

## 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:** \$70M

**Firm AUM:** \$3.9B

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

## Portfolio Characteristics

	CastleArk	Index
# of Securities	106	1,292
Weighted Avg Market Cap (\$MM)	\$9,613	\$7,128
Median Market Cap (\$MM)	\$7,112	\$1,523
Historical Sales Growth	26.8%	24.7%
Historical EPS Growth	21.7%	25.5%
EPS Growth - Long Term Forward	19.7%	15.4%
Return on Equity	2.5%	7.2%
Price to Earnings (Trailing 12M)	33.0	27.0
Price to Earnings (Forward 12M)	27.3	23.5
Price to Book	4.3	4.8
Dividend Yield	0.4%	0.5%
Active Share	82.6%	--

## 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



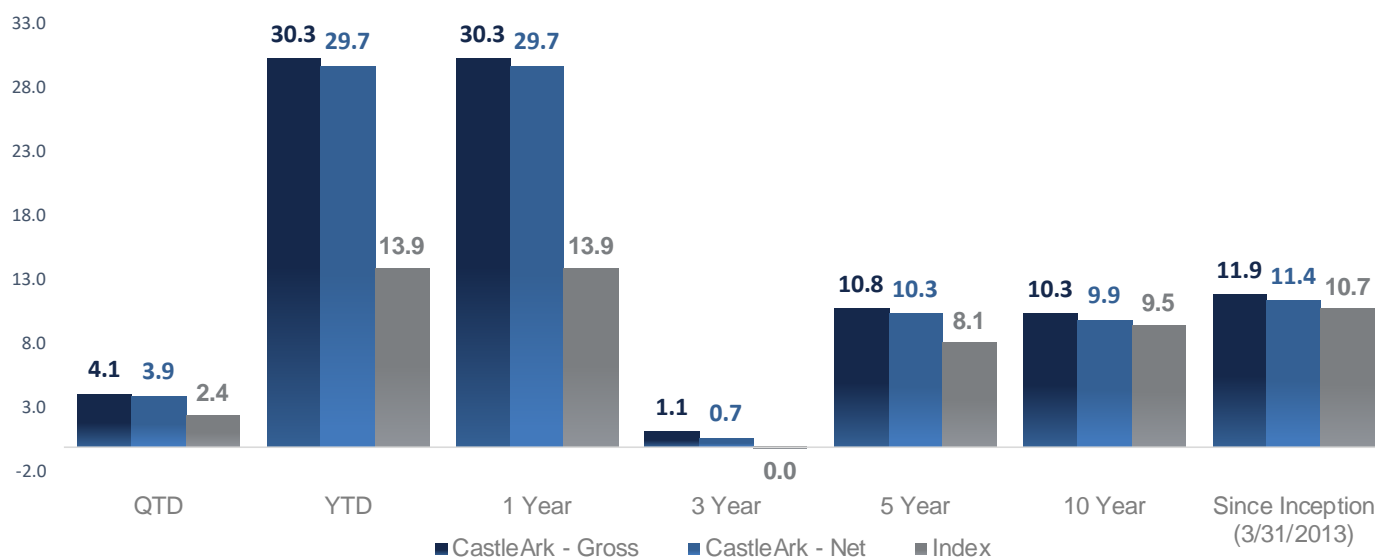
A focus on **actual** fundamental improvements **vs. anticipated improvements** enhance our success rate



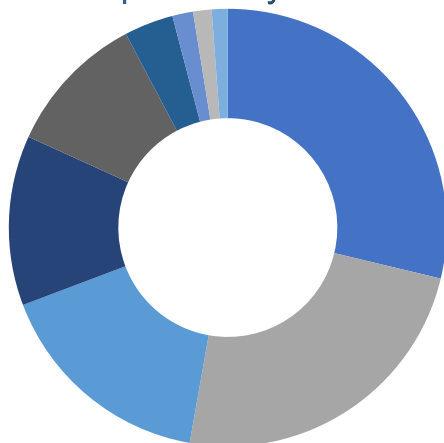
A disciplined analysis focused on the **magnitude and sustainability** of the driver of fundamental improvement

