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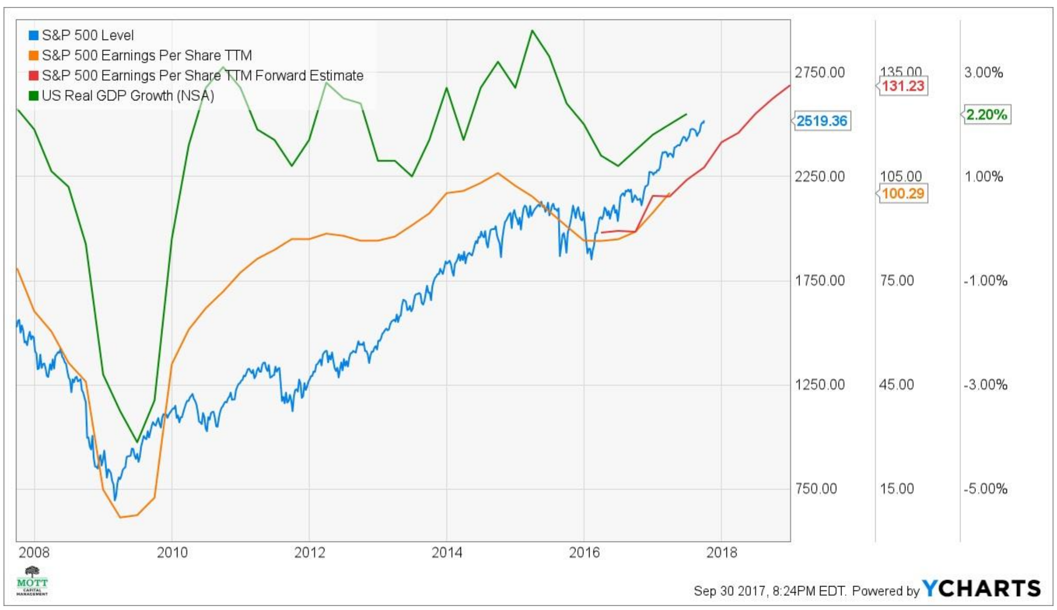
Mott Capital Management

October 5, 2017

We have now completed three-quarters of 2017, and as the year flies by at a lightning pace, the equity market continues to grind higher. Very little has slowed the markets in 2017, even in the face of ongoing domestic political tensions, the threat of nuclear war with North Korea and the interruptions of devastating weather events. Despite the occasional noise and distractions, the US and Global economic pictures continue to improve, nurturing earnings growth and driving equity markets higher.

A Return to Growth

Starting in late 2014 earnings began trending lower, and the US economy slowed as well. The earnings decline, coupled with the uncertainty surrounding the FOMC Interest Rate policy, lead to a massive amount of volatility in the equity markets. However, since the second half of 2016 organic and sustainable earnings growth has re-emerged and that sign of economic health has up until now been the central impetus leading markets higher. If current proposals for changing the tax code and cutting corporate tax rates can be enacted, they could act as a catalyst that can help fuel equities even higher.



Earning began turning higher following the second quarter of 2016, at which time the earnings on the S&P 500 over the trailing-twelve-months stood at $86.92. According to S&P Dow Jones Indices, since bottoming in mid-2016, the S&P 500 earnings are expected to surge by 51 percent, reaching $131.23 for the full year 2018. On June 30, 2016, the S&P 500 stood at 2098.86 and had risen by only 20 percent, closing 3Q 2017 at approximately 2,520. The projected growth in S&P earnings suggests that the S&P 500 could increase another 30 percentage points by the end of the calendar year 2018.

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As long as an increase in the S&P 500 does not outpace earnings growth any appreciation in the stock market can occur without meaningful multiple expansion from its current level around 23 times 2017 earnings. Should the projected earnings growth take place the S&P 500 could rise to a valuation of around 3,100. It sounds crazy for sure, but if earnings continue to grow and trend higher, while the economy continues to stay on target, it seems quite achievable.

Performance

Non-Annualized Performance 1/1/17 – 09/30/17

MCM Thematic Growth Composite	S&P 500 Total Return Index
16.69%	14.24%

*Net of Fees and Transaction Cost

The Thematic Growth Composite continues to outperform the broader S&P 500 Total Return Index by roughly 2.5 percentage points, up 16.69 percent through September 30. This outperformance comes net of fees and transaction cost, although the actual performance within an account can vary slightly.

MCM 3 Best & Worst Performers for 3Q'17

Acadia Pharmaceuticals (ACAD) +35.03%	Altria (MO) -14.85%
Netflix (NFLX) +21.31%	Alkermes (ALKS) -12.30%
Mastercard (MA) +16.29%	General Electric (GE) -10.44%

