

Waterfront's Separately Managed Account Strategies Review

February 2nd 2022

Opportunistic Strategies Review (OS/OE)

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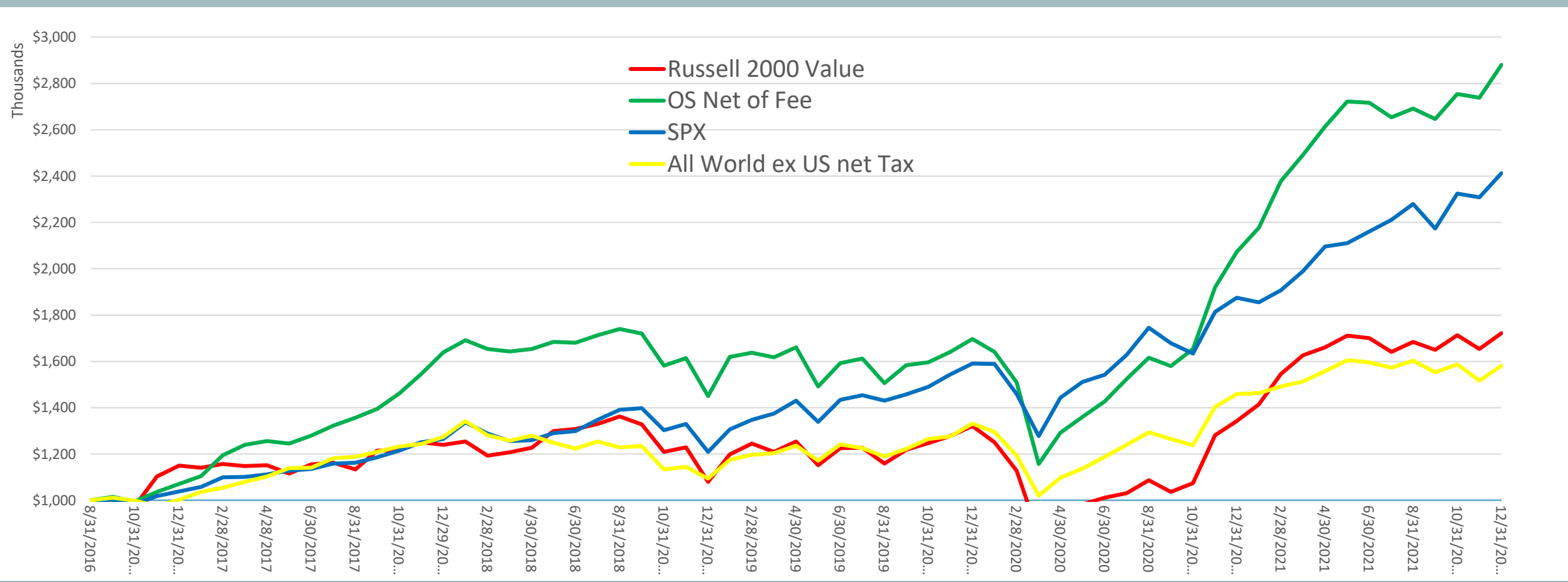
Why Have Two Strategies?

- The OE does have a riskier profile than the OS. Min size differences due to bond trading costs.

Required Minimum	Number of Holdings	Asset Classes	Turnover	Track Record	Security Style	Cash Positioning	Management Fee
\$250,000	60-80	Up to 20% Bonds	Very Modest	5.5 years	Up to 10% funds for international allocation	Will tactically hold cash.	.5%
\$100,000	~50	All Equity	More Trading than OS	2.1 years	100% individual equity	Cash targeted to be low at all times.	.5%

