

**CASTLEARK MANAGEMENT, L.L.C.**

CASTLEARK ALTERNATIVES, L.L.C

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**BROCHURE**

This brochure provides information about the qualifications and business practices of CastleArk Management, L.L.C. and CastleArk Alternatives, LLC. If you have any questions about the contents of this brochure, please contact us at (312) 456-9682. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

CASTLEARK MANAGEMENT, L.L.C. and CASTLEARK ALTERNATIVES, LLC are registered with the SEC. Investment adviser registration does not imply a certain level of skill or training.

Additional information about CastleArk Management and CastleArk Alternatives also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Material changes**

This document amends and supersedes CastleArk's brochure dated March 31 2022. None of the changes in this brochure from the previous version constitute a material change:

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#### **Item 4 - ADVISORY BUSINESS**

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CastleArk Management, L.L.C. was founded in 1999 and is an independent, employee-owned investment manager for institutions, investment companies, pooled investment vehicles, other advisers and high net worth individual clients, with an emphasis on equity growth strategies.

CastleArk Alternatives, LLC which has been in existence since 2005, sponsors and manages unregistered private (alternative investment) funds. Jerome Castellini, co-founder of CastleArk Management, owns controlling interests in both advisory firms.

CastleArk Management and CastleArk Alternatives are separate and distinct companies that may have differing investment goals, capabilities and functions. The companies generally have the same policies and procedures and share senior management teams. Unless otherwise noted or the context otherwise requires, this brochure describes common policies and procedures of the companies. Throughout this brochure, unless the context otherwise implies, the use of the term "CastleArk" alone is generally in reference to practices of both companies.

CastleArk offers investment management services in a several investment strategies for which we have portfolio managers with an established investment style. Our clients include private and government investment funds and institutions, a large proportion of which are retirement plans. Our clients are generally sophisticated investors and often have internal and external consultants and advisers to assist them with determinations of their individual needs, such as allocations among types of investments, and generally do not seek those determinations from us.

For most of our clients, we manage a specific equity investment strategy (i.e. Large Cap Growth, Mid Cap Growth, Small and SMID Cap Growth, International Small Cap Growth) to complement a client's existing investment portfolio lineup. We also provide a more diversified All Cap portfolio to meet a client's broader investment objectives. The scope and type of the investment management service, including any corresponding investment restrictions or unique circumstances, are set forth in writing and made a part of the investment management agreement with our client.

#### **CastleArk Investment strategies overview**

CastleArk provides investment advisory services to institutional separately managed accounts, registered funds and collective trusts by implementing strategies that are designed to generate superior returns over time. The goal of all our investment strategies is to out-perform market benchmark returns over time.

We manage portfolios and offer investment advisory services to institutional investors, for U.S. and non-U.S. equity strategies. CastleArk manages diversified growth investment styles and energy sector and energy sub-sector strategies. Diversified growth equity strategies include U.S. Large Cap, Mid Cap, SMID Cap and Small Cap growth and International Small Cap growth, plus a U.S. all cap growth strategy that employs all of our U.S. growth strategies. CastleArk also manages specialized energy sector strategies. Finally, we manage fixed income portfolios with a core bond strategy, plus a balanced strategy, which combines U.S. growth equity and core bond strategies. All CastleArk investment strategies are based upon time-tested processes for constructing

portfolios. Our portfolio management teams use criteria which have been developed in-house, along with fundamental research, including research provided by third parties, to build and maintain the investment strategies we provide.

Within each investment strategy, all client accounts are managed in accordance with CastleArk's model portfolio for the strategy. We do, however, adhere to restrictions a client may impose on the holding of certain securities, which can result in minor differences from time to time among client accounts in the same strategy. See below.

### **Specialized energy strategies**

CastleArk manages strategies that invest primarily in the energy sector. The energy strategies invest in US and non-US energy stocks, and one specializes in limited partnerships. Our Energy MLP strategy seeks to provide a high level of total return with an emphasis on cash distributions. It seeks to achieve its objective by investing primarily in Master Limited Partnerships (MLPs) in the energy sector. These investments predominantly derive their revenues from the businesses of exploring, developing, producing, gathering, transporting, processing, storing, refining, distributing, mining or marketing of natural gas, natural gas liquids, crude oil, refined petroleum products or coal.

### **Asset allocation**

CastleArk may provide asset allocation services. For selected clients, CastleArk may advise as to the appropriate allocation of their assets among equity securities strategies or other asset classes.

From time to time CastleArk may recommend to a separately managed account client that it invest in a private fund sponsored by CastleArk Alternatives. Any such recommendation could carry the risk of a conflict of interests. See below at Items 6 and 11 for our approach to monitor and mitigate such conflicts.

### **Alternative investment strategies**

CastleArk Alternatives provides investment advisory services to alternative investment funds that are exempted from registration as investment companies under section 3(c)(7) of the Investment Company Act of 1940, as amended. Fund strategies include an energy strategy and a volatility strategy.

