Mott Capital Management, LLC
101 Seventh Street
Garden City, NY 11530

October 11, 2016

During our last quarterly letter the primary focus was on Brexit and the fears that the market had about the event. That fear did not last more than just a few days before things seemed to get back to normal. In fact from around the middle of July until Labor Day I can't remember a recent period that saw the market do as little as it did. The S&P 500 did manage to reach a new all-time high around 2185 and then the whole market seemed to go on vacation. With trading staying in a rough 1% band the rest of the summer.

After Labor Day the story quickly changed as fears of a Fed rate once again gripped the market and with it, the return of volatility. The Fed ultimately passed on raising rates during its September meeting and so did the Bank of England, The European Central Bank and The Bank of Japan at each of their respective meetings. Each central bank seemed to send the same message, they each have concerns over the pace of inflation growth. As long as inflation and economic expansion continue at a slow pace I do not believe the Fed or any central bank will look to raise rates this year or next. However, the markets seem to be pricing in the chance of rate hike from the Fed in December as yields on bonds inch up and the Dollar strengthens.

This should keep the equity market in a relative "safe zone". This will provide a level of comfort about continuing to own equities allowing the markets to maintain or expanded upon their current levels. This is one of the reasons I believe we will see a fourth quarter rally. Additionally, many hedge funds have underperformed this year. According to **EurekaHedge.com** a hedge fund tracking index of long/short equities is up only 2.32% for 2016 through the end of September, while the S&P 500 Total Return had been up nearly 7.84%. This could cause Hedge Funds to start to chase for performance going into the final quarter. Buying the equities that have done the best in 2016 or the ones expected to generate the greatest returns for the balance of the year.

Non-Annualized Performance 1/1/16 – 9/30/16

MCM All-Cap Growth Composite	S&P 500 Total Return Index
(-3.43%)	+7.84%

*Net of Fees and Transaction Cost

As you can see from looking at the chart above, we have fallen into this category as well, unable to keep pace with the broader market. We will explore reasons for this in more detail below. As we go through the individual names and elaborate were the weakness in the portfolio has been.

Mott Capital Management, LLC

101 Seventh Street
Garden City, NY 11530

MCM Top 3 Winners & Loser for 3Q'16

NXP Semi (NXPI) +30.21%	Hain Celestial (HAIN) -28.46%
Skyworks (SWKS) +20.32%	Altria (MO) -8.31%
Master Card (MA) +15.57%	Verizon (VZ) -6.91%

NXPI began to rally the last few days of September sharply as rumors began to circulate that the company was a likely to be acquired by Qualcomm (QCOM). Back in the middle of July the announcement that Softbank, a Japanese firm, was going to be acquiring ARM Holdings, (an NXPI competitor), and sparked the latest round of take-overs in the Semiconductor space. At the time, my analysis showed that NXPI was likely worth about $40 billion or $120 per share, based on similar comparable's. Even with the latest run-up in NXPI, it still only valued at $35 billion or $104. SWKS, just like NXPI has benefited from renewed M&A activity in the sector. Additionally, the strong launch of Apple's iPhone7 this past September is also the main driving force behind the recent price increase. According to our research, SWKS, provides about $7 worth of parts to every iPhone produced. Finally, MA card bounced from top 3 loser in Q2 to top 3 gain in Q3. This has more to with it be sold-off heavily follow Brexit than anything else.

HAIN, had a fantastic start to the quarter after it was announced that Danone would be buying a HAIN competitor White Wave (WWAV). Shares of HAIN surged at point as high as $56.99 on August 12th, on speculation of an acquisition announcement. However, on August 13th, reality struck, and it was not that company was being acquired, the company announced it was delaying its earnings announcement. This was due to an internal audit uncovering a flaw in revenue recognition. The company explained that it didn't expect any changes in previously booked revenue. However, the question was if the revenue was booked in the appropriate quarter. Of course, this is what lead to the massive decline in the share price. The current CEO of the company is the founder and started the company in the early 1990's. My belief is that there is nothing fraudulent at the company occurring and it is truly just a matter of revenue being booked in advance. Due to Sarbanes-Oxley, a CEO must sign off on all accounting statements, which would mean the CEO would be guilty of fraud. I do not believe this CEO would want his reputation to go down as being a fraud. I also think that this accounting issue came up during a due diligence process of a likely buyer of HAIN reviewing the books. If it truly is just a case of timing, then my belief is that once the matter is resolved the share prices should once again begin moving higher. HAIN is the primary reason for the most recent downdraft in performance, resulting in the majority of loses in the Portfolio during the month of August. Regarding MO and VZ these are both in the same bucket, this is a case of investors moving away from higher yielding equities. The expectation of the Fed rate hike in early September caused investors to sell equities that have higher yields because a rising rate environment would be bearish for these type of equities. However, at this we do not believe we are in the midst of rising rate environment.

