Global Energy Strategy

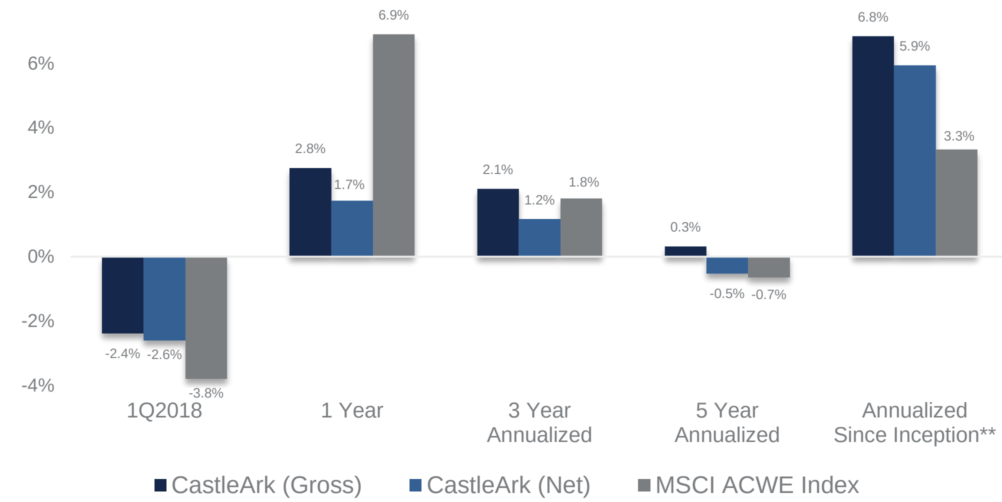
CASTLEARK

March 31, 2018

First Quarter 2018 – Performance Update

The Global Energy Strategy fell -2.38% (gross) and -2.60% (net) during the first quarter of 2018, outperforming MSCI's All Country World Energy (ACWE) Index which dropped -3.79%. Since inception, September 2009, the Global Energy Strategy has outperformed and returned an annualized +6.84% (gross) and +5.94% (net) compared to the +3.32% return of the ACWE benchmark for the period ending March 31, 2018.

CastleArk Global Energy Performance



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

First Quarter 2018 – Portfolio Review

The global equity markets started 2018 out as expected following last year's +21.6% return: indecisive as to whether to continue riding all-time market highs, or take a breather following the exceptionally positive year that was 2017. Most investors closed the first quarter leaning towards the latter, as markets sought to find a balance in equity valuations as global interest rates climbed.

During the first three months of 2018, final results saw global developed equity markets (EFA Exchange Traded Fund) fall -0.9%, while the global emerging (EEM ETF) index posted a +2.5% gain. Technology was able to set new, all-time highs while every other sector retreated between ~2 & 6% during the quarter.

A new calendar year always starts off, prior to earnings & new capex budget announcements, with a brief respite to gauge the global macro winds. 2018 was no different as rising interest rates and length in market returns caught the attention of many scribes in their new year thought pieces. The US had also just passed new corporate and personal tax reform at year end, which injected another bullish dimension regarding possible new directions of capital flows in 2018.

Countering the positive sentiment of new US fiscal stimulus and solid global growth outlooks, capital markets began factoring in possible effects of higher rates and changing US trade policies. Not simply the absolute value of any specific country account balance, but also the growing interest in bilateral trade treaties vs. large multilateral agreements that have historically been in place. On the geopolitical front, the tension of conflict rose steadily in both the Middle East and Korean peninsulas.

Finally, OPEC was able to take a breath as Brent continued its rise and closed above $70/bbl, up +58% since June 2017. Production output fell over 400kb/d during 1Q as Venezuela continued to implode and Russia maintained their self-imposed quota.

Top 10 Portfolio Holdings*

EOG Resources, Inc.	4.8%
Pioneer Natural Resources Company	4.5%
Valero Energy Corporation	4.1%
Halliburton Company	3.8%
BP Plc – Sponsored ADR	3.7%
Diamondback Energy, Inc.	3.7%
Total SA – Sponsored ADR	3.7%
Noble Energy, Inc.	3.6%
Petroleo Brasileiro S.A. - ADR	3.5%
Royal Dutch Shell Plc - ADR	3.5%
Percentage of Total Assets	**38.8%**

Portfolio Characteristics*

	CastleArk Global Energy	MSCI All Country World Energy
Number of Companies	39	134
Forward P/E	17.3x	14.9x
Historical EPS Growth	1.4%	2.9%
Expected Growth	21.1%	20.1%
Return on Equity	7.9%	8.1%
LT Debt/Capital	34.5%	28.8%
Weight by Market Cap	$46.7B	$115.7B
Median Market Cap	$15.6B	$14.5B

*Representative client portfolio.

