

## Strategy Facts

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

**Inception:** June 1, 2007

**Index:** Russell 2000 Growth

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

**Strategy AUM:** \$530M

**Firm AUM:** \$3.3B

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

## Portfolio Characteristics

	CastleArk	Index
# of Securities	108	1,064
Weighted Avg Market Cap (\$MM)	\$7,716	\$6,460
Median Market Cap (\$MM)	\$5,085	\$1,305
Historical Sales Growth	16.8%	26.6%
Historical EPS Growth	27.3%	34.4%
EPS Growth - Long Term Forward	18.2%	17.6%
Return on Equity	6.6%	10.5%
Price to Earnings (Trailing 12M)	32.3	23.0
Price to Earnings (Forward 12M)	24.8	21.1
Price to Book	4.5	4.1
Dividend Yield	0.4%	0.5%
Active Share	81.6%	--

## 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



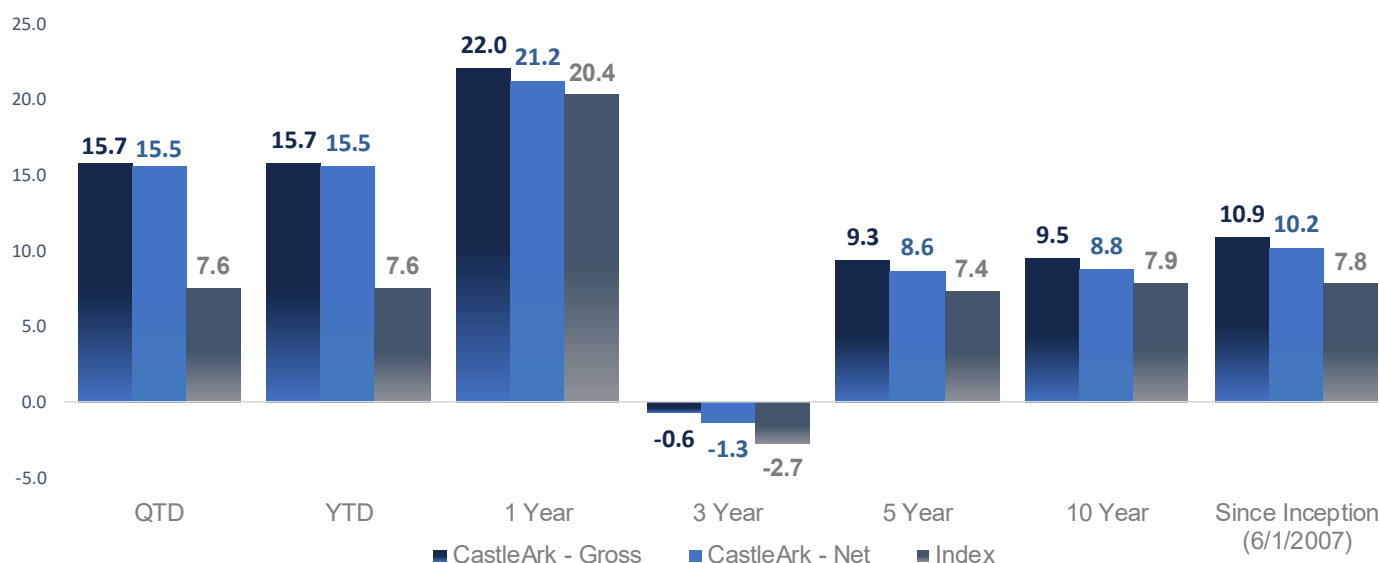
A focus on **actual** fundamental improvements **vs. anticipated improvements** enhance our success rate



