



INDEPENDENT THINKING

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Leads in AI, but
China Leads in Power

Powering U.S.
AI Demand

Public Power:
Data Centers

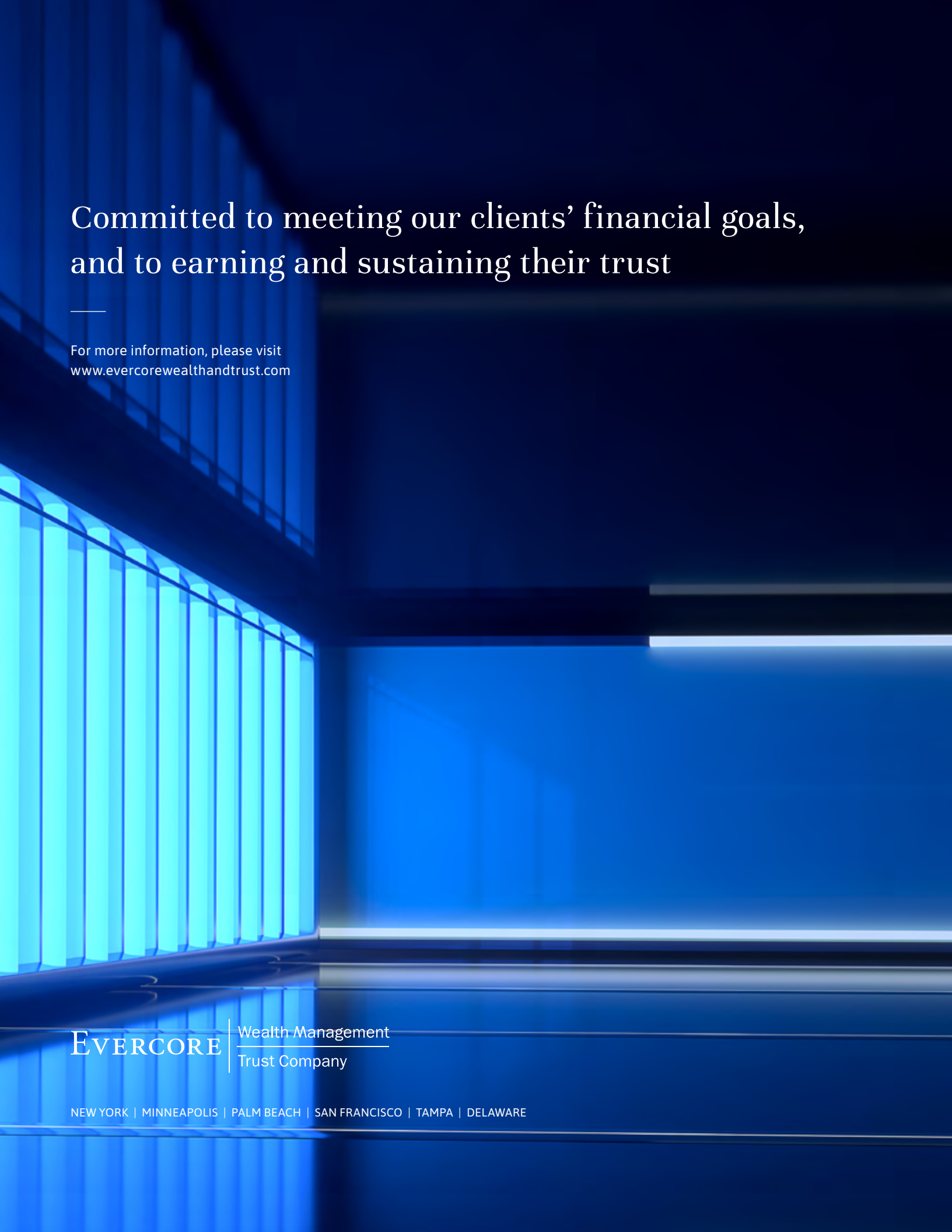
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A Message from the CEO



Whatever the market ultimately decides about the efficacy of AI investments – one of the drivers of recent volatility – there’s no question that AI is already reshaping how we live and work, faster than most of us expected. But what really powers it?

With apologies to our clients and colleagues in New England, America does not really “run on Dunkin.” It runs on electricity. As we explore in several related articles in this edition of *Independent Thinking*, AI demand is forcing a rethink of the national grid network. Investors in just about every corner of the market – from equities to municipal bonds to real estate – will be tested and potentially rewarded by that collective effort. So please take a look at the work here by Brian Pollak, Michael Kirkbride, Howard Cure and Stephanie Hackett, as well as a timely article by Judy Moses on our international investment allocations.

Also in this issue are several thoughtful wealth planning pieces: Sean Brady on managing liquidity around a business transaction; Stacie Price on evolving financial plans; and, as always, our Chairman Jeff Maurer, this time with a personal take on advising successor generations in this much-changed world. That’s a topic core to ongoing conversations between ultra-high-net-worth families and their advisors. And it’s why we are committed to thoughtful growth, not for its own sake, but to serve our client families.

It is in our clients’ interest that we constantly strengthen our business, develop our next generation of advisors and attract specialist talent, such as Tae Kelley Bronner, who joined us recently as a trust and estate settlement director. Tae is a trained attorney, like many of our advisors, and a Fellow at the American College of Trust and Estate Counsel, or ACTEC. She’s a welcome addition to our growing trust and family office services practice and to our national team, further strengthening our capabilities in serving as executor and trustee for families.

All of our professionals, across our planning, fiduciary, investing and operational disciplines are encouraged to – and do – speak their minds, constantly strengthening our partnership. I was reminded recently of just how much independent thinking is embedded in our culture when one of our senior advisors and I met with a client. My colleague and I disagreed on the next steps, discussed our respective reasonings, and came to a conclusion better than either one of us would have on our own. The client’s reaction? He said it was clear that he and his family could count on us to think independently, work well together and always strive for the best solution.

The markets are likely to remain volatile for some time, as investors weigh fiscal and geopolitical concerns, along with the challenges posed by AI. We will continue to communicate our best thinking on these and other topics, in this journal and through other communications. (Look for an invitation to our next investment webinar.) And we will remain focused on meeting our clients’ long-term financial goals, and on earning and sustaining your trust. All of my colleagues and I are grateful for your engagement and for helping us to grow our firm through referrals to friends and colleagues.

We look forward to working with you and your family for years to come.

A handwritten signature in dark ink, appearing to read "Chris".

Chris Zander
President & Chief Executive Officer

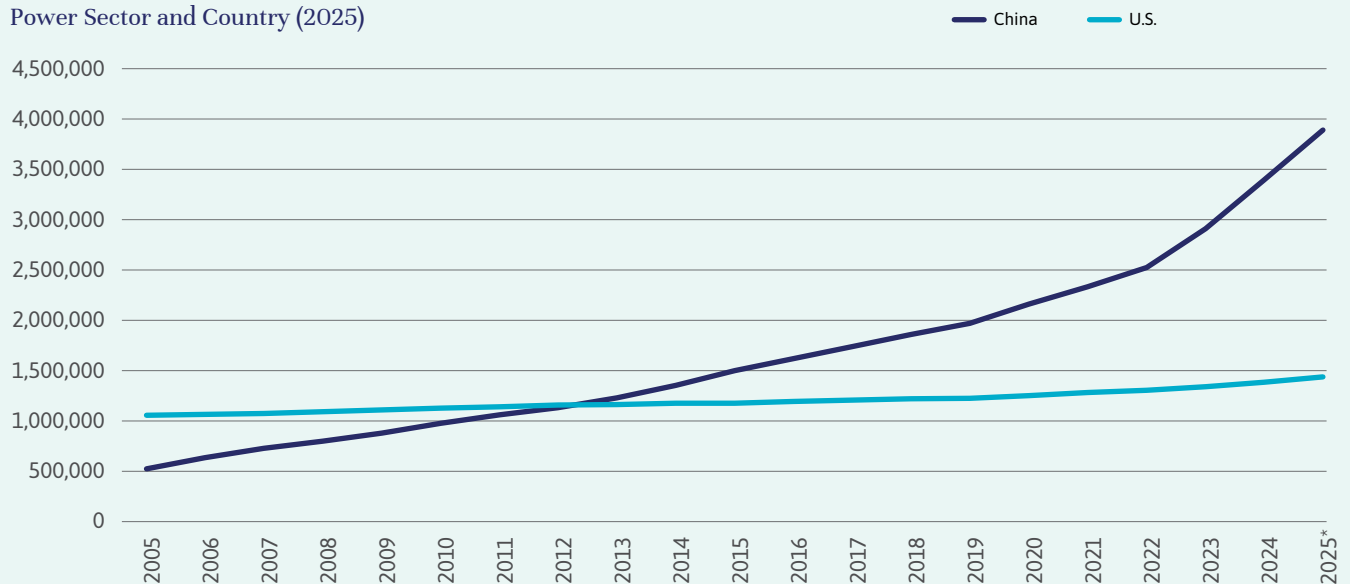
Current Race: America Still Leads in AI, but China Leads in Power

By Brian Pollak

The United States is still in pole position in the race to lead artificial intelligence, but weakness on the power front may cost it the advantage.

