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Fourth Quarter Review
December 2021

Arcataur Capital Management LLC
A Registered Investment Advisor

High Quality Investment Management
For Individuals and Institutions

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Inside This Issue:

Third Quarter Equity Markets: ***Pandemic to Endemic, Inflation, & Labor Trends all can be Game Changers*** 1

Third Quarter Fixed Income Markets: ***Fed Confirms Monetary Pivot, Inflation will Determine Pace*** 3

First Quarter 2022 Investment Outlook 4

Historical market performance for the period ended December 31, 2021 4

Arcataur Composite Investment Performance 5

A Balanced Approach

Pandemic to Endemic, Inflation, & Labor Trends all can be Game Changers

Coming into 2021, investors significantly underestimated the potential for corporate profits and cash flow growth. This growth was driven by increased demand combined with shortages of many key inputs, which allowed corporate America to raise selling prices above these increased costs, leading to meaningful positive surprises in margins, earnings, and cash flow. Better than expected corporate profits drove the stock market higher throughout the year.

Stock prices had four minor (5% or less) corrections in March, June, September and early December, which coincided with periods of heightened fears of further inflation and virus spikes relating to new variants of COVID-19. During these brief corrections, investors rotated away from the economically sensitive areas of the market and back to the beneficiaries of a closed or restricted economy, such as larger, well capitalized technology companies and other stay-at-home companies. The uncertainty surrounding the potential for adverse health and economic impacts relating to the virus and further escalation in inflation will remain important considerations for investors heading into the New Year.

With a strong year end rally, the S&P 500 set all-time high levels and produced a 28.7% total return. Stock market commentators have raised questions of excessive investment optimism. Since 1930, the S&P 500 has produced an average annual total return of 12%. Historically, it has only produced a greater than 30% total return in 18 of the last 90 calendar years. A majority of those 18 years were preceded by difficult years or recovery situations, as was the case following the pandemic of 2020.

When COVID-19 moves from the pandemic to an endemic phase will be an important 2022 event. Another key issue for the 2022 stock and bond returns will be the actual and the anticipated inflation readings. Longer-term economic forecasts are positive, yet inflation has risen to 30-year high levels, as supply chain interruptions, rising commodity prices and qualified labor shortages complicate operating scenarios for both the goods and services sectors. Monetary policy is transitioning from an extremely accommodative posture driven by the pandemic to a more neutral stance. Inflation and economic trends will determine the cadence of the Federal Reserve moving to a tighter monetary policy over the next 6 to 12 months.

Elevated tensions with China and Russia, along with increased government spending, high debt levels, and tax increases, are all risks that will have investor's attention going forward.

While bond yields rose slightly in 2021, it is not commensurate with current inflation data and economic growth. Investors are expecting growth and inflation to moderate in the New Year, thus potentially reducing any significant increases in bond yields. The swift move up in interest rates the first two weeks of 2022 reflects the risk of rising yields being more sustainable which could choke off economic growth and substantially increase government debt costs, thus negatively affecting equity returns.

U.S. employment trends are robust, however the availability of workers with the appropriate skills remains a challenge. Labor participation trends reflect a shrinking pool of available workers. Over 3 million baby-boomers have retired and the number of people working part-time positions has declined significantly. This is happening while the travel, hospitality, bar and restaurant industries are running between 60 to 75% of pre-pandemic levels.

Wage inflation is elevated and rising. While this is a benefit to workers in the short-run, if the cost of living continues to rise faster than wages, it becomes a net negative overall for consumers, especially for the most vulnerable at the lower to middle end of the income spectrum.

Equity valuations are elevated versus historical measures, yet have been fairly stable during the last 3 to 4 quarters. Stock prices have moved in tandem with rising earnings and interest rates have remained relatively flat. A case can be made that current corporate profits forecasts are somewhat conservative, but not to the same magnitude as last year. This means the trajectory of rising interest rates could be a significant factor to equity returns in 2022.

Forward earnings estimates incorporate somewhat higher interest rates as we begin 2022. This impact is offset by the delay in the administration's Build Back Better proposal, which has diminished the outlook for increased tax rates. Investors are now assuming a much smaller increase, or even no legislation at all.

