Large Cap Growth

CASTLEARK

June 30, 2018

Strategy Facts

Portfolio Managers: Bob Takazawa, CFA, Quentin Ostrowski, CFA
Inception: February 28, 1999
Index: Russell 1000 Growth
Available Vehicles: Separate Account, Collective Trust
Strategy AUM: $1.5B
Firm AUM: $3.8B
Website: http://castleark.com/large-cap-growth/

Investment Philosophy

We believe that companies with improving **returns on invested capital** will see earnings growth accelerate and valuations expand.

Portfolio Characteristics

	CastleArk	Index
# of Securities	50	542
Weighted Avg Market Cap ($MM)	$197,419	$275,596
Median Market Cap ($MM)	$47,161	$12,125
Historical Sales Growth	16.1	12.6
Historical EPS Growth	22.1	17.9
EPS Growth - Long Term Forward	20.8	16.7
Return on Capital	9.7%	8.7%
Return on Equity	19.4%	24.3%
Price to Earnings (Trailing 12M)	28.2	28.8
Price to Earnings (Forward 12M)	23.5	21.5
Price to Book	5.8	7.1
Dividend Yield	0.8	1.2
Active Share	66.0	--

Investment Strategy

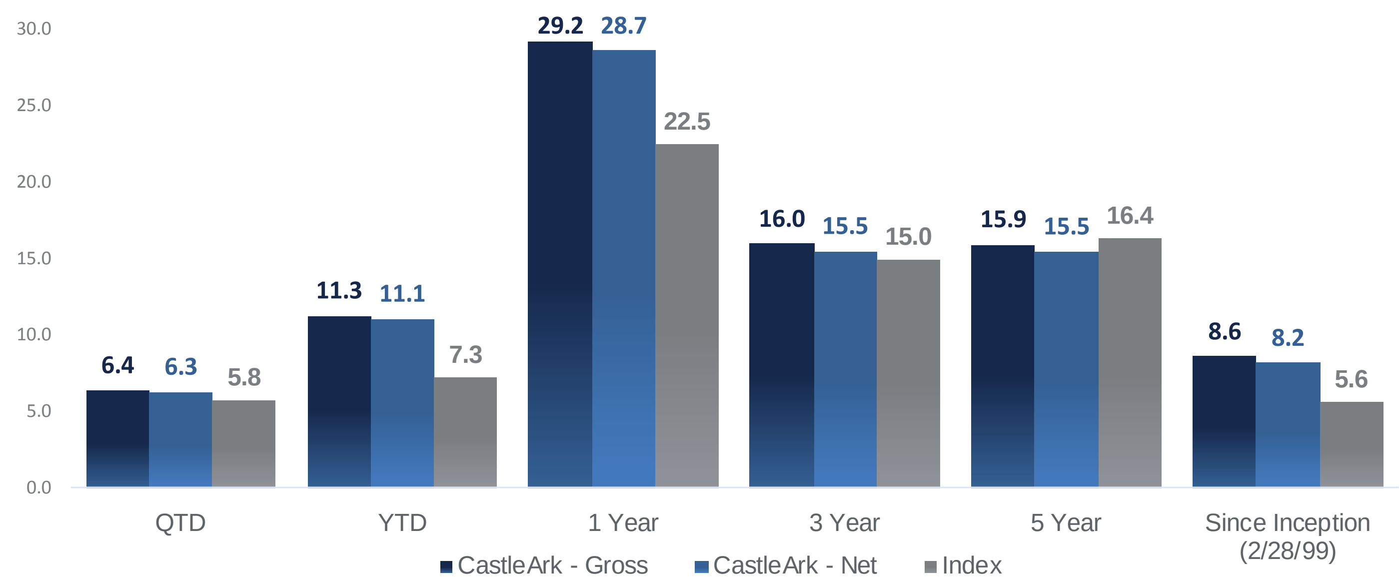
A process that emphasizes companies with improving **Returns on Invested Capital**

An experienced investment team that identifies companies that are **Undervalued** versus growth expectations

A portfolio with a **High Active Share** and economic diversification

Composite Performance

(Periods greater than 1-year are annualized)



Source: Factset and CastleArk. All portfolio level data represents a representative client portfolio. Figures shown are past results and are not predictive of future returns. See Performance Disclosure Statement. For institutional investors only