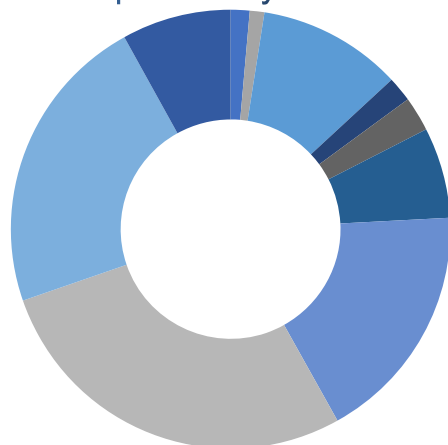
A disciplined analysis focused on the **magnitude and sustainability** of the driver of fundamental improvement

## Composite Performance\*

(Periods greater than 1-year are annualized)

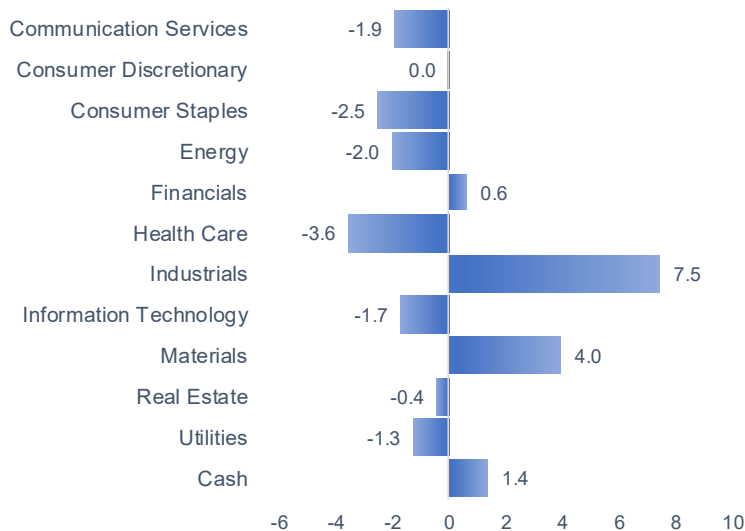


## Portfolio Exposure by Sector



1.4% - Cash	1.1% - Real Estate
10.6% - Consumer Discretionary	1.9% - Consumer Staples
2.5% - Energy	6.7% - Financials
17.7% - Health Care	27.8% - Industrials
22.2% - Information Technology	8.0% - Materials

