



## The Toll of Prosperity

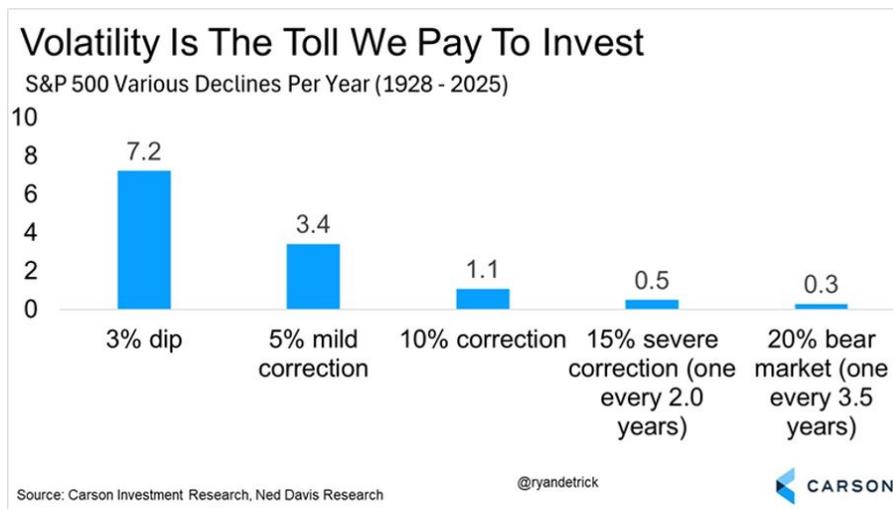
March 31, 2026

At CORDA, our foundation is a commitment to value and growth. We own high-quality, well-capitalized companies with superb leadership teams focused on driving shareholder returns through dividends and well-timed buybacks. We have long discussed how a disciplined investment strategy must consist of a philosophy that seeks to take ownership in these businesses when they are out of favor with the investing public or trading at a discount to fair value.

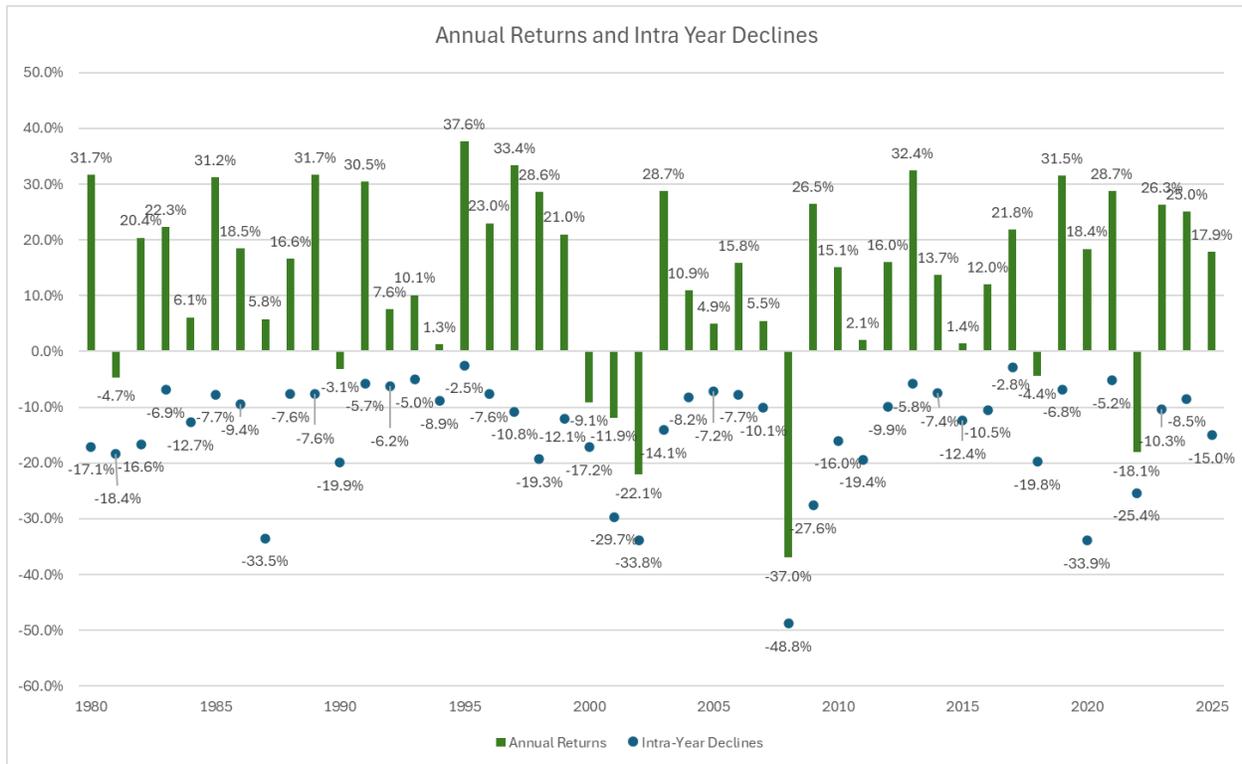
This approach allows for a “margin of safety” in the near term should you happen to pay too much. You have heard us often mention how we favor businesses that have shown the ability to raise dividends over time and are good stewards of their capital. This means they have demonstrated a track record of allocating capital wisely—whether through dividends, share buybacks, or essential maintenance—while funding growth initiatives internal to their industry.

