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Fourth Quarter Review
December 2022

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

2022 was a Difficult Reset, The Fog is Still Thick, Will 2023 be More Normal?

Global equity and fixed income markets rallied in the last two months of the year and produced positive quarterly returns for the first time in 2022. Definitive signs that inflation is peaking and a more measured approach by monetary authorities reflect reduced inflation pressure which was a welcome sign to investors, consumers, industries, and governments. Still, the prevailing sentiment remains pessimistic for investors, economists, and market pundits. Terms such as foggy, uncertain, and unpredictable dominate commentary related to the 2023 outlook.

The Fed and global monetary authorities belatedly spent 2022 trying to tame inflation, after repeatedly referring to the rise in inflation throughout 2021 as temporary or transitory. Monetary policy tends to impact the economy with a lag. Aggressive increases to the Fed Funds rate have coincided with some decline in high levels of inflation, but have not yet caused a meaningful decline in economic growth. However, the interest-sensitive housing market has seen a large decline in activity with selling prices starting to decline as mortgage rates jumped to levels not seen in over twenty years.

Easing supply chain disruptions, reduced energy costs, and lower residential rental prices provide an improved inflation outlook. Still, the Fed's 2% inflation target of the last 13 years appears to be unlikely without a significant deceleration in the economy. Another opinion is that the Fed should target 3% inflation, as the longer term average rate of the U.S. Consumer Price Index (CPI) is actually in the 3% to 3.5% range.

A generational tightness in worker availability remains. Demographics and the lack of a functional immigration policy could make this tough to resolve. Rising wages and low unemployment are not historically consistent with a weakening economy. While employment is a lagging indicator, it is difficult to point to a quick shift in the outlook for job availability or improved labor participation rates.

Employment trends and wage growth are likely to be the primary determinants of the economic trajectory in the coming years. Job gains have decelerated somewhat, but still remain above historical levels with a near record low unemployment rate of 3.5%. Early signs of companies being more conservative with hiring, not filling vacancies, and reducing head count is reflected in the recent job openings data and portends a less robust job market going forward. While wages are growing fastest for job switchers and lower paying positions that were most impacted by the Covid shut down, demographics and skillset mismatches could still be evident in the rising unemployment environment that a recession would create.

The future is always opaque to some degree but the magnitude of potential changes and uncertainties in large macro issues like inflation, unemployment, Fed policy, interest rates, corporate profits, and geopolitics makes the current situation particularly difficult to forecast. Financial markets already reflect a mild recession, so the speed and size of changes, for better or worse, in inflation, employment, economic growth and unpredictable conflicts will be critical for future risks and asset prices going forward.

The U.S. CPI peaked in June, however it wasn't until the Fed's November meeting that they adopted a less aggressive pace of interest rate increases going forward. At the Fed's December meeting, the Federal Funds interest rate was raised by 0.5%, after increases of 0.75% at the previous four meetings. The decline in shelter (housing and rental) prices, which represents over 40% of the CPI, is a lagging component and was not yet reflected in latest report for November.

Yields on U.S. Treasury bonds rose to 15-year highs led by the 2 and 3-year Treasury notes. They reached 4.8% in early November and then declined somewhat the last 8 weeks of the year after the Fed downshifted the rate of hikes. Similarly the U.S. dollar rose to a 20-year high in late September and pulled back in the fourth quarter. With oil denominated in U.S. dollars, the lower dollar is beneficial for global oil buyers in Europe and Asia and supported better stock performance from international equities.

Financial markets are a discounting mechanism which attempt to incorporate key financial data (interest rates, inflation, economic growth, corporate profits, employment trends, etc.) in order to establish asset prices. The fluid nature of inflation, geopolitical uncertainty and concerns of future corporate profits and economic stability has traders reacting and extrapolating short term data points with more impact than normal. While there is no significant financial stress of the magnitude of 2008 and 2020, market volatility remains elevated and the very short-term focus held by investors is expected to continue.

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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%).

2022 was a Difficult Reset, the Fog is Thick, but can 2023 be More Normal? (cont.)

