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Fourth Quarter Review
December 2020

Arcataur Capital Management LLC
A Registered Investment Advisor

High Quality Investment Management
For Individuals and Institutions

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A Balanced Approach

It's Not How You Start, But How You Finish

U.S. stocks closed the tumultuous year to finish at all-time highs after both the fastest fall from record-level highs into a bear-market (greater than a 20% decline) in March, to the fastest recovery back to new highs. 2020 will be noted as being the quintessential example of financial markets being forward looking.

Concerns of the rapidly spreading coronavirus during the first quarter drove bonds, stocks, and even gold significantly lower. The Federal Reserve's extraordinary actions in late March and early April stabilized financial markets and injected massive liquidity to the economy. Fiscal stimulus provided support to consumers and businesses alike as the economy was hit by shutdowns. The swift developments of vaccines and antiviral treatments instilled confidence that personal and economic normalization could be achieved in 2021, while financial market reactions to the contentious national elections were subdued versus historical norms.

During a record year for many asset classes including bonds, options, and speculative cryptocurrency like bitcoin, stocks still stood out. The large capitalization segment (S&P 500 & 100, Dow Jones Industrial Average, and Nasdaq) achieved records, paced by five of the largest companies in the world (Apple, Microsoft, Amazon, Google and Facebook). For the first nine months of the year, the concentrated impact of these companies produced significant performance differentials, especially for market capitalization weighted indices like the Nasdaq 100, S&P 100 & S&P 500 versus broader stock market indices. The technology heavy Nasdaq Composite rose nearly 100% over the last two years, its best two year performance since 1998-99.

The pandemic pushed the U.S. economy and financial markets to perhaps the largest and swiftest boom to bust to boom reaction in history. As the sentiment shifted later in the year, investor optimism increased. Previously lagging economically sensitive and broader market stocks (domestic mid and small capitalization, along with emerging market) assumed leadership during the last four months of the year. The "unique" nature of 2020 for investors reinforced the tenet that maintaining an appropriate exposure to stocks in the face of uncertainty offers the best way to balance risk and return in the long run. The classic razor's edge for investors of fear versus greed cut both ways within a ten month period, with the stock market at record highs currently.

Globally, the rest of the world had a month or two head start versus North America in dealing with the virus, with economic trends in Asia now indicating normalization and growth. Emerging market stocks have outperformed developed international equities recently, and even U.S. stocks, perhaps providing a signal of things to come in 2021 as investors sift through opportunities looking for relative value.

While expectations of a robust global economic recovery have increased, the spread of the virus will continue to be largest issue in the near-term. U.S. stock prices currently reflect optimism for the recovery and valuations appear to be elevated. Expectations for 2021 corporate profits have increased dramatically, but having no experience recovering from a pandemic makes it difficult to handicap whether earnings estimates are aggressive or conservative. The pent up demand for the most impacted areas of the economy (airlines, hotels, vacations, live sporting events, restaurants and other gathering places) will benefit when the public has confidence to move and gather again, most likely during the summer of 2021. Still, a complete recovery is not expected until 2022.

Europe and Asia are providing fiscal stimulus for the first time in many years, and continue to provide monetary support as well. The lack of fiscal stimulus, especially in Europe, has delayed a more vigorous economic recovery for the last decade. The virus-related stimulus along with the finalization of Brexit provides the opportunity, at last, for improved future growth. China continues to be a wild card for global growth, due to increasingly restrictive internal measures and the evolving relationship with Europe, the rest of Asia, and the U.S. vis-à-vis the incoming Biden Administration.

Though still historically low, longer-term interest rates have risen to the highest level since the start of the COVID-19 crisis, as economic growth prospects have improved. Higher risk segments (high yield and emerging market) bonds have outperformed safer bonds, such as U.S. Treasuries. The yield differential, or spread, has narrowed to pre-pandemic levels for these riskier bonds, reflecting investors' continued reach for yield, potentially at the wrong time. Assuming the U.S. approaches herd immunity by the third quarter of 2021, increased spending due to pent up demand could lead to higher inflation, interest rates, and falling bond prices.

It's Not How You Start, But How You Finish (cont.)

