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Fourth Quarter Review
December 2025

**Arcataur Capital Management LLC**
**A Registered Investment Advisor**

**High Quality Investment Management For Individuals and Institutions**

**Arcataur Capital Management LLC**
826 N. Plankinton,
Suite 300
Milwaukee, WI 53203
414.225.8200

**Ignatius L. Smetek** -President/CIO
ISmetek@arcataur.com
414-225-8201

**William C. Weber** -Vice President
WWeber@arcataur.com
414-225-8207

**Martin A. Moser** -Vice President
MMoser@arcataur.com
414-225-8206

**Jill M. Grueninger** - Vice President
JGrueninger@arcataur.com
414-225-8203

**Michael P. Johnson** -Vice President
MJohnson@arcataur.com
414-225-8207

**Scott I. Turza** - Managing Director– Investments
STurza@arcataur.com
414-225-8204

**Joseph M. LoCoco** - Managing Director– Investments
JLoCoco arcataur.com
414-225-8205

**Nancy M. Smetek** - Vice President
NSmetek@arcataur.com
414-225-8202

**William Hemp** - Managing Director - Investment Operations
WHemp@arcataur.com
414-214-1057

## Inside This Issue:



# A Balanced Approach

## Investors & Consumers Ignore Government Shutdown

The lack of credible economic data for more than two months did not curb investors' appetite for using any correction as a buying opportunity. The S&P500 index produced all-time high price levels 39 times throughout the year and closed near a record high. Investors have become accustomed to such results driven by the market leaders of technology, semi-conductor, communication, and artificial intelligence (AI) focused companies. However, the last 6 to 7 weeks of 2025 were led by the healthcare and financial sectors, while industrial companies provided consistent appreciation after the tariff related Liberation Day produced a brief bear market in early April. In another indication of broadening market strength, mid and small capitalization stocks moved to positive returns. This type of broadening of the U.S. stock market should be viewed as a healthy sign versus the concentrated leadership of higher valued technology areas of the market.

Developed international stocks outperformed the U.S stock market for the year, the first meaningful instance on a calendar basis over the past 18 years. Weaker economic forecasts and the potential fears of tariffs drove international stocks significantly lower in the latter half of 2024, which set up the potential for a recovery. The more attractive valuations, along with the weaker U.S dollar, provided opportunities for investors. Fiscal stimulus, including defense spending in Europe and Japan, provided additional momentum for investors, along with monetary stimulus by global central banks providing fuel to the recovery. The uncertainty of "American Exceptionalism" and President Trump's approach to negotiating with supposed allies has awakened leaders in Europe and Asia to be more proactive.

Current and future economic data will guide investors' decisions and the trajectory of the financial markets. Lower interest rates have stabilized stock prices at higher valuations, but with the recent evidence of modest economic deceleration, investors need to be vigilant and disciplined. While consumers and investors are responding to the current environment as being "not too hot, not too cold, but just right", there are concerns for potential volatility from weaker employment trends, resurgence of inflation, a slowing economy, rising fiscal spending and debt, and escalating geopolitical tensions.

The 43-day (October 1st through November 12th) U.S. Government shutdown suspended unemployment data, as well as survey data relating to housing, inflation, and other important guideposts to forecasting economic data. December non-farm payrolls reported in early January showed an addition of 50,000 jobs, lower than expected. However, the unemployment rate declined to 4.4%, from the November report that was revised down from 4.6% to 4.5%. The Federal government employment shrank in October and November reflecting furloughs and deferred resignation buyouts. Investors and the Federal Reserve treated the data with caution and expect to have the more reliable statistics for December and in the New Year.

History teaches that markets show little concern regarding government shutdowns, yet there are longer term worries about the rising national debt and cost of financing it. The decline of the U.S. dollar in 2025 to nearly a four-year low versus major currencies reflects this. The dollar's decline benefits U.S. investors with better currency translation on international investments as well as increased U.S. corporate multinational reported profits.