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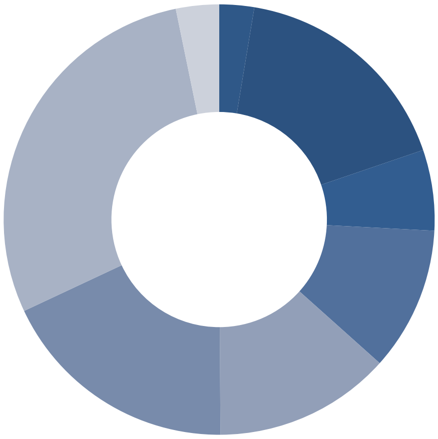
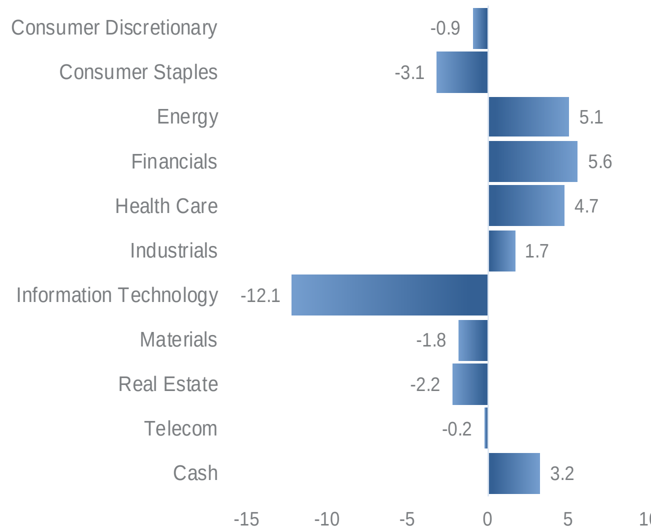
Portfolio Exposure by Sector



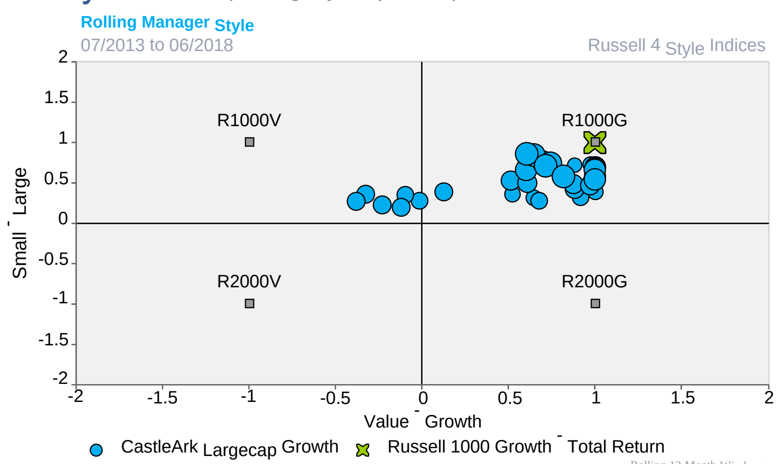
Sector Allocation vs. Index



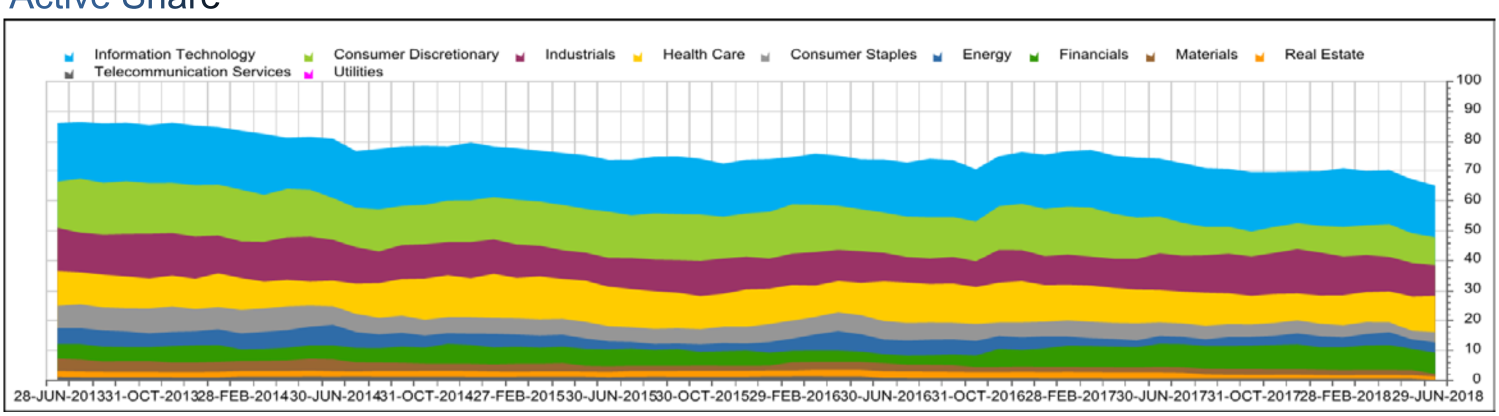
Top 10 Holdings

Security	Weight
Amazon.com, Inc.	4.55%
ABIOMED, Inc.	4.35%
UnitedHealth Group Incorporated	4.13%
Microsoft Corporation	4.06%
Apple Inc.	3.71%
Align Technology, Inc.	3.65%
Charles Schwab Corporation	3.54%
Netflix, Inc.	3.21%
Visa Inc. Class A	3.14%
Facebook, Inc. Class A	2.88%

