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Fourth Quarter Review
December 2023

ARCATAUR CAPITAL

Arcataur Capital Management LLC
A Registered Investment Advisor

High Quality Investment Management

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Inside This Issue:

A Balanced Approach

Economic Soft Landing versus a Rolling Recession

After a harrowing 2022 that featured a surge in inflation to 40-year highs, a historic rise in interest rates accompanied by a decline in bond prices, and a significant downturn in stock prices, expectations were for the continuation of economic and financial market troubles in 2023. Despite more than 65% of economists predicting a recession early in the year, it did not materialize. Financial markets were volatile with investors focused on being defensive for most of the year, yet economic activity and the U.S. consumer remained resilient.

An economic analysis of the last 24 months reveals what some have termed a "rolling recession", which describes an economic downturn that only affects some sectors at a time. With a hard recession, most sectors are hit at the same time with layoffs and financial struggles. During a rolling recession, various sectors experience downturns at different times. After those sectors recover, the slowdown "rolls" to other areas, while the overall economy never takes a large dip. Typically, the job market stays relatively strong in a rolling recession and is in constant motion, which acts as a stabilizer and prevents a large-scale decline. There is no doubt that the Pandemic contributed to this current phenomenon.

Stable and near historical low unemployment trends throughout the year increased the possibility of the elusive "soft-landing" (decelerating but positive economic growth) that most economists were reluctant to forecast. A steady decline of inflation resulted in the Fed's last increase in the Fed Funds interest rate at its July meeting. Conservative projections at subsequent Fed meetings, along with a potential government shut down and funding issues served to unnerve investors during the fall timeframe.

By November, economic data and the messaging from global monetary authorities increased investor's expectations that the Fed was done raising interest rates, resulting in a global rally. Interest rates fell, bond prices recovered significantly, and the S&P 500 rose to within 1% of its all-time high at year end.

The 26% total return in S&P 500 for the year was primarily driven by the largest technology and artificial intelligence (AI) related companies, known as the "Magnificent 7" - Apple, Amazon, Microsoft, Alphabet, Meta, Nvidia, and Tesla - which represents 28% of the entire index market capitalization and collectively rose by more than 70% in 2023, while the other 493 company's stocks lagged by being up slightly more than 10% for the year. Other parts of the overall equity market, including domestic Small and Mid-capitalization and international stocks, lagged significantly for most of the year, but outperformed with a meaningful recovery during the last six weeks of 2023.

The valuation premium is significant for the Magnificent 7 versus the broader market, however those seven companies generate significant free cash flow, high return on equity, and for the most part, possess extremely strong balance sheets that somewhat support the higher valuation of their stock prices. If a normal recession can be avoided, the broader stock market may provide additional investment opportunities and returns in 2024.

The American consumer has enjoyed a steady rise in wages, income, and spending, which are the main engines of the domestic economy. The holiday spending season is estimated to have risen by more than 3% versus last year and was above the level seen in the pre-pandemic season of 2019. Investors are mindful of the upcoming challenges, including the depletion in pandemic savings, the resumption of student-loan repayments, and the lagged effect of higher interest rates on consumers, businesses, and the government. Most U.S. consumers are not over-indebted and the decline in energy and food prices recently is beneficial to consumers, especially the lower income population. Mortgage interest rates have declined below 7% in December and a move below 6% could support more housing activity during the spring selling season.

The tightness in the labor market now 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 December jobs report was stronger than expected, with nonfarm payroll growth of 216,000. The unemployment rate declined modestly to 3.7%, as labor participation declined slightly and wage gains were a healthy 4.3%.

Geopolitical issues escalated when Hamas attacked Israel in October which increases the possibility of a broader Middle East conflict. China's support for Russia in the Ukrainian war, and their desire to usurp Taiwan's sovereignty and thereby diminish U.S. influence globally, are ongoing developments which cannot be ignored.

China did not live up to investor's expectations in 2023 as their economic rebound from restrictive Covid policies was short-lived and disappointing. In fact, several structural challenges have emerged that are giving investors pause. Chinese 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 represent 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%).

Economic Soft Landing versus a Rolling Recession (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.

