Large Cap Growth

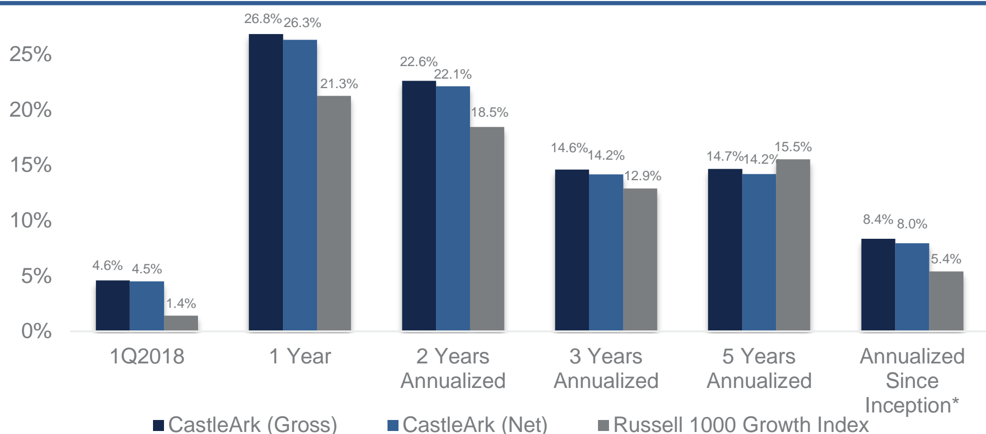
CASTLEARK

March 31, 2018

First Quarter 2018 – Performance Update

The CastleArk Large Cap Growth composite had a return of +4.60% gross and +4.50% net for the quarter, outperforming the benchmark Russell 1000 Growth Index return of +1.42%. During the first quarter, the growth stock valuation premiums relative to defensive/slow growth stocks continue to expand. The market is rewarding those companies with strong revenue growth, steady incremental margins, and increasing Returns on Invested Capital (ROIC). Relative performance for the CastleArk Large Cap Growth strategy over recent periods continues to be strong as a result of its commitment to a long-term investment process centered on these core metrics. Since inception, March 1, 1999, the CastleArk Large Cap Growth composite has outperformed with an annualized return of +8.37% gross and +7.95% net compared to +5.41% for the benchmark for the period ending March 31, 2018.

CastleArk Large Cap Growth Performance*



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

First Quarter 2018 – Portfolio Review

The first quarter for the equity market began with a bang, but ended with a whimper. The tax reform "gift" added optimism to the already accelerating, synchronized global economic outlook and prospects for large revenue and EPS revisions for corporations. By February, concern about inflation (beginning with wage inflation) and rising interest rates began to weigh on stocks globally, and profit-taking ensued. And then to sap investor optimism further, proposals to increase tariffs with U.S. trading partners, notably China and NAFTA partners, has led to newfound concerns about the direction of global/U.S. growth and future revenues/earnings.

For the tenth consecutive calendar quarter the Russell 1000 Growth Index finished in positive territory, returning +1.42%. The CastleArk Large Cap Growth Composite returned +4.60% gross, exceeding the benchmark return by +318 basis points. Stock selection added +293 basis points to relative return and asset allocation, in its entirety, was a non-factor on relative performance during the quarter. From an asset allocation perspective, an overweight position in the poorly performing Energy sector detracted -44 basis points while an

Top 10 Portfolio Holdings*

Holding	Weight
Abiomed, Inc.	4.8%
Microsoft Corporation	4.6%
Amazon.com, Inc.	4.1%
Charles Schwab Corporation	3.9%
XPO Logistics, Inc.	3.3%
Applied Materials, Inc.	3.1%
Visa, Inc. Class A	3.0%
Morgan Stanley	2.9%
UnitedHealth Group, Inc.	2.9%
Facebook, Inc. Class A	2.9%
Percentage of Total Assets	**35.4%**

Portfolio Characteristics*

	CastleArk Large Cap Growth	Russell 1000 Growth Index
Number of Companies	49	553
Forward P/E	22.8x	20.2x
Historical EPS Growth	21.9%	17.4%
Expected Growth	19.7%	15.7%
Return on Invested Capital	9.3%	7.6%
Debt/Capital	34.1%	44.1%
Weight by Market Cap	$165.8B	$234.4B
Median Market Cap	$48.5B	$12.1B

*Representative client portfolio.

Large Cap Growth Team

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First Quarter 2018 – Portfolio Review (continued)

Underweight position in Information Technology and Consumer Discretionary, which both lagged the market, detracted -17 basis points and -15 basis points, respectively. The portfolio's underweight positions in Consumer Staples and Materials, which both underperformed, contributed +28 basis points and +26 basis points to performance; and, an overweight position in the strongly performing Financials sector added +22 basis points. Stock selection was strongest in Health Care, Consumer Discretionary and Energy, adding +219 basis points, +108 basis points and +57 basis points, respectively.

