



EVERGREEN WEALTH MANAGEMENT, LLC
WEALTH STRATEGIES REDEFINED

Q1 2026 MARKET UPDATE

April 2026 — from your investment team at Evergreen Wealth Management

"Widespread fear is your friend as an investor, because it serves up bargain purchases. Personal fear is your enemy." — Warren Buffett

Q1 2026 was a quarter defined by three primary forces arriving at once: a geopolitical shock in the Middle East, continued momentum in corporate earnings, and a market wrestling with what all of it means for the path ahead. The result was meaningful volatility across nearly every asset class and, for patient and disciplined investors, the emergence of genuine opportunity in areas of the market that had not offered attractive entry points in several years. We want to share our thinking on each of these themes: what happened, why it matters, and how we are positioned as we move into the second quarter.

Q1 MARKET PERFORMANCE

Broad equity markets retreated in Q1 as the outbreak of the Iran conflict and its impact on energy prices introduced a new layer of uncertainty into an already complex macro environment. The S&P 500 declined approximately -4.37% for the quarter, while the equal-weight version of the index (which gives smaller companies the same representation as mega-caps) gained 0.62%.

More diversified world equities, represented by the All Country World Index (ACWI), declined roughly -2.21% for the quarter. This relative resilience reflects both lower starting valuations in many international markets, a declining dollar and perhaps the early innings of a broader capital rotation we have been anticipating. Meanwhile, the Aggregate Bond Index delivered a positive .02% return, as investors sought the relative safety of fixed income during the volatility.

Below is a summary of key total index performance across multiple time horizons as of 3/31/2026:

Index / Benchmark	Q1 2026	YTD	1-Year	3-Year	5-Year
S&P 500 (SPY)	-4.37%	-4.37%	+17.59%	+65.08%	+75.69%
S&P 500 Equal Weight (RSP)	0.62%	0.62%	+12.65%	+38.96%	+46.57%
All Country World (ACWI)	-2.21%	-2.21%	+20.86%	+60.08%	+58.75%
Aggregate Bond Index (AGG)	+0.02%	+0.02%	+4.36%	+11.17%	+1.48%

(1) Index data provided by Y-Charts and Goldman Sachs Custody Solutions. All returns are total return including dividends. Past performance does not guarantee future results. You cannot invest directly in an index.

THREE STORIES SHAPING THE QUARTER

Note of Caution on Recent Results

Let me take a moment to pause and reflect on the longer-term returns. The S&P 500 gaining 65.08% (18% annual rate) over the past 3 years and 75.69% (12% annual rate) over the past 5 years is well above normal. Some of this is solid fundamentals of growth, some is a result of inflation being passed through and some is irrational exuberance that will eventually correct. We hope the irrational exuberance does not overtake the whole market as it did in 1999 leading to a massive correction. However, we must point out these numbers are not normal and partially inflated. We will continue to do our best and avoid the irrational parts of the market as we search for good values but are well aware of the growing overvaluation risks which we will touch on a little later in this summary. As a long-term investor sometimes the best strategy is to remain invested and capture some of the exuberance knowing we will give it back later. We do not expect anything like these returns going forward.