During the December FOMC (Federal Open Market Committee) meeting, the Federal Reserve confirmed that its inflation outlook shifted or pivoted from transitory (temporary) to sticky

Pandemic to Endemic, Inflation & Labor Trends all can be Game Changers (cont.)

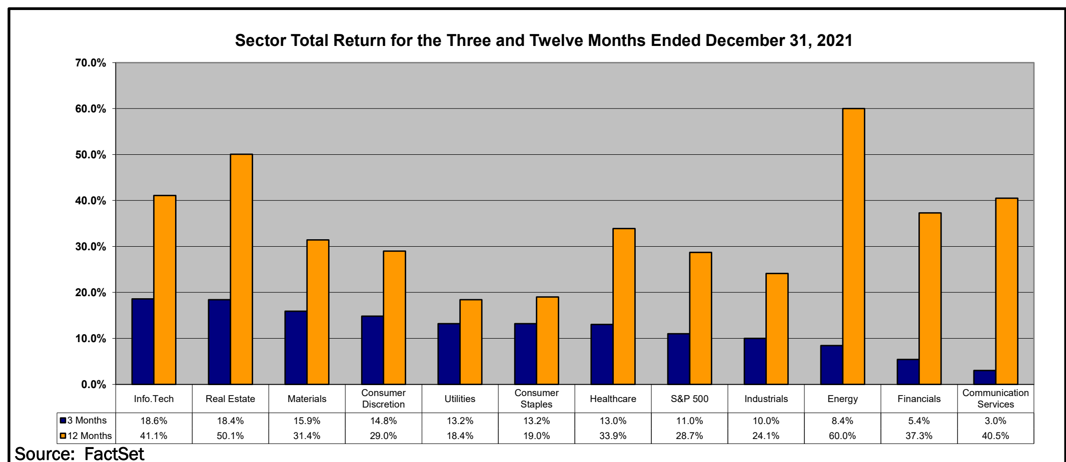
(perhaps more sustainable) by announcing a timeline to start to rein in QE (Quantitative Easing or purchasing bonds to keep longer term interest rates low) in the first quarter of 2022, which was sooner than previous guidance. This signals an expected shift towards a more neutral monetary position, and could lead to the Federal Funds (overnight lending to banks) rate increasing for the first time since the start of the pandemic almost two years ago. The risk of cost pressures becoming more permanent or structural is still considered remote. However, investor and consumer psychology is beginning to show signs of an incremental change to this stance.

Oil prices rose to a 7-year high of $83 per barrel in late October, traded in a volatile range between $60 and $80 for the rest of the fourth quarter, and closed the year at $75. Demand has risen throughout the year and the disciplined response by producers has kept prices elevated. The Iranians are currently requesting access to sell oil to the world market and to restart negotiations with the U.S. and other countries. Any thawing in the current posture of either the U.S. or Iran could escalate oil price volatility. Global focus on climate considerations and the expansion of electric powered vehicles will have a growing, but glacial effect on the global energy markets.

Employment trends and wage inflation are likely to be primary determinants of the economic trajectory in the coming years. Employment gains in November were stronger, while December's report was weaker than expectations as the virus continues to impact the job statistics. The consistent decline of unemployment, 3.9% for December, reflects a tight job market and approaching full employment. Wages continue to rise significantly, up 4.6% annually, as labor participation continues to be impacted by the surge in self-employment, demographics, rising retirements, less women in the workforce, and declines in part-time workers. This all leads to expectations of rising wages for the foreseeable future, which will be a meaningful contributor to increasing inflation statistics.

For the quarter, the S&P 500 (total return) was up 11%, and the Dow Jones Industrial Average rose by 7.8%. The technology-heavy NASDAQ Composite increased by 8.4% in the quarter. The NASDAQ still lagged the broader averages on a year-to-date basis, reflecting investor's fickle preference between a fully open economy and risk of restrictions when virus cases rose. The S&P 600 Small Cap Index rose by 5.6% and the S&P 400 Mid-Cap was up 7.9% in the fourth quarter. Developed international markets lagged again, up only 2.6% and emerging markets were off, down –1.6% for the quarter. While China is the world's second largest economy, it is still classified as an emerging market and its stock market was off more than 6% in the 4th quarter.

