1492 CAPITAL MANAGEMENT
DISCOVERING OPPORTUNITY

4TH QUARTER 2017 UPDATE

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1492 Vantage Point – Mid-Quarter Update

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Once More into the Risk-on Trade

To begin, 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 third best performing strategy in their Small-Mid Core Universe for both the quarter and one year period ended September 30, 2017. The 1492 Small Cap Core Alpha strategy also ranked fifth and seventh for the one year period ended September 30, 2017 in the Small-Mid Cap Universe and the Small Cap Core Equity Universe, respectively. In addition, the 1492 Small Cap Core Alpha strategy ranked third out of 569 and third out of 183 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 September 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 9/30/2017

Asset Class	Ranking	Product Name
U.S. Growth & Value Equity	Ranked 3 out of 569	1492 Small Cap Core Alpha
U.S. Small-cap Growth & Value Equity	Ranked 3 out of 183	1492 Small Cap Core Alpha
U.S. Growth Equity	Ranked 26 out of 523	1492 Small Cap Growth
U.S. Small-cap Equity	Ranked 30 out of 464	1492 Small Cap Growth
U.S. Small-cap Growth Equity	Ranked 17 out of 138	1492 Small Cap Growth
U.S. Equity (All Styles)	Ranked 30 out of 1770	1492 Small Cap Core Alpha
U.S. Small-cap Equity	Ranked 19 out of 464	1492 Small Cap Core Alpha

MARKETPLACE 2017 BEST MONEY MANAGERS *POWERED BY LIPPER

Our last mid-quarter update was entitled "Feeling the Market Funk while Watching the Grass Grow" as a reflection on the sideways movement of the market for the three months ended August 15, 2017. Bolstered by yet another dose of optimism that something positive might emerge on tax reform before we all pass from this earth and by higher oil prices, the Russell 2000 Index has accelerated to a 9.07% year to date gain through November 15th from a 2.72% gain year to date through August 15th. The following discussion includes returns through October 15th unless otherwise noted. While Healthcare and Technology continue to maintain their top positions with 27.1% and 16.1% advances, respectively, year to date, the two worst performing sectors over the previous three months rose to lead this current three month period. Energy and Materials posted returns of 11.4% and 10.2%, respectively, as declining oil inventories and positive economic data points aided these cyclical sectors in the risk-on rotation. All sectors posted positive returns in this last three month period with risk-off Utilities and Consumer Staples at the bottom of the group 1.3% and 0.8%, respectively. Energy and Consumer Staples are now the only sectors down year to date with declines of -26.9% and -8.4%, respectively.

With third quarter results reported for roughly 80% of our strategies' holdings, 68%, 82%, 70% of the companies in the 1492 Small Cap Value, 1492 Small Cap Growth and 1492 Small Cap Core Alpha strategies, respectively, have met or exceeded consensus third quarter earnings expectations as provided by FactSet Analytics. Compared to second quarter levels, the 1492 Small Cap Value strategy dipped seven points with the 1492 Small Cap Growth and

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Small Cap Core Alpha strategies rising eight points and one point, respectively. The 1492 Small Cap Value strategy's decline can be attributed to fewer beats in the Healthcare sector while the 1492 Small Cap Growth strategy's improvement stemmed from strong Materials, Technology and Financials earnings beats.

To quote Shakespeare's Henry V, "once more unto the breach, dear friends, once more" aptly describes another return to the risk-on trade of the last three months with Energy and Materials leading the market charge. With each the second and third quarters of 2017 boasting at least 3% real GDP growth, the U.S. economy has recorded its best results since the first quarter of 2015. Despite this positive, we have a two/ten year U.S. treasury yield spread of an anemic 62 basis points at the moment. With our investment team having just attended multiple conferences and dozens of company meetings over the last two weeks, we believe that inflation is here and that this two/ten year spread will widen. As we've mentioned in past newsletters, higher oil prices have a multiplier effect across a variety of industries as improved oil and gas drilling drives more chemicals, steel and transport demand. The tone from companies in attendance at a transportation conference early this month was particularly bullish as trucking rates were routinely forecast to accelerate 5-10% in 2018 due to improving freight, the ramping of the electronic logging mandate to curb excess driving hours, and the continued shortage of drivers. A rewidening of the two/ten year spread is also historically bullish for banks and small cap stocks and should help drive improved bank earnings and interest in Financials, which year to date have languished as the third worst performing sector with a paltry 1.2% sector advance. Our strategies all remain deployed in the domestic shale oil, trucking and regional banks – tax haven states which should benefit, in our opinion, from the continuing risk-on trade associated with improved economic growth, which hopefully can be further bolstered through tax reform. Lastly, as an interesting statistics, the Russell 2000 Index now has six consecutive quarters of positive returns through the third quarter of 2017, and historically in the prior three periods where a similar streak has occurred, the average forward year return was 6.5% according to analysis from small-cap research boutique Furey Research Partners. The best forward year was a +16.3% following the second quarter of 1996 and the worst a -1.8% decline after the fourth quarter of 1993.

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 rating of 1-Star in the Small-Mid Core Universe based on the Small Cap Core Alpha strategy's return for the quarter ended September 30, 2017. It also received a 2-Stars rating for the 1492 Small Cap Core Alpha strategy's return for the one year period ended September 30, 2017 in the Small-Mid Cap Universe and the Small Cap Core Equity Universe.

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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