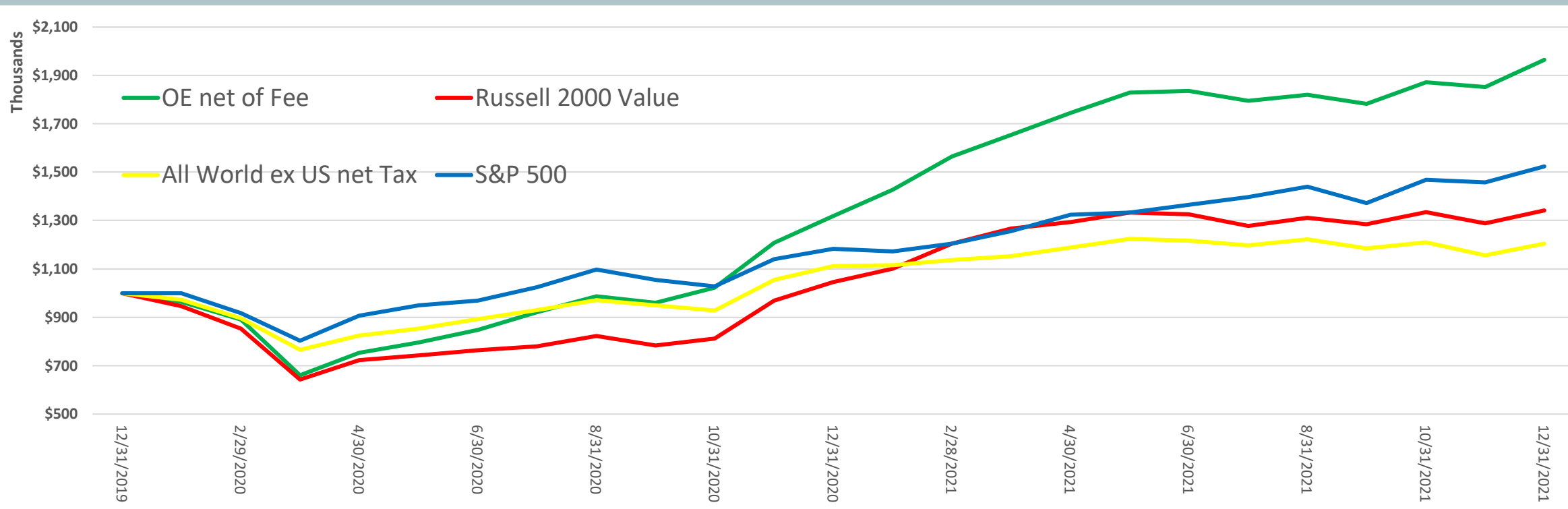
OS Returns

- Momentum that began in 4th quarter of 2020 continued in 2021.
39% 2021 return.



OE Returns

- Strong 49% return in 2021.

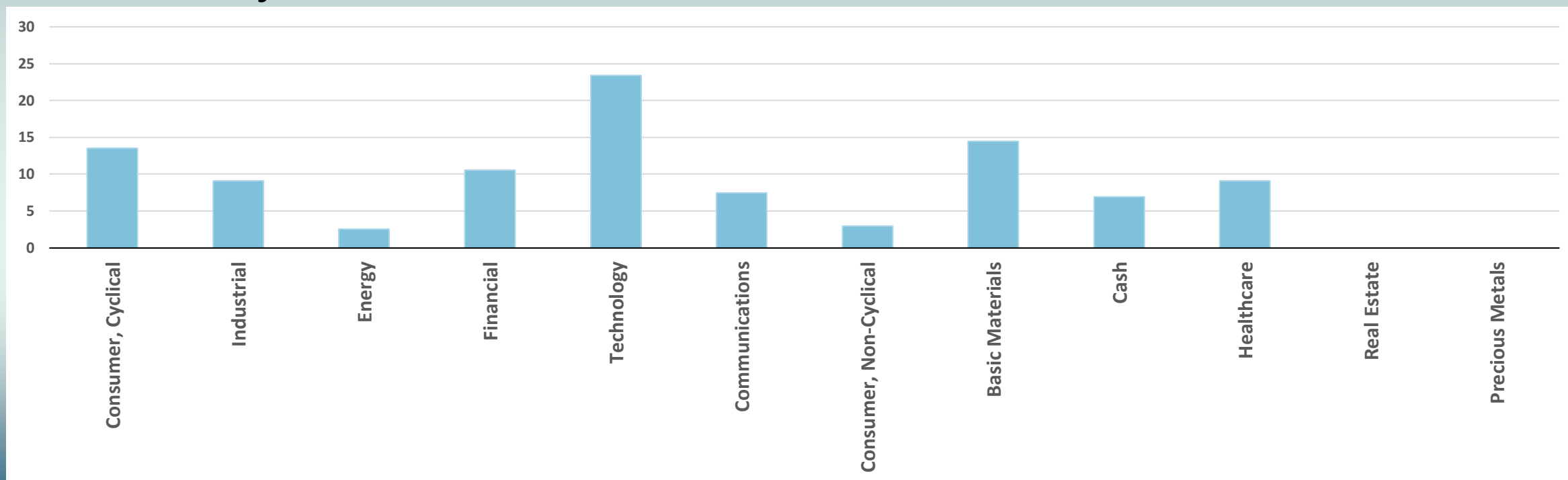


What Drove Solid Returns?