In a recent survey, 65% of economists from 23 financial institutions are expecting a recession in 2023. The primary reason in their response focused on the restrictive Fed and its willingness to continue lifting interest rates, which could increase unemployment above 5%. Consensus expectations are for additional interest rate increases in the first quarter, a pause by the second quarter and a potential rate cut later in the year. As financial markets attempt to look forward 6 to 12 months, a majority of the pain may have been realized if this survey is correct. Investors attempt to find valuation support in uncertain times, which currently is difficult as earnings growth forecasts have begun to come down. However many individual companies are at attractive valuations assuming a shallow recession.

Corporate profit expectations, which are a key determinant in valuing stocks, are currently looking for modest growth. The 2023 earnings growth forecast for the S&P 500 is currently at 5%, after a modest 5% growth for 2022. If the energy sector is omitted for 2022, the rest of the S&P 500 is expected to report negative earnings growth. The stock market's current price-earnings ratio ranges between 16 and 17 times, which is neither attractive or expensive.

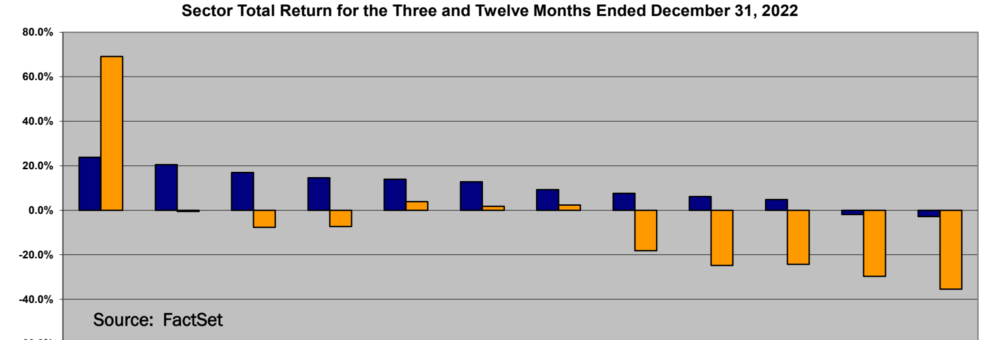
China's reversal of its zero-Covid strategy has the ability to improve its dormant economy, however at a significant cost with rampant spread of the virus. China's continued support for Russia's territorial ambitions has also raised geopolitical concerns over possible Chinese direct control of Taiwan, a country with a significant and essential semiconductor manufacturing market share.

Natural gas prices in the U.S. and more importantly in Europe, have fallen to pre-war levels as storage levels are expected to be twice as high versus historical normal levels this spring. Global oil prices traded within a range between $70 and $90 per barrel the last six months and are currently near $75. Demand has been incrementally lower, while supplies have remained stable. The new price caps on Russian oil complicate the supply/demand forecasts as well. Initial sanctions imposed on Russia have been circumvented by the willingness of China, India, and other countries to buy Russian oil. Weather disruptions have been minimal half way through the winter season.

For the quarter, the S&P 500 (total return) was up 7.6%, and the Dow Jones Industrial Average rose by 15.9%. The technology-heavy NASDAQ Composite declined by 0.8% in the quarter. The S&P 600 Small Cap Index increased by 9.2% and the S&P 400 Mid-Cap was up 10.8% in the quarter. Developed international markets rose 17.3% and emerging markets were up 10.3% for the quarter.

The energy sector remained the standout performer and produced a significant positive return for the year. The industrial, materials and financial sectors benefited by continued capital spending and inflationary trends. The more defensive and less economically sensitive sectors (healthcare, consumer staples and utilities) produced solid returns for the quarter and modest gains for the year. Lagging sectors were dominated by weak performance of the previous market leaders and mega-capitalization stocks in the technology, communications and consumer discretionary companies. Tesla, which was one of the top 10 largest market capitalization stocks in the index at the beginning of the year fell by 35% in the month of December and more than 65% for the year. The three year market leadership has completely flipped from the large mega capitalization technology and communication service companies, which accounted for significant performance in 2019 and even more so in 2020 during the economic shutdown, to energy company stocks which were decimated with record losses and now have emerged as market leaders in the last 15 months. The mega capitalization concentration in the index proved not sustainable as the reversal in performance started in mid-2021 and accelerated in 2022 with rising inflation. The energy sector's capitalization weight in the S&P 500 has doubled over the last 24 months and is now slightly above 5%. The chart below illustrates how all the sectors performed in the quarter and for the trailing twelve months.

