

## 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:** \$572M

**Firm AUM:** \$3.9B

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

## Portfolio Characteristics

	CastleArk	Index
# of Securities	104	1,120
Weighted Avg Market Cap (\$MM)	\$7,034	\$4,141
Median Market Cap (\$MM)	\$5,759	\$1,200
Historical Sales Growth	23.9%	23.7%
Historical EPS Growth	16.1%	25.2%
EPS Growth - Long Term Forward	19.8%	16.8%
Return on Equity	3.6%	4.6%
Price to Earnings (Trailing 12M)	29.0	24.1
Price to Earnings (Forward 12M)	25.2	21.5
Price to Book	4.6	4.2
Dividend Yield	0.4%	0.5%
Active Share	82.0%	--

## 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



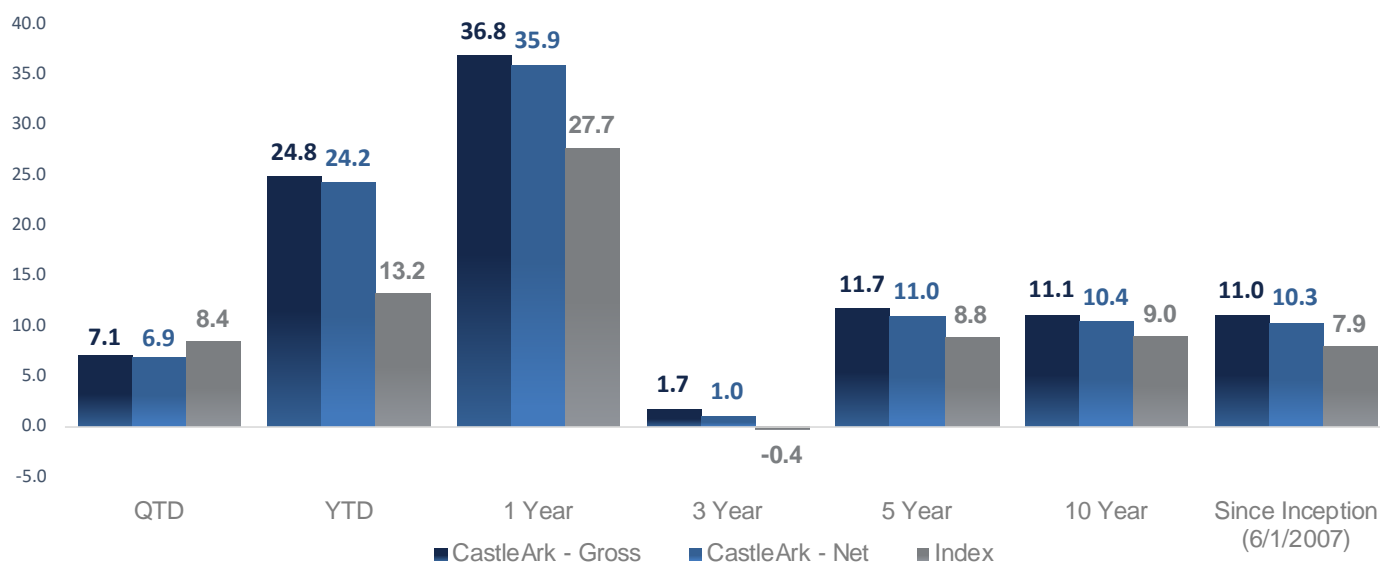
A focus on **actual** fundamental improvements **vs. anticipated improvements** enhance our success rate



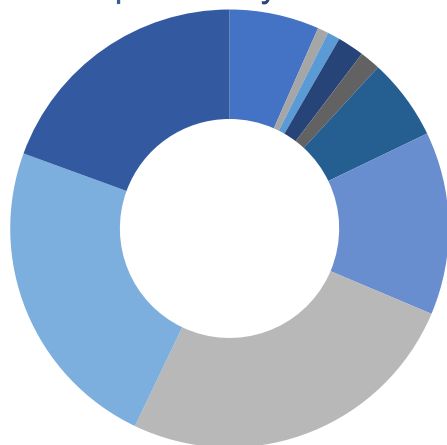
A disciplined analysis focused on the **magnitude and sustainability** of the driver of fundamental improvement