As of March 31, 2018, eight of the ten worst contributing stocks during the quarter remained in the portfolio. Of these eight, the positions in Thor Industries, Tesla, Caterpillar, and Home Depot were added to throughout the quarter. Significant position reductions were made in Parker-Hannifin, Citigroup and Monster Beverage. V.F. Corporation was a newly established position in the first quarter and holdings in Coherent and Intel were eliminated from the portfolio.

Outlook and Strategy

The new quarter has seen market volatility remain high with 1% moves up/down being the norm. Trade tariff "proposals" have been extrapolated to trade "wars", and the equity market has begun to discount the negative impact on industries and global growth. The normalization of volatility (from extremely low levels) has been expected, but not this dramatic. Nevertheless, we retain our view of the last quarter that this is an earnings-driven stock market, with Price/Earnings (P/E) ratios now adjusted downward more than we originally projected by year-end 2018. At these stock price levels we believe there is an even more significant opportunity to generate alpha via stock selection. The premium paid for growth socks will likely continue to expand versus that for defensive/slow growth stocks in light of it still being well below historical norms. Additionally, we are not changing our economic expectations for the U.S. and internationally, believing that changing tariffs between the U.S. and the rest of the world will fall well short of trade "wars" fears, and probably not effective till the 3Q18. Thus, we contend that consensus expectations for the U.S. and global economic growth will remain well behind the likely outcome for 2018 at 3.0% U.S. and 3.9% globally.

We believe the equity market likely consolidates until economic data regains momentum post a disruptive U.S. winter, and seasonal slowness elsewhere around the globe; and/or earnings reports and forwards guidance generate enough positive surprises at the revenue, operating margin, and earning per share lines to re-focus investor attention on the benefits of synchronized, global economic growth. We remain confident in the continuation of the bull market, believing the prospect of a trade "war" is very low. We expect a continuation of the dispersion of reported results among companies as "pricing power" becomes more important to offset cost pressures, i.e. modestly rising inflation, and the relative financial returns on investments made over several years

First Quarter 2018
Best and Worst Contributors*

Best:	Contribution
1. Abiomed, Inc.	1.65%
2. Netflix, Inc.	1.04%
3. Amazon.com, Inc.	.84%
4. Red Hat, Inc.	.47%
5. XPO Logistics, Inc.	.34%
6. Microsoft Corporation	.31%
7. Tapestry, Inc.	.27%
8. Applied Materials, Inc.	.26%
9. Continental Resources, Inc.	.25%
10. CME Group Inc. Class A	.21%

Worst:	Contribution
1. Coherent, Inc.	-.51%
2. Parker-Hannifin Corporation	-.37%
3. Thor Industries, Inc.	-.27%
4. Citigroup, Inc.	-.24%
5. Monster Beverage Corporation	-.22%
6. Tesla, Inc.	-.21%
7. Caterpillar, Inc.	-.17%
8. Home Depot, Inc.	-.14%
9. V.F. Corporation	-.13%
10. Intel Corporation	-.11%

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

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Outlook and Strategy (continued)

becomes more evident in the form of positive sales/earnings surprises. While vigilant, as policy issues take shape – trade, immigration, infrastructure, healthcare; monetary stimulus is reduced here and abroad; inflation pressures increase; we are steadfast in owning companies that have invested heavily in products, productive capacity, and distribution capabilities as they have the best opportunities for accelerating returns on invested capital (ROIC), revenues, and earnings leading to share price outperformance.

During the first quarter, four new stocks were added to the portfolio and three were removed. For each of the three 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 investments were made in:

S&P Global Inc. (SPGI) engages in the provision of transparent and independent ratings, benchmarks, analytics and data to the capital and commodity markets worldwide. SPGI offers a balanced, recurring revenue stream (1/2 of total) and is a market share leader benefitting from two trends: the first is an increased use of bond issuances versus bank debt; and secondly, bank loans being rated to package into collateralized loan obligations (CLOs). Pricing power, business “portfolio” optimization, along with product bundling provide the company steady revenue growth, increasing margins and rising ROIC.

Paycom Software Inc. (PAYC) provides cloud-based human capital management software solutions delivered as Software-as-a-Service to small-medium sized businesses (150-2,000 employees). Such businesses are more optimistic than any time since the Great Recession, PAYC is accelerating growth of new sales offices and continues to invest heavily in new software modules to cross sell. Additionally, its competition (ADP, Paxchex, etc.) lack SaaS-based solutions. PAYC maintains significant opportunity for accelerating revenues, margin expansion and increased ROIC.

V.F. Corporation (VFC) designs, produces, procures, markets and distributes lifestyle apparel, footwear and related products. Its brand strength with Vans, The North Face, Timberland and Wrangler/Lee on a global basis and a strong internet presence has VFC positioned for continued growth despite Amazon’s threat to all retail. Investments in these brands and in its on- line websites, along with a geographic reorganization, the sale of its Nautica brand, and supply chain improvements are expected to generate revenue, earnings and return on capital increases.

Disclosures: