MITCHELL
CAPITAL MANAGEMENT

All Cap Growth Equity Strategy

Philosophy

MCM's All-Cap Growth Equity investment process focuses on identifying high quality companies with earnings growth potential. Through our proprietary quantitative screening, fundamental research and traditional valuation techniques, we seek total returns primarily through capital appreciation and secondarily through dividend payments.

Objective

The strategy seeks long-term capital appreciation by owning equity securities of domestic companies. Our style is designed to meet a variety of investment objective as we seek to provide consistent growth of principal and to outperform the Russell 3000 Growth Index, net of fees.

Strategy

The Growth Equity Strategy is our own unique blend of incorporating top-down macroeconomic analysis with bottom-up stock selection. Under the top-down viewpoint, we evaluate the current economic environment, monetary and fiscal policies, and secular trends to identify the sectors or industries that are most likely to outperform the market. From the bottom-up viewpoint, we start with an investable universe of more than 10,000 companies. This list is reduced to 50-100 companies through a rigorous series of proprietary quantitative screens that include earnings growth, cash flow and financial condition. We are open to all market capitalizations, but most candidates will be larger than $500 million. After this screening, companies undergo a thorough analysis focusing on qualitative factors such as growth potential, market position, proprietary advantages, management capabilities and insider ownership before investing.

Team

Jonn Wullschleger, CFA - PM, Principal
with Mitchell since 2000
analyzing equities since 1991

Rich Jones - PM, Principal
with Mitchell since 1995
analyzing equities since 1978

Brandon Reed, CFA - Equity Analyst
with Mitchell since 2016
analyzing equities since 2014

What sets this strategy apart?

Long-term management team with ownership in the firm and investments in the strategy

Commitment to established and successful process

Flexibility allowing for responsiveness to changes in economic environment

MCM All-Cap Growth

The **MCM All-Cap Growth** strategy advanced modestly in a volatile start to 2018. Technology and consumer discretionary stocks led the way while healthcare, materials and utilities were the poorest performers.

Technology holdings were led by **Adobe**, **MKS Instruments**, and **Electronic Arts**. Adobe continues to grow revenues around 20% as companies use their products to develop digital media and marketing campaigns and other Web applications. MKS Instrument's products touch about every semiconductor during the manufacturing process so the continued growth in electronics is a strong tailwind for future growth. Electronic Arts delivered content valued by gamers of all ages, despite the public relation missteps with Star Wars Battlefront II.

Consumer discretionary performance was led by **Amazon**, **Booking Holdings** (formerly Priceline) and **Nike**. Consumers increased use of mobile purchasing for goods and vacations is a major tailwind for both Amazon and Booking. Amazon, despite solid growth, still has less than 10% of retail sales and Booking still has a modest share of the overall travel bookings. Nike's success has come from some difficult changes they made to compete in the fluctuating retail market. Adding direct to consumer purchasing and shortening the time to market for new products is enhancing their strategy.

The largest negative contributor was in our healthcare holdings as **Cerner** and **Biogen** struggled last quarter. Cerner continues to grow its backlog but the Veterans Administration contract it won last year has yet to be signed. The recent leadership changes at the agency will delay the signing and push out revenues until later this year or early next year. Biogen recently made changes to an Alzheimer's trial which the market took as bad news for progress in the fight against this difficult disease.

As the Federal Reserve continues its path to raise interest rates we adjusted our exposure to housing related stocks and financial holdings. Higher interest rates could eventually cool off the housing market so we sold **Fortune Brands** and **Mohawk,** locking in gains on each. Both are market leaders but a slowdown in new housing development and home purchases would impact their flooring, cabinet and plumbing products. The housing market remains strong but higher rates in the next 18 months would impact growth.

In the financial sector we swapped **US Bancorp** for **E*Trade Financial.** We became concerned with US Bancorp's loan growth focusing so heavily on new loans to retail mall and strip-malls. E*Trade's growth rate is twice that of US Bancorp as E*Trade is more focused on internet banking and trading as opposed to the brick and mortar strategy of US Bancorp.

We also made an effort to diversify our technology holdings after a strong 2017, but still maintain a slight overweight. We trimmed positions in **IPG Photonics**, **Facebook**, **Amazon** after strong gains and sold Gartner Inc completely due to struggles with a recent acquisition. Proceeds were used to buy positions in the following names.

EPAM Systems

EPAM Systems is a consulting firm that specializes in helping companies develop and maintain their digital platforms including websites, software applications and payment fulfillment. The company is based in Pennsylvania and has a significant employee base in Eastern Europe.

PayPal

PayPay is a leading digital and mobile payment technology platform that was spun out of Ebay in 2015. Mobile payments is competitive business, but PayPal brings deep experience to leverage. PayPal and Venmo are its primary platforms. Mobile and electronic payments are growing at 20% which should propel revenues and earnings over the next five years. International, at 46% of revenues, is the faster grower and is expected to be at 55% in five years.

GrubHub

GrubHub's technology platform connects restaurants and customers for pick-up and delivery orders. They are the leading online and mobile platform for restaurant delivery with 80,000 restaurants in 1600 U.S. cities and London and are working to consolidate the industry. Even with 14.4m active users, there is still room to grow.

All Cap Growth Equity Strategy
March 31, 2018

Strategy Characteristics

Characteristic	Portfolio	Index
Dividend Yield	0.6	1.4
Free Cash Flow Yield	3.2	3.8
Price / Book	4.6	7.4
Debt / Equity	0.7	1.2
Forward Price / Earnings	20.1	23.3
Price / Earnings Growth	1.3	2.0

Top Ten Holdings

Position	Allocation
Alphabet Inc.	5.4
Amazon.com, Inc.	4.1
MKS Instruments Inc.	4.0
Visa Inc.	3.7
Thermo Fisher Scientific Inc.	3.4
Facebook Inc.	3.3
Honeywell Intl.	3.1
Constellation Brands Inc.	3.0
Broadcom Ltd.	3.0
Charles Schwab Corp.	3.0

Sector Weightings

Sector	Portfolio	Index
Consumer Discretionary	12.8	16.8
Consumer Staples	3.2	7.6
Energy	0.0	1.6
Financials	9.6	4.8
Health Care	14.5	15.1
Industrials	12.4	12.5
Information Technology	36.3	34.1
Materials	3.7	3.8
Real Estate	0.0	2.3
Telecommunications	0.0	1.3
Utilities	2.2	0.1
Cash	5.3	0.0

Capitalization Profile

	Portfolio
Giant	30
Large	46
Mid	20
Small	4

About Mitchell Capital Management

Mitchell Capital Management (MCM) was founded in 1987 and is an SEC Registered Investment Advisor. The firm manages portfolios and provides investment solutions for an array of investors nationwide, including individuals, foundations, union pension plans, retirement plans, endowments and associations. MCM has always been employee owned and intends to stay that way. Our fiduciary culture means our clients are the first priority in each decision we make.