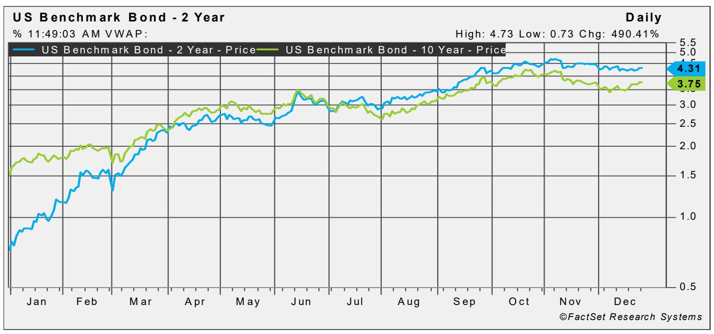
Sector Total Return for the Three and Twelve Months Ended December 31, 2022



	Energy	Industrials	Materials	Financials	Healthcare	Consumer Staples	Utilities	S&P 500	Info.Tech	Real Estate	Consumer Discretion	Communication Services
3 Months	23.8%	20.5%	17.0%	14.6%	14.0%	12.8%	9.3%	7.6%	6.2%	4.8%	-1.9%	-2.8%
12 Months	69.1%	-0.5%	-7.6%	-7.3%	3.9%	1.8%	2.4%	-18.1%	-24.8%	-24.3%	-29.7%	-35.5%

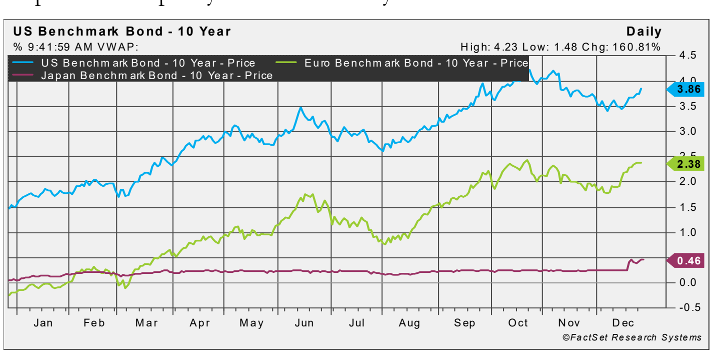
It Was The Worst Of Times, It Was The Best Of Times

The year 2022 ended up being the worst performing year for the U.S. bond market in history. Over the last 40 years, there have been five negative returns in a calendar year. The previous 4 years averaged less than a 3% decline versus the 13% decline in the U.S. Aggregate Bond Index in 2022. The trigger was the Federal Reserve aggressively raising the Fed Funds rate from near zero to over 4% which caused bond prices to fall precipitously (when interest rates rise, bond prices fall, and vice versa). To put this into perspective for the year, the 2-year Treasury bond yielded 0.73% at the beginning of the year and closed the year at 4.42%, while the 10-year Treasury bond followed a similar path, starting the year at 1.51% and ending at 3.97%. This is the fastest interest rate increase since the 1970s, when inflation was running rampant and then Fed Chair Paul Volcker took aggressive action to calm inflation. With interest rates higher than we have seen in over a decade, it has provided an opportunity to invest in securities with significantly higher yields offering reasonable returns when held to maturity.



More stubborn inflation and the Federal Reserve needing to try to catch up were the driving force in the bond market's performance this year. At the start of 2022, most economists projected that the Fed would raise interest rates only a couple of times throughout the year at a rate of 0.25% each time. However, seeing inflation higher than expected, the Fed pushed rates much higher and faster than anticipated. The most aggressive increases came from June 16th to November 2nd with four 0.75% raises totaling 3%. At the most recent Fed meeting in December, the Fed increased interest rates by 0.5% as a result of moderating inflation data and persistently strong labor trends. With this hike, the Fed raised their projection of the peak Fed Funds rate in 2023 to 5 to 5.25% and noted that ongoing increases would continue if needed to quell inflation. Fed Chair Powell stated in the meeting that the Fed will cut rates only when they see inflation moving down in a sustainable way.

