

1492 Vantage Point – Mid-Quarter Update

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 a 3 Star rating as the second best performing strategy in both their Small-Mid Core Universe and Small Cap Core Equity Universe and a 3 Star rating as the fourth best performing strategy in their U.S. Core Equity Universe for the three year period ended March 31, 2019.

At the time of our February 15th update, the Russell 2000 Index had vaulted to a 16.52% year-to-date gain, and we commented that we would expect some near-term profit taking during an otherwise strong year for small caps in 2019. With the year-to-date performance through May 15th stalling to 15.35%, the index may be starting to confirm this prediction. However, the retreat has occurred just over the last week or so due to the reigniting of Chinese trade concerns and additional geopolitical tension in the Middle East. Over the last three months, in fact, only two sectors have posted positive performance with Utilities and Technology up 4.2% and 1.5%, respectively. This leadership suggests barbell type investing over the last three months with the safety of the defensive utilities group on one side and the secular growth of technology on the other. Our two worst performing sectors are Healthcare and Materials, which notched declines of -4.5% and -4.0%, respectively, over the last three months. On a year to date basis for the Russell 2000 Index, Technology and Energy continue to occupy the top two positions with 23.2% and 16.3% gains, respectively, and Consumer Staples dipped past Utilities to be the worst performer with a 6.8% increase.

With first quarter results having been reported for roughly 73% of our strategies' holdings thus far, 71%, 66%, 64% of the companies in the 1492 Small Cap Core Alpha, 1492 Small Cap Growth and 1492 Small Cap Value strategies, respectively, have met or exceeded consensus first quarter earnings expectations as provided by FactSet Analytics. While all three strategies recording lower percentages of meet or beat earnings when compared to the fourth quarter 2018, technology holdings posted strong results in the first quarter which were partially offset with weaker earnings performance in Financials, Transports and parts of Healthcare.

Load the Cannons and Let's Talk Trade: In what feels like an 18th century naval battle with two ships firing cannons broadside at each other from close range, China and the United States' trade discussions and tariffs have moved to the front burner of investor concerns. Measuring the exact impact of this trade issue is to say the least challenging. With the recent additional 15% tariff attached to \$200 billion of Chinese imports, the impact on U.S. GDP appears to be a relatively benign 0.15% reduction based on Cornerstone Macro's research shown in the chart below.

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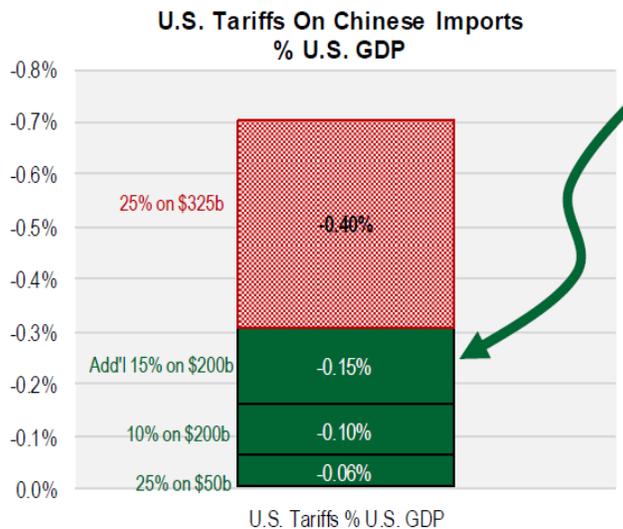
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Source: Cornerstone Macro

As the chart depicts, significant damage will come to U.S. GDP growth if another \$325 billion of Chinese imports is saddled with a 25% tariff. Equally or possibly more significant is the harder to quantify GDP impact from potential declines in business and consumer confidence and from a stronger dollar during a prolonged trade battle. As we mentioned in our fourth quarter 2018 newsletter, this trade battle has taken a heavy toll on the U.S. farmer as U.S. trade negotiators demand the halt of intellectual property transfers in China. The Chinese have applied tariffs to a variety of key agricultural items (ethanol, soybeans, pork) in swing states that voted for Trump in 2016. With tough times down on the farm (soybeans recently dropped below \$8 per bushel for the first time since 2008) and an election in less than 18 months, time is of the essence for the Trump administration to finalize a trade deal as the stock market consistently hates uncertainty and hell hath no fury like a voting soybean farmer.

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, earning a 3 Star rating as the second best performing strategy in both their Small-Mid Core Universe and Small Cap Core Equity Universe and a 3 Star rating as the fourth best performing strategy in their U.S. Core Equity Universe for the three year period ended March 31, 2019.

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/InformalInvest>

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