Large Cap Growth

CASTLEARK

June 30, 2024

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: $1.5B
Firm AUM: $3.6B
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 **profitable and durable** than the average growth company and can provide downside support in tough environments.

Portfolio Characteristics

	CastleArk	Index
# of Securities	27	440
Weighted Avg Market Cap ($MM)	$1,583,759	$1,511,553
Median Market Cap ($MM)	$195,394	$18,173
Free Cash Flow Margin	22.4	13.4
Historical Sales Growth	19.5	19.6
Historical EPS Growth	25.8	28.6
EPS Growth - Long Term Forward	21.7	19.4
Return on Capital	33.2%	30.3%
Return on Equity	43.7%	39.8%
Price to Earnings (Trailing 12M)	40.0	36.5
Price to Earnings (Forward 12M)	34.4	30.7
Price to Book	14.1	12.3
Dividend Yield	0.5	0.6

Investment Strategy

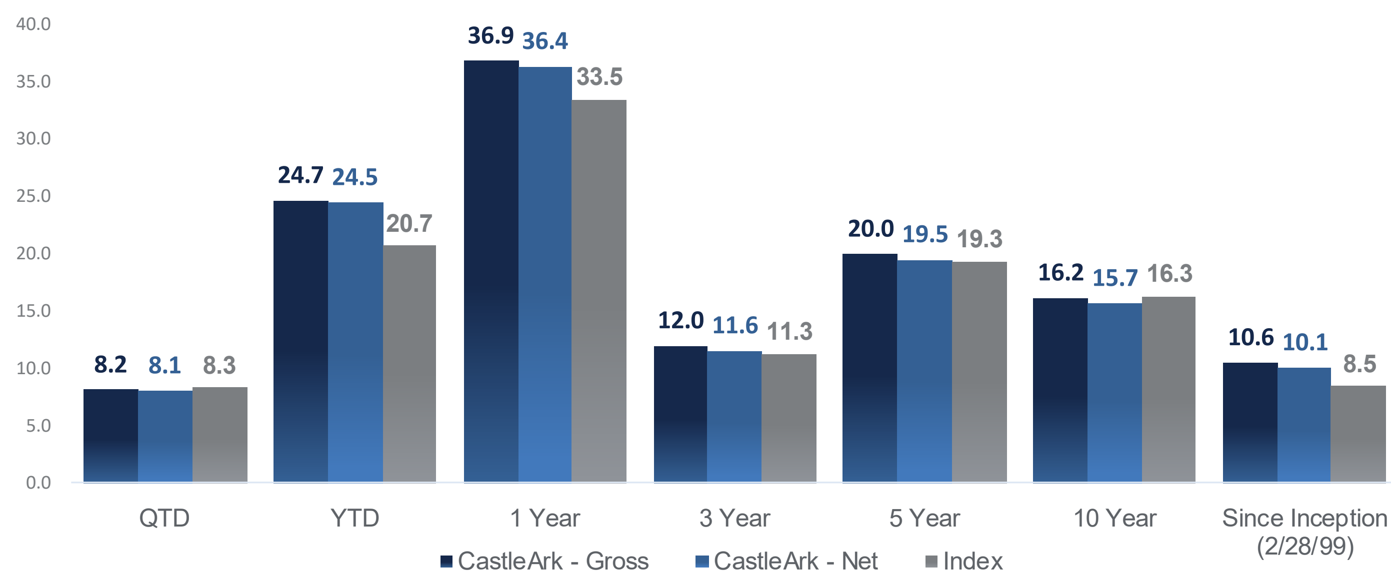
We employ a process that identifies competitive strength in those durable and resilient business models generating **high and enduring free cash flow margins**

We focus on a subset of growing companies that consistently “beat the odds” by achieving **highly-profitable and sustainable competitive advantages**

We utilize quantitative factors to help identify signals of potential failure impacting **total portfolio risk**

Composite Performance*

(Periods greater than 1-year are annualized)



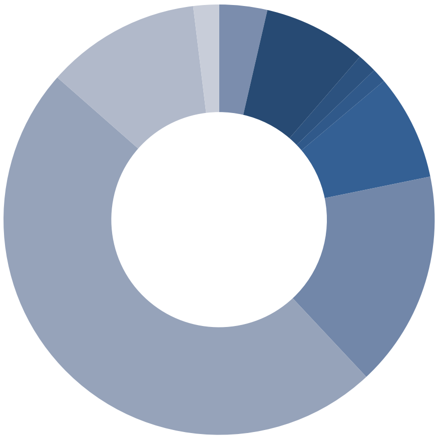
Please see the Supplemental Disclosures which are an integral part of this Fact Sheet.