- Broad strength in the markets and small cap value stocks, the biggest component of returns.
 - The S&P 500 and Russell 2000 Value had returns a little over 28%.
- Security Selection drove the rest of the returns.
 - Several M&A, event-driven moves in stocks.
 - Vonage, Verso, Dorel.
 - Earnings were strong for portfolio stocks. Too strong to keep stocks down despite multiple compression.

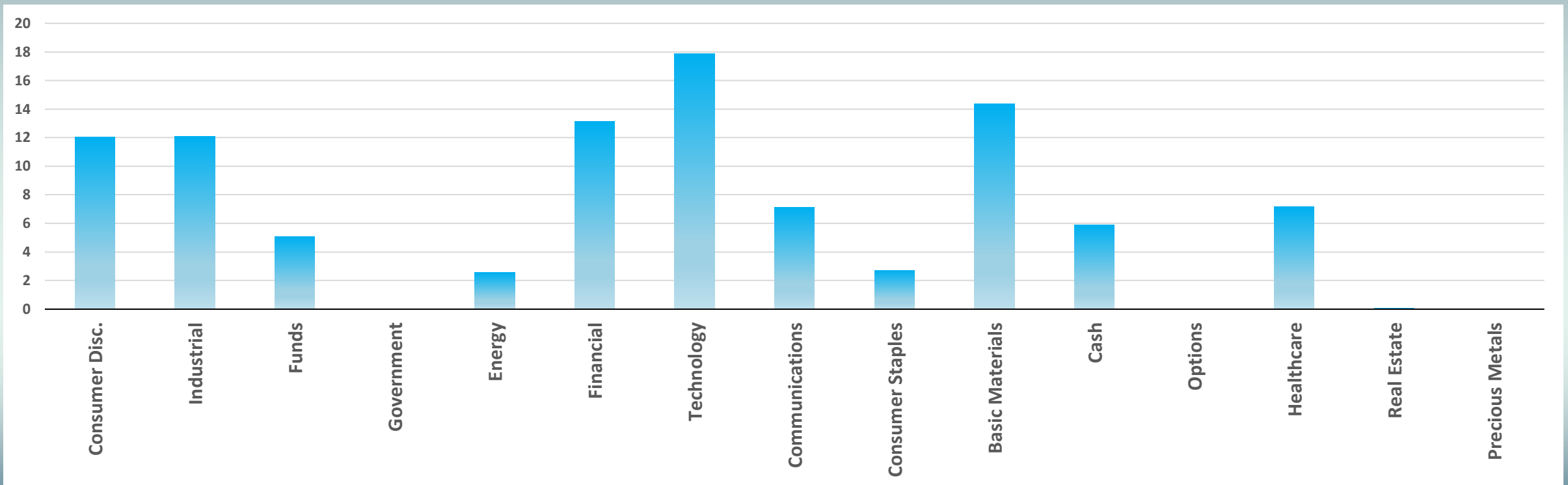
OE Sector Considerations

- Technology is largely “value” tech.
- Expect the drop-off from peak earnings in materials and cyclicals to be less than other investors despite a slowing economy.



OS Sector Considerations

- Diversification a little bit more than OE. Less technology, a little more financial and industrial.



Looking Forward

- There is a huge fiscal drag in 2022 that will impact GDP. The massive stimulus is no more.
- Consumers will have to spend freely to make up for the fiscal drag. No guarantee that will happen. Inflation could cause a pullback.
- Supply will gradually improve and as omicron fades, consumer demand patterns should move closer to pre-Covid ratios.
- Inflation will revert back to historical norms by second half of 2022.