### **Separately managed account services**

CastleArk Management generally provides its services on a fully discretionary basis to separately managed accounts. Services are provided under the terms of an advisory agreement between CastleArk and the client. The advisory agreement generally permits either the client or CastleArk to terminate the arrangement at any time after written notice in advance to the other party. CastleArk permits customization of an account's guidelines to meet the particular needs of a client, as long as we believe such customization will not significantly impair our ability to implement the strategy.

### **Funds**

In addition to the separately managed account services, CastleArk Management provides advisory or sub-advisory services to mutual funds. Information about these funds, including a description of the services provided and advisory fees, is generally contained in each fund's prospectus.

CastleArk also provides advisory or sub-advisory services to other investment funds such as collective investment trusts and other types of pooled vehicles. Additional information concerning these funds is generally included in the relevant offering documents.

### **Wrap fee accounts sponsored by others**

CastleArk provides some portfolio management services under a "wrap fee" arrangement offered by an unaffiliated broker-dealer Sponsor. We invest the Wrap Program accounts using the same base model portfolio used for non-Wrap Program accounts. Clients in the program pay a single, all inclusive (or "wrap") fee charged by the Sponsor based on the value of the client's account assets for asset management, trade execution, custody, performance monitoring and reporting through the Sponsor. The Sponsor typically assists the client in defining the client's investment objectives based on information provided by the client, aids in the selection of one or more investment advisers to manage the client's account, and periodically contacts the client to ascertain whether there have been any changes in the client's financial circumstances or investment objectives that warrant a change in the management of the client's assets.

The sponsor recommends us as an investment adviser for the strategy, pays our management fee on behalf of the client, and monitors and evaluates our performance. CastleArk Management's investment advisory fee under the arrangement is likely to be different from that offered to our other clients. Trades are generally expected to be executed only with the broker-dealer with whom the client has entered into the wrap fee arrangement, so we will not be free to seek best price and execution by placing transactions with other brokers and dealers. The minimum account size under the "wrap fee" arrangement is generally lower than the minimum size we accept for other clients.

CastleArk will not have access to complete information regarding the Wrap Program client's financial circumstances, investment objectives or overall investment portfolio. In addition, we receive information about the client at a later time than the Sponsor. As a result, any determination by CastleArk as to the appropriateness or suitability for a Wrap Program client of a particular investment will be made without regard to any other portion of the client's portfolio, none of which is managed by CastleArk, and such determinations may be different than would have been the case had we had access to more complete information about the client's financial circumstance, investment objectives and overall investment portfolio.

### **Investment restrictions**

CastleArk generally provides investment management services in accordance with applicable investment guidelines and restrictions, including restrictions on investing in certain securities, or types of securities or other financial instruments. CastleArk uses both automated and manual processes to manage portfolios in accordance with their stated portfolio investment guidelines and restrictions.

CastleArk can normally accommodate reasonable requests by clients to restrict their accounts from owning investments that the client account is not permitted to own or that they wish not to own. In those cases, the client account usually holds the same investments as other client accounts in the same strategy, except for any holding that is restricted for that client. For any account that is affected by a client restriction, CastleArk cannot necessarily achieve the same performance as that

of unrestricted accounts for the same strategy. Nevertheless, we seek to maximize returns for all client accounts, including accounts with restrictions.

### **Services between affiliated advisers**

CastleArk Alternatives may use the services of appropriate personnel of CastleArk Management for investment advice, portfolio execution and trading, and client servicing. Arrangements between CastleArk Management and its affiliate may take a variety of forms, including delegation agreements or informal servicing arrangements. This practice is designed to make CastleArk's capabilities available to clients of its affiliate as efficiently as possible. In these circumstances, CastleArk Alternatives remains fully responsible for the account from a legal and contractual perspective. No additional fees are charged for the affiliate's services.

### **Assets under management**

CastleArk Management and CastleArk Alternatives only manage client portfolios on a discretionary basis.

Assets under management, as of December 31, 2022, for CastleArk Management were approximately \$2.78 billion, and for CastleArk Alternatives, were approximately \$16 million.

## **Item 5 - FEES AND COMPENSATION**

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### **Fees for advisory services**

#### *Separately Managed Accounts*

Clients generally pay advisory fees for separately managed accounts based on a percentage of assets in the account. CastleArk's advisory fees are set forth as part of client's advisory agreement. In general, our fees are based on the standard fee schedule in effect at the time of, or just prior to, the commencement of the advisory agreement. Management fees are negotiable and have been modified from the standard fee schedule for some clients. For comparable services, other investment advisers may charge higher or lower fees than we charge.

Separately managed account fees are usually calculated and assessed as of the end of the calendar quarter, based upon the account value as of that date. Some clients have negotiated a monthly fee assessment.

