed Folio as our primary custodian...behind the scenes lots of positive things appear to be building. From more efficient trading to advanced performance reporting...things behind the scenes are improving under Goldman. We are seeing expanded tools, technologies (hopefully an app soon), services, and lower fees. As our firm continues to grow, we will use this leverage to seek lower custodial fees for you. In 2022, Goldman Sachs reduced our custodial fees from 0.10% to 0.07%, a savings that transfers directly to you. As our aggregate negotiating power grows so does our ability to negotiate for more services and lower fees. -Also, after a lengthy discussion about the 1099 delivery dates we think some progress has been made. The general deadline for consolidated 1099's is 2/16 but with an extension can go into March. Since we use direct stocks and actively manage, our trading activity is higher than a 1099 reporting only a mutual fund holding which can result in a custodian having to delay 1099s until the deadline or after. Goldman brings a deeper bench and more resources. As we move forward, we are optimistic this timeline will speed up to a more standard release between 2/4 and 2/16. Rest assured we are pushing hard for this adjustment, and they seem to be working hard to get it done.

2022 Investment Summary

It has been an amazing year for Evergreen and our clients in many ways. Yes, the market took a step back after an amazing run but all long-term plans remain well on track. With that said, here are my general observations for 2022.

In 2022, the Stock and Bond markets showed a historically large decline. For example, the Wilshire 5000 Total Return Index, an index of 3,687 company stocks, decreased by -21.43%, and the All-Country World Index decreased by -18.39%. Basically, giving back all the gains experienced in 2021. The Barclays Aggregate Bond Index declined -13.04%. These results are even more staggering when you adjust for inflation of nearly 6.5%. This makes the REAL return for equities much closer to -28% and Bonds close to -20%. Asset spending power net of inflation eroded at a very large pace last year. In the past 100 years, this ranks as the 6th worst calendar year REAL return for stocks and the WORST EVER year for Bonds! That's right...in the past 100 years, we have never seen a worse year for bonds than 2022.

(1) Data above provided by Goldman Sachs

“If you are worried about corrections you shouldn't own stocks, I mean if you can't take your stock going down. It is going to go down sometimes if you own a stock so why worry about it. The point is that you buy something that you like at a price you like and then hold it for twenty years. You should not look at it day to day. If you bought a farm or an apartment house you

would not get a quote on it every day or every week or every month. So it is a terrible mistake to think at stocks as something that bob up and down and that you should pay attention to all those bobs up and down." – Warren Buffet

Expanding our view to the long term; since 1993, the Wilshire 5000 Total Return Index has grown 1,470% (about 9.61% annual return rate). A time horizon of 30 years is a great measure to judge the effects of compounding and the health of a market with related economic activity. We find 1,000%+ over 30 years to be a healthy rate of return. Anyone who followed prudent savings and allowed the underlying market-based companies to simply compound would undoubtedly be pleased.

(2) Data above provided by Y-Charts

Evergreen's approach to managing money was founded on this long-term market philosophy. Here is an eye-opening real-dollar perspective of investing in the stock markets: \$100,000 invested in 1993 would be worth about \$1.57 million today. Had you added \$5,000 per year over that time (roughly 10% savings on the average income in 1993) then the \$100,000 would have grown to nearly \$2.3 million. One of the secrets to investing remains quite simple: let the money compound over long periods. This is always an important reminder in today's short-sighted world. We believe as the world gets more and more short-term focused our competitive advantage of looking out long-term gets stronger and stronger.