Monetary Policy Considerations

- Federal Reserve policy put forth so much liquidity that it undoubtedly pushed asset prices higher than they otherwise would have gone.
- The Fed is unwinding the stimulus and that is a headwind to asset prices. Multiple compression in the stock market and the housing market are both meaningful risks.
- The Fed tightening to stop inflation when the near-term growth outlook is one of a slowing economy is a dangerous environment for risky assets.

Company Headwinds to Profit Growth

- Supply chain challenges and high material prices will continue in early 2022.
- The size and quality of our labor force is a big headwind to productivity in the near term.
 - Labor is feeling confident it can extract wage gains which is problematic for profit growth.
- The pandemic pulled forward a lot of tech spending, signs are it will continue in 2022 for most areas, but risk of softness vs lofty expectations.
- Competition is heating up in many different growth industries. As economies slow, competition can get fierce.

OS/OE Security Considerations

- Several big themes are present in the current allocation.
 - A high allocation to cyclical companies that have “peak” earnings in 2021 but my expectation is the fall off will be less severe than others believe.
 - Which is a better investment, two companies that both can grow earnings at the same clip starting 2 years from now but one’s current price to future expected earnings will move from a ratio of 6 to 9 to 12 over the next couple years and the other’s will move from 18 to 15 to 12?
 - Avoiding companies that need very high growth rates to sustain the stock price.

OS/OE Security Considerations

- Exposure to the clean energy transition but focusing on companies with more modest growth expectations.
- Technology is a secular growth industry and allocation will continue to be high.
- European financials have a brighter future than US ones, Japanese industrials have a brighter future than US ones, etc. (international should be allocated to).
- Telecom is more attractive than utilities or consumer staples.

Strategy Review

Waterfront Balanced
Waterfront Equity

February 2nd 2022

Strategy Overview

Strategy	Required Minimum Investment	Number of Holdings	Asset Class Exposure	Turnover	Track Record	Objective	Management Fee
Waterfront Balanced	\$200,000	50 - 75	50 – 70% Equity 30 – 50% Fixed Income	35% - 55%	7.5 years	Capital appreciation with current income	.5%
Waterfront Equity	\$150,000	45 - 50	100% Equity	35% - 55%	< 1 year	Capital appreciation	.5%

Waterfront Balanced Philosophy and Process

Philosophy: The Waterfront Balanced Strategy seeks to opportunistically allocate between assets classes to provide a combination of capital appreciation and current income. The blended portfolio of assets is diversified across sectors with security selection governed by a disciplined emphasis on finding reasonably price profitable companies with sound capital structures.