Europe's economy started 2023 demonstrating remarkable resilience to the Ukrainian war and resulting energy crisis and initially avoided an expected recession. However, unlike the United States, growth has disappointed since the spring due to negative effects from higher gas prices, modest growth from trading partners like China, and a large drag from the ECB's tightening to reign in inflation. While a few European countries are experiencing negative economic growth, the overall picture is that growth is currently flat with the hope that in 2024 growth will pick up as headwinds abate, but still is likely to remain below trend. The euro-area unemployment rate is currently 6.5% and may trend up slightly if economic conditions don't come in better than expected.

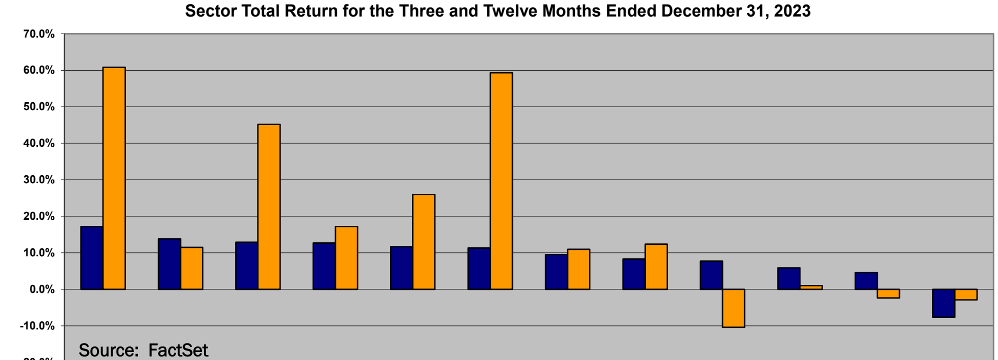
Corporate profit expectations are a key determinant in valuing stocks. The 4th quarter 2023 reports due over the next 7 weeks are expected to produce below historical average growth for the S&P 500 and an earnings decline for the year. Yet, the earnings acceleration in the 3rd and 4th quarter of 2023, lower projected inflation, and interest rates declines all support the potential to return to more normal earnings growth, with an 11% rise forecasted for 2024. The large mega-capitalization technology stocks were significant leaders in providing higher earnings. Broader participation in better earnings growth in the New Year could support elevated stock prices. The S&P 500 current price-earnings ratio ranges between 19 and 20 times based upon current earnings estimates, which is somewhat elevated within a growing economy, and including the significant valuation premium of the Magnificent 7, but supported by better earnings expectations in 2024. The top 10 mega-capitalization stocks average over 28 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 14 to 15 times estimated earnings. Historically, Small and Mid-Capitalization stocks trade at a premium 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 reached a 15 month high at the end of September rising to $90 per barrel, but declined in early October as OPEC supply reduction targets were not effective in keeping prices higher, along with less demand from Europe and China as their domestic economies softened. Incremental U.S. production increases also impacted prices which dropped by mid-December to below $68 per barrel. Gasoline prices in the U.S. have declined significantly with refinery inventory builds that provide an incremental tailwind for consumer spending. With Europe, Japan and China being net buyers of oil, lower prices can be an incremental support to their struggling economies. For North America, the El Nino effect has produced warmer temperatures in the first 8 weeks of winter and below normal heating costs. 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 up 11.7%, and the Dow Jones Industrial Average rose by 13.1%. The technology-heavy NASDAQ Composite increased by 14.2% in the quarter. The S&P 600 Small Cap Index was up by 15.1% and the S&P 400 Mid-Cap rose 11.7% in the quarter. Developed international markets were up 10.4% and emerging markets increased by 8% for the quarter.

The Magnificent 7 stocks significantly influenced returns for the Information Technology, Consumer Discretionary and Communication Services sectors over the last 12 months. The Energy sector was the only sector to produce negative returns for the quarter and year as volatile energy prices ended the year near the 12 month lows and impacted stock performance. The defensive sectors of Utilities, Healthcare and Consumer Staples were laggards in the quarter, while most others participated in the broader stock market recovery at the same pace as the S&P 500 in the fourth quarter. The chart below illustrates how all the sectors performed in the quarter and for the trailing twelve months.