Large Cap Growth

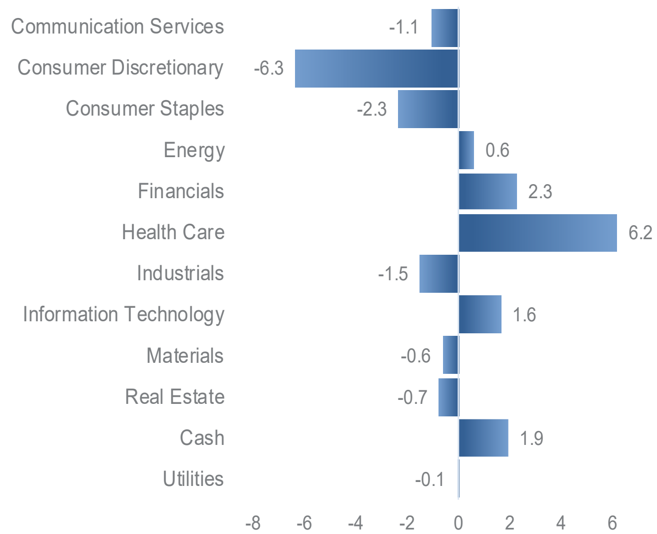
CASTLEARK

June 30, 2024

Portfolio Exposure by Sector



Sector Allocation vs. Index

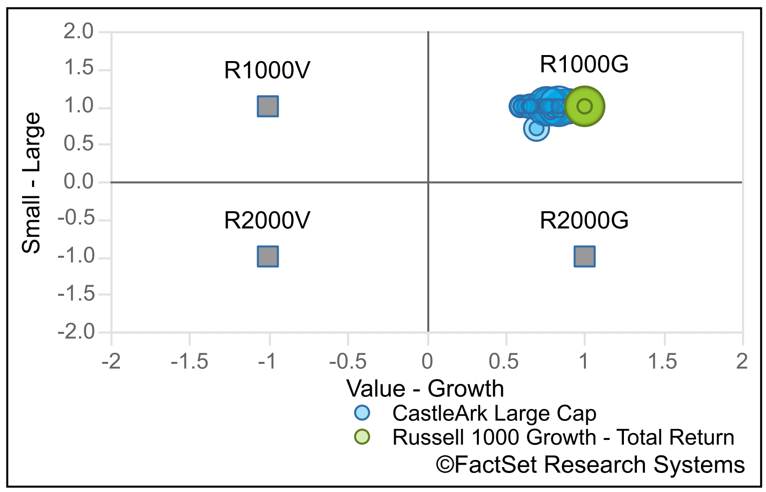


Top 10 Holdings*

Security	Weight
NVIDIA Corporation	13.32%
Microsoft Corporation	12.68%
Apple Inc.	8.21%
Amazon.com, Inc.	7.29%
Alphabet Inc. Class A	5.99%
Eli Lilly and Company	4.77%
Meta Platforms Inc Class A	4.21%
Mastercard Incorporated Class A	3.93%
Lam Research Corporation	3.75%
Applied Materials, Inc.	3.52%

*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
Lam Research Corporation	3.28%
DexCom, Inc.	3.17%
NVIDIA Corporation	2.98%
Applied Materials, Inc.	2.93%
Intuitive Surgical, Inc.	2.79%
Stryker Corporation	2.65%
Mastercard Incorporated Class A	2.64%
ServiceNow, Inc.	2.55%
Union Pacific Corporation	2.50%
Alphabet Inc. Class A	2.18%

Security	Active Weight
Accenture Plc Class A	-0.68%
QUALCOMM Incorporated	-0.68%
UnitedHealth Group Incorporated	-0.80%
AbbVie, Inc.	-1.07%
Home Depot, Inc.	-1.21%
Costco Wholesale Corporation	-1.33%
Tesla, Inc.	-1.92%
Broadcom Inc.	-2.44%
Apple Inc.	-2.61%
Alphabet Inc. Class C	-3.24%

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

Commentary

Performance Update

During the second quarter of 2024, the CastleArk Large Cap Growth Composite* performed in line with the benchmark. The portfolio returned +8.19% (gross of fees) and +8.11% (net of fees) slightly below the benchmark Russell 1000 Growth Index** return of +8.33%. Year to date, CastleArk Large Cap Growth Composite has returned +24.70% (gross of fees) and +24.52% (net of fees), outperforming the index which returned +20.70%.

Portfolio Review

Like the prior quarter, the recent results can be attributed to strength in a few of the portfolio's top holdings. Each of these companies delivered remarkably high growth and profitability, driven by a strong demand for GLP-1 diabetes and obesity therapies in the Health Care names, and a consistent steep acceleration in demand of the Generative Artificial Intelligence (GenAI) value and production chain in the technology names.