In December, the Fed also released their latest Summary of Economic Projections (SEP) which showed their expectations for a higher unemployment rate and lower GDP growth, along with lower inflation for 2023. Based upon median projections, the Fed sees unemployment rising from the current level of 3.5% to 4.6% during the year and GDP growth in a range of -0.7% to +0.5%, while inflation falls to 3.5% by year end. Key factors driving bond prices will be the Fed decision to pause or potentially reverse the rate increases and if there are material changes in the path of quantitative tightening (runoff of maturing bonds held on its balance sheet). The pace of change in inflation rates, consumer spending, and labor market trends will certainly have an impact on Fed policy and the economy.



Economies across the globe have raised interest rates off historically low levels attempting to get inflation under control. The developed markets of Japan and the European Union started the year with zero and negative nominal interest rates respectively. Since then, both markets have changed their course of action with the EU lifting their negative rate stance and following a tightening cycle of rising interest rates to combat inflation. The war in Ukraine increased energy costs and exacerbated the inflation issues caused by Covid induced supply chain issues and easy monetary and fiscal policy. The previous chart shows that the trajectory in the 10-year EU bond mirrors that of the U.S. 10-year Treasury, just off a lower base. The Japanese response was more muted, lifting its zero-target rate to 0.2% for much of the year and more recently close to 0.5% to combat inflation throughout the Japanese economy. Global economies have been more impacted by the war in Ukraine given proximity and Russian energy dependance. Economic conditions in Europe are more delicate, driving a higher probability of recession in the region. Factoring this into global growth and policy expectations is necessary and appropriate, yet difficult.

Investment grade corporate bond yields have moved up as well. The chart below illustrates the effective yield of BBB-rated bonds that was near 2.7% at the beginning of 2022. Today the effective yield is above 5.5%, highlighting the significant rise of treasury rates and increases in credit spreads. Credit spreads are the incremental yield received to compensate for default risk when investing in corporate bonds. The rise in yields this year has provided an opportunity to invest in high-rated corporate issues and treasury bonds at levels rarely available over the last decade.

Looking back at the weak returns for bonds in 2022, it is important to remember how the bond markets work and how bonds affect portfolios. When interest rates rise, bond prices fall. The rapid and unprecedented increase in interest rates caused bond prices to fall dramatically during the year. While this led to negative reported returns in bond portfolios, it is important to remember that this negative return is only realized if a bond is sold before maturity (which typically is not part of our investment strategy, unless a liquidity need arises for a client). Holding a bond to maturity returns the original principal invested. Theoretically, the negative return seen on the bond portfolio performance is unrealized and can be thought of as temporary. Over the last few years, we have maintained larger than normal cash exposure due the unattractive investment opportunities in the bond market. As a fiduciary, we focused on being patient and prudent when investing in bonds due to the historic ultra-low yields on both Treasury and corporate bonds. With the rapid rise in yields, our patience was rewarded, and we have been more aggressive in investing idle cash into bonds that are earning higher interest. Expected cash income derived from bond portfolios is projected to be up meaningfully in 2023 for well seasoned client portfolios.

We remain patient and somewhat cautious in our investment approach, as the uncertainty relating to key economic fundamentals minimizes conviction of investment opportunity and risk. Investing in bonds provides a yield, while providing safety and diversification to equity exposure. The overall quality rating of the fixed income portfolio is single A, and the aggregate weighted average duration is 4 years. Liquidity remains sufficient to take advantage of opportunities as they arise going forward.

First Quarter 2023 Investment Outlook

A majority of economists expect a mild recession in 2023, while most are hesitant to predict the elusive soft-landing (economic slowdown without a technical recession) especially with the yield curve inverted the last 6 months which historically has been one of the most reliable predictors of upcoming recessions. However, the recently reported December unemployment report of 3.5%, a 53 year low, which included moderating wage growth and an uptick in participation, supports the potential of declining inflation and slower, but positive economic growth.

Typically the first quarter of the New Year can be the least robust, as consumer activity decelerates after the holiday season and colder winter weather invades. This year, the outlook is also impacted by the Fed's stated goal of bringing down aggregate demand with incrementally more restrictive monetary tightening in order to slow the economy and bring inflation down to more sustainable levels. Investors may look for signs that the Fed is successful when housing, consumer, and business confidence stabilize.

