

## Strategy Facts

**Portfolio Manager:** Ajoy Reddi

**Inception:** December 31, 2015

**Benchmark:** MSCI All Country World ex USA Small Cap

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

**Strategy AUM:** \$149MM

**Firm AUM:** \$3.9B

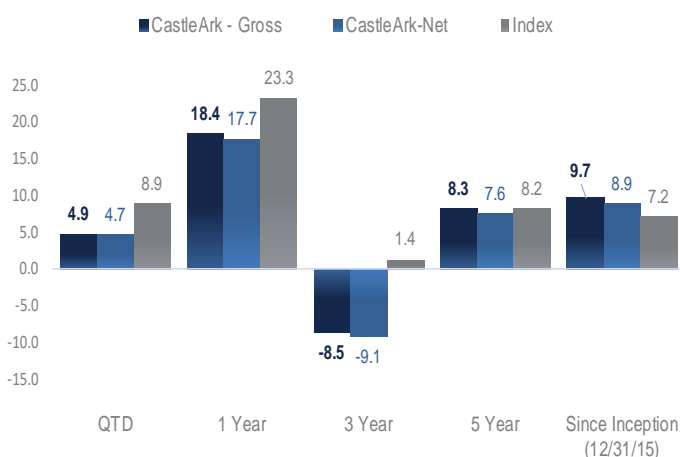
**Website:** [www.castleark.com/international-small-cap/](http://www.castleark.com/international-small-cap/)

## Portfolio Characteristics

	CastleArk	Index
# of Securities	78	4,369
Weighted Avg Market Cap (\$MM)	\$4,373	\$2,920
Median Market Cap (\$MM)	\$3,606	\$1,241
Historical Sales Growth	21.4%	17.3%
Historical EPS Growth	37.6%	24.1%
EPS Growth - Long Term Forward	12.1%	14.5%
Return on Equity	17.5%	11.5%
Price to Earnings (Trailing 12M)	16.9	5.4
Price to Earnings (Forward 12M)	19.0	14.1
Price to Book	2.7	1.4
Net Debt to EBITDA	4.0	-1.7
Dividend Yield	1.5%	2.7%
Active Share	96.2%	--

## Composite Performance\*

(Periods greater than 1-year are annualized)



## Investment Philosophy

We believe that **accelerating growth in revenue and earnings** are the primary drivers of stock price appreciation over the long term, and that **opportunities in inefficient markets** can be realized by identifying and exploiting **key inflection points** in a company's fundamentals.

## Investment Strategy



An investment process that emphasizes a company's **long-term growth potential** over the market's demand for short term results.



A **holistic approach** to growth investing that seeks to identify attractive opportunities, using **both traditional and non-traditional** sources of information

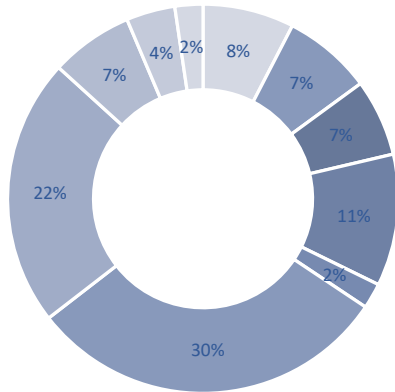


A proven **institutional** money manager with a long-term record of **growth** investing in capacity constrained asset classes.