The pace of GDP and employment gains have decelerated in the fourth quarter. The quarterly increase in the fourth quarter GDP is expected to be slightly lower than the 33% increase in GDP in the third quarter over the second quarter. Employment also decelerated in December; however, unemployment fell to 6.7% with lower participation. The end of the year stimulus bill passed by Congress was targeted to assist employment trends; however, January typically sees a drop off in seasonal employment (retail and package delivery) that could offset the near-term benefits from the stimulus bill.

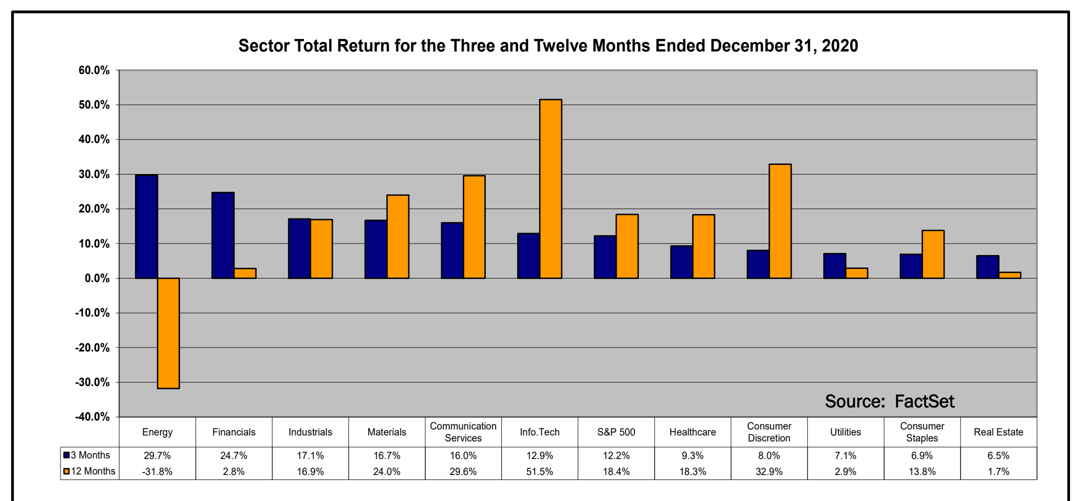
Retail sales rose 2.4% during the important holiday shopping season versus 2019 levels. U.S. 2019 total online purchases represented more than 14% of all retail sales. Total online sales rose 49% in 2020 and are estimated to surpass 19% of total U.S. retail sales. It is yet to be seen what portion of that increase will be permanent in a post-COVID era. The surge in online shopping has been driven by the virus and stay at home orders in the spring. The rising virus cases in November and December continued an acceleration of the existing trend of online sales.

Investors are awaiting what policies the incoming Biden Administration will prioritize. Based upon election promises, virus response, increased taxes, healthcare reform, climate change, revisiting the Iran nuclear agreement, reestablishing relationships with allies, trade with allies and China are all under consideration. The Georgia run off elections produced a 50/50 Senate split, with the Democrats having the tie breaking vote with Vice President Elect Harris. This creates somewhat more flexibility for the Biden Administration and the broader agenda of the Democrats.

Oil prices have recovered to near pre-pandemic levels and recently rose above $50 per barrel. The response by producers, including OPEC, in reducing production and improving economic activity has supported a stabilization in global energy markets. The automotive industry continues to advance electric power and autonomous vehicle development. Investors have begun to discount this impact to the energy sector; however, the potential effect is expected to be glacial based upon current technology and cost differential. The climate change discussion could incentivize more resources towards breakthrough developments.

For the quarter, the S&P 500 (total return) was up 12.2%, and the Dow Jones Industrial Average rose by 10.7%. The technology-heavy NASDAQ Composite was up 15.6% in the quarter and rose 44.9% for 2020, as the well-capitalized technology mega-cap companies dominated the first eight months of the year. The S&P 600 Small Cap Index rose by 31.3% and the S&P 400 Mid–Cap was up 24.4%. Developed international markets rose by 16.1% and emerging markets were up by 18.4% for the quarter.

