Volume 2023 Issue 3

Third Quarter Review
September 2023

Arcataur Capital Management LLC
A Registered Investment Advisor
High Quality Investment Management
For Individuals and Institutions

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Inside This Issue:

A Balanced Approach

Recession Fears Abate, but Not Out of the Woods Yet

The S&P 500 rose to within 4% of the all-time high level at the end of July, fueled by 10 of the largest stocks that are predominately technology related and considered to be early leaders in the evolution of Artificial Intelligence (AI). The valuation of these companies rose to high levels, while the rest of the market lagged in performance and valuation. There have been other episodes of such concentration that have proved to be unsustainable, as investors focused on domestic and global economic trends, inflation, and geopolitical challenges. Expecting and now realizing a normal 5 to 7% correction in stocks the past ten weeks can be viewed as a healthy process, as investors look towards 2024 with the potential of a broadening in market performance.

Inflation continues to decelerate as the Fed's preferred inflation gauge, the "core" Personal Consumption Expenditures (PCE) Price Index (core excludes food and energy), rose by just 0.1% in August, which was the weakest monthly increase since 2020. For the 3-month average, the annualized Core PCE rose 2.2%. If this trend continues, inflation would be nearing the Fed's 2% target.

The Fed raised the Federal Funds interest rate only once at its previous 3 meetings, which led investors to anticipate the end of future interest rate increases. The September Fed meeting caught some investors off guard as their projections for potential future interest rate reductions in 2024 diminished, implying maintaining higher rates for a longer period of time. Investors repositioned quickly which fueled a sell-off in stocks and bonds over the following weeks.

Current interest rates are still below historical U.S. longer-term averages while being significantly higher versus the last 15 years, an unusual period of extraordinary monetary policy relating to the 2008 credit crisis and 2020 Covid economic shutdown. The 10-year U.S. Treasury bond yield recently reached its highest level since 2007. Investors, especially on the fixed income side, should welcome the "higher for longer" position expressed by the Fed and continued QT or Quantitative Tightening (reducing bonds held on its balance sheet) if it leads to returning to truly market based interest rate determination versus rates controlled by global monetary authorities. Interest rates are the price of money, and the financial repression vis-à-vis interest rate controls of the last 15 years have suppressed saver's fixed income returns.

Economic expectations for 2023 in the U.S. over the last 12 months have gone from a higher probability of a recession, to a soft-landing (slower but positive GDP), to more stability for growth heading into 2024. Globally, the dynamics are more concerning with stagnation in Europe and China stuck in neutral or potentially in reverse with their own unique challenges.

The American consumer has maintained a steady rise in income and spending, which is the main engine of the domestic economy. Many economists believe spending has increased in the third quarter, however investors are mindful of the upcoming challenges including the depletion of pandemic savings, the resumption of student-loan repayments, and the lagged affect of higher interest rates on consumers, businesses, and the government.

With inflation continuing to normalize and the Fed closer to ending its tightening cycle, investors will focus intently on economic and employment data for clues in the coming months. For the first 6 months of 2023, GDP averaged +2% and the initial reading for the 3rd quarter accelerated to 2.6%, which confirms somewhat faster growth and no recession this year. Investors are more focused on 2024 trends which could be different, but most economists are currently expecting a deceleration in the fourth quarter, which would achieve a 2% growth for all of 2023, and a similar level of growth for 2024.

The generational tightness in the labor market remains but appears less acute as companies take a more conservative approach to employment needs. Recent signals indicate that companies are being more cautious with hiring, not filling vacancies, and even reducing head count, which is reflected in job openings data and may portend a less robust job market going forward. Despite this caution, the September jobs report was stronger than expected, with nonfarm payroll growth of 336,000, the highest since January, and the unemployment rate holding even at 3.8%, a steady labor participation rate, and wage gains of 4.3%.

