

**Executive Summary**

The equity market continued its advance in the first quarter with the S&P 500 hitting an all-time high in March. The global economy has been surprisingly resilient in the face of stiff headwinds emanating from higher interest rates, tightening credit and a contracting manufacturing sector. Stubbornly persistent inflation and exceptionally strong employment data caused markets to push out expectations for short-term interest rate cuts. With that backdrop, stocks posted a strong return with the S&P 500 Index rising 10.6% in the first quarter. The Waterfront Equity Composite rose 8.2%, lagging the benchmark and peers in the Morningstar Large Blend category.

The Bureau of Labor Statistics posted the 'seismic' March Employment Report on 4/5/2024 about an hour prior to an actual earthquake in the NE United States. The number of jobs added in the Survey smashed expectations (303,000 vs. 214,000 expected) with 'tremors' reverberating across asset classes. Yields on fixed income securities hit their highs for 2024 as expectations of interest rate cuts from the Federal Reserve were both reduced in size and pushed further into the future. Equity markets also 'wobbled' after posting strong performance in the first quarter as strong employment and sticky inflation readings caused some nervousness as the second quarter commences. Given stiff headwinds from higher rates; weak economic leading indicators; tightening credit conditions; recessionary data in the Euro area and the UK; as well as numerous ongoing geopolitical risks; the prevailing consensus of a 'soft landing' for the U.S. economy seems a bit naïve. To date, domestic economic growth has been sustained by the resilience of consumer spending and corporate profit margins. However, consumer finances are increasingly strained with the savings rate well below the pre-pandemic average and credit card delinquencies at the highest levels since 2012. Corporate profit margins have recently benefited from rising productivity without a reduction in headcount; a goldilocks scenario that supports consumer confidence and spending. Going forward, the ability of corporations to maintain profitability in the face of elevated costs and a shrinking pool of available workers could determine the next 'tectonic' shift for assets.

	<b>Q1 2024 Total Return</b>
<b>Waterfront Equity Composite (net)</b>	<b>8.2%</b>
<b>S&amp;P 500 Index (benchmark)</b>	<b>10.6%</b>
<b>Morningstar Large Blend category (median return)</b>	<b>9.9%</b>

The Waterfront Equity strategy advanced 8.2% in the first quarter, underperforming the funds benchmark (the S&P 500 Index) as well as peers in the Morningstar Large Blend category. During the quarter and relative to the benchmark, performance was negatively impacted by a conservative asset allocation and defensive risk posture. At quarter end, the strategy's allocation to equity was 87% with the balance in short-term Treasuries and cash.

The equity sleeve advanced 9.5% during the quarter, underperforming the benchmark as poor stock selection in the Technology, Consumer Staples and Communication Services sectors hurt relative performance. Strong stock selection in the Consumer Discretionary sector was helpful to relative performance but insufficient.

The quarter's top contributors to performance were concentrated in the Technology and Communication Services sectors. Microsoft and Netflix are secular growers with strong competitive moats and unique growth drivers in 2024.

<b>TOP CONTRIBUTORS</b>	<b>AVG. WEIGHT</b>	<b>RETURN</b>	<b>CONTRI-BUTION</b>
<b>Microsoft (MSFT)</b>	7.0%	12.1%	0.83%
<b>Micron Technology Inc. (MU)</b>	2.1%	38.3%	0.74%
<b>Netflix Inc. (NFLX)</b>	2.5%	24.7%	0.62%
<b>Amazon.com, Inc. (AMZN)</b>	3.5%	18.7%	0.62%
<b>Progressive Corp. (PGR)</b>	1.9%	30.5%	0.53%

Microsoft has durable growth in its Cloud segment and a burgeoning opportunity in AI across its product suite. Netflix has deepened its competitive moat over the last several years and is increasingly

monetizing its subscriber base through membership pricing and advertising. Amazon benefited from strong growth in its AWS segment and growing profitability in its consumer-facing segments. Micron is seeing booming demand for its memory chips as corporations race to build out the datacenters necessary to enable artificial intelligence capabilities. In each case, the fundamental outlook is strong, supporting my continued conviction.

Infinion Technologies, Apple and IPG Photonics were negatively impacted by softer consumer demand for smartphones and automobiles. Infineon and IPG Photonics also have significant exposure to the global economy which has posted slower growth and in some cases seen recessionary conditions. Apple is struggling to bring innovation to the smartphone market that will spark consumer demand. UnitedHealth Group had a cyber-security event in its most profitable segment which will likely slow its growth in the near term. In addition, the rate the U.S. government will pay insurers for the Medicare population came in below expectations which will pressure margins in that business in 2024. As interest rates rose during the quarter, Crown Castle equity

TOP DETRACTORS	AVG. WEIGHT	RETURN	CONTRI-BUTION
Infinion Technologies ADR (IFNNY)	2.1%	<17.9%>	<0.46%>
Apple Inc. (AAPL)	1.3%	<10.8%>	<0.15%>
IPG Photonics Corp. (IPGP)	0.9%	<16.5%>	<0.15%>
UnitedHealth Group, Inc. (UNH)	1.5%	<5.7%>	<0.09%>
Crown Castle, Inc. (CCI)	1.1%	<6.8%>	<0.08%>

saw some selling pressure as its long-duration characteristics fell out of favor. I continue to believe interest rates are near an intermediate peak and likely to decline over the medium term. For each of the equities, I continue to believe in the long-term growth and profitability of the franchise and expect patience to prove rewarding.

As I look forward, the backdrop for risk assets continues to be uncertain. On the positive side of the ledger, the inflation outlook is clearly improving. And yet, while I am encouraged by the consensus view that inflation rates will cool further in the months ahead, the pace of moderation is slowing and the underlying trends are sending conflicting signals. While goods inflation has clearly rolled over, the level of inflation in services has remained elevated. Over the medium and longer term, de-globalization, geopolitical tensions and global demographic trends impacting labor availability and healthcare costs suggest that the inflation backdrop may have structurally changed. If that proves true, interest rate increases by global central banks, which have been extreme, are unlikely to be entirely reversed. And as mentioned in many prior commentaries, the impacts of tighter monetary policy occur with a lag and will likely drive a continued reset in consumer and corporate spending and investment in the months ahead. While the consensus anticipates a series of interest rate cuts in 2024, the previously discussed structural drivers of inflation seem underappreciated which suggests there will likely be some disappointment. Finally, the valuations of equity securities imply a meaningful amount of confidence in a positive outcome for earnings growth and the durability of cash flows for publicly traded corporations. While a 'tip of the cap' is due to those who anticipated a benign economic environment, the risks haven't dissolved and the growth backdrop for 2024 continues to look uncertain. As a result, your account is conservatively positioned in terms of asset allocation and sector weights. As we saw in 2023, there will be attractive investment opportunities in the midst of uncertainty. Volatility creates opportunity for active investors and your account is positioned to respond quickly to capitalize on them when they come.

While the outlook is uncertain, my focus is unchanged. Across economic cycles and irrespective of market moods, I seek to maintain an emphasis on finding high quality, growing companies whose securities are trading at a reasonable valuation with visible catalysts to drive relative performance over the next twelve months. This approach has served investors well over time, and my confidence in it has not waned.

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