The Macro Scene: The Iran Conflict and Energy Markets

The defining event of Q1 was the outbreak of military conflict involving Iran and the effective disruption of the Strait of Hormuz; the narrow waterway through which roughly one-fifth of global petroleum passes daily. Brent crude briefly touched \$128 per barrel in early April, and gasoline prices at the pump in the U.S. rose approximately 38% from late-February levels. The headlines were alarming, as they always are in moments like this. But the reality of what is happening in global energy markets is more nuanced than the news cycle implies, and we think it is important for you to understand the fuller picture. First, the disruption is not affecting all buyers equally. China, India, Russia, Iraq, and Pakistan, nations that collectively purchased roughly two-thirds of the oil that normally transits the Strait, have been permitted to continue moving some supply through, in many cases through channels not captured in standard tracking data. In addition, Russian sanctions for supplying oil have been at least temporarily lifted allowing real or perceived increases in other supplies to the market. It might be argued they had used black markets anyways to avoid sanctions and this is not a huge supply change in reality BUT at least in market perception batches of added oil are reaching purchasers to help limit the current shortfall for a time. The cumulative effect is that the actual effective shortfall reaching world markets is smaller than the figures most commentators are citing. Second, where the pain is genuinely acute is in European gas markets. Qatar's Ras Laffan facility (the world's largest liquefied natural gas complex) was struck by Iranian drones in early March. With no overland bypass available and European gas storage already depleted after a hard winter, Europe faces a real and still-unfolding energy challenge. Third, and most important for investment decisions around energy, high energy prices carry within them the seeds of their own reversal. When fuel becomes expensive enough, demand falls. Factories cut hours. Industrial output slows. The very price spike that dominates today's headlines is simultaneously working to end itself, either through conflict resolution or through the economic slowdown that reduces demand. History is clear on this: the 2008 oil spike from \$100 to \$147 reversed to below \$40 within six months. The Russia-Ukraine energy surge in 2022 corrected faster than nearly anyone expected. Our investment approach in moments like this is intentional and deliberate rather than reactive. We do not make concentrated bets on commodity prices, hedges or geopolitical outcomes, not because we lack a view, but because the range of possible outcomes is wide, the timing of resolution is unknowable, and the penalty for being wrong in either direction is severe. We prefer to own high-quality businesses with durable earnings power that can navigate this environment, rather than speculate on how it resolves.

Fundamentals: The Earnings Story Remains Encouraging

Beneath the geopolitical headlines, the fundamental story of corporate earnings continues to be one of the more encouraging features of this market. S&P 500 earnings are tracking toward approximately 13% year-over-year growth for Q1 2026, marking the sixth consecutive quarter of double-digit earnings expansion. Early results have been broadly positive, with the vast majority of reporting companies exceeding expectations by a margin well above the historical average. Looking at the full year, analyst consensus has revised 2026 earnings growth projections meaningfully upward, now pointing toward a potential 18-19% growth rate (crazy!) with the second half of the year expected to be particularly strong. This is the most important data point for long-term investors to hold onto: strong earnings growth is ultimately what justifies asset values and drives portfolio returns over time. The reason we remain measured rather than purely celebratory about this is simple: the strength of the earnings story is already reflected in most market prices. We are not buying earnings at a discount, we are buying them at a fair to full price. That means the margin for error is thinner than we would like, and the burden falls on the economy and corporate America to continue delivering profit growth. So far, they have. Our job is to remain appropriately humble about what comes next. If it stumbles the fallout on prices will be large at these levels. Hopefully markets have a digestion period of slightly lower returns and allow profit growth to catch up to valuations.

Valuations: Where Do Valuations Stand Today?

One of the most common questions we receive is how to think about what the market is actually worth at any given moment. We offer the following snapshot not as a prediction, but as a grounding tool for how we are thinking about risk and opportunity.

Metric	Current Level	What It Means
Forward P/E (S&P 500)	~21–22×	Investors are paying ~\$21–22 for every \$1 of projected earnings. Historically fair but not cheap — market is priced for continued growth.
Earnings Yield (S&P 500)	~4.5–4.8%	The 'return' equities offer on today's prices. Slightly above the 10-year Treasury — thin but positive margin for equity investors.
10-Year Treasury Yield	~4.25%	The risk-free benchmark. When close to the earnings yield, stocks must justify the added risk through earnings growth.
Equity Risk Premium	+0.55%	The extra return stocks offer over bonds. A thin but positive spread — unlike 2023–2025 when bonds briefly offered more than stocks.
S&P 500 EPS Growth (2026E)	~18–19%	Analysts expect strong earnings growth this year. This is the key variable — if earnings deliver, today's valuations become more reasonable.
Credit Spreads (IG)	Moderately Tight	The premium bond investors demand above Treasuries. Tight spreads generally signal confidence in corporate balance sheets.

(2) Valuation data sourced from Y-Charts, Barclays Research, and FactSet. Forward earnings yield based on Barclays 2026 EPS estimate of \$321. Shiller CAPE sourced from multpl.com. All figures approximate as of late April 2026.