#### *Mutual funds and collective trusts*

The fees that CastleArk earns for investment management services to funds and collective trusts are based on each investment fund's particular strategy, structure, and other factors. Fees and other fund charges which are paid by investors may differ depending upon the class of shares or other factors or circumstances relevant to their particular investment.

#### *Wrap fee accounts*

For wrap fee clients, our investment management services are pursuant to an advisory or service agreement with the Wrap Program Sponsor. Each wrap fee client enters into an agreement with

the Sponsor who provides an array of services, which may include custody, asset allocation, selection of investment advisers, trade execution and reporting, all or more of which is covered by a single bundled or “wrap” fee paid to the Sponsor.

*Alternative (private) investment funds*

CastleArk Alternatives generally receives a management fee and a performance fee from each private investment fund. The rate and other terms of the management fee and performance fee may vary from fund to fund and are disclosed in the offering document for each fund.

CastleArk Management’s standard fee schedule

*Discretionary investment management services:*

<u>Investment strategy:</u>	<u>Annual fee rate for assets under management:</u>
<i>Equities</i>	
Large Cap Growth	0.70% on the first \$25,000,000 0.60% on the next \$25,000,000 0.50% on the balance
Mid Cap <i>and</i> SMID Cap Growth	0.85% on the first \$25,000,000 0.75% on the next \$25,000,000 0.65% on the balance
Small Cap Growth	1.00%
International	1.25%
All Cap Growth	negotiable
<i>Energy, Global Energy and</i>	
MLPs (energy infrastructure Master Limited Partnerships)	1.25% to 1.00%
<i>Fixed-income</i>	
	0.45% on the first \$25,000,000 0.30% on the next \$25,000,000 0.20% on the balance
<i>Balanced portfolios</i>	
	0.70% on the first \$25,000,000 0.60% on the next \$25,000,000 0.50% on the balance



## Other services

### *Asset allocation*

if applicable, fees are generally incorporated in those for the included investment strategies

### Investment strategy:

### Annual fee rate for assets under management:

#### *Wrap accounts*

fees we receive are included in the fees paid by Wrap Program clients. Wrap Program clients should refer to the disclosure brochure provided by their Sponsor for the investment management fees and other information for that Sponsor's program.

#### *Model portfolios (investment recommendations only)*

fees generally correspond to those for discretionary investment management services (shown above) but may be discounted

## CastleArk Alternatives

### *Private funds*

fees and other applicable expenses are set forth in one or more of the fund's governing documents, investment management agreement or offering memorandum

## **Performance fees for separately managed accounts**

CastleArk Management may enter into an advisory services agreement that includes a performance-based bonus fee. Under such an arrangement, CastleArk can earn compensation in addition to a percentage of assets under management, dependent upon the performance of the account. CastleArk earns additional compensation only if appreciation of the client account for a period exceeds the return for a specified benchmark index for the same period. CastleArk only agrees to performance-based fee arrangements that are permitted under relevant laws and regulations, and only for clients that meet the definition of 'qualified client' under Rule 205-3 of the Investment Advisers Act of 1940.

## **Management fees and performance fees for private investment funds**

CastleArk Alternatives, LLC acts as investment adviser to private investment funds. Fees for those services are based on each investment fund's particular structure, investment process and other factors. CastleArk Alternatives generally receives a quarterly management fee of up to .5% (a 2% annual rate) of the investor's capital account value as of the end of each calendar quarter. CastleArk Alternatives may earn a performance fee from one or more of the private funds. The amount and computational structure of the management fee or the performance fee may vary from fund to fund and is set forth in the prospectus or other relevant offering document for each fund. Certain investors that are invested in a private fund may pay higher or lower fees or may be subject to a higher or lower performance fee than similarly situated investors that are invested in the same private fund. Fees may vary as a result of negotiations or other factors that may include the particular circumstances of the investor, the size and scope of the overall relationship, or as may be otherwise agreed with specific investors. Fees charged to investors may differ depending on the

class of shares or other interests purchased. Management fees are generally charged and payable as of the end of each calendar quarter by the private fund on behalf of its investors based upon the net asset value of the investor account in the fund. Performance fees are generally charged and payable annually and are generally based upon exceeding a high-water mark or hurdle, as described in relevant fund documents.

### **Calculation and deduction of advisory fees**

Advisory fees for separately managed accounts are normally billed quarterly in arrears, based upon the market value of the account at the end of quarter. There are some variations on this method. For most accounts, after the end of the calendar quarter, CastleArk Management submits an invoice for fees. We do not have the ability to deduct fees from separately managed client accounts. For a number of our client accounts, including ones that are registered funds and collective trusts to which we serve as adviser or sub-adviser, the fund management company or fund Sponsor typically calculates fees owed CastleArk and submits payment to us.

### **Prepaid fees**

In one case, CastleArk Management receives in advance the management fees for a separately managed account. Should any fee received in advance become refundable, CastleArk will make payment of the refund without delay.