## Top 10 Positions

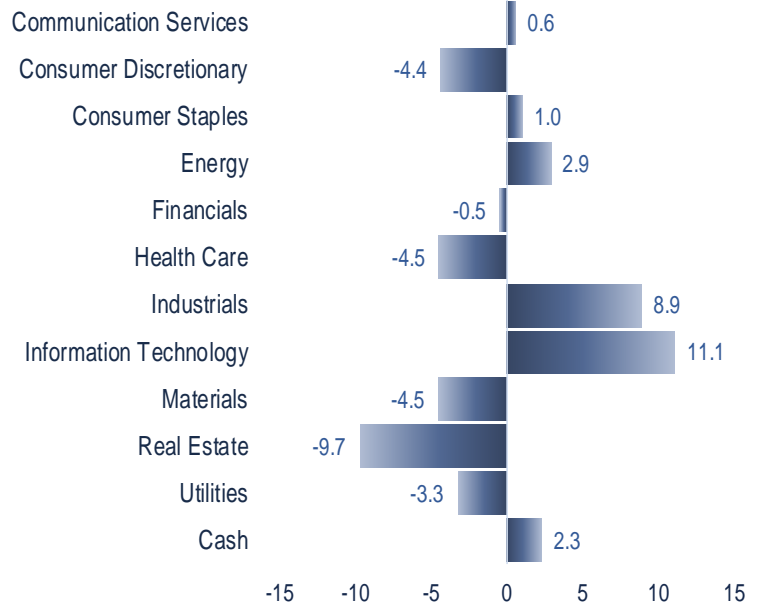
Security	Weight
Sanrio Company, Ltd.	2.1%
BPER Banca S.p.A.	2.0%
IHI Corporation	2.0%
Diploma PLC	1.9%
NSD Co., Ltd.	1.8%
SOL S.p.A.	1.7%
Japan Steel Works, Ltd.	1.7%
Addtech AB Class B	1.7%
Descartes Systems Group Inc.	1.7%
Breville Group Limited	1.6%

## Portfolio Exposure by Sector

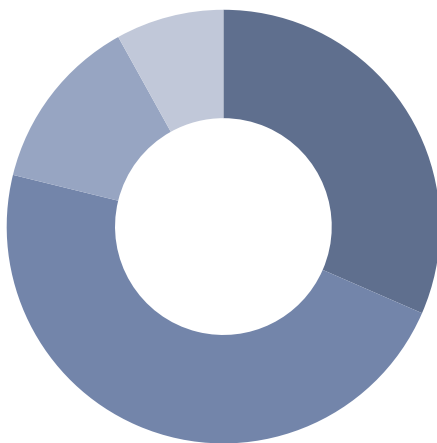


- 7.6% - Consumer Discretionary
- 6.4% - Energy
- 2.1% - Health Care
- 22.3% - Information Technology
- 4.0% - Communication Services
- 7.4% - Consumer Staples
- 11.0% - Financials
- 30.1% - Industrials
- 6.9% - Materials
- 2.3% - Cash

## Sector Allocation vs. Index

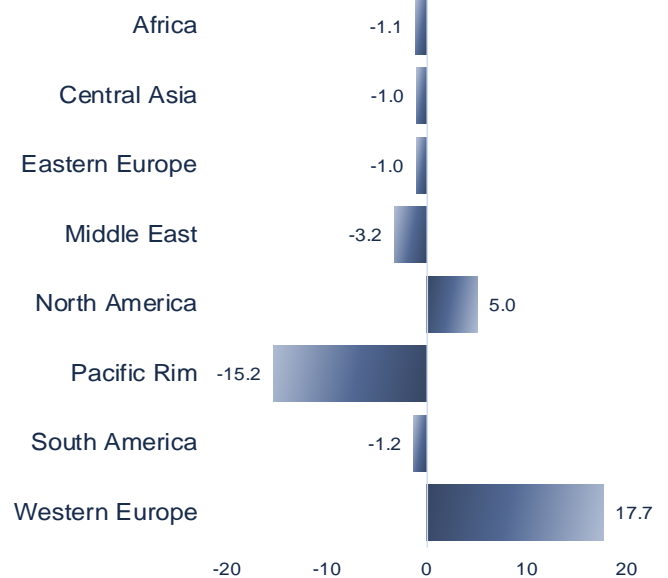


## Portfolio Exposure by Region



- 31.5% - Pacific Rim
- 47.3% - Western Europe
- 13.1% - North America
- 8.1% - Central Asia

