Large Cap Growth

CASTLEARK

June 30, 2022

Strategy Facts

Portfolio Managers: Bob Takazawa, CFA, Dan Becker, CFA, Quentin Ostrowski, CFA

Inception: February 28, 1999

Index: Russell 1000 Growth

Available Vehicles: Separate Account, Collective Trust

Strategy AUM: $1.0B

Firm AUM: $2.8B

Website: http://castleark.com/large-cap-growth/

Investment Philosophy

We believe that growth investing is a low odds endeavor, but we can bend the odds in our favor by investing in a narrower subset of unique or differentiated business franchises. These businesses can **sustain high returns on invested capital**, are more **resilient and durable** than the average growth company and can provide downside support in tough environments.

Portfolio Characteristics

	CastleArk	Index
# of Securities	25	520
Weighted Avg Market Cap ($MM)	$693,818	$730,851
Median Market Cap ($MM)	$161,067	$14,183
Historical Sales Growth	12.2	15.1
Historical EPS Growth	21.7	23.2
EPS Growth - Long Term Forward	17.4	16.9
Return on Capital	26.2%	6.1%
Return on Equity	38.0%	34.5%
Price to Earnings (Trailing 12M)	27.0	25.4
Price to Earnings (Forward 12M)	25.2	22.2
Price to Book	10.1	8.8
Dividend Yield	0.7	1.0
Active Share	58.2%	--

Investment Strategy

We utilize a process that identifies the signs of competitive strength in durable, resilient business models, which generate **high and enduring returns on capital**

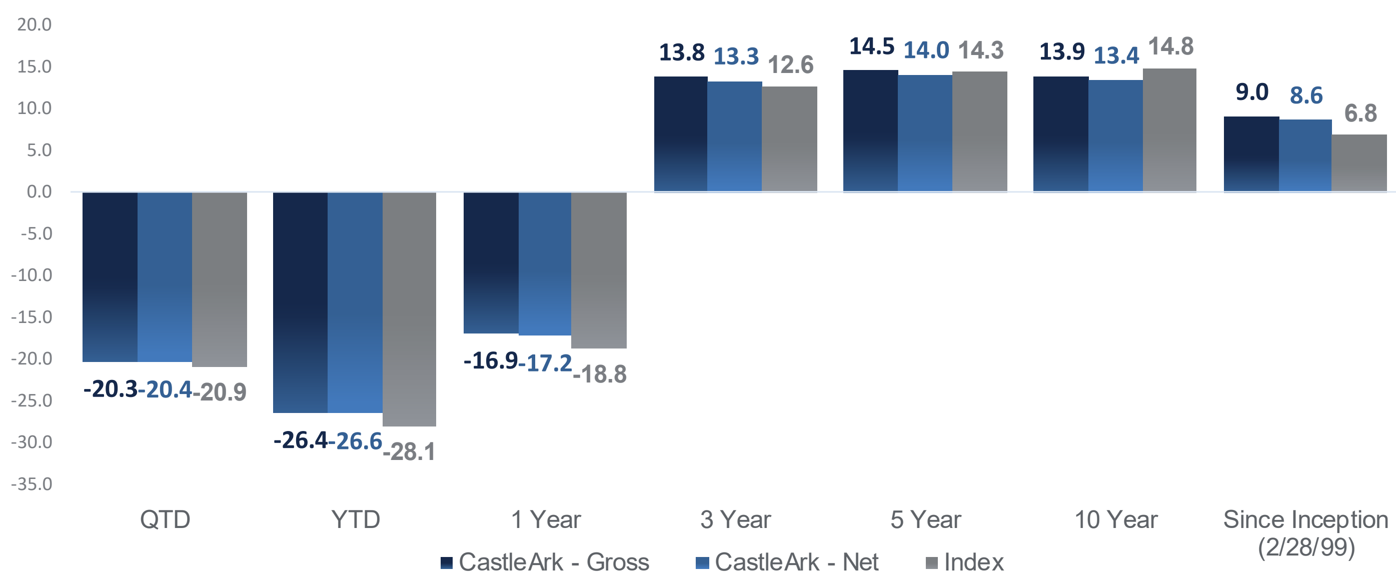
We focus on a smaller subset of the growth company universe that have already “beating the odds” and have achieved a **sustainable competitive advantage**

We utilize quantitative inputs to actively look for the precursors to failure and to **optimize risk**

We construct a **concentrated portfolio** with **high active share**

Composite Performance*

(Periods greater than 1-year are annualized)



Please see the Supplemental Disclosures which are an integral part of this Fact Sheet.