### **Other fees and expenses in connection with CastleArk's advisory services**

Clients of CastleArk will incur fees and expenses other than investment advisory fees. These may include:

- Brokerage commissions;
- Markups, mark-downs and other amounts included in the price of a security;
- Custodian fees;
- Administrative fees;
- Interest charges;
- Odd-lot differentials;
- Transfer taxes;
- Wire transfer fees;
- Electronic fund fees;
- Exchange and SEC fees;
- Expenses assessed to holders of securities or other investments relating to litigation involving that security or investment; and
- US or foreign tax withholdings.

Additional information about transaction charges such as brokerage commissions is available in Item 12 – Brokerage Practices. Custodian fees and all other fees charged by service providers engaged by clients relating to their accounts are assessed by the custodian or other service provider and are not included in the advisory fees payable to CastleArk. See also Item 15 – Custody.

*Underlying fund fees and expenses on private (alternative investment) funds.* CastleArk Alternatives earns management and performance fees from investors in the private funds it sponsors. All investors in its funds must meet the definition of ‘qualified client’ under Rule 205-3 of the Investment Advisers Act of 1940. Fees that the funds charge to investors are disclosed in offering memoranda for the funds. Investors in those funds pay a pro rata share of other expenses of the funds, including auditing and administrative fees, all of which are disclosed in fund offering memoranda.

## **Item 6 - PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

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CastleArk Alternatives normally can earn performance fees or allocations from the private funds it manages, while CastleArk Management has accepted performance-based bonus fee arrangements for some of its clients. These kinds of arrangements could lead to conflict of interests. In performance-based fee arrangements, CastleArk’s interest in treating all clients fairly, and not favoring any client account over another, could be compromised because we might wish to favor the performance-based fee accounts over other accounts. By doing so, we might be able to earn the bonus fee for the favored accounts.

A combined trading policy for CastleArk Management and CastleArk Alternatives applies policies and procedures to address the risks posed by the potential conflicts of interests that arise from accounts that can earn performance fees potentially trading alongside those that do not. Accounts that are managed according to the same strategy are traded at the same time in one aggregated transaction (except for directed brokerage transactions, described below in Item 12 – Brokerage Practices). On rare occasions, opportunities to trade may be shared by separate strategies, including those of accounts that may be charged performance fees and those that do not. In any such case all client accounts are allocated the opportunity in accordance with common trading policies and procedures that are carefully designed to treat all clients fairly.

We prohibit our portfolio managers from basing decisions to trade on favoritism, “window dressing,” or other practices that violate either applicable law or our fiduciary duties to our clients. To detect any such trading abuses, we use compliance techniques to perform after-the-fact review of trading in client accounts. We pay special attention to the trading patterns of private fund traders for CastleArk Alternatives.

## **Item 7 - TYPES OF CLIENTS**

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### **Types of clients**

CastleArk provides investment advisory services to a range of institutional clients, but our clients are predominantly pension plans, including corporate plans and state and local government plans. We also serve as adviser or sub-adviser to investment companies and collective trusts. Our clients may also include foundations and corporate accounts, plus high net worth individuals.

As mentioned above, CastleArk’s affiliated adviser, CastleArk Alternatives, L.L.C., sponsors private funds for qualified investors. Generally, each underlying investor in a sponsored private fund must be an “accredited investor” as defined in Regulation D under the Securities Act of 1933, as amended, and a “qualified purchaser” as defined in the Investment Company Act of 1940. Certain employees of CastleArk Management who qualify as “knowledgeable employees” under Rule 3c-5 under the Investment Company Act of 1940 may be permitted to invest directly or indirectly in the sponsored private funds.

## **Account requirements**

The minimum account size for opening and maintaining a separately managed account by CastleArk Management is generally \$10 million. For investments in private funds managed by CastleArk Alternatives, the minimum is \$1 million. For the wrap fee program to which we provide advisory services, the program sponsor determines the minimum account size, which is generally around \$100,000.

For private funds managed by CastleArk Alternatives, the account minimum is \$1 million. CastleArk may elect to waive, or to raise or lower the minimum account size for new accounts from time to time.

## **Item 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of analysis and material risks**

Client accounts are actively managed under the responsibility of one or more portfolio managers. CastleArk portfolio managers lead teams that include one or more in-house analyst. Our portfolio management teams interact with each other and with our in-house quantitative analysts to review market developments, opportunities, and strategies.

The methods of analysis that CastleArk uses vary somewhat among the investment strategies that we use in managing client accounts. Common elements are our use of a bottom-up approach to constructing portfolios. All our portfolio management teams conduct extensive research on individual companies, looking for opportunities to invest in companies that are expected achieve superior earnings growth and to out-perform their competitors. We supplement our internal research with external research from sources such as broker-dealers and third-party research firms. These sources typically provide data, research and analysis and may serve as a gauge of market consensus.