Sector performance for the quarter and for the entire year was quite volatile based upon virus and inflation developments. As economically sensitive areas recovered in October from the Delta variant concerns, the South African Omicron variant risks in early December marked a rotation to defensive sectors. The 4th quarter sector rotation was a microcosm of the last 18 months of fits and starts in hopes of approaching a fully normal economic environment. Technology and sectors benefiting from stable to lower interest rates (real estate and utilities) outperformed in the quarter, while areas that benefit consistent economic activity lagged. The uncertainty relating to the virus, inflation, and interest rates continue to be reflected in the sector rotation and shifts by investors attempting to react to current developments. The chart below illustrates how all the sectors performed in the quarter and for the trailing twelve months.



	Info.Tech	Real Estate	Materials	Consumer Discretion	Utilities	Consumer Staples	Healthcare	S&P 500	Industrials	Energy	Financials	Communication Services
3 Months	18.6%	18.4%	15.9%	14.8%	13.2%	13.2%	13.0%	11.0%	10.0%	8.4%	5.4%	3.0%
12 Months	41.1%	50.1%	31.4%	29.0%	18.4%	19.0%	33.9%	28.7%	24.1%	60.0%	37.3%	40.5%

Source: FactSet

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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.

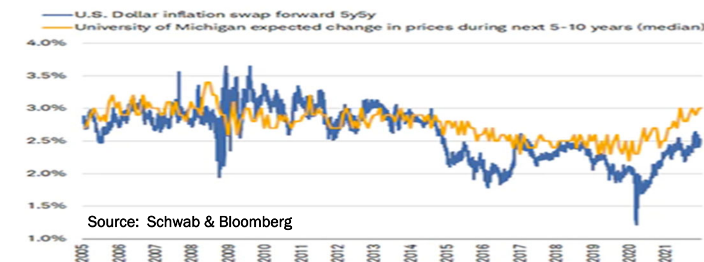
Arcataur Investment Grade Fixed Income Portfolio - This portfolio offers investors a separately managed account focusing on Treasuries, Agencies, corporate bonds and municipal bonds, with an average portfolio credit rating of A or better. Our approach is to actively manage interest rate risk and credit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

Fed Confirms Monetary Pivot towards Neutral, Inflation will Determine Pace

In 2021, annual inflation expectations increased above 3% and are at the highest levels in decades. However, 10-year Treasury Bond yields have averaged close to 1.5% for the last 9 months. With the rollout of the vaccines and re-opening optimism, 2021 started out with a near doubling of the yield from 0.91% at the beginning of the year to a pre-pandemic high of 1.78% by the end of the March. This turned out to be the high watermark, despite inflation expectations rising throughout the year. Yields then slipped in response to the virulent Delta variant and the Fed's initial position that the spike in inflation was transitory, causing investors to reach for safety by buying bonds, pushing yields down through the third quarter. During the fourth quarter, 10-year Treasury Bond yields stayed flat near 1.50% despite the Fed's change in stance as the Delta strain peaked. Short-term yields, however, have reacted to the Fed's recent commentary that inflation is more sustainable and as a result it will start cutting back its Treasury purchases in 2022. This caused 6-month to 5-year rates to rise materially during the fourth quarter. The 2-year Treasury Bond began 2021 at an ultra-low yield of 0.11% and rose to 0.27% by the start of the fourth quarter. After the change in the Fed's stance, it rallied significantly to end the year at 0.73%. With the near tripling in short-term rates and flat longer term rates, investors have seen the yield curve significantly flatten as depicted in the chart below.

For most of the year, the Fed postured that the higher inflation levels post-Covid were transitory. That expectation changed at the December FOMC meeting as higher prices persisted. Inflation expectations continue to rise, fueled by supply chain constraints, wage pressure, and covid-related issues as illustrated in the gold line in the chart below. As such, the Fed felt it was prudent to start to pivot away from its accommodative monetary policy. While the Fed left the Federal Funds rate unchanged at 0.0 – 0.25%, the first major changes in their policy since the start of the pandemic were introduced.