### Volatility: The Necessary Toll

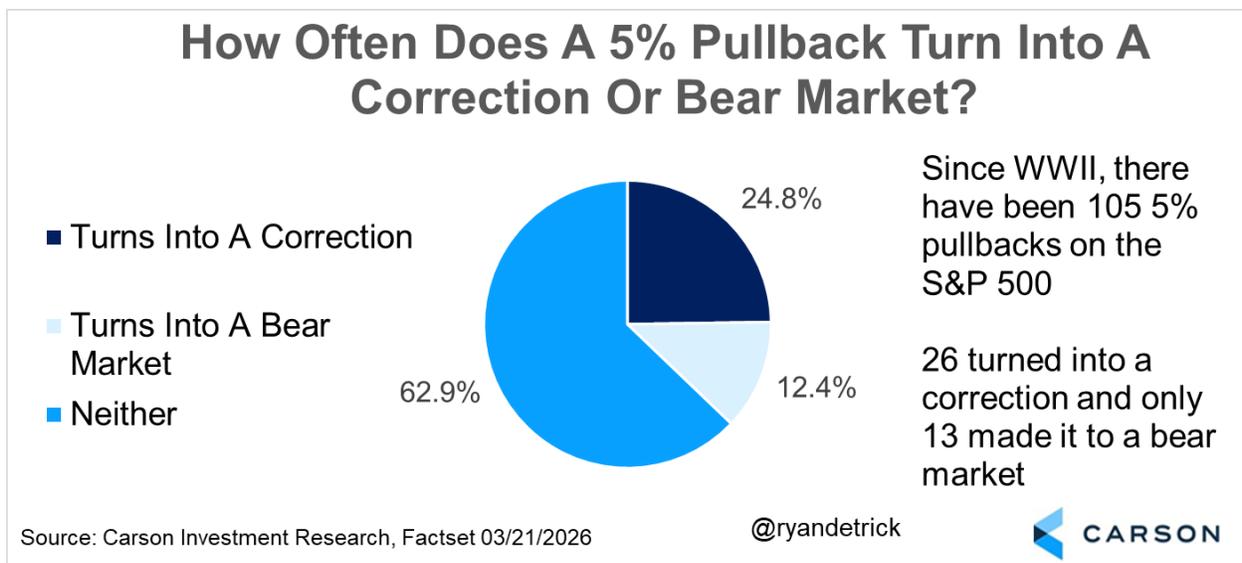
Volatility is the toll we pay to invest and achieve good returns. According to Carson Research, the average year sees more than three separate 5% mild pullbacks and one 10% correction. We are currently navigating our first 5% pullback since November 2025. As of this writing, the S&P 500 is off about 8.5% from its high.



