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Fourth Quarter Review
December 2024

Arcataur Capital Management LLC
A Registered Investment Advisor

High Quality Investment Management

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Inside This Issue:

Fourth Quarter Equity Markets: ***U.S. Economy & Financial Markets Provide Leadership*** 1

Fourth Quarter Fixed Income Markets: ***Interest Rates and Yield Curve Continues to Normalize*** 3

First Quarter 2025 Investment Outlook 4

Historical market performance for the period ended December 31, 2024 4

Arcataur Composite Investment Performance 5

A Balanced Approach

U.S. Economy & Financial Markets Provide Leadership

The U.S. economy and equity markets showed significant resilience and strength versus global competitors in 2024. The year started out with over 65% of economists forecasting a U.S. recession. This did not materialize as economic activity stabilized and then gradually picked up throughout the year. However, developed countries in Europe and Asia could not follow suit and had limited growth.

European and Asian economies continue to struggle to regain solid footing with lackluster growth and stubborn inflation. Political upheavals in Britain, Germany, France, and South Korea are significant and have contributed to stagnant economics and a dissatisfied electorate. The attempts by the ECB and China to stimulate their moribund economies have had limited impact thus far. The structural issues of housing, manufacturing, declining population growth, and employment trends will require more than monetary stimulus in order to restore confidence in these troubled areas of the globe.

The U.S. stock market was led by the S&P 500 that produced 57 all-time high price levels during the year, with only a few brief and shallow corrections. This combination of strong returns and minimal volatility has occurred only four times in the past thirty years, and was an unexpected aberration.

In the first six to nine months of the year, the performance of the S&P 500 Index was supported by large technology and artificial intelligence (AI) related companies. This significant concentration of mega-capitalization companies powered the index higher, while the broader market lagged. Later in the year, with lower interest rates and the election behind us, the market broadened to support the total index into December. Investors viewed the potential for deregulation and lower taxes in the aftermath of Donald Trump's election as fuel to propel stock prices higher in the New Year.

The Federal Open Market Committee (FMOC) reduced overnight interest rates by 1% collectively over its last three meetings, but with incrementally stronger economic growth and inflation above the 2% target, the Fed's message in December was different. Stock prices pulled back and longer-term interest rates rose in the last few weeks of 2024 as investors now expect fewer interest rate reductions in 2025. Most economists forecast a low probability of a recession in 2025 and an average expected GDP growth forecast near 2%, or better. The first 90 days of the new Trump administration will be important to the global financial markets in defining expectations going forward.

The elevated valuations of the mega-capitalization technology, interactive media and artificial intelligence (AI) companies have been a focus for investors because of their dominance and size over the past five years. Historically, such positions do not last forever; however, these companies have pushed profit margins, return on equity, and free cash flow generation to unprecedented levels. The sustainability of these attributes have allowed these companies to return a significant amount of their earnings (more than 70%) to shareholders via dividends and share repurchases. The resilience in the equity market has been supported by this consistent rise in both profitability and returns of capital to shareholders. For now, expectations are that these fundamentals will persist for the leading companies for the foreseeable future.

The U.S. economy is showing signs of stability, with the expected consumer spending during the current holiday season to be up more than 6%. This is above the pre-pandemic level, which could lead to a more normal slowdown in the first quarter of 2025. Steady employment trends and higher wages support the positive trend; however, consumer credit delinquencies are elevated. The brief decline in mortgage rates in the summer and fall stimulated some improved housing activity, however mortgage rates have jumped back over 7% with the latest rise in interest rates. Recently, there are signs of companies reducing headcount and being less aggressive on new hiring or filling vacant positions. Wage growth has decelerated from the torrid pace in 2022 and 2023 but has been stable this year.

The November jobs report of 4.2% unemployment was a slight uptick, but included higher-than-expected job growth and labor participation stabilization. While the unemployment rate remains at the highest level over the last 35 months, it remains low on a historical basis and economic trends support stable future job data. The December employment report will be out Friday January 10th and is expected to be similar to November.

The global geopolitical conflicts have reached a point of potentially significant change. The turmoil in the Middle East has severely diminished radicalized factions (Hamas and Hezbollah in particular) and the related degradation of Iran and Russia capabilities to supply munitions to adversaries allowed for a regime change in Syria and impacts Ukraine's efforts to fend off Russia more effectively. The

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Arcataur Large Capitalization Equity Portfolio - This portfolio offers investors a separately managed account consisting of high quality, blue chip stocks. Our strategy focuses on maximizing expected return through constructing diverse portfolios covering most major industry sectors. On average, this portfolio could hold 65 stocks; however, the largest 15 could account for as much as 45% of the portfolio.

