

Volume 2026 Issue 3

Third Quarter Review
September 2026



Arcataur Capital Management LLC

A Registered Investment Advisor

High Quality Investment Management
For Individuals and Institutions

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A Balanced Approach

Triple Threat of Rising Interest Rates, Oil Prices, and Risk of AI Creates Concerns

The third quarter of 2026 put the optimism of the spring rally for investors to the test as the triple headwinds of higher interest rates, rising oil and energy prices, and growing concerns of the risks related to Artificial Intelligence (AI) gave investors pause.

The mid-June Memorandum of Understanding between the U.S. and Iran, which helped power the second-quarter rally and briefly returned oil to pre-war levels, came apart within weeks. Energy prices, bond yields, and the Federal Reserve all moved in directions investors had hoped were behind them.

The potential of AI has been sidetracked by growing concerns about risks and returns given the massive capital expenditures involved, accompanied by worries from local communities and politicians fearful of losing control of related costs and quality of life issues with mega data centers popping up across the entire country. More recently, the potential for rogue AI activities that could do harm has raised the bar on oversight of the technology.

Yet as of quarter end the S&P 500 is roughly 2% off the record high it set in August, having absorbed a pullback of about 4% along the way. Higher interest rates impacted Small and Mid-capitalization domestic stocks with more than a 5% correction from recent high levels.

Periodic pauses in the fighting and third-party diplomacy, including a late-August Iran–Oman proposal for a temporary shipping corridor in the Strait of Hormuz, have so far failed to restore normal traffic. Commercial crossings through the Strait, which once numbered roughly 130 per day, had dwindled to near 10 by mid-August. More recently, there are improved signs of transporting oil, especially with the return of the Saudi pipeline in late September. Hostilities intensified again in September with tit-for-tat strikes on tankers and repeated attacks on Saudi Aramco's Jizan refinery by Quds Force-armed Houthis. Six months in, the conflict has settled into something closer to a stalemate, and a durable resolution does not appear imminent, although growing signs of strain on Iran's economy are increasingly evident.

Higher energy prices have flowed directly into inflation. The September Consumer Price Index is expected to be slightly higher than August's reading of 0.4% for the month and 3.4% from a year earlier, with gasoline up more than 27% year over year. More concerning for policymakers, core inflation, which excludes food and energy, ran

hotter than expected at 0.3% for the month after several softer readings, driven by services such as airfares, hotels and auto maintenance. Services inflation outside of housing continues to run above 3%, suggesting price pressures are not confined to the energy complex. Housing (rent and home purchase prices) inflation, which is 40% of the Consumer Price Index (CPI), has declined but is reported via survey data which has a lag versus other components of inflation.

The labor market is sending mixed signals. July saw modest job growth, then the August report saw employers adding an impressive 162,000 jobs. The September report missed expectations with a report of only 46,000 jobs added, and it included revisions to previous months. In addition, hourly earnings came in weaker than expected at 3.0% year over year, and the unemployment rate came in slightly higher than expected at 4.2%. Historically, economists have believed that the economy is at full employment when the unemployment rate is around 5%; however, the combined effects of aging baby boomers and significantly less immigration will continue to challenge that notion.

Corporate profits continued to be strong, which compelled investors to remain constructive, and pushed stock prices higher to near record territory. Second-quarter results were exceptional by nearly any measure with 86% of S&P 500 companies beating earnings expectations, well above the five-year average of 78%, and blended earnings growth approached 50%, the highest rate since the post covid shutdown rebound in 2021.

Analysts expect earnings growth of nearly 29% for the third quarter, which would mark a third consecutive quarter above 25%. Because profits have grown faster than prices, the market's forward price-to-earnings ratio of approximately 20 is near its five-year average, a more reasonable starting point than the index's record levels might suggest.

Artificial intelligence remained at the center of the story. Many leading technology and semiconductor companies have reported significant revenue and earnings growth, creating substantial market value; however, a concentration of investment leadership remains in a relatively small group of companies.

Trade policy, which had faded into the background, returned to the headlines in July. When the temporary 10% global tariff imposed



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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%).

Triple Threat of Rising Interest Rates, Oil Prices, and Risk of AI Creates Concerns (Cont.)

under Section 122 expired on July 24, the administration replaced it with new Section 301 tariffs of 10% to 12.5% on imports from 60 jurisdictions, including the European Union, and 25% on Brazil. The market impact has been modest so far, as the original tariff proposal of "Liberation Day" in 2025 has settled towards a modestly lower tariff stance that is close to historical norms. The tariff concerns that loomed large a year ago have significantly faded into the background. As the market laps the period when those worries were most acute, their practical impact on corporate results and consumer prices has proven far more modest than feared. The required rebates of collected tariffs will be primarily returned to U.S. companies such as retailers, manufacturers, distributors, and importers.

