1492 Vantage Point – Mid-Quarter Update

Market Digestion Underway?

As a prelude to our small cap equities' commentary, we are again pleased to announce that our 1492 Small Cap Core Alpha strategy has been recognized with Top Guns[1] status by Informa Investment Solutions' PSN manager database as the top performing strategy in their Small Cap Core Equity Universe for the twelve months ended March 31, 2017. In addition, the 1492 Small Cap Core Alpha strategy ranked 1st out of 571 in Broadridge MarketPlace's Best Money Managers[2] U.S. Growth & Value Equity universe for the four quarters ended March 31, 2017.

After discussing in our last mid-quarter update that we would enter a digestion period for the stock market as the new administration was broken in at our nation's capital, it appears that this Shakespearean "Much Ado About Nothing" period is upon us. Following a 3.58% advance year to date through February 15th, the Russell 2000 Index has since treaded water over the last three months with a gain of 3.17% year to date through May 15th. Our leading sectors from our last mid-quarter update have retained their top positions with Healthcare and Technology now up 13.4% and 11.7%, respectively, year to date through May 15th. Reflecting a more subdued market, Utilities have been the best performing sector over the last three months with a 4.9% advance and are now in third place for the top performing sectors year to date through May 15th. At the bottom of the pile, Energy plummeted 17.7% over the last three months and is now down 19.0% year to date through May 15th and reflects the uncertainty as to whether OPEC oil supply curtailments can positively impact oil prices with rising U.S. oil production. Lending further support to a cooling off of the market, Financials were the second worst performing sector over the last three months with a 4.1% decline and are now down 2.9% year to date through May 15th. Lastly, the Energy decline also pushed Consumer Staples up one notch to the second worst performing sector year to date May 15th with a 4.9% decline.

With roughly 80% of our strategies' holdings having reported their first quarter results, 70%, 77%, and 81% of the companies in the 1492 Small Cap Growth, 1492 Small Cap Value and 1492 Small Cap Core Alpha strategies, respectively, have met or exceeded consensus fourth quarter earnings expectations as provided by FactSet Analytics. These percentages are about flat with fourth quarter levels for the 1492 Small cap Core Alpha strategy, down about four points for the 1492 Small Cap Growth strategy and up thirteen points in the 1492 Small Cap Value strategy versus the previous quarter's levels. Similar to the fourth quarter of 2016, Technology and Financials earnings within our holdings posted healthy beats versus consensus quarterly earnings expectations along with Consumer holdings in the first quarter.

In our first quarter newsletter, we highlighted the underestimated impact of oil prices on our domestic economy. Improving oil prices obviously drives higher capital spending through the drilling of more oil wells but also propels industrial and transport activity through greater demand for items like steel for pipes and valves, sand for fracking wells, chemicals, and

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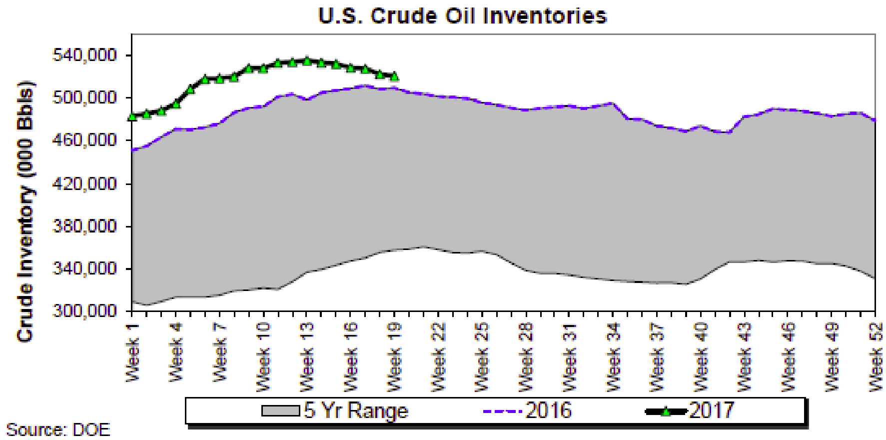
trucking. While the declines in U.S. oil inventories have been underwhelming thus far (see chart below) due to a surge in U.S. production and imported oil produced *prior* to the OPEC curtailment, the supply demand outlook for the oil business points to improvement over the rest of the year.