The headline conclusion from the table above is one we have said before and will say again: the broad market is not cheap. But since price is what you pay and value is what you get the price component is only part of the value equation. If growth delivers investors might be well rewarded the next few years. However, since the multiples are high if growth slips up and AI perhaps does not deliver at increasing profits then the fallout could be added volatility and a larger than expected decline. Thankfully as more active investors we can do our best to navigate

these issues and hopefully both reduce some of the risk and capture some opportunity along the way should volatility increase. Having the tools and freedom to be active to accomplish your plan objectives is a key benefit we hold for our clients long term.

THE BROADER ECONOMIC PICTURE

Beyond markets, the economic backdrop entering Q2 is best described as resilient but under pressure. The energy shock has introduced a genuine stagflationary like direction (inflation higher than economic growth). Higher prices at the pump function as a direct tax on household purchasing power, slowing consumer spending at exactly the moment when slower growth already argued for caution. On the flip side we might expect some benefits from the tax changes this year to start flowing and help offset.

The Consumer and the Labor Market

Consumer spending continues to drive approximately 70% of U.S. economic activity, which means the labor market is one of the single most important variable we watch. The picture here is mixed: layoffs remain low by historical standards, which is genuinely reassuring. But new hiring has slowed meaningfully, and monthly job gains have moderated from the robust pace of 2024. Unemployment has drifted higher, settling near 4.4-4.5%. This 'low hire, low fire' dynamic can be a sign of stability or it can be the precursor to a more significant slowdown if business confidence continues to erode. The energy shock adds another weight to consumer confidence, particularly for lower-income households who spend a larger share of their budgets on transportation and food. This has not helped the K-shaped economy we wrote about in prior updates. We are watching this carefully.

The Fed and Inflation

The Federal Reserve entered 2026 with the market expecting two rate cuts by year-end. That expectation has now been largely priced out. With energy prices driving inflation expectations higher the 5-year inflation breakeven has moved from 2.45% to nearly 2.65% and the Fed finds itself in a difficult position: growth is softening, but so is their room to respond. This said, a quick decline in oil prices might give them the ability to look through this transitory headwind and resume lowering rates to boost areas of the economy. This is essentially the very mild stagflation risk we have written about at length over the past year. We do not view a full stagflationary spiral as the most likely outcome, but we view it as a real risk that portfolios should be positioned to manage.

The Deficit — Still On Our Radar

We want to briefly revisit a topic we have covered extensively: the U.S. federal deficit. The conversation has not gotten easier. With mandatory spending and debt service consuming a growing share of tax receipts, the structural math of U.S. government finance has not improved. We do not expect a debt crisis in the near term as many levers exist to keep kicking the debt can down the road. Mainly we can deregulate the banks in certain ways and then force more bonds to be purchased by them keeping the debt funding in check as needed. If this continues to happen, rather than a debt crisis we would expect a slow continuation of dollar declines relative to other world currencies. As investors we do believe portfolios built to endure over 10- and 20-year horizons must account for the possibility that U.S. Treasuries and the U.S. dollar face more pressure over time than they have over the past four decades. Diversification; including international equity exposure and assets with some inflation sensitivity (pricing power) remains an important part of how we think about this.

FINDING OPPORTUNITY WITHIN THE VOLATILITY

One of the things that genuinely excites us about this quarter is that volatility has created real buying opportunities that simply did not exist in 2025. Throughout last year, markets were broadly elevated, earnings yields were thin, and the businesses we most wanted to own were priced in ways that left little margin of safety. The AI-driven enthusiasm of 2024-2025 pushed valuations in certain sectors to levels where even wonderful businesses offered only modest prospective returns. We held our discipline, maintained dry powder, and waited. That patience is beginning to be rewarded. Several areas of the market (particularly in technology services, specialty retail, and select consumer-facing businesses) have experienced meaningful price declines that we believe reflect fear rather than fundamental deterioration. We have been selectively deploying capital into businesses we consider high-quality compounders: companies with strong free cash flow, durable competitive positions, low debt, and the ability to navigate multiple economic environments. We are not buying indiscriminately, and we are not attempting to call a market bottom. What we are doing is exactly what our investment philosophy calls for: using price dislocations to improve the long-term earnings yield and growth profile of client portfolios, one position at a time. We have also continued our work expanding diversification across size segments and geographies. The outperformance of mega-cap U.S. technology over the past decade has been extraordinary, but concentration of that magnitude carries its own risks. We believe the next phase of the cycle increasingly favors broader participation, and we are positioning accordingly.