Escalating geopolitical divisions, with the recent war with Hamas attacking Israel, along with China's support for Russia in the Ukraine conflict, and the Chinese desire to usurp Taiwan's sovereignty and thereby diminish U.S. influence globally are ongoing developments which cannot be ignored. After China's restrictive approach to Covid materially suppressed economic activity over the last few years, economic activity has picked up, yet structural challenges have emerged that may threaten China's ability to be the global economic force its leadership desires.

China's national data reflects a country mired in deflation, plunging exports, reduced consumer spending, and an unstable housing and property sector that looks like a house of cards. Historically, the property sector represented nearly 30% of China's GDP. As property investments represents 70% of wealth for Chinese households, future spending and consumer confidence is expected to decline. While the Chinese government has recently instituted incremental and targeted stimulus, heavy handed reinstitution of central Communist controls has significantly reversed the gains of 40 years of the move towards a global market based economy.

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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%).

Recession Fears Abate, but Not Out of the Woods Yet (cont.)

The aging of China's population, along with a declining birthrate, is a major long-term challenge. The significant unemployment (estimated to be above 20%) for the important 16 to 24-year old job seekers is creating long-term problems for future growth . Chinese malaise is impacting Europe, which has been teetering on a recession For the last 30 years, China has modernized their communist country with broader open market principals. There has been a visible reversal with the unprecedented third term of President Xi, as the communist philosophy is now more obvious and highlights a growing challenge to the West and democratic free countries.

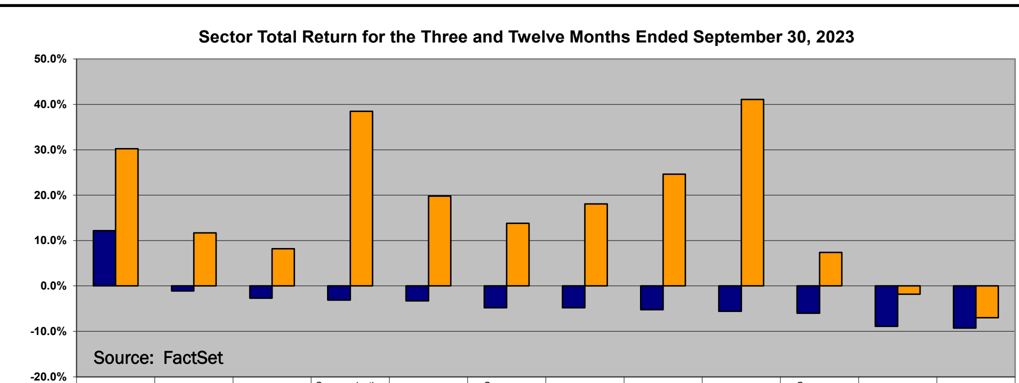
The geopolitical differences and conflicts continue to somewhat reverse decades of globalization. The reshoring of manufacturing will not happen quickly and initially is from the move to diversify manufacturing to more supportive allies and countries that believe in free market principals. The Ukrainian-Russian war has lasted longer than initially expected and impacted both countries significantly, which will take decades to recover. China, Iran and other countries have supported Russia, with the primary goal of attempting to reduce the U.S.'s global influence.

Corporate profit expectations are a key determinant in valuing stocks and have been subdued for the first nine months of 2023. Investors are forecasting modest earnings growth for the S&P 500 of less than 2% in 2023; however earnings growth expectations accelerate for the 3rd and 4th quarter and nearly a 12% rise is forecasted for 2024. The large mega-capitalization technology stocks were significant leaders in providing better earnings. Broader participation in better earnings growth in the coming quarters and into 2024 could support rising stock prices. The S&P 500 current price-earnings ratio ranges between 19 and 20 times based upon current earnings estimates, which is neither attractive nor expensive on a historical basis. The top 10 mega-capitalization stocks average over 30 times earnings, while the remaining 490 stocks average a more attractive multiple below 16 times. Small and Mid-Capitalization stocks trade at a more significant discount at 13 to 14 times estimated earnings. Historically, Small and Mid-Capitalization stocks trade at a multiple higher than the S&P 500. Besides the technology concentration, the much smaller energy sector provided a significant earnings boost in 2022 and into 2023, which is expected to be meaningfully lower in 2024.