Based on International Energy Agency data, we should see this perceived overhang of inventory whittled back to normal over the rest of the year as OPEC holds supply around 32 mmb/d (million barrels per day), in our opinion, and demand accelerates from first quarter seasonally low levels. The demand for OPEC oil should exceed its supply by a range of roughly 0.9 mmb/d to 1.5 mmb/d over the remaining nine months of the year after factoring in rising U.S. volumes and after ignoring any potential geopolitical turmoil returning to key producers such as Venezuela, Nigeria or Libya (roughly 4 mmb/d of production from these three hotspots). Nine months of running an average oil supply deficit of, for argument's sake, of 1.2 mmb/d (averaging the low and high end of the range) would eliminate most if not all of the overhang and result in higher oil prices and a healthier U.S. economy. At the May 25th meeting, Russia and Saudi Arabia elected to maintain their production cuts through March 31, 2018. We believed that this extension would occur as, according to Royal Bank of Canada research, the rebound in oil prices has created estimated GDP growth in Russia for the first time in three years, and there is a Russian election in early 2018. In addition, the Saudis want higher oil prices as they desire to have an initial public offering for their state oil company in the near term and recently reinstated previously reduced benefits to their state employees which encompass roughly two thirds of the country's labor force. Despite the performance of energy stocks being nothing short of miserable at -19% year to date May 15th, we still believe that we are on the cusp of an upturn in oil prices and thus in the domestic economy.

Thank you, as always, for your time and interest, and we hope that you enjoyed our discussion of our strategies and the market in this mid-quarter update. Call Tim Stracka at 414-238-3398 with questions or to discuss any of our strategies and please visit us at www.1492capitalmanagement.com

Important Disclosures:

(1) Utilizing a proprietary blend of Informa Investment Solutions' top priority performance screens, PSN Top Guns ranks products in six proprietary star categories in over 50 universes. This is a highly anticipated quarterly ranking and is widely used by institutional asset managers and investors. Top Guns receive a star rating in the range from one to six. The stars indicate the continued performance over a length of time. 1492 Capital Management was named a Top Gun with a star rating of 2-Stars for its 1492 Small Cap Core Alpha strategy as a top ten performer within the Small Cap Core Equity universe, based on return from the 12 months ended March 31, 2017.

The complete list of PSN Top Guns and an overview of the methodology can be located on http://www.informais.com/resources/psn-top-guns. For more details on the methodology behind the PSN Top Guns Rankings or to purchase PSN Top Guns Reports, contact Ruth Calderon at ruth.calderon@informais.com. **About Informa Investment Solutions:** A market leader in intelligence and software solutions for investment professionals and financial institutions of all sizes, Informa Investment Solutions offers a robust set of analytics and tools to help you grow and retain your business. With a nearly 40-year history, Informa Investment Solutions is part of Informa PLC, a leading business-to-business knowledge provider serving International markets. Informa Investment Solutions has set the standard for providing turnkey and customizable applications for performing manager searches, building wealth plans, and producing client reports and investment marketing materials for companies worldwide. For more information, please visit http://www.informais.com/ and follow https://twitter.com/InformaInvest

(2) The minimum criteria for inclusion in ***Best Money Managers***: Performance must be calculated "net" of all fees and brokerage commissions. This means after all fees have been deducted. This standard is somewhat controversial, as the SEC requires that only "net" of fees numbers be presented publicly, while GIPS (Global Investment Performance Standards) prefers that "gross" numbers be presented along with a fee schedule. Since the SEC is a regulatory authority, and since complete fee schedule presentation would be impractical in this "ranking" format, we require "net" numbers. Performance must be calculated inclusive of all cash reserves. To explain, any given investment portfolio will hold some level of cash over a particular reporting period. Even equity portfolios which specifically seek to be fully invested in the market at all times will temporarily have dividend payments and other ordinary cash flows which cannot instantaneously be invested in the market. These cash holdings obviously will have an effect on the performance of the overall portfolio – negative when cash returns are low relative to returns of the asset class, and positive if the opposite is true. While presentation of "equity-only" (for example) returns may provide a valuable insight into the security selection skills of the manager, we require for comparability's sake that performance results be inclusive of cash reserves for consideration in the rankings. Performance results must be calculated in U.S. dollars, that is, from the perspective of a U.S.-based investor. Currency holdings can have a very significant impact on the performance of a portfolio with international holdings. While this will always be the case (as we do not make distinctions between hedged and unhedged portfolios), we require that performance must be translated into U.S. dollars to ensure comparability to the point where these are all returns that would be seen by a U.S.-based investor. Performance results must be calculated on an asset base which is at least $10 million in size for "traditional" U.S. asset classes (equity, fixed income, and balanced accounts) or at least $1 million in the case of international and "alternative" U.S. asset classes. This minimum ensures that the firm and product are somewhat established. The goal is to not taint the rankings with "flashes in the pan" while also not excluding promising emerging managers. The minimum asset base requirement, therefore, is set at a level which balances these objectives. The classification of the product must fall into one of the categories which we rank. We only publish rankings for categories/time period combinations for which we have at least 20 contenders.

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