First, the Fed announced they will start to taper their bond buying at a more rapid pace, and buy $30 billion fewer bonds per month starting in January, double the $15 billon reduction per month announced during the previous meeting. The Fed stated it will likely finish their tapering by the end of March. Second, Fed Chair Jerome Powell stated that Federal Funds interest rate hikes will not occur until the tapering has been completed. The Fed's dot plot (which is a chart that plots where the FOMC members believe the next rate hikes will occur) indicated the first potential Fed Funds increase is targeted for the second quarter, with three rate hikes in 2022, three in 2023, and two in 2024. Finally, the term "transitory" was removed from their inflation commentary as the Fed concluded that inflation in excess of the 2% (its target rate) could last longer than previously believed.

As the Fed moves to head-off overheating inflation and economic growth, the EU and Japanese central banks have been slower to shift away from their aggressive monetary policies that have produced ultra-low or negative nominal rates and no commensurate uplift to economic growth. The chart above illustrates the limited change in international benchmark yields compared to the U.S. 10-year government bond yield. Japan's 10-year bond was flat throughout the fourth quarter, ending the year at 0.07%. While the EU10-year bond bounced around a bit more, it ended the year still negative at -0.18%. The reason these central banks are keeping their interest rates so low is the belief that ultra-low or negative interest rates will help spur economic growth and activity. As noted, so far this has not materialized outside the U.S. as fiscal policy and other issues continue to plague these economies. The low and negative interest rates abroad does impact foreign demand for U.S. government bonds by global investors, keeping U.S. interest rates lower than they otherwise may be.

The chart below highlights the 2021 trends in credit spreads (the yield premium required by investors over Treasury bonds to compensate for default risk of corporate bonds). The rise in credit spreads late in the year, off all-time lows levels from April to November, does make corporate bond investments slightly more attractive than before. The decline in spreads creates lower yields on corporate bonds and appeared to being driven by bond investors lacking discipline and chasing yield. With the Fed reducing, then eliminating bond purchases in the coming months, perhaps investors will be more rational and require higher yields. Should the uptrend in spreads and yields continue, bond investment options should become more attractive.

For most of 2021, the yield curve was fairly steep, where longer maturities (7 to 10-year corporate bonds) provided the best value and were incrementally added to client's portfolios. These bonds provide reasonable yields, the ability to keep pace with long term inflation, and meet our credit quality parameters. With shorter-term interest rates moving up recently for the 2-7-year maturities, we expect investment opportunities to improve in 2022. Already through the first week of 2022, rates have materially risen on both ends of the curve, allowing us to put cash to work into the fixed income market. Yet, it is important to remain diligent and prudent in our investment process in order to find the quality and acceptable returns in the ever-changing investment landscape for clients. The overall quality rating of the fixed income portfolio is single A, the aggregate weighted average duration is 4.7 years, and liquidity remains sufficient to take advantage of opportunities as they arise.

First Quarter 2022 Investment Outlook

The U.S. produced stellar economic and stock market performance in 2021 despite the uncertainty of the virus and rising inflation, as corporate profits rose significantly throughout the year, while interest rates remained low and stable.

Corporate profits are expected to increase 8% to 10% in 2022, which is considered to be somewhat conservative, but a solid rise nonetheless. Stocks and bonds sold off to start the New Year, primarily due to a significant jump in interest rates after the December FMOC meeting minutes confirmed the increased resolve by the Fed to address inflation concerns.

The swift rise in interest rates reflects investor's concerns of additional monetary policy changes by the Fed in the coming months and quarters. It also confirms our thinking that a faster move towards normalization in interest rates can produce more volatility in the financial markets.

Global investors, consumers, and governments have become accustomed to the U.S. Fed taking the lead globally to provide extraordinary and historic levels of liquidity to support economic stability and calm financial markets during periods of stress.