Sector Total Return for the Three and Twelve Months Ended December 31, 2023



	Info.Tech	Financials	Consumer Discretion	Industrials	S&P 500	Communication Services	Materials	Real Estate	Utilities	Healthcare	Consumer Staples	Energy
3 Months	17.2%	13.8%	12.9%	12.7%	11.7%	11.3%	9.5%	8.3%	7.7%	5.9%	4.6%	-7.6%
12 Months	60.8%	11.5%	45.2%	17.2%	26.0%	59.3%	11.0%	12.4%	-10.4%	1.0%	-2.4%	-2.9%

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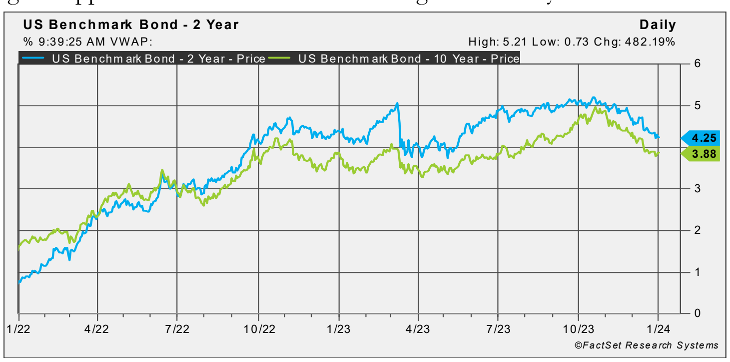
Investors Put Peak Interest Rates in the Rearview Mirror

The punishing bear market for bonds, with interest rates moving higher in 2022 and most of 2023, reversed in the last 7 weeks of 2023. Treasury yields declined from a peak near 5% to finish the year below 4%, driven largely by declining inflation, a Fed pause on hiking the Federal Funds rate, and finally a December forecast from the Fed of interest rate cuts in each of the next three years. When interest rates fall, bond prices rise, as evidenced by more favorable returns in the fixed income market in the fourth quarter. To highlight the dramatic moves, the 2-year Treasury bond fell from 5.26% in mid-October to 4.25% at the end of December, while the 10-year Treasury bond fell from 5.02% to 3.88%. While we believe interest rates have peaked and the downward trend will likely continue into 2024, rates remain well above the lows of 2020 during the Covid shutdown and could stabilize in the New Year. The spread between the 2-year and the 10-year Treasury bonds narrowed in the quarter as well, closing out the quarter at 0.37% basis points. The yield curve, which first inverted in July 2022, remains negative (short-term are higher than long-term interest rates) and has been a historic indicator of a pending recession. However, the inversion has narrowed considerably since the summer of 2023 when it exceeded 1.10% at its depth so may now give support that an economic soft landing is under way.

