

## DETERMINING RHYTHM

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Time is the ultimate arbiter. It reveals truths that short-term noise often obscures. This year, as we reflect on our journey and look ahead, we embrace the theme **Tempus Probat Omnia**—“Time Proves All.” It reminds us that enduring success is rarely linear; it is shaped by cycles, tempered by discipline, and sustained by perspective.

The pendulum is our chosen image for this report, and for good reason. Markets, economies, and even human behavior swing back and forth. Periods of exuberance give way to caution; optimism yields to fear. These movements are natural, and they carry within them the memory of what came before. Every return swing is informed by the last.

### Determining Rhythm

Looking back across decades, our path traces an elegant rhythm: progress through patience, beauty through balance, and endurance through time. This rhythm is not accidental—it is the product of deliberate choices. When times are good, we resist complacency. We prepare for reversals by strengthening our foundation, maintaining liquidity, and avoiding the temptation to overreach. When conditions tighten, we lean on that preparation, confident that resilience will carry us through.

Cycles can feel disorienting in the moment, but perspective transforms them into patterns. The pendulum’s swing is inevitable; what matters is how we respond. We cannot stop it, but we can slow it. Through diligence, prudence, and humility, we temper extremes and protect against being subsumed by the reversal. This is not about predicting the future, it is about preparing for it.

### Setbacks as Steppingstones

In this context, it is vital to remember that setbacks do not prevent success; they are often prerequisites for it. 19th-century Rabbi Tzadok HaKohen of Lublin expressed this quite well when he said: “Downward motion that is for the sake of upward motion.’ That through the descent one can reach an even greater ascent.” Sometimes we face difficulties, setbacks, or dark periods that seem like spiritual or personal descents. But these challenges can develop strengths, insights, and capacities we wouldn’t have gained otherwise. The people and organizations who emerge from the valley are stronger and wiser than those who stayed comfortably on a plateau. To quote Bill Williams who put it in more simple terms, “Out of the hottest fire, the strongest steel is formed.”

History and experience affirm this truth. Periods of contraction, while uncomfortable, create the conditions for renewal. They force clarity, discipline, and innovation. They remind us that resilience is not built in calm waters but in the storm. Each descent, when met with preparation and perspective, becomes the foundation for a stronger rise.

### **Our Current Challenges**

This past year has tested us in profound ways. Higher interest rates have materially increased debt service on our floating-rate loans. Post-Covid inflation has driven operating costs sharply higher. At the same time, record new apartment supply in our markets has intensified competition, leading to rent discounting. The combination of rising interest rates, expanding cap rates, and Net Operating Income deterioration has resulted in property values declining and a material reduction in distributions.

The pain we are experiencing is not unique to CWS—it is industry-wide. Yet, as history shows, these conditions often set the stage for opportunity. Distressed sellers will emerge, and with discipline and liquidity, we will be positioned to deploy capital effectively when the pendulum swings back.

### **Lessons from Time**

Time has proven that enduring value comes from discipline, not haste. It rewards those who balance conviction with flexibility, optimism with caution. It teaches that progress is rarely a straight line, but a series of arcs—each one shaped by the decisions made in the prior swing.

As stewards of your capital, we hold these lessons close. We invest with patience, guided by fundamentals rather than fads. We seek beauty in balance—between risk and reward, and with growth and stability. And we endure by honoring time as both a teacher and a test.

### **Looking Ahead**

The coming year will bring its own rhythms. Some will be familiar; others will surprise. Our commitment is to remain grounded in principle, even as the pendulum moves. We will continue to prepare in times of strength, so that we can act decisively when opportunities emerge. We will lean on experience but never stop learning. And above all, we will remember that time proves all.

Thank you for your trust and partnership. Together, we navigate cycles not as victims of their force, but as students of their wisdom. The pendulum will swing—but with perspective and preparation, we can move forward with confidence.