Corporate profit expectations are a key determinant in valuing stocks. The fourth quarter of 2025 reports due over the next seven weeks for the S&P 500 are expected to produce an 8% increase from the third quarter of 2025.  Valuations remain elevated, approaching 26 times earnings. Given the economic, policy, and geopolitical risks, companies forward guidance is likely to remain somewhat cautious as they hedge how these multiple uncertainties impact their business.

The geopolitical risks to investors remain elevated. The three-and-a-half-year Russian invasion of Ukraine has been mired in a stalemate with little expectations of a true ceasefire anytime soon. Israel Prime Minister Netanyahu's focus to eliminate the radical adversaries in the region is losing support in his country and by many allies of NATO. Meanwhile, President Trump attempts to broker an effective peace deal. The increasing defense spending by China and concerns of potentially forcing the issue for direct control of Taiwan would be a transformative event for investors and the world.

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**826 N. Plankinton Ave.,**

**Suite 300**

**Milwaukee, Wisconsin 53203**

**414.225.8200**

**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%).

# Investors & Consumers Ignore Government Shutdown

Another geopolitical risk is unfolding in Iran where the 47-year-old theocratic dictatorship is confronting the most serious threat to its hegemony in its history. Iran and its proxies have suffered major military and political setbacks in 2024 and 2025. Combine these losses with deep domestic problems like a collapsing currency, devastating and enduring water shortages in the capital, Tehran and throughout the country, and nonexistent economic growth and you have a toxic brew which could upend arguably the most hostile, anti-American regime in the world. Adding recent developments in Venezuela to this mix and it's clear that seismic events are unfolding which will have significant, maybe earth-shaking, impacts on global financial and energy markets.

The global energy market has provided stability for companies and consumers by maintaining oil prices at the lower end of the $60 to $90 per barrel price range over the last three years, currently at $58. Saudi Arabia and OPEC countries have kept production at stable or higher levels since the Russian invasion of Ukraine. Lower prices are helping to moderate overall inflation.

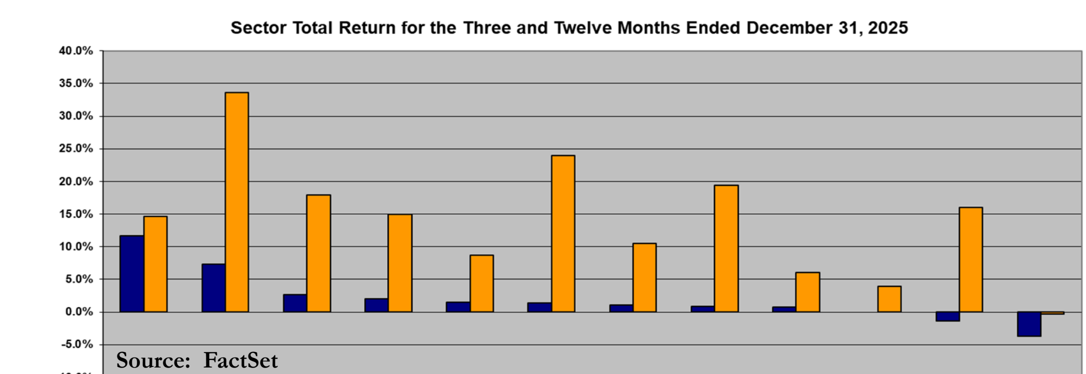
Based upon our disciplined asset allocation approach, minor corrections provided opportunities for incremental buying for client accounts, while strength in stock prices provided an opportunity for strategic repositioning for our established clients utilizing the rise in large domestic capitalization and developed international stocks as a source of funds.

The Supreme Court ruling regarding the key tariff strategy of the Trump Administration is expected early in the New Year, threatening to significantly reduce Executive tariff authority. Tariffs are primarily paid by U.S. Importers, while consumers and businesses ultimately bear the additional cost. Estimates for 2025 tariff collections currently are approaching $300 billion versus less than $100 billion collected in 2024. The ruling could include refunds if found to be illegal by the court. This may create uncertainty for investors.

