Mott Capital Management, LLC

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7/7/16

Just when you get a minute to breathe the market knocks the wind out of you. The last blow came in the form of the Brexit. Brexit was a referendum that was voted on by the British people to either remain or leave the European Union. The market's expectation was for a "Brit-in" meaning the British would not vote to leave the Union. Instead, the market got a "Brexit", a vote to leave the Union. It seemed to be just as shocking to the leaders of Britain as it was in the markets. Of course, this sent the markets into a tidal wave of fear, virtually destroying all the ground that was recovered for the quarter, only to get the majority of it back in the last few days. Without getting too much into British law, which I am no expert in, it would seem that until the UK notifies the EU of the UK's desire to leave the union, nothing will change. David Cameron, the current Prime Minster has already resigned and announced a new prime minister would come into power in October. Which essentially, means, in my opinion, the UK does not leave until then and will give them some time to figure out what to do after that. Needless, to say what should have been a positive quarterly letter, highlighting a few significant milestones in our portfolio has instead to turn to focus on British and European politics. It just serves a remind how intertwined the global market have become and to any who still think what happens over there, be it Europe or Asia, doesn't matter you better think again.

I believe it is critical to remember we live in an ever-changing world. Things are changing around us every day, be it technology, the weather or the country's political affiliations. The market gyrates on these events, in either a positive or negative way. There is no way to predict what the next major world event will be. The best way, in my opinion, has always been to take a long-term approach to investing which helps to neutralize the short term volatility. That is not to say the value of your account does not go up or down because it does. However, taking a long-term approach and understanding your investment can help to keep a cooler head during periods of market turmoil. Which in turn could keep you from making an unwise decision.

<u>Non-Annualized Performance 1/1/16 – 6/30/16</u>

MCM All-Cap Growth Composite	S&P 500 Total Return Index

-4.06%*	+3.84%

*Net of Fees and Transaction Cost

<u>MCM Top 3 Winners & Loser for 2Q'16</u>

Alkermes (ALKS) +26.41%	Skyworks (SWKS) -18.77%
Hain (HAIN) +21.61%	Tesla Motors (TSLA) -7.61%
Acadia Pharma. (ACAD) +16.09%	Master Card (MA) -6.81%

During the quarter shares of ALKS rebounded a touch after tumbling in the 1Q'16 due to '5461 the company's depression drug. After reviewing the data, the company released at the beginning of June I am more optimistic that the last leg of the study should perform better. Shares of HAIN, surged as the company continued to recover from its nut-butter recall last year. They continue to grow the existing business and acquire small businesses to diversify the brand. ACAD moved higher following the FDA's approval for Nuplazid, the first and only drug for the treatment of Psychosis associated with Parkinson Disease. Additionally, the company announced the launch of the drug at the beginning of June.

SWKS continues to fall under continued pressure due to nervousness around iPhone sales. SWKS generates a significant portion of its revenues from this. However, with Apple launching a new phone this fall and the company's continued movement into the connected world (internet of things), we continue to believe the business is set up for success going into the future. TSLA just seems to bounce every quarter. It is just the nature of the stock at this point as investors continue to battle on the company's valuation. During the quarter the company announced it would try to acquire Solar City (SCTY, a solar energy company). This has caused some nervousness in the investor community, as Elon Musk owns both TSLA and SCTY. Some investors feel he is trying to bail out SCTY because of its poor performance. However, there are some potential synergies at play that could prove to be valuable as TSLA continues to grow from not only an automaker but also to an alternative energy company through its storage battery units and now

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solar panels. Finally, shares of MA, performed fairly well for the quarter and seemed just to get mixed up in Brexit vote.

Finally, we sold shares of Gilead during the quarter. We feared that the company's growth cycle might be closer to the end at this point than the beginning. Additionally, add in the political pressure about drug pricing due to the political risk generated by the presidential election the risk nor longer outweighed the reward. We have not replaced GILD in the portfolio at this point. Given the market volatility and the slow summer months, we decided it best to wait and see what opportunities the market creates for us.

I know this first part of the year has not been fun for any investors. Between China, the Fed and Brexit there has certainly been plenty to talk about. However, it has put the market on a roller coaster. I do not see this volatility ending anytime soon. It leaves this year as a stock pickers market, and not an easy one at that.

As always if you have any questions, please feel to reach out.

Thank you for your continued trust and support.

Regards,
Michael Kramer
Member
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	Total Assets			Composite Performance	S&P 500	Annualized 3-Year Standard Deviation**		Internal Composite Dispersion
Year End	Firm	Composite	Number of Accounts	Net	Total Return	Composite	Benchmark	
2015	1,681	1,325	17	1.52%	1.40%	-	-	N.A.
2014†	1,026	628	8	3.82%	7.60%	-	-	N.A.

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
† Performance reflects the non-annualized performance from 8/1/2014 to 12/31/2014.
** For periods with less than 36 months of composite performance, no 3-year ex-post standard deviation measurement is available

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