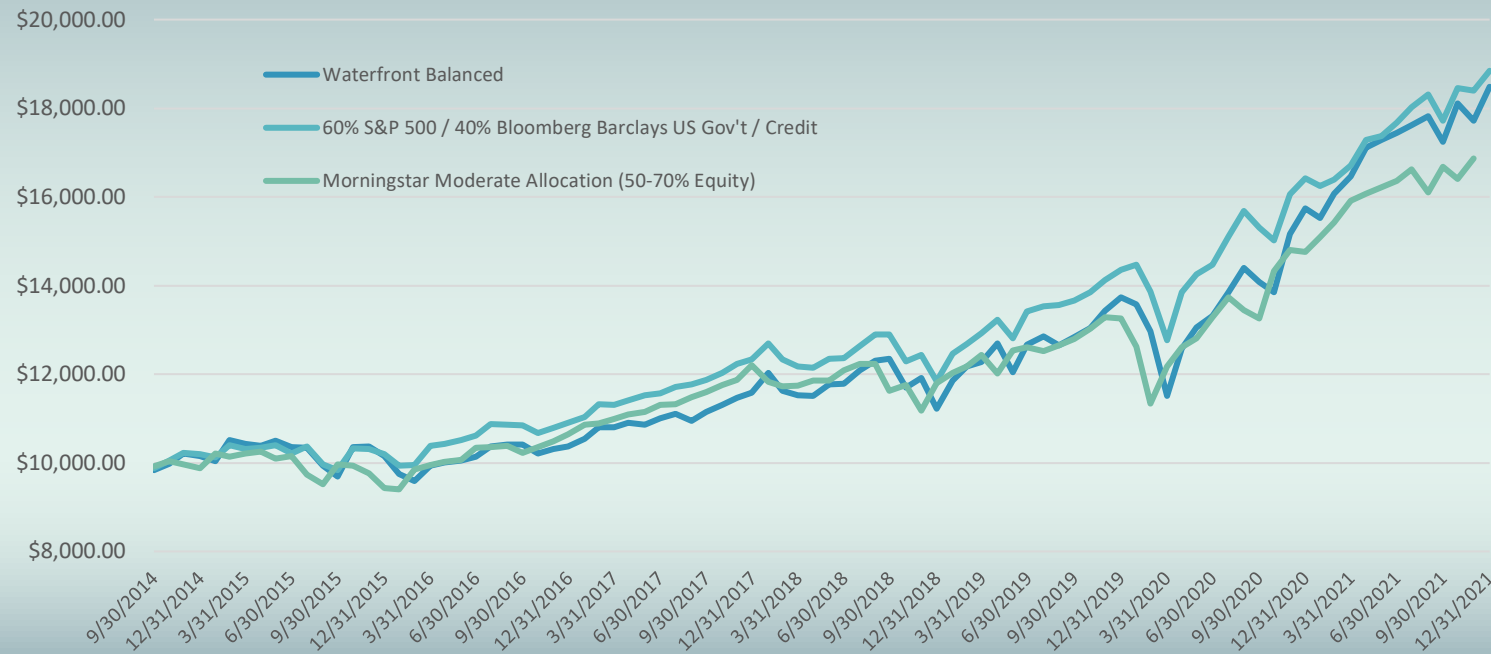
- The equity sleeve is focused on capital appreciation with security selection predicated on the belief that above-average profitability is an accurate measure of quality and that the market frequently underestimates its durability. We seek to exploit the opportunity by opportunistically investing in quality companies when they are attractively valued or out of favor.
- The fixed income sleeve is focused on capital preservation and current income with security selection predicated on the belief that fixed income investing is inherently asymmetric which requires a focus on compounding modest returns and avoiding credit mistakes that can impair capital. We seek to exploit the opportunity by emphasizing sound capital structures while opportunistically allocating to credit when volatility creates opportunity.
- The strategies cash position is a residual of the number of qualifying investments we can find and is normally between 0 – 3% of total assets.

Allocation and Characteristics (as of 12/31/2021)

- Allocation:
 - Equity: 67%
 - Fixed Income 32%
 - Cash: 1%
- Equity Characteristics:
 - Weighted Avg Market Cap: \$15B (S&P 500: \$45B)
 - Valuation: P/E of 24x 2021 EPS (S&P 500: 26x)
 - Dividend Yield: ~1.6%
 - ROE: ~17%
- Fixed Income Characteristics:
 - Credit: 60% U.S. Treasuries / 40% Investment Grade Corporate bonds
 - Duration: ~5.8yrs
 - Coupon: ~2.2%

Waterfront Balanced Performance

Performance Net ¹ 12/31/2021	YTD	1 Year	3 Year	5 Year	Since Inception*
Waterfront Balanced	17.4%	17.4%	18.1%	12.3%	9.1%
S&P 500	28.7%	28.7%	26.0%	18.4%	15.1%
Bloomberg/Barclays U.S. Govt/Credit	-1.7%	-1.7%	5.5%	4.0%	3.6%
Morningstar Allocation – 50-70% Equity	13.9%	13.9%	14.9%	10.4%	



¹Past Performance does not guarantee future results. Any investment contains risk including the risk of total loss. Returns are a time weighted average composite of the separate accounts in the strategy, net of management and trading fees. New accounts are included in the strategy the first full month after the model assignment date. Returns are geometrically linked over monthly periods or shorter periods if a new account or large cash inflow or outflow occurs within a month. Large cash inflow or outflow is >\$100,000. All returns are expressed in US dollars. There is no add back for any foreign withholding taxes on foreign dividends. Return calculations rely on data from TradePMR/Wells Clearing, the custodian, Bloomberg, and Easy ROR Pro, a Hamilton Software product used for calculating the returns of a composite of separately managed accounts. Historical returns include the Ivy Balanced fund institutional share class returns which was managed by Matthew Hekman from 8/4/2014 until 11/15/2021. Mr. Hekman assumed Portfolio Manager responsibilities for the Waterfront Balanced fund beginning 11/16/21.