While having a new Federal Reserve Chairperson in May is a certainty, investors will also be very focused on how the new Chairperson will handle the influence of President Trump and maintenance of the Fed's independence from all branches of the government. Any indication of meaningful or direct influence will surely ripple though financial markets.

For the quarter, the S&P 500 (total return) was up 2.7%, while the Dow Jones Industrial Average rose by 4.0%. The technology-heavy NASDAQ Composite increased by 2.7% in the quarter. The S&P 600 Small Cap Index was up 1.7% and the S&P 400 Mid-Cap rose by 1.6% in the quarter. Developed international markets rose by 4.9% and emerging markets increased by 3.9% for the quarter. The international stocks were leaders for all of 2025 as well.

The Healthcare and Communications Services were the only two sectors to outperform the S&P 500 in the 4th quarter, while the more defensive areas of Consumer Staples, Utilities and Real Estate sectors were flat to down. This illustrates the broadening of performance, especially the last 8 weeks of the year. For all of 2025, only Communications Services, Technology, and Industrials outperformed the S&P 500 Index. The Real Estate sector, which is the smallest of the index, produced negative returns for both the quarter and year. Much of the variance in returns relate to the potential for lower interest rates, concerns of a decelerating economy, favoring areas with sustainable earnings growth, and beneficiaries of AI-related spending and investment, though the financing of AI investment concerned investors in the fourth quarter. The chart below illustrates sector level performance for the quarter and trailing twelve months.




| | Healthcare | Communication Services | S&P 500 | Financials | Energy | Info.Tech | Materials | Industrials | Consumer Discretion | Consumer Staples | Utilities | Real Estate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 3 Months | 11.7% | 7.3% | 2.7% | 2.0% | 1.5% | 1.4% | 1.1% | 0.9% | 0.7% | 0.0% | -1.4% | -3.7% |
| 12 Months | 14.6% | 33.6% | 17.9% | 15.0% | 8.7% | 24.0% | 10.5% | 19.4% | 6.0% | 3.9% | 16.0% | -0.3% |

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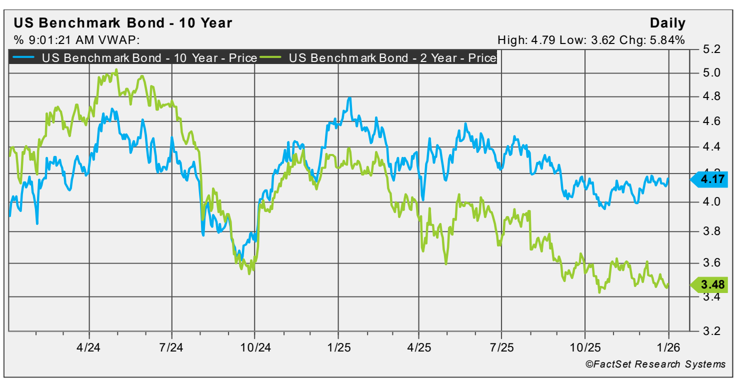
# Economic Uncertainty Continues to Pressure the Fed

The 4th quarter of 2025 continued the downward trend in yields seen since April. Interest rates have been less volatile than in recent years with a slow downward trend driven by lower inflation readings, some economic softness, and the anticipation of the Federal Reserve lowering interest rates further in 2026. The government shutdown has limited the flow of economic data in the 4th quarter and could lead to revisions as more data becomes available moving forward. Despite the government shutdown issues, the U.S. economy has a feel of deceleration, appearing to continue to grow at a slowing rate, due to weaker consumer confidence levels and concerns regarding labor market softness. President Trump's tariff policies have created uncertainty in the bond market and continue to have investors pondering on how tariffs will impact growth and inflation going forward. Thus far, Treasury bond yields have declined in response to concerns of somewhat slower economic growth and inflation readings in line with expectations. There continue to be risks that could change the current interest rate environment: large deficit financing requirements, rising geopolitical risks, economic uncertainty across the globe, Federal Reserve policy and leadership change in 2026. Treasury yields, while lower, continue to provide yields that exceed inflation expectations and therefore provide safe and real returns above inflation within a diversified portfolio. The risk of the Supreme Court's ruling going against the President's ability to issue tariffs could cause significant dislocations if it would cause repayment of previously paid tariffs.

