

EVERGREEN WEALTH MANAGEMENT, LLC

WEALTH STRATEGIES REDEFINED

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. As of 2023 year-end, Evergreen Wealth now serves over 300 families and manages over \$173 million in assets. 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 is 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 2023 investment recap.

Why We Are Different – What We Do

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. This unique 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 fine 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 rewarding 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. 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... People First! 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 to benefit you and generations after you!

The Secret Sauce

An advisor once 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 ok. 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

The Commonsense Investor

Warren Buffet has said 'Price is what you pay, value is what you get'. This quote is key to investing. Investing is quite simple in this regard. We own a business, and we pay a price for access (a right as shareholder) to long-term cash flows. The lower the price we pay for long-term cash flows the better a return or value we get. The value over time is created by the business itself and not our purchase price. The decisions a business makes with its profit over time will largely drive the return. If it uses the profit it generates well and grows it at a high rate well above the profit rate we pay then we stand to get a good value. If the business uses the capital poorly and reduces our profit rate then we receive a bad value.

In normal times the market does a pretty good job of aligning the probability of future cash flows with the return an investor might expect to receive. However, occasionally we see emotionally driven times that disconnect future cash flows and strong business models from the price we must pay. Those times offer the home run for investors. They are a rare time when you can scoop up strong businesses that have predictable high cash flow models at not only a fair but cheap price. This environment can only exist during a state of fear that makes enough people think that something will impair the future cash flows of a company or market as a whole. Staying calm in the storm and buying or holding through that fear is the edge we hold as long-term investors.

The 2022/2023 period highlighted this potential advantage. 2022 was one of those periods that provided amazing investment opportunities from the falling market prices. 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%. These results are even more staggering when you adjust for inflation of nearly 6.5%. This made the REAL return for equities in 2022 much closer to -28%. Asset spending power net of inflation eroded at a very large pace in 2022. In the past 100 years, this ranked as the 6th worst calendar year REAL return for stocks.

Now fast forward to 2023 year-end. The Wilshire 5000 Total Return Index gained 26.1%, and the All-Country World Index gained 22.30%. A tremendous rebound from a terrible 2022. Digging deeper; some of the strongest business models inside the index did even better; proving 2022 declines were a great hunting ground for opportunity.

(1) Data provided above by custodian 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

Never Forget The Long-Term Game

Expanding our view to the long term; since 1994, the Wilshire 5000 Total Return Index has grown 1,680% (about 10.07% 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.

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

Closing Thought

2023 proved to be a great rebound from historic lows. Having managed through many large declines previously, nothing surprised us. This is what markets do from time to time and it should be expected. Thankfully, we are investing for 5, 10, 20 years and beyond, and 2023 just proved yet again the power in staying the course!

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 / 2023 showed the power of our philosophy for clients.... we think the boat did very well in the storm and came back to smooth waters very even better!

We never know exactly what the future holds. The market will go up and down to some extent in 2024. 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 2024 and beyond!

Disclosures

(1) Data reported by custodian Goldman Folio Institutional.

(2) Data provided by Y-Charts reporting

Index results such as the Wilshire 5000, S&P 500 do not reflect management fees and expenses and you cannot typically invest in an index. Evergreen Wealth Management, LLC is a registered investment adviser. The information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Past performance is not indicative of future performance.

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