



Arcataur Capital Management LLC

A Registered Investment Advisor

High Quality Investment Management
For Individuals and Institutions

ARCATAUR MANAGED BALANCE PORTFOLIOS

The **Arcataur Managed Balance Portfolio** offers investors a separately managed account which seeks to preserve capital during difficult market periods while allowing growth opportunity in good market conditions. The investment objective is to seek the competitive returns of the **Arcataur Large Capitalization Equity Portfolio** in conjunction with the lower volatility characteristics and the current income generated from holding fixed income investments of the **Arcataur Investment Grade Fixed Income Portfolio**.

Arcataur Conservative Managed Balance Portfolio

- Equity Component Target of 45%
- Fixed Income Component Target of 55%

Arcataur Core Managed Balance Portfolio

- Equity Component Target of 60%
- Fixed Income Component Target of 40%

Arcataur Aggressive Managed Balance Portfolio

- Equity Component Target of 70%
- Fixed Income Component Target of 30%

The **Arcataur Managed Balance Portfolio** offers investors a separately managed account which seeks to preserve capital during difficult market periods while allowing growth opportunity in good market conditions. We view it as a core investment vehicle for a wide range of clients. It is ideal for investors who seek growth over time and also desire current income. This investment discipline provides flexibility and customization to meet unique client needs. The **Arcataur Managed Balance Portfolio** takes advantage of the concept of the Modern Portfolio Theory—blending risky assets with less risky assets over long periods of time to achieve an appropriate balance between return and risk. History has shown that a well-diversified portfolio will achieve solid results without taking on excessive risk. Arcataur has developed a model that assists us in determining the relative attractiveness of stocks versus bonds. Key factors include corporate earnings, interest rates and the implied risk premium between stocks and bonds. When our models and fundamental analysis indicate stocks are more attractive, we will be near our upper end of the range for stocks (75%). Conversely, when bonds are favored, we will be near the lower end of the stated range for stocks (45%).

The **Arcataur Managed Balance Portfolio** is divided into three separate strategies within this spectrum, depending upon the investment objective and risk profile of the client. The equity component of the **Arcataur Managed Balance Portfolio** is the **Arcataur Large Capitalization Equity Portfolio**, utilizing the same process to achieve a separately managed account consisting of high quality, blue chip stocks. The fixed income component is the **Arcataur Investment Grade Fixed Income Portfolio**, offering the same investment style in the separately managed account format.



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Asset Allocation Strategy for the Arcataur Managed Balance Portfolios

Step One: Equity/Fixed Income Positioning

Arcataur has developed a model that assists us in determining the relative attractiveness of stocks versus bonds. Key factors we look at include corporate earnings, interest rates and the implied risk premium between stocks and bonds. We have identified key inflection points between prices of bonds and stocks. The 45% to 75% equity/fixed income targets for each of the **Arcataur Managed Balance Portfolios** was set after extensive research, utilizing historical data and data from our own previous management experience. The **Arcataur Managed Balance Portfolio** starts here. Based upon the market conditions and each client's investment objectives and risk tolerance, an asset allocation range and target is set to balance risk and return for that investor. Each of our balanced portfolios has distinct risk and return characteristics. The **Arcataur Conservative Managed Balance Portfolio** seeks to achieve moderate, long-term capital appreciation with higher current income, while recognizing the possibility of moderate fluctuation in year-to-year market values. The equity component target is 45%, and the fixed income component target is 55%. The **Arcataur Core Managed Balance Portfolio** seeks to achieve a moderate level of current income and, over time, above average capital appreciation with moderate risk of principal. The equity component target is 60%, and the fixed income component target is 40%. The **Arcataur Aggressive Managed Balance Portfolio** seeks to achieve high, long-term capital appreciation with lower current income while recognizing the possibility of substantial fluctuation in the year-to-year market value. The equity component target is 70% and the fixed income component target is 30%.

Step Two: Macro Assessment

Our portfolio managers ascertain the current state of financial markets and economies around the world. Many factors are considered to determine the probable course of future changes in financial assets. Inflation, economic growth, corporate earnings and input costs are the types of factors analyzed to gain insight into the future of the investment climate. When our models and fundamental analysis indicate stocks are more attractive, we will be near the upper end of the range for the particular **Arcataur Managed Balance Portfolio**. Conversely, when bonds are favored, we will be near the lower end of the stated range for the particular **Arcataur Managed Balance Portfolio**.

Step Three: Portfolio Construction

The equity component of the **Arcataur Managed Balance Portfolio** will be the **Arcataur Large Capitalization Equity Portfolio**, utilizing the same process to achieve a separately managed account consisting of high quality, blue chip stocks which offer growth opportunities at a reasonable price. The fixed income component will be the **Arcataur Investment Grade Fixed Income Portfolio**, and will offer the same investment style in the separately managed account format, focusing on Treasuries, Agency securities, corporate bonds and, for its tax sensitive clients, municipal bonds, with an average portfolio credit rating of AA or better. Small capitalization and International ETF's will be utilized to increase diversification, where appropriate.

Asset Class:
Domestic Balanced

Investment Style:
Large Cap Core/
Intermediate Bond

Benchmark:
Lipper Balanced
S&P 500
Citigroup-Broad In-
vestment Grade Treas-
ury/Gov't Spon-
sored/Credit 1-5 Years
Bond Index

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