Arcataur Investment Grade Fixed Income Portfolio - This portfolio offers investors a separately managed account focusing on Treasuries, Agencies, corporate bonds and municipal bonds, with an average portfolio credit rating of A or better. Our approach is to actively manage interest rate risk and credit risk while minimizing liquidity risk to generate conservative risk-adjusted total return.

Arcataur Managed Balance Portfolio - This portfolio offers investors a separately managed account which seeks to preserve capital during difficult market periods while allowing growth opportunity in good market conditions. Arcataur has developed a model that assists us in determining the relative attractiveness of stocks versus 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%).

U.S. Economy & Financial Markets provide Leadership (cont.)

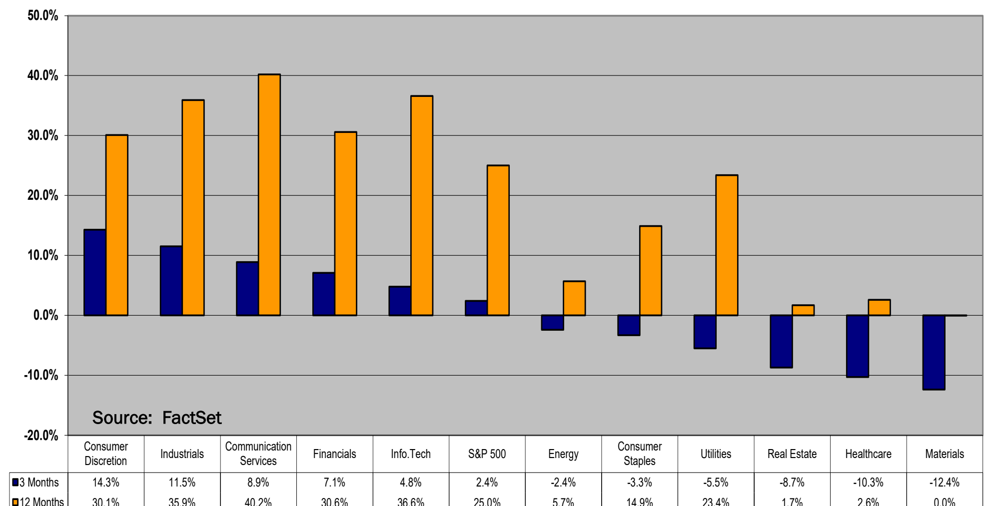
potential of allowing other radicalized factions to fill voids is a risk to a real resolution and an end to these significant conflicts. Israel has broadened its response and has materially impacted the entire Middle East region. The Russian invasion of Ukraine is now in its 35th month, and there are questions how the incoming Trump administration may change the calculus moving forward in both regions. Meanwhile, China continues its on and off aggression in the South Sea and remains emphatic in its claims over Taiwan.

Corporate profit expectations are a key determinant in valuing stocks. The fourth quarter of 2024 reports due over the next seven weeks for the S&P 500 are expected to produce a 0.5% increase from the 3rd quarter of 2024, and more than a 10% rise when compared to the 4th quarter of 2023. The large mega-capitalization technology stocks are expected to be leaders again in driving earnings growth. The S&P 500 current price-earnings ratio is above 25 times the value based upon current earnings estimates and is well above the long-term average as a result of the significant valuation premium of the largest technology stocks. The top 10 mega-capitalization stocks average over 30 times earnings, while the remaining 490 stocks average a lower multiple below 19 times. Small and Mid-Capitalization stocks trade at a discount at 18 times estimated earnings. Historically, Small and Mid-Capitalization stocks trade at a premium multiple versus the S&P 500; however current expected earnings growth is subpar compared to large capitalization stocks.

Oil prices reached a three-year low in early November and have remained in a tighter range averaging $70 in the 4th quarter. This is near the low of the $70 to $90 per barrel trading range over the last 30 months. The decelerating economic data globally and rising domestic inventories have kept oil prices lower. Gasoline prices peaked in late spring as refinery upgrades typically increase capacity and inventories. The lower price at the pump has continued, which is helpful to consumers and transportation focused companies. Hurricane season ended in early November and allowed the U.S. to escape, for a second year, major disruptions to the energy infrastructure. U.S. Natural Gas dipped below $2/mcf later in the summer and has rebounded above $3/mcf entering the winter heating season. Inventories are adequate, and comparisons to last winter will be difficult after a near record warm winter season in North America.