Global Cumulative Installed Capacity

Power Sector and Country (2025)



* 2025 data was estimated based on EIA, Eurostat, ENTSO-E, and NEA.
Source: Bloomberg; IEA

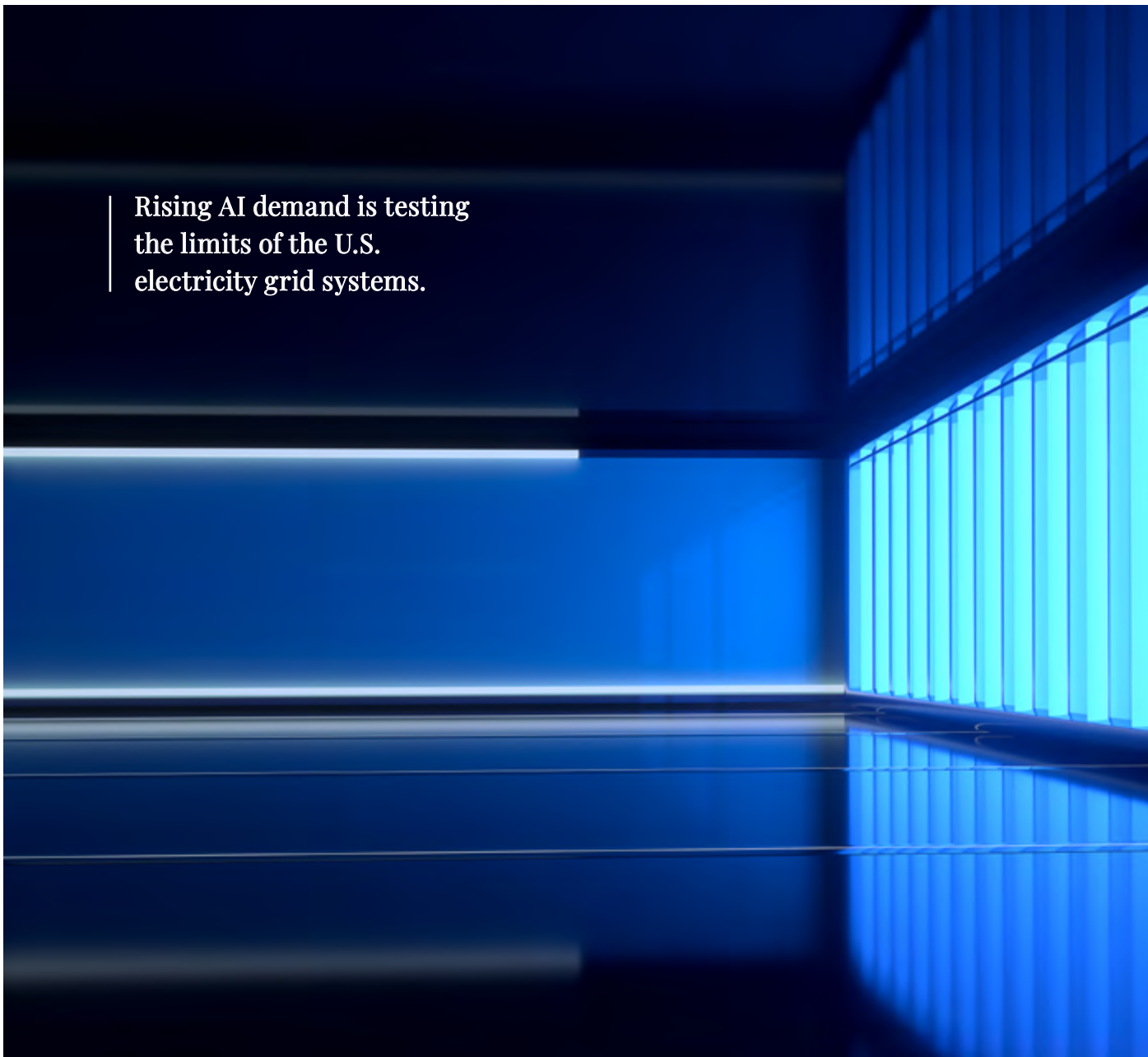
It's been a great run. About three-quarters of global high-end AI compute capacity is U.S. based, and our head start in data centers, hyperscaler relationships, developer talent and

capital continues to compound; San Francisco is the Renaissance Florence of our time; and there are pockets of excellence throughout the country. The United States is home to nine of the ten

largest technology public companies in the world by market capitalization.¹

As AI permeates the fabric of daily life, rising demand is testing the limitations

¹ Includes Nvidia, Apple, Alphabet (Google), Microsoft, Amazon, Broadcom, SpaceX, Meta and Tesla. TSMC is the lone non-U.S. company.



Rising AI demand is testing
the limits of the U.S.
electricity grid systems.

The Late Mover Advantage: A Brief History of the U.S. and Chinese Power Grids

Thomas Edison's Pearl Street Station, a direct-current, coal-fired, 100-kilowatt power system in lower Manhattan lit 59 customers in 1882. From that modest beginning, thousands of isolated local systems spread across the country over the following decades, each built independently and each incompatible with the next.

Eventually, utility barons realized that scale was the key to making electricity affordable. Broad-based consolidation brought fragmented city systems into larger regional utilities in the early twentieth century, driving down costs and bringing power to millions of Americans.

The federal government filled the gaps, as the Rural Electrification Administration, launched in 1935, connected the farms and small towns that private capital had ignored, lifting rural electrification from roughly 10% at the time of passage to over 90% by 1950. Today, American homes, schools, hospitals and businesses are connected through a byzantine system that includes three major interconnections, 66 related balancing authorities, and a web of federal, state and regional regulators.

Remarkably, it works. The U.S. electricity grid (or, in effect, grids) has repeatedly absorbed transformative new loads while continuing to reflect a century of private interests and political compromise more than any engineering logic.

In contrast, China's electricity story is one of the most compressed infrastructure transformations in history. When the People's Republic was founded in 1949, the country inherited a devastated grid that provided less than 1/300 of the per-capita power generation available at the time in the United States. As late as Mao Zedong's death in 1976, China's grid was still

uncompetitive with the West. But as Deng Xiaoping opened the power sector to private and foreign investment, Chinese GDP started to rise. The buildout that followed was unlike anything the western world has seen, thanks to a combination of state direction and private market capital, each deployed where it was most effective.

The Chinese government sets strategic direction, absorbs long-duration infrastructure risk and clears obstacles that no private investor could navigate alone. The best example of this was the forced relocation of over 1.2 million people to build the Three Gorges Dam, an undertaking that would have been legally and politically impossible in the United States or Europe. Ultra-high-voltage transmission, a technology the Chinese government nurtured and deployed at massive scale to carry power across half the country with limited transmission losses, was a tremendous feat of innovation.

At the same time, competitive private markets drove efficiency, eventually producing leading companies in solar manufacturing, batteries and power electronics that now supply not just China's grid but also much of Asia, Latin America, Africa and Europe. China has reportedly reached over 3,800 gigawatts of installed capacity, more than triple that of the United States, having added in four years alone more generation capacity than the entire American grid had accumulated over a century, as illustrated by the chart on page 2.

In short, China has built far ahead of current demand, providing a meaningful power capacity surplus, while the United States is at present operating at its effective power capacity ceiling.

– Brian Pollak

of the U.S. electricity grid systems, potentially constraining the buildout. Wait times for interconnection (the formal technical and regulatory integration) to the U.S. grid are now averaging as much as five years.² And there is more backlash today at the state and local levels (see the article by Howard Cure on page 10). In contrast, China has surplus electric capacity, by some estimates more than triple the U.S. supply. (For a deep dive into these national grid systems, please see the article on page 4.)

China has surplus electric capacity, by some estimates more than triple the U.S. supply.