Oil prices at the end of September rose to a 13-month high above $90 per barrel, but declined somewhat in early October. Gasoline prices in the U.S. have declined significantly with recent inventory builds at refineries. On June 30th, the U.S. Government contracted with 4 companies to start replenishing the 3.2 billion barrel SPR (Strategic Petroleum Reserve). This replenishment will take years and will be impacted by rising oil prices. In August, OPEC reinforced its commitment to curtailing production, which forced global prices to rise after averaging $70 per barrel from March through July. The move by OPEC directly affects the cost to refill the SPR and for global consumers of oil. With Europe and Japan being net buyers of oil, the higher prices are a significant detriment to their economies and consumers. The approaching winter heating season increases the risk of higher energy prices with below average temperatures that, fortunately, did not occur last winter. The ongoing Ukrainian/Russian war will continue to impact global supply and demand, along with prices and availability of oil and natural gas.

For the quarter, the S&P 500 (total return) was down 3.3%, and the Dow Jones Industrial Average fell by 2.1%. The technology-heavy NASDAQ Composite fell by 3.9% in the quarter. The S&P 600 Small Cap Index declined by 4.9% and the S&P 400 Mid-Cap was down 4.2% in the quarter. Developed international markets fell 1.2% and emerging markets declined 4.1% for the quarter.

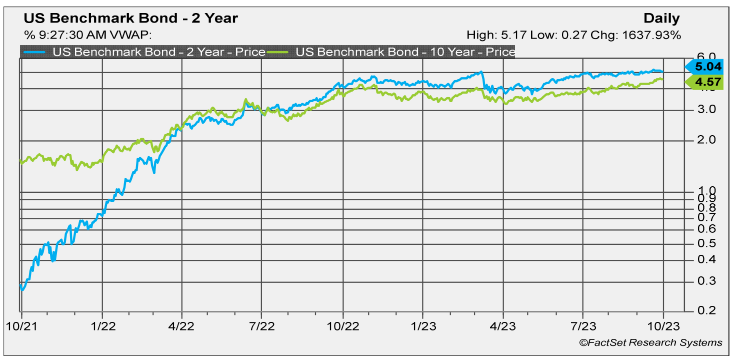
The Energy sector was the only positive sector for the quarter, as oil prices rose due to OPEC production reductions. The Energy sector produced the third highest returns on a 12 month basis. Financials recovered after the March banking concerns, while the Real Estate and Utility sectors, which are the other interest rate sensitive sectors, were significant laggards for the quarter and trailing 12 months. The Real Estate sector is also impacted by commercial office building demand falling dramatically with work-from-home gaining more permanence. While the Information Technology sector was a laggard for the quarter, it produced the best 12 month returns, along with the Communications and Energy sectors. The chart below illustrates how all the sectors performed in the quarter and for the trailing twelve months.



	Energy	Financials	Healthcare	Communication Services	S&P 500	Consumer Discretion	Materials	Industrials	Info.Tech	Consumer Staples	Real Estate	Utilities
3 Months	12.2%	-1.1%	-2.7%	-3.1%	-3.3%	-4.8%	-4.8%	-5.2%	-5.6%	-6.0%	-8.9%	-9.3%
12 Months	30.2%	11.7%	8.2%	38.5%	19.8%	13.8%	18.1%	24.6%	41.1%	7.4%	-1.8%	-7.0%

Higher for Longer Interest Rates

Over the last 9 months, interest rates across the yield curve (maturities from overnight Fed Funds rates to 30-year Treasury bonds) have continued to rise. Most Treasury maturities are now at multi-year high yields and have moved to levels that are higher than most had forecasted. Stickier service and wage inflation, along with recently heightened concerns about government fiscal policy, have put upward pressure on yields for longer maturities (10 to 30 year bonds). This drove a notable movement in the yield curve during the quarter. While the yield curve remains inverted (short-term interest rates higher than longer-term rates) which is a historical indicator of a recession, the spread between short-term rates and longer-term rates has narrowed considerably. At the beginning of the third quarter, the spread between the 2-year and 10-year was 1.06% basis points, whereas the spread at the end of the quarter is now 0.47%, basis points. The 2-year Treasury bond started the quarter at 4.87% and ended the quarter at 5.04%, while the 10-year Treasury started the quarter at 3.81% and ended at 4.57%. Interest rates have remained higher for longer as the Fed continues to fight inflation, which puts more pressure on the economy, especially the consumer who needs to finance a new home or make other purchases.

