

## Strategy Facts

**Portfolio Managers:** Greg Baxter, CFA, Jim Stark, CFA

**Inception:** March 31, 2013

**Index:** Russell 2500 Growth

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

**Strategy AUM:** \$81M

**Firm AUM:** \$3.1B

**Website:** <http://castleark.com/smid-cap-growth/>

## Portfolio Characteristics

	CastleArk	Index
# of Securities	106	1,268
Weighted Avg Market Cap (\$MM)	\$7,728	\$6,546
Median Market Cap (\$MM)	\$6,588	\$1,636
Historical Sales Growth	29.1%	30.5%
Historical EPS Growth	42.3%	36.4%
EPS Growth - Long Term Forward	20.1%	17.1%
Return on Equity	8.9%	10.5%
Price to Earnings (Trailing 12M)	30.6	23.9
Price to Earnings (Forward 12M)	26.6	21.3
Price to Book	4.5	4.9
Dividend Yield	0.3%	0.6%
Active Share	83.2%	--

## Investment Philosophy

We believe that **earnings** growth is the primary driver of stock prices over the long term, and that excess return can be achieved by investing in those companies with **improving business fundamentals**.

## Investment Strategy



A process that emphasizes the **direction of growth** over the absolute level of growth



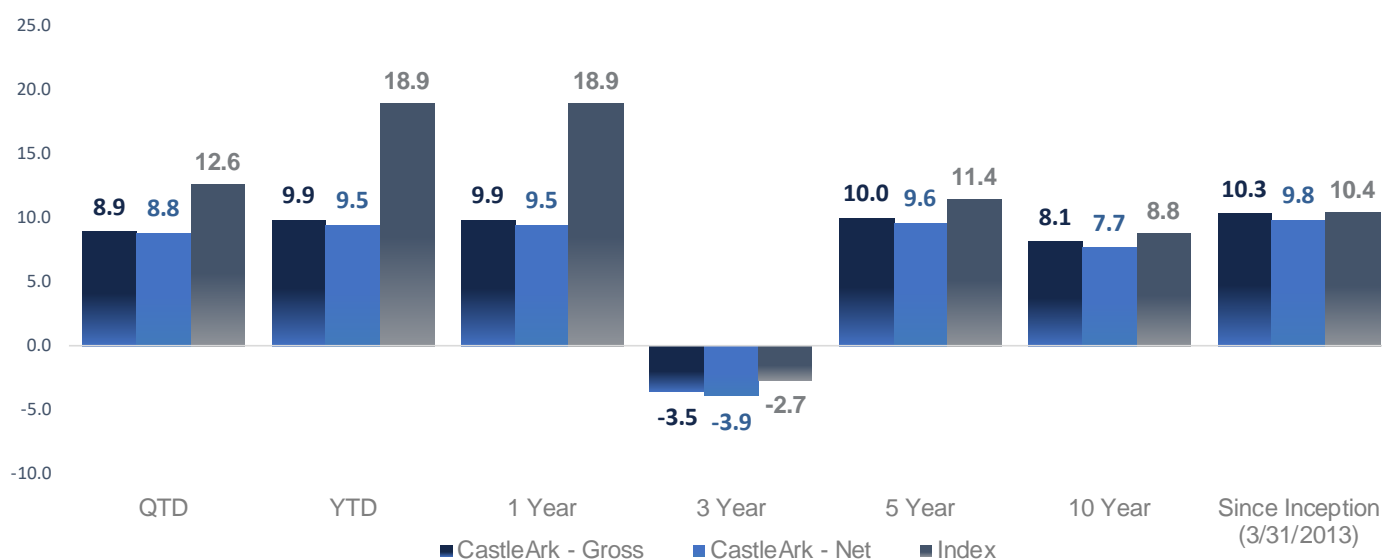
A focus on **actual** fundamental improvements **vs. anticipated improvements** enhance our success rate