Generally speaking, investment opportunities drive portfolio construction. One consequence of this approach is that if a CastleArk portfolio manager perceives greater investment opportunities in a particular sector or industry, our portfolio could be more heavily invested in that sector or industry than the benchmark or peer group average for the strategy. Likewise, a CastleArk investment strategy may be less heavily invested in a particular sector if the portfolio management team perceives fewer attractive investment opportunities. For one or more of our strategies, another consequence of our approach is that our portfolio may hold fewer investments than the peer group average. In addition, for Large Cap and Mid Cap strategies, the average market capitalization of the holdings in CastleArk portfolios can frequently be less than the benchmark or peer group average for the strategy.

### **Risks**

No investment method is without risk. Clients should be prepared to bear the risk of investment losses that can result from investing in securities. CastleArk actively manages all of its investment strategies. As with any actively-managed strategy, one or more of CastleArk's strategies could fail

to achieve the objective of superior returns over time. Loss of principal is a risk of investing in any of CastleArk's investment strategies.

A CastleArk investment strategy could be riskier than the average in our investment style peer group. One or more of our strategies could have greater than average risk because it may be over-weighted or under-weighted in one or more sectors compared to the benchmark or peer group average. One or more of CastleArk's investment strategies could also have greater than average risk because the CastleArk portfolios could be more concentrated, that is, hold fewer stocks than the peer group average. Or one or more of CastleArk's strategies may be riskier because the average market capitalization of the stocks in the CastleArk portfolios may be less than the benchmark or peer group average. CastleArk does not expect that over time the risk profiles for its strategies will be materially different from the risk profiles for their strategy peer groups.

Each of the investment strategies employed by CastleArk has a somewhat different risk profile. The investment strategies we offer are measured against a benchmark, generally a stock index. A prospective investor in a CastleArk strategy is provided historical performance information from which our strategy can be compared against its benchmark. Upon request, we can provide additional information that can shed light on the historical comparative risks of our strategy against the benchmarks and peer groups.

*Non-U.S. Risk.* Some of CastleArk's strategies invest in non-U.S. markets. If the strategy invests a significant portion of its portfolio in stocks of a single country or region, the portfolio may be exposed to higher risks of loss. The returns for the strategies that invest in non-U.S. markets may be affected by fluctuations in currency exchange rates or adverse social, political or economic conditions in a particular country or region. If the portfolio is more geographically diversified, the risks are reduced.

*Technology Risk:* Certain strategies may rely on quantitative analysis and systems and other proprietary and third-party data and systems to support investment decision making. Data imprecision, software or other technology malfunctions, programming inaccuracies and similar circumstances may impair the performance of these systems, which may negatively affect performance.

*ESG factors.* To the extent consistent with its fiduciary responsibilities, CastleArk has integrated environmental, social, and governance ("ESG") considerations into its investment analysis and decision-making process. CastleArk is a signatory to the United Nations' Principles of Responsible Investment and recognizes that ESG issues can impact corporate performance and can affect investment returns both positively and negatively. CastleArk analysts may consider a company's ESG-related risk exposures and opportunities when conducting an analysis of the issuer, seeking to determine if those factors could significantly impact the company's performance during CastleArk's intended investment horizon. Notwithstanding the foregoing, CastleArk does not market its investment products as ESG strategies; nor does it intend to invest exclusively in issuers that actively pursue ESG-related goals.

*Non-Diversification Risk.* Our energy strategies are limited to a single investment sector. Inherent in any such strategy is the risk that, as a whole, the sector in which the strategy invests will underperform the overall market. If that happens, it can be much more difficult for our strategy to

achieve returns that match or exceed those of the overall market. Clients in any single-sector strategy should be aware that those strategies may be riskier than more diversified strategies.

#### **Item 9 - DISCIPLINARY INFORMATION**

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CastleArk has no disciplinary information to report.

#### **Item 10 - OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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As described above, CastleArk Management and CastleArk Alternatives are affiliated. Other than that relationship, including the relationship of the affiliated advisers to the private funds sponsored by CastleArk Alternatives, we have no other financial industry activities or affiliations.

#### **Item 11 - CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

##### **Code of ethics**

CastleArk has adopted a Code of Ethics under Rule 204A-1 of the Investment Advisers Act of 1940, as amended. The Code is intended to mitigate or obviate potential conflicts of interest between employees and investment advisory clients and to assure compliance with applicable laws and regulations. To ensure that employees do not take advantage of the knowledge of securities trading on behalf of clients, the Code imposes restrictions on employee personal securities transactions. The Code requires CastleArk employees to obtain pre-approval of most personal securities transactions from the Compliance Department. If there is an open order for a security on the trading desk, unless there is a de minimis exception where it is believed that the size of the employee's trade will not impact those of clients, the Code prohibits the employee from trading.

