

Staying the Course

March 9, 2026

Dear Partners,

I write to you now because I believe that communication and laying out my thinking in real time is perhaps the most important value I can bring to the table at times of market turmoil and extreme volatility. This is not a throwaway sentiment.

The Research Is Clear: Discipline Drives Returns

A substantial body of peer-reviewed and practitioner research shows that individuals who work with investment advisors tend to outperform those who go it alone over the long term. Vanguard's landmark "Advisor's Alpha" research, first published in 2001 and updated most recently in 2024, estimates that advisors following best practices in wealth management add approximately 3% in net annual returns for their clients.

Crucially, and perhaps surprisingly, the single largest contributor to that advantage is not stock selection or market timing. It is behavioral. The "hard skills" of portfolio construction matter, but it was the "soft skills" that gave advisors the biggest edge.

Vanguard Advisor's Alpha: Sources of Value-Add

Behavioral coaching: up to +2.0% per year

Tax-efficient asset location and withdrawals: ~1.2%

Rebalancing and asset allocation: ~0.7%

Total estimated value-add: approximately +3.0% annually

Source: Kinniry, Jaconetti, DiJoseph, Zilbering, et al., "Putting a Value on Your Value: Quantifying Vanguard Advisor's Alpha," The Vanguard Group, 2024.

Separately, Morningstar's annual "Mind the Gap" study has consistently documented the cost of poor investor behavior during market panics. Their most recent data show that the average investor sacrificed approximately 1.2% annually in returns over the trailing decade simply due to poorly timed sales in moments of high fear and volatility. In more volatile and concentrated categories like sector equity funds, that gap widens to 1.5% annualized over time, lost primarily due to fear.

I am admittedly biased and believe that Erenda's track record and institutional-quality research gives us a material advantage. But the research is quite clear that the largest measurable benefit for clients working with advisors is directly attributable to the unglamorous work of maintaining discipline, following plans, and staying the course at the precise moments when markets make it hardest to do so.

Intrinsic Value Rarely Moves as Much as Price

Markets love to panic. The vast majority of daily and weekly price swings are far too large to be grounded in fundamental reality. The intrinsic value of the steady, growing businesses we own very rarely changes by the magnitude the market's daily movement would have you believe.

Any analyst who has spent time at an institutional investment firm adjusting inputs in a discounted cash flow model has seen this clearly. Consider a concrete example: suppose some large exogenous macroeconomic shock reduces a company's free cash flow by a full 20% for an entire year. That is a severe impairment. And yet, in a standard two-stage DCF with a terminal growth assumption of 2–3% and a discount rate of 9–10%, the long-term intrinsic value of the business falls by less than 1.5%, so long as the impairment is not permanent.

DCF Sensitivity: Why Short-Term Shocks Barely Move Intrinsic Value

In a standard discounted cash flow framework, intrinsic value is the sum of all future cash flows discounted back to the present. A single year's cash flow, even for a high-growth company, typically represents less than 5–8% of total enterprise value. A 20% reduction to that single year therefore impacts intrinsic value by roughly 1–1.5%. The vast majority of a company's value derives from cash flows generated in years 5 through 20 and beyond. This is the mathematical foundation for long-term investing: short-term noise is dramatically amplified by price action but barely registers in a properly constructed valuation.

Stated differently, what happens in the short term, periods lasting less than multiple years, frankly does not change much for these businesses. This was a core thesis for us in 2020, when, while running Limber Capital, we bought aggressively through March and April and managed to end the year up 50%. Even a global lockdown lasting years did not impact the value of the stable companies we had bought by nearly as much as the market had sold them off. The selling, in other words, was driven more by fear than by fundamentals.

Watching the Pitches

Our job now is not to overreact the way the market is. It is to take a deep breath, step back, and carefully watch the pitches as they come across the plate. If the market serves up an opportunity that is fundamentally superior to what we currently own in our portfolios, I will act quickly and decisively. If it does not, we will be patient and make strategic adjustments on the periphery when it makes sense to do

so.

And perhaps unexpectedly, I recommend we be optimistic. Optimism is often met with scorn in the financial arena. Skepticism and pessimism always sound smarter. A fearful argument as to why the world is ending sounds sharp and well honed. Optimism, by contrast, can sound like complacency.

Rest assured, when backed by sound fundamentals, it is not. A healthy measure of optimism is, frankly, the best ingredient that centuries of economic history suggest leads to better outcomes. I take that lesson seriously. I do not know when the correlation between powerful earnings growth and stock prices will snap back into place. Right now we are witnessing a significant disconnect between the two. But I believe it is smart to believe they eventually will.

Forward Returns from Periods Like These

For some context, the last time oil traded at these levels was June of 2022, a period that brought considerable volatility and sent equities tumbling. The S&P; 500 has nearly doubled since then. I mention this not as a precise prediction but as a reminder that markets have a way of looking and moving past even severe dislocations.

Historical Perspective: Forward Returns After Volatility Spikes

Since 1950, when the VIX (or its equivalent) has spiked above 30, the S&P; 500's median forward 12-month return has been approximately +22%, compared to +11% from average starting conditions. The dispersion is wide, but the central tendency is clear: elevated volatility has historically preceded above-average returns for patient investors.

Source: Historical analysis based on CBOE VIX data and S&P; 500 total returns.

I am not here to predict the future or to claim I know precisely what lies ahead. But I can tell you that in my career, the forward returns from high-volatility moments like these have been quite fantastic. And it is worth noting that my price targets for our portfolio holdings, numbers derived from conservative fundamental analysis, have actually risen in recent months. That means my expectations for future returns have increased materially beyond what is typical.

When I evaluate our portfolio, I always carry a rough return range in mind: a conservative target over a reasonable time horizon that reflects what the underlying fundamentals suggest is achievable without exceptional market enthusiasm. Presently, that number is moving higher because the dislocation between market prices and intrinsic value is that significant.

Sometimes patience is the hardest part.

As always, I am grateful for your trust and partnership. Please do not hesitate to reach out with any questions.

Sincerely,

Matthew Buehler

Founder & Chief Investment Officer

Erenda Capital Management

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