Grid capacity is built on physical components. These include solar panels, wind turbines, natural gas turbines, nuclear reactors, lithium-ion batteries, transformers, transmission cables, inverters and switches. China now leads manufacturing in most of these areas, as well as in rare earth mining and processing, thanks to significant cost advantages driven by meaningfully lower labor costs than in more developed economies, and manufacturing scale and automation that have led to greater efficiencies.

China has also become a massive net exporter of clean-energy technologies, even while allowing coal to still dominate actual domestic generation. At more than \$165 billion, Chinese renewable exports now represent approximately 50% of the global

total, excluding intra-EU trade.³ This renewable buildout, alongside significant reserves of imported oil and still plenty of coal, has helped China to largely shrug off the disruption to oil trade routes in the Middle East. As the world's largest producer of natural gas, the United States is able to insulate its grid operators from energy shocks. But for the longer-duration buildout of storage, and nuclear and renewable power, the U.S. lags China by an increasingly wide margin.

Investing directly in China remains challenging, however. The country is the global leader in AI infrastructure buildout, but its public equity markets have not participated in its progress, as enthusiasm is tempered by the government restrictions on outsized returns. The MSCI China Index is down 6.3% annualized over five years through June 2026, compared with the 13.4% gain in the S&P 500 index over the same period. Our exposure to China is limited to mutual funds and ETFs that participate in the broader emerging markets.

Investing directly in China remains challenging.

To catch up to China, the United States will need to rely on its deep private capital markets, dynamic technology sector, and a track record of infrastructure mobilization when the economic stakes are high enough. (Please see a related Q&A with CIM, one of our external managers, on page 12.)

As fundamental investors, our job is to identify and invest in companies

and sectors of the market that are reasonably priced and will likely participate significantly in the ongoing buildout of the U.S. grid. Businesses that had for many years been relatively boring to investors are more compelling now. These include power producers, utilities and infrastructure companies that are all critical to the AI rollout. Prices for some of these companies are running hot, but the growth opportunities have also materially changed, meaning that in some cases, the valuations and accompanying volatility may be justified. (See the article by Michael Kirkbride on page 6.)

Businesses that had been boring to investors are more compelling now.

American ingenuity and capital will, we believe, eventually respond to the U.S. power constraint, but there's no time to lose. Our hope is, of course, that the race metaphor itself becomes obsolete as the world's major powers come to recognize that the stakes of artificial intelligence for humanity are too consequential for any single nation to navigate alone. As Thomas Edison supposedly put it: "Nothing is impossible. We merely don't know how to do it yet."

Brian Pollak is a Partner at Evercore Wealth Management and the Chair of the firm's Investment Policy Committee. He can be contacted at brian.pollak@evercore.com.

² Lawrence Berkeley National Laboratory, "Queued Up: 2026 Edition," June 2026.

³ IEA, Energy Technology Perspectives 2026.

Powering U.S. AI Demand

By Michael Kirkbride

A data center can be planned in weeks. A new large language model can reach millions of users in a matter of days. A hyperscaler, one of the massive cloud computing companies, can commit billions of dollars to chips overnight. But a utility can still take years to secure the supporting transformers, turbines, grid interconnection and local approvals.

The Four Horsemen of AI Power Generation

	Cost	Reliability	Environmental Impact	Time to Power
Natural Gas	Low capital cost and competitive fuel costs	High dispatchable reliability	Moderate CO ₂ emissions	Fast (1–3 years)
Renewables	Lowest cost in many regions	Intermittent; weather-dependent	Lowest life cycle emissions	Fast (1–5 years)
Nuclear	Very high upfront capital cost	Highest capacity factor	Low life cycle emissions	Slow (7–15 years)
Coal	Higher fuel and compliance costs	High dispatchable reliability	Highest CO ₂ and air pollution	Medium (3–6 years)

Source: Evercore Wealth Management



AI is moving
into normal
corporate workflows.

AI is moving into normal corporate workflows: coding, customer service, advertising, recommendations, shopping, travel, gaming and enterprise automation. A large share of Airbnb's engineering code is now co-authored with AI. Roblox is already running hundreds of AI models and processing more than a million AI inferences per second. Shopify, Uber, Expedia, Instacart and many other companies aren't far behind. And it's not just the technology sector. As expected, other

companies are onboarding AI solutions as the market broadens.

The next phase is inference: the process of using models once they are already trained. Inference is persistent, user-driven, latency-sensitive – and unpredictable. A chatbot answers a prompt; an agent may plan, retrieve data, call tools, generate outputs, check its work and repeat the process. One user request can become the model for countless calls. As consumer and enterprise agents scale, token

consumption – simplistically defined as the amount of text processed and generated by an AI system – can rise much faster than the number of visible user queries. Demand continues to increase but becomes harder to predict.

Jevons Paradox describes the rise in consumption when technological progress increases the efficiency with which a resource is used. In AI, better compute efficiency lowers the effective cost of intelligence, which encourages more queries, more tokens, more agents,

Age Matters

The International Energy Agency base case expects data-center electricity consumption to roughly double from about 485 terawatt-hours in 2025 to about 950 terawatt-hours by 2030. For context, one terawatt-hour is enough to power about 100,000 homes for a year. Powering AI will require everything we've got, for now. Longer term, some solutions are clearly more attractive to investors than others.

Natural gas is the near-term workhorse, currently supplying about 41% of U.S. utility-scale electricity generation. It is dispatchable, relatively scalable on a short timeline. But gas is not without complications. Turbines are backlogged; permits and pipelines take time; and local communities may oppose on-site generation. Gas helps solve reliability and timing, but it also introduces emissions, fuel-supply and permitting challenges.

Renewables are likely to carry a growing share of the load, rising to more than 35% in 2030 from 26% today. Solar and wind are inexpensive on a stand-alone basis and can be built faster than many conventional resources, while hydropower provides an important source of reliable, flexible, renewable generation where geography and water availability permit.

But data centers need power around the clock, not just low-cost electrons when the sun shines or the wind blows, and hydro itself can be constrained by drought, seasonality and limited opportunities for new large-scale projects. That means a larger renewable system will still require storage, transmission, demand flexibility and reliable backup capacity. The relevant comparison is not simply solar versus gas; it is reliable clean power versus reliable fossil power.

Nuclear is strategically important but slower moving, representing just about 18% of generation today, compared with 68% in France, long a leader in nuclear power.¹ Large reactors can provide clean baseload power, and small modular reactors remain a major topic of discussion. But at least through 2030, nuclear is more likely to be a long-term possibility than an

¹ <https://assets.rte-france.com/prod/public/2026-04/2026-04-15-annual-electricity-review-2025-full-report.pdf>

more video generation, more real-time features and more embedded enterprise workflows. And the increasing demand for AI processing means an increasing demand for power and electricity. That, as Brian Pollak discusses on page 2, is going to require a tremendous boost in electricity generation. In short, AI

may be digital, but its next constraint is physical.

Investors should consider a range of potential energy sources, as it's likely that the demand – along with the related reliability, cost, environmental and timing issues – will require a combination of solutions. (See page 9.)

Beneficiaries of this surging demand are likely to include electrical equipment companies, grid technology suppliers, transformer and switchgear manufacturers, cable makers, turbine suppliers, battery and storage companies, power semiconductor firms, cooling providers, engineering and construction firms, and utilities

immediate fix. Existing nuclear is highly valuable because it is clean, firm and always on, but new nuclear is unlikely to solve the near-term data-center power bottleneck at scale.

Coal remains part of the stack, but it is a declining and constrained option, representing about 17% of generation today and projected to be closer to 10% by 2030. Existing coal plants can provide dispatchable capacity and may run harder during periods of tight supply or high gas prices. But coal faces the highest emissions profile, aging-fleet issues, retirement pressure, financing constraints, and significant political and regulatory friction. It may help bridge

some near-term reliability gaps, but it is not a likely growth platform for data center power.

Storage is the flexibility layer, not as a source of electricity production but as a key to reliability, and capacity is projected to grow roughly 15% per year through 2030. Batteries can help manage short spikes, smooth load, reduce grid stress and provide backup. They do not replace generation, but they make the system more responsive. As inference creates more volatile load patterns – sudden ramps, high-frequency noise and elevated baselines – storage becomes more valuable. But storage is still a complement to generation, not a substitute for firm power.