Why is this an advantage? Contrary to long-term compounding, philosophies such as chasing hot stocks or attempting to time markets have generally not worked out well over time. Case and point from very recent history. As the crowd of speculators grew larger and louder in 2020/2021, we chose to remain focused on owning strong companies that offer a reasonable rate of return and who consistently compound their cash. We generally choose to ignore investments that cannot provide sufficient profit today and increased profits down the road. By avoiding non-cash-producing assets we sidestepped some of the giant blow-ups of the past few years. Focusing on cash production or what we define as 'Earnings Power' allows us a much more fundamental and common sense approach that we view as sustainable. In 2020/2021 we saw many 'hot trends' such as crypto currencies or meme stocks as susceptible to large implosions. These speculative bets rarely work out because they hold very little earnings power or cash flow generation long term. As a result, many trendy investments came crashing down in 2021 and continued to crash even faster in 2022. Another issue we saw manifest itself was market timing. We avoid this action because it removes earnings power over time and is very difficult to execute successfully. Time in the market beats timing the market. Many speculators who have attempted to time the COVID pandemic with their investments lost out big time. Some entered back into markets during a strong 2021 only to again lose out in 2022. We work very hard to resist falling for these emotional temptations, lest they become traps. If owning wonderful, cash-generating investments for 30 years can

produce 1,000%+ returns during that time, without unnecessary risks, then why would we not follow that philosophy?

It is important to remember that event-driven fear is always present. As soon as we get past one fearful event the next thing will rear its head. Over the past 30-year timeframe, the markets experienced a dot com bubble collapse, a systemic financial collapse, multiple interest rate cycles, multiple election cycles, multiple wars, Brexit, currency issues, negative yields, world pandemic, business shutdowns, interest rates from near 7% down to 0 and back up again and yet it worked! If we maintain a capitalistic society, taxpayers, and a reasonable level of law, we expect the US earnings picture to grow and the stock and bond markets to eventually compound. Call me old fashioned, but we are very content owning an investment combination that offers us a high probability of long-term success with a boring old long-term focus. This long-term focus we hold as the ultimate key to investment success. We will never underwrite the risk and return of an investment over any given one-year period; instead, we are looking for durable investments among all asset classes that can stand the test of time.

“In the short run, the market is a voting machine. In the long run, it is a weighing machine.” – Benjamin Graham

Closing Thought

2022 proved to be a challenging and historic year. Having managed through many large declines previously, nothing surprised us. This is what markets do from time to time and it should be expected. We mentioned in our 2021 letter that 2022 would likely be very challenging and that certainly played out. Thankfully, we are investing for 5, 10, 20 years and beyond. 2022 is just one of many in a long journey. Many positives happened in 2022 that flew under the radar. Most notably interest rates rose to very solid levels and now provide a nice yield for investors seeking a more certain path to compounding money. It is a great benefit as managers to have higher rates to which we can allocate capital for clients to both manage risk and get a solid return. We view this as an extreme silver lining for 2022.

We will continue to focus on owning investments with long-term earnings power and a high probability of compounding success. If we can enter these investments at a reasonable price and hold reasonable expectations, we would see little reason to trade in and out of such investments. We find emotional instincts serve as a very poor compass for financial decision-making. Rather we establish a sound long-term plan and align our decision-making framework with this plan. We establish proper risk controls well before the storm happens, so clients can remain comfortable in the boat as the storm hits. 2022 showed the power of our philosophy for many moderate and conservative clients.... we think the boat did very well in the storm! Staying inside the boat has consistently proven the best way to survive storms. Just like private investors, we act as the actual owner of a business and focus on the REAL economic value each day. If the real value continues to compound, we know the market's pricing will eventually be

reflected. Sometimes this happens immediately, while other times it can take years. Advantageously, we like to hold certain investments for many years to allow the internal compounding of the real business to work its magic. Of course, sometimes a business will change course or even sell for a ridiculous price. We remain vigilant to identify any changes or extreme price disconnects, and if necessary, we will sell to take profits or rotate to better opportunities.

We never know exactly what the future holds. The market will go up and down to some extent in 2023. We will remain laser-focused on the real business values, avoid emotional moves, overlay lots of common sense, and aim to maintain a healthy group of investments that can compound in line with your long-term financial plan.

Let me again say THANK YOU! Our success together is an equal part great team, great advisors, and great clients. We feel extremely blessed to get up every day and do exactly what we love. If we did not serve such great families, we would not love what we do nearly as much. It remains a tremendous honor to steward your hard-earned assets and continue helping you meet your long-term objectives. We look forward to a great 2023 and beyond!

Disclosures

(1) Data reported by custodian Goldman Folio Institutional.

(2) Data reported by Y-Charts reporting.

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