Mott Capital Management, LLC

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10/8/15

When it rains it pours, this was certainly not a quarter to remember: All the major indices were lower. The Dow, NASDAQ and S&P 500 were down -7.57%, -7.35% and -6.93% respectively. The quarter began on a hopeful note – the resolution of the Greek debt crisis. We had a nice calm month of July and suddenly in the middle of August the markets caught on to the fact that Chinese economy was collapsing. We had postulated in our article in Seeking Alpha about the importance of China. Through the end of September the Shanghai composite was down 5.6%. And the market just capitulated. The Shanghai composite started the year at 3234.68, reaching a high of 5166.35 (+59.71%) on June 12, 2015 and then retreated to 3052.78 (-40.9% from the peak) on September 30, 2014.

Non-Annualized Performance 1/1/15 – 9/30/15

MCM All–Cap Growth Composite	S&P 500 Total Return Index
-2.88%*	-5.28%

* Net of Fees and Transaction Costs

Our Markets woke up to the fact this was happening sometime around the second week of August when the Chinese decided to devalue their currency. What we found really interesting about the sell-off in our market, was that the Chinese market was decoupled from the US market when the composite was rising; but the decoupling vanished when the Chinese market collapsed. The market was now concerned about slowing Chinese growth and the slowdown in other emerging markets. If the market had been paying attention for the past year, companies like Unilever (UL) and Diageo (DEO), which we happen to own, had been saying the emerging markets had been slowing for quite some time. So this "new" news, really didn't catch us by surprise, in fact it is old news. Did I mention that according to wikipedia as of January 31st, 2015 the Shanghai Stock Exchange's market capitalization was $3.986 trillion, while the NYSE and the NASDAQ market capitalization together is about $26.054 trillion.

If that wasn't enough, Disney (one of your companies too) reported great earnings, however they reported a very small amount of cord cutting at ESPN. Cording cutting means that consumers are switching from cable to streaming media. So the market decided to take Disney from about $121 to $110 (-9.2%) in one day, and the entire sector with it. People still do watch sports live. And always will. I also have confidence Disney will be able to figure this out.

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Come September and Hillary Clinton puts out a tweet that she is going to battle the high prices the drug companies are charging consumer. With that the market took the IBB (the biotech ETF) from 362.50 on September 17th to 303.33 on September 30th, a loss of -16.3% in about 2 weeks, many biotech's had losses that were much greater.

The FED passed on raising interest rates. This came as no shock to us. We believe the FED will not raise this year as we have been saying. Also, it would seem to us it is becoming more and more likely they will not raise them next year either. Next year is an election year and the FED historically does not make rate decisions during an election year, because they do not want to be viewed as choosing a sides.

This quarter had a lot of different moving parts. It also had a lot of things that really didn't make sense and with that comes opportunity and quite frankly we have taken it. More on that later.

MCM Winners & Losers

Altria (MO) +11.22%	Hain Celestial (- 21.65%)
Starbucks (SBUX) + 6.02%	Acadia Pharmaceuticals (- 21.04%)
Visa (V) +3.78%	XenoPort (-19.25%)

We spoke about MO and V in our mid-quarter update so we will not review those again. Starbucks reported a great quarter once again, and just continues to have great follow through. They are one of the few truly innovative companies actually figuring out how to make their consumer's experiences better.

There were plenty of losers this quarter as if they were all fighting for the top spot. Hain Celestial had an absolutely horrible quarter. The company reported solid earnings once again. However, for a company like HAIN at this point, it needs to be more than solid. With that the market decided it does not deserve the premium it has. We still love the company though and organic food is a great place to be involved in. Frankly, it will continue to grow for a very long time. ACAD made the list once again. ACAD submitted its NDA for NUPLAZID in September and things remain on track. Unfortunately for ACAD it is a biotech and the market has a herd mentality so it shares have suffered. XNPT made the list for the very last time, as we have sold it. 829 results came on September 15 and they were not good. With that we took our lumps and moved on.

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The sales of XOM, CVX and XNPT freed up cash. And we went shopping. We bought some great companies in place of them. First we purchased shares of Skyworks Solutions (SWKS) at the end of August. Skyworks is a wireless hand set chip provider and maker of the internet of things. It fits in perfectly with NXP Semiconductor and Sierra Wireless. We were able to pick up shares at a reasonable valuation as well. Additionally, we picked up shares of Celgene (CELG) a biotechnology company, which focuses on treatments for cancers and inflammatory diseases. Finally, we picked up shares of Raytheon (RTN) a defense supplier. What is appealing about RTN is that recently they made an acquisition to get into the business of cyber security. We are once again fully invested and ready to tackle the fourth quarter.

Mott Capital Management has now officially made it through its first full year in operation with the writing of this letter. We have grown tremendously in our first year with many new clients, which we are very happy to have. We would like to thank you for helping to build this company with us. It is with your support and referrals that make all of this happen and continue.

Looking forward to our second year together.

Regards,

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Disclosure: Mott Capital Management, LLC ("Mott") *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 II 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.*