Counting on natural gas, betting on renewables

Source	% of Supply, 2025	Projected % of Supply, 2030
Natural Gas	40%	36%
Renewables	26%	37%
Nuclear	17%	17%
Coal	16%	10%

Source: https://www.eia.gov/outlooks/aeo/tables_ref.php

or independent power producers with scarce deliverable capacity.

At present, we are investing in **Williams**, which has a pipeline network that is core to natural gas infrastructure and is also increasingly contracting directly with hyperscalers; **Generac**, which produces large-scale generators that have

become a data center niche; **Amphenol**, a manufacturer of wiring and connection systems; and **Comfort Systems**, installer of HVAC, mechanical, electrical and modular capabilities that are critical in building and cooling AI/data centers.

The winners in supporting AI demand will be the companies that can deliver

firm, reliable and politically acceptable power quickly.

Michael Kirkbride is a Partner and Portfolio Manager at Evercore Wealth Management. He can be contacted at michael.kirkbride@evercore.com.

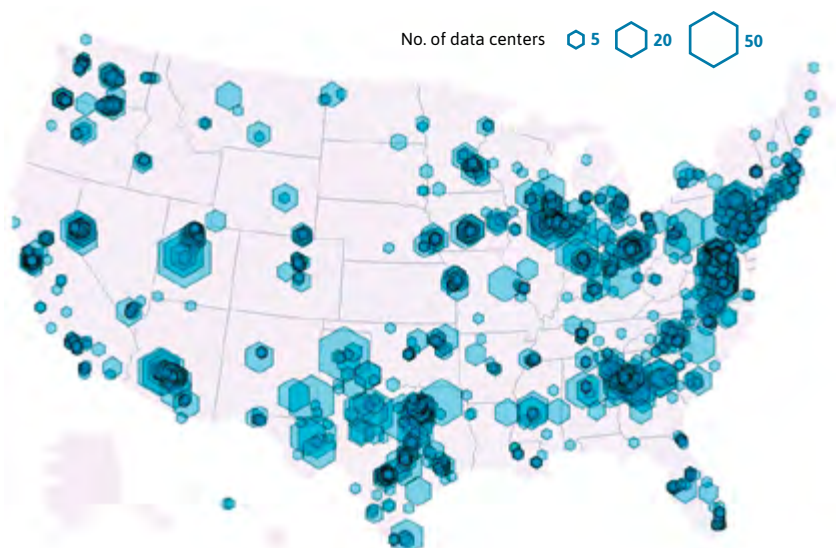
Public Power: Data Centers

By Howard Cure

Love them or loathe them, data centers are core to AI expansion. Investors in U.S. municipal electric utilities need to evaluate the utilities' relationships with local data center owners. Specifically, depending on the size of the data center load relative to available power supply, transmission access and capacity, and the utility's existing customer base, the cost to serve data centers can be significant, presenting considerable challenges for public power.

Dataland

Data centers are proliferating across the United States



Investors also need to consider the potential for backlash. The boom of data centers, as illustrated here, is frequently cited as a prime reason for rising electricity prices, as their operation requires increased power generation and transmission, along with distribution upgrades. While other factors have also contributed to the rise in electricity prices over the past seven years, data centers are unquestionably a factor.¹ As of June 2026, 15 states have considered or are considering a moratorium on data centers, meaning a temporary pause on their construction.²

Source: Brookings Research: "Turning the data center boom into long-term, local prosperity," February 5, 2026.

There is also the question of economic growth potential for a region. Proponents of data centers argue that they create jobs and increase local tax bases. However, data center critics note that these employment opportunities are usually in the initial construction phase. In Virginia, which has the highest concentration of data centers in the United States, just one-third of the direct operational jobs created were permanent positions.³

Certainly, state legislators, governors and regulators are increasingly sensitive to voter concerns on potential community and ratepayer financial burdens. Virginia is imposing the first electricity consumption tax on data centers, regardless of whether the centers receive power from a utility or a self-supplied source. And Texas governor Greg Abbott has called for sweeping legislative action on data centers, to ensure that the centers don't pass on their costs to residential electric customers, and that they manage water use and noise impact. New York now requires risk assessments, including environmental impacts, before breaking ground.

While access to power remains a key constraint for new data centers in most municipal markets, others find themselves with data center clusters, amplifying their impact. There are risks of overbuilding infrastructure and creating stranded costs if technological advancements improve data center energy efficiency or data centers opt to relocate.⁴ There could also be increased concentration of municipal utilities in industrial loads and revenue,

State legislators, governors and regulators are increasingly sensitive to voter concerns

reducing reliance on the generally more stable residential revenue base.

Still, it is likely that new power generation assets, including natural gas-fired plants and renewable energy projects, will be constructed, notably near major sources of gas, like the Permian Basin in Texas, the Gulf Coast, and shale gas deposits in Pennsylvania and Ohio.⁵ While some of the largest data center markets in the U.S. are among the most water-stressed regions, including Texas, Arizona and California, water availability is likely to become a greater problem, discouraging all but the most efficient usage.

Water demand varies widely depending on the cooling system used by the data center. Evaporative cooling systems that use potable water introduce the most strain on a water utility. However, they can be deployed quickly, given the use of existing technologies, a key focus for data center developers striving for speed-to-market. Air-based cooling brings little direct water demand but does use more power.⁶ And the so-called behind-the-meter power generation sources near the data centers bypass the public grid to directly power facilities, helping organizations lower energy costs, avoid peak demand charges and improve resilience.

Well-run utilities should work with data center projects to supply their high demand for power while minimizing the impact on existing power customers. In evaluating the potential impact on data centers, investors need to assess the ability of the utilities to:

- Establish long-term contractual agreements with data center owners, providing firm load commitments with upfront and ongoing capacity payments to minimize cost shifting to existing customers.
- Include exit fees for committed data center loads to minimize the potential for stranded investment.
- Consider joint construction of needed physical plants, along with other municipal, corporate and cooperative power providers, to spread the cost exposure.
- Use or advocate for state or federal assistance via grants, loans and guarantees to support large, baseload generation investments, especially if the electricity is generated by nuclear power.

For well-run municipal electric utilities, data centers can represent a strong source of energy sales and revenue growth, and provide a considerable benefit to the local tax and economic base.

Howard Cure is a Partner at Evercore Wealth Management and the Director of Municipal Bond Research. He can be contacted at cure@evercore.com.

¹ The Lawrence Berkeley National Lab, "Factors Influencing Recent Trends in Retail Electricity Prices in the United States," October 2025. These factors include distribution and transmission expenditures in part due to aging infrastructure and supply-chain constraints; natural disaster, extreme weather and wildfire mitigation imposing short- and longer-term costs, significantly increasing prices in some states; natural-gas price fluctuations due to international conflicts; and many state Renewables Portfolio Standard (RPS) programs.

² Brookings Institution article, "Data center moratoriums are not a substitute for oversight," July 28, 2026.

³ Rockefeller Institute of Government SUNY: "Clouds, Cables and Megawatts – States and Localities Grapple with the Data Center Boom," May 2026.

⁴ Stranded Costs: In traditional regulated energy markets, utility companies built expensive power plants or entered long-term fuel contracts with the guarantee that they would recover these costs through customer rates. The problem occurs when demand abates – in the case of Data Centers. The original utility is left with debt on outdated infrastructure with a diminished customer base.

⁵ Data Centers 2026 Outlook – Capacity growth remains robust as tenants prioritize speed to market – Moody's Ratings, January 12, 2026.

⁶ Moody's Ratings: "Data centers heighten water management risks for local governments," April 20, 2026.

Beyond the Tax Benefits: A Q&A with CIM on “Opportunity Zones 2.0”

Editor's note: Evercore Wealth Management supplements its core investment capabilities with carefully selected outside funds across the range of the firm's asset classes, including illiquid alternative assets such as private equity and real estate, that have the potential for higher returns than the public markets. Here we interview CIM Group on real estate Opportunity Zones. Please note that the views of the external managers interviewed in *Independent Thinking* are their own and not necessarily those of Evercore Wealth Management.

Q: Evercore Wealth Management has allocated client funds to Opportunity Zones via CIM for some time. How does “Opportunity Zones 2.0” build on the original program?

A: The U.S. Opportunity Zones, or OZ, program was created in 2017 to spur private investment and create jobs in high-need U.S. communities by offering tax benefits to investors. Since its launch, the program has facilitated

more than \$100 billion in investment across real estate, infrastructure and operating businesses.¹ OZ 2.0 represents the next evolution of the program, following the passage on July 4, 2025, of the One Big Beautiful Bill Act, which made the program permanent.

