1492 Vantage Point – Mid-Quarter Update

What a difference three months makes! At our last mid-quarter update on August 15th, the Russell 2000 Index had relinquished roughly 40% of its gains from a year-to-date May 15th performance of +15.4% to 9.3%. It has now more than doubled from August to a 19.8% year-to-date gain through November 15th. Additional Federal Reserve rate cuts and a swing back to China trade pact optimism are the key drivers of the advance Our two best performing sectors are Materials and Consumer Discretionary with gains of +17.4% and +14.6%, respectively, for the three months ended November 15th. Utilities and Energy reside at the bottom for the period with returns of -1.9% and +0.9%, respectively. In the first to worst category, Utilities was the only one sector to post a negative performance, which follows its previous three months period where it was the only sector with positive performance. On a year-to-date basis for the Russell 2000 Index, Technology and Materials anchor the top of the leader board with +30.2% and +26.2% gains, respectively, and Energy and Consumer Staples remain at the bottom with returns of -16.7% and +5.3%, respectively. In the last three months, Materials has replaced Utilities as the second best performer year to date through November 15th, which is indicative of a strong swing back to a "risk on" market. However, Energy has yet to benefit from the more cyclically oriented market as U.S. and non-OPEC oil production growth in 2020 in excess of forecasted demand increases continues to keep investors away.

With third quarter results recorded for roughly 80% of our strategies' holdings thus far, 59%, 63%, and, 71% 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 lower percentages than in the second quarter. A softening in both the Technology and Producer Durables sector performance and continued weakness in Consumer Discretionary results were recorded across the strategies. Financials and Healthcare were strong performers in the third quarter.

In our last update, we commented that historically the Federal Reserve's "insurance" interest rate cuts that are intended to help a healthy economy preemptively avoid a downturn have precipitated strong small cap market returns of over 19% in the 12 months following the first cut. While only three months have passed since the first cut on July 31st, the Russell 2000 Index has posted a small advance. In our third quarter newsletter, we noted that the market also enjoys its best performance period at the inflection point where a reading of under 50 of the ISM Manufacturing PMI: New Orders Index stabilizes and then begins to rise. To paraphrase from the movie Top Gun, it is a "turn and burn" moment for the market. During these advances from a below 50 reading, the average one year forward return for small caps is over 20% according to Strategas Research. As seen in the chart below, the October reading for this index just inflected to 49.1 from 47.3 in September as easing global trade tensions, interest rate cuts, and the strength in housing provide economic tailwinds. A reading above 50 denotes economic expansion.

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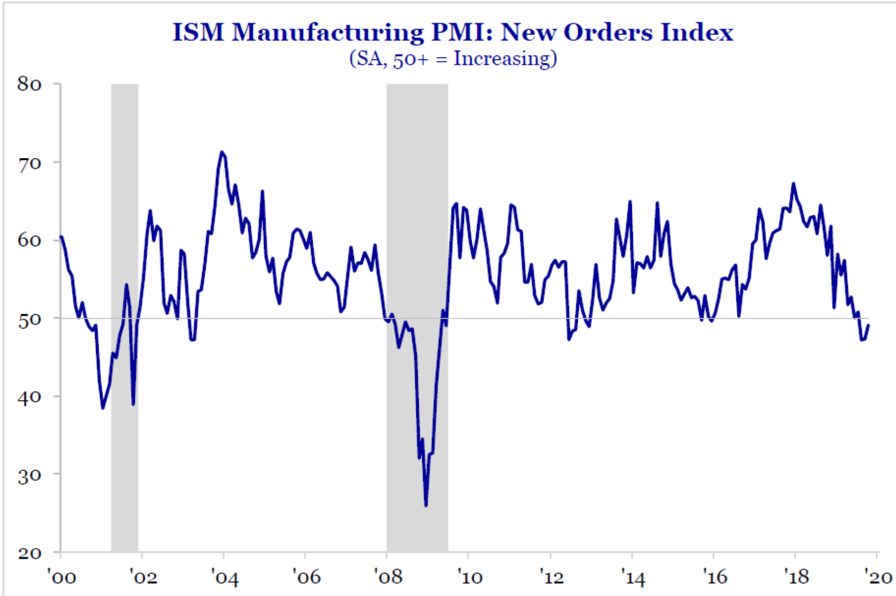

Source: Strategas Research

With plenty of room to run from this sub 50 index level back to the top end of its historical range in the mid 60's, the ISM Manufacturing PMI: New Orders Index is telegraphing, in our opinion, a healthy small cap market over the next twelve months.

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:

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