



## Arcataur Capital Management LLC

A Registered Investment Advisor

High Quality Investment Management  
For Individuals and Institutions

### ARCATAUR LARGE CAPITALIZATION EQUITY PORTFOLIO

The **Arcataur Large Capitalization Equity Portfolio** provides investors a separately managed account consisting of high quality, blue chip stocks which offer growth opportunities at a reasonable price. We believe that our disciplined, top-down approach, combined with company specific fundamental analysis, will provide above average long-term growth, while at the same time explicitly controlling for portfolio risk. The investment objective is to consistently outperform the large capitalization benchmarks on a total return basis.

#### Key Portfolio Characteristics:

- High quality, blue chip stocks offering growth opportunities at a reasonable price
- Top down approach, combined with fundamental analysis focused on financial and operating quality of portfolio companies
- Valuation considerations lead to a diversified core style
- Portfolio construction utilizes the “45/15” principle
- Portfolios are structured around selected investment themes with staying power

The **Arcataur Large Capitalization Equity Portfolio** invests in high quality companies that have sustainable growth without overlooking risk. Most companies will have market capitalization in excess of \$2 billion. Research fundamentals are emphasized starting in a top-down approach. Financial and operating quality is then considered to provide a greater margin of safety and stability to the portfolio. Valuation is always a factor to avoid overpaying for growth stocks. Technical analysis is utilized for timing decisions and taking advantage of trading opportunities. Our strategy for the **Arcataur Large Capitalization Equity Portfolio** is maximizing expected return through constructing diverse portfolios covering most major industry sectors.

Our equity investment process begins with a macroeconomic analysis, including a focus on all industries and sectors, looking to emphasize the ones that may benefit from the current economic environment. We then perform fundamental equity analysis, emphasizing the competitive positions of companies within their industries. We focus on leaders or emerging leaders in these industries to lever the portfolio for out-performance versus broad market benchmarks. Strong market share, strong financial position, unique products or services, low cost operations, significant free cash flow and appropriate stock valuations are critical variables we look for in our companies. Technical analysis also may be utilized for timing decisions and taking advantage of trading opportunities.

Our strategy then looks at ways to maximize expected return through constructing diverse portfolios covering most major industry sectors utilizing the “45/15” principle. On average, this portfolio could hold 55 stocks; however, the largest 15 could account for as much as 45% of the portfolio’s market value.



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## **ARCATAUR LARGE CAPITALIZATION EQUITY PORTFOLIO**

### **Equity Investment Process for the Arcataur Large Capitalization Equity Portfolio**

#### **Step One: Macro Assessment**

Our research is top-down, which means we focus on all industries and sectors and look to emphasize the ones that benefit from the current economic environment. We will have representation in most sectors that make up the universe of the economy and the stock market. Macroeconomic data and specific industry data are monitored to determine optimal sector exposure.

#### **Step Two: Fundamental Analysis**

The heart of Arcataur's fundamental equity analysis focuses on the competitive position of the company within its industry. We search for companies that have demonstrated franchise value. This might arise from a technological edge relative to competitors, better management, high barriers to competition or products with very few substitutes. This research focuses on the leaders or emerging leaders in these industries to lever the portfolio for out-performance versus broad market benchmarks. Strong market share, strong financial position, unique products/services, low cost operations, significant free cash flow and appropriate stock valuations are critical variables we look for in our companies.

#### **Step Three: Portfolio Construction**

Based upon the ten major sectors, portfolio construction starts with considering each for overall positioning versus a broad market exposure. In most cases, there will be exposure in most sectors, but an overweight, market weight or underweight will be established. Industry analysis determines the best exposure to achieve sector weight. The diverse approach is maintained by not allowing any sector to be more than 2.5 times over-weighted.

We build our portfolios utilizing the "45/15" principle. On average, we will hold 55 stocks (40 to 65); however, the largest 15 could account for as much as 45% of the portfolio's market value. Moving stocks in and out of that top 15 list accounts for a majority of trading within the existing list of companies. Key investment factors are monitored closely for each company owned and re-evaluated constantly to optimize the portfolio structure. Performance of the large capitalization portfolio is augmented by sector/industry selection and specific stock selection to fulfill the top-down approach.

**Asset Class:**  
Domestic Equity

**Investment Style:**  
Large Cap Core

**Benchmarks:**  
Lipper LC Core  
S&P 100  
S&P 500

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