Waterfront Equity Philosophy and Process

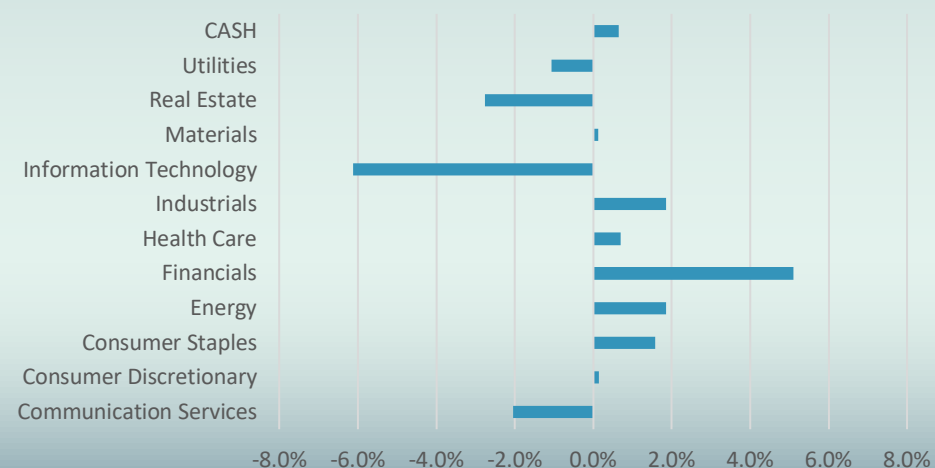
Philosophy: The Waterfront Equity Strategy is a concentrated portfolio focused on capital appreciation. The strategy is diversified across sectors with security selection governed by a disciplined emphasis on finding reasonably priced profitable companies.

- The equity sleeve is focused on capital appreciation with security selection predicated on the belief that above-average profitability is an accurate measure of quality and that the market frequently underestimates its durability. We seek to exploit the opportunity by opportunistically investing in quality companies when they are attractively valued or out of favor.
- The strategies cash position is a residual of the number of qualifying investments we can find and is normally between 0 – 3% of total assets.

Allocation and Characteristics (as of 12/31/2021)

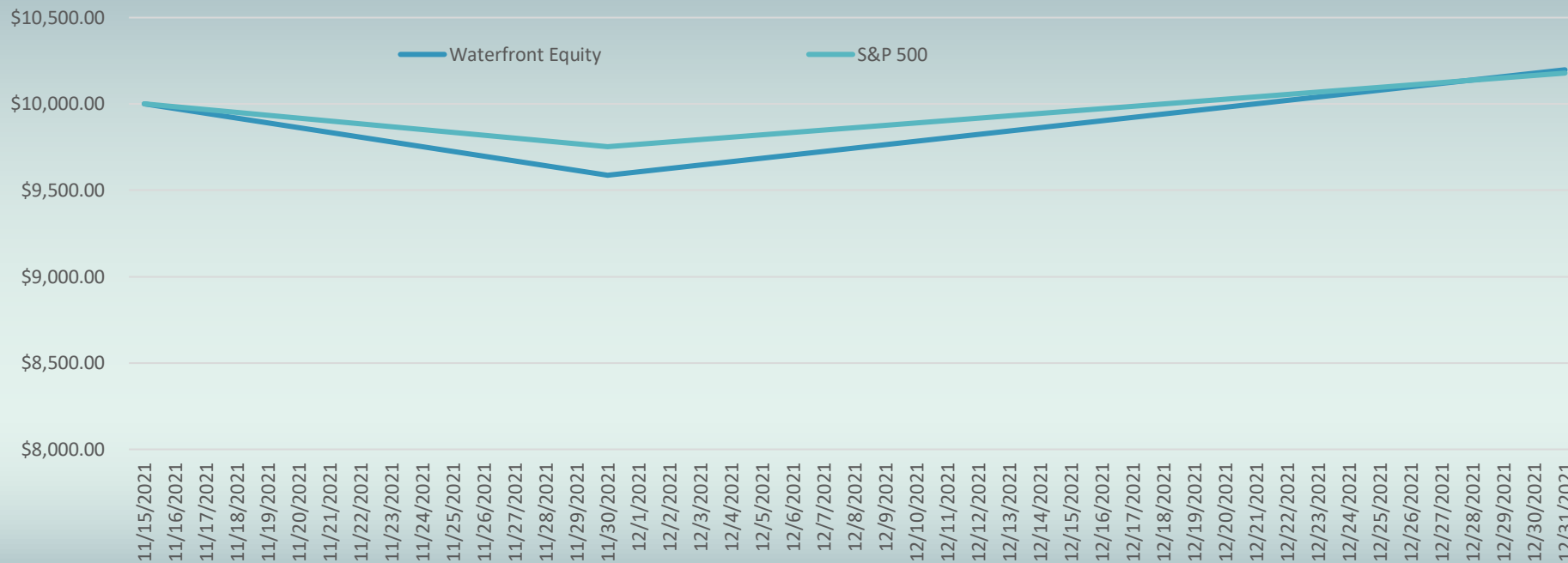
- Allocation:
 - Equity: 99%
 - Cash: 1%
- Equity Characteristics:
 - Weighted Avg Market Cap: \$15B (S&P 500: \$45B)
 - Valuation: P/E of 24x 2021 EPS (S&P 500: 26x)
 - Dividend Yield: ~1.6%
 - ROE: ~17%
 - Beta: 1.03x
 - Notable factor tilts:
 - OW: Value, Leverage
 - UW: Size, Profitability, Growth