One of our favorite charts that we roll out every now and then shows us that since 1980, the average intra-year decline in the S&P 500 is about 14.1%. That data point is a good proxy for when you might want to be thinking about adding funds and getting more invested during market corrections.



While we are experiencing a mild correction today, history tells us it rarely deteriorates into a crisis. According to Carson Research, only 24.8% of the time do stocks move from a pullback into a formal correction, and only 12.4% of the time do they move into a true bear market.



Consider the setup most investors are missing right now: Half the Russell 3000 is down 20% or more, yet forward earnings are accelerating toward 20%. Prices are adjusting while fundamentals are improving. Depending on the length of the Iran conflict, this may never turn into a bear market; it could be just a valuation reset that has brought the S&P 500 P/E ratio back below 20.

## The Power of Staying the Course

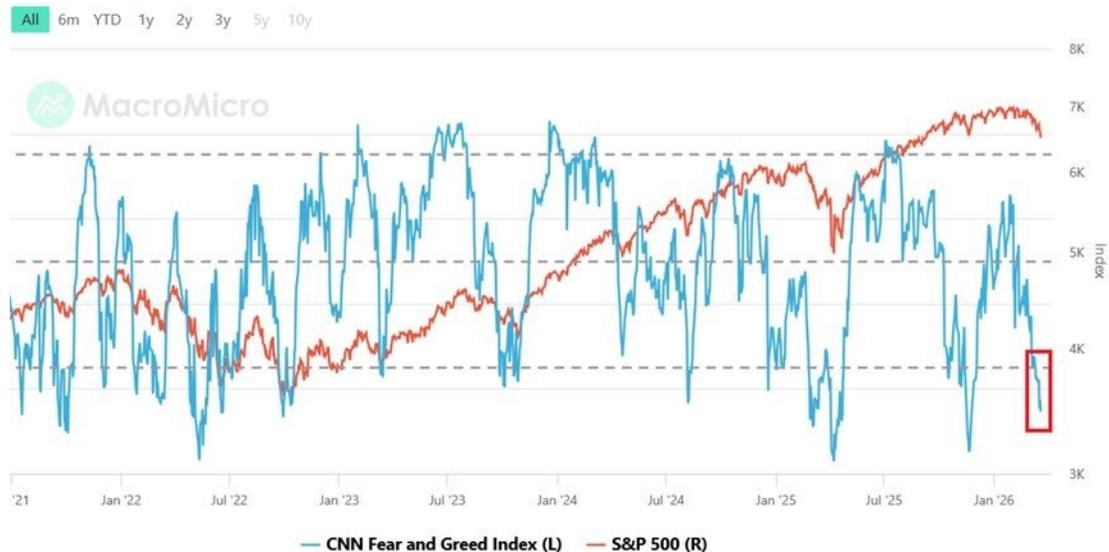
We clearly focus on the long term here at CORDA. We know stocks can be risky in the short run but not owning them is the true risk in the long run. To make money in stocks, one should never be out of stocks. Our research suggests even missing 20 or 30 days in the stock market will penalize the long-term investor dramatically.

Investment Strategy (2005-2025)	Annualized Return	Final Value of \$10k
Stayed Invested	~9.1%	\$57,450
Missed 20 Best Days	~1.1%	\$12,450
Missed 30 Best Days	-1.4%	\$7,520

