Large Cap Growth

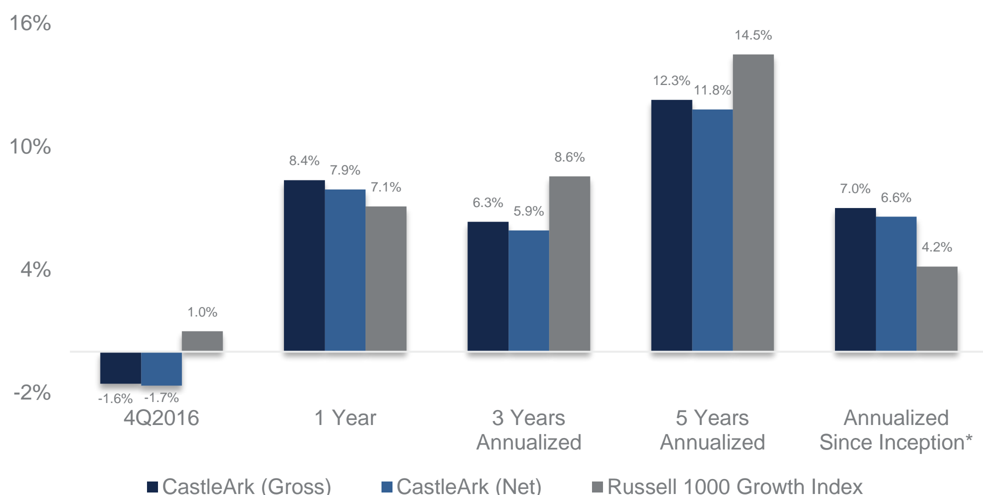
CASTLEARK

December 31, 2016

Fourth Quarter 2016 – Performance Update

The CastleArk Large Cap Growth composite had a return of -1.55% gross and -1.65% net for the quarter, trailing the benchmark Russell 1000 Growth Index return of +1.01%. The volatile returns in the quarter following the election, the OPEC accord and the Fed rate hike, leave full-year 2016 performance for the CastleArk Large Cap Growth composite at +8.37% gross and +7.92% net compared to +7.08% for the benchmark. Since inception, March 1, 1999, the CastleArk Large Cap Growth composite has outperformed with an annualized return of +7.01% gross and +6.59% net compared to +4.16% for the benchmark for the period ending December 31, 2016.

CastleArk Large Cap Growth Performance*



Past performance is no guarantee of future results.
*Inception 03/1/99

Fourth Quarter 2016 – Portfolio Review

Even with improving economic data, the uncertainties of the anticipated Fed tightening, the Presidential election, and a potentially stronger U.S. dollar pulled stocks lower early in the quarter. In the U.S., higher oil prices and an improving rig count boosted the manufacturing, engineering and construction, and railroad segments but retail, restaurants, and airlines remained weak. However, Trump's unexpected victory, along with stronger global economic data, lifted 2017 growth expectations and started a strong rally in stocks and oil. As the quarter progressed, GDP forecasts edged higher on the expectations for a more pro-business administration emphasizing tax cuts, de-regulation, infrastructure spending, increased defense spending, and overall policies encouraging growth. At the same time, accelerating growth in China and other major global economies, receding Brexit risks, and continuing monetary stimulus from central banks in the UK, Japan, and Europe all support the rising expectations for GDP growth in the U.S. The post-election rally continued up until the last couple days of December. The rotation from bonds into stocks appears to have begun. As yields move higher, investors may begin to believe that a bond bear market has started, accelerating the rotation from bonds into equities. Trump's expansionary

Top 10 Portfolio Holdings*

Holding	%
Home Depot, Inc.	4.2%
Microsoft Corp.	4.1%
UnitedHealth Group, Inc.	3.7%
General Electric Co.	3.5%
Charles Schwab Corp.	3.4%
Adobe Systems, Inc.	3.3%
EOG Resources, Inc.	3.1%
Microchip Technology, Inc.	3.1%
Medtronic plc	3.0%
Applied Materials, Inc.	3.0%
Percentage of Total Assets	**34.3%**