OZ 2.0 introduces several meaningful updates designed to better target investment toward truly underserved communities. Importantly, OZ 2.0 also introduces Rural Opportunity Zones, a new category intended to direct incremental capital into rural communities through enhanced tax incentives and a broadened investment scope beyond traditional real estate.

Investors can defer tax on a realized capital gain by investing all or a portion of the gain in a Qualified Opportunity Zone Fund, or QOF, generally within 180 days of realizing that gain. Only the capital gain, not the original cost basis, is eligible for reinvestment, allowing investors to reposition their basis elsewhere

in their portfolio. These gains can come from a wide range of sources including, but not exclusive to, the sale of stocks, real estate or a business, providing flexibility to redeploy capital across asset types while accessing the benefits of the OZ 2.0 program.

Opportunity Zones 2.0 introduces Rural Opportunity Zones.

Q: What are the key tax benefits now available to investors?

A: OZ 2.0 preserves and enhances the core value proposition of the program through three primary tax benefits available to investors allocating eligible gains into a QOF.

Tax Deferral: Investors can defer capital gains taxes when gains are invested into a QOF. Under OZ 2.0, these deferred gains remain untaxed for a five-year period following the investment.

¹ Treasury.gov. “Use of the Opportunity Zone Tax Incentive through 2024: An Update,” David Coyne & Craig Johnson, June 2026.

Tax Reduction: After meeting the required five-year holding period, investors may receive a basis step-up on their investment. This step up reduces the amount of the original gain subject to taxation, enhancing after-tax returns. Traditional OZ investments receive a 10% step-up, while Rural OZ investments receive a 30% step-up.

Tax Exclusion: If an investor holds a QOF investment for at least 10 years, any appreciation generated can be realized tax-free upon exit, with the potential to extend this benefit for up to 30 years in an open-ended fund structure.

In addition to these primary benefits, there is a fourth, often underappreciated advantage:

Pass-through Depreciation Benefits:

A QOF may be structured as a partnership, which allows investors to receive tax losses generated through tax depreciation deductions, without being subject to depreciation recapture if the QOF investment is held for at least 10 years.

This combination of timing benefits, basis reduction and tax-free appreciation can materially enhance after-tax returns, particularly when paired with strong underlying asset performance.



Investors can reinvest all or a portion of a realized capital gain in a Qualified Opportunity Zone Fund

Q: How do Rural Opportunity Zones differ from traditional investments?

A: Qualified Rural Opportunity Funds are QOFs that hold at least 90% of their assets in “Rural Areas,” which are cities and towns with populations of no more than 50,000 people. Accordingly, Rural Opportunity Zone Funds introduce a differentiated investment focus within the framework, shifting away from the predominantly urban investment-driven strategy of OZ 1.0 toward a broader, rural-oriented opportunity set.

Historically, OZ capital has largely been deployed into urban multifamily and mixed-use developments. However, rural markets often lack the population density required to support these types of projects at scale. OZ 2.0 legislation incentivizes rural capital allocations with the potential for a 30% tax reduction instead of 10% for traditional OZ fund investments. Rural OZs are expected to attract increased investment in essential infrastructure to serve the economic needs in these regions.

Such infrastructure may include power generation, storage and grid-support assets; digital infrastructure, including data centers and connectivity; waste and water management systems; and transportation and logistics infrastructure. These asset classes are generally characterized by longer-duration cash flows, essential-use demand profiles, and in many cases, contractual revenue frameworks providing a distinct return and risk profile relative to traditional real estate investments.

Q: What are the most compelling investment opportunities within Opportunity Zones today?

A: A common misconception is that Opportunity Zones are primarily a tax-driven strategy. While the tax benefits are meaningful, we believe the attractiveness

of OZ investments is ultimately driven by the underlying real asset opportunity and market cycle positioning. That's true for both traditional and rural zones.

Considerations on the road to OZ

By Stephanie Hackett

Opportunity Zone, or OZ, investing can provide compelling tax benefits, as illustrated by the chart on page 15. For a client with \$1 million in capital gains and a long-term investment horizon, the chart shows that these tax advantages can make after-tax returns superior to similar investments that carry no tax benefit at all.

These benefits should enhance, not substitute for, sound investment underwriting. Investors still need to evaluate portfolio construction, long-term asset fundamentals, liquidity and, importantly, the manager's ability to execute over a decade or longer.

That distinction is particularly important, given the themes discussed in this edition of *Independent Thinking*. Growing demand for power, grid capacity, and digital infrastructure are creating opportunities across many of the real assets now represented in the expanded OZ universe, alongside meaningful economic, regulatory and execution risks.

An OZ allocation should be sized and structured to fit the client's broader asset allocation, goals and time horizon. Investors become eligible for tax benefits after a five-year hold, with the greatest benefit realized by holding for at least 10 years. Because these investments are illiquid, clients should confer with their Evercore Wealth Management advisory team to establish that an OZ commitment fits appropriately within their diversified portfolio.

In evaluating an OZ fund, there are several additional factors that we consider:

Manager capabilities. OZ projects frequently involve ground-up development or substantial redevelopment, followed by an extended operating and holding period. Investors should consider the team's tenure and track record, and whether they have the resources and expertise to execute these projects and manage them effectively over time. It is also important to understand whether critical capabilities, such as development and property management, reside in-house or depend on third-party partners. Direct, in-house expertise can provide a manager with greater connectivity to the underlying assets throughout their life cycle.

Underlying investment quality. Investors should assess whether the fund manager is identifying attractive opportunities, whether investments are performing as anticipated, and whether the strategy makes economic sense independent of its tax advantages. Investment performance drives the potential value of tax-free appreciation.

A 10+ year investment horizon. The durability of long-term demand, the quality and competitiveness of the underlying assets, and eventual exit liquidity are important considerations. Strong secular demand does not eliminate project-level risks around permitting, power availability, construction timelines and changing market conditions.

Diversification. Investors should consider diversification across asset types (offices, infrastructure, residential and others), as well as geographies and stages of development. A diversified portfolio can reduce reliance on any single asset, market or point in the development cycle.

- Within traditional OZs, several themes are shaping the opportunity set:
 - **Real estate cycle recovery:** Following a period of capital market dislocation and valuation repricing, real estate fundamentals are stabilizing, with improving entry points and forward return potential.
 - **Pre-TCO capital solutions:** Many OZ projects initiated in prior cycles are now approaching completion or stabilization (pre-temporary certificate of occupancy) but face capital structure challenges

How OZ 2.0 may enhance after-tax returns

To highlight the practical impact of OZ 2.0, we compare four hypothetical investment scenarios: a non-OZ investment, a traditional QOF, a rural QOF and a blended QOF strategy. This comparison underscores how OZ 2.0's enhanced incentives may drive incremental after-tax value.

Scenario assumptions:

- 9% annual growth rate
- New Jersey income tax rate of 10.75%
- Long-term capital gain tax rate of 20%
- 10% traditional/30% rural step-up in basis
- Includes net investment income tax of 3.8%
- The blended QOF reflects a 50/50 allocation split between a traditional QOF and a rural QOF

	Non-QOF	Traditional QOF	Rural QOF	Blended QOF
Investment Year: 2027				
Capital Gain	\$1,000,000	\$400,000	\$600,000	\$1,000,000
Taxes on Realized Gain	(\$345,500)	\$--	\$--	\$--
End of Deferral Period: 2032				
Additional Step-Up in Basis		\$40,000	\$180,000	\$220,000
Taxes Net of State Benefit	\$--	(\$124,380)	(\$145,110)	(\$269,490)
End of Investment Period: 2037				
Value of Investment	\$2,367,364	\$946,945	\$1,420,418	\$2,367,364
Tax Gain	\$1,367,364	\$546,945	\$820,418	\$1,367,364
Taxes Net of State Benefit	(\$472,424)	\$--	\$--	\$--
Amount Contributed Into the Fund	\$1,000,000	\$400,000	\$600,000	\$1,000,000
Total Taxes Paid	(\$817,924)	(\$124,380)	(\$145,110)	(\$269,490)
After Tax Return (\$):	\$549,440	\$422,565	\$675,308	\$1,097,874
After Tax Multiple on Invested Capital	1.5x	2.1x	2.1x	2.1x
Gross Pre-Tax IRR	9.0%	9.0%	9.0%	9.0%
Gross After-Tax IRR	3.5%	6.8%	7.3%	7.1%

Internal rate of return, or IRR, calculations assume cash flows occur at the end of each calendar year and represent the discount rate that would result in a net present value of zero, based on a 365-day year, for such cash flows.