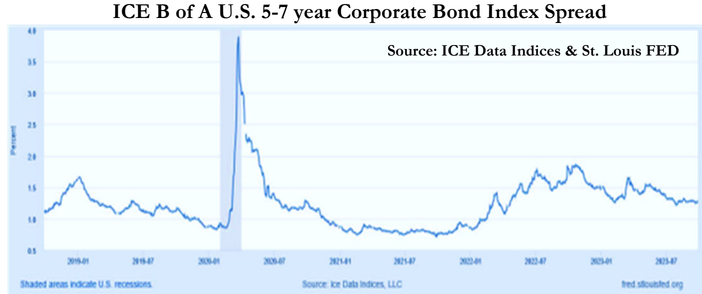


At the two Federal Reserve Open Market Committee (FOMC) meetings in the third quarter, the Fed decided to pause and not raise interest rates further as they are becoming more data dependent in their decision making. The number one priority for the Fed is to continue to bring down inflation, as they remain steadfast in their 2% targeted inflation goal. At the latest meeting in September, the Fed released their Summary of Economic Projections (SEP), which forecasted a Federal Funds Rate (overnight interest rates charged to banks) of 5.625% at the end of 2023, implying the possibility of one more rate hike this year. In addition, the SEP highlighted 1.75 % basis points of rate cuts in 2024-2025 and an additional 1.00% basis point cut in 2026. This is a significant change from its previous meeting in June where the Fed projections did not mention future interest rate cuts. The Fed has forecasted the unemployment rate to be 3.8%, GDP growth of +1.1%-2.1%, and core inflation downshifting to 3.7%. With expectations for 3.7% core inflation, the Fed still has a ways to go in order to reach their 2% inflation target, so it is expected that interest rates will remain higher for longer.

The U.S. economy has held up well thus far with the higher interest rate environment, but economic data going forward could certainly change the Fed's current policy outlook and behavior. The consumer has extinguished Covid stimulus related savings, and credit card delinquencies are approaching the highest level since 2011. The inflation rate for food and shelter has slowed, yet prices remain high. Affordability in the housing market is at the lowest levels in over four decades. Wages have seen healthy increases in most segments of the labor market and strikes at the UAW and writers/actors portend continued wage pressures. Consumer sentiment is trending lower which could be a sign of stress to meet budgets. The Fed remains data dependent in their decision making, but with over 5% in interest rate hikes over the last 16 months, the lagging effects of their monetary policy decisions could negatively impact the economy, potentially slowing growth or causing a recession.

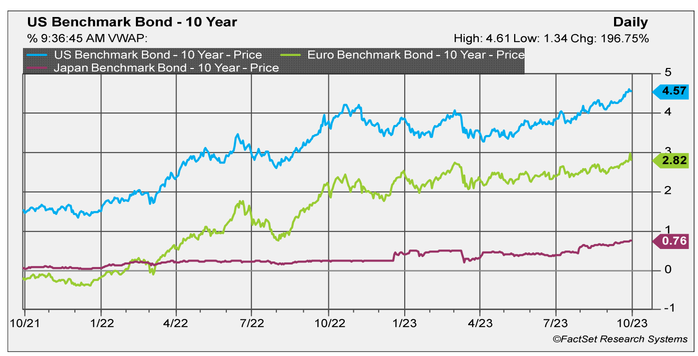
Investment grade corporate bond spreads (the yield premium for taking on corporate default risk) remained relatively flat when compared to the second quarter, while still nicely above the low levels in 2021 and early 2022. Credit spreads are the amount of interest borrowers demand to

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



cover default risk in the corporate market. While they are up from very low levels, they currently do not appear to reflect significant economic stress and certainly not a recession in the chart above. With interest rates rising on Treasury bonds and credit spreads up, corporate bonds are more attractive and should provide returns in excess of inflation for our clients. In times of economic uncertainty, the spread between corporate bonds and U.S. Treasury bonds is likely to increase, and it becomes more attractive for investors to receive an A-rated corporate bond with higher yields than that of Treasuries.

