

## Strategy Facts

**Portfolio Managers:** Dan Becker, CFA, Quentin Ostrowski, CFA

**Inception:** February 28, 1999

**Index:** Russell 1000 Growth

**Available Vehicles:** Separate Account, Collective Trust

**Strategy AUM:** \$1.2B

**Firm AUM:** \$3.1B

**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	443
Weighted Avg Market Cap (\$MM)	\$1,121,299	\$1,104,499
Median Market Cap (\$MM)	\$149,721	\$17,638
Free Cash Flow Margin	25.1	13.1
Historical Sales Growth	17.9	18.8
Historical EPS Growth	18.1	21.3
EPS Growth - Long Term Forward	19.8	18.1
Return on Capital	36.3%	36.4%
Return on Equity	27.2%	28.2%
Price to Earnings (Trailing 12M)	40.5	34.2
Price to Earnings (Forward 12M)	34.1	29.3
Price to Book	12.9	11.4
Dividend Yield	0.4	0.7

## 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**



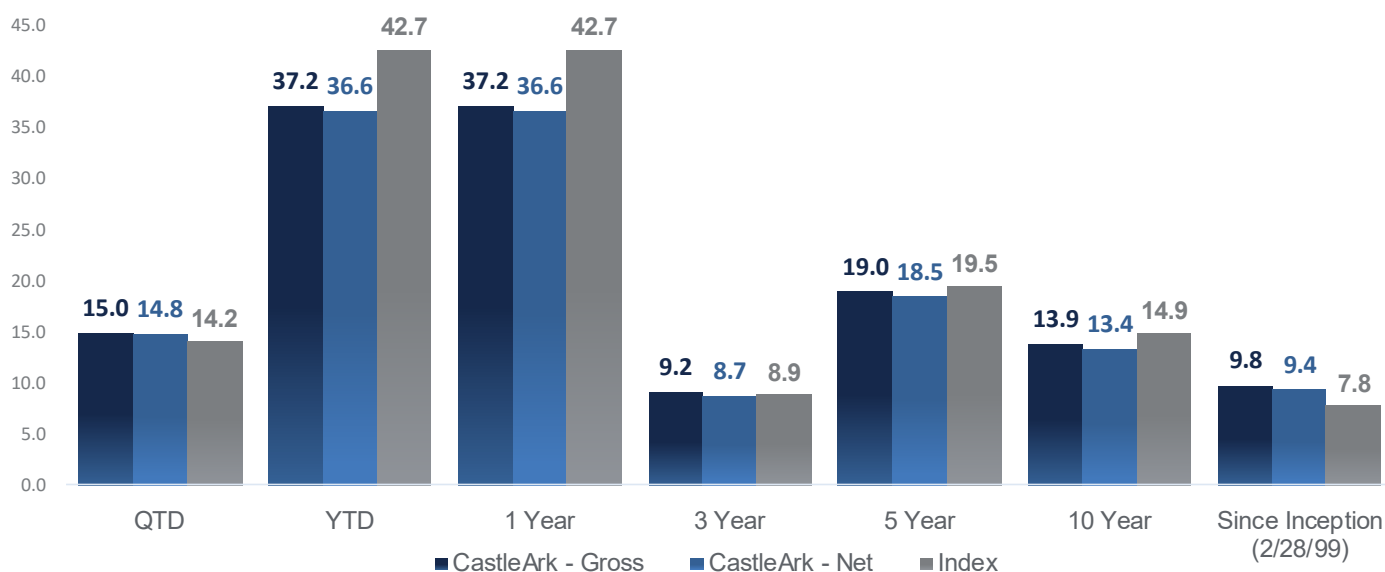
We focus on a smaller subset of the growth company universe that have already “beating the odds” and have achieved a **sustainable competitive advantage**



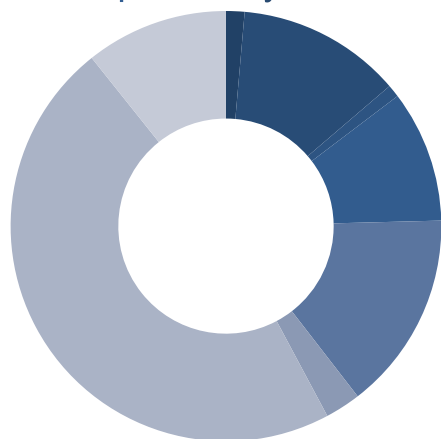
We utilize quantitative inputs to actively look for the precursors to failure and to **optimize risk**