## Composite Performance\*

(Periods greater than 1-year are annualized)

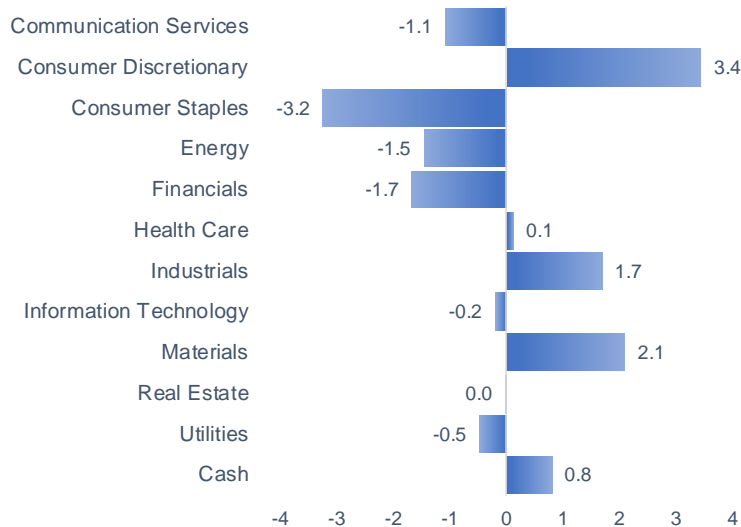


## Portfolio Exposure by Sector



6.6% - Financials	0.8% - Cash
0.9% - Communication Services	2.0% - Energy
1.5% - Real Estate	6.0% - Materials
13.5% - Consumer Discretionary	25.7% - Health Care
23.5% - Industrials	19.4% - Information Technology