The chart below illustrates the direction of the 2-year and the 10-year Treasury bond yields over the past two years. In the 4th quarter, the 2-year yield declined more than the 10-year yield, as the Fed reduced short-term interest rates and investor concerns about the deficit held the 10-year at higher levels. The 2-year Treasury yield began the quarter at 3.61% and ended at 3.48%, whereas the 10-year began the quarter at 4.10% and ended at 4.17%. The yield spread between the 2-year and 10-year Treasury bond yield increased during the quarter, starting at 0.54% basis points and ending at 0.69% basis points. We continue to expect the yield curve to remain positive with 10-year yields above 2-year yields.

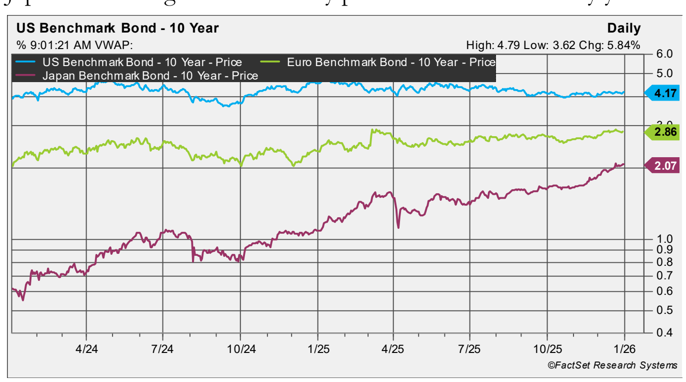



The Federal Reserve cut interest rates 0.25% to 3.50-3.75% at its December meeting. Three dissents occurred in the meeting, with one opting for a 0.5% cut and two in favor of keeping rates unchanged. The Summary of Economic Projections showed one 0.25% reduction in 2026 (although four Fed officials see at least three 0.25% cuts in 2026). Financial markets are pricing a nearly 75% chance that the Fed will pause or keep interest rates at current levels in January. Fed Chair Jerome Powell continues to express both patience and being data dependent, despite President Trump's desires. Powell also seemingly raised the bar for further rate cuts going forward. We will see a new Fed Chairperson in 2026, as President Trump has been displeased with the Fed's actions and his desire for lower interest rates. A new Fed Chair could certainly alter the way the Fed's monetary policy decisions are made. Inflation remains sticky, with Core PCE (Personal Consumption Expenditures Price Index) inflation for 2025 remaining at near 3%. The Federal Reserve expectations are for inflation to decline to closer to 2.5% in 2026. Tariff policy, geopolitical risk, global, economic trends and the U.S. labor market are significant factors to monitor inflation which can impact bond yields in 2026.

Corporate bond spreads (the yield above Treasury bonds required to absorb default risk in the corporate bond market) remained extremely narrow during the quarter, implying very low default risk in much of the U.S. corporate bond market. As shown in the chart below, spreads have continued to decline since peaking this spring at close to 1.3%. The credit spread for corporate bonds maturing in 5 to 7 years began the quarter at 0.79% and ended in the quarter at 0.81%. Generally, credits spreads move higher when the economy weakens, with investors demanding more yield as a weaker economy often has a negative impact on corporate profits and ability to service debt. In the spring, there were concerns that tariffs could put pressure on profits and investors demanded higher credit spreads. With credit spreads returning to historical low levels, it makes corporate bond investments less attractive. Recent increases in spreads for bonds maturing in 8-10 years may indicate a bit more risk/opportunity. The chart below illustrates how wider corporate bond spreads would provide the opportunity to invest in higher yielding, high quality investment grade corporate bonds to continue to diversify client bond portfolios. Our investment team remains patient as we look for proper risk/return opportunities for high quality corporate bonds.