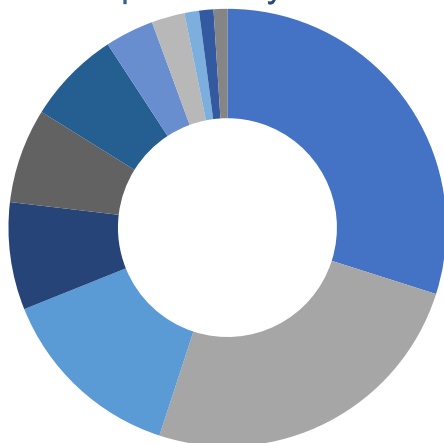
A disciplined analysis focused on the **magnitude and sustainability** of the driver of fundamental improvement

## Composite Performance\*

(Periods greater than 1-year are annualized)

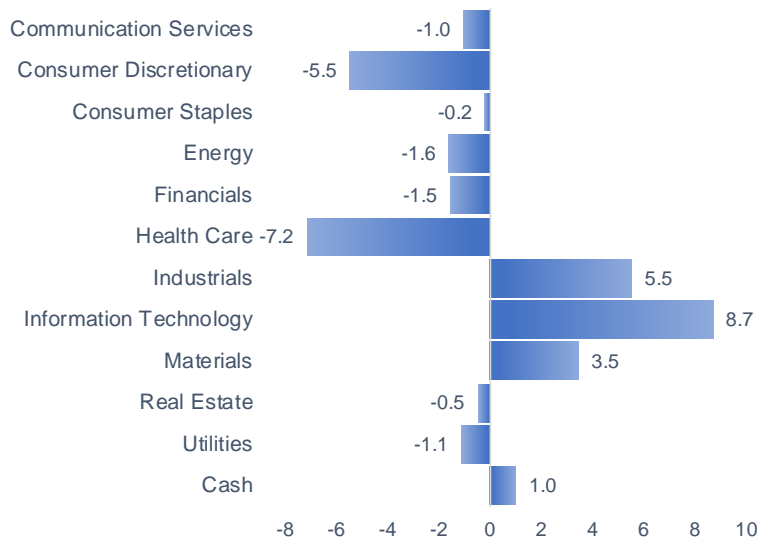


## Portfolio Exposure by Sector



29.9% - Information Technology	25.1% - Industrials
13.9% - Health Care	7.9% - Consumer Discretionary
7.0% - Financials	6.9% - Materials
3.6% - Consumer Staples	2.4% - Energy
1.1% - Real Estate	1.1% - Communication Services
1.0% - Cash	