The Winners

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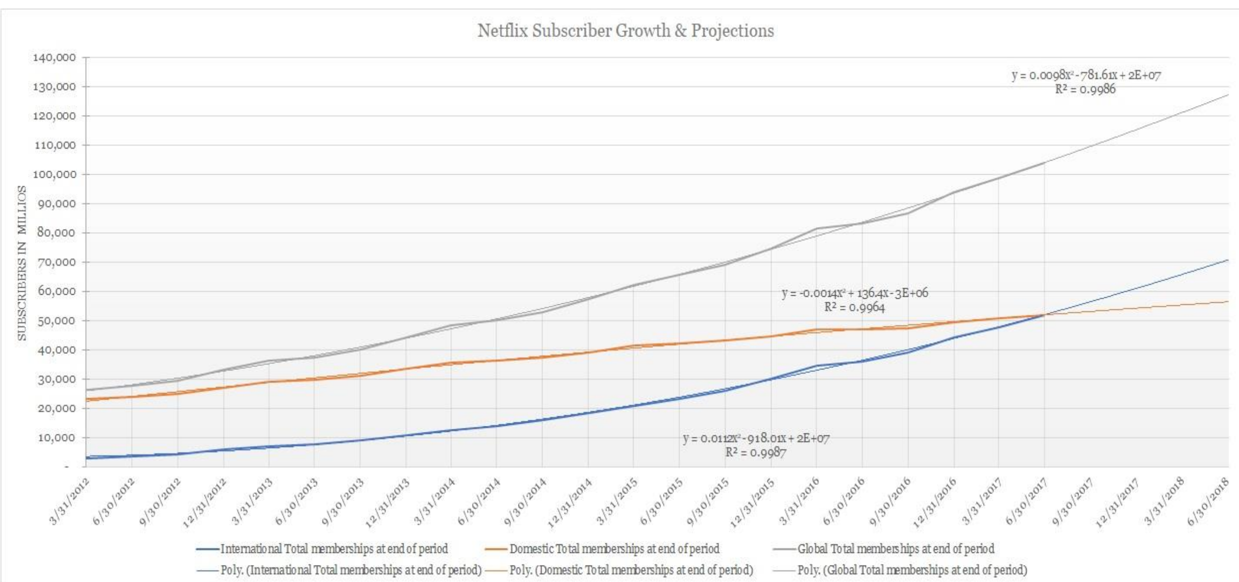
Acadia

Shares of Acadia surged after the biotech company's lead drug for the treatment of Parkinson's disease psychosis, Nuplazid, began to gain meaningful traction after its launch in June 2016. The company reported revenue 52 percent higher than expectations at $30.48 million for the quarter. Analysts consensus now sees sales of Nuplazid growing to $425 million by year-end 2019. Acadia continues to develop Nuplazid and now has trials underway covering a total of four additional indications, including the just-launched trial for dementia-related psychosis. We believe that the success of Nuplazid in only one of those four settings could give the drug the ability to generate over $2 billion a year in sales in the future.

Netflix

Netflix continues to dominate and reshape the media landscape, while the streaming media giant continues to add subscribers. The total number of subscribers now stands at over 100 million for the first time, while the number of international subscribers exceeds the number of domestic subscribers. Based on the current trends Netflix is on pace to ramp up to nearly 130 million subscribers by the end of the Q2 2018, led by international subscriber growth which is just in its beginning phases.



Mastercard

Mastercard still shows strength catching the wave of shifting demographics as millennials increase their aversion to cash and rely more and more on credit and debit settlements. The company continues to report record revenue and earnings nearly every quarter. The stock price

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and the cycle of the changing demographic trend likely has many years left before it reaches maturity.

The Losers

Altria

Altria shares were sitting near all-time highs when out of nowhere the FDA announced it would seek to reduce the amount of nicotine in cigarettes to just trace amounts. The news sent Altria shares plummeting. The move lower seemed like a knee-jerk reaction to a rule that likely does not change for many years, even if the FDA is successful in its announced regulatory initiative. Additionally, the company continues to move away from smokables to e-cigarette and vapor products. We believe Altria continues to be a good holding and offers decent growth opportunities; now is not an appropriate time to make any meaningful changes in our holding.

Alkermes

Alkermes shares fell during the quarter for no specific reason. The biopharma continues to deliver robust top-line revenue growth with its lead product Vivitrol, used to treat individuals struggling with opioid addiction, which has become a national epidemic. The company has also submitted a New Drug Application for it lead drug candidate ALKS '5461, a medication for the treatment of depression. The drug is well on its way to a full FDA review; if approved, this new product will add a meaningful revenue stream to the company.

General Electric

Finally, General Electric just continues to struggle, and although we have contemplated selling the stock on several occasions over the quarter, we have not been able to pull the trigger. Our analysis suggests that GE shares likely have a worst-case scenario situation priced into the shares. Newly installed CEO John Flannery could be on the verge of turning things around. At this point, it feels as if selling GE now would be is just giving the stock away.

Closing Comments

Overall, the performance of the portfolio is very pleasing this year, and it has been enjoyable to watch some the companies we have waited so long to grow to begin to bring the results we had projected.

Mott Capital has now completed three full years in business and has solidified a strong and improving performance record over that time. Identifying assets with long term potential tied to evolving economic and social trends is inherent in our Thematic Growth Strategy. We believe the growth achieved this year with positions that were first established as we started our journey 3 years ago serves as proof of concept for our underlying investing philosophy.

We are always seeking to attract new investors. Please feel free to share this letter with any friends or family that you think might be interested in learning more about Mott Capital and how our Thematic Growth Strategy may diversify part of their overall investment strategy.

As always thank you for your loyalty and continued support.

Regards,

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Year End	Total Assets Firm	Total Assets Composite	Number of Accounts	Composite Performance Net	S&P 500 Total Return	Annualized 3-Year Standard Deviation** Composite	Annualized 3-Year Standard Deviation** Benchmark	Internal Composite Dispersion
2016	1,717	1,377	17	-2.10%	11.96%	-	-	0.90%
2015	1,681	1,325	17	1.52%	1.38%	-	-	0.60%
2014†	1,026	628	8	3.82%	7.60%	-	-	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

† Performance reflects the non-annualized performance from 8/1/2014 to 12/31/2014.

** For periods with less than 36 months of composite performance, no 3-year ex-post standard deviation measurement is available.

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