Our code of ethics describes the standards of conduct that all our personnel must adhere to in undertaking services to our clients. The standards cover broad categories of business ethics, responsibilities and behavior. Our code of ethics also prohibits conduct that violates the law, most notably that of trading on insider information. CastleArk's compliance officer is responsible for monitoring adherence to our code of ethics.

Additionally, all personnel of CastleArk are subject to policies and procedures regarding confidential and proprietary information, prohibition on receipt of business gifts, use of social media, political contributions and certain outside business activities.

CastleArk will provide a copy of the Code to clients or prospective clients upon request.

##### **Participation or interest in client transactions and personal trading**

With restrictions referred to above, CastleArk officers and employees *are* permitted to buy and sell securities for their own personal accounts. Those could be the same securities held in, or proposed for purchase by, client portfolios. A CastleArk portfolio manager could be motivated to trade

personally based upon information about planned client trading or could take for his or her personal account, an opportunity that should be for clients, in derogation of our obligation to seek the best results for client accounts.

With limited exceptions, personal trade requests will not be pre-cleared during black-out periods before and after client trades or where client trades are planned. By having these “black-out” periods, the Code seeks to prevent officers and other employees from “front-running” client trades, possibly benefiting from the impact of client trades on the market. In addition, when seeking preclearance to trade in personal accounts, officers and employees are required to certify that they are not taking an investment opportunity from a client and not trading on material non-public information.

Our compliance personnel monitor personal trading of all officers and employees of CastleArk. All personal brokerage account statements are required to be sent directly to the compliance department and activity must be reported after the end of every calendar quarter, and the compliance department reviews that activity for violations of CastleArk’s code of ethics.

### **Other Conflicts of interest**

CastleArk strives to maintain a strong and ethical culture and continues to monitor and enhance controls it has in place to address potential conflicts of interest. These controls include our Code of Ethics which is acknowledged by all employees annually. The Code includes specific restrictions and procedures for managing potential conflicts of interests. CastleArk also maintains compliance and risk management committees. Finally, CastleArk recognizes that potential conflicts of interest exist in all businesses, and believes it is important to evaluate a firm’s business model and the incentives it produces, along with the culture and controls, to ensure that potential conflicts are identified, prudently managed and, as appropriate, disclosed to clients and other interested parties. In addition to other potential conflicts discussed in this brochure, there are potential conflicts of interest between CastleArk Management, which generally serves separately managed accounts clients and its affiliated adviser, CastleArk Alternatives, which manages alternative investment funds. They include allocation of trading opportunities, selling of investments that the other may seek to purchase at or around the same time, and the offering of interests in affiliated Funds to clients of CastleArk Management,

## **Item 12 - BROKERAGE PRACTICES**

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### **Broker-dealer selection**

CastleArk is not affiliated with any broker-dealer in securities.

CastleArk normally selects the broker-dealer for each client trade as part of its investment management responsibilities. In some circumstances, CastleArk may permit clients to direct brokerage, subject to limitations described below.

*Our approach to best execution.* CastleArk has an obligation to all clients to seek to obtain best execution on securities transactions. We consider best execution to be the process of making client trades with the goal of the best overall results for client accounts. In broker-dealer selection, this means not necessarily seeking the lowest commission or price, but rather involves

consideration of a number of factors. When we place trades, we take into account a number of factors: the broker's speed; reliability; trading expertise; responsiveness; ability to maintain confidentiality; financial stability and capability, including the availability of capital to commit to facilitate particular trades; access to secondary markets; fairness in resolving problems; and access to research and other portfolio management tools. Depending upon the security to be traded, the factors CastleArk considers may be given different weights. Over time, we develop experience and collect other information for the various broker-dealers we send trades to. We can immediately use that information when deciding where to send individual trades. Finally, we make formal assessments of all brokers periodically, and we will discontinue using brokers that do not provide quality execution.

While CastleArk generally seeks the most favorable price in placing its orders, we will select brokers that charge a higher commission than others, if we determine in good faith that the commission is reasonable in relation to the services provided. In return, CastleArk's ability to manage client accounts is enhanced, and our clients receive a benefit greater than any additional costs. We are confident that we achieve higher returns for client accounts by obtaining valuable research and investment tools in exchange for client commissions.

*Use of client commissions to obtain research and qualified brokerage services and the potential conflicts of interest.* CastleArk uses a portion of the commissions generated when executing client transactions to acquire external research and brokerage services ("soft dollar benefits") in a manner consistent with the "safe harbor" requirements of Section 28(e) of the Securities Exchange Act of 1934. CastleArk utilizes a portion of client's equity trading commissions to purchase eligible brokerage and research services where those services provide lawful and appropriate assistance in the decision-making process, and the amount of the client commission is reasonable in relation to the value of the products or services provided by the broker-dealer. In doing so, CastleArk receives a benefit because we do not have to produce or procure with our own funds the research, product or service. We recognize that some services that we receive through client trading could be acquired by paying for the service ourselves.