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


As longer-term bonds in the U.S. remained relatively steady during the quarter, their counterparts in the EU and Japan generally rose throughout the quarter, with significant upwards momentum notable in Japan, as highlighted in the chart below. The 10-year EU bond started the quarter at 2.71% and ended at 2.86%, while the Japanese 10-year bond started at 1.64% and ended at 2.07%. With a new Prime Minister in Japan and continuous stagnant growth, the Bank of Japan shifted away from negative rate policy and raised rates by around 0.75% in 2025. This appears to be 'normalizing' yields in Japan and ending the deflationary policies in effect for many years.




While treasury yields continued to decline in the 4th quarter, longer maturity yields held up better. This, combined with credit spreads beginning to rise on longer maturing corporate bonds, is making longer corporate bonds more attractive. We will be looking for the right yield and credit quality to lock in some higher yields with longer duration for client bond portfolios. Treasury yields also remain relatively attractive with yields 3.5-4.1%. This is above current inflation expectations providing real returns at or above current money market yield of 3.5%. We remain patient and focused on finding bonds meeting the income and quality needs for our investment grade bond portfolios. The overall quality of our fixed income portfolio is A rated, aggregate average duration is 3.4 years, yield to maturity is 4.1%, and liquidity remains sufficient to take advantage of future opportunities.

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# First Quarter 2026 Investment Outlook

The resilience of global financial markets has been remarkable, and economic forecasts reflect stability with incremental deceleration in 2026. Investors are vigilant, positioning for potential opportunities and risks. Elevated valuations can limit opportunities, but the potential of anchored or lower inflation and interest rates can provide continued stability. The S&P 500 achieving three consecutive calendar years of double-digit total returns has only happened six times in the last 98 years, including 2023 to 2025. There were only two periods, 1949 to 1952 and 1995 to 1999, that achieved four years of consecutive double-digit growth. Both these periods reflected solid growth in the economy and contained inflation with stable employment trends.

Can 2026 join the "4-timer" club? Sure, however the cross currents of unexpected events from geopolitics, slower growth, higher inflationary pressures, and weaker employment trends could negatively impact current expectations. In addition, the U.S. mid-term elections in November may raise the level of investors' uncertainty regarding the current and future direction of government policy.

A normal 5 to 7% correction could be the pause that refreshes broader investors' appetites. Historically, such corrections happen on average three times in a calendar year. The unknown is what data or events will trigger a correction, from what level the correction starts and how long of time it takes to discount the news or potential risk before it leads to an appropriate recovery. Rising national spending and debt has been a focus for nearly everyone in the country (apart from the leaders of our government). Rising healthcare and insurance costs, including Medicare, are reaching levels that are unsustainable for all payors.

Economists and market strategists have focused on how different parts of society recover from a crisis at drastically different speeds; where wealthy individuals and specific industries thrive while lower income workers and smaller businesses either stagnate or decline, termed as the K-Shaped Economy for the potential divergent paths. The ingrained "buy any dip" mentality coupled with the rise of individual retail equity investors may alter the tenor of future market pullbacks in unforeseen ways. We are mindful that the market driven "wealth effect" can work in reverse too, a meaningful risk after an extended period of below average market volatility.

With the tax law changes in 2025, many taxpayers could be surprised by incrementally larger tax refunds or lower income tax. Over the previous three years, 30 to 32% of tax filers owed no federal income tax, and with the recent tax law changes, projections are the percentage to rise to 40%. This could provide incremental opportunities for increase spending or debt reduction. The recent decline in consumer sentiment could stabilize with improving employment trends.

Consensus corporate earnings growth estimates for 2025 looks to be above 12% for the S&P500. Investors focus turns to 2026, where estimates for growth are incrementally higher and approaching 15%. Being early in the New Year, this is subject to change. The upcoming earnings reports, employment, and economic data will be important for investors to confirm or repudiate these current expectations.