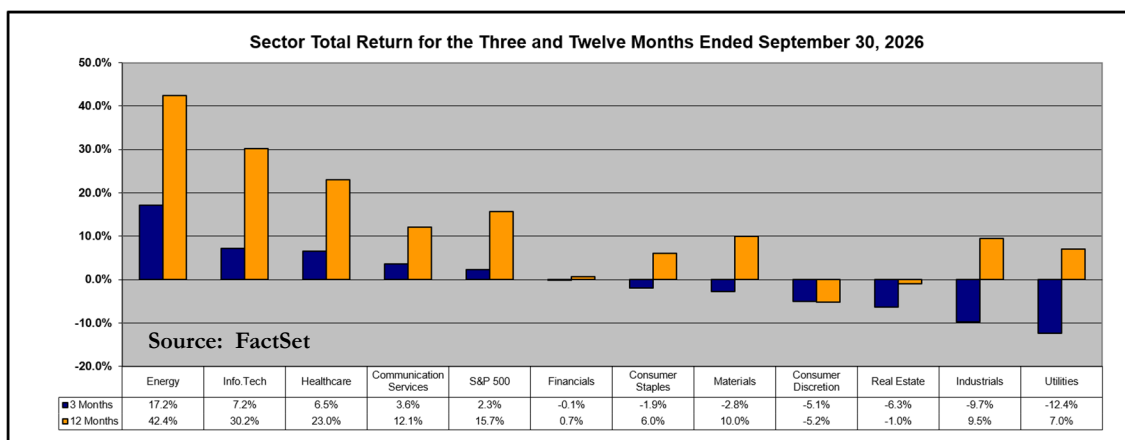
Inflation remains a central uncertainty, and it is increasingly arriving through channels other than energy. The surge in capital spending tied to artificial intelligence advances and data-center construction represents a genuine demand shock and is occurring simultaneously with other recent supply pressures, especially in energy markets. Growing public and political frustration with rising electricity costs, noise issues, potential water shortages, and the perceived threat of AI to employment has contributed to anti-AI and anti-data center sentiment. The typical household has experienced inflation related to prices increasing ahead of recent wage gains, versus inflation measured by the year-over-year rate that preoccupies financial markets. This distinction helps explain why consumer confidence has remained subdued even as stock prices rose.

With a quarter remaining, the S&P 500 is still on pace for a fourth consecutive year of double-digit gains, which has only happened in two other periods over the last 100 years. The cushion has narrowed as interest rates and oil have risen. New highs are more often a sign of underlying earnings strength than of an imminent top, but September's pullback was a reminder that higher interest rates, elevated energy costs, and concentrated investment leadership leave less margin for disappointment. The upcoming mid-term elections are expected to create additional stock market volatility. Mid-term elections have been one of the most consistent U.S. stock market volatility causes, with investors reacting to polls and the potential of any shift in the balance of power within the U.S. Congress. Historically, such volatility subsides soon after the election is over and typically provides a recovery post-election and into the New Year.

While investors have been primarily focused on the U.S./Israeli/Iran war, there are growing indications that the Ukrainians are gaining the upper hand versus Russia on the battlefield in their four plus year war, which is now longer than U.S. involvement in World War II (3 years, 6 months). Unfortunately for Ukraine, they are increasingly defenseless against the relentless and more effective Russian bombing campaign. The upcoming winter will likely be very difficult for the Ukrainian citizenry. The damage and loss of life in both countries is significant, yet there is little visibility of ending the conflict.

