Global Energy Strategy

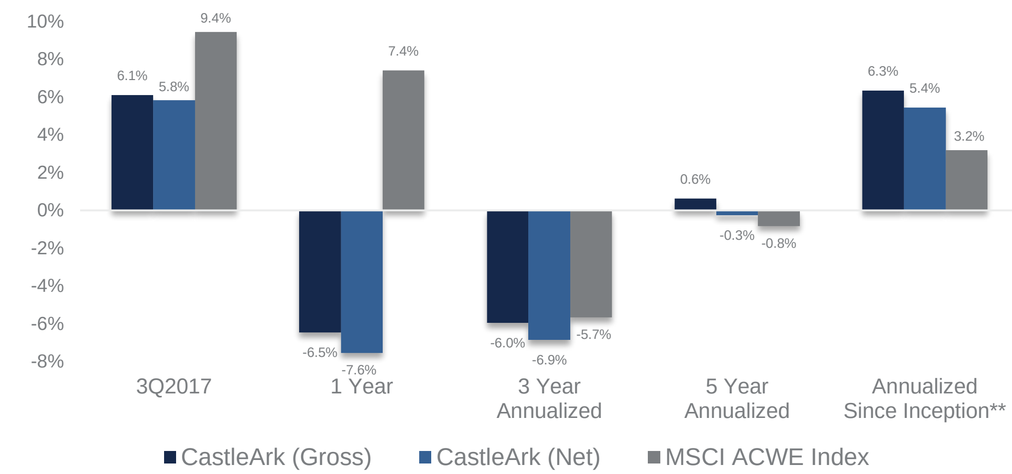
CASTLEARK

September 30, 2017

Third Quarter 2017 – Performance Update

The Global Energy Strategy rose +6.10% (gross) and +5.82% (net) during the third quarter of 2017, underperforming MSCI's All Country World Energy (ACWE) Index which rose +9.43%. Since inception, September 2009, the Global Energy Strategy has outperformed and returned an annualized +6.34% (gross) and +5.43% (net) compared to the +3.18% return of the ACWE benchmark for the period ending September 30, 2017.

CastleArk Global Energy Performance



Past performance is no guarantee of future results.
**Inception 06/30/2009

Third Quarter 2017 – Portfolio Review

Global equity returns reaccelerated in the third quarter, posting quarter-on-quarter returns as high as 14.0+% (Norway). Other investment markets also participated, including the US, Germany, Taiwan, Mexico and a couple of other Scandinavian countries, and touched new, all-time stock market highs during the past three months.

For the quarter ending September 30, Global Developed equity markets (EFA Exchange Traded Fund) rose +5.0%, while Global Emerging (EEM ETF) indices posted a +8.3% return. Technology and Energy sectors showed the largest returns in the benchmarks, while both Consumer sectors registered slightly negative quarters.

Global capital markets divided their attention last quarter between the forthcoming Euro Taper, US rate hikes and national election results around the globe. Brexit negotiations took a backseat to watching countries' electorates shift slightly towards more conservative politicians and political agendas. Interest rates for many global economies (10 year maturities) remained stable to slightly higher over the last twelve months. Exceptions included Brazil, Argentina, Portugal & Greece which all saw materially lower rates.

The OPEC landscape shifted a bit with direct discussions between Saudi Arabia and Russia. It was the first ever official visit by a Saudi ruler to the Russian capital. Venezuela held local 'elections' while appealing to new countries to help finance the $3.3 billion in interest and principal repayments due in the fourth quarter. The Russians appeared suddenly to be the next last resort creditor, though terms of the proposals have not been made public. The specter of more serious sanctions imposed by the European Union after the contrived elections however is another matter. The Venezuelans may pay an even harsher penalty than those garnered in any debt deals with Russia.

Top 10 Portfolio Holdings*

EOG Resources, Inc.	4.7%
Pioneer Natural Resources Co.	4.7%
Total SA (ADR)	4.6%
Royal Dutch Shell plc (ADR)	4.5%
Andeavor	3.7%
Chevron Corporation	3.5%
Cimarex Energy Company	3.3%
RSP Permian, Inc.	3.1%
Diamondback Energy, Inc.	3.1%
Encana Corporation	3.0%
Percentage of Total Assets	**38.3%**

Portfolio Characteristics*

	CastleArk Global Energy	MSCI All Country World Energy
Number of Companies	45	139
Forward P/E	21.2x	18.6x
Historical EPS Growth	-7.3%	-21.8%
Expected Growth	19.8%	15.4%
Return on Equity	2.4%	4.5%
LT Debt/Capital	31.9%	31.5%
Weight by Market Cap	$50.7B	$121.0B
Median Market Cap	$14.6B	$13.0B

*Representative client portfolio.