## Composite Performance\*

(Periods greater than 1-year are annualized)

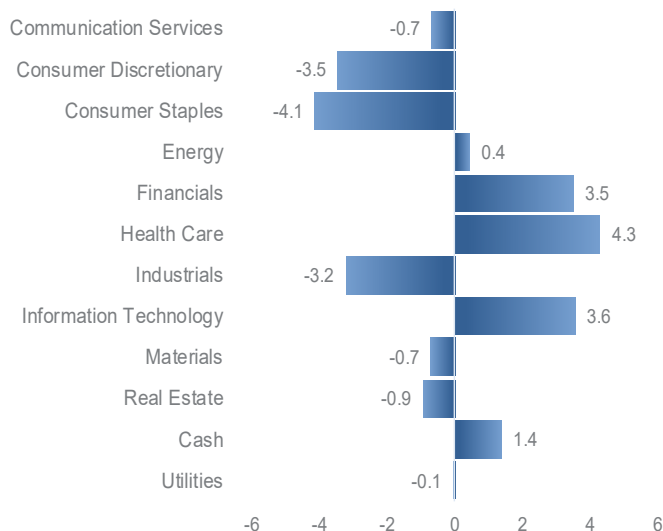


## Portfolio Exposure by Sector



- 1.4% - Cash
- 0.9% - Energy
- 14.9% - Health Care
- 47.1% - Information Technology
- 12.3% - Consumer Discretionary
- 9.9% - Financials
- 2.7% - Industrials
- 10.7% - Communication Services

## Sector Allocation vs. Index

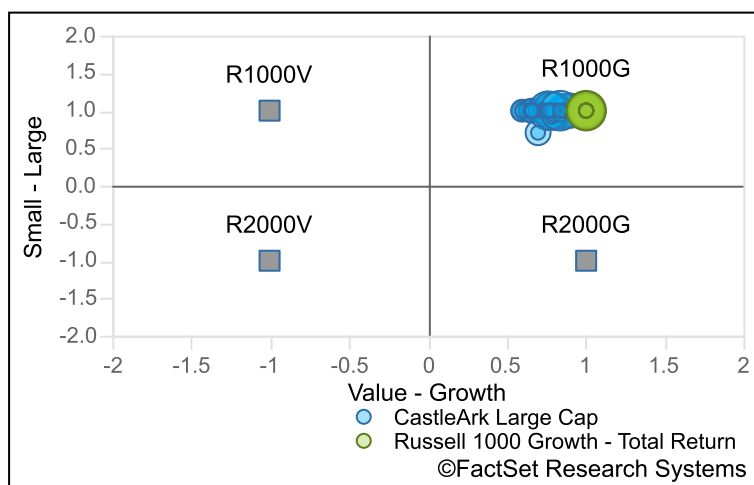


## Top 10 Holdings\*

Security	Weight
Microsoft Corporation	13.32%
Apple Inc.	9.37%
NVIDIA Corporation	8.04%
Amazon.com, Inc.	6.38%
Alphabet Inc. Class A	5.74%
Meta Platforms Inc. Class A	4.98%
ServiceNow, Inc.	4.88%
Mastercard Incorporated Class A	4.75%
DexCom, Inc.	4.54%
Lululemon Athletica Inc	4.19%

\*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
DexCom, Inc.	4.34%
ServiceNow, Inc.	4.27%
Lululemon Athletica Inc	3.95%
Mastercard Incorporated Class A	3.25%
NVIDIA Corporation	3.07%
Lam Research Corporation	3.03%
Stryker Corporation	2.92%
Intuitive Surgical, Inc.	2.26%
Adobe Incorporated	2.25%
Alphabet Inc. Class A	2.24%

Security	Active Weight
Netflix, Inc.	-0.89%
Accenture Plc Class A	-0.94%
UnitedHealth Group Incorporated	-0.96%
AbbVie, Inc.	-1.15%
Costco Wholesale Corporation	-1.23%
Home Depot, Inc.	-1.46%
Broadcom Inc.	-2.03%
Apple Inc.	-2.61%
Tesla, Inc.	-2.89%
Alphabet Inc. Class C	-2.98%

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

## Commentary

### Performance Update

As 2023 ends, the CastleArk Large Cap Growth composite\* outperformed the Large Growth Index. For the quarter ending December 2023, the portfolio achieved a +14.95% (gross of fees) and +14.83% (net of fees) return, while the Russell 1000 Growth Index\*\* returned +14.16%.