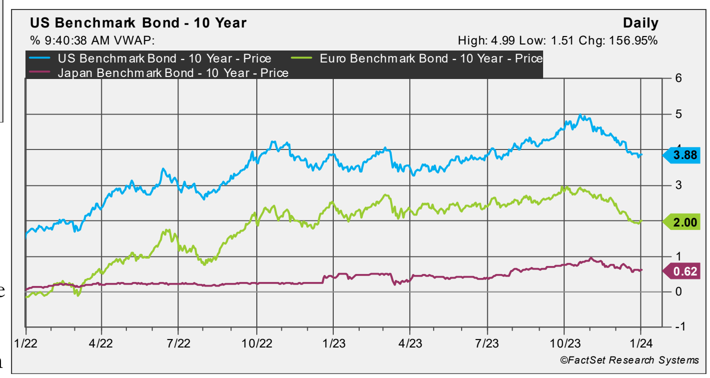


The Federal Reserve continued its interest rate hiking cycle during the first half of the year but has been on hold since raising rates at their July meeting. Since then, they have not raised rates and are letting the effects of their monetary policy decisions play out in the market. The December FOMC meeting resulted in no change in the Fed Funds Rate (overnight interest rate charged to banks) currently targeted at 5.25-5.5%, but Fed Chair Powell indicated this is likely at a peak for this tightening cycle. The Fed provided projected Fed Funds levels of 4.6% for year-end 2024, 3.6% and 2.9% respectively for year-end 2025 and 2026. However, the Fed remains data dependent on their decisions and continues to focus on reaching their inflation of target of 2%. The latest Consumer Price Index (CPI) data from November saw total CPI at 3.1% before seasonal adjustments, and 4% excluding food & energy. In addition, the current unemployment rate ticked down slightly to 3.7%. Consumer spending remains strong, even with the incremental headwinds of higher financing costs. The housing market also remains resilient, with mortgage rates dropping below 7% since reaching 14-year highs of 7.8% in late October. Food, shelter, and gas prices have continued to decline, signaling strong data points for the Fed that their monetary policy decisions have been effective. The Fed's actions started late, but have been successful to combat the negative impact of inflation. There is still more that needs to be done before the Fed declares victory in engineering a soft landing.

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

Corporate bond spreads (the yield premium required for taking on default risk in corporate bonds) also declined in the fourth quarter, as highlighted in the previous chart. Declining spreads augment improving performance of corporate bonds as investors' risk premium declines, along with falling interest rates. For most of the year, these spreads were at higher levels as economic recession fears escalated. In the fourth quarter, the idea of soft landing gained more traction and corporate spreads closed at their lowest levels of the year. In the event of a more pronounced economic weakness, which would potentially stress company financials, spreads could move higher. However, unexpected economic weakness would trigger a more aggressive interest rate reduction by the Fed than currently anticipated. Five-to-seven year corporate bond spreads have hovered between 1.20% - 1.80% basis points this year, whereas shorter maturities have been much narrower. While evaluating corporate bond investments for clients, we have viewed high quality investment grade companies in the 5-to-7-year maturity range more attractive than Treasuries in 2023. Since the shorter end of the yield curve has had lower corporate bond spreads, the focus has been on Treasury bonds and CDs for shorter maturity needs.

Developed country's bond markets have followed a similar path to the U.S., as interest rates dropped considerably in the fourth quarter. The chart below illustrates the path of the EU and Japan 10-year Treasury bonds, with the EU mirroring closely to the U.S., while the Japanese 10-year moved lower, but not as much as the other markets. As with the U.S., foreign economies are continuing to battle inflation, but are having somewhat more difficulty getting it under control. It should also be noted that economic conditions are currently considerably more difficult in developed markets, particularly in Europe.



The last two years have been challenging for bond investors, however historically difficult financial markets provide opportunities that lead to positive future performance. Late 2023 provided a glimpse of this, along with a 14-year high of annualized income potential for bonds purchased over the last 15 months. While yields continued to rise during the year, the significant drop in yields in the fourth quarter led to positive bond returns. The rise in interest rates throughout the year allowed for timely investment of cash earmarked for bonds and from bond maturities capturing higher yields for clients and generating more future interest income. Certificate of Deposits were incrementally attractive, providing a premium of 0.20%-0.40% basis points of additional yield above Treasury bonds. The primary focus during the year was finding better safety and value in a well-diversified bond portfolio. Treasury bonds also provided significant liquidity and returns in excess of inflation. This provided a great opportunity to rebalance client portfolios at higher yields and lower overall risk levels. 2023 was a productive and refreshing year to take advantage of the attractive risk/reward environment in the bond markets. While monetary policy and economic trends will continue to play a role in the direction of interest rates and the bond market in 2024, we remain confident in our investment process and will take advantage of opportunities as they arise. The overall quality of our fixed income portfolio is single-A, the aggregate average duration is 3.7 years, average yield to maturity is 4.83%, and liquidity remains sufficient to take advantage of future opportunities.

First Quarter 2024 Investment Outlook

The strong recovery in bond and stock prices during the last eight weeks of 2023 was fueled by the shift in outlook that interest rates have peaked and that the decline will be bolstered by Federal Reserve cuts in 2024. If the economy remains stable, the Fed cuts will be more methodical; and, if there are increased signs of economic weakness, the cuts could be more aggressive.