For the quarter, the S&P 500 (total return) was up 2.4%, while the Dow Jones Industrial Average rose by 0.9%. The technology-heavy NASDAQ Composite increased by 6.3% in the quarter. The S&P 600 Small Cap Index declined by -0.6% and the S&P 400 Mid-Cap rose by 0.3% in the quarter. Developed international markets fell by -8.1% and emerging markets declined by -7.3% for the quarter.

Only 5 of the 11 industry sectors outperformed the S&P 500 in the quarter and were mostly dominated by larger individual securities. For example, the Consumer Discretionary sector is dominated by Tesla (up 54% in the quarter) and Amazon (up 17%) which make up over 50% of that sector's weight, while many of the other companies were negative in the quarter. The Industrial and Financial sectors benefited from solid earnings, and investors' appetite for areas that could benefit from deregulation and change in interest rates. The lagging sectors tended to be the more defensive areas of the market, such as Healthcare, Utilities and Staples. Those sectors, including Energy, Real Estate and Materials, lagged the S&P 500 for the entire year as well. The chart below illustrates how all the sectors performed in the quarter and for the trailing twelve months.



	Consumer Discretion	Industrials	Communication Services	Financials	Info.Tech	S&P 500	Energy	Consumer Staples	Utilities	Real Estate	Healthcare	Materials
3 Months	14.3%	11.5%	8.9%	7.1%	4.8%	2.4%	-2.4%	-3.3%	-5.5%	-8.7%	-10.3%	-12.4%
12 Months	30.1%	35.9%	40.2%	30.6%	36.6%	25.0%	5.7%	14.9%	23.4%	1.7%	2.6%	0.0%

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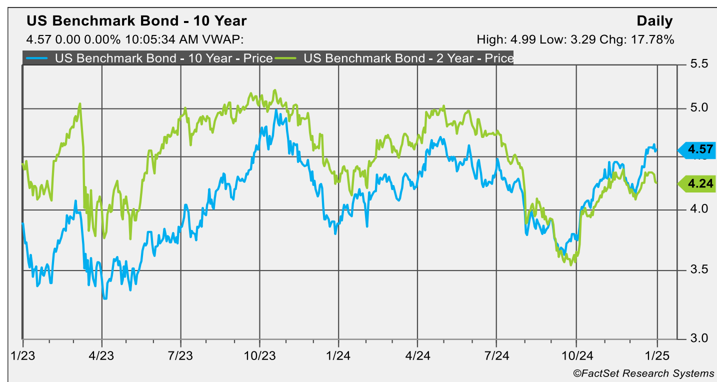
Interest Rates and Yield Curve Continues to Normalize

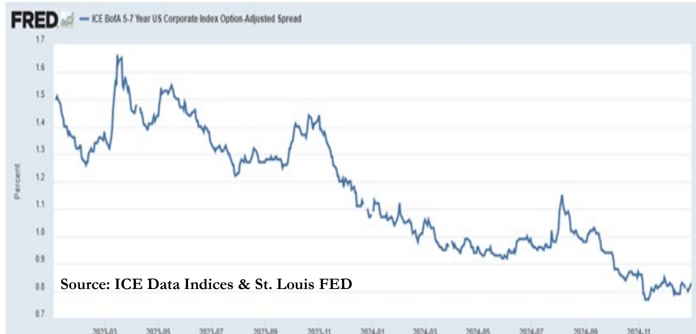
In 2024, Treasury bond yields were primarily driven by changing inflation expectations, Federal Reserve policy changes, budget deficit worries, and the late year reaction to the incoming Trump Administration's anticipated policy changes. Treasury yields had three moves of over 0.5% in 2024, and going back to late fall of 2023, four over the last 14 months. Drivers of these moves varied in 2024, but inflation did not decline as fast as expected and pushed bond yields up nearly 0.75% from January to April. However, tame inflation reports followed, along with slower economic growth, and interest rate cuts by the Federal Reserve drove short term yields down -1.4% and longer interest rates -1.2% from April to September. In November, the Trump Bump ignited animal spirits for investors, along with higher-than-expected economic growth, which pushed yields up into year end. Forecasts lean towards interest rates staying elevated in 2025 as tariffs are viewed as inflationary while continued low taxes rates are viewed as better for the economy. Moreover, there does not appear to be any real game plan to reduce the rising national deficit. The 2-year Treasury yield began the quarter at 3.64% and ended the quarter at 4.24%, while the 10-year Treasury yield began at 3.78% and ended at 4.57%, as seen in the chart below.