The sector dispersion of our underperforming stocks demonstrates the challenges companies (and stocks) still face can vary widely across different sectors of the economy. For example, over the past two years, we have noted meaningful "rolling recessions" in the consumer goods economy, even as growth may be accelerating in other parts of the economy. Although consumer spending on experiences and services continues to be quite strong, we may be seeing cracks in overall consumer spending, notably in the lower income demographic cohorts, affecting a large variety of companies. Within the Technology sector, it appears we may be entering a period of slower software spending as companies pause to examine the costs and benefits of GenAI applicability to their business models.

Overall, companies generating high free cash flow margins coupled with better than average revenue growth rates have performed well year-to-date. Given the strong performance of these exceptional companies, it is possible we could see a short pullback in these high-quality stocks amid changes in macroeconomic policy. We are closely watching the Federal Reserve's rate decisions, as perceived changes in monetary policy can have disparate impact on companies with lower quality balance sheets and can temporarily narrow the performance gap between large and small company stocks.

Technology companies, specifically those tied to the GenAI value chain, continue to capture investor and corporate interest as it appears that the acceptance of this innovative technology is quickly penetrating beyond the technology sector. Our ongoing conversations with various companies as part of our daily research process indicates to us the adoption of GenAI across a broad cross section of the economy is only just beginning.

When reviewing portfolio performance, multiple factors impact results: stock and sector specific influences and macroeconomic conditions. Notwithstanding company fundamentals, fluctuations in interest rates influence growth stock valuations, and we believe a "higher for longer" monetary policy stance benefited large cap growth stocks again in the most recent quarter.

Market Commentary and Economic Outlook

The U.S. economy remained robust with a 2%+ average growth rate in the first half of 2024, amid consistently strong quarterly GDP growth reports. This resilient growth is primarily driven by both consumer spending and corporate investment, reflecting stable economic dynamics despite global uncertainties. Even as interest rates remain relatively high compared to recent history, the consumer-centric economy continues to be less interest rate sensitive than many might have been expected a year ago. Many consumers and public companies locked into favorable borrowing terms during the period of low interest rates, significantly extending debt maturities while lowering financing costs. Wage growth and job availability continue to support the labor market. The decline in "Baby Boomer" participation in the labor force continues to result in expanding employment and wage growth for the remainder of the working age population.

We continue to witness a bifurcated economy where spending on experiences and travel remains strong, crowding out spending in the goods economy. Airlines,

Commentary

Market Commentary & Economic Outlook (cont'd)

hotel chains, restaurants, concert venues, cruise lines, and companies leveraged to services spending continue to report record booking ahead in the Summer and Fall of this year. Payments companies' reports have confirmed this bifurcation.

Core inflation, which excludes volatile food and energy prices, continues to gradually slow, allowing the Federal Reserve to consider a pivot from tight monetary policy. Conversations with numerous company contacts suggest the sharp increase in inflation post-pandemic is slowing to a much lower and more manageable level. Although a soft landing is not assured, the gradual economic slowdown amid higher interest rates indicates this is the most likely scenario in our current view. Labor force participation rates appear to have bottomed out, which may result in a continual moderating trend in wages.

Our outlook for 2024 anticipates moderate economic growth with a gradual but nonlinear reduction in inflation statistics. With this moderation in inflation towards 3% - not 2% - the Federal Reserve could marginally reduce short-term interest rates. This shift is anticipated to foster a conducive environment for equity markets, as inflation shows signs of stabilization. While we do not believe we are on the precipice of an imminent interest rate reduction cycle, there may be some slight room for reductions into 2025. Taking all these cross currents together, we expect a year less subject to volatile swings in macroeconomic policy, allowing for more focus on earnings and cash flow as we move further past the post-pandemic years. We are aware of the potential for unpredictability in a Presidential election year, and how immigration, federal spending, future tax policy, and tariffs will affect 2025 economic growth.

Portfolio Strategy and Outlook

Looking ahead to the next several quarters, as always, our investment philosophy and strategy will continue to focus on companies with dominant market positions, manifested in high and durable free cash flow margins. That currently leads us to a few notable areas.

In the realm of technology, we are witnessing a remarkable era of rapid and transformative change. The advent of GenAI marks a pivotal moment in the technological landscape, creating a huge shift in corporate, and even sovereign nation, capital spending. As this capital investment winds through the economy, the potential for significant productivity enhancements across a diverse array of industries increases. The impact of this groundbreaking technology seems to be broadening as its penetration, and its potential as a revenue generator or productivity tool, spreads across the economy.