U.S economic growth in 2026 is expected to decelerate slightly, accompanied with a low probability of entering a recession, at least in the near term. Regaining access to regular employment data in the coming months will be important, however historically the first quarter of the year is impacted by a reduction of seasonal hiring for the holiday season. Shelter costs, in the form of rents and housing, have declined with a meaningful decline in rental costs relating to increased inventory. Single family home sale prices have flattened, despite mortgage rates incrementally declining. Shelter inflation is a survey report and historically lags by six months or more.

The excitement and potential risks of Artificial Intelligence (AI) are unfolding quickly. One of the most significant potentials of AI is a boost to productivity, like the eras of electricity, smaller and faster computers, and the internet, and is widely viewed to be the catalyst of the next productivity revolution. AI capital spending has been booming with the expectations of significant returns on investment. History has taught us that early adopters are not always the winners in the long run. Investors can be excited about the possibilities but can get ahead of themselves and need to be discerning of the potential for longer term earnings impacts.

The Federal Reserve has incrementally pivoted from an inflation fighting focus to maintaining a stable and growing employment base. Assuming inflation remains somewhat in check, the Fed does have room for more interest rate reductions to stimulate should the economy weaken. There is evidence of companies being more discerning on new hires with a rise in unfilled positions. The Federal Reserves could react quickly to a material change in employment and inflation; however financial markets are currently pricing in the status quo.

For our clients, total equity exposure remains slightly above average within targeted ranges. However, the significant outperformance of large capitalization and international stocks year-to-date has been an incremental source of funds within our asset allocation discipline. At current levels, we believe patience will be rewarded. Reducing into strength for established portfolios has been a focus.

The decline in interest rates and the rise in bond prices continued, while the spread between longer and shorter maturing bonds continued to widen. Expectations are for this to continue in the New Year. Based upon current market conditions, overall asset allocation is well diversified and balanced, providing ample liquidity to take advantage of incremental long-term opportunities that may arise.

## Historical Market Performance for the Period Ended 12/31/2025

| | | Total Return (%) | | Annualized Total Return (%) | | |
|---|---|---|---|---|---|---|
| | Close | Quarter-to-Date | One Year | Three Year | Five Year | Ten Year |
| DJ Industrial Average | 48063.3 | 4.0 | 14.7 | 15.2 | 11.4 | 12.9 |
| S&P 500 | 6845.5 | 2.7 | 17.9 | 23.0 | 14.4 | 14.8 |
| S&P 100 | 3423.3 | 3.3 | 19.8 | 27.6 | 16.2 | 16.0 |
| S&P Mid Cap 400 | 3305.1 | 1.6 | 7.5 | 12.6 | 9.1 | 10.7 |
| S&P Small Cap 600 | 1467.8 | 1.7 | 6.0 | 10.2 | 7.3 | 9.8 |
| NASDAQ Composite Index | 23242.0 | 2.7 | 21.1 | 31.4 | 13.4 | 17.7 |
| Russell 2000 | 5542.5 | 3.1 | 12.2 | 14.6 | 7.3 | 9.7 |
| MSCI EAFE | 2892.7 | 4.9 | 31.2 | 17.2 | 8.9 | 8.8 |
| MSCI EM (Emerging Markets) | 1404.4 | 3.9 | 34.0 | 15.9 | 3.6 | 7.9 |
| Bloomberg Barclays US Aggregate | 94.1 | 1.1 | 7.3 | 4.7 | (0.4) | 2.0 |
| Bloomberg Barclays US Gov/Credit 1-3 ye | 99.2 | 1.2 | 5.4 | 4.8 | 2.0 | 2.1 |
| Bloomberg Barclays US Interm/Gov/Credi | 95.6 | 1.1 | 5.3 | 4.7 | 1.9 | 2.1 |