## Sector Allocation vs. Index

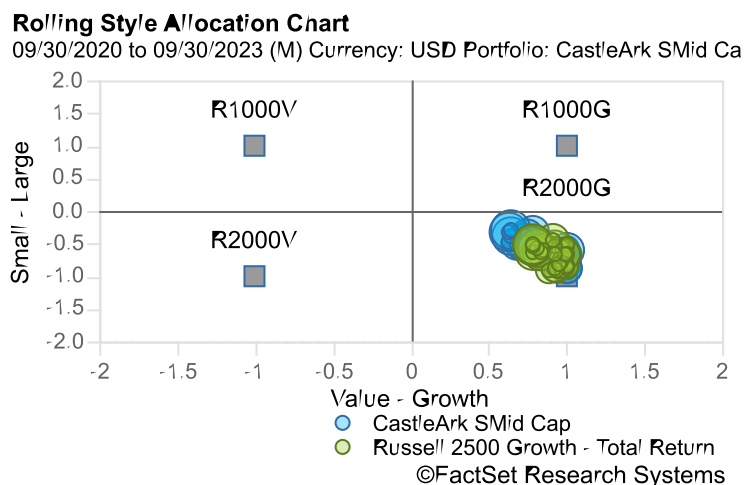


## Top 10 Holdings\*

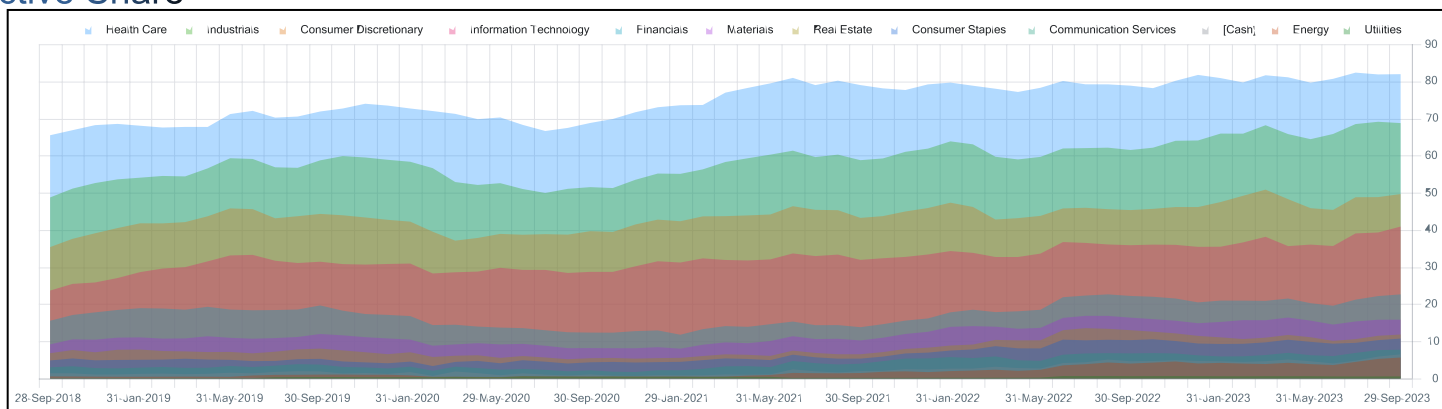
Security	Weight
APi Group Corporation	2.00%
Parsons Corporation	1.66%
Varonis Systems, Inc.	1.62%
Pentair plc	1.59%
Brink's Company	1.57%
Manhattan Associates, Inc.	1.56%
Evercore Inc. Class A	1.54%
TechnipFMC plc	1.51%
Saia, Inc.	1.47%
Medpace Holdings, Inc.	1.45%

\*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)



## Active Share



## Commentary

### Performance Update

The CastleArk SMID Growth composite\* return for the quarter was +8.90% (gross) and +8.80% (net), comparing favorably to the Russell 2500 Growth Index\*\* return of +12.59%.

### Portfolio Review

Equity markets in Q4 continued the trend we have seen all year, bouncing between recessionary fears and “soft landing” optimism. The quarter started off with a weak October as economic strength and stubborn inflation led to a rapid rise in interest rates and the expectations for rates to continue higher for longer. Sentiment shifted in November as better than expected earnings, continued decent economic data, and favorable inflation trends swung the pendulum back in favor of a “soft landing” scenario. The change in Fed messaging in November and December led to a shift in monetary policy expectations going forward. The dovish pivot by the Fed led to a more than 100 basis point drop in interest rates rekindling animal spirits and the equity markets were off to the races.

Our underperformance for the quarter was the result of weak stock selection. Positive stock selection in Materials and Real Estate was offset by weak results in Health Care, Financials, Technology, and Industrials. Our underweight in Energy, the worst performing sector, and overweight in Industrials was offset slightly by our underweight in Health Care and Consumer Discretionary, two stronger performing sectors for the quarter.

### Market and Portfolio Outlook

Given continued inflation uncertainty and the cumulative effect of the Fed’s two years of

aggressive rate hikes still ahead of us, it seems reasonable to assume that we continue to experience macro-driven volatility in 2024. The transition to higher borrowing costs for the consumer and businesses along with more limited pricing power for companies as inflation continues to moderate poses a headwind for 2024. Offsetting these headwinds are the benefits accruing from the trend in reshoring, the CHIPS Act, Infrastructure spending and a bounce in Housing. So while uncertainty and volatility remain high, we see the economy continuing to slow but more biased to a no or moderate/shallow recession scenario. We will continue to focus on those companies with improving fundamentals and through our research deem these improvements sustainable. The emphasis on improving fundamentals has led to our overweight positions in Industrials, Technology, and Materials and our underweight in Health Care, Financials, Energy, and Consumer Discretionary..

\*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 2500 Growth Index represents a segment of the Russell 2500 Index that display signs of above average growth. The Russell 2500 Index is an index measuring the performance of approximately 2,500 U.S. small and mid-cap companies. 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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