Tax assumptions and rates are based on information as of April 13, 2026.

Illustration assumes that in both the QOF and non-QOF scenarios, the entire initial capital gain is reinvested and associated taxes are paid out of pocket. In the non-QOF scenario, original capital gain tax is paid at time of reinvestment, and in the QOF scenario, original capital gains tax is paid at the end of the fifth year of their investment into the QOF. Illustration assumes an exit after a ten-year hold period for both the QOF and non-QOF scenarios.

Investments in Qualified Opportunity Zone Funds involve risks, including possible loss of principal. Any discussion of tax considerations is general in nature, is not intended as tax or legal advice, and may not be applicable to all investors. Tax treatment depends on individual circumstances and may be subject to change. Investors should consult their own tax, legal and financial advisors before making any investment decision.

due to tighter lending conditions. This environment creates opportunities to provide strategic capital solutions across stressed capital stacks.

- **Defensive sectors:** Multifamily continues to exhibit durable demand characteristics, supported by structural housing undersupply and demographic tailwinds.
- **Sports-anchored development:** Real estate adjacent to major sports and entertainment districts can benefit from the structural demand created by franchise stability, with teams acting as long-term anchors that drive foot traffic, capital investment and tenant demand across surrounding residential, office and hospitality assets.

Rural OZ investments are expected to be driven by an infrastructure-forward investment thesis, supported by secular demand trends and structural underinvestment across critical infrastructure.

Key themes include:

- **Energy infrastructure:** Rural markets often present attractive development opportunities due to land availability and proximity to transmission infrastructure. Assets may benefit from long-term offtake agreements, essential service demand and multi-decade operating lives.
- **Digital infrastructure:** The continued growth in data consumption and connectivity needs supports demand for data centers, fiber and edge computing. Rural locations can offer scalability and power access for campus-style development, subject to infrastructure feasibility.
- **Waste and water management:** These assets provide essential environmental

and municipal services and may benefit from regulated or contract-supported revenue structures, long-duration demand and opportunities for operational modernization.

- **Transportation and logistics:** Infrastructure supporting regional supply chains and distribution networks may benefit from strategic positioning along major corridors and essential-use characteristics.

Relative to traditional OZ strategies, Rural OZs can provide exposure to assets with longer-duration cash flows, essential infrastructure characteristics and differentiated macro drivers, including electrification, digitalization and supply chain reconfiguration.

Q: What are the key timing considerations for reinvesting gains into Opportunity Zone funds?

Investors must reinvest eligible gains within defined time frames, generally within 180 days of realization, but with gains generated by partnerships and S corporations that are reported on K-1s benefiting from extended timing that can span the full tax year, making both timing and fund structure critical considerations.

Q: How does vertical integration support successful OZ execution?

Execution is a critical determinant of success in Opportunity Zone investing, given the complexity of development, long hold periods, and the operational intensity required to achieve tax and return objectives.

A: We believe that a vertically integrated platform enhances execution in several key ways:

- **End-to-end asset management:** Direct control over sourcing,

development, construction and operations enables more efficient project execution and alignment across the investment life cycle.

- **Operational expertise:** In-house capabilities across real estate and infrastructure allow for active asset management, cost control, and value-creation initiatives at the property and asset level.
- **Risk mitigation:** Integrated platforms are better positioned to navigate entitlement, permitting, construction and operational risks, particularly in complex or infrastructure-heavy projects.
- **Capital structuring flexibility:** The ability to address capital stack challenges, particularly in transitional or stressed projects, can be critical in capturing opportunistic entry points.
- **Long-term stewardship:** OZ investments require a minimum 10-year hold to maximize tax benefits with up to 30 years of tax-free growth. A vertically integrated model and open-ended fund structure support sustained asset performance through market cycles.

Given the multidimensional nature of OZ investing, spanning tax structuring, real asset execution and long-duration ownership, platform capabilities are often as important as the underlying investment thesis.

For further information, please contact Evercore Wealth Management Partner and Portfolio Manager **Stephanie Hackett** at stephanie.hackett@evercore.com.

Too Much of a Good Thing in America? The Case for Going Global

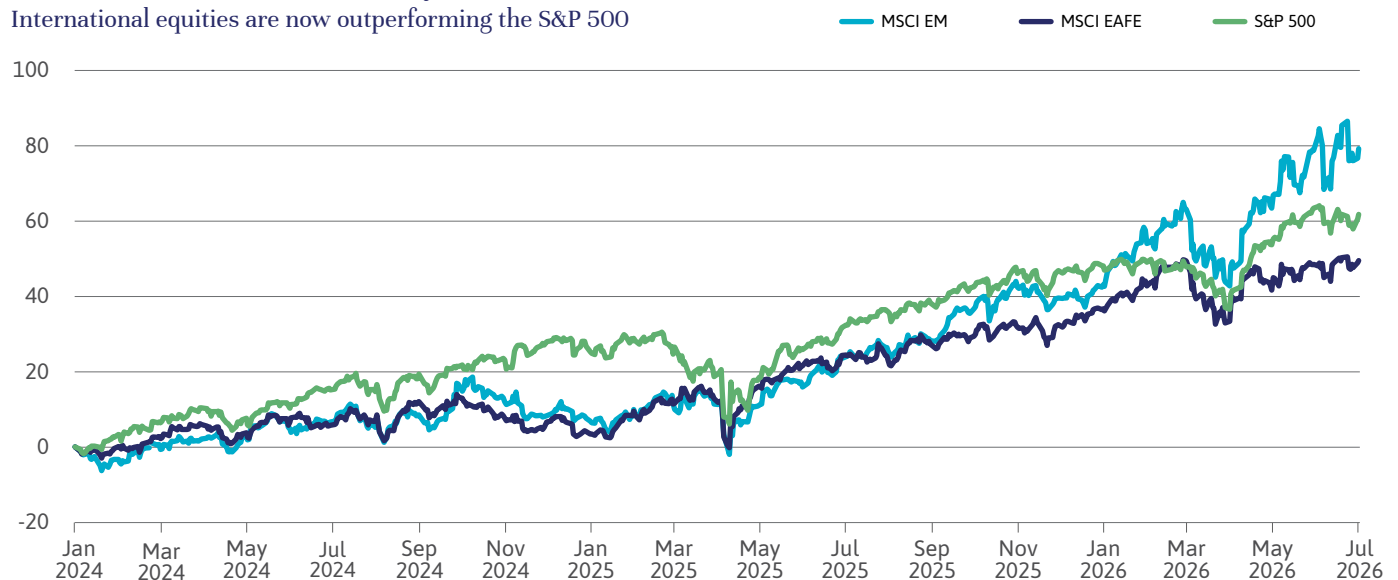
By Judy Moses

An allocation to the MSCI Global All-Country World Index 10 years ago would have been 53% invested in the United States. Today, that U.S. exposure would represent 63% of the investment. This imbalance reflects great returns – and great risk.¹

¹ MSCI, "A Complete Geographic Breakdown of the MSCI ACWI IMI"

A Good Run, until Recently

International equities are now outperforming the S&P 500



Source: MSCI, S&P



30%

The MSCI EAFE index is trading at an approximately 30% discount to the S&P 500

Global diversification has always been a cornerstone of disciplined portfolio construction. True diversification means owning assets that do not all move together. Developed international markets, including Europe, Japan and the United Kingdom, as well as emerging markets such as Brazil, India and South Korea, have historically exhibited lower correlation to U.S. large-cap equities than many domestic alternatives. When concentrated risks in the U.S. market, whether driven by a handful of mega-cap technology stocks or domestic

policy uncertainty, weigh on returns, international exposure can serve as a meaningful stabilizer.

The valuation case is also compelling. International equities remain attractively priced relative to their U.S. counterparts. Emerging market equities, even after strong 2025 performance, trade at approximately 10.6 times forward earnings²; a discount of just under 50% to U.S. valuations. Developed international markets similarly trade well below long-term averages relative to the U.S. For

valuation-conscious investors, that gap represents opportunity.

We remain mindful that clients should generally match their U.S. dollar assets to their U.S. dollar liabilities and carefully consider the tax consequences of diversifying appreciated positions. (Please see the recent article by Jon Kropf on balancing tax and diversification considerations, ["Long-Term Gains: A Good Problem but a Problem Nonetheless"](#). Those considerations matter, particularly for taxable investors, but they should be weighed alongside the long-term

² MSCI, MSCI Emerging Markets IMI Indexes (USD), as of July 31, 2026.



benefits of reducing concentration risk and expanding exposure to the full global opportunity set.

