

1492 Vantage Point – Mid-Quarter Update

Light at the End of the Twelve Month Tunnel

To begin, we are pleased to announce that 1492 Capital Management has been named a Top Gun⁽¹⁾ by Informa Investment Solutions’ PSN manager database, North America’s longest running database of investment managers. With our long-term, thematic investing focus, we are delighted that the 1492 Small Cap Core Alpha strategy achieved both a 3 Star rating as the third best performing strategy in their Small-Mid Core Universe for the three year period ended September 30, 2018 and a 2 Star rating as the fourth best performing strategy in their Small-Mid Core Universe for the one year period ended September 30, 2018. With respect to Broadridge MarketPlace’s Best Money Managers⁽²⁾, 1492 Capital Management has again received multiple recognitions for the 1492 Small Cap Growth strategy and the 1492 Small Cap Core Alpha strategy as shown in the second table below.

Period Ended 9/30/2018

PSN Informa Investment Solutions - Top Guns

Strategy	Universe	Rating/Rank	Period
1492 Small Cap Core Alpha	Small-Mid Core Universe	2 Star / Ranked 4th	One year
1492 Small Cap Core Alpha	Small-Mid Core Universe	3 Star / Ranked 3th	Three year

Broadridge MarketPlace Best Money Managers

Strategy	Asset Class	Rank	Quarters
1492 Small Cap Growth	U.S. Small-cap Equity	Rank 8 out of 470	4 quarters
1492 Small Cap Growth	U.S. Small-cap Equity	Rank 12 out of 403	12 quarters
1492 Small Cap Growth	U.S. Small-cap Growth Equity	Rank 8 out of 138	4 quarters
1492 Small Cap Growth	U.S. Small-cap Growth Equity	Rank 11 out of 123	12 quarters
1492 Small Cap Core Alpha	U.S. Small-cap Growth & Value Equity	Rank 11 out of 189	4 quarters
1492 Small Cap Core Alpha	U.S. Small-cap Growth & Value Equity	Rank 6 out of 157	12 quarters

With the market correcting sharply from its peak in early September, the Russell 2000 Index is now up a paltry 0.32% year to date through November 15th after offering over a 14.26% year-to-date gain as recently as August 31st. Over the last three months, only the Utilities sector has squeaked out a positive gain of 0.28%. Materials and Energy were the worst performers over this period at -13.49% and -13.47%, respectively, and also hold the bottom two positions for year-to-date performance at -15.89% and -15.01%, respectively. While having a short time in the sun in the second quarter, Energy has sold off recently as oil prices have retreated sharply on supply concerns due to waivers for buyers of Iranian oil and global growth fears. Year to date, the top two performers remain Technology and Healthcare with nearly identical advances of 6.48% and 6.47%, respectively, but neither was spared in the last three months with declines of -9.35% and -11.34%, respectively. In our opinion, the market remains in risk-off mode with Utilities rebounding to the number three position year to date and with secular growth stories in Technology and Healthcare offering a modicum of Bob Dylanesque shelter from the storm.

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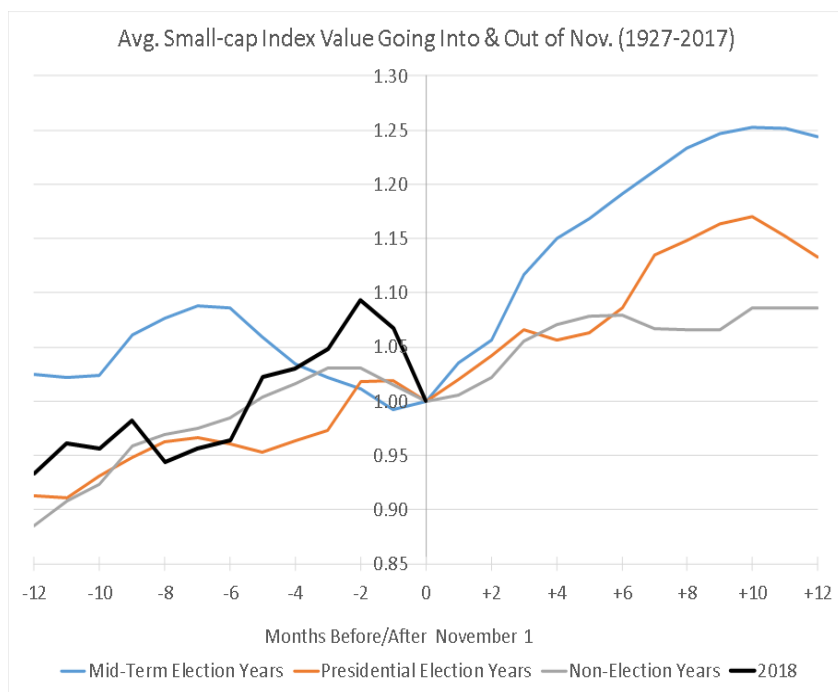
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As third quarter results have been reported for over 75% of our strategies' holdings thus far, 67%, 76%, 72% of the companies in the 1492 Small Cap Value, 1492 Small Cap Growth and 1492 Small Cap Core Alpha strategies, respectively, have met or exceeded consensus third quarter earnings expectations as provided by FactSet Analytics. All three strategies posted strong earnings performance within our healthcare and financial holdings. Our technology positions also recorded a high percentage of earnings beats relative to consensus expectations.

While it's proverbially darkest before the dawn and the stock market feels horrible right now, we do have a bit of history on our side post mid-term elections. Among large caps as represented by the S&P 500 index, the 12 month return following a mid-term election is 15.3% over the 1950-2014 period according to Strategas Research. For small caps over the last 90 years, the 12 month return near the end of a mid-term election cycle or November 1st averages to roughly a low 20% return based on the chart below from Furey Research Partners.



Source: Furey Research Partners

Lastly, when the next 12 months price-to-earnings ratio for the Russell 2000 is in a range of 15-17 times as it is currently, the Russell 2000 Index, according to Furey Research Partners, has posted an 11-12% forward year return since 1995. Hopefully, this historical data will translate to a better market into year-end 2018 and 2019.

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 2 Stars and 3 Stars in the Small-Mid Core Universe based on the Small Cap Core Alpha strategy's return for the one year and three years ended September 30, 2018, respectively.

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.

Past performance does not guarantee future results. No investment firm, including 1492 Capital Management, guarantees gains or that losses will not occur from the strategies applied to managed portfolios.

Comments and opinions expressed in this document regarding individual securities, markets, strategies and case studies are not recommendations or predictions, and thus should not be acted upon. They are based only upon the judgments and opinions of 1492's professional staff. The use of any investment strategy does not guarantee that an investment return will be achieved, or that a loss will not occur from the advice provided. You are encouraged to contact us with your questions. Please [click here](#) to view 1492 Capital Management's Disclosure.

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