Portfolio Characteristics*

	CastleArk Large Cap Growth	Russell 1000 Growth Index
Number of Companies	47	606
Forward P/E	20.2x	18.1x
Historical EPS Growth	19.9%	17.4%
Expected Growth	13.7%	11.3%
Return on Equity	16.4%	38.6%
Debt/Capital	38.0%	47.4%
Weight by Market Cap	$109.5B	$152.1B
Median Market Cap	$29.0B	$9.1B

*Representative client portfolio.

Large Cap Growth Team

Robert Takazawa, CFA
Quentin Ostrowski, CFA
Michael Wu
Richard S. Drake, CFA

Contact

CastleArk Management, LLC

1 North Wacker Drive, Suite 3950
Chicago, IL 60606

Phone: 312.456.9682
For inquiries: info@castleark.com

Fourth Quarter 2016 – Portfolio Review (continued)

policies and the aggressive policies of central banks around the world, on top of already accelerating GDP in the U.S., Europe, and China should lead to sustained global growth acceleration. Acknowledging an accelerating economy and accepting a rising rate environment, we expect investor confidence to increase, extending investor time horizons and boosting portfolio exposure to growth stocks. We would expect investors to push the valuation premiums for growth stocks back toward historic levels. We project significant outperformance for growth stocks, particularly those companies whose investments are producing accelerating earnings growth.

The markets began the quarter on the downside until the surprise Trump victory which ignited a rally that continued throughout the balance of the year, leaving the Russell 1000 Growth Index up 1.01% for the quarter. The CastleArk Large Cap Growth Composite return trailed the benchmark by 256 basis points. The bulk of this shortfall resulted from stock selection with only 40 basis points due to sector allocation. Positive contributions came from Consumer Staples and Real Estate where underweight positions in these weak sectors added 13 and 8 basis points, respectively. The significant overweight position in the Energy sector, one of the weaker sectors, reduced relative performance by about 26 basis points. The small variations from the benchmark weights in the Information Technology and Consumer Discretionary sectors also detracted from overall portfolio performance by about 10 basis points each.

The stock selection decisions contributed most of the relative underperformance, subtracting about 220 basis points. Sector contributions were mixed during the quarter with large negative contributions from Information Technology and Health Care and a significant positive contribution from the Financial sector. Our tech holdings cost us 194 basis points due to the negative returns for 11 of the 16 holdings and Health Care cost another 110 basis points due to double-digit losses in 3 of the 4 largest holdings in the sector. Strong returns from the two largest financial holdings added 83 basis points to performance and strong returns for the largest holdings in the Energy and Real Estate sectors contributed 32 and 25 basis points, respectively.

At the end of the quarter, all ten of the worst contributing stocks during the quarter remained in the portfolio, although five of these holdings were trimmed: Edwards Life Sciences, Amazon, Facebook, Monster Beverage, and Adobe Systems. The positions in Palo Alto Networks, Medtronic, and Abiomed were increased while no changes were made in the positions of Red Hat and Biogen.

Outlook and Strategy

Investors will remember the December quarter for the unexpected win by Donald Trump. The U.S. equity market is again flirting with new highs as we enter a new quarter and earnings reporting cycle. There is a sense of optimism that the expansionary policy initiatives of President Trump and a new Congress will produce better and more durable growth in the U.S. However, there is apprehension as to how much will be enacted and what may be the negative

Fourth Quarter 2016
Best and Worst Contributors*

Best:	Contribution
1. Charles Schwab Corp.	.57%
2. CME Group, Inc. Class A	.52%
3. UnitedHealth Group, Inc.	.40%
4. J.B. Hunt Transport Services, Inc.	.36%
4. Ulta Salon, Inc.	.28%
6. FedEx Corp.	.25%
7. General Electric Co.	.25%
8. Microsoft Corp.	.24%
9. Applied Materials, Inc.	.20%
10. CBRE Group, Inc. Class A	.19%

