



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 bear markets while allowing growth opportunities during bull market conditions in accordance with their risk tolerance. The investment objective is to blend the competitive returns of the **Arcataur Large Capitalization Equity Portfolio** in with the stability and current income generated from the fixed income investments of the **Arcataur Investment Grade Fixed Income Portfolio**.

Arcataur Managed Balance Portfolios

~Target Weights~

Core

*Equity Range: 45%-75%
Mid-point 60%*

*Bond Range: 25%-55%
Mid-point 40%*

Conservative

*Equity Range: 40%-60%
Mid-point 50%*

*Bond Range: 40%-60%
Mid-point 50%*

Aggressive

*Equity Range: 65%-85%
Mid-point 75%*

*Bond Range: 15%-35%
Mid-point 25%*

The **Arcataur Managed Balance Portfolio** offers investors a separately managed account which balances the growth opportunity of the equity markets with the stability and income generation of the fixed income markets. 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 volatile equity assets with less volatile fixed income 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 market value model that assists us in determining the relative attractiveness of stocks versus bonds on a real time basis. Key factors include corporate earnings, interest rates, inflation expectations and the implied risk premium between these asset classes. The **Arcataur Managed Balance Portfolio** utilizes **Core** target weights and ranges for moderate risk tolerance clients. The specific investment objective and risk profile of the client may necessitate **Conservative** or **Aggressive** target weights and ranges, or specifically tailored weights and ranges. We utilize our fundamental analysis and valuation discipline to determine where to position portfolios within the client's stated range. For instance, in **Core** portfolios, when our analysis indicates stocks are more attractive, we will be near our upper end of the range for equities (75%). Conversely, when bonds are favored, we will be near the lower end of the range for equities (45%).

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, along with broad equity exchange traded funds to diversify stock exposure. Similarly, the fixed income component is the **Arcataur Investment Grade Fixed Income Portfolio**.



Arcataur Capital Management LLC A Registered Investment Advisor

ARCATAUR MANAGED BALANCE PORTFOLIOS

Asset Allocation Strategy for the Arcataur Managed Balance Portfolios

Step One: Equity/Fixed Income Positioning

Arcataur utilizes fundamental research and valuation discipline to determine the relative attractiveness of stocks versus bonds. Key factors we analyze include corporate earnings, economic statistics, interest rates, expected inflation rates and the implied risk premium between stocks and bonds. The 45% to 75% equity target for the core **Arcataur Managed Balance Portfolio** was set after extensive research, utilizing historical data and data from our own previous management experience. Based upon 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 conservative Managed Balance range 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 mid-point target is 50%, and the fixed income component mid-point target is 50%. The core **Arcataur Managed Balance Portfolio** seeks to achieve a moderate level of current income, combined with above average capital appreciation with moderate risk of loss of principal. The equity component mid-point target is 60%, and the fixed income component mid-point target is 40%. The aggressive Managed Balance range seeks to achieve high, long-term capital appreciation with lower current income while recognizing the possibility of substantial fluctuation in the year-to-year portfolio returns, based on market conditions. The equity component mid-point target is 75% and the fixed income component target is 25%.

Step Two: Macro Assessment

Our portfolio managers ascertain the current state of financial markets and economies around the world. We evaluate many factors to determine where we are in the business cycle along with potential future events that may impact financial assets including global GDP and corporate earnings growth prospects, monetary and fiscal policy, inflation expectations, and input costs to gain insight into the investment climate. When our models and fundamental analysis indicate stocks are more attractive, we are near the upper end of the equity target range for the particular **Arcataur Managed Balance Portfolio**. Conversely, when bonds are favored, we are near the lower end of the equity target range for the particular **Arcataur Managed Balance Portfolio**.

Step Three: Portfolio Construction

The equity component of the **Arcataur Managed Balance Portfolio** will primarily be the **Arcataur Large Capitalization Equity Portfolio**, utilizing the same investment process to construct a high quality, blue chip stock portfolio which offer growth opportunities at a reasonable price. Broad equity index exchange traded funds are utilized to broaden stock diversification including Small and Mid-Capitalization domestic stocks, along with Developed and Emerging Market International exposure to maximize diversification. The fixed income component is the **Arcataur Investment Grade Fixed Income Portfolio**, offering the same investment style in the separately managed account format, focusing on treasuries, agencies, corporate bonds, preferred stocks, certificates of deposit as well as municipal bonds for tax sensitive clients. The targeted average portfolio credit rating is A.

Asset Class:

Balanced

Investment Style:

Core Domestic &
International Equities/
Intermediate Bond

Benchmark:

Lipper Balanced
60/40 custom index
S&P 500: 18% | DJIA: 18%
S&P 400: 9% | S&P 600: 8%
EAFE: 6% | MSCI EM: 3%
Barclays-Bloomberg –
Aggregate 35%
Treasury/Gov/Credit 1-5 65%

Arcataur Capital Management LLC

826 N. Plankinton, Suite 300
Milwaukee, Wisconsin 53203
414-225-8200

Ignatius L. Smetek

President & CIO
ISmetek@arcataur.com
414-225-8201

William C. Weber

Vice President
WWeber@arcataur.com
414-225-8207

Martin A. Moser

Vice President
MMoser@arcataur.com
414-225-8206

Jill M. Grueninger

Vice President
JGrueninger@arcataur.com
414-225-8203

Michael P. Johnson

Vice President
MJohnson@arcataur.com
414-225-8207

Scott Turza

Investment Associate
STurza@arcataur.com
414-225-8204