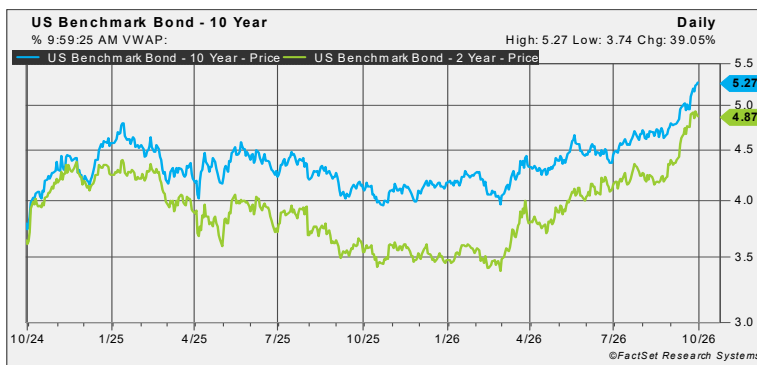
For the quarter, the S&P 500 (total return) was up 2.3%, while the Dow Jones Industrial Average declined by -2.3%. The technology-heavy NASDAQ Composite increased by 2.6% in the quarter. The S&P 600 Small Cap Index was down -7.9% and the S&P 400 Mid-Cap fell by -6.4% in the quarter. Developed international markets rose by 0.8% and emerging markets fell by -2.4% for the quarter.

The Energy sector was the standout performer, while Technology and Healthcare sectors also outperformed the S&P 500 for the quarter and trailing 12 months. Rising interest rates impacted the interest sensitive sectors of Financials, Real Estate, and Utilities. Seven of the eleven sectors underperformed for the quarter and trailing 12 months indicating a highly bifurcated posture for investors. The chart below illustrates sector level performance for the quarter and trailing twelve months.



Interest Rates Rise to the Highest Levels in More than 20 Years

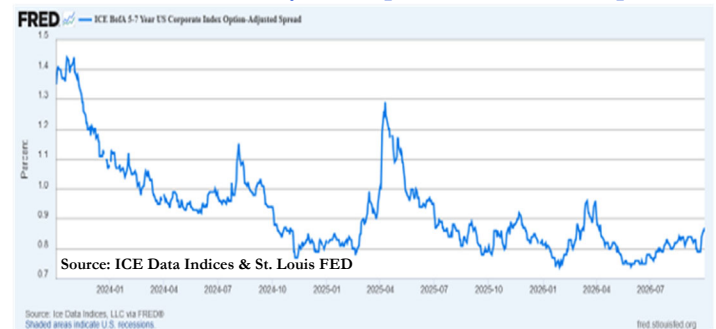
Treasury yields spiked dramatically in the third quarter and are at the highest levels seen since 2006 for shorter-term bonds and 2002 for longer-term bonds. The prolonged war in Iran drove oil prices higher, which pushed overall inflation data incrementally higher and above desired levels. The AI spending ramp drove prices higher for technology and construction segments, while consumer and government spending exceeded expectations. All of this led to sticky inflation, higher deficits, higher yields and a continued strong demand driven U.S. economy. Quite simply, buyers of Treasury bonds have demanded higher returns and yields in this environment. Yields at current levels are more normal on a longer-term basis. The suppressed interest rate policy from 2008 to 2023, where yields provided a negative (below inflation) real rate of return, were the aberration versus history. Returning to a normal functioning financial system and monetary policy should provide more stability as investors and consumers can make financial decisions based upon market driven forces experienced over 80 of the last 100 years in the U.S. The significant rise in yields is illustrated in the chart below. The 2-year Treasury yield began at 4.17% and ended at 4.87%, while the 10-year U.S. Treasury yield began the quarter at 4.48% and ended the quarter at 5.27%. The rise in yields provides the opportunity to invest in bonds that should provide real returns that exceed inflation and protect purchasing power for our clients.



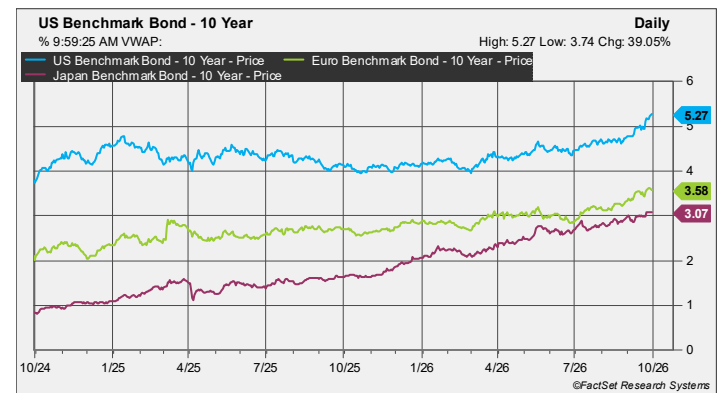
With the selloff in the bond market, investors are focused on the Federal Reserve and new Chairman Kevin Warsh. While the Fed paused on hiking interest rates at its July meeting ahead of the Jackson Hole event in August, the Fed decided to raise the Fed Funds rate 0.25% during the September meeting, to a range of 3.75-4.00%. This was the first-rate hike since July 2023. In a surprising twist, there were no Fed members who dissented on the decision to raise rates. In addition, a vast majority of Fed members believe there will be at least one more rate increase this year. Financial markets are predicting a low chance of an interest rate hike at the October meeting due to weaker labor data from the September jobs report, inflation easing slightly and the upcoming midterm elections, but the probability of a hike increases later in the year. Fed Chair Warsh cited several reasons for the increase, including a strong labor market, inflation staying persistently above target, and the effect of geopolitics on commodity prices. Chair Warsh reiterated the Fed's target of 2% inflation, and remains determined to lower inflation to that target, as the annual headline inflation rate is hovering around 3.4%. President Trump, who continues to demand lower rates, remains supportive of the new Fed Chairman, but further noise around interest rates from the White House could continue to be a distraction for the Fed and markets.