## Sector Allocation vs. Index

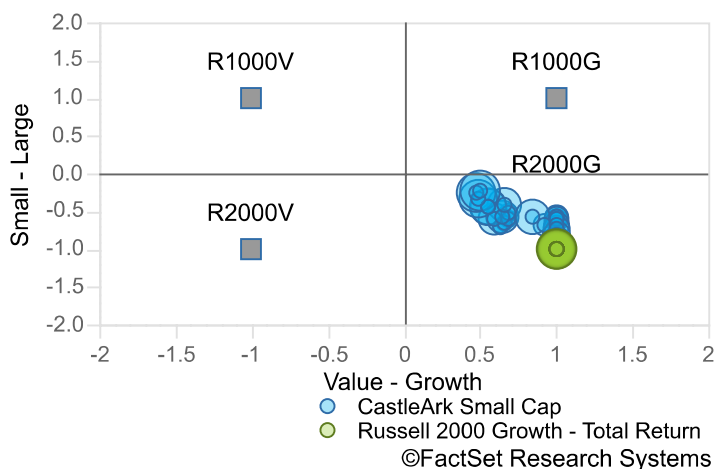


## Top 10 Holdings\*

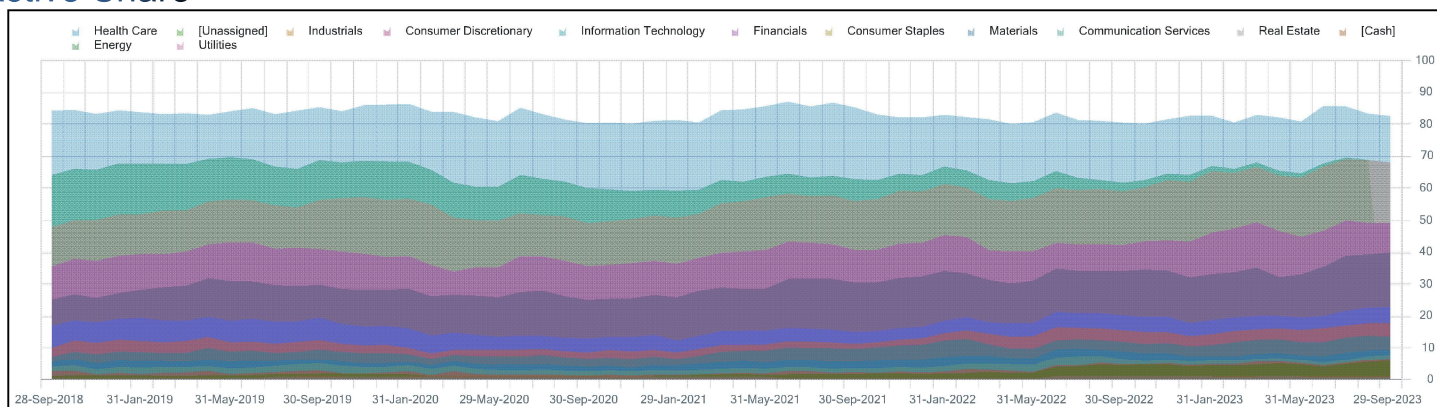
Security	Weight
Super Micro Computer, Inc.	2.30%
APi Group Corporation	1.97%
Saia, Inc.	1.70%
Medpace Holdings, Inc.	1.66%
TechnipFMC plc	1.64%
Pentair plc	1.61%
XPO, Inc.	1.60%
FirstCash Holdings, Inc.	1.54%
Evercore Inc. Class A	1.50%
Varonis Systems, Inc.	1.47%

\*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 Month Periods)



## Active Share



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

## Commentary

### Performance Update

The CastleArk Small Company Growth composite\* return for the quarter was +15.72% (gross) and +15.53% (net), comparing favorably to the Russell 2000 Growth Index\*\* return of +7.58%.

### Portfolio Review

For the sixth time in the last seven quarters equity markets posted positive returns. The story for the quarter was the markets' ability to continue to rally in the face of the Fed's pivot expectations continuing to be pushed later and later into the year. The battle between recessionary fears and "soft landing" seems to currently be favoring soft landing. Continued better than expected economic data and signs that inflation is falling slower than expected has led to higher interest rates and the conclusion that we are in an environment of "higher for longer" for rates. With recession fears continuing to subside and the economy continuing to grow faster than expected investors are focusing more on individual company earnings. It was the strong Q4 earnings and better than expected outlook for 2024 that enabled the market to post such strong results for the quarter.

Our outperformance for the quarter was the result of both our stock selection and sector weightings. Stock selection was positive in almost all sectors this quarter with particular strength in Industrials, Health Care, and Materials. Our underweight in Communications Services and Utilities, the two worst performing sectors, and our overweight in Technology, the best performing sector, was slightly offset by our underweight in Energy and our overweight in Materials.

### Market and Portfolio Outlook

The U.S. economy continues to show resilience in the face of higher interest rates thanks to continued strong employment, solid consumer spending, for now, and a recovering manufacturing industry. In the U.S. investors are leaning towards the Fed sticking the "soft landing". Globally, most Central Banks are now in easing mode with most foreign economies either stabilizing and/or starting to show improving growth. While we expect increased volatility throughout the year as we move closer to the election, the current environment of strong nominal growth and higher interest rates is favoring those companies with strong and improving earnings and cash flows. 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 Industrials and Materials and our underweight positions in Health Care, Consumer Staples and Communication Services.

\*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. There is no guarantee that the investment objectives will be achieved. Moreover, the past performance is not a guarantee or indicator of future results.

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## Supplemental Disclosures

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