Executive Summary

The final quarter of 2025 saw continued rallies in asset markets with the S&P 500 hitting all-time highs and credit spreads remaining at their tightest levels in nearly 30 years. The Federal Reserve further eased monetary policy with two 25-basis point cuts in October and December, with expectations for further cuts in the year ahead. The U.S. Administration continues to pursue a significant realignment of global trade with shifting priorities and deadlines. Economic growth has been resilient but is slowing with weakness building in the labor market. The leadership of the domestic equity market is beginning to broaden, benefiting diversified portfolios and indicative of optimism for a cyclical acceleration ahead. As risk appetites are improving, there is a thaw in investment activity seen in announced M&A and capital investment which is encouraging. As companies report their earnings results over the coming month, their outlook for organic revenue growth and margin performance will be the focal point. For the fourth quarter, performance was positive with the S&P 500 Index up 2.7% and the Bloomberg U.S. Agg Gov't/Credit Index was up 0.9%. The Waterfront Balanced Composite rose 3.2%, outperforming the blended benchmark which was up 1.9%.

During the fourth quarter, markets continued their rally with the S&P 500 hitting all-time highs and credit spreads remaining at their tightest levels in nearly 30 years. The Federal Reserve resumed easing monetary policy with two 25-basis point cuts in October and December, catalyzing continued equity gains. Economic growth has been resilient though the labor market has deteriorated, characterized by very sluggish job growth. The softening labor market is denting consumer confidence and headline consumer spending slowed in the fourth quarter. There is a persistent divergence between the high-end consumer and those in the low- to middle-income bracket. The impact of slowing wage growth after several years of heightened inflation rates is surfacing in the form of growing delinquencies and elevated credit losses. However, these concerning datapoints have been overwhelmed by expectations of a strong tax return season and lower interest rates. In addition, ongoing announcements of massive investments in technology infrastructure to enable Artificial Intelligence has buoyed risk appetites. Companies are clamoring to acquire compute capacity and best-in-class processing in order to productize AI in their businesses. Strong Investment-grade primary bond issuance during the quarter has continued into the New Year driven by strong investor demand and falling borrowing costs. As borrowing costs fall, I continue to watch the housing market as historically, every broad-based improvement in the U.S. economy occurred in tandem with an improvement in housing. While the current backdrop isn't encouraging with inventory growing and price declines becoming more prevalent, a reduction in mortgage rates would go a long way toward improving the affordability of housing and contribute to an improvement in consumer confidence. During the quarter, equity markets rallied with the S&P 500 up 2.7% while fixed income posted a modest total return with the Bloomberg U.S. Aggregate Government / Credit Index rising 0.9% during the quarter.

	Q4 2025 Total Return
Waterfront Balanced Composite (net)	**3.2%**
60% S&P 500 / 40% BBG U.S. Gov't/Credit (benchmark)	**1.9%**
60% Russell 1000 Value / 40% BBG U.S. Gov't/Credit	**2.6%**
Morningstar Moderate Allocation category (median return)	**2.0%**
S&P 500 Index	**2.7%**
Russell 1000 Value	**3.8%**
Bloomberg U.S. Agg Gov't/Credit Index	**0.9%**

The Waterfront Balanced strategy advanced 3.2% in the fourth quarter, outperforming the benchmark (blended benchmark consisting of 60% S&P 500 & 40% Bloomberg U.S. Aggregate Govt/Credit). Due to the concentration of the S&P 500 and the elevated valuations of the largest constituents of the Index, I've also provided a more diversified representation of a mixed asset Index using the Russell 1000 Value instead of the S&P 500. The Waterfront Balanced strategy also outperformed this more diversified, less expensive Index. During the quarter, equities led the advance while fixed income contributed another period of steady appreciation. At quarter-end, the strategy's allocation to equity was 59%; fixed income represented 37%; with the balance in cash. The blended strategy produces a 4.9% total yield (dividend plus cash interest) versus the blended benchmark at 4.2%.

The equity sleeve rose 4.9% during the quarter and contributed approximately 85% of the strategy's total performance. Strong stock selection in the Communication Services and Health Care sectors headlined performance with significant appreciation in several long-held positions. During the quarter, I increased exposure to the Technology and Health Care sectors as dislocations in profitable companies created opportunities. I reduced exposure to Fixed Income as tight credit spreads and falling rates inflated prices making the risk/reward unattractive. I also reduced exposure to the Consumer Staples and Financials sector as deteriorating business fundamentals motivated a switch into more promising investments.

The fixed income sleeve rose 1.3% during the quarter, modestly outperforming the benchmark. An emphasis on corporate credit contributed to relative performance along with strong credit selection in the corporate market. The fixed income sleeve generates a yield of greater than 5.0% at current, with a duration of nearly six years with very modest credit exposure. The total portfolio has a Bloomberg Composite credit rating of A / A-, inspiring confidence in times of uncertainty. The Treasury curve steepened to levels last seen in 2022, with the 2yr/10yr curve ending the quarter positively sloped by 71bps. Investment Grade credit spreads tightened further and finished the quarter at 79 bps, well below the 25yr average of ~157bps.