The Fed and global monetary authorities shifted to a less aggressive posture and the probability of a potential pause of interest rate hikes in the next 3 to 6 months has increased. The most recently released minutes from the December FOMC meeting also indicate they may maintain interest rates at an elevated level for an extended period of time, with the goal of reducing the extraordinary easy money policy of the last 14 years. The inflation monster has not yet been vanquished, however it is showing signs of being on the ropes as the pace is decelerating.

For the bond market, this should lead to more normal performance, with improved income for investors. Higher quality of bond issuers will be important for safety until the magnitude of the economic slowdown or potential recession is realized.

Corporate profits are critical for valuing equities. Excluding the energy sector, the S&P 500 is expected to produce the third consecutive quarter of negative year-over-year earnings growth in the 4th quarter of 2022. Further declines in corporate profits into 2023 are anticipated. Higher inflation has supported nominal revenue growth and hiring employees; however as inflation falls, both could be negatively impacted. Sales growth has been significantly stronger than earnings growth, indicating building pressure on profit margins.

Currently, 2023 S&P 500 earnings growth forecasts are for 5%, but revisions have moved the rate down from 10% nine months ago. Depending upon the magnitude of the economic slowdown, there are risks for lower earnings in the coming quarters.

Stocks have historically bottomed before corporate earnings troughs, even though volatility increases as companies lower profit forecasts, especially in periods of rising unemployment. The recent decline in the U.S. dollar from high levels could be an incremental benefit to multinational companies' earnings. Stabilization in the weak domestic housing market and purchasing managers index could signal a better corporate profit outlook than anticipated as we move through the year.

Capital investment has increased significantly and is expected to continue to rise. While global supply chain interruptions have improved, investments in domestic supply, automation, and new technologies are expected to remain at elevated levels for the foreseeable future.

With the clear evidence of inflation peaking, the challenge for investors remains the magnitude and timing of meaningful declines in economic growth and employment, and how that impacts the financial markets.

The implosion of speculative excesses in meme stocks and digital currencies in 2022, along with stocks that benefited from the Covid shutdown that were previously fueled by excess liquidity, should support the importance of fundamentals reconnecting to pricing of securities. The malfeasance and bankruptcy of FTX should raise the case for more regulation in the future. Fortunately, these ultra speculative endeavors posted limited exposure to the traditional banking system and did not create a broader crisis.

The geopolitical unknowns pose significant additional risks and are a wildcard in terms of how these risks play out over time. The invasion of Ukraine exposed Russia as a significantly less formidable adversary, but also raises the risk of drastic measures by Putin to save face.

The U.S. and China's conflicting position relating to Taiwan has created another potential geopolitical headwind. China's Xi finally reacting to protests of the zero Covid policy has the ability to reinvigorate a faltering economy that is the second largest in the world. The U.S. relationships in the Middle East have become incrementally more adversarial. Recent collaborations between China, Russia, Iran and Saudi Arabia potentially raise even more questions about the future of global order and stability.

Annual stock market returns have averaged +13% after inflation peaks. In those cases where no recession followed, stocks were up 17%. Even in those periods with a recession, stocks still rose by 9%. While the current period is obscured by the extraordinary monetary policy of the last 14 years and the rebound from the Covid pandemic, the historical data indicates that investor and consumer outlook tends to improve with a normalization of inflation.

The slight division of power in Washington will have an incremental impact on the government's agenda. Financial markets tend to react favorably to a divided government, as it minimizes the probability of destabilizing or significant legislation.

For our clients, total equity exposure remains slightly above average within targeted ranges. Rising interest rates over the last 9 months allowed for new investment opportunities, especially in the bond market with more attractive valuations and higher yields is expected to continue in 2023. Incremental new investments in stocks and equity allocation will be monitored closely in the New Year.