Leading this technology architecture change are the very largest tech companies. GenAI is very expensive to develop, and even more expensive to scale, thus only the very large vendors of this technology currently have the financial capability to advance this nascent industry. These companies exhibit a rare combination of dominance, growth, and free cash flow profitability. The portfolio maintains large exposures to the Technology sector. Their involvement in GenAI is not merely participatory; rather, they are the architects and catalysts driving forward this revolutionary wave. Several other portfolio holdings operate in the GenAI value chain, most notably in the semiconductor equipment industry. These oligopolistic companies are benefiting as they experience sharp positive changes in packaging and new memory architectures supporting AI semiconductor vendors.

The positions at the top of the portfolio have become concentrated. Incredibly, there are several companies that now support valuations well over $2 Trillion. It's worth stating, however, these companies source a great deal of the total free cash flow and incremental revenue and free cash flow in the market, relative to their respective weights in the indices. Our view continues to be that although concentration is a concern, it may be warranted. Although many have not seen this trend in concentration before, that fact does not make it necessarily "wrong".

Large weightings in the stocks of these larger, cash-rich, dominant companies have helped the portfolio in the past few years as well as during the past quarter.

Commentary

Market Commentary & Economic Outlook (cont'd)

We are mindful of these exposures and concentration relative to history. However, we are also mindful of valuation and the sheer unsustainable growth trajectory select companies may be experiencing. Understanding the risks in the portfolio, we elected to gradually start to reduce our oversized exposure to these companies during the quarter.

Outside of technology's advancements, several health care stocks have rebounded from the fears surrounding disruption generated from the accelerated and potential high penetration of GLP-1 obesity and diabetes therapies throughout the population. The Health Care sector stands as a testament to the transformative power of innovation, dramatically reshaping its landscape. Contrary to prior quarters, there has been a measured acceptance that some companies can have complimentary revenue growth even as the demand for GLP-1 therapies accelerates. Health care system utilization rates continue to improve post-Pandemic, amid an aging of the population coupled with the new breakthroughs in obesity and diabetes therapies.

During the quarter, we added positions in Consumer Discretionary, Consumer Staples and Healthcare to broaden portfolio exposure.

*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.

**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

Supplemental Disclosures

CATEGORY	DISCLOSURE
Not an Offer, Recommendation or Professional Advice	This document does not constitute advice or a recommendation or offer to sell or a solicitation to deal in any security or financial product. It is provided for information purposes only and on the understanding that the recipient has sufficient knowledge and experience to be able to understand and make their own evaluation of the proposals and services described herein, any risks associated therewith and any related legal, tax, accounting or other material considerations. To the extent that the reader has any questions regarding the applicability of any specific issue discussed above to their specific portfolio or situation, prospective investors are encouraged to contact CastleArk or consult with the professional advisor of their choosing.
Use of Third-Party Information	Certain information contained herein has been obtained from third party sources and such information has not been independently verified by CastleArk. No representation, warranty, or undertaking, expressed or implied, is given to the accuracy or completeness of such information by CastleArk or any other person. While such sources are believed to be reliable, CastleArk does not assume any responsibility for the accuracy or completeness of such information. CastleArk does not undertake any obligation to update the information contained herein as of any future date.
Currentness	Except where otherwise indicated, the information contained in this presentation is based on matters as they exist as of the date of preparation of such material and not as of the date of distribution or any future date. Recipients should not rely on this material in making any future investment decision.
Confidentiality	This presentation is confidential, is intended only for the person to whom it has been directly provided and under no circumstances may a copy be shown, copied, transmitted or otherwise be given to any person other than the authorized recipient without the prior written consent of CastleArk.
Past Performance	There is no guarantee that the investment objectives will be achieved. Moreover, the past performance is not a guarantee or indicator of future results.
Benchmarks	Any indices and other financial benchmarks shown are provided for illustrative purposes only, are unmanaged, reflect reinvestment of income and dividends and do not reflect the impact of advisory fees. Investors cannot invest directly in an index. Comparisons to indexes have limitations because indexes have volatility and other material characteristics that may differ from a particular hedge fund. For example, a hedge fund may typically hold substantially fewer securities than are contained in an index.
Forward-Looking Statements	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.
Registration Status	SEC registration does not imply a certain level of skill or training.

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.

Frank Russell Company ("Russell") is the source and owner of the trademarks, service marks and copyrights related to the Russell Indexes. Russell® is a trademark of Frank Russell Company. Neither Russell nor its licensors accept any liability for any errors or omissions in the Russell Indexes and/or Russell ratings or underlying data and no party may rely on any Russell Indexes and/or Russell ratings and/or underlying data contained in this communication. No further distribution of Russell Data is permitted without Russell's express written consent. Russell does not promote, sponsor or endorse the content of this communication.

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.

Contacts

Jeff Duncan
JDuncan@castleark.com
(312) 456-9691

Kevin Gergits
KGergits@castleark.com
(312) 456-9682

General Inquiries
Marketing@CastleArk.com
(312)456-9682