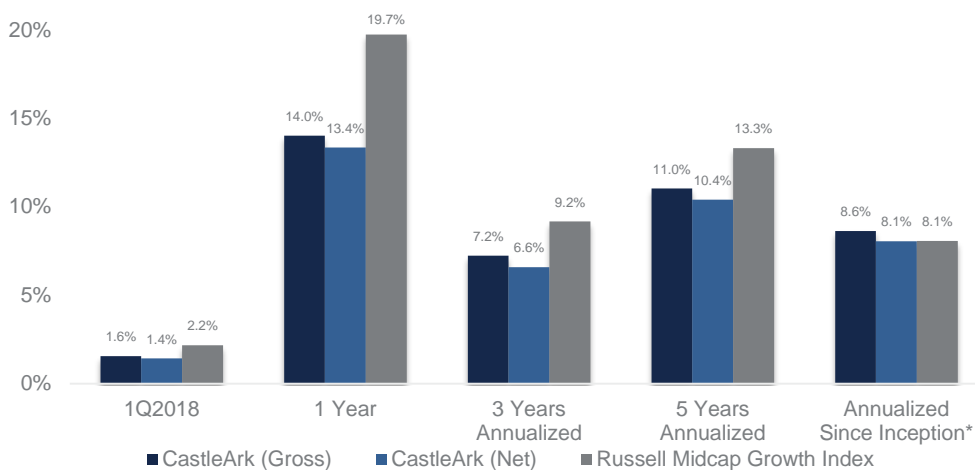


## First Quarter 2018 – Performance Update

The CastleArk Mid Cap Growth Composite had a return of +1.55% gross and +1.42% net for the quarter, trailing the benchmark Russell Mid Cap Growth Index return of +2.17%. Since inception, March 1, 1999, the CastleArk Mid Cap Growth Composite has outperformed with an annualized return of +8.63% gross and +8.05% net compared to +8.06% for the benchmark for the period ending March 31, 2018.

## CastleArk Mid 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 ninth consecutive calendar quarter the Russell Mid Cap Growth Index finished in positive territory, returning +2.17%. The CastleArk Mid Cap Growth Composite returned +1.55% gross, trailing the benchmark return by 62 basis points. Stock selection detracted -11 basis points to relative return and asset allocation detracted -77 basis points during the quarter. From an asset allocation perspective, an overweight position in Health Care and underweight positions in Materials and Consumer Discretionary helped relative performance, but were more than offset by an overweight position in the poorly performing Energy sector and underweight position Financials.

## Top 10 Portfolio Holdings\*

Intuitive Surgical, Inc.	12.8%
Fiserv, Inc.	9.7%
Vertex Pharmaceuticals, Inc.	5.9%
Starbucks Corporation	3.8%
Cintas Corporation	3.7%
Varian Medical Systems, Inc.	3.5%
Southwest Airlines Company	3.3%
Gentex Corporation	3.1%
Trimble, Inc.	3.1%
Moog, Inc. Class A	2.9%
<b>Percentage of Total Assets</b>	<b>51.7%</b>

## Portfolio Characteristics\*

	CastleArk Midcap Growth	Russell Mid Cap Growth Index
Number of Companies	46	423
Forward P/E	21.6x	20.1x
Historical EPS Growth	3.4%	14.8%
Expected Growth	16.8%	16.6%
Return on Equity	19.8%	21.9%
Debt/Capital	30.8%	47.6%
Weight by Market Cap	\$23.0B	\$16.4B
Median Market Cap	\$7.2B	\$8.9B

\*Representative client portfolio.

## Mid Cap Growth Team

Scott Pape, CFA, CIC  
Quentin Ostrowski, CFA

## Contact

### CastleArk Management, LLC

1 North Wacker Drive, Suite 3950  
Chicago, IL 60606

Phone: 312.456.9682

For inquiries: info@castleark.com

## First Quarter 2018 – Portfolio Review (continued)

Stock selection was strongest in Consumer Discretionary, Health Care, and Financials; however, at the portfolio level was neutralized by poor selection in Industrials and Energy.

## 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 stocks 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 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.

## First Quarter 2018 Best and Worst Contributors\*

Best:	Contribution
1. Intuitive Surgical, Inc.	1.44%
2. Fiserv, Inc.	.79%
3. DST Systems, Inc.	.67%
4. Vertex Pharmaceuticals, Inc.	.42%
5. Cintas Corporation	.32%
6. Gentex Corporation	.28%
7. Varian Medical Systems, Inc.	.27%
8. Dick's Sporting Goods, Inc.	.26%
9. PRA Group, Inc.	.21%
10. Under Armour, Inc. Class A	.15%
Worst:	Contribution
1. Southwest Airlines Co.	-.43%
2. Timble, Inc.	-.41%
3. RPC, Inc.	-.39%
4. Stericycle, Inc.	-.34%
5. Cabot Oil & Gas Corporation	-.33%
6. Dentsply Sirona, Inc.	-.27%
7. Sealed Air Corporation	-.18%
8. Moog, Inc. Class A	-.16%
9. Myriad Genetics, Inc.	-.15%
10. Rowan Cos. Plc Class A	-.14%

\*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](mailto:info@castleark.com)