*Processes and procedures aimed to assure our client's interests come first.* CastleArk reviews in advance all proposed soft dollar or commission sharing arrangements for paying for research and other products and services with client commissions. We determine that what we pay for with client commissions includes only the kinds of products or services that are included within Section 28(e) and that the product or service will provide valuable and useful research or related services. Except as described below, products and services that CastleArk receives are exclusively research and related tools that assist us in managing client accounts.

*Products and services acquired with client brokerage commissions.* The types of products and services that CastleArk acquired with client brokerage commissions during the last fiscal year included: research analysis, reports and data concerning issuers, industries, securities, economic factors and trends, portfolio strategy; economic, market and financial data; conversations with analysts at research firms, and meetings with corporate management. We also receive access to portfolio management tools that assist us in managing portfolio risk, for example, and qualified brokerage-related services that we use to facilitate client trading. Research may be provided via written reports, electronic systems, telephone calls or in-person meetings.

*Client Commission Sharing Arrangements.* CastleArk makes payments for permissible soft dollar benefits for accounts either via a portion of the commission paid to the executing broker, or through client commission sharing arrangements ("CCSA"s). CCSAs enable CastleArk to effect



transactions, subject to best execution, through brokers who agree to allocate a portion of eligible commissions into a pool that can be used to pay for research from providers with which CastleArk does not have a brokerage relationship. Often the research obtained with CCSA credits is third party research (that is, research not produced by the executing broker). CastleArk may also allocate a portion of the CCSA credits to the value that it assigns to the executing broker's proprietary research. We do so where the executing broker does not assign a hard dollar value to the research it provides, but rather bundles the cost of such research into the commission structure. In the event of a broker-dealer's default or bankruptcy, CCSA credits may become unavailable for the benefits described above. Participating in CCSAs enables CastleArk to consolidate payments for brokerage and research services through one or more channels using accumulated client commissions or credits from transactions executed through a particular broker-dealer to obtain brokerage and research services provided by other firms. Such arrangements also help to ensure the continued receipt of brokerage and research services while facilitating CastleArk's ability to seek best execution in the trading process. CastleArk believes CCSAs are useful in its investment decision-making process by, among other things, providing access to a variety of high-quality research, individual analysts, and resources that CastleArk might not otherwise be provided absent such arrangements.

We obtain a limited number of products from client commissions that can be used for purposes other than investment management. In those cases, we assess the product to determine the portion that is for accounting or other non-investment management purposes and pay for that portion from our own funds. In making the assessment, we recognize our responsibility to use client commissions solely for the benefit of clients.

CastleArk has an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in paying the lowest commission costs. Nevertheless, we believe we obtain better overall results for clients by not always seeking the lowest commission price.

Trading processes and procedures designed to assure we treat all client accounts fairly. All client accounts pay for, and all benefit from research and related products and services CastleArk obtains through soft dollar or commission sharing arrangements. To assure that all client accounts are treated fairly, we routinely review trading costs to client accounts. Nevertheless, we do not believe it would be practical or possible to seek to allocate soft dollar costs proportionately. We also believe fairness requires us to take other factors into consideration. Over time, CastleArk determines that costs are reasonably shared in relation to asset level in the account, trading volume and other factors, such as the number of type of holdings in the account.

CastleArk follows procedures for executing trades, including procedures for directing transactions to broker-dealers that provide products and services in exchange for a portion of client commissions. We execute client trades through a number of brokers. This has several advantages, including the ability to compare services and to avoid risks of concentrating our reliance on any one broker. We also execute soft dollar and commission sharing trades with more than one broker.

CastleArk does not sacrifice quality of execution on soft dollar trades. Before we decide to execute soft dollar trades with a broker, we carefully assess the brokerage organization, including reputation and the assessments of our peers. We obtain high quality speed and price execution and we assess all trading activity on a regular basis. Together with our other trading processes, this assures that all of the brokers that we execute trades through deliver high execution quality. We

may favor a broker–dealer for a portion of our client trades if the broker delivers research, including soft dollar research. CastleArk will discontinue sending trades to brokers, including brokers that execute soft dollar or commission sharing trades, if the broker does not continue to provide high quality services.

### **Aggregation of trades**

CastleArk normally aggregates trades for all client accounts that are invested in the same investment strategy in a single block transaction. The price per share, including commission costs, is the same for all accounts in a block trade. There are circumstances, however, where it is not possible or practical to include all client account trades that would otherwise be part of the block transaction.

Where one or more client account in the same strategy cannot be included in an aggregated transaction, we follow our policies and procedures to determine trade sequencing. Taking into account the interests of all clients taken as a whole, our policies permit us to trade accounts in the same strategy in the order which we determine to be most fair and efficient. For wrap accounts, our trade instructions to the Wrap Program Sponsor are normally sent after our trades for separately managed accounts of the same strategy. We will revise a trade order practice if we determine that the practice unfairly disadvantages any client account.