For bond investors, the goal is to earn a return on bonds above the rate of inflation which is called a 'real' return. By achieving a yield above the current inflation rate, bond investors will have more purchasing power in the future. With government bond yields near 4.5%, investors are beating inflation by 1.5-2.0% (real return) depending on the maturity of bonds purchased. This is attractive and a material improvement of the abnormal era of negative real interest rates from 2008 through May 2023. The 'normalization' of the yield curve is encouraging and allows financial markets to function correctly. Secondarily, bond investors should require a 'term premium' or achieve a higher return to buy bonds that mature further in the future (time value of money). However, since the yield curve was inverted (2-year yields above 10-year yields) beginning in 2022, the 'term premium' was negative until late 2024. The yield curve now has a positive slope (short maturity yields are lower than longer maturity yields) providing bond investors with a slightly higher yield when buying longer maturing bonds. There is potential for the 'normalization' of the bond market to continue further in 2025, with short-term yields declining and longer-term interest rates maintaining their level or rising further. At year end, the term premium between the 2-year and 10-year period is 0.33% and for the 2-year and 5-year is 0.19%. This is not a large premium, but much improved versus the negative premium in recent years.

After the Fed cut interest rates by 0.50% basis points in September, investors were anticipating what its next move for the remainder of the year and into 2025 would be. The slightly softer economic data late in the summer increased the probability for continued interest rate reductions, while improvements in growth in the fall shifted sentiment towards a pause as inflation data stalled above the Fed target of 2%. Ultimately, the Fed decided to reduce interest rates by 0.25% basis points in both October and December, lowering the Federal Funds Rate to 4.25-4.50%. After the December reduction, the stock market sold off, as the Fed noted that it expects to slow the number and pace of interest rate cuts in 2025, projecting two rate cuts, whereas the market was assuming at least three. The Fed is projecting an additional two rate cuts in 2026 and one in 2027. Fed Chair Jerome Powell stated that inflation continues to head to the target rate of 2% and that the labor market is cooling a bit. The potential of planned policy moves by the Trump administration could 'pause' the Fed cutting rates further since the policies could put upward pressure on inflation. Chair Powell did express that monetary policy decisions would continue to be data dependent.

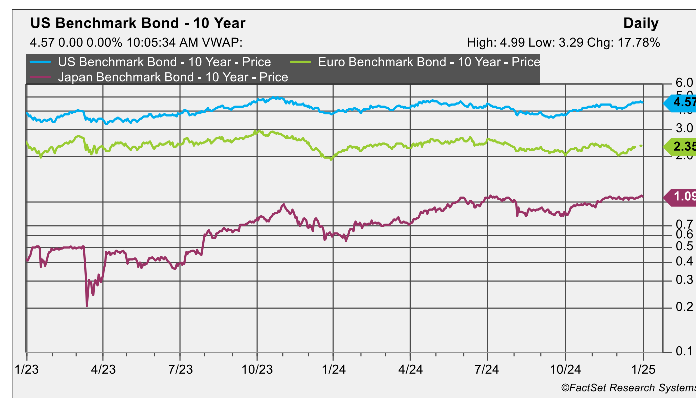
ICE B of A U.S. 5-7 year Corporate Bond Index Spread



Source: ICE Data Indices & St. Louis FED

Corporate bond spreads (the premium demanded to cover credit risk in corporate bonds) tightened throughout the year and the fourth quarter. The spread between 5-to-7-year maturities closed 2024 at near 0.85% basis points, as seen in the chart above which is very near historic lows. Low corporate spreads make it more difficult to find quality corporate bonds at a reasonable risk adjusted yield for clients. While we have continued to focus on finding quality corporate bond investments at appropriate yields, the Treasury market seemed more attractive for most of 2024 and particularly in the fourth quarter.

Yields in the U.S. and the EU have followed a similar pattern throughout the year. As illustrated by the chart below, yields in both blocs saw interest rates increase throughout the first half of the year before declining later in the summer. Japan too followed a similar pattern, but since hitting lows in October, yields have risen more so now above 1%.



The bond market continued to normalize in the fourth quarter, providing a rewarding and logical time to buy bonds for clients with current yields well above likely inflation expectations. While bond yields were somewhat volatile in 2024, patience and process discipline prevented us from chasing yields on the way down and allowed prudent buying as interest rates rose. The ability to buy bonds at these levels simply provides a safer place to invest when trimming equity exposure in this highly valued momentum stock market. With the yield curve slightly steepening, we will continue to use Treasury bonds and properly valued corporate bonds to add balance and yield to client portfolios. Should longer term yields stabilize or go higher from here, it would be logical to incrementally lengthen the duration where needed in the ladder structure of a well-diversified bond portfolios. The overall quality of our fixed income portfolio is single-A, aggregate average duration is 3.6 years, average yield to maturity is 4.8%, and liquidity remails sufficient.

First Quarter 2025 Investment Outlook

Fed Chairman Powell's comments in mid-December were received by overenthusiastic investors as the Grinch that short-circuited the normal Santa Claus rally into year-end. Termed as a "bearish interest rate cut", it indicates potentially fewer future reductions in interest rates are warranted based upon the current economic and inflation data. This subtle shift in outlook and elevated stock valuations could provide a needed pause or correction for rational investors.

The New Year also brings in many challenges and opportunities, along with the uncertainty of the Trump administration's focus and speed of implementation of key campaign promises, such as the inflationary concerns relating to tariffs and aggressive immigration changes that could tighten labor markets. Rising deficits and the cost of financing the national debt remain a concern as well. Reducing tax burdens can be stimulative; however, the timing of finding efficiencies and other offsets to reduce government spending may not occur quickly enough to prevent already excessive deficits from increasing.

For disciplined investors, patience was not rewarded in 2024, which was more of an anomaly and not expected to continue in 2025. Driven mostly by animal spirits and momentum strategies, U.S. stocks roared higher with little concern for valuation. Extreme price moves for art and crypto currency are concerning as well. Historically, such 'fear of missing out' investment concepts don't end well in the long run. Our experience has taught us that corrections are a healthy process and cash flows are needed to support an investment's long-term value.

The stable economic growth, steady employment and moderate inflation outlook in the U.S. economy is not shared globally. The significant destruction in Ukraine and the Middle East will need significant reconstruction when reasonable peace is achieved. A more even and better functioning global economy would be beneficial both in the U.S., and in the stagnant regions around the globe.

Currently, consensus earnings estimate for the S&P 500 is for a robust +15% rise in 2025 following a 10% expected increase for all of 2024. Valuations likely reflect these high expectations, and if achieved, would be the strongest two years of earnings growth since 2017-18. Any events that would be destabilizing to the domestic economy or other factors that impact corporate profit outlooks would be an additional risk for investors.

The U.S. economy has demonstrated significant resilience with relatively stable employment, allowing consumer spending to remain positive. Housing affordability continues to be difficult for first time home buyers and lower income households. Employment trends and wages remain solid, which is important to maintain economic stability. Any meaningful decrease in employment trends could lead to a meaningful economic deceleration. This is not our base case and the economy is not likely to reach recessionary levels without an unexpected shock.

History has taught investors that perceived early beneficiaries of new transformative technology, such as Artificial Intelligence (AI), may not necessarily be the dominant companies in the future. Our clients have exposure to the current leaders; however, our experience has led us to tread carefully with elevated valuations and an uncertain timeline for the impact of new technology's fundamental benefits to be realized.

Expectations are for a more normal economic deceleration in the first quarter that could increase market volatility over the coming months. As seen late in December, sticky inflation and higher interest rates can unnerve investors and financial markets. Employment trends, wages, and inflation trends are important statistics to determine if there are clouds on the horizon or if stability can be expected. The incoming Trump administration's aggressive agenda is expected to be rolled out quickly. Citizens, pundits, and financial markets will quickly react to successes or disappointments.

Globally, politicians and leadership are under pressure and turnover is visible everywhere. Factors driving this include crushing inflation that is broadly hurting middle and particularly low-income consumers, conflicts in Ukraine, Middle East and the South China Sea, immigration, aging populations, and government budgets. None of this is new to our world, and corporations have operated and will continue to adjust and manage their environment. Steady hands and balanced policies domestically and globally are needed. President-elect Trump and other new and current global leaders will be watched closely and will have a major job to bring stability and peace.

Unemployment trends have remained near historically low levels, resulting in stable wage gains in the previous three years. Expectations are for a modest rise in unemployment in 2025. In the past, full employment was 5%, so a modest rise from 4% would not be worrisome. The recent deceleration of wage growth and quit rate is indicating a shift in the balance of power back towards employers versus employees. A more significant or unexpected rise in unemployment would surely be a game changer for Fed policy and the financial markets.