Year-to-date, the composite delivered a strong +37.19% (gross of fees) and +36.62% (net of fees), although it lagged the Russell 1000 Growth Index's year-to-date performance of +42.68%.

### Portfolio Review

The U.S. economy continued its continued above consensus expansion with a 5.2% growth rate in Q3 2023 and looks to grow at least 2% in the fourth quarter, with the entire second half of 2023 generating the fastest GDP growth since late 2021. This remarkable growth is primarily driven by consumer spending on services, travel and entertainment. Corporate investment and capital spending continues to be resilient, despite one of the largest shifts in monetary policy in history. It has been our belief that the consumer and most businesses are simply less interest rate sensitive than in past cycles, and that the economy would not fall into a recession as the capital markets have implied.

The outlook for 2024 anticipates modest economic growth with subdued consumption spending and hiring. Inflation is expected to moderate, allowing the Federal Reserve to pause or potentially start cutting rates, but any change in monetary policy might not occur until late in 2024, which is later than the capital markets currently imply.

This shift is anticipated to foster a conducive environment for equity markets, as inflation shows signs of being more transitory and manageable. Mortgage rates have the potential to continue

falling but remain relatively high, impacting the supply of existing homes for sale. The restriction in housing supply may keep components of inflation harder to change. The global economic landscape, however, remains dynamic, with our large national budget deficits, continued tight labor supply, geopolitical tensions, and shifting trade dynamics interacting to produce “higher for longer” real interest rates relative to the past decade. We believe this scenario suggests a continued focus on free cash flow, balance sheet strength and less reliance on revenues and cash flows far out in future than in the past.

### Market and Portfolio Outlook

Looking ahead to 2024, we are currently observing a period of swift and transformative innovation within the technology sector. The emergence of Generative Artificial Intelligence (AI) represents a critical juncture in the tech landscape, signaling a profound shift in capital expenditure dynamics and the potential for considerable enhancements in productivity across many industries. This revolutionary technology is not only redefining existing frameworks but is also establishing the groundwork for new, unanticipated opportunities. Your portfolio is strategically aligned to potentially engage in this long-term trend, featuring NVIDIA, a primary provider of accelerated computing that is driving this transformation, and Microsoft, a frontrunner in the application of large language models to boost the productivity of knowledge workers.

The Health Care sector was driven by narratives around innovation, with the market grappling to value the impact of GLP-1 drugs, both for the drug manufacturers and for the medical device companies. The sector is experiencing a rapid pace of innovation, extending beyond technology to significantly enhance patient outcomes and

## Commentary

### Market and Portfolio Outlook (continued)

operational efficiencies in areas like value-based care and biologics. Developments in genomic therapies, precision medicine, and minimally invasive surgical technologies mark a futuristic leap in healthcare solutions, turning what once seemed like science fiction into reality. These innovations offer not just groundbreaking healthcare solutions but also attractive investment opportunities in a sector that has long tailed structural demand.

\*The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Net of fee performance was calculated using actual management fees. Net returns have been reduced by performance-based fees, effective January 1, 2011

\*\*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. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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<p><b>Forward-Looking Statements</b></p>	<p>Certain information contained herein constitutes “forward-looking statements,” which can be identified by the use of forward-looking terminology such as “may,” “will,” “should,” “expect,” “anticipate,” “project,” “estimate,” “intend,” “continue,” or “believe,” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, actual events, results or actual performance may differ materially from those reflected or contemplated in such forward-looking statements. Nothing contained herein may be relied upon as a guarantee, promise, assurance or a representation as to the future.</p>
<p><b>Registration Status</b></p>	<p>SEC registration does not imply a certain level of skill or training.</p>

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## Supplemental Disclosures

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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.

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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.

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