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Third Quarter 2017 - Portfolio Review (continued)

Are We There Yet? Almost, but we still may need a couple of quarters to declare a secular change in the global Supply and Demand balances. However, both economic forces are decidedly moving in a relatively bullish direction for energy equities.

Consumption continues to accelerate vis-a-vis solid global GDP and market energy prices. The value of the US$ over the next 12 months will influence the final numbers, but the world is now estimating 1.45 mmbd of additional demand in 2018. That is ~18% higher than normal.

New sources of supply meanwhile are struggling everywhere outside of the US. There is little doubt that US onshore unconventional activity has been able to tack on new supply at $45-50/bbl. That activity however, only accounts for ~1% of global supply. The success of this US geologic resource, however has masked a multitude of failed attempts to bring on new barrels from conventional deposits. Moreover, it is likely that crude development costs bottomed in the first half of 2017, and are now up 10-15% including US shales. The world's average breakeven exploration and development costs have continued to map much closer to $65/bbl. Overlay this drought of new supplies with accelerating production declines in a $50/bbl world, and the physical markets are much tighter than pundits would have the market believe.

The current Supply/Demand balance has only been able to sustain itself by materially drawing on global inventories, discovered over the past 10 years when crude prices averaged ~$110/bbl and produced 3-5 years ago. Commodity prices have been less than $50/bbl since 2014, and nowhere near levels to attract new investment capital to existing exploration risks.

The global energy industry coexists with macro political and economic events every day. So to cite any prospective timeframe as potentially generating more exposure to the global energy sector than another, comes with a modicum of credibility risk in one's macro analysis. That said however, this '17-'18 winter has a couple of idiosyncratic events that may be critically more impactful on the global energy supply front than normal, geopolitical risks.

The first just occurred in the autonomous region of northern Iraq. Controlled by the Kurds, the locals held an independence referendum where 94% voted in favor of (re)creating their own independent nation. The neighboring Turks, Iraqis and Iranians were none too pleased as there are also vast deposits of natural resources in this territory. There is also a very reliable, 775kbd of crude oil that flows out of Northern Iraq -aka an imaginary Kurdistan.

The second risk has potentially much larger consequences. In the middle of October, the US president has to re-certify Iran as compliant with the 2015 nuclear deal. A non sign off this time could have some major repercussions in the crude oil market in the not too distant future. One million+ bbls would be in the ballpark of affected volumes in the 2018-2019 timeframe.

Market and Portfolio Outlook

Energy market sentiment has noticeably shifted from Negative to the Concerned stage. Only a few short months ago, the investment market had a high degree of confidence in unlimited oil supplies at these commodity prices. Today, investors are now starting to question how and where these new barrels will come to market. We continue to expect the market to be surprised, both by the magnitude of the capital expenditure effort required, and by the duration needed to return to the surplus inventory levels of 2016.

CastleArk Global Energy Strategy

CastleArk's investment philosophy follows the discipline of identifying growth companies that have demonstrated a consistent ability to generate high returns on a fully loaded capital basis through a normal commodity cycle. Our team uses fundamental analysis to construct a high-conviction portfolio of holdings that seeks to diversify across all subsectors of the global energy universe. Active monitoring of the Strategy's custom factors and portfolio tracking error are the principal drivers of risk management. There are size limits on all holdings, and we look to exit positions when long-term growth fundamentals and growth outlook have deteriorated to the market's consensus levels.

Third Quarter 2017
Best and Worst Contributors*

Best:	Contri-bution
1. Encana Corporation	0.77%
2. Royal Dutch Shell plc	0.67%
3. Cimarex Energy Co.	0.59%
4. Statoil ASA Sponsored ADR	0.55%
5. Suncor Energy, Inc.	0.49%
6. Chevron Corporation	0.47%
7. Total SA Sponsored ADR	0.44%
8. HollyFrontier Corporation	0.42%
9. Continental Resources, Inc.	0.36%
10.Andeavor	0.35%

Worst:	Contri-bution
1. Cheniere Energy, Inc.	-0.48%
2. Smart Sand, Inc.	-0.44%
3. Chesapeake Energy Corp.	-0.37%
4. Range Resources Corp.	-0.37%
5. U.S. Silica Holdings, Inc.	-0.33%
6. SunPower Corporation	-0.33%
7. Patterson-UTI Energy, Inc.	-0.14%
8. Tesla, Inc.	-0.13%
9. Occidental Petroleum Corp.	-0.11%
10.Superior Energy Services, Inc.	-0.04%

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

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