All eleven industry sectors were up in the quarter, with the energy sector having the largest recovery, but also the only sector down for the year. The technology and communication sectors had middling quarterly performance, but were primary beneficiaries of the stay and work from home developments for the first three quarters of 2020. The more economic sensitive sectors (energy, financials, industrials and materials) were leaders as the prospect of improving economic growth relating to the emergence of the vaccine will benefit these sectors. The more defensive areas of the market (healthcare, consumer staples and utilities) lagged in the quarter. The chart below illustrates how all the sectors performed in the quarter and for the trailing twelve months.



	Energy	Financials	Industrials	Materials	Communication Services	Info.Tech	S&P 500	Healthcare	Consumer Discretion	Utilities	Consumer Staples	Real Estate
3 Months	29.7%	24.7%	17.1%	16.7%	16.0%	12.9%	12.2%	9.3%	8.0%	7.1%	6.9%	6.5%
12 Months	-31.8%	2.8%	16.9%	24.0%	29.6%	51.5%	18.4%	18.3%	32.9%	2.9%	13.8%	1.7%

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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.

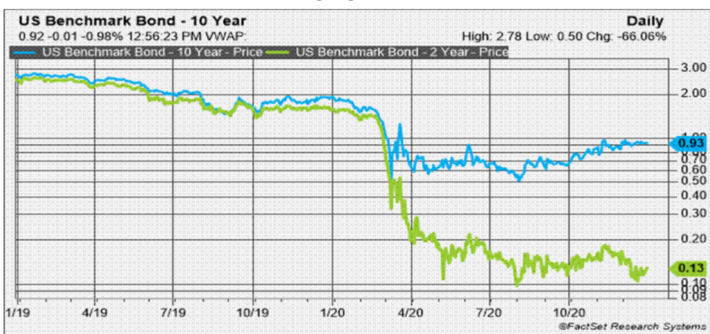
Arcataur Investment Grade Fixed Income Portfolio - This portfolio offers investors a separately managed account focusing on Treasuries, Agencies, corporate bonds and municipal bonds, with an average portfolio credit rating of A or better. Our approach is to actively manage interest rate risk and credit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

ARCATAUR CAPITAL

What is 'Real'? When will Bond Yields Catch Up with Inflation?

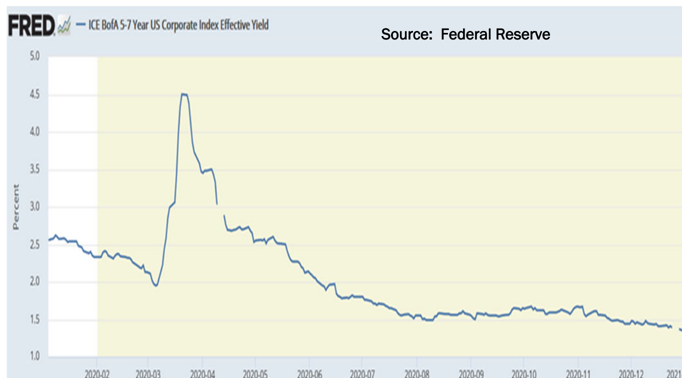
U.S. Treasury Bond yields continued to rise in the fourth quarter after re-testing all-time lows in August. Better economic data, continued government stimulus spending, and the availability of thefirst two vaccines in December, began to change the market perception that inflation would stay lower for longer. With the stronger and faster economic recovery and increased money supply, the potential for somewhat higher inflation is possible. This pushed long-dated Treasury yields higher as Federal Reserve stimulus has less of a direct influence. Bonds with shorter maturities remained at lower yields, where Fed maneuvers have had more impact. While remaining in a historically low rate environment, fourth quarter U.S. 10-year Treasury bond yields rose from 0.68% at the end of the third quarter to 0.93% by year end. The shorter maturity 2-year U.S. Treasury bond remained flat, beginning and ending the quarter at 0.13%. The chart below illustrates the rapid decline of interest rates that occurred from the virus-induced economic shutdown in March. Despite some increase in yields recently, finding attractive fixed income investments that provide positive real yields (coupon less inflation) remains challenging.