Our international equity allocation is a commitment to the principle that a well-constructed portfolio reflects the full opportunity set of the global economy. The companies, economies and currencies of the world beyond our borders represent more than half of global economic output. While we remain broadly overweight the United States, we continue to rebalance portfolios, striving for an international allocation of at least 15% as appropriate.

The decade-long dominance of U.S. equities is the exception, not the rule.

Our approach to international investing has generally been to invest with active managers, although we are now pairing those managers with a low-cost, passive exposure to global markets excluding the United States. We also maintain direct exposure to Japan through a currency-hedged ETF

that provides exposure to Japanese companies – particularly export-oriented businesses – while reducing the volatility of the yen.

Maintaining diversification discipline through shifting market cycles is, we believe, one of the most effective ways to protect and grow portfolios over the long term.

Judy Moses is a Partner and Portfolio Manager at Evercore Wealth Management. She can be contacted at moses@evercore.com.

Liquidity Planning for Business Owners

By Sean Brady

For many entrepreneurs, their business represents a lifetime of effort. It's been a source of pride, purpose and income. The idea of selling it and converting that value into a portfolio of diversified assets can feel unsettling, like moving from the known to the abstract and unpredictable. Thoughtful liquidity planning bridges that gap.

But first, what is the impetus for the sale? Is it a clean break, in preparation for the next stage of life? Is it investment for continued growth? Or is it the desired shift to an operational or advisory role, or a board position? For the founder, it is a very personal decision that will determine the best next course of action. A strategic acquirer may be willing to pay a premium. A financial sponsor may offer the opportunity to retain equity and participate in future growth.

Of course, the "number" may influence that decision. Experienced M&A advisors can evaluate the current market for the business. Wealth advisors, working alongside the M&A team, can further refine that choice, evaluating post-sale liquidity and preserving flexibility – so that

the tax impact of a sale doesn't reduce what initially appears to be a headline number to something materially different on a net basis.

The ownership structure can have a significant impact on what the owner keeps.

Once a sale becomes a real possibility, attention turns to structuring, the phase in which the most meaningful wealth opportunities exist. The ownership structure going into a transaction can have a significant impact on what the owner keeps. The mix of cash at closing versus rollover equity, the presence of

earnouts tied to future performance, and the degree of control retained post-transaction all play a role in shaping outcomes. So do transition periods – including non-compete agreements – and expenses that flow through the business.

Beyond those high-level considerations, there are more technical elements that can affect proceeds. Working capital adjustments, for example, can shift the amount received at closing, depending on how the business is normalized at the point of sale. Escrows and holdbacks may require a portion of proceeds to remain at risk for a period after closing. Indemnification provisions can create ongoing obligations tied to representations made during the transaction.



Charitable Considerations

Action	Taxable Gain Recognized	Capital Gains Tax (at 23.8%)	Charitable Deduction Tax Benefit	Total Tax Paid
Option A: Sell first, then donate \$1 million cash	\$9,900,000	\$2,356,200	\$350,000	\$2,006,200
Option B: Donate 10% of stock <i>before</i> sale	\$8,910,000	\$2,120,600	\$350,000	\$1,770,600

Source: Evercore Wealth Management. Illustration only, based on a \$10 million sale with a cost basis of \$100,000 and a charitable donation of \$1 million. Actual results may vary.



The distinction between an asset sale and an equity sale can lead to very different outcomes from a tax perspective, and these scenarios should be modeled in advance so that trade-offs are clearly understood. In certain cases, deferral strategies, such as installment sales, may also be appropriate, allowing taxes to be paid over time.

Collectively, these details can substantially change what the founder ultimately receives and when they receive it.

Who else should benefit from the sale? Employees and management teams are often critical to both the success of the sale and the continued performance of the company.

Thoughtful planning around retention, incentives and participation can help ensure continuity and protect the value that has been created over time.

As for the founder, how much wealth should remain within the individual estate, and how much should be transferred to future generations? Transferring shares prior to a sale – often into trusts – can shift future appreciation out of the taxable estate while taking advantage of valuation discounts tied to lack of control or marketability. Timely execution can significantly reduce future estate and generation-skipping transfer, or GST, tax exposure.

Thoughtful planning
can help ensure continuity
and protect value.

The period before a sale is a unique opportunity for philanthropically-minded founders. Donating appreciated shares prior to a transaction can eliminate capital gains tax on those shares entirely and qualify for a charitable income tax deduction, while still allowing the owner to direct proceeds to charitable causes. Vehicles such as Donor Advised Fund (DAF), or charitable trusts can help align giving with broader financial goals in a tax-efficient way.

Consider the founder who owns a private company with a cost basis of \$100,000 and is preparing for an acquisition that values their total stake at \$10 million. The founder wants to give \$1 million of the proceeds to charity, which could offset over \$200,000 in taxes. Let's assume there are additional charitable gifts in the year of the sale to cover the

0.5% AGI floor for the charitable deduction and that there is at least \$1,000,000 of ordinary income in the year of the sale to make the example cleaner.

Simply changing the order of the gift in this example, as illustrated by the chart on page 21, can save \$235,600 of federal taxes.

It is important to consider the anticipatory assignment-of-income doctrine before contributing private-company shares to a DAF, before a sale. The timing and status of the transaction at the time of the gift can affect whether the donor is treated as recognizing gain on the donated shares.

In certain cases, Qualified Small Business Stock planning can provide an additional layer of tax efficiency. Where applicable, it allows for the exclusion of substantial capital gains, often \$10-\$15 million per shareholder.

Another often overlooked, but highly impactful consideration, is state residency. Depending on where an owner lives, state-level taxes can reduce net proceeds. In some situations, a change in residency prior to a sale – when made thoughtfully and in

compliance with applicable rules – can create substantial savings, as illustrated in the chart below. However, this type of planning requires time and careful coordination, with the right advisory team in place. Once a transaction is imminent, options become limited.

The period before a sale is a unique opportunity for philanthropically minded founders.

If the taxpayer is a New York City resident, New York State taxes the gain at 10.3%, and the city imposes its own resident income tax, topping out at 3.876%.

On the same basis, moving to Florida (where there is no state and no city income tax) before the \$10 million stock sale could save the founder approximately \$1.4 million in state and local income tax.

This works for the sale of privately held C-Corp stock or another intangible investment. The sale of an S corporation, partnership/LLC interest,

New York real estate-heavy entity, or an asset sale can leave some or all of the gain taxable by New York even after moving.

The founder would also save their heirs a significant amount in transfer tax, as New York State has a top graduated estate tax rate of 16% on a taxable estate.

With all this considered well in advance, the owner can focus on the execution – and enjoying the next stage of life. A well-designed portfolio can replace the income the business once generated, while balancing growth, risk and stability. This includes recognizing that the nature of risk changes when moving from an operating business, where control is high, to financial markets, where outcomes are influenced by broader forces. The objective is not to chase returns, but to create a structure that provides clarity, flexibility and sustainability.

Sean Brady is a Partner and Wealth & Fiduciary Advisor at Evercore Wealth Management and Evercore Trust Company. He can be contacted at sean.brady@evercore.com.

Time to move?

	New York City Resident	Florida Resident
State Tax	~\$1,019,700	\$0
Income Tax	~\$383,500	\$0
Total State & City Tax	~\$1,403,200	\$0

Source: Evercore Wealth Management. Illustration only. Actual results may vary.

A Plan Worth Revisiting

By Stacie Price

Good wealth planning starts with conversation. Current financial circumstances, attitudes to risk and long-term goals are the obvious starting points, but the real value often shows up in the details: How comfortable are you with market concentration? How would a new business venture, a large gift or a charitable pledge affect your liquidity? What happens to your estate under current tax law – and is that still what you'd choose if you looked at it for the first time today?



Done well, regular modeling can show the long-term consequences of a range of scenarios. Monte Carlo simulations and AI-powered tools are helpful at running the plan through thousands of possible futures, including a thorough drawdown analysis, to estimate the odds of different outcomes. These capabilities can complement the judgment and experience of advisors, helping to inform thoughtful conversations and decision making.

Take a look at the chart here to see what happened during recent stress scenarios, including the 2008–2009 financial crisis, the sharp 2020 COVID selloff and the brief tariff-driven shock of April 2025. While recovery from small market pullbacks takes just a month or two, it can take one to two years for a severe bear market to bottom and another

couple of years for it to recover. And the market is, as we have often observed in these pages, increasingly concentrated in the technology sector, adding risk and volatility to investing as well as the opportunity for outsized returns. A plan that only gets pressure-tested once a decade isn't built for fundamental market shifts.