Style Drift (Rolling 1 year periods)



Active Share



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Commentary

Performance Update

The CastleArk Large Cap Growth Composite had a return of +6.39% (gross) and +6.29% (net) for the quarter, exceeding the benchmark Russell 1000 Growth Index return of +5.76%. During the second 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. Year-to-date, for the period ending June 30, 2018. CastleArk Large Cap Growth composite returned +11.28% (gross) and +11.07% (net) outperforming the Russell 1000 Growth Index return of +7.25%.

Portfolio Review

The second quarter of 2018 for the equity market was marked by a continuation of higher volatility such as we witnessed in the first quarter. Despite this, the gains in the stock prices leaves the bull market intact. Earnings expectations rose through the period as weaker economic indicators for April and May reversed higher in June. This bullish backdrop has been tempered by the pending and proposed U.S. tariffs. Retaliatory tariff impositions on the part of China, the E.U., and Canada/Mexico raises concerns of a "trade war" and the corresponding negative economic consequences. At the same time, European and some emerging economies have experienced a moderation in growth post the U.S. slowdown.

For the 11th consecutive calendar quarter the Russell 1000 Growth Index finished in positive territory, returning 5.76%. The CastleArk Large Cap Growth Composite returned 6.39% gross, exceeding the benchmark return by 54 basis points. Stock selection added 112 basis points to relative return and asset allocation detracted 54 basis points from total return. From an asset allocation perspective, an overweight position in the poorly performing Industrials and Financials sectors detracted 28 basis points and 35 basis points respectively. The portfolio's underweight position in Consumer Staples contributed 30 basis points and its overweight in Energy added 20 basis points to performance. Stock selection was strongest in Health Care, Energy and Consumer Discretionary, adding 283 basis points, 18 basis points and 15 basis points.

As of June 30, 2018, eight of the ten worst contributing stocks during the quarter remained in the portfolio. Of these eight, the positions in Caterpillar and Thor Industries were added to throughout the quarter. Position reductions were made in Applied Materials, United Rentals, Tapestry and Red Hat. PVH Corporation was a newly established position in the 2nd quarter and holdings in Monster Beverage and Deere & Company were eliminated from the portfolio.

Market and Portfolio Outlook

As we enter the new quarter, tariffs as a "skirmish" or "war" has taken center stage. Reported quarterly results are probably not the key risk this earnings season, but rather managements' guidance for the remainder of 2018. Tariff/trade uncertainty, and the economic consequences, both here and abroad, will surely temper such guidance. Thus, we would expect the equity markets to stay in the trading range established in the first half of the calendar year as the magnitude of the trading "skirmishes" is better defined. Our belief is that negotiations will lead to "manageable" economic impacts that are likely to be overwhelmed by the positive, stimulative effects of the fiscal stimulus (i.e. tax cuts, repatriation of overseas $) and regulatory easing already injected in the economy. This should translate into a continuation of robust domestic economic growth, strong earnings growth, slight inflation pressure, and a continuation of the bull market in equities. We retain our view that the market is in the earnings-driven phase as Price/Earnings (P/E) ratios are projected flat to down. The opportunity to generate alpha via stock selection still looks robust as returns on invested capital broadens in distribution among companies as a consequence of a higher growth economic backdrop. "Pricing power" will also become a more relevant factor in assessing superior stock selection. And finally, the premium paid for growth stocks will likely continue to expand versus that for defensive/slow growth stocks given the spread is still well below historical norms.

While we remain confident in the continuation of the bull market, we recognize there are risks to monitor including: 1) a serious "trade war" hurts all economies; 2) midterm elections angst in U.S. leads to more significant P/E contraction, if only short term; 3) Europe, Asia economies fail to rebound in growth in 2H'18; 4) the Federal Reserve forces the yield curve into inversion prematurely; and 5) inflation pressures increase unexpectedly. Nevertheless, we are steadfast in owning companies that have invested heavily in new 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.