The substantial and unexpected rise in stock prices in the wake of the COVID-19 shutdown can be partly attributed to the massive monetary policy decisions by the Federal Reserve during the year. By injecting liquidity into the economy from lowering the Federal Funds rate to 0.0% and purchasing bonds to keep financial markets functioning, the Federal Reserve deserves significant credit for minimizing economic damage, stabilizing the financial system, and the market rally. During the fourth quarter, the Federal Reserve kept the Fed Funds rate unchanged at 0 – 0.25% and stated that it will continue asset purchases at the current rate until its employment and inflation goals are met. Its quantitative easing (bond buying) includes purchasing $80 billion of Treasury bonds and $40 billion mortgage-backed securities per month. The Fed also projected that the unemployment rate will not reach pre-pandemic levels of 3.7% until the fourth quarter of 2023. It reiterated a targeted 2% inflation goal as well.

The chart below highlights the 10-year U.S. Treasury yield versus the 10-year European Union (EU) and Japanese (JPY) government bond yields for the last 12 months. While interest rates have remained low this year in the U.S., they have seen some increase since early August. The stark contrast between the U.S. movements versus the 10-year Eurobond and the 10-year Japanese bond illustrates why investors still prefer to invest in the U.S. over its foreign counterparts. The 10-year Euro bond continued its decline as its nominal negative yield is currently at (0.19)%, slightly above its low of (0.26)% reached earlier in December. It is unlikely that the EU will move away from negative interest rates soon. The 10-year Japanese bond managed to maintain near 0% interest rates throughout the year, while the U.S. and EU saw more rate volatility throughout the year. The 10-year Japanese bond ended the year at 0.02%. While we may see an inflection upwards in U.S. Treasury interest rates, if international government yields don't follow, it could mute how much U.S. interest rates increase.

Corporate bond credit spreads (premium over government yields), illustrated below, continued to narrow in the fourth quarter. This drove most corporate bond yields down for the year. The chart below shows that the effective yield on 5 to 7-year bonds fell to 1.35%. This compares to 1.65% at the end of third quarter and 2.5% at the start of the year. With these tight corporate spreads, the return potential is low and is not offering much additional return for the credit risk relative to government bonds. When comparing these yields to inflation, real returns are negative for a large portion in the investment grade corporate bond market. Until we see a further rise in Treasury bond yields and/or wider corporate spreads, it will be difficult finding significant value in the bond market. While the aggressive stabilization efforts by the Federal Reserve and global monetary authorities have achieved the desired improvement in the economic outlook, they have also sewn the seeds for potential risk in the future by circumventing market forces of interest rate equilibrium.



Established seasoned bond portfolios produce cash flow from interest coupon payments, which will remain fairly steady, but reinvesting the coupons and maturities will produce lower yields in the near term. When establishing new bond portfolios, this process will require patience to achieve acceptable value.

We continue to focus on more liquid fixed income investments in attempts to establish a well diversified portfolio for the long term. This is certainly creating an above average cash position which is earmarked for fixed income investment while we look for appropriate bond investments. Prudence and discipline will be important for new bond investments. Our patience and experience have served us well over the long-term. The overall quality rating of the fixed income portfolio is mid-single A. Aggregate weighted average duration remains short and liquidity is sufficient to take advantage of opportunities that arise.

First Quarter 2021 Investment Outlook

Global financial markets reflect the optimism that the virus will be under control in the coming months as the vaccines are broadly distributed. This will eventually allow travel, entertainment, and social gatherings to resume. The employers, employees and consumers from these affected segments of the economy will return to normal activities in the coming years.

The completion of the U.S. elections and the five-year odyssey of Brexit has investors expecting governments to provide additional fiscal stimulus in the near-term to bridge the time gap to herd immunity. Global monetary authorities remain in easing mode by keeping short term rates as low as possible. Unprecedented money supply growth and high savings rates could provide fuel for spending and investment. The ending of the pandemic, along with full-throttle stimulus, sets up the opportunity for global GDP to have the strongest annual growth rate in decades albeit against very easy comparisons.

This optimism is, to some degree, already reflected in recent stock performance that has carried into the New Year. More economically sensitive companies and sectors began to lead the market as investors rotated away from the previous leaders–the large mega-capitalization technology companies. Diversification appears to be once again improving risk and return parameters. This has also carried into the bond market where longer-term yields have risen to levels not seen since the pandemic began.