Mott Capital Management, LLC
101 Seventh Street
Garden City, NY 11530

During the quarter we finally settled on choosing a new equity for our portfolio. We bought shares of Netflix (NFLX), as we see this fitting perfectly into our "On Demand" generation theme. The streaming video segment is continuing to grow, and NFLX is the leader in the sector. Additionally, during the quarter NFLX signed a deal with Comcast to offer NFLX services on Comcast set top boxes. This in my view is a game changer, as you now no longer have to have a smart TV or internet connection to access NFLX programing.

The fourth quarter will likely be exciting with 2 FOMC meeting and a Presidential election creating plenty of ups and downs. Additionally, Italy will be holding a referendum on Constitutional Reform, which PM Renzi has placed his career on, vowing to step down as PM should the Referendum not pass. However, despite all of these variables I do believe the market will perform strongly. Patience will be needed for the next quarter something I tell myself and Manoj never lets me forget.

Finally, I wanted to let you know that during the third quarter I started a partnership with Seeking Alpha (SA). I now write a market commentary three times a week for the **free SA website** and another daily column called **Reading The Market** for paying subscribers. Therefore, I have transitions all of my daily writing to SA solely. My hope is to try to develop a new source of revenue to help the business continue to expand. You can find out more about the free site and the paid site by clicking the blue links above or just by asking me.

Feel free to shares this letter with any friends or family that you think might find it interesting. I would love the opportunity for an introduction if you feel it appropriate.

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

Thank you for your continued trust and support.

Regards,
Michael Kramer
Founder/Portfolio Manager
Mott Capital Management, LLC
516-642-5788

	Total Assets		Number of	Composite Performance	S&P 500	Annualized 3-Year Standard Deviation**		Internal
Year End	Firm	Composite	Accounts	Net	Total Return	Composite	Benchmark	Composite Dispersion
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

Mott Capital Management, LLC

101 Seventh Street
Garden City, NY 11530

<u>Disclosure: Mott Capital Management, LLC</u> *is a registered investment adviser. Information presented is for educational purposes only and does not intend to make an offer or solicitation for the sale or purchase of any specific securities, investments, or investment strategies. Investments involve risk and unless otherwise stated, are not guaranteed. Be sure to first consult with a qualified financial adviser and/or tax professional before implementing any strategy discussed herein. Upon request the advisor will provide a list of all recommendation made during the past twelve months. Past performance is not indicative of future performance.*

<u>Disclosure: Mott Capital Management, LLC ("Mott")</u> *claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Mott has not been independently verified. Mott Capital Management, LLC is an independent registered investment adviser. The firm maintains a list of composite descriptions, which is available upon request. The All-Cap Growth Composite is a blend strategy of different market capitalizations, which is approximately divided equally among three sectors. The Core Growth sector includes large multi-national companies, the Growth Sector includes mid- to large-cap companies, and the Aggressive Growth sector includes small- to mid-cap companies. The strategy is concentrated, and typically includes approximately 20 positions, and 5% cash. The strategy only invests in stocks, ADRs, and ETFs denominated in USD. The All-Cap Growth Composite was created June 2015. The S&P 500 is a free-float capitalization-weighted index of 500 large-cap common stocks actively traded in the United States. The index is shown as a general market indicator, and may not reflect the same exposures as the composite. The investment management fee schedule for the composite is 2% on the first $250,000, 1.5% on the next $750,000, and 1.0% on the remainder. Actual investment advisory fees incurred by clients may vary. Further information regarding investment advisory fees is described in Part 2 of the firm's Form ADV. Past performance is not indicative of future results. The U.S. Dollar is the currency used to express performance. Performance shown represents total returns that include income, realized and unrealized gains and losses. Net of fee performance was calculated using actual fees. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. The annual composite dispersion presented is an asset-weighted standard deviation calculated using accounts in the composite the entire year. The 3-Year Standard Deviation represents the annualized standard deviation of actual composite and benchmark returns, using the rolling 36-months ended each year-end. The 3-Year ex-post Standard Deviation of composite and benchmark returns is not presented because the composite strategy has less than three years of history.*