In the wake of the 2008 Credit Crisis and extraordinary monetary and fiscal stimulus, the term the "New Normal" was used to describe how the unusual measures impacted the economic data and trends that occurred in the U.S. and globally. With the onset of Covid and the economic shutdown, interest rates were slashed, and Fed and Fiscal policy provided excess money to consumers and businesses and nothing seemed "normal" once again. In addition, with a changing view of national security, there was a reversal of the 30 year trend toward more open trade and globalization, which complicates thinking on future economic trends and alliances.

These aggressive policies and unique geopolitics made using traditional econometric models and financial market strategies more difficult in forecasting 2023. It also makes predicting what is in store for 2024 challenging. The Federal Reserve's historical monetary tool of adjusting the overnight or ultra short Federal Funds interest rates, while removing extraordinary stimulus by reducing its balance sheet through Quantitative Tightening (QT), provides the thought of returning to the Old Normal economy or possibly even a New-New Normal, with market derived interest rates rather than rates driven by government policy.

The U.S. economy demonstrated significant resilience in 2023, as economist's projection of a recession moved to a soft-landing, then to no recession at all. The U.S. consumer is the engine of the domestic economy and has dealt with the unique Pandemic-induced challenges over the last few years remarkably well.

Unemployment trends have remained near historically low levels, resulting in higher wages over the last three years. Expectations are for a modest rise in unemployment in 2024; however, considering unemployment rising above 4%, it should be noted that historically full employment was considered to be 5%. While employment is a lagging indicator, it will be an important factor to monitor in 2024.

Based upon current data, a recession in 2024 is not the base case, but not impossible either. After the recent rise in stock prices, valuations are elevated based upon current corporate profit expectations. Investors are projecting an 11% rise in earnings in 2024 for the S&P 500, which would equate to a price-earnings ratio of 19.6 times. The differential between the largest 7 companies and the rest of the market skew valuation analysis significantly. For the stock market to produce solid returns in the new year, a broadening of performance will need to be realized. Companies with lower valuations, including Small and Mid-capitalization stocks, are currently trading at attractive levels and are over-weighted based upon our disciplined diversification approach.

International stocks offer somewhat attractive valuations too, however the economic outlook is less clear given challenges relating to the conflicts in the Middle East, Ukraine and Russia. The recent decline in the U.S. dollar, if sustainable in 2024, improves the currency translation for U.S. multinational companies and for global oil purchasing, which is primarily denominated in U.S. dollars and improves the purchaser's local currency cost.

The U.S. Government is facing additional funding deadlines in January that are yet to be resolved from the previous deferral from Congress in the fall. The immigration challenges and funding for Ukraine is also complicating the negotiations. With 2024 being an election year, assumptions are another stop-gap agreement that kicks much of the heavy lifting down the road.

The election year stock market seasonality has been one of the most consistent historically. The unusual circumstances this year could disrupt the stock market norm; however, it is important to understand how the historical pattern usually impacts trading. Stocks rise early in the election year, then by mid-summer stocks correct into the fall and near election day and recover after election results are finalized. The occurrence and magnitude of this seasonality can be altered by economic, geopolitical, and unusual circumstances as illustrated by the 2020 pandemic.

Based upon the powerful year-end recovery in stocks, we would anticipate a normal market correction of 5 to 7%, however such a correction could be masked if lower valued areas rise and more expensive stocks lead the correction. Economic data in early January and corporate profit reports and outlook comments later in January will be important information for investors. We would anticipate earnings outlook comments to be somewhat conservative at the start of the New Year.

For our clients, total equity exposure remains slightly above average within targeted ranges. The Large Capitalization portion of stock exposure has been a source of funds and reduced into strength and below median of our diversification approach. Small and Mid-capitalization were increased into weakness in the fall and now are above median exposure. Market volatility throughout the year and especially in the 4th quarter provided excellent opportunities to reposition total stock and bond exposure for client portfolios.

Falling interest rates make new bond purchases slightly less attractive and typically support higher valuations in stocks. Safe, liquid and short-term fixed income investments are providing the highest yields currently and are a reasonable holding for cash in the near term environment. Based upon current market conditions, overall asset allocation is well diversified and provides ample liquidity to take advantage of incremental opportunities that may arise.