## Composite Performance\*

(Periods greater than 1-year are annualized)

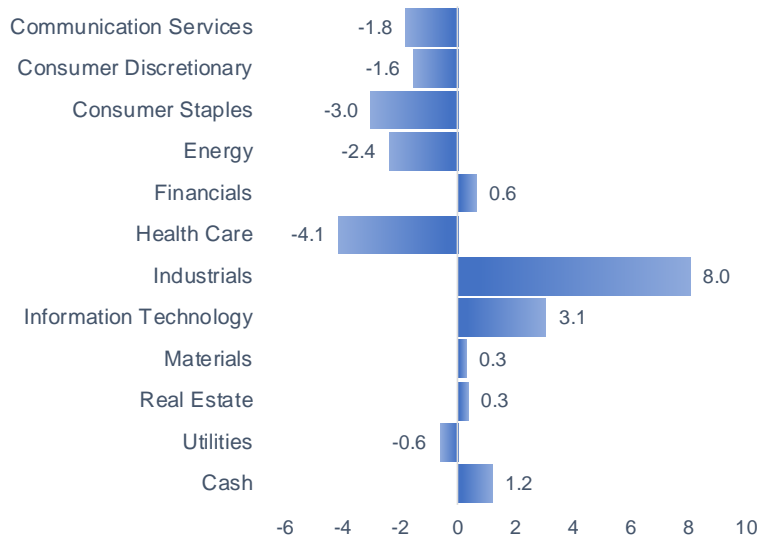


## Portfolio Exposure by Sector



28.7% - Industrials	24.0% - Information Technology
16.5% - Health Care	12.6% - Consumer Discretionary
10.5% - Financials	3.6% - Materials
1.5% - Real Estate	1.4% - Energy
1.2% - Cash	

## Sector Allocation vs. Index



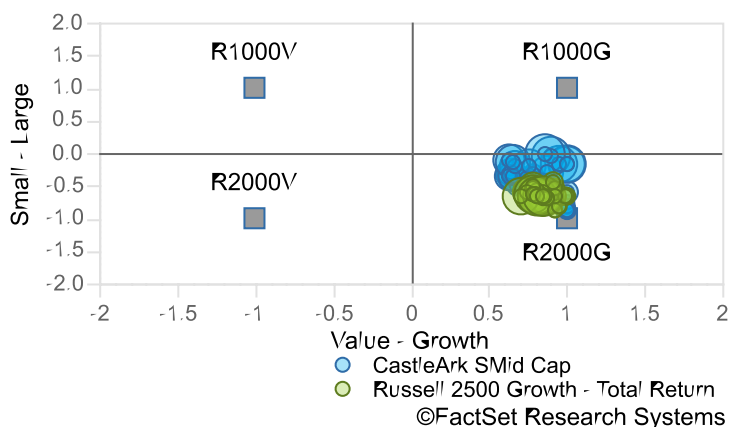
## Top 10 Holdings\*

Security	Weight
Credo Technology Group Holding Ltd.	1.95%
FTAI Aviation Ltd.	1.95%
Evercore Inc. Class A	1.73%
Natera, Inc.	1.72%
Axon Enterprise Inc	1.68%
HealthEquity Inc	1.59%
CyberArk Software Ltd.	1.54%
Jones Lang LaSalle Incorporated	1.53%
XPO, Inc.	1.52%
Pegasystems Inc.	1.43%

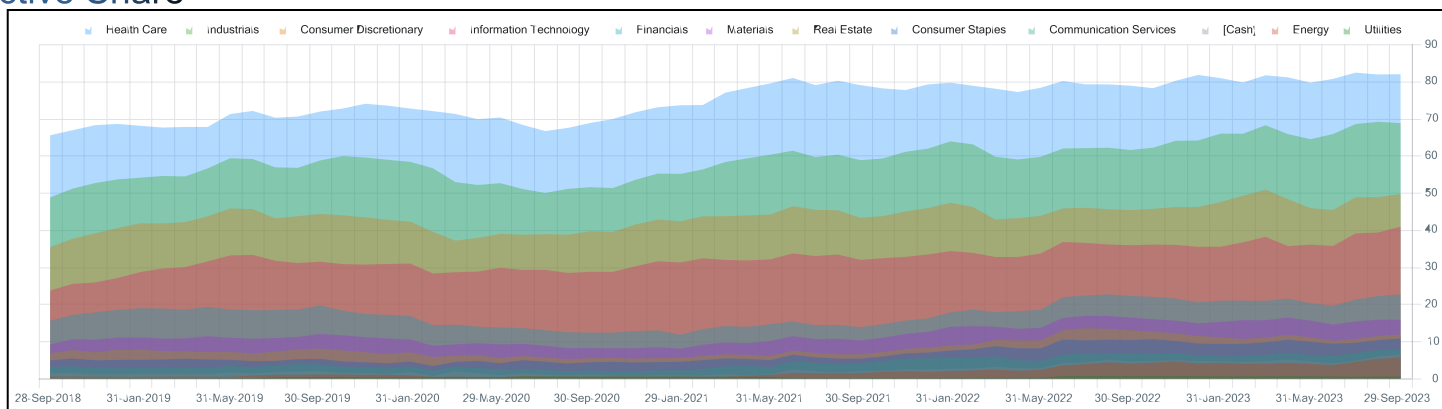
\*The securities identified and described do not represent all of the securities purchased, sold or recommended for client accounts. The reader should not assume that an investment in the securities identified was or will be profitable.

## Style Drift (Rolling 1 year periods)

### Rolling Style Allocation Chart



## Active Share



## Commentary

### Performance Update

The CastleArk SMID Cap Growth composite\* return for the quarter was +4.08% (gross) and +3.93% (net), comparing favorably to the Russell 2500 Growth Index\*\* return of +2.43%. Year-to-date, the CastleArk SMID Cap Growth composite returned +30.27% (gross) and +29.67% (net) outperforming the Russell 2500 Growth Index return of +13.90% for the period ending December 31, 2024.

### Portfolio Review

The fourth quarter started off on a slow note as economic data exceeded expectations and higher than expected inflation started to raise concerns about future interest rate cuts. As we moved into November corporate earnings once again were better than expected. As expected, the Federal Reserve cut interest rates another 25bps but issued caution regarding inflation going forward. Equities saw a big post-election rally. Removal of the election overhang, continued strong economic growth, expectations for a better regulatory environment, and higher earnings expectations led to a resurgence in animal spirits with Small Cap stocks generating one of the strongest Novembers on record. Market enthusiasm waned in December as the Fed lowered rates another 0.25%, as expected, but cautioned about the “extent and timing” of future cuts. The concept of higher for longer in rates put a damper on returns as the year came to an end.

Our outperformance for the quarter was the result of mostly stock selection. Strong stock selection in Technology, Health Care and Materials was slightly offset by weak performance in Consumer Discretionary and Industrials. Our sector weightings benefitted from our under weight in Health Care, one of the worst performing sectors, and our over weighting in Technology, the best performing sector.

### Market and Portfolio Outlook

While we remain cautiously optimistic on the markets for 2025, returns may be more challenging than the past two years. Stronger than expected labor markets along with sticky and now rising inflation expectations have the markets dealing with a higher for longer interest rate environment. Returns for the past two years have been driven mostly by multiple expansion, given the current environment the odds of multiple expansion going forward are relatively low. It is going to be earnings growth that drive returns this year. It is for this reason that we continue to focus on those companies improving business fundamentals and through our research deem these improvements sustainable. The emphasis on improving business fundamentals has led to our overweight positions in Technology and Industrials, and our underweight positions in Health Care, Consumer Staples, 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 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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