The differential between the largest companies and the rest of the market still skews valuation analysis significantly. The probability of a normal 5-to-10% correction remains elevated, with a potential for a recovery assuming stable economic and inflation data. International stocks offer somewhat attractive valuations; however, their economic outlook is less clear.

For our clients, total equity exposure remains slightly above average within targeted ranges. The Large Capitalization portion of stock exposure has been a source of funds by reducing into strength and is below the median of our diversified approach. Small and Mid-Capitalization offers historically attractive valuations; however, earnings quality and lower interest rates will be important for investors to pivot away from the larger capitalization leaders.

The rise in interest rates and decline in bond prices have shifted the opportunities for bond investments. Clients' well-diversified fixed income portfolios have performed well. Expectations for declining short-term interest rates and rising longer-term interest rates have provided solid long-term opportunities recently. Based upon current market conditions, overall asset allocation is well diversified and provides ample liquidity to take advantage of incremental prospects that may arise.

Historical Market Performance for the Period Ended 12/31/2024

		Total Return (%)		Annualized Total Return (%)		
	Close	Quarter-to-Date	One Year	Three Year	Five Year	Ten Year
DJ Industrial Average	42544.2	1.0	14.8	7.4	10.4	10.5
S&P 500	5881.6	2.4	25.0	8.9	14.5	13.1
S&P 100	2890.2	4.6	30.7	11.1	16.5	14.2
S&P Mid Cap 400	3120.9	0.3	13.9	4.9	10.3	9.7
S&P Small Cap 600	1408.2	(0.6)	8.7	1.9	8.4	9.0
NASDAQ Composite Index	19310.8	14.2	44.6	6.0	18.8	14.8
Russell 2000	5542.5	0.3	11.5	1.2	7.4	7.8
MSCI EAFE	2261.8	(8.1)	3.8	1.6	4.7	5.2
MSCI EM (Emerging Markets)	1075.5	(7.3)	6.5	(2.7)	0.8	2.9
Bloomberg Barclays US Aggregate	90.4	(3.1)	1.3	(1.1)	(0.3)	1.4
Bloomberg Barclays US Gov/Credit 1-3 year	97.8	(0.0)	4.4	1.7	1.6	1.6
Bloomberg Barclays US Interm/Gov/Credit	95.6	(1.6)	2.9	(0.4)	0.6	1.5

Source: FactSet, DJ, S&P, WSJ, ICE, Nasdaq, MSCI, Bloomberg Barclays and ishares

Arcataur Composite Investment Performance for the 3 Months, 12 Months, 3 Years, 5 Years & 10 Years Ended December 31, 2024

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2024		
Large Cap Direct Stock Equity	1.5%	22.0%	8.2%	13.6%	11.9%
Large Cap Equity ETF	2.3%	23.6%	8.2%	14.0%	12.7%
Benchmarks					
Morningstar Large Cap Core Average	1.3%	21.3%	7.2%	12.9%	11.6%
Dow Jones Industrial Average	1.0%	14.8%	7.4%	10.4%	11.4%
S&P 500	2.4%	25.0%	8.9%	14.5%	13.1%
S&P 100	4.6%	30.7%	11.1%	16.5%	14.2%

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2024		
Small Cap Equity	-0.5%	8.3%	1.4%	7.8%	8.3%
Mid-Cap Equity	0.3%	13.1%	4.0%	9.4%	9.1%
Benchmarks					
Morningstar Small Cap Core Average	0.3%	11.2%	2.6%	8.6%	8.0%
S&P 600	-0.6%	8.7%	1.9%	8.4%	9.0%
Morningstar Mid-Cap Core Average	-0.1%	14.4%	4.1%	9.8%	9.0%
S&P 400	0.3%	13.9%	4.9%	10.3%	9.7%

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2024		
Fixed Income	-1.2%	3.5%	-0.5%	0.9%	1.8%
Benchmarks					
Bloomberg Barclays 1-5 (T/G/C)	-0.7%	3.8%	0.9%	1.3%	1.7%
Bloomberg Barclays Aggregate	-3.1%	1.3%	-2.4%	-0.3%	1.4%
Bloomberg Barclays 1-3 (T/G/C)	0.0%	4.4%	1.7%	1.6%	1.6%
Morningstar Core Bond Average	-2.9%	1.7%	-2.3%	-0.2%	1.3%

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2024		
Developed International Equity	-8.3%	2.8%	0.7%	4.2%	4.7%
Emerging International Equity	-6.0%	10.0%	-0.8%	2.2%	3.4%
Benchmarks					
EAFE	-8.1%	3.8%	1.6%	4.7%	5.2%
MSCI Emerging Market Index	-7.3%	6.5%	-2.7%	0.8%	2.9%

Arcataur Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2024		
Total Equity*	0.1%	16.8%	5.5%	10.9%	10.3%

*Total Equity is not an actual composite portfolio; rather, Total Equity represents a weighted average return of the Large Cap, Mid-Cap, Small Cap and International composites, and is only shown as an indication of potential overall equity performance. Total Equity does not represent any actual portfolio because it is made up of a weighted average return of all equity classes. Please review complete disclosure information below.