## Regional Allocation vs. Index



## Portfolio Exposure by Country

	CastleArk	Index		CastleArk	Index		CastleArk	Index
<b>Japan</b>	22.66%	22.39%	<b>Netherlands</b>	3.72%	0.91%	<b>France</b>	1.21%	2.05%
<b>United Kingdom</b>	16.71%	9.58%	<b>Germany</b>	3.41%	2.37%	<b>Other</b>	0	25.45%
<b>Canada</b>	11.92%	6.87%	<b>Australia</b>	3.28%	6.00%			
<b>India</b>	8.06%	9.04%	<b>Finland</b>	1.99%	0.80%			
<b>Sweden</b>	6.79%	3.41%	<b>Austria</b>	1.59%	0.58%			
<b>Italy</b>	5.95%	2.01%	<b>Denmark</b>	1.56%	1.20%			
<b>Taiwan</b>	4.43%	6.50%	<b>Belgium</b>	1.39%	0.85%			

Source: Factset and CastleArk. All portfolio level data is from a representative client portfolio. Figures shown are past results and are not predictive of future returns.  
 \*See Supplemental Information and Composite Performance Disclosure Statement. *FOR INSTITUTIONAL INVESTORS ONLY*

## Commentary

### Performance Update

The CastleArk International Small Cap Equity strategy outperformed the MSCI AC World ex US Small Cap Index in the third quarter, returning +4.86% (gross) and +4.71% (net) vs. +8.90% for the Index.

### Market and Portfolio Review

Despite significant intra-quarter market volatility and investor uncertainty around key growth themes that have been winners on a year-to-date basis, the MSCI ACWI ex-US index appreciated 7.2% during Q3. This strong performance reflected the impact of numerous global macroeconomic events in addition to a meaningful change in market leadership during the quarter. As noted, index performance during the quarter was volatile, with the ACWI-ex US index declining as much as 5% as of early August before staging a strong recovery to close the quarter significantly higher.

Q3 was a story of two halves, with macroeconomic developments skewing bearish during the first half of the quarter. These developments included a number of US jobs and consumer spending-related economic reports suggestive of a cooling economy, fueling growing fear among investors that global central banks had moved too slowly to ease policy rates, increasing the risk of a hard landing recessionary outcome. Adding to this, a generational unwinding of the Japan Yen carry trade, spurred by the Bank of Japan's historic rate increase in July (when it raised rates by 15 basis points), combined with continued anemic growth trends in China and worsening military conflicts in the Middle East further intensified market caution while lowering the appetite for risk.

All of this led investor sentiment to shift defensively, causing heavy selling of year-to-date winners, most notably AI semiconductor companies (despite continued earnings outperformance in Q3), in favor of defensive names expected to fare better against a weakening economic backdrop. As a result, there was a complete reversal in market leadership, with the technology and communication services industry group switching from the #1 outperformer in Q2 to the biggest underperformer in Q3, with the defensive utilities and

real estate groups outperforming most strongly. For similar reasons, value stocks outperformed growth stocks during the quarter, marking another sharp sequential reversal.

Overall market sentiment, however, shifted positively during the second half of the quarter, though growth and technology stocks notably did not regain market leadership and remained generally out of favor. This improvement in market performance was driven by a combination of stronger-than-expected central bank action (the US Federal Reserve in September cut interest rates by 50 basis points, ahead of the market consensus of 25 basis points, while the European Central Bank enacted a 25-basis point cut, also in September) and the late-September unveiling of Chinese stimulus measures design to support the housing market and consumer spending.

The best performing markets in Q3 were Hong Kong (+19.3%), China (+16.1%), and Belgium (+10.6%) while the worst performing markets were Turkey (-9.2%), South Korea (-7.3%), and Japan (-4.2%).

Consumer discretionary (+82bps) and industrials (+80bps) were the biggest contributors to performance this quarter while real estate (-159bps) and healthcare (-109bps) were the largest detractors.

As always, we remain focused on bottom-up stock selection and finding companies that are going through sustainable positive inflection points.

\*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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