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%. The Waterfront Equity Composite rose 4.5%.

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. 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%.

	Q4 2025 Total Return
Waterfront Equity Composite (net)	**4.5%**
S&P 500 Index	**2.7%**
Morningstar Large Blend category (median return)	**2.2%**

The Waterfront Equity strategy advanced 4.5% in the fourth quarter, outperforming the strategy's benchmark (the S&P 500 Index) as well as peers in the Morningstar Large Blend category. Strong stock selection in the Communication Services, Health Care and Industrials 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 the Consumer Staples and Financials sector as deteriorating business fundamentals motivated a switch into more promising investments.

TOP CONTRIBUTORS	AVG. WEIGHT	RETURN	CONTRIB-UTION
Alphabet Inc. (GOOGL)	6.4%	28.8%	0.76%
Advanced Micro Devices (AMD)	3.2%	32.4%	0.68%
Jazz Pharmaceuticals PLC (JAZZ)	2.5%	29.0%	0.38%
Estee Lauder Co. (EL)	1.9%	19.3%	0.36%
Las Vegas Sands (LVS)	1.8%	21.5%	0.33%

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)	1.5%	<21.8%>	<0.29%>
IPG Photonics Corp (IPGP)	2.5%	<9.6%>	<0.26%>
Verisign Inc (VRSN)	1.3%	<12.8%>	<0.20%>
Sherwin Williams Co (SHW)	2.9%	<6.2%>	<0.19%>
AbbVie Inc (ABBV)	2.4%	<0.6%>	<0.18%>

The quarter's top detractors to performance were sourced from the Communication Services, Technology and Materials sectors with several retreating after strong gains to start the year. **Netflix** (up 50.2% through June 30, 2025), **IPG Photonics** (up 40.6% since March), **Verisign** (up 39.9%) and **AbbVie Inc** (up 33.8%) pulled back from all-time highs reached earlier in the year. Early in the quarter, I trimmed both NFLX and VRSN 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. **AbbVie** has performed well as recently introduced Immunology drugs have driven strong revenue growth for the company. However, investor concern over the headwind from generics for its blockbuster Humira franchise and a heightened valuation multiple drove a modest pullback in the quarter. I continue to believe all four of these companies will generate strong earnings growth and recover in the year ahead. Sherwin Williams is a dominant player in N.A. coatings but is hampered by the long slump in housing construction and depressed housing turnover rates. As mortgage rates decline, I expect those trends to flip and for Sherwin Williams to thrive as a housing recovery takes hold.

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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