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

# Arcataur Composite Investment Performance for the 3 Months, 12 Months, 3 Years, 5 Years & 10 Years Ended December 31, 2025

| Arcataur Composite Portfolio | Total Return | | | | |
|---|---|---|---|---|---|
| | *3 months* | *12 months* | *3 yr. annualized* 12/31/2025 | *5 yr. annualized* | *10 yr. annualized* |
| Large Cap Direct Stock Equity | 3.7% | 18.1% | 20.8% | 13.8% | 14.1% |
| Large Cap Equity ETF | 2.5% | 17.2% | 22.2% | 13.6% | 14.4% |
| **Benchmarks** | | | | | |
| Morningstar Large Cap Core Average | 2.2% | 15.5% | 20.1% | 12.7% | 13.3% |
| Dow Jones Industrial Average | 4.0% | 14.7% | 15.2% | 11.4% | 12.9% |
| S&P 500 | 2.7% | 17.9% | 23.0% | 14.4% | 14.8% |
| S&P 100 | 3.3% | 19.8% | 27.6% | 16.2% | 16.0% |

| Arcataur Composite Portfolio | Total Return | | | | |
|---|---|---|---|---|---|
| | *3 months* | *12 months* | *3 yr. annualized* 12/31/2025 | *5 yr. annualized* | *10 yr. annualized* |
| Small Cap Equity | 1.5% | 5.7% | 9.8% | 6.6% | 9.3% |
| Mid-Cap Equity | 1.5% | 7.3% | 12.1% | 8.3% | 10.1% |
| **Benchmarks** | | | | | |
| Morningstar Small Cap Core Average | 3.1% | 7.9% | 11.8% | 7.6% | 9.4% |
| S&P 600 | 1.7% | 6.0% | 10.2% | 7.3% | 9.8% |
| Morningstar Mid-Cap Core Average | 1.1% | 9.1% | 13.2% | 8.9% | 10.3% |
| S&P 400 | 1.6% | 7.5% | 12.6% | 9.1% | 10.7% |

| Arcataur Composite Portfolio | Total Return | | | | |
|---|---|---|---|---|---|
| | *3 months* | *12 months* | *3 yr. annualized* 12/31/2025 | *5 yr. annualized* | *10 yr. annualized* |
| Fixed Income | 1.0% | 6.5% | 5.4% | 1.1% | 2.3% |
| **Benchmarks** | | | | | |
| Bloomberg Barclays 1-3 (T/G/C) | 1.2% | 5.3% | 4.8% | 2.0% | 2.1% |
| Bloomberg Barclays 1-5 (T/G/C) | 1.2% | 6.1% | 4.9% | 1.6% | 2.2% |
| Bloomberg Barclays Aggregate | 1.1% | 7.3% | 4.7% | -0.4% | 2.0% |
| Morningstar Core Bond Average | 1.0% | 7.1% | 4.8% | -0.3% | 2.0% |

| Arcataur Composite Portfolio | Total Return | | | | |
|---|---|---|---|---|---|
| | *3 months* | *12 months* | *3 yr. annualized* 12/31/2025 | *5 yr. annualized* | *10 yr. annualized* |
| Developed International Equity | 5.6% | 33.7% | 17.3% | 8.7% | 8.0% |
| Emerging International Equity | 1.0% | 25.2% | 14.4% | 4.2% | 7.8% |
| **Benchmarks** | | | | | |
| EAFE | 4.9% | 31.2% | 17.2% | 8.9% | 8.2% |
| MSCI Emerging Market Index | 3.9% | 34.0% | 15.9% | 3.6% | 7.8% |

| Arcataur Portfolio | Total Return | | | | |
|---|---|---|---|---|---|
| | *3 months* | *12 months* | *3 yr. annualized* 12/31/2025 | *5 yr. annualized* | *10 yr. annualized* |
| Total Equity* | 2.7% | 16.1% | 17.8% | 11.0% | 12.1% |

*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* 12/31/2025 | *5 yr. annualized* | *10 yr. annualized* |
| Managed Balance | 2.2% | 13.1% | 13.5% | 7.8% | 8.9% |
| **Benchmark** | | | | | |
| Morningstar Balanced Fund Average | 2.0% | 12.5% | 12.9% | 7.3% | 8.4% |
| 60/40 Custom Index | 2.1% | 12.8% | 13.4% | 7.5% | 8.5% |

# 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.

**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

**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 Morningstar Large Cap Core, Small Cap Core, Balanced Fund and Bond Fund Averages are net of fees.

