1492 CAPITAL MANAGEMENT

DISCOVERING OPPORTUNITY

3RD QUARTER 2017 UPDATE

IDENTIFY THEMES | FUNDAMENTAL ANALYSIS | TARGET VALUATION | GROWTH STRATEGY | VALUE STRATEGY | CORE ALPHA STRATEGY | VALUE INCOME STRATEGY

1492 Vantage Point – Mid-Quarter Update

Feeling the Funk while Watching the Grass Grow

Similar to our previous mid-quarter update, 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 second best performing strategy in both their Small Cap Core Equity Universe and their Small-Mid Core Universe and the fourth best performing strategy in their Small-Mid Cap Universe all for the one year period ended June 30, 2017. In addition, the 1492 Small Cap Core Alpha strategy ranked 1st out of 566 and 1st out of 173 in Broadridge MarketPlace's Best Money Managers(2) U.S. Growth & Value Equity asset class and U.S. Small-cap Growth & Value Equity asset class, respectively, for the four quarters ended June 30, 2017. Please see the table below for additional rankings of both the 1492 Small Cap Core Alpha and 1492 Small Cap Growth strategies.

4 Quarters Ending 6/30/2017

Asset Class	Ranking	Product Name
U.S. Small-cap Growth & Value Equity	Ranked 1 out of 173	1492 Small Cap Core Alpha
U.S. Growth & Value Equity	Ranked 1 out of 566	1492 Small Cap Core Alpha
U.S. Small-cap Equity	Ranked 10 out of 460	1492 Small Cap Core Alpha
U.S. Small-cap Growth Equity	Ranked 15 out of 141	1492 Small Cap Growth
U.S. Equity (All Styles)	Ranked 17 out of 1759	1492 Small Cap Core Alpha
U.S. Small-cap Equity	Ranked 21 out of 460	1492 Small Cap Growth
U.S. Growth Equity	Ranked 22 out of 539	1492 Small Cap Growth
U.S. Equity (All Styles)	Ranked 31 out of 1759	1492 Small Cap Growth

MARKETPLACE 2017 BEST MONEY MANAGERS POWERED BY LIPPER

As we discussed in our last two mid-quarter updates, we remain mired in a market funk as we digest what the Trump administration can and cannot achieve relative to post-election expectations. Following a 3.17% advance year to date through May 15th, the Russell 2000 Index has slipped 45 basis points to 2.72% year to date through August 15th. Watching the grass grow the last three months may have provided equal excitement when compared to this market. The following discussion includes returns through August 15th unless otherwise noted. Our leading sectors from our last mid-quarter update have retained their top positions with Healthcare and Technology now up 19.5% and 9.8%, respectively, year to date. Healthcare was also the best performing sector over the last three months with a 5.4% advance while Technology declined 1.7%. With a 9.6% advance year to date, Utilities posted a 4.0% gain over the last three months, which was second only to Healthcare, as the market continues its roughly six month rotation into this "risk-off" sector. Excluding Healthcare, Utilities and Financials, which squeaked out a 0.4% return over the last three months, all others sectors declined. Accelerating its descent from our last update, Energy plummeted 19.0% over the last three months and is now down 34.4% year to date as rising U.S., Libya, and Nigeria oil production erodes confidence in the

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impact of the OPEC supply curtailments. Supporting the "risk off" market sentiment, Materials was the second worst performing group for the three month period with a 5.5% decline. Consumer Staples dipped 4.4% and remains the second worst performing sector year to date at -9.1%.

With over 84% of our strategies' holdings having reported their second quarter results, 74%, 75%, and 69% 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 second quarter earnings expectations as provided by FactSet Analytics. Compared to first quarter levels, the 1492 Small Cap Value strategy declined two points; the 1492 Small Cap Growth strategy increased four points; and the 1492 Small Cap Core Alpha strategy dropped twelve points. While Technology and Financials within our holdings reported healthy earnings beats in the first quarter, the 1492 Small Cap Core Alpha strategy's decline can be attributed to fewer beats in Technology and particularly Financials in the second quarter.

The investors' response to the second quarter 2017's median earnings growth in the Russell 2000 sectors typifies the market funk that has emerged over the last six months. Using data from small-cap research boutique Furey Research Partners, we have seen only two sectors with median earnings growth that exceeded the 6.4% earnings growth posted for the Russell 2000 Index as a whole in the second quarter. Technology and Financials excluding Real Estate have recorded healthy 12.3% and 12.0% earnings growth, respectively, in the second quarter. With only the Healthcare and Utilities sectors advancing meaningfully in the last three months ended August 15th, it is interesting to note that they posted median earnings growth of just 0.8% and 3.9% year-over-year respectively for the second quarter. Healthcare without the unprofitable, largely biotech, companies recorded 10.5% median earnings growth in the second quarter which helps to explain its continued strong market performance. Based on the last three month sector returns through August 15th, it is clear that when the market is in risk-off mode the superior earnings growth in Technology and Financials is viewed as peaking as the global growth and flattening yield curve horns are sounded, and the stability of Healthcare and Utilities moves to the front burner of investor interest. With no Utilities sector exposure, we remain positive on our technology themes like fiber optics and software as a service (SAAS) along with our belief that we are in the early innings of a technology super cycle as we mentioned again in our latest quarterly newsletter. With our financials theme of regional banks – tax haven states deployed across the strategies as well, we remain positioned for more robust economic activity in the second half of 2017.

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, Small-Mid Core Universe, and the Small-Mid Cap Universe based on return from the one year period ended June 30, 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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