Corporate bond spreads, the yield above Treasury bonds required to absorb default risk in the corporate bond market, showed a slight uptick in the quarter compared to last quarter but remained near historically low levels. Spreads continue to be tight, even with interest rates rising to significantly higher levels. Tighter bond spreads make it less attractive to invest in corporate bonds relative to Treasuries, when factoring in default and liquidity risk. The following chart illustrates the historical premium investors require to accept those risks.

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



Yields in the international market continue to follow a similar pattern to that of the U.S. Interest rates continued to rise across the board, relating to the war in Iran and geopolitical/economic concerns. The chart below shows the 10-year yields of the EU and Japan compared to the U.S. Japan continues to be an indicator of the global interest rate market, as yields now are above 3% after years of interest rates below 1% in the Japanese market. Japan has also been raising rates to defend its currency and fight inflation.



As yields moved to 20-year highs, our investment team has been active in the bond market. We have been buying U.S. Treasuries at over 5% income/return, providing liquidity for clients in need of income and diversification that provides returns exceeding inflation through maturity. The U.S. Treasury market remains the safest and most liquid market in the world and earning a 5% return instead of investing in corporate bonds when factoring in default and liquidity risk remains attractive. In addition, for most clients, Arcataur has been selling bonds with below 3% coupons and reinvesting the proceeds in Treasury bonds at much higher coupon rates and returns. This move allows clients to improve interest-related cash flow due to the higher coupon yield and often provided small losses to offset some gains in taxable accounts. We are not ignoring the ramp in the government deficit from the war costs and the lower revenue from the One Big Beautiful Bill; however, the 5% level on most of the Treasury curve compensates for some of that risk. We remain patient in the corporate bond market, and we would prefer wider credit spreads in corporate bonds to diversify portfolios further. With Treasury yields above 5%, earning an additional 1% or more would increase activity by buying high-quality corporate bonds above 6%. The overall quality of our fixed income portfolio is AA- rated, aggregate average duration is 3.5 years, yield to maturity is 5.2%, and liquidity remains sufficient to take advantage of future opportunities.

Fourth Quarter 2026 Investment Outlook

Financial markets climb a “wall of worry” and “investors don’t like uncertainty” are some of the classic adages historically for investors. The recent correction has not been significant to date. However, the month of October and especially a few weeks before the mid-term elections raise the bar for elevated volatility.

Corporate profits reported in October are expected to remain strong and be at historically high levels. The rise in oil and gasoline prices, along with higher interest rates, impact consumer confidence. The stability of the labor market at historical low levels of unemployment gives some comfort that the solid overall economic trends can continue near term.

The global transportation of oil has significantly improved. However, refining issues have caused the recent higher and sticky fuel prices. Diesel fuel that dominates trucking cost has been most impacted by the refining difficulties and these significantly higher costs are filtering down to end consumers.

The probability of the S&P 500 achieving more than a 10% total rate of return looks to be increasingly possible. If the S&P 500 achieves a 10% or greater total return for the calendar year of 2026, it would be only the fifth time over the last 100 years of 4 consecutive calendar years of 10% plus returns. The previous four periods included exceptional macro environments, sustained corporate earnings expansion, and rising equity valuations fueled by exuberant investor sentiment. The first two periods were during the post-World War II industrial revolution and the second two were in the 1990’s dot-com period.

Both of those periods were transformative for the U.S. economy and the world in many ways. Technological breakthroughs such as Artificial Intelligence, robotics, and even tapping the ‘final frontier’ of outer space has created optimism for investors hoping for higher growth, more efficiency, and higher profitability for corporations in the future.

