

Mott Capital Management

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Dear «Company\_Name»,

Welcome to Mott Capital Management! It is with great pleasure that I am writing what will be the first of many quarterly letters. Thank you for being among the first investors to put their trust and faith into Mott. I hope this letter finds you doing well. Quarterly letters will be a platform to highlight some of the firm's biggest gainers and losers, as well as a brief snap shot of any changes to the portfolio over the course of the quarter. Of course it will be a chance for me to update you on the Mott's growth as well.

Let me start with noting that in addition to the this letter you will find enclosed in this envelope a review of your cumulative performance for the recent quarter provided by Interactive Brokers. Since this is Mott's first official quarter in business, the winners and losers are being based from the start of the Q314 to the end, it is not based on the performance in your account. Therefore, it is possible and likely you will see a different performance in your own portfolio depending upon when your initial investment was made.

The S&P 500 rose 0.62%, the NASDAQ rose 1.93% and the Dow Jones rose 1.29% for the quarter. Our biggest winners were Avanir Pharmaceuticals (AVNR) +111.35%, Gilead Sciences (GILD) 28.39%, and The Greenbrier Companies (GBX) +27.4%. The biggest losers were Post Holdings (POST) -34.83%, Vale S.A. (VALE) -16.78% and Alkermes (ALKS) -14.82%. AVNR had a fantastic quarter after they reported on their drug AVP-923. In a phase II trial the drug showed to significantly reduce agitation associated with Alzheimer's. GBX reported another stellar quarter of earnings and was further helped along later in the quarter after the company announced it had received orders for 15,000 railcars valued at \$1.37 billion. GILD gains were fueled by another strong quarter for its blockbuster drug, Sovaldi as sales beat analysts' expectations. On the flip side, both POST and ALKS were hurt by weaker than expected quarterly reports. POST shares fell for the quarter due to its struggles to integrate companies it has acquired over the past year. They have been aggressively acquiring other food companies as it tries to diversify away from the dry cereal business. ALKS missed their earnings due to higher R&D expenses as the company is expediting and expanding some key clinical trials. However, ALKS has an exciting new drug to treat schizophrenia that is expected to launch in 2015 that should help boost the sales for the company. VALE has been a story of weaker Iron Ore prices and the story has not only hurt VALE but other iron ore producers as well. The weaker prices are a result of a slowdown in construction

in China and a strong US Dollar. However, this weakness has given us the opportunity to buy shares of VALE at very low prices.

During the third quarter the biggest decline of the major averages occurred within the Russell 2000, an index made up of small cap companies. The index was down -7.65% for the quarter. This decline actually brought the index very close to a 10% correction from the highs for the year. In the first few days of the 4Q14 the index has already moved off the lows set on Oct 1<sup>st</sup> and has rallied up 1.78%. I believe this turn around early in the 4<sup>th</sup> quarter has marked the bottom in the market and we should see a strong rally going into the rest of the year.

Thank you for taking the time to read this letter and investing with Mott Capital Management. I will be reaching out to you over the next few weeks to schedule our quarterly conference call. As a reminder, if you have any questions please do not hesitate to give me a call.

Thank You,

Michael Kramer

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Disclosure: Past performance is not indicative of future performance.