What We Actually Did This Quarter

For many of our equity strategies we were active buyers during the weakness, initiating positions in several businesses across technology services, specialty retail, consumer subscription, and education. Companies we believe are dominant in their respective niches, generate strong free cash flow, and carry the kind of durable competitive advantages that hold up across economic cycles. In each case, the price decline was driven by broad market fear rather than any deterioration in the underlying business fundamentals. It was a busy quarter for our management team but one we think could have lasting impact. On the other side of the ledger, we used the same volatility to do some housekeeping. We trimmed or exited several positions that had reached or exceeded our estimate of fair value after strong multi-year runs, rotating that capital into the new opportunities described above. The market declines also allowed us to take a loss in some positions but rotate into other companies that had declined more but had better fundamentals. The net result of Q1 activity is a portfolio we believe carries a better forward earnings yield, broader diversification across sectors and company sizes, and a stronger long-term compounding profile than what we held entering the year. This is why we like volatility!

HOW WE ARE POSITIONED FOR YOUR PLAN

Every decision we make at the portfolio level is ultimately in service of your specific financial plan; your income needs, your time horizon, your tax situation, and your personal definition of an acceptable outcome. With that as the backdrop, here is how we are currently thinking about positioning:

- **Maintaining quality over index exposure.** We continue to prefer new additions into individual businesses that offer earnings or cash flow yields in the 5–7% range over broad large cap passive index exposure at current multiples. The market may deliver acceptable returns from here — but we believe selective ownership of exceptional businesses or a wider diversified passive approach offers a better risk-adjusted outcome over your planning horizon.

- **Deploying dry powder into genuine opportunity.** The volatility of Q1 created entry points we had been waiting for. For our individual stock focused strategies we are deploying thoughtfully — not rushing — because genuine opportunity doesn't expire in a quarter. We would rather move deliberately and correctly than quickly and carelessly.
- **Broadening beyond U.S. mega-cap.** We are increasing exposure to mid- and small-cap businesses with strong balance sheets and improving return profiles, and selectively adding international equity exposure where valuations and currency dynamics are favorable.
- **Appropriate fixed income and dry powder.** For the more risk focused portfolios; We are maintaining appropriate allocations to lower-risk assets — not as a sign of pessimism, but as a source of stability, income and optionality. Bonds earned their keep in Q1 and have been a solid risk stabilizer and income generator for lower risk or income based plans.
- **Your plan remains the compass.** We are not managing to beat a benchmark for a single quarter or year. We are managing to protect and grow your real purchasing power over 5-, 10-, and 20-year horizons. Every adjustment we make is tested against that standard first.

CLOSING THOUGHTS

Periods of elevated uncertainty have a way of making the present feel uniquely dangerous and the future feel uniquely unknowable. We want to offer a gentle counterpoint to that feeling. The world has always been uncertain. Markets have always had to absorb shocks: geopolitical, economic, technological, and human. What has separated successful long-term investors from unsuccessful ones is rarely the ability to predict which shock comes next. It is the discipline to stay invested in quality, the patience to wait for genuine opportunity, and the humility to know that no one can forecast the future with precision. We enter Q2 with our eyes open to the risks and genuinely encouraged by the opportunities we are beginning to see. The work of managing your financial future is ongoing; it does not pause for headlines, and neither do we.

As always, please don't hesitate to reach out if you have questions about your specific situation. We are grateful for the trust you place in us, and we take that responsibility seriously every single day.

With sincere gratitude,

Evergreen Wealth Management

Disclosures

(1) Index performance data provided by Goldman Sachs Custody Solutions and Y-Charts. Index results such as the S&P 500 (SPY), S&P 500 Equal Weight (RSP), All-Country World Index (ACWI), and Aggregate Bond Index (AGG) do not reflect management fees and expenses, and you cannot invest directly in an index.

(2) Valuation data sourced from Y-Charts, Barclays Research, FactSet, and Shiller/multpl.com. All valuation figures are approximate and subject to revision.

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