Clearly, it's important to maintain adequate liquidity to cover between three and five years of spending, depending on individual circumstances and attitudes to risk, in defensive assets, such as cash and treasuries. Liquidity reduces pressure to sell investments and trigger capital gains. For some investors, it's worth considering a less aggressive allocation, along with the trade-offs to income and growth that decision brings.

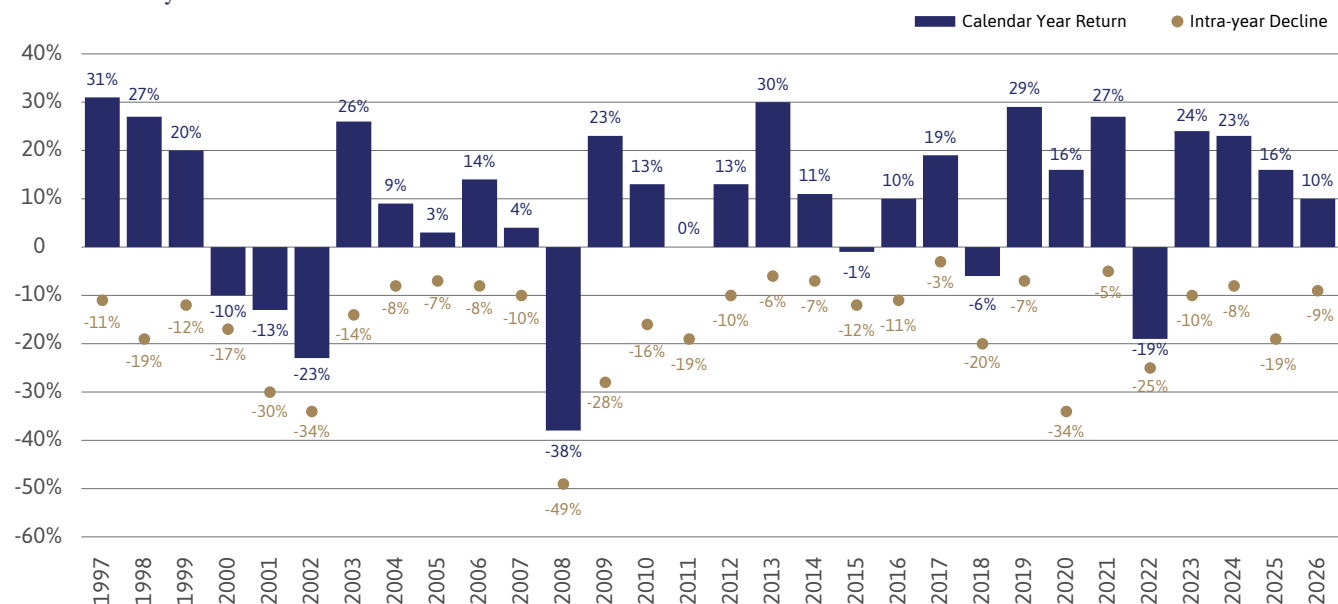
A financial plan is only as good as its inputs and assumptions, and both have a way of going stale – sometimes because the markets change, sometimes because tax regulation does (see the article by Justin Miller on current tax law, "[The ABCs of the OBBBA: Preparing for Tax Change](#)". And of course, life changes. Every major event – a marriage, the birth of a child, a business transition, a retirement – is reason enough to check back in with advisors and adjust course.

Stacie Price is a Partner and Wealth & Fiduciary Advisor at Evercore Wealth Management and Evercore Trust Company. She can be contacted at stacie.price@evercore.com.

Intra-year Declines

Market headlines are often short-term distractions. Earnings growth drives long-term market returns.

S&P 500 Intra-year Declines vs. Calendar Year Returns



Note: Returns are based on price index only and do not include dividends. Intra-year drops refer to the largest peak-to-trough decline during the year. Returns shown are calendar year returns from 1980 to 2025, over which the average annual return was 10.7%. Past performance is no guarantee of future results. Source: J.P. Morgan Guide to the Markets – U.S. Data are as of June 30, 2026; FactSet, Standard & Poor's, J.P. Morgan Asset Management.

What Should “Poppy” Tell His Grandson?

By Jeff Maurer

My oldest grandchild just turned 21 and will graduate from college next year. What advice should he be getting – advice that will speak to a generation shaped by a pandemic and coming of age alongside artificial intelligence? How does a young adult facing exponential change build a productive, fulfilling and independent life?

Jump in: That’s what I’ll tell him. And I hope I can resist the urge to cushion the inevitable rocky landing, so he’ll build the resilience to do it again, and again.

A gritty summer job, a difficult boss, or a failed venture can teach lessons that success alone cannot. So can solo travel and hands-on volunteer work. Genuine exposure to people from different backgrounds and with different ways of thinking expands perspective in ways a classroom rarely can – and shapes future opportunities in ways no one anticipates.

Tomorrow’s careers will be less linear than those of previous generations. Many young adults will change professions multiple

times. Technologies that do not yet exist will reshape entire sectors, and existing industries will evolve. The most successful people in the coming decades will combine technical competence with creativity, communication skills and emotional intelligence, deeply human qualities that are not easily replaced.

The temptation to clear obstacles from our children’s path is strong.

Many affluent families worry that their children will struggle more than they had to. And that may be true. (See my discussion with Sean Brady in the previous issue of *Independent Thinking*.) The temptation to clear

obstacles from our children’s path is strong. But we – and they – all know remarkable wealth-creation stories, from those of the founders and executives of AI and other technology companies who have created extraordinary value in a remarkably short time, to the less celebrated fortunes of the multi-unit franchise owner, the dentist who builds several practices, the plumber who buys his building, or the HVAC contractor who eventually sells to a private equity firm. There is still opportunity in the United States.

What families are really asking today is not simply whether their children will outearn them. We know that younger generations are right to view success through a broader lens: Meaningful work, strong relationships, physical and

Every successful entrepreneur, investor and business builder has made calculated bets.

emotional well-being, and a sense of purpose should rank alongside financial achievement. More fundamentally, they want to know whether their children will have the confidence and capability to shape their own futures. That confidence matters because it creates a willingness to take intelligent risks.

Every successful entrepreneur, investor and business builder – in technology, in the trades, in the arts, in athletics – has made calculated bets at critical moments. Reckless risk-taking can be destructive, but avoiding risk entirely is its own form of limitation.

Jump in, I'll tell my grandson. Pursue your ambitions enthusiastically, but do not measure your life solely by financial success. Build your character as well as your career. Be curious. Be dependable. Treat people well. Keep learning. The world you are entering will look very different from the one I knew at your age, but the qualities that lead to a meaningful life have changed remarkably little over time.

Jeff Maurer is the Chairman of Evercore Wealth Management and Evercore Trust Company. He can be contacted at maurer@evercore.com.



OFFICES

NEW YORK
55 East 52nd Street
New York, NY 10055
212.822.7620

Ashley Ferriello
Partner
212.822.7691
ferriello@evercore.com

Brian Pollak
Partner
212.822.7692
brian.pollak@evercore.com

SAN FRANCISCO
425 California Street, Suite 1500
San Francisco, CA 94104
415.288.3000

Jon Kropf
Partner
415.276.8450
jon.kropf@evercore.com

EDITORIAL AND MEDIA
Aline Sullivan
Editor
203.918.3389
aline.sullivan@evercore.com

MINNEAPOLIS
150 South Fifth Street, Suite 1330
Minneapolis, MN 55402
612.656.2820

Martha Pomerantz
Partner
612.656.2821
martha.pomerantz@evercore.com

TAMPA
4030 W. Boy Scout Boulevard, Suite 475
Tampa, FL 33607
813.313.1190

Julio Castro
Partner
813.313.1192
julio.castro@evercore.com

PALM BEACH
515 North Flagler Drive, Suite 1701
West Palm Beach, FL 33401
561.812.1010

Michael Cozene
Partner
561.812.1010
michael.cozene@evercore.com

DELAWARE
Evercore Trust Company, N.A.
300 Delaware Avenue, Suite 1225
Wilmington, DE 19801
302.304.7362

Alex Lyden
Director of Delaware Trust Services
and Trust Counsel
302.304.7369
alex.lyden@evercore.com

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