Historical Market Performance for the Period Ended 12/31/2023

		Total Return (%)		Annualized Total Return (%)		
	Close	Quarter-to-Date	One Year	Three Year	Five Year	Ten Year
DJ Industrial Average	37689.5	13.1	16.0	9.3	12.3	10.9
S&P 500	4769.8	11.7	26.3	10.0	15.7	12.0
S&P 100	2236.2	11.7	32.7	10.6	16.7	12.5
S&P Mid Cap 400	2781.5	11.7	16.4	8.1	12.6	9.3
S&P Small Cap 600	1318.3	15.1	16.1	7.3	11.0	8.7
NASDAQ Composite Index	15011.4	14.2	44.6	6.0	18.8	14.8
Russell 2000	5037.8	14.0	16.9	2.2	10.0	7.2
MSCI EAFE	2236.2	10.4	18.2	4.0	8.2	4.3
MSCI EM (Emerging Markets)	1023.7	8.0	9.0	(5.9)	2.9	1.8
Bloomberg Barclays US Aggregate	91.7	6.8	5.5	(3.3)	1.1	1.8
Bloomberg Barclays US Gov/Credit 1-3 ye	97.1	2.7	4.6	0.1	1.5	1.3
Bloomberg Barclays US Interm/Gov/Credit	95.2	4.5	5.1	(1.6)	1.6	1.7

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

Arcataur Composite Investment Performance for the 3 Months, 12 Months, 3 Years, 5 Years & 10 Years Ended December 31, 2023

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2023		
Large Cap Direct Stock Equity	11.9%	22.5%	9.8%	15.5%	11.1%
Large Cap Equity ETF	12.0%	25.8%	9.4%	15.3%	11.7%
Benchmarks					
Lipper Large Cap Core	11.5%	24.3%	8.7%	14.6%	10.9%
Dow Jones Industrial Average	13.1%	16.0%	9.3%	12.3%	10.9%
S&P 500	11.7%	26.3%	10.0%	15.7%	12.0%
S&P 100	11.7%	32.7%	10.6%	16.7%	12.5%

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2023		
Small Cap Equity	15.4%	15.7%	6.4%	10.5%	8.0%
Mid-Cap Equity	12.0%	15.9%	7.0%	11.8%	8.8%
Benchmarks					
Lipper Small Cap Core	12.4%	15.6%	7.4%	10.8%	7.1%
S&P 600	15.1%	16.1%	7.3%	11.0%	8.7%
Lipper Mid-Cap Core	11.6%	14.7%	7.7%	12.0%	8.0%
S&P 400	11.7%	16.4%	8.1%	12.6%	9.3%

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2023		
Fixed Income	4.6%	5.9%	-1.6%	1.4%	2.0%
Benchmarks					
Bloomberg Barclays 1-5 (T/G/C)	3.4%	4.9%	-0.6%	1.5%	1.4%
Bloomberg Barclays Aggregate	6.8%	5.5%	-3.3%	1.1%	1.8%
Bloomberg Barclays 1-3 (T/G/C)	2.7%	4.6%	0.1%	1.5%	1.3%
Lipper Bond MF Avg.	5.5%	7.5%	-2.4%	2.3%	2.1%

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2023		
Developed International Equity	10.8%	17.6%	3.4%	7.8%	3.7%
Emerging International Equity	6.9%	8.7%	-3.8%	4.0%	2.2%
Benchmarks					
EAFE	10.4%	18.2%	4.0%	8.2%	4.3%
MSCI Emerging Market Index	8.0%	9.0%	-5.9%	2.9%	1.8%

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2023		
Total Equity*	12.2%	20.5%	7.4%	13.0%	9.5%

*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

Arcataur Composite Portfolio	Total Return				
	3 months	12 months	3 yr. annualized	5 yr. annualized	10 yr. annualized
			12/31/2023		
Managed Balance	9.5%	15.3%	4.7%	9.2%	7.0%
Benchmark					
Lipper Balanced	8.7%	12.9%	4.9%	7.2%	5.3%
60/40 Custom Index	8.9%	15.3%	4.3%	8.2%	6.6%

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.

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.