TOP CONTRIBUTORS	AVG. WEIGHT	RETURN	CONTRIB-UTION
Alphabet Inc. (GOOGL)	4.2%	28.8%	0.48%
Advanced Micro Devices (AMD)	2.1%	32.4%	0.44%
Jazz Pharmaceuticals PLC (JAZZ)	1.6%	29.0%	0.25%
Estee Lauder Co. (EL)	1.3%	19.3%	0.24%
Las Vegas Sands Corp (LVS)	1.1%	21.5%	0.19%

The quarter's top contributors to performance were sourced from several sectors. **Alphabet** posted strong performance as the company's Large Language Model (LLM) called Gemini has recently become the most popular iPhone app driven by its Nano Banana image-editing feature with downloads, queries and weekly active users usurping ChatGPT's dominance. **Advanced Micro Devices** stock rallied as demand for AI chips continued to impress and the companies competitive positioning with the hyperscale cloud incumbents solidified. **Jazz Pharmaceuticals** has spent several years diversifying its revenues away from its category-leading sleep disorder drugs to new therapy areas including Cancer and Neurology. In particular, a HER2-targeted bispecific antibody initially targeting bilary tract cancers with potential expansion to esophageal and breast cancers posted strong trial results late in the quarter. **Estee Lauder** is a well-known global personal care brand with strong market shares in makeup and skincare. Weak consumer demand in China and growing competitive threats particularly for younger consumers with less disposable income drove a dramatic decline in the stock. The company has changed management and is reinvesting aggressively to position its brands to benefit from a recovery in Asian demand as well as to increase relevancy to a younger demographic. **Las Vegas Sands** operations in

Singapore and Macau have shown accelerating growth with particularly strong results out of its Marina Bay Sands property. The company's recent investment in its Macau properties appears well-timed for a recovery in gaming spend expected to accelerate over the coming quarters.

TOP DETRACTORS	AVG. WEIGHT	RETURN	CONTRIB-UTION
Netflix, Inc. (NFLX)	1.1%	<21.8%>	<0.22%>
IPG Photonics Corp (IPGP)	1.7%	<9.6%>	<0.18%>
Verisign Inc. (VRSN)	0.9%	<12.8%>	<0.13%>
Sherwin Williams Co (SHW)	1.9%	<6.2%>	<0.12%>
Tractor Supply Co (TSCO)	0.8%	<11.7%>	<0.11%>

The quarter's top detractors to performance were sourced from the Communication Services, Technology and Consumer Discretionary sectors with several stocks retreating after strong gains to start the year. **Netflix** (up 50.2% through June 30, 2025), **IPG Photonics Corp** (up 40.6% since March) and **Verisign** (up 39.9%) pulled back from all-time highs reached earlier in the year. I had trimmed both NFLX and VRSN earlier in the year as each reached valuations that embedded a lot of enthusiasm. For **Netflix**, concerns over their proposed acquisition of Warner Brothers Discover has dented confidence and eroded the valuation of the equity. I like the deal and continue to be optimistic on the streaming business model and the original content Netflix is producing. **IPG Photonics** has exposure to the slowing global manufacturing backdrop which raised concerns for near-term revenue growth. I expect those concerns to fade as economic growth improves in 2026 and the secular growth opportunities in the medical and defense markets post accelerating growth. **Verisign** is a beneficiary of improving small business formation with new web registrations accelerating at the end of 2025 and into the first few weeks of 2026. **Tractor Supply** operates in a competitive marketspace that has been hampered by a mild start to winter. Investors are expecting a disappointing fourth quarter performance and are concerned about the trajectory of margins going forward due to inflation. I believe the weather will normalize and the company's efficiency targets will generate savings to protect margins until revenue growth reaccelerates later in 2026.

Looking forward, global economic growth has slowed, and the exogenous shock of a trade war continues to cast a shadow over global macroeconomic growth. However, the Fed's accommodative stance has compressed volatility, and domestic fiscal stimulus will be a boost to consumer confidence and spending in the first half of 2026. While inflation rates have been cooling, more is needed to provide assurance that lower interest rates are appropriate. I expect the decline in energy prices and moderation in calculated rents to drive a persistent decline in inflation over the next several quarters, justifying two more rate cuts by the Fall. In addition, fiscal policy is likely to be a tailwind to investor confidence as politicians anticipate a consequential mid-term election in November. However, given the starting point of valuations for both equity and fixed income asset classes, a fair amount of optimism is already embedded, leaving little room for disappointment. Even so, I expect a favorable backdrop for risk assets over the next several quarters.

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 long term. This approach has served investors well over time, and my confidence in it has not waned.

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