The 2008 –2009 financial crisis and the pandemic in early 2020 produced unique economic challenges that ushered in unconventional monetary responses which have been untested in history. After thirteen plus years, investors have become dependent on this security blanket. In 2009, Europe and Asia were tardy in their monetary response and it hampered the recovery of its banking system leading to sub-par economic growth for 10 of the last 12 years.

From 2016-2018, the U.S. Fed attempted to normalize interest rates during a relatively stronger economy and inflation remained at historical low levels. The Fed reversed itself quickly as Europe and Asia appeared to be falling into a recession in late 2018 and the U.S. financial markets sold off significantly fearing a policy mistake by the Fed.

As the U.S. economy has been recovering from the pandemic, European and Asian economies continue to lag despite their aggressive monetary policy, which may put an artificial ceiling on U.S. interest rates, as global investors again seek higher yields. A less accommodative Fed going forward reflects this tug of war between longer lasting inflation trends and lower growth outside of North America.

The U.S. fiscal response to the pandemic has been significant thus far, including the bipartisan infrastructure bill passed in 2021. The intra-Democratic party disagreements on the social spending and tax increases embedded in the Build Back Better legislation stalled passage last year. The outlook for the proposed or scaled back legislation in Congress appears unclear, especially now with less than 11 months until the mid-term elections in November.

Throughout the year, investors will react to polls and potential changes that the upcoming election can bring. Historically, the majority party struggles to keep power, especially in off-year elections. The Democrats have an extremely slim majority and a significant number of incumbent retirements, so a small shift could lead to a loss of Democratic control of Congress. Financial markets tend to react favorably to divided government as it minimizes the probability of destabilizing or significant legislation.

Economic, trade, and military disputes with China, Russia, and Iran have the potential to be another destabilizing force. Candidate Biden ran on the principal of reducing the temperature in difficult negotiations with adversaries and allies. President Biden has somewhat achieved his goal by not negotiating via social media. However, concerns have arisen that the U.S. is not negotiating from a position of strength in these important disputes.

As broader bond averages produced negative total returns over the last 15 months, our patience has served our clients well, as negative real yields (nominal yields minus inflation) reached 40-year lows in 2021. The path of inflation going forward will matter. Yields should continue to move somewhat higher as investors demand higher compensation for the increased inflation and as the Fed is slowly easing its foot off the gas pedal. The best outcome would be a gradual rise in interest rates, so the economy can digest the increases and continue to grow.

There are multiple risks to this scenario: Rates rise too quickly which slows economic growth, the Fed makes a policy mistake, the housing market and consumers can't handle any rate increases, government debt burdens creates market issues, and virus 'hope' is replaced by economic shutdowns. Based upon current expectations of the Omicron variant peaking, solid GDP growth, and Fed actions, the more extreme outcomes appear to be a low probability. However, the process may lead to more volatility for financial markets. A gradual and controlled rise in interest rates should be a sign of strength and a benefit for savers that have not been available in the recent years.

Appropriately diversified portfolios will continue to benefit from the broadening of the market. International equities have been multi-year underperformers but offer potential value if sustainable growth can be achieved in Europe and Asia. For our clients, total equity exposure remains slightly above average within targeted ranges, and reflects the less attractive value proposition that fixed income currently affords investors.

Historical Market Performance for the Period Ended 12/31/2021

		Total Return (%)		Annualized Total Return (%)		
	Close	Quarter-to-Date	One Year	Three Year	Five Year	Ten Year
DJ Industrial Average	36338.3	7.8	20.8	18.3	15.3	14.0
S&P 500	4766.2	11.0	28.7	26.1	18.5	16.6
S&P 100	2194.6	11.3	29.2	27.3	19.2	16.6
S&P Mid Cap 400	2842.0	7.9	24.6	21.4	13.1	14.2
S&P Small Cap 600	1401.7	5.6	26.8	20.1	12.4	14.5
NASDAQ Composite Index	15645.0	8.5	22.2	34.2	24.8	20.8
Russell 2000	5580.2	2.0	14.5	19.9	11.9	13.2
MSCI EAFE	2336.1	2.6	11.2	13.5	9.5	8.0
MSCI EM (Emerging Markets)	1232.0	(1.6)	(3.6)	10.1	9.2	4.7
Bloomberg Barclays US Aggregate	104.7	(0.1)	(1.7)	4.7	3.5	2.9
ICE BofA US Treasury (1-3 Yr)	101.1	(0.6)	(0.6)	2.0	1.6	1.1
Bloomberg Barclays US Interm/Gov/Credit	102.4	(0.6)	(1.8)	3.7	2.7	2.1