The opportunity and risk for investors today lies in the concept of time and magnitude. The U.S. economy may be approaching the second inning of the recovery and the global economy could be at the top of the third; however, the stock market has already priced in a significant recovery in 2021. Higher corporate profits and continued low interest rates are expected for the foreseeable future. Stock valuations are most difficult to evaluate during periods of recovery from a recession, leave alone the added challenge of recovering from a global pandemic.

The V-shaped recovery in stock prices in 2020 was initially created by an overly pessimistic expectation of the potential decline in corporate profits and a reversal of those forecasts and results over the last eight months. Using the S&P 500, the current consensus corporate profit estimates are for a rise of more than 22% in 2021, and at current prices, this would equate to a price-earnings ratio of 23 times. For 2022, corporate profit estimates forecast another 16% increase.

Anything that delays the economic recovery or increases inflation expectations and lowers corporate profits could create a 5 to 10% correction in stocks from the current lofty levels. With the strong move in stocks, we would view a normal correction of that magnitude to be healthy for long-term investors.

Defeating the virus remains the number one focus for everyone and for the market. From there, the risks of rising inflation and the causes of that inflation need to be monitored closely. The aggressive monetary and fiscal policy employed could sow the seeds of future problems of excessive governmental debt and the related higher interest cost to service that debt.

The incoming Biden Administration has yet to prioritize its agenda past the virus response, additional stimulus, and climate change. Their election tax proposal is not fully reflected in corporate profits estimates either. The Biden tax proposal is estimated to reduce 2022 S&P 500 corporate profits by nearly 5%, evenly split by the increase in the corporate tax rate and the increase of taxes on foreign income. The profit margin impact on the multinational leadership technology sector is estimated to be a hit of 8 to 10% for the dominant and richest valued companies. The initial discussions of the 2017 tax cut provided a significant positive reaction in the stock market, while investors should expect a commensurate negative reaction to a significant tax increase proposal.

Recent market activity has allowed for repositioning within our Direct Common Stock portfolio. The broadening of market segment performance including small and mid-capitalization domestic and emerging market international stocks has benefited returns and overall diversification. Total stock exposure remains slightly above average for clients' equity ranges and somewhat reflects the lack of attractive valuation in new fixed income opportunities.

Assuming the recent trends of higher longer-term bond yields (lower bond prices) continue, our investment team would expect improved opportunities to buy new bonds for clients. We have remained patient with the negative real (yield adjusted for inflation) returns offered for new fixed income investment over the last eight months and remain committed to a disciplined investment approach.

Historical Market Performance for the Period Ended 12/31/2020

		Total Return (%)		Annualized Total Return (%)		
	Close	Quarter-to-Date	One Year	Three Year	Five Year	Ten Year
DJ Industrial Average	30606.5	10.7	9.7	9.9	14.7	13.0
S&P 500	3756.1	12.2	18.4	14.2	15.2	13.9
S&P 100	1720.5	10.7	21.2	15.3	15.7	14.0
S&P Mid Cap 400	2306.6	24.4	13.7	8.4	12.3	11.5
S&P Small Cap 600	1118.9	31.3	11.3	7.7	12.4	11.9
NASDAQ Composite Index	12888.3	15.6	44.9	24.4	22.1	18.5
Russell 2000	1974.9	31.4	20.0	10.3	13.3	11.2
MSCI EAFE	2147.5	16.1	7.8	4.3	7.5	5.5
MSCI EM (Emerging Markets)	1291.3	18.4	17.0	5.4	12.3	3.0
Bloomberg Barclays US Aggregate	106.9	0.7	7.5	5.3	4.4	3.8
ICE BofA US Treasury (1-3 Yr)	100.1	0.1	3.2	2.8	1.9	1.3
Bloomberg Barclays US Interm/Gov/Credit	106.6	0.5	6.4	4.4	3.6	3.1

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

Arcataur Composite Investment Performance for the 3 Months, 12 Months, 3 Years and 5 Years Ended December 31, 2020