## Sector Allocation vs. Index

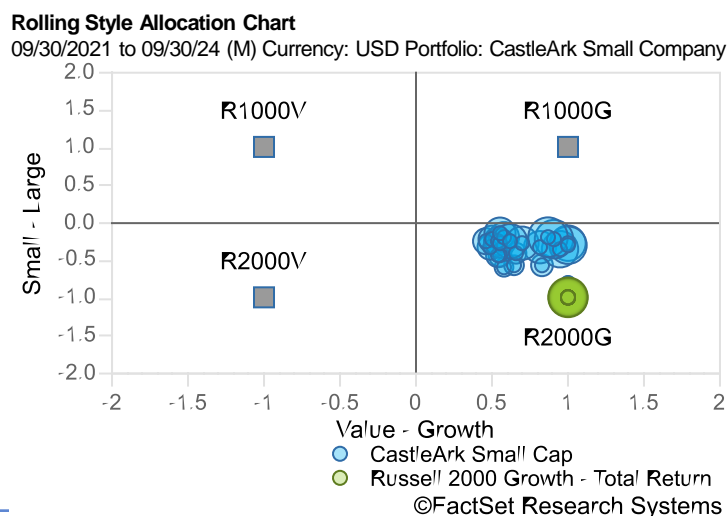


## Top 10 Holdings\*

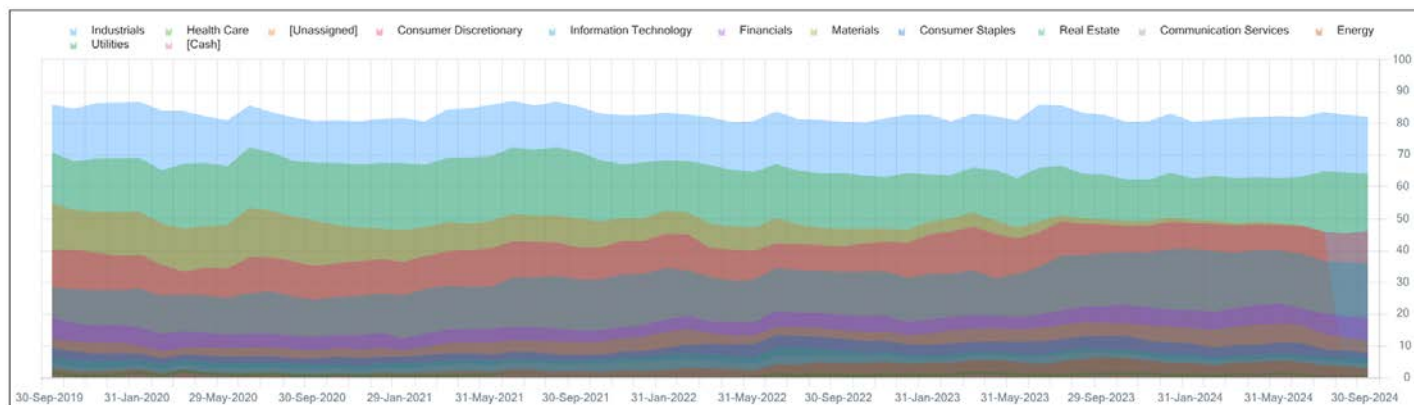
Security	Weight
FTAI Aviation Ltd.	2.46%
ADMA Biologics, Inc.	2.23%
Carpenter Technology Corporation	1.90%
Evercore Inc. Class A	1.83%
Brink's Company	1.71%
RadNet, Inc.	1.60%
TechnipFMC plc	1.59%
CyberArk Software Ltd.	1.54%
Jones Lang LaSalle Incorporated	1.53%
Glaukos Corp	1.53%

\*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



## Commentary

### Performance Update

The CastleArk Small Company Growth composite\* return for the quarter was +7.06% (gross) and +6.89% (net), underperforming the Russell 2000 Growth Index\*\* return of +8.41%. Year-to-date, the CastleArk Small Company Growth composite returned +24.79% (gross) and +24.17% (net) outperforming the Russell 2000 Growth Index of +13.22% for the period ending September 30, 2024.

### Portfolio Review

Equity markets posted strong returns for the third quarter but not without the usual dose of volatility. For small cap stocks it was all about July. Stronger than expected economic growth and better than expected news on the inflation front pushed small cap stocks up 10.2% in July. As we moved through the quarter the labor market started showing signs of softening and inflation continued to slow allowing the Federal Reserve to cut interest rates by 50bps in September. So, despite some mixed signals in the economic data, increased geopolitical tensions around the globe, and increasing attention on the contentious U.S. Elections, markets were able to post strong returns for the quarter.

Our underperformance for the quarter was the result of weak stock selection. Weak performance in Industrials and Consumer was partially offset by strong performance in Materials and Energy. From a sector weighting standpoint our underweight Financials, one of the best performing sectors, was offset by our underweight in Energy, the worst performing sector.

### Market and Portfolio Outlook

While there are plenty of things to be concerned about, we continue to be cautiously optimistic on the markets going forward. The economy remains resilient and the hoped for “soft landing” is looking to be the most likely outcome. While the economy is slowing, it is still growing at a healthy rate, inflation continues to moderate, and employment continues to be strong. In addition, Central Banks around the globe, including the U.S. have begun lowering rates and easing financial conditions. All of this has led to a backdrop for better corporate earnings and constructive outlook for equity markets. 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 Consumer Discretionary, Materials, and Industrials, and our underweight positions in Consumer Staples, Financials, and Energy.

\*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 2000 Growth Index represents a segment of the Russell 2000 Index that display signs of above average growth. The Russell 2000 Index is an index measuring the performance of approximately 2,000 U.S. small-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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