As interest rates in the U.S. continue to rise, interest rates in Europe and Japan are following suit. Two years ago these economies implemented policies to keep interest rates nominally negative or near zero. As global economic conditions have materially changed in the face of higher inflation, they have needed to change course and follow the path of the Fed to address significant inflation. While interest rates in these economies are still less than that of their U.S. counterparts, investors are now able to get a much better yield on their international bond investments. The chart below highlights the move in both the EU and Japanese 10-year bond. Similar to the U.S., both of these markets witnessed a substantial rise in interest rates on the 10-year maturity in the quarter. The relative strength in currency and future economic growth prospects reflects the differential.



As interest rates and yields rise, prices drop, and investors with large bond portfolios continue to see negative paper returns (unrealized losses) in their portfolios. It is important to understand that unrealized losses on these investments are only realized if they are sold. If held to maturity, investors will receive their principal plus interest at maturity. The rise in interest rates has continued to create more attractive bond investments in client portfolios. We continue to put new and existing client money to work in safe, reliable bonds that can produce solid risk adjusted returns not available since 2007. With longer term interest rates moving up this quarter, opportunities to add incrementally higher duration bonds is improving, as those yields rise and maturities on existing bonds occur. These fixed income investments, whether it be high-grade corporate bonds, U.S. Treasuries, or CDs, give investors income, diversification, and safety for their existing portfolios. While economic trends, fiscal policy, Fed policy, and geopolitical events will certainly move the bond market going forward, we are confident and comfortable with our bond investment process. The overall quality of our fixed income portfolio is single-A, the aggregate average duration is 3.7 years, and liquidity remains sufficient to take advantage of future opportunities.

Fourth Quarter 2023 Investment Outlook

The U.S. stock market produced its largest negative monthly return of the year in September, and the correction continued into early October with the S&P 500 realizing a 10% decline, but returns remains positive for the year based upon the performance of the largest capitalization stalwarts. The broader market has given back most of the gains from the first eight months of the year. The U.S. bond market followed suit, as interest rates rose and bond prices fell, especially after the Fed's projections reflect the "higher for longer" stance.

The U.S. economy has demonstrated significant resilience, as economists' projections moved from a recession to a soft-landing to no recession at all over the last 12 months. The continued difficulty of transitioning away from easy money (ultra-low interest rates), along with rolling headwinds of stubborn inflation and tailwinds of stable employment and wages have made traditional econometric modeling very unreliable. The U.S. consumer is the engine of the domestic economy and has so far dealt with the rise in energy prices and 16-year highs in interest rates that have made financing more expensive without impeding growth. This environment has pushed the U.S. dollar to 10-month high levels which significantly impacts trade and reduces corporate profits for multinational domestic companies.

Consumer confidence is well off the high levels of late 2021, but remains slightly above neutral on a historical basis as the employment outlook remains constructive. While the primary tailwind is worker shortages and wage gains, there has been a deceleration in year over year wage gains as companies have become more discerning on new hires, along with reducing employees to address future needs. However, the September jobs report illustrates continued strength. The decline in household savings rates and increased credit card delinquencies are among the warning signs to monitor closely. The resumption of student debt repayments is another potential drag on consumer spending as well.

The pullback in consumer confidence and regional manufacturing data, along with any signs of a slowing economy, changes in employment outlook and continued higher interest rates could increase the concerns of a weakening economy. There have been significant declines already in the housing, manufacturing, and various consumer goods areas that historically would have portended a harder landing. Any significant reversal in inflation and employment trends would be a risk for increasing the odds of a recession in 2024.