Worst:	Contribution
1. Edwards Lifesciences Corp.	-.89%
2. Palo Alto Networks, Inc.	-.60%
3. Medtronic plc	-.58%
4. Amazon.com, Inc.	-.32%
5. Facebook, Inc. Class A	-.26%
6. Red Hat, Inc.	-.25%
7. ABIOMED, Inc.	-.24%
8. Monster Beverage Corp.	-.24%
9. Adobe Systems, Inc.	-.23%
10. Biogen, Inc.	-.21%

*Representative client portfolio. A complete list of security's contribution to performance and description of calculation methodology is available upon request.

Contact

CastleArk Management, LLC

1 North Wacker Drive, Suite 3950
Chicago, IL 60606

Phone: 312.456.9682
For inquiries: info@castleark.com

Outlook and Strategy (continued)

consequences of those policies. Therefore, it is likely that the equity market experiences more volatility over the next six months, though we do expect above average returns over the course of 2017. Fundamentally, the market's performance will be driven by the economy, along with the prospect of higher inflation caused by wage and commodity price increases. Many investors seem skeptical about the prospect of improved economic growth. We believe U.S. and global growth are accelerating. Leading indicators are continuing to firm considerably, new pro-growth policies initiated by the new administration, and inventory stability/building should add to growth. Likewise, after two years of contraction and a drag on growth, the energy industry should be a contributor to capital spending going forward. With signs of wage and commodity inflation, productivity-enhancing capital spending is likely to become a more important component of growth. We continue to maintain that the U.S. is the engine of global growth, thus accelerating U.S. growth should improve the likelihood of synchronized global growth.

As the U.S. economy accelerates, revenue and EPS growth should improve in 2017. Fourth quarter earnings reports are not likely to produce notable positive earnings surprises, but that should simply keep investor skepticism regarding improving earnings growth at a higher level. We believe that earnings will lead valuations from this point forward due to the expanded valuations (Price/Earnings ratios) resulting from the Trump rally. We believe defensive/slow growth stocks will continue to lose their leadership role in the market. Higher growth stocks should continue to see increasing valuation premiums versus those paid for defensive/slow growth stocks that will see fewer benefits from expansionary fiscal policies, higher global growth or a higher inflation environment. Companies that have focused on investing in new products, productive capacity, and distribution capabilities have the greatest opportunity for stock price appreciation as returns on invested capital (ROIC), revenues, and earnings accelerate.

During the 4th quarter, eight new stocks were added to the portfolio and six were removed. For each of the four largest new holdings, our expectations and convictions exceed that of the consensus, giving us the opportunity for significant outperformance should our expectations play out. The largest new investment was made in **Morgan Stanley** to take advantage of expected increases in margins arising from stronger economic growth and rising returns on invested capital. Cost cutting and reduced legal expenses will also contribute to the higher margins. **Parker Hannifin** was returned to the portfolio in anticipation of a pick-up in manufacturing and a rebound in the inventory cycle. Structural changes in the U.S. and Europe give us confidence that margins will expand as the top line improves. The refurbishment of the Viking product line has led us to return **Middleby** to the portfolio. After investments in product, sales, & marketing, the Viking business is set for strong growth. Investments in several man-hour reduction programs in the restaurant business are also set to provide margin improvements as wage pressure pushes restaurant owners to seek out savings. **Panera Bread Company** has made investments to increase the efficiency in food service, provide delivery of catering orders, and add drive-thru windows to many of its locations. All of these investments should drive revenue growth and higher margins.

Disclosures:
Past Performance is no guarantee of future results. Performance for the CastleArk Large Cap Growth Composite includes institutional separately-managed accounts only and does not include individual accounts we manage, nor accounts we managed in a third party sponsored "wrap fee" program.
Other information. This report contains information from market index providers or from other third parties. We believe this information is accurate, but we cannot guarantee it.