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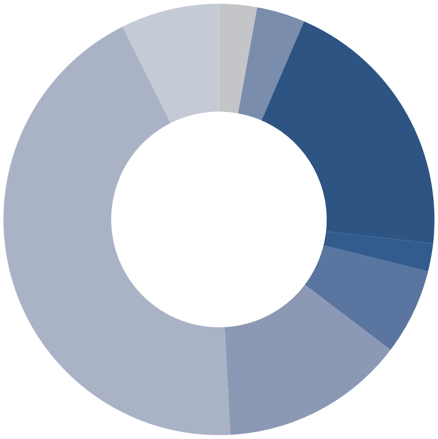
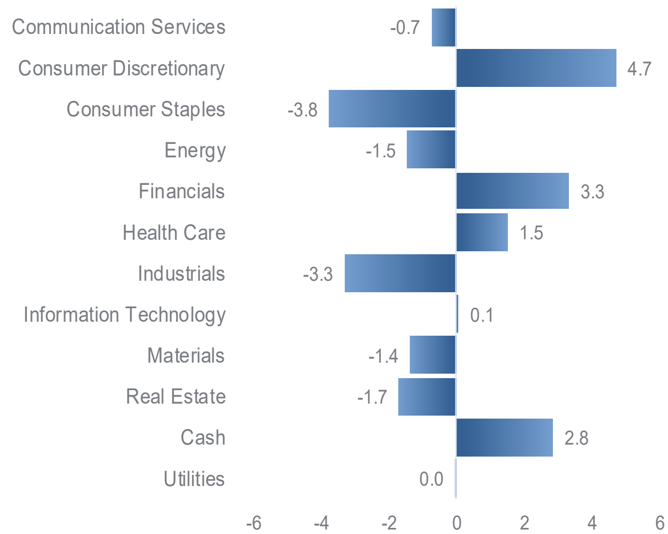
Portfolio Exposure by Sector



- 2.8% - Cash
- 3.6% - Industrials
- 20.3% - Consumer Discretionary
- 2.1% - Consumer Staples
- 6.5% - Financials
- 13.8% - Health Care
- 43.5% - Information Technology
- 7.4% - Communication Services

Sector Allocation vs. Index

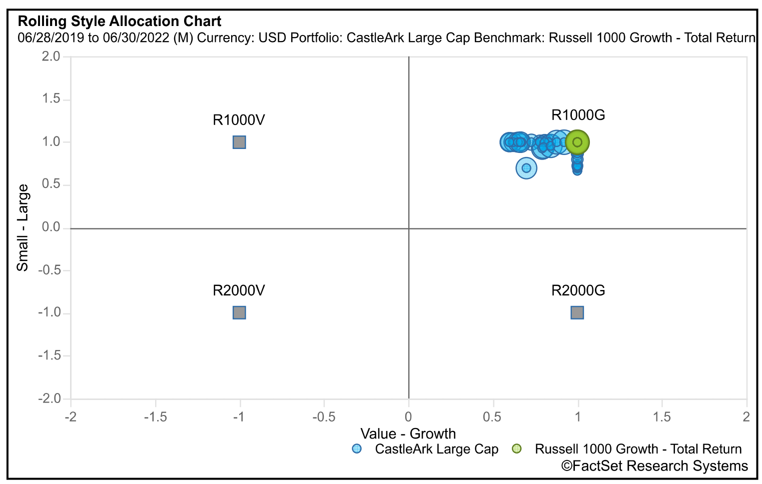


Top 10 Holdings*

Security	Weight
Microsoft Corporation	10.79%
Apple Inc.	8.98%
Alphabet Inc. Class A	7.38%
Mastercard Incorporated Class A	6.41%
Eli Lilly and Company	5.38%
Ulta Beauty Inc	5.20%
Visa Inc. Class A	4.77%
NIKE, Inc. Class B	4.16%
NVIDIA Corporation	4.14%
Lam Research Corporation	4.07%