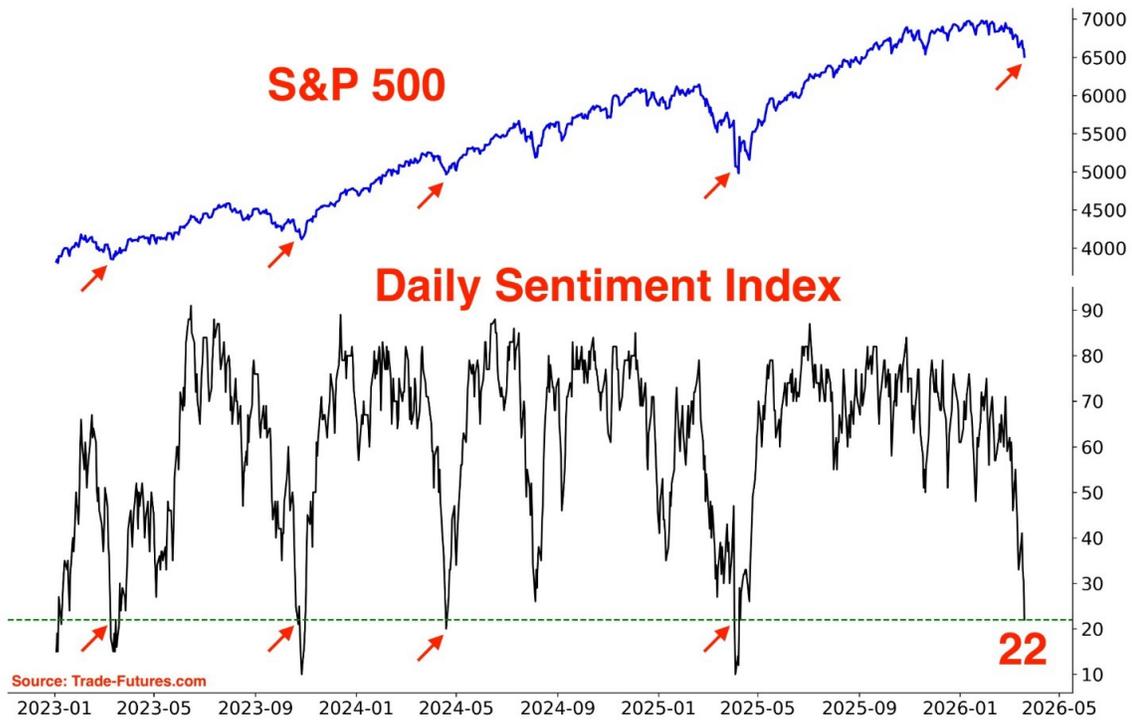
A common refrain we hear from seasoned investors is that they “cannot afford” another bear market. Interestingly, research suggests they typically last a mere 18 months, while recovery periods are quite drawn out. During the 2008 crisis or the dot-com bubble, losses were more about how the majority of investors behaved (panicked and sold) than about the market itself.

## The Sentiment Edge

Currently, sentiment indicators are at their lowest since last April. CNN’s Fear & Greed Index has plummeted to 14.6 - “Extreme Fear.” Over the last 4 years, such depressed levels have almost always marked a significant market turning point or a major rally.

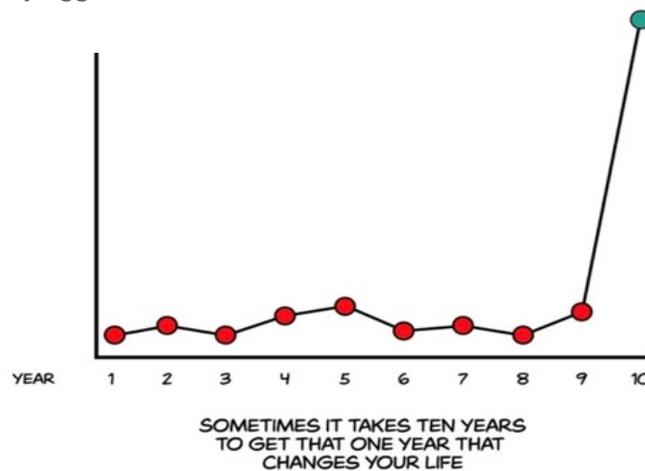


According to Trade-Futures.com, the Daily Sentiment Index is showing exactly the same readings as the CNN Fear and Greed Index. Similarly depressed readings came close to market bottoms.



We will continue to advocate that a three, five, or ten-year horizon allows success to be determined by the quality of a business. If your horizon is shorter, valuation is “darn important.” The single greatest edge an investor can have is a long-term orientation.