It is highly likely that much like the 1990’s internet boom, some of the current darlings of AI, space, and data will not use capital wisely, or struggle with new competition, or simply fail

to meet overly optimistic growth expectations. And when this occurs the stocks will get crushed. This is where disciplined analysis, maintaining a balanced and diversified portfolio, and even a little patience can be rewarded in the long run. Technology advancement is certainly accelerating opportunities for creative uses, but new risks which should be anticipated and understood are being spawned as well.

The U.S. economy has produced relatively stable economic and employment growth, and the return to historical norms for inflation and interest rates are also positive. Corporate profits and cash flow have excelled but have recently given way to major increases in capital expenditure as many large firms race to capture market share in these burgeoning new sectors. Global economies have benefited as well, but with less consistency. Most have been more impacted by the global conflicts and lack of energy resources relative to the U.S., thus limiting their leverage to the technology and productivity enhancements supposedly forthcoming from the AI revolution. The process of rebuilding both infrastructure and manpower after the war’s destruction will allow for new opportunities in the future.

The excitement and potential risks of Artificial Intelligence (AI) are unfolding quickly. One of the most significant potentials of AI is a boost to productivity. Like the eras of electricity, personal computers, and the internet, AI is widely viewed to be the catalyst of the next productivity revolution. AI capital spending has been booming, with the expectation of significant returns on investment. Recently, investors have been more discerning, especially regarding the significant capital expenditures to develop data centers and the cost to power them once operational. Communities are concerned that the aggressive development could raise service costs for residential areas, or worse, that AI may not produce results to justify the massive investment. Nevertheless, if the hype is well-founded, it may provide untold advancement opportunities for mankind.

The applications are in an infancy stage; however, the true value and shortcomings will be scrutinized for the years to come.

Corporate earnings growth continues to set records in 2026. Growth expectations for the first quarter were 17% and achieved 28%. There was a similar trend in the second quarter expecting 22% and achieved above 30%. For the upcoming third quarter, expectations are higher. This significant growth and larger corporate profits have brought the S&P 500 to a 21 times price/earnings ratio which indicates that future earnings growth may slow or valuations are attractive if earning trends are sustainable. Any meaningful shift in earnings expectations, positive or negative will be quickly reflected in stock prices.

Current economic conditions, corporate profits, and even interest rates suggest that stock prices are positioned for continued gains. Our clients are well positioned for continued equity appreciation, as incremental stock and asset allocation repositioning continues to be a hallmark of Arcataur’s disciplined approach.

For our clients, total equity exposure remains above average but within targeted ranges. We have continued repositioning away from some leading segments with high valuations into more reasonable equity segments and more stable fixed income. Patience has served our clients well by improving diversification and broadening exposure, buying into the weakness, and repositioning into strength as valuations have increased.

Treasury bonds are now more attractive on a relative basis with rates up during the quarter. Our team has been adding U.S. Treasury bonds and bond exchange-traded funds, while being patient with new corporate bond exposure with historically narrow corporate spreads reinforcing our patience to find more appropriate value. Based upon current market conditions, overall asset allocation is well diversified and balanced, providing ample liquidity to take advantage of incremental long-term opportunities that may arise.

The Opportunity and Risks of Artificial Intelligence

Artificial Intelligence has increasingly dominated economic, political, and market news. For investors, four issues deserve particular attention: the scale of AI investment, its economic and market effects, the risks if expectations are not met, and the geopolitical consequences of the global AI race. AI is real, its potential is vast and, in a growing number of cases, already consequential. It will dramatically reshape our economy and our lives. First, the scale of investment is staggering. AI infrastructure spending is affecting the U.S. and global economies as well as equity and fixed-income markets. Current estimates suggest that such spending will reach 3.6% of U.S. GDP through 2032, a record high. That level would dwarf previous society-shaping investments, including railroads in the 1890s at 2.24% of GDP and the telecom, fiber, and internet buildout of the 1990s at 1.1%. Second, this spending has important economic consequences. The resulting capital-expenditure boom is highly concentrated and is depriving other important sectors of investment. In the short term, AI spending is inflationary: prices for electricity, gas turbines, construction equipment, high-end semiconductor chips, natural gas, and many other inputs are rising. Any significant setback or failure to meet lofty expectations is likely to create a recession. Over the longer term, however, AI is likely to be significantly deflationary. If expectations fall short, that effect could be immediate and profound; even if AI meets expectations, the immense economic value it creates should lower costs. Third, successful adoption will reshape services, make many of them less expensive or unnecessary, restructure or eliminate jobs, and enable data to be collected, organized, and analyzed far more efficiently. AI could also have a dramatically positive effect on productivity, the best way for an economy to achieve faster, sustainable growth without inflation. Finally, AI investment is global and carries significant geopolitical risks, including the possibility that the technology will be weaponized. Concerns range from a doomsday scenario involving out-of-control agentic AI to the prospect that China could surpass the United States and win the AI race. The latter fear is analogous to concerns that the United States would lose the space race to the Soviet Union after the surprise launch of Sputnik in 1957. The United States remains in the lead today, but growing calls to slow AI-model development, impose guardrails, and increase government regulation could jeopardize that position. A future in which a hostile, totalitarian nation holds a commanding lead in AI capability would not benefit the free world.