Based upon current data a recession next year is not our base case scenario and the recent correction in stocks appears to be a pause that refreshes assuming corporate profits provide valuation support at now lower levels. A broadening of the stock market could focus on companies valued at below historical averages that will include a significant number of Large Capitalization stocks, along with Small and Mid-Capitalization companies that are trading at Price/Earning multiples below 15 times. Expectations are for above average growth in corporate profits for the 3rd quarter, deceleration into the 4th quarter, and higher profits in 2024. The upcoming reports later in October will be a focus for investors to provide clues for the future.

Outside of North America, the global economy is experiencing weakness with a higher likelihood of a European recession and a morose recovery in China. International stock investments by U.S. domestic investors have performed relatively well as the currency translation with the strong dollar is an added boost to performance. Valuations based upon local currencies appear to offer reasonable value and somewhat reflect the recession risk.

The U.S. Government shut down risk has been deferred until at least mid-November. The unprecedented ouster of Kevin McCarthy as House Speaker could complicate an appropriate solution to avoiding a government shutdown over the next 5 weeks.

While September and October are historically challenging for the stock market, this seasonality is based upon potential transitions that include political leadership and prospects of economic and profit growth in the New Year. Currently, both have become cloudier, which creates uncertainty for investors. The correction in both the stock and bond market reflects this uncertainty and somewhat prices in the numerous crosscurrents, yet the risks may remain as the market looks forward towards 2024.

As the U.S. bond market yield curve inversion normalizes and moves closer to a normal position with longer dated yields being higher than shorter yields, the potential returns for existing bond investors improve, especially by locking in yields that are at 16 year high levels. A more definitive decline in inflation could provide a reasonable recovery, as bond prices rise and interest rates fall. The magnitude and timing of this transition will be an important factor for investors, consumers, companies, and governments globally.

A peaking in interest rates will also impact the stock market and economic outlook. The risk and return equation between bonds and stocks have nearly returned to historical parameters that had been obfuscated by the zero interest rate policy from 2008 to early 2022. Stocks and bonds are currently providing equivalent return potential, utilizing the S&P 500 within our relative attractiveness model. On an equal-weighted S&P 500 basis (which eliminates the mega-capitalization technology concentration), stocks look incrementally more attractive at current levels for the broader market.

For our clients, total equity exposure remains slightly above average within targeted ranges. Rising interest rates allowed for new investment opportunities, especially in the bond market, with more attractive valuations and higher yields. The correction in stocks has provided incremental opportunities for new investment and equity allocation to the segments providing attractive valuations and improving overall equity diversification for client portfolios.

Skating to Where the Puck is Going Versus Where it's At

The stock market correction continued into the early days of October, as the 10 largest technology stocks that contributed an outsized portion of the market's positive return through August of 2023 have declined but still maintain a major valuation premium to the broader market. The recent focus relating to Artificial Intelligence (AI) investment opportunities is reminiscent of previous eras of the Nifty Fifty in the 1970's, the energy stocks in the late 70's & early 1980's, or the technology stocks in 1999 & 2000, which has nearly always ended in real pain for investors as these stocks never fulfill lofty expectations and suffer dramatic losses. It's not to say that the companies themselves will fail and go out of business (although that sometimes happens), but that the companies simply cannot meet investor's lofty and extremely bullish expectations over an extended period of time. When very aggressively valued stocks fail to meet investor expectations, the resulting carnage can be catastrophic for portfolios. A corollary to excessive valuations and excessive market capitalizations in a narrow set of companies is that perfectly fine companies and industries will be ignored and trade at valuations that are particularly appealing on a longer term basis. This may be happening today to the healthcare sector and, as a consequence, there may be some very attractive long term opportunities there. Over the course of the massive run in the favored technology stocks, the healthcare sector has lagged by nearly 30% and with valuation metrics that are at historically very attractive levels. If the prevailing market view shifts from today's, that the U.S. economy will continue to grow to a view with a growing conviction that a recession is likely in 2024, then healthcare stocks, due to their defensive characteristics, will likely substantially outperform the market and, especially, the technology stocks. Another area of potential opportunity is in the industrial/manufacturing areas. These are generally high-quality companies, which will benefit from several powerful secular trends, such as increased defense spending, the impetus toward reshoring manufacturing away from China, major infrastructure spending and fiscal stimulus as exemplified by the Inflation Reduction Act and the CHIPS Act, and significant spending in green energy initiatives. The point here is not to pick stocks but to highlight how attractive particular stocks and industries can be when investors maybe overexposed to the favored companies and somewhat ignore emerging opportunities including high quality companies with exceptional long term prospects. Several quantitative measures which reflect these excesses including the Small and Mid-Capitalization indices trading at historical valuation discounts (30-35%) to the S&P 500 versus a typical premium, and the equal-weight S&P 500 trading at a roughly 30% discount to the market capitalization weighted S&P 500. Although the overall stock market appears fully-valued, there are currently pockets of real long-term opportunity. Arcataur's disciplined equity diversification approach is designed to be prepared for such future opportunities.