Historical Market Performance for the Period Ended 12/31/2022

		Total Return (%)		Annualized Total Return (%)		
	Close	Quarter-to-Date	One Year	Three Year	Five Year	Ten Year
DJ Industrial Average	33147.3	15.9	(7.0)	7.2	8.2	12.2
S&P 500	3839.5	7.6	(18.1)	7.7	9.4	12.6
S&P 100	1709.2	5.4	(21.0)	7.3	9.3	12.3
S&P Mid Cap 400	2430.4	10.8	(13.1)	7.2	6.7	10.8
S&P Small Cap 600	1157.5	9.2	(16.1)	5.8	5.9	10.8
NASDAQ Composite Index	10466.5	(4.7)	(32.5)	6.1	9.7	14.4
Russell 2000	4377.1	6.2	(20.5)	3.0	4.0	9.0
MSCI EAFE	1943.9	17.3	(14.5)	0.9	1.5	4.7
MSCI EM (Emerging Markets)	956.4	10.3	(20.6)	(3.6)	(2.2)	0.6
Bloomberg Barclays US Aggregate	88.9	1.9	(13.0)	(2.7)	0.0	1.1
ICE BofA US Treasury (1-3 Yr)	99.5	0.7	(3.8)	(0.5)	0.8	0.7
Bloomberg Barclays US Interm/Gov/Credit	92.1	1.5	(8.6)	(1.5)	0.5	0.9

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, 2022

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized 12/31/2022	5 yr. annualized	10 yr. annualized
Large Cap Direct Stock Equity	8.60%	-15.28%	8.14%	9.40%	11.84%
Large Cap Equity ETF	7.63%	-18.56%	7.36%	9.05%	12.17%
Benchmarks					
Lipper Large Cap Core	8.10%	-18.20%	7.00%	8.70%	11.50%
Dow Jones Industrial Average	15.89%	-7.02%	7.18%	8.18%	12.15%
S&P 500	7.56%	-18.11%	7.66%	9.43%	12.56%
S&P 100	5.40%	-21.03%	7.33%	9.34%	12.25%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized 12/31/2022	5 yr. annualized	10 yr. annualized
Small Cap Equity	8.79%	-16.94%	5.07%	5.21%	10.13%
Mid-Cap Equity	10.40%	-14.20%	6.14%	6.03%	10.30%
Benchmarks					
Lipper Small Cap Core	9.90%	-14.40%	5.30%	4.70%	8.90%
S&P 600	9.19%	-16.10%	5.79%	5.88%	10.82%
Lipper Mid-Cap Core	10.10%	-12.60%	5.90%	6.00%	9.70%
S&P 400	10.78%	-13.06%	7.22%	6.71%	10.78%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized 12/31/2022	5 yr. annualized	10 yr. annualized
Fixed Income	2.06%	-10.42%	-1.65%	0.22%	1.11%
Benchmarks					
Bloomberg Barclays 1-5 (T/G/C)	1.20%	-5.50%	-0.67%	0.85%	0.98%
Bloomberg Barclays Aggregate	1.87%	-13.01%	-2.71%	0.02%	1.06%
Bloomberg Barclays 1-3 (T/G/C)	0.89%	-3.69%	-0.31%	0.92%	0.88%
Lipper Bond MF Avg.	2.20%	-9.50%	-1.20%	0.60%	1.40%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized 12/31/2022	5 yr. annualized	10 yr. annualized
Developed International Equity	16.91%	-15.44%	0.49%	1.06%	3.96%
Emerging International Equity	8.38%	-18.40%	-2.30%	-0.94%	0.63%
Benchmarks					
EAFE	17.34%	-14.45%	0.87%	1.54%	4.67%
MSCI Emerging Market Index	10.32%	-20.56%	-3.60%	-2.15%	0.58%

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized 12/31/2022	5 yr. annualized	10 yr. annualized
Total Equity*	9.13%	-16.74%	6.06%	7.04%	10.16%

*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.

Arcataur Composite Portfolio	Total Return 3 months	12 months	3 yr. annualized 12/31/2022	5 yr. annualized	10 yr. annualized
Managed Balance	6.68%	-13.93%	3.78%	4.98%	7.21%
Benchmark					
Lipper Balanced	6.40%	-14.20%	2.50%	3.30%	5.60%
60/40 Custom Index	6.21%	-12.66%	4.31%	5.50%	7.57%

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.

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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.