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First Quarter 2018 - Portfolio Review (continued)

The Wild West. This caption chronicles the pursuit of the first wave of pioneers in the western reaches of North America; the discovery and development of new territories; explorations of new land and resources; and development of new tools, businesses, markets and trade links.

Today, a sequel is being played out in the resource exploration and development of the North American West, where the global prospects are equally as raw and undeveloped as early pioneers discovered in the 18th and 19th centuries. The entrepreneurs and geoscientists leading this modern charge have every bit of ingenuity and technological persistence, as any frontiersman back in their day. This time however, the success or failure of these Permian basin explorers will have a profound effect on the global crude oil supply demand balance.

So what has really changed in the last 3 months? Surprisingly, not much. Both declining production and rising consumption trends are still intact, and effectively where they were projecting last quarter. Officially, as of the 4th quarter of 2014, there is now data that supplies and inventories of crude and oil products are decisively below their 5-year averages. Demand has built to levels where most street analysts appear confused, yet to where almost every micro economist has built a model for: When commodity prices drop for extended periods of time – suppliers stop investing in now-expensive, production projects. Consumer demand accelerates for all activity driven by that inexpensive commodity. Prices initially rebound. Production costs follow. Prices subsequently go up even higher. Costs then begin to overtake and start leading wholesale prices. Some black swan event occurs (again). Finally, commodity prices and costs then dutifully follow a leptokurtic price pattern back to extreme levels.

As markets have observed over time, geopolitics also have a stubborn pattern of repeating themselves. Outside of the ever present governing dyslexia in Venezuela, Libya and Nigeria, this past winter has seen the emergence of new geopolitical alliances. The US has re-engaged in Syria w/ the help of an Israeli-Sunni Arab axis. North Korea has both tested and launched new, multi-range nuclear delivery systems while simultaneously indicating a desire for peace talks with the US and S. Korea. Also as of this note, it appears likely that the US will not recertify the Iranian nuclear deal in 6 weeks, and financial sanctions will be re-imposed. Regardless of the outcomes, all will have a material effect on global energy markets.

Conventional wisdom says these hotspots are even more combustible today, not least of which is due to a new US president in the calculus. But like many generally accepted market theories, what if one, or more, of the outcomes goes the other way (Soviet Union c. 1989)?

Market and Portfolio Outlook

Investor energy sentiment after 1Q18 is officially confounded. How did the oil market just go from well-supplied and priced in a $40-60 range, to now being on the edge of another commodity price supercycle? In the last 70 days the commodity has officially gone from a virtual coma in market volatility up towards the 35% levels. Crude prices reconnected with equity prices this quarter as cash flow discussions moved up the critical knowledge chain for companies and investors alike. All the while, every week as generalist investors debated whether energy companies were going to behave like real investments, prices moved higher and away from historical valuations. The market is in the nascent stages of understanding the magnitude of the global capital expenditure effort required, and the duration needed to rebuild the surplus inventory levels of the past 5 years.

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.

First Quarter 2018
Best and Worst Contributors*

Best:	Contri-bution
1. Mammoth Energy Services, Inc.	0.78%
2. Petroleo Brasileiro SA Spon ADR	0.49%
3. China Petroleum & Chem Corp.	0.32%
4. Statoil ASA Sponsored ADR	0.28%
5. Marathon Petroleum Corp.	0.24%
6. Total SA Spon ADR Class B	0.19%
7. Callon Petroleum Comppany	0.17%
8. Eni SpA Sponsored ADR	0.11%
9. WPX Energy, Inc. Class A	0.09%
10.Noble Energy, Inc.	0.08%

Worst:	Contri-bution
1. Encana Corporation	-0.67%
2. Cimarex Energy Company	-0.56%
3. Keane Group, Inc.	-0.51%
4. U.S. Silica Holdings, Inc.	-0.31%
5. Halliburton Company	-0.29%
6. Chevron Corporation	-0.26%
7. ProPetro Holding Corporation	-0.22%
8. Cabot Oil & Gas Corporation	-0.20%
9. Energen Corporation	-0.18%
10.Tesla, Inc.	-0.17%

*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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