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2024		
Managed Balance	-0.4%	12.0%	3.5%	7.7%	7.4%
Benchmark					
Morningstar Balanced Fund Average	-0.9%	11.4%	2.9%	6.7%	6.5%
60/40 Custom Index	-0.3%	12.2%	4.2%	7.1%	7.2%

Appendix: Disclosure Information Regarding Composite Performance

General-Arcataur Capital Management LLC is an investment advisor. Arcataur has prepared this report. The information in this report has been developed internally and/or obtained from sources which Arcataur believes are reliable; however, Arcataur does not guarantee the accuracy, adequacy or completeness of such information nor do we guarantee the appropriateness of any strategy referred to for any particular investor. Index information has been taken from public sources. Past performance is not indicative of future results, as investment returns will vary from time to time depending upon market conditions and the composition of the composite portfolio. Returns for individual investors will vary based on factors such as the account type, market value, cash flows and fees.

Calculation Methodology- The composites reflect dollar-weighted returns of individual accounts. Arcataur composites may include some discounted or non-fee-paying accounts, which could cause the net return to be higher than it would be otherwise. Arcataur uses the time-weighted internal rate of return formula (i.e., returns that include reinvested dividends and other income) to calculate performance for the accounts included in the composite. Individual account returns are calculated on a time-weighted basis, linked daily, and include reinvestment of dividends and other such earnings. Total return (return) is defined as the percentage change in market value (including interest and dividend income) adjusted for any client-directed cash flows. A time-weighted, daily-linked method is used to calculate composite calendar quarter, annual, cumulative and annualized returns. No leverage or derivatives have been used. Cash is not included in the performance calculations for the Arcataur Large Capitalization Equity Portfolio Composite or the Arcataur Investment Grade Fixed Income Composite; Arcataur also does not allocate cash in the Arcataur Managed Balance Portfolio Composite to the equity or fixed income components when calculating performance for those components. Cash is, however, included in the overall performance calculation for the Arcataur Managed Balance Portfolio Composite.

Composites-Mutual fund holdings are not included in composite results. Exchange traded funds (ETFs) are included in composite results. Mutual fund holdings typically are "unmanaged assets" and, therefore, are not included in composite results. Exchange traded funds are designated as "managed assets" and, therefore, are included in the composite results.

The Arcataur Large Capitalization Equity Composite consists of portions of all client accounts invested in accordance with the Arcataur Large Capitalization Equity Portfolio strategy (including ETFs). The Arcataur Small & Mid-Capitalization Equity Composites consist of portions of all client accounts invested in small & mid-capitalization equity securities (including ETFs). The Arcataur International Equity Composite consists of portions of all client accounts invested in international securities (including ETFs). The Arcataur Investment Grade Fixed Income Composite consists of portions of all client accounts invested in accordance with the Arcataur Investment Grade Fixed Income strategy. The Arcataur Managed Balance Composite consists of portions of all client accounts invested in accordance with the Arcataur Managed Balance strategy.

Appendix: Disclosure Information Regarding Composite Performance (cont.)

Fees-The Composite performance figures shown above, are "net" of advisory fees based upon a standard client fee paid during the period including any brokerage fees or commissions that have been incurred within the account. Because the actual management fee paid by an individual client may have been higher or lower, the client's net return may have been higher or lower. The Arcataur Managed Balance composite is based on actual fees paid and may include some discounted or non-fee-paying accounts. The S&P 500® Index, S&P 100® Index, DJIA®, S&P 600® Index, the EAFE® index, the Bloomberg Barclays Investment Grade Index Treasury/Government/Credit (T/G/C) 1-5 Years, and the Bloomberg Barclays Investment Grade Index Treasury/Government/Credit (T/G/C) 1-3 Years returns do not include any fees; the Morningstar Large Cap Core, Small Cap Core, Balanced Fund and Bond Fund Averages are net of fees.