Arcataur Composite Portfolio	Total Return			
	3 months	*12 months*	*3 yr. annualized*	*5 yr. annualized*
	12/31/2020			
Large Cap Direct Stock Equity	14.18%	17.08%	13.23%	14.28%
Large Cap Equity ETF	12.24%	19.20%	14.12%	15.10%
Benchmarks				
Lipper Large Cap Core	12.00%	16.70%	12.40%	13.70%
Dow Jones Industrial Average	10.70%	9.59%	9.66%	14.47%
S&P 500	12.15%	18.40%	14.18%	15.21%
S&P 100	10.70%	21.50%	15.60%	16.00%

Arcataur Composite Portfolio	Total Return			
	3 months	*12 months*	*3 yr. annualized*	*5 yr. annualized*
	12/31/2020			
Fixed Income	1.27%	5.60%	3.94%	3.52%
Benchmarks				
Bloomberg Barclays 1-5 (T/G/C)	0.33%	4.71%	3.69%	2.77%
Bloomberg Barclays 1-3 (T/G/C)	0.21%	3.33%	2.98%	2.21%
Lipper Bond MF Avg.	2.80%	5.70%	4.50%	4.30%

Arcataur Composite Portfolio	Total Return			
	3 months	*12 months*	*3 yr. annualized*	*5 yr. annualized*
	12/31/2020			
Managed Balance	11.52%	12.43%	8.64%	9.85%
Benchmark				
Lipper Balanced	9.30%	11.70%	7.70%	8.70%
60/40 Custom Index	9.73%	11.23%	8.02%	9.47%

Arcataur Composite Portfolio	Total Return			
	3 months	*12 months*	*3 yr. annualized*	*5 yr. annualized*
	12/31/2020			
Small Cap Equity	31.07%	11.63%	7.48%	11.94%
Mid-Cap Equity	24.10%	13.34%	8.33%	11.93%
Total Equity*	17.35%	16.14%	11.03%	13.35%
Benchmarks				
Lipper Small Cap Core	28.80%	9.20%	5.70%	9.90%
S&P 600	31.31%	11.29%	7.73%	12.37%
Lipper Mid-Cap Core	20.40%	9.20%	7.00%	9.80%
S&P 400	24.37%	13.66%	8.44%	12.34%

Arcataur Composite Portfolio	Total Return			
	3 months	*12 months*	*3 yr. annualized*	*5 yr. annualized*
	12/31/2020			
Developed International Equity	15.99%	8.26%	4.01%	7.35%
Emerging International Equity	16.59%	14.12%	5.33%	11.66%
Total Equity*	17.35%	16.14%	11.03%	13.35%
Benchmarks				
EAFE	16.05%	7.82%	4.28%	7.45%
MSCI Emerging Market Index	18.40%	17.02%	5.42%	12.26%

*Total Equity is not an actual composite portfolio; rather, Total Equity represents a weighted average return of the Large Cap, Mid-Cap, Small Cap and International composites, and is only shown as an indication of potential overall equity performance. Total Equity does not represent any actual portfolio because it is made up of a weighted average return of all equity classes. Please review complete disclosure information below.

Appendix: Disclosure Information Regarding Composite Performance

General

Arcataur Capital Management LLC is an investment advisor. Arcataur has prepared this report. The information in this report has been developed internally and/or obtained from sources which Arcataur believes are reliable; however, Arcataur does not guarantee the accuracy, adequacy or completeness of such information nor do we guarantee the appropriateness of any strategy referred to for any particular investor. Index information has been taken from public sources. Past performance is not indicative of future results, as investment returns will vary from time to time depending upon market conditions and the composition of the composite portfolio. Returns for individual investors will vary based on factors such as the account type, market value, cash flows and fees.