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 and 5 Years Ended December 31, 2021

Arcataur Composite Portfolio	Total Return			
	3 months	12 months	3 yr. annualized	5 yr. annualized
	12/31/2021			
Large Cap Direct Stock Equity	8.65%	27.56%	25.47%	17.33%
Large Cap Equity ETF	10.86%	27.55%	25.78%	18.22%
Benchmarks				
Lipper Large Cap Core	9.90%	26.50%	24.90%	17.60%
Dow Jones Industrial Average	7.84%	20.83%	18.29%	15.34%
S&P 500	11.03%	28.71%	26.06%	18.48%
S&P 100	11.30%	29.18%	27.33%	19.24%

Arcataur Composite Portfolio				
	3 months	12 months	3 yr. annualized	5 yr. annualized
	12/31/2021			
Fixed Income	-0.19%	0.66%	4.28%	3.02%
Benchmarks				
Bloomberg Barclays 1-5 (T/G/C)	-0.74%	-0.99%	2.87%	2.25%
Bloomberg Barclays 1-3 (T/G/C)	-0.56%	-0.47%	2.28%	1.85%
Lipper Bond MF Avg.	-0.02%	0.90%	5.00%	3.60%

Arcataur Composite Portfolio	Total Return			
	3 months	12 months	3 yr. annualized	5 yr. annualized
	12/31/2021			
Managed Balance	4.96%	15.36%	15.97%	10.90%
Benchmark				
Lipper Balanced	4.50%	12.50%	14.40%	9.90%
60/40 Custom Index	4.26%	12.83%	13.71%	10.10%

Arcataur Composite Portfolio	Total Return			
	3 months	12 months	3 yr. annualized	5 yr. annualized
	12/31/2021			
Small Cap Equity	5.21%	25.16%	19.67%	11.87%
Mid-Cap Equity	7.25%	23.04%	20.66%	12.80%
Total Equity*	7.75%	23.97%	22.89%	15.71%
Benchmarks				
Lipper Small Cap Core	5.90%	25.10%	19.10%	10.70%
S&P 600	5.64%	26.82%	20.11%	12.42%
Lipper Mid-Cap Core	8.00%	24.60%	20.50%	12.30%
S&P 400	7.89%	24.63%	21.36%	13.07%

Arcataur Composite Portfolio	Total Return			
	3 months	12 months	3 yr. annualized	5 yr. annualized
	12/31/2021			
Developed International Equity	2.57%	10.93%	13.49%	9.29%
Emerging International Equity	-0.40%	0.22%	11.14%	8.99%
Total Equity*	7.75%	23.97%	22.89%	15.71%
Benchmarks				
EAFE	2.63%	11.19%	13.51%	9.54%
MSCI Emerging Market Index	-1.60%	-3.63%	10.06%	9.16%

*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.

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 Lipper 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 considered to be 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 Lipper Large-Cap Core Average

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

Arcataur Managed Balance Portfolio - Lipper Balanced Fund Average and 60/40 custom total return index which includes: Equities (30% S&P 500, 30% DJIA, 15% S&P 400, 10% S&P 600, 10% EAFE, 5% MSCI-EM), & Bonds (Custom Bond Index consisting of 50% Bloomberg Barclays (T/G/C) 1-5 and 50% Bloomberg Barclays (T/G/C) 1-3).

If a client's portfolio contains small-cap exposure, the small cap performance is measured against the S&P 600® Index and Lipper 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 Lipper 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.

With the exception of the Lipper Balanced Fund Average, the Lipper Large Cap Core Average, the Lipper Bond Mutual Fund Average, the Lipper Small Cap Core Average, and the Lipper 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.

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

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