*The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

Style Drift (Rolling 1 year periods)



Top 10 and Bottom 10 Active Exposures

Security	Active Weight
Ulta Beauty Inc	5.08%
Mastercard Incorporated Class A	4.85%
Alphabet Inc. Class A	4.13%
Eli Lilly and Company	3.77%
Lam Research Corporation	3.73%
Charles Schwab Corp	3.57%
Edwards Lifesciences Corporation	3.55%
NIKE, Inc. Class B	3.45%
Visa Inc. Class A	2.93%
Union Pacific Corporation	2.85%

Security	Active Weight
Home Depot, Inc.	-0.93%
Accenture Plc Class A	-1.00%
Coca-Cola Company	-1.04%
Broadcom Inc.	-1.10%
PepsiCo, Inc.	-1.10%
Costco Wholesale Corporation	-1.20%
AbbVie, Inc.	-1.53%
Apple Inc.	-2.91%
Alphabet Inc. Class C	-2.96%
Amazon.com, Inc.	-3.63%

Commentary

Performance Update

The CastleArk Large Cap Growth Composite returned -20.3%(gross) and -20.4% (net) for the June quarter, outperforming the Russell 1000 Growth Index return of -20.92%. Over the last 12 months, the Large Cap Growth composite returned -16.9% (gross) and -17.23% (net), outperforming the index return of -18.8%. The recent quarter was a challenging environment for growth investors, as monetary policy and several global political and macroeconomic crosscurrents continually impacted performance.

Portfolio Review

Over the past two years equity markets have been mainly influenced by the trends in Covid infections. The recent binary focus on the Pandemic has begun to fade, and this past quarter's investment environment was influenced by several hard to analyze variables. We now must incorporate into our shorter-term investment lens a meaningful and accelerated change in monetary policy direction driven by now sustained inflation, as well as the war in Europe and its ripple effects through commodity markets. Policy normalization appears to be accelerating at a pace not seen in decades. Given the velocity in rising interest rates and the rapid policy normalization, significant risks are building in the global economy and, consequently, the equity markets.

As the current growth stock cycle began with elevated, and in some cases excessive, valuations, it is expected that growth stocks would experience some difficult quarters. However, the magnitude and speed of recent valuation compression across the financial markets was surprising. Performance during the quarter, although better than the index, suffered from severe financial asset correlation, as the market sell-off made no distinction between cash-rich and cash-poor companies. The financial markets are now taking a much longer view, expecting a substantial change in the future economic cycle. Given our focus on cash generation and free cash flow margins, we expect an eventual recovery and bottoming process once inflation peaks in the next few quarters. We believe cash flow stability and growth coupled with lower equity valuations may provide a floor for equity markets and investment opportunities later in the year and into 2023.

Over the past several months our performance held up relatively well. We favor a different, more profitable and cash rich type of disruption in the portfolios we manage for clients. Firms like MasterCard or Visa have been disrupting the use of cash in the economy for 50 years and both companies operate in an oligopoly with very high cash profit margins. In a similar way, a railroad like Union Pacific has been disrupting the long-haul trucking industry for decades, while also operating in an oligopolistic industry structure producing very high cash profit margins. Additionally, railroads provide a fuel-efficient, lower carbon footprint alternative of moving freight to long-haul trucks, which is attractive on both an economic and environmental perspective.

The portfolio's exposure to payments, travel, and overall cyclicality, manifested in business models that generate excess cash, acted to cushion some of the damage emanating from the highest valuation cohort of the growth stock universe. The portfolio is structurally underrepresented in these expensive and mostly unseasoned, subscale growth companies as a byproduct of how we manage money for clients.