Calculation Methodology

The composites reflect dollar-weighted returns of individual accounts. Arcataur composites may include some discounted or non-fee-paying accounts, which could cause the net return to be higher than it would be otherwise. Arcataur uses the time-weighted internal rate of return formula (i.e., returns that include reinvested dividends and other income) to calculate performance for the accounts included in the composite. Individual account returns are calculated on a time-weighted basis, linked daily, and include reinvestment of dividends and other such earnings. Total return (return) is defined as the percentage change in market value (including interest and dividend income) adjusted for any client-directed cash flows. A time-weighted, daily-linked method is used to calculate composite calendar quarter, annual, cumulative and annualized returns. No leverage or derivatives have been used. Cash is not included in the performance calculations for the Arcataur Large Capitalization Equity Portfolio Composite or the Arcataur Investment Grade Fixed Income Composite; Arcataur also does not allocate cash in the Arcataur Managed Balance Portfolio Composite to the equity or fixed income components when calculating performance for those components. Cash is, however, included in the overall performance calculation for the Arcataur Managed Balance Portfolio Composite.

Composites

Mutual fund holdings are not included in composite results. Exchange traded funds (ETFs) are included in composite results. Mutual fund holdings typically are "unmanaged assets" and, therefore, are not included in composite results. Exchange traded funds are designated as "managed assets" and, therefore, are included in the composite results.
The Arcataur Large Capitalization Equity Composite consists of portions of all client accounts invested in accordance with the Arcataur Large Capitalization Equity Portfolio strategy (including ETFs). The Arcataur Small & Mid-Capitalization Equity Composites consist of portions of all client accounts invested in small & mid-capitalization equity securities (including ETFs). The Arcataur International Equity Composite consists of portions of all client accounts invested in international securities (including ETFs). The Arcataur Investment Grade Fixed Income Composite consists of portions of all client accounts invested in accordance with the Arcataur Investment Grade Fixed Income strategy. The Arcataur Managed Balance Composite consists of portions of all client accounts invested in accordance with the Arcataur Managed Balance strategy.

Appendix: Disclosure Information Regarding Composite Performance (cont.)

Fees

The Composite performance figures shown above, are "net" of advisory fees based upon a standard client fee paid during the period including any brokerage fees or commissions that have been incurred within the account. Because the actual management fee paid by an individual client may have been higher or lower, the client's net return may have been higher or lower. The Arcataur Managed Balance composite is based on actual fees paid and may include some discounted or non-fee-paying accounts. The S&P 500® Index, S&P 100® Index, DJIA®, S&P 600® Index, the EAFE® index, the Bloomberg Barclays Investment Grade Index Treasury/Government/Credit (T/G/C) 1-5 Years, and the Bloomberg Barclays Investment Grade Index Treasury/Government/Credit (T/G/C) 1-3 Years returns do not include any fees; the Lipper Large Cap Core, Small Cap Core, Balanced Fund and Bond Fund Averages are net of fees.

Indices and Benchmark Funds

The Indices and Benchmark Funds are referred to for comparative purposes only and are not necessarily intended to parallel the risk or investment approach of the accounts included in the composites. Arcataur believes that the Indices and Benchmark Funds selected for comparative purposes are appropriate measures given the investment approach. However, the investment portfolios underlying the indices are different from the investment portfolios managed by Arcataur. The Indices and Benchmark Funds shown are unmanaged, and investors are not able to invest directly in them. The Indices and Benchmark Funds are considered to be generally representative, in terms of risk and exposure, of the various components as follows:
Arcataur Large Capitalization Equity Portfolio - the S&P 500® Index, the S&P 100® Index, DJIA®, and Lipper Large-Cap Core Average

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

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

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

With the exception of the Lipper Balanced Fund Average, the Lipper Large Cap Core Average, the Lipper Bond Mutual Fund Average, the Lipper Small Cap Core Average, and the Lipper Mid-Cap Core Average, indices and benchmark funds shown reflect the reinvestment of dividends and other earnings, but do not include transaction costs, management fees or other expenses of investing.

The S&P 500 & S&P 100 are indices of Large-Cap domestic core companies as produced by Standard and Poor's, while the DJIA is produced by Dow Jones. The S&P 400 and S&P 600 are indices of Mid-Cap and Small Cap domestic core companies, respectively as produced by Standard and Poor's. The MSCI EAFE (Europe, Australasia and Far East) Index is a stock market index that is designed to measure the equity market performance of developed markets outside of the U.S. & Canada. MSCI Emerging Markets ETF is an index composed of large- and mid-capitalization emerging market equities. Both are maintained by MSCI Barra.

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

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