Indices and Benchmark Funds-The Indices and Benchmark Funds are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites. Arcataur believes that the Indices and Benchmark Funds selected for comparative purposes are appropriate measures given the investment approach. However, the investment portfolios underlying the indices are different from the investment portfolios managed by Arcataur. The Indices and Benchmark Funds shown are unmanaged, and investors are not able to invest directly in them. The Indices and Benchmark Funds are generally representative, in terms of risk and exposure, of the various components as follows:
Arcataur Large Capitalization Equity Portfolio - the S&P 500® Index, the S&P 100® Index, DJIA®, and Morningstar Large-Cap Core Average

Arcataur Investment Grade Fixed Income Portfolio –the Bloomberg Barclays Investment Grade Index (T/G/C) 1-5 Years, Investment Grade U.S. Aggregate, and Investment Grade Index (T/G/C) 1-3 Years and the Morningstar Core Bond Mutual Fund Average.

As of 12/31/22 the Custom Bond index (2/3 Bloomberg Barclays (T/G/C) 1-5 and 1/3 Bloomberg Barclays U.S. Aggregate) has been applied for comparison purposes to returns since inception. Prior to this change, for the period beginning 7/2020 through 12/2021, the custom bond index utilized 50% Bloomberg Barclays (T/G/C) 1-3 and 50% Bloomberg Barclays (T/G/C) 1-5, while periods prior to 7/2020 used the current index weightings. This change appropriately reflects the investment strategy and was also made in the historic bond weightings of the 60/40 custom index.

Arcataur Managed Balance Portfolio - Morningstar Balanced Fund Average and 60/40 custom total return index. Beginning 1/2022, the 60/40 custom index includes: Equities (60% S&P 500, 15% S&P 400, 10% S&P 600, 10% EAFE, 5% MSCI-EM), & Bonds (58% Bloomberg Barclays (T/G/C) 1-5, 30% Bloomberg Barclays U.S. Aggregate, and 12% Bloomberg Barclays 3-month treasury index). For the period 2/2003 through 12/2021, the 60/40 custom bond index includes: Equities (30% S&P 500, 30% DJIA, 15% S&P 400, 10% S&P 600, 10% EAFE, 5% MSCI-EM), & Bonds (58% Bloomberg Barclays (T/G/C) 1-5, 30% Bloomberg Barclays U.S. Aggregate, and 12% Bloomberg Barclays 3-month treasury index).

If a client's portfolio contains small-cap exposure, the small cap performance is measured against the S&P 600® Index and Morningstar Small Cap Core Average. If a client's portfolio contains mid-cap exposure, the mid-cap performance is measured against the S&P 400® Index and Morningstar Mid-Cap Core Average. If a client's portfolio contains international exposure, the performance is measured against the EAFE index. If a client's portfolio contains emerging market exposure, the performance is measured against the MSCI Emerging Market Index.

Except for the Morningstar Balanced Fund Average, the Morningstar Large Cap Core Average, the Morningstar Bond Mutual Fund Average, the Morningstar Small Cap Core Average, and the Morningstar Mid-Cap Core Average, indices and benchmark funds shown reflect the reinvestment of dividends and other earnings, but do not include transaction costs, management fees or other expenses of investing. The S&P 500 & S&P 100 are indices of Large-Cap domestic core companies as produced by Standard and Poor's, while the DJIA is produced by Dow Jones. The S&P 400 and S&P 600 are indices of Mid-Cap and Small Cap domestic core companies, respectively as produced by Standard and Poor's. The MSCI EAFE (Europe, Australasia, and Far East) Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. MSCI Emerging Markets ETF is an index composed of large- and mid-capitalization emerging market equities. Both are maintained by MSCI Barra.

Morningstar, Inc. provides mutual fund comparisons for similar investment profiles. The Morningstar Large Cap core universe of mutual funds represents large-cap blend discipline of domestic companies compiled by Morningstar, Inc. The Morningstar Small Cap core universe of mutual funds represents small-cap blend discipline of domestic companies compiled by Morningstar, Inc. The Morningstar Mid-Cap core universe of mutual funds represents mid-cap blend discipline of domestic companies compiled by Morningstar, Inc. The Morningstar Balanced Fund universe of mutual funds represents funds that include multi-assets including stocks and bonds compiled by Morningstar, Inc. The Morningstar Core bond universe of mutual funds represents funds that include investment grade taxable domestic bonds compiled by Morningstar, Inc.

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