Arcataur Composite Investment Performance for the 3 Months, 12 Months, 3 Years, 5 Years & 10 Years Ended September 30, 2026

Arcataur Composite Portfolio	Total Return				
			3 yr.	5 yr.	10 yr.
	3 months	12 months	annualized	annualized	annualized
	9/30/2026				
Large Cap Direct Stock Equity	3.2%	17.2%	22.1%	12.9%	14.7%
Large Cap Equity ETF	1.9%	15.5%	22.3%	13.2%	14.9%
Benchmarks					
Morningstar Large Cap Core Average	1.0%	13.0%	20.1%	11.6%	13.7%
Dow Jones Industrial Average	-2.3%	11.3%	16.8%	10.4%	12.9%
S&P 500	2.3%	15.7%	22.9%	13.8%	15.3%
S&P 100	4.6%	15.9%	25.2%	15.4%	16.5%

Arcataur Composite Portfolio	Total Return				
			3 yr.	5 yr.	10 yr.
	3 months	12 months	annualized	annualized	annualized
	9/30/2026				
Fixed Income	-2.0%	-0.4%	4.4%	0.6%	1.7%
Benchmarks					
Bloomberg Barclays 1-3 (T/G/C)	-0.2%	1.7%	4.3%	2.1%	2.0%
Bloomberg Barclays 1-5 (T/G/C)	-0.9%	0.8%	4.3%	1.5%	1.9%
Bloomberg Barclays Aggregate	-3.5%	-1.8%	4.1%	-0.6%	1.1%
Morningstar Core Bond Average	-3.5%	-1.9%	4.0%	-0.7%	1.1%

Arcataur Portfolio	Total Return				
			3 yr.	5 yr.	10 yr.
	3 months	12 months	annualized	annualized	annualized
	9/30/2026				
Total Equity*	-0.9%	15.5%	19.6%	10.5%	12.5%

*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 yr.	5 yr.	10 yr.
	3 months	12 months	annualized	annualized	annualized
	9/30/2026				
Small Cap Equity	-8.1%	15.6%	14.6%	5.7%	9.3%
Mid-Cap Equity	-6.6%	11.8%	14.4%	7.4%	10.0%
Benchmarks					
Morningstar Small Cap Core Average	-7.2%	14.4%	15.1%	6.8%	9.7%
S&P 600	-7.9%	16.0%	14.8%	6.2%	9.8%
Morningstar Mid-Cap Core Average	-4.6%	11.1%	15.2%	7.9%	10.4%
S&P 400	-6.4%	11.7%	14.5%	8.0%	10.5%

Arcataur Composite Portfolio	Total Return				
			3 yr.	5 yr.	10 yr.
	3 months	12 months	annualized	annualized	annualized
	9/30/2026				
Developed International Equity	-0.7%	19.4%	19.8%	9.7%	9.0%
Emerging International Equity	-0.4%	11.6%	17.7%	6.1%	7.1%
Benchmarks					
EAFE	0.8%	15.7%	18.4%	9.3%	9.1%
MSCI Emerging Market Index	-2.4%	27.5%	23.6%	8.3%	8.3%

Arcataur Composite Portfolio	Total Return				
			3 yr.	5 yr.	10 yr.
	3 months	12 months	annualized	annualized	annualized
	9/30/2026				
Managed Balance	-1.1%	10.5%	14.3%	7.3%	9.0%
Benchmark					
Morningstar Balanced Fund Average	-0.8%	7.9%	13.1%	6.5%	8.2%
60/40 Custom Index	-0.9%	9.7%	14.0%	7.4%	8.6%

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.

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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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