### **Directed brokerage**

CastleArk may permit a client to direct some of its own trades to a broker or brokers selected by the client in advance. Trades directed by a client are executed separately from the block trade in which they would normally be included. Any client that requests to direct some of its trades is advised that separation from the trade block may mean that CastleArk will not be able to achieve most favorable execution for those transactions. In other words, directing brokerage may cost clients more money. The directed client trade could be subject to higher brokerage costs than the trades in the aggregated transaction, and the directed trade could be executed at a less favorable price.

## **Item 13 - REVIEW OF ACCOUNTS**

CastleArk reviews client accounts every business day. Account reviewers include the portfolio manager, analysts, and compliance personnel.

As part of our portfolio management process, portfolio managers and analysts review accounts daily. Our portfolios are also analyzed by compliance software on a daily basis. Regular, though generally less frequent reviews are done by senior investment management, accounting and compliance personnel. Regular, thorough reviews by Chief Investment Officer and others occur after the end of every calendar quarter.

We monitor closely whether client accounts are within our guidelines, as well as any client-imposed restrictions. When an account is close to a guideline or restriction threshold, a review is normally triggered. Independent compliance reviews are regularly done, on a schedule determined independently by the compliance officer.

#### **Item 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

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CastleArk does not pay third-party marketers for client referrals. Clients or prospective clients may choose to retain their own consultant or other agent to assist in selecting an investment manager. CastleArk does not pay any such agent for directing business to us.

#### **Item 15 – CUSTODY**

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CastleArk does not maintain physical custody of its clients' assets. Client assets are typically held by a qualified custodian which is selected by the client and with which the client has a separate custody agreement. Nevertheless, CastleArk Alternatives, LLC, may be deemed to have custody of certain client assets under Rule 206(4)-2 of the Investment Advisers Act. Under that rule, CastleArk Alternatives is considered to have custody of client assets held by an unaffiliated, qualified custodian because it serves as general partner or manager for the pooled investment funds it sponsors. Clients invested in funds sponsored by CastleArk Alternatives should receive the fund's annual audited financial statements on a timely basis in accordance with Rule 206(4)-2.

#### **Item 16 - INVESTMENT DISCRETION**

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All client accounts for which CastleArk has responsibility are managed by us with full investment discretion. Normally, our discretion in purchasing securities for investment in client accounts is restricted only by the investment strategy. In other words, we are permitted to purchase any security consistent with the strategy without prior approval. In a few cases, however, we are required to make investments with reference to a pre-approved list of securities.

#### **Item 17 - VOTING CLIENT SECURITIES**

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Generally, CastleArk normally receives authority to vote securities in client accounts. CastleArk undertakes to vote all proxies or other beneficial interest in an equity security prudently and solely in the best long-term economic interest of its advisory clients and their beneficiaries, considering all relevant factors and without undue influence from individuals or groups who may have an economic interest in the outcome of a proxy vote.

We make efforts to discover potential conflicts of interest between CastleArk employees and our clients as owners of the securities in client accounts. Proxy votes are cast by CastleArk's Proxy Designee.

In some cases, authority is retained by the client. We do not normally accept client instructions to vote in a particular solicitation, and we do not have procedures for accepting client voting instructions.

When CastleArk votes client securities, we do in accordance with our proxy voting policies, with a goal of maximizing a company's shareholder value over the long term. In this process, we are not influenced by conflicts of interests. CastleArk's proxy voting policies and procedures, including those adopted pursuant to SEC rule 206(4)-6, usually support company management where the interests of management and shareholders are aligned. We may also consider environment, social and governance (ESG) issues that can enhance a company's long-term value. As to certain routine matters, CastleArk typically votes the same way. Nevertheless, similar proposals for different companies may receive different votes because of different corporate circumstances.

In the following kinds of routine matters, CastleArk usually votes:

In favor of directors proposed by management in unopposed elections;

In favor of increases in authorized capital;  
Against proposals to divide shareholder capital into classes;  
On a case-by-case basis as to merger and acquisition proposals;  
On a case-by-case basis as to restructuring and recapitalization proposals;  
In favor of proposals to provide director indemnification;  
In favor of proposals calling for a majority independent board;  
Against proposals to restrict employee compensation.

CastleArk's complete proxy voting policy includes details that also affect how we vote particular issues and how we address conflicts of interest. Our proxy voting policy sets out a documentation and approval process for votes that may be influenced by conflict of interest and all proxy votes are subject to a compliance review process.

Any client may, by request, obtain our complete proxy voting policies and procedures, as well as a record as to votes cast by CastleArk for shares owned by that client.

#### **Item 18 - FINANCIAL INFORMATION**

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CastleArk will provide financial information (namely our audited balance sheet for the most recently ended fiscal year) to any client from whom we receive fees in advance.