Our team and firm continue to observe and appreciate the resilience of corporate America particularly the speed with which most companies have expanded their digital footprints. As we have discussed in prior letters, we believe rapid growth digital companies will remain the most interest rate sensitive in the market, even greater than utilities or bank stocks, as their valuations were the most positively impacted by unsustainably low interest rates.

Market and Portfolio Outlook

While consumer spending in the Unites States is still robust, signs of weakness are beginning to emerge, especially for lower income consumers who are likely the first to face lower disposable incomes due to higher inflation. Recent data from these and other income cohorts suggests the combination of very strong labor markets and pent-up savings is resulting in elevated spending on services. Typically, the high end, upper-income households prove to be more resilient to short-term economic shifts, showing very little change in spending habits. However, in the few times over history when consumer balance sheets were threatened by

Commentary

Market and Portfolio Outlook (continued)

simultaneous housing and stock market downturns, the higher end spending showed some cyclical sensitivity as well. Recent stock market declines and some signs of a slowdown in housing bears watching.

Corporations are adapting and changing at an accelerated pace recognizing the productivity gains and competitive advantages attained through investments in information technology. Consumers are embracing the digital world making everyday life easier and more connected. Business process transformation is impacting a wide range of industries. The “digitalization” of the economy will have a permanent impact on productivity, profits, and cash flow.

In the short term our focus will be on determining the level of profit growth, still we are mindful of several longer-term changes introduced by the pandemic. In our view corporate restructuring toward a more digital model will be long lasting, and disrupted supply chains will become more flexible and possibly redundant. Over the next few quarters, we expect some relief from the recent volatility and uncertainty in the economy as supply chain constraints and associated inflation peaks. In cases where spending abruptly shifted from goods to services, leading to inventory accumulation, we expect a balancing effect from resumed normalized promotional pricing. The combination of these factors has the potential to unleash more corporate cash flow providing an ultimate floor for equity valuations. Based on this view we are optimistic on the medium-term outlook for equities.

Our expectation over the shorter term assumes that we have entered a different environment from that experienced over the last fifteen years. We expect a stronger, longer inflation rate that may settle above 3%, rather than the usual 1-2% rate. Under this scenario cash flows and profitability will be more important than the “rate of growth in revenues” for growth stock investing.

Notwithstanding our macroeconomic views, we consider ourselves to be “stock pickers”, but we must be more economically aware than in prior periods. Our focus has been on free cash flow, return on invested capital, dominance, and much less on absolute growth rates of revenues. We think this type of focus will continue to serve our clients well.

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Supplemental Disclosures

Composite Performance reflects reinvestment of all income and capital gains and is shown in US dollars and after the deduction of transaction costs. Composite Performance is shown gross and net of actual management fees charged. Actual investment advisory fees incurred by clients may vary. Additional information on the calculation methodologies used herein is available upon request. Indexes are unmanaged, do not incur management fees and cannot be invested in directly. The Composite and index returns are net of any foreign withholding taxes on dividends, interest, and capital gains. The Russell 1000 Growth Index represents a segment of the Russell 1000 Index that display signs of above average growth. The Russell 1000 Index is an index of approximately 1,000 of the largest companies in the U.S. equity markets.

Past performance is not indicative of future results. Performance during certain periods reflect strong stock market performance that is not typical and may not be repeated.

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The source of the portfolio characteristics presented in this fact sheet is FactSet and CastleArk and is from a representative account and/or model portfolio. Not every account will have these exact characteristics. The actual characteristics with respect to any particular account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any, and (iii) market exigencies at the time of investment.

Portfolio holdings and sector weightings of individual client accounts may differ from those shown above. This information does not constitute, and should not be construed as investment advice or recommendations with respect to securities or sectors listed. It should not be assumed that investments in these securities or sectors were or will be profitable.

CastleArk Management, LLC is a registered investment advisor registered Securities and Exchange Commission under the Investment Advisers Act of 1940.