Relative Sector Exposure (vs. S&P 500)



Waterfront Equity Performance

Performance Net ¹ 12/31/2021					
	YTD	1 Year	3 Year	5 Year	Since Inception*
Waterfront Equity	N/M	N/A	N/A	N/A	2.0%
S&P 500	28.7%	28.7%	26.0%	18.4%	1.8%



¹Past Performance does not guarantee future results. Any investment contains risk, including the risk of total loss. Returns are a time weighted average composite of the separate accounts in the strategy, net of management and trading fees. New accounts are included in the strategy the first full month after the model assignment date. Returns are geometrically linked over monthly periods or shorter periods if a new account or large cash inflow or outflow occurs within a month. Large cash inflow or outflow is >\$100,000. All returns are expressed in US dollars. There is no add back for any foreign withholding taxes on foreign dividends. Return calculations rely on data from TradePMR/Wells Clearing, the custodian, and Easy ROR Pro, a Hamilton Software product used for calculating the returns of a composite of separately managed accounts. Managed by Waterfront Asset Management. Starting 11/16/21.

2022 Outlook

“It’s tough to make predictions, especially about the future” Yogi Berra

U.S. GDP Growth:	3.5% - 4.0%
S&P 500 EPS Growth:	8.0% - 10.0%
S&P 500 Index Return:	Approx. 7.0%
U.S. 10yr yield on 12/31/2022:	Approx. 2.5%

Tune in Wednesday, February 16 for a more detailed conversation on the outlook!

To close, I want to point you back to our 'true north'. While we continue to monitor macroeconomic forces and trends, we maintain an emphasis on finding high quality, growing companies whose securities are trading at a reasonable valuation with visible catalysts to drive relative outperformance over the next twelve months. This approach has served investors well over time and our confidence in it has not waned.

Questions

Disclosures

Past Performance Does Not Guarantee Future Results

Asset allocation cannot eliminate the risk of fluctuating prices and uncertain returns.

The investment(s) discussed may not be suitable for all investors. Investors must make their own decisions based on their specific investment objectives.

Any investment contains risk, including the risk of total loss.

The Opportunistic and Waterfront Strategies

The Strategies calculate performance as a composite of all separate accounts included in the strategy. Advisor fees (which may range from 0.35% to 1.50% depending on account size), trading costs, cash inflows and outflows will lead to differences (primarily reductions) in return.

Accounts are included in the strategy at the earlier of 1 month after model assignment within TradePMR or after 60% of available funds have been invested in the strategy. Balance data and de minimis cash inflows and outflows are exported to return software (EASY ROR PRO) at the end of each month or at interim periods within a month if new accounts join during the month or there are large cash flows into or out of one of the portfolios. The end of every month, new account start dates or dates with meaningful cash flows into or out of a portfolio creates a break point for calculating period to period returns. The returns shown are geometrically linked returns over all relevant periods. The composite returns are a weighted average of all the separate accounts in the strategy. Although the accounts are managed in close unison to one another, returns can differ from account to account based on small differences in security weightings and/or securities held