Arcataur Capital Management LLC
A Registered Investment Advisor

Arcataur Composite Investment Performance for the 3 Months, 12 Months, 3 Years, 5 Years & 10 Years Ended September 30, 2023

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
	9/30/2023				
Large Cap Direct Stock Equity	-4.51%	18.91%	10.59%	9.54%	11.01%
Large Cap Equity ETF	-3.60%	20.87%	9.44%	9.58%	11.52%
Benchmarks					
Lipper Large Cap Core	-3.20%	20.40%	8.85%	9.00%	10.70%
Dow Jones Industrial Average	-2.11%	18.93%	8.48%	6.99%	10.63%
S&P 500	-3.27%	21.62%	10.16%	9.92%	11.92%
S&P 100	-2.74%	25.26%	10.30%	10.89%	12.38%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
	9/30/2023				
Small Cap Equity	-5.46%	9.06%	11.01%	2.67%	7.47%
Mid-Cap Equity	-4.73%	14.31%	10.74%	5.28%	8.40%
Benchmarks					
Lipper Small Cap Core	-3.90%	12.80%	12.11%	3.80%	6.80%
S&P 600	-4.93%	10.08%	12.10%	3.21%	8.15%
Lipper Mid-Cap Core	-4.00%	13.40%	9.53%	5.80%	7.80%
S&P 400	-4.20%	15.51%	12.05%	6.06%	8.94%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
	9/30/2023				
Fixed Income	-0.80%	3.27%	-2.67%	0.59%	1.49%
Benchmarks					
Bloomberg Barclays 1-5 (T/G/C)	0.15%	2.56%	-1.64%	1.13%	1.10%
Bloomberg Barclays Aggregate	-3.18%	0.70%	-5.19%	0.11%	1.13%
Bloomberg Barclays 1-3 (T/G/C)	0.68%	2.73%	-0.74%	1.20%	1.01%
Lipper Bond MF Avg.	-1.00%	4.10%	-1.49%	1.10%	1.65%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
	9/30/2023				
Developed International Equity	-4.90%	24.13%	4.95%	2.71%	3.26%
Emerging International Equity	-2.93%	10.17%	-1.01%	1.47%	1.74%
Benchmarks					
EAFE	-4.11%	25.65%	5.76%	3.24%	3.83%
MSCI Emerging Market Index	-4.07%	11.32%	-2.92%	-0.25%	1.39%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
	9/30/2023				
Total Equity*	-4.27%	17.21%	9.06%	7.02%	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

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
	9/30/2023				
Managed Balance	-3.11%	12.38%	5.35%	5.01%	6.64%
Benchmark					
Lipper Balanced	-3.10%	10.40%	3.57%	3.70%	6.09%
60/40 Custom Index	-2.33%	12.68%	4.65%	4.66%	6.29%

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 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, Investment Grade U.S. Aggregate, and Investment Grade Index (T/G/C) 1-3 Years and the Lipper 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 - Lipper 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 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.

Except for 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.