Life sometimes mimics the stock market. The same can be said for some of the businesses we buy. You may wonder why we might hold a business with an under-performing share price when the fundamentals have not deteriorated. Things can change suddenly and without warning - we’ve seen share prices recover quickly and sentiment turn on a dime - the timing is just unpredictable. As Patrick Bet-David says: **“People underestimate how long it takes to win big. You struggle for ten years. Eventually, in one day, you achieve more than you did your entire life. Be patiently aggressive.”**



One final thought as it pertains to oil. You might ask, how does an increase in the price of oil impact the markets? According to JP Morgan, looking at all past episodes of Brent Crude Oil spiking 50%+, over the following 12 months equities tended to be up. The analysis also commented; “We do not see this to be a 1974, 2000 or 2022 backdrop.”

Trough	Around 50% move	Brent move	Duration (weeks)	S&P500 12m forward move after Brent hits 50% up
Jan-74	Feb-74	237%	1	-16%
Feb-79	Jun-79	49%	14	12%
Jul-86	Aug-86	58%	3	36%
Nov-88	Jan-89	48%	8	24%
June-90	Aug-90	56%	8	12%
Feb-99	Mar-99	53%	6	14%
Jul-00	Sep-00	43%	6	-26%
Dec-08	Mar-09	47%	12	43%
Jan-16	Mar-16	49%	7	19%
Apr-20	May-20	88%	2	45%
Dec-21	Mar-22	52%	13	-8%
<b>Average</b>		<b>71%</b>	<b>7</b>	<b>14%</b>
<b>Median</b>		<b>52%</b>	<b>7</b>	<b>14%</b>
Feb-26	Mar-26	60%	4	-
<b>Hit Ratio - positive</b>		<b>-</b>	<b>-</b>	<b>73%</b>

## ADVISOR INSIGHT: The Private Credit “Trapdoor”

Everyone is talking about Private Credit—but are there cockroaches scurrying about as the year progresses? Fortunately, this is a “scheme” CORDA hasn’t gotten mixed up in.

Private credit often touts returns of 11.5% on loans that yield 9.5%. Nobody asks how. We’ll tell you: **Leverage**. They take a portfolio of loans, lever it 2x, and the gross return doubles to 19%. Subtract financing costs and fees, hand the investor 11.5%, and show them a chart with a line so smooth it would make Bernie Madoff jealous. Don’t even ask about the credit worthiness of the borrower or how folks like us would call 9.5% yielding loans “junk status!”

There is a better name for this: Volatility Laundering. The returns aren’t smooth because the risk is low; they’re smooth because nobody is marking anything to market. The same people making the loans are the ones deciding what they’re worth. When everything is going up, that’s a feature. When it turns? It’s a trapdoor.

We are watching that trapdoor open right now. Funds are “gating” redemptions across the industry, and the biggest asset managers on earth are telling investors: “Sorry, you can’t have your money back.” Every cycle produces the same scheme wearing a different outfit. Junk bonds in the 80s, Mortgage-backed securities

in 2007, and now Private Credit in the 2020s. Same promise, same math, same leverage. Leverage doesn't create returns; it amplifies outcomes in both directions.

## Our Commitment to You

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Portfolio diversification is integral to our success. We build a diverse portfolio of roughly 35 businesses. Over time, for the patient investor, the CORDA portfolio has proven that a diverse group of businesses can perform well even when a few have lagged. For those with a balanced orientation, our emphasis on U.S. Government Treasury bonds and high quality, investment grade corporate bonds with good yields allows us to reduce risk in a portfolio, which provides some additional protection when the market does pull back.

Our goal is to guide you toward financial freedom and care-free retirement years. We will do everything in our power to guide your emotions—counteracting overconfidence at the top and gloom at the bottom. Whatever your goals and dreams—whether it's making it to age 100 or traveling the world—please share them with us so we can choose the right investments for your needs.

Thank you for allowing us to steer your hard-earned savings toward your goals.

Sincerely,

The Team at CORDA Investment Management

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