**Indices and Benchmark Funds** -The Indices and Benchmark Funds are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites. Arcataur believes that the Indices and Benchmark Funds selected for comparative purposes are appropriate measures given the investment approach. However, the investment portfolios underlying the indices are different from the investment portfolios managed by Arcataur. The Indices and Benchmark Funds shown are unmanaged, and investors are not able to invest directly in them. The Indices and Benchmark Funds are generally representative, in terms of risk and exposure, of the various components as follows:

Arcataur Large Capitalization Equity Portfolio - the S&P 500® Index, the S&P 100® Index, DJIA®, and Morningstar Large-Cap Core Average

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

As of 12/31/22 the Custom Bond index (2/3 Bloomberg Barclays (T/G/C) 1-5 and 1/3 Bloomberg Barclays U.S. Aggregate) has been applied for comparison purposes to returns since inception. Prior to this change, for the period beginning 7/2020 through 12/2021, the custom bond index utilized 50% Bloomberg Barclays (T/G/C) 1-3 and 50% Bloomberg Barclays (T/G/C) 1-5, while periods prior to 7/2020 used the current index weightings. This change appropriately reflects the investment strategy and was also made in the historic bond weightings of the 60/40 custom index.

Arcataur Managed Balance Portfolio - Morningstar Balanced Fund Average and 60/40 custom total return index. Beginning 1/2022, the 60/40 custom index includes: Equities (60% S&P 500, 15% S&P 400, 10% S&P 600, 10% EAFE, 5% MSCI-EM), & Bonds (58% Bloomberg Barclays (T/G/C) 1-5, 30% Bloomberg Barclays U.S. Aggregate, and 12% Bloomberg Barclays 3-month treasury index). For the period 2/2003 through 12/2021, the 60/40 custom bond index includes: Equities (30% S&P 500, 30% DJIA, 15% S&P 400, 10% S&P 600, 10% EAFE, 5% MSCI-EM), & Bonds (58% Bloomberg Barclays (T/G/C) 1-5, 30% Bloomberg Barclays U.S. Aggregate, and 12% Bloomberg Barclays 3-month treasury index).

If a client's portfolio contains small-cap exposure, the small cap performance is measured against the S&P 600® Index and Morningstar Small Cap Core Average. If a client's portfolio contains mid-cap exposure, the mid-cap performance is measured against the S&P 400® Index and Morningstar Mid-Cap Core Average. If a client's portfolio contains international exposure, the performance is measured against the EAFE index. If a client's portfolio contains emerging market exposure, the performance is measured against the MSCI Emerging Market Index.

Except for the Morningstar Balanced Fund Average, the Morningstar Large Cap Core Average, the Morningstar Bond Mutual Fund Average, the Morningstar Small Cap Core Average, and the Morningstar Mid-Cap Core Average, indices and benchmark funds shown reflect the reinvestment of dividends and other earnings, but do not include transaction costs, management fees or other expenses of investing. The S&P 500 & S&P 100 are indices of Large-Cap domestic core companies as produced by Standard and Poor's, while the DJIA is produced by Dow Jones. The S&P 400 and S&P 600 are indices of Mid-Cap and Small Cap domestic core companies, respectively as produced by Standard and Poor's. The MSCI EAFE (Europe, Australasia, and Far East) Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. MSCI Emerging Markets ETF is an index composed of large- and mid-capitalization emerging market equities. Both are maintained by MSCI Barra.

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