

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 - PM
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 in the second quarter, led by industrials, technology, health care and consumer discretionary names. Utilities, where we had no exposure for half of the quarter, were the only drag on the portfolio.

Our view of the economy and business environment forms the basis for the investment themes we use to build portfolios. Following are several that help to identify, consider, and select attractive candidates.

Consumer demands and tastes are changing faster than ever - Companies that can anticipate and help drive these shifts, responding efficiently and effectively with more styles and superior performance will find themselves at the top of their industries. In this regard, **Nike** is shining after launching their Triple Double Initiative in 2017 (2x innovation, 2x direct, 2x speed). Using big data, digital media and going directly to the consumer, Nike is driving brand excitement for new platforms and designs, getting the product to consumers faster than ever before. The stock is up over 40% in 2018 as investors better appreciate their dominant position.

Experiences over things - Wanting to experience life as opposed to building a collection of material goods continues to command an increasing share of consumer wallets. What started over a year ago as our observation on how Millennials prioritize their spending