Marketing Contacts

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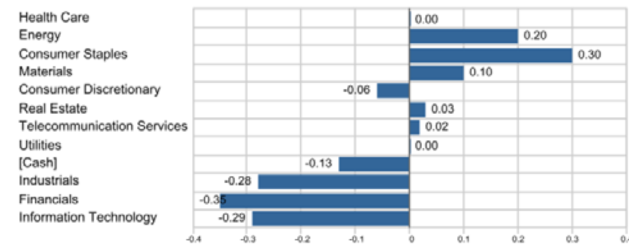
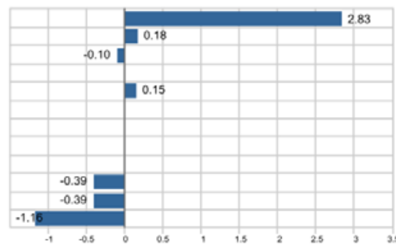
Attribution – 2Q 2018

	Portfolio			Benchmark			Variation			Attribution Analysis		
	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Average Weight	Total Return	Contribution To Return	Allocation Effect	Selection Effect	Total Effect
Total	**100.00**	**6.33**	**6.33**	**100.00**	**5.76**	**5.76**	**--**	**0.58**	**0.58**	**-0.54**	**1.12**	**0.58**
Health Care	15.59	26.63	3.60	12.54	5.22	0.62	3.05	21.42	2.98	0.00	2.83	2.83
Energy	6.75	10.91	0.87	0.87	9.64	0.08	5.88	1.27	0.78	0.20	0.18	0.39
Consumer Staples	1.03	-11.48	-0.14	5.98	0.59	0.00	-4.95	-12.07	-0.15	0.30	-0.10	0.19
Materials	--	--	--	3.26	2.92	0.13	-3.26	-2.92	-0.13	0.10	--	0.10
Consumer Discretionary	17.06	10.78	1.69	18.88	9.65	1.77	-1.82	1.14	-0.08	-0.06	0.15	0.09
Real Estate	--	--	--	2.23	4.95	0.10	-2.23	-4.95	-0.10	0.03	--	0.03
Telecommunication Services	--	--	--	0.83	3.34	0.04	-0.83	-3.34	-0.04	0.02	--	0.02
Utilities	--	--	--	0.01	1.70	0.00	-0.01	-1.70	0.00	0.00	--	0.00
[Cash]	2.62	0.78	0.02	--	--	--	2.62	0.78	0.02	-0.13	--	-0.13
Industrials	15.30	-5.42	-0.85	12.10	-2.99	-0.36	3.20	-2.43	-0.49	-0.28	-0.39	-0.67
Financials	12.61	-2.53	-0.16	4.40	1.44	0.04	8.21	-3.97	-0.19	-0.35	-0.39	-0.74
Information Technology	29.04	4.36	1.37	38.89	8.66	3.33	-9.85	-4.30	-1.96	-0.29	-1.16	-1.44

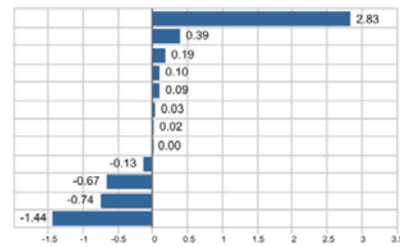
Allocation Effect



Selection Effect



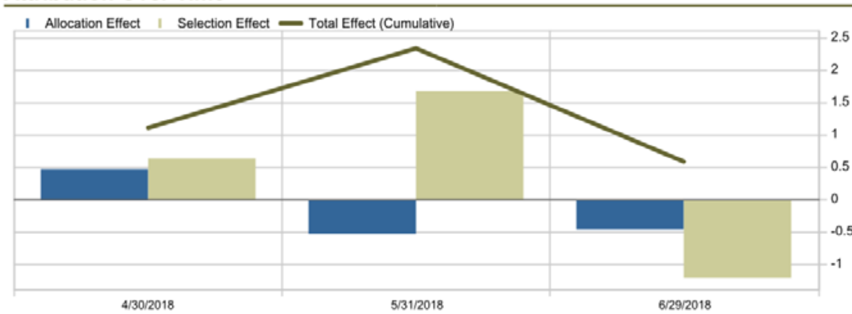
Total Effect



Top/Bottom Active Contributors

	Active Weight	Total Return	Active Contribution
Top 5	**13.80**		**3.70**
ABIOMED, Inc.	4.72	40.65	1.73
Align Technology, Inc.	2.53	36.58	0.78
Netflix, Inc.	1.95	32.84	0.56
Illumina, Inc.	2.13	18.11	0.37
Continental Resources, Inc.	2.47	9.86	0.26
Bottom 5	**4.58**		**-1.76**
Apple Inc.	-3.91	10.58	-0.54
Applied Materials, Inc.	2.21	-16.61	-0.37
Morgan Stanley	2.71	-11.73	-0.32
United Rentals, Inc.	2.05	-14.78	-0.29
Tapestry, Inc.	1.52	-10.71	-0.25

Attribution Over Time



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Disclosures and Footnotes

Performance reflects reinvestment of all income and capital gains and is shown in US dollars and after the deduction of transaction costs. Performance is shown gross and net of actual management fees charged. Actual investment advisory fees incurred by clients may vary. Performance during certain periods reflect strong stock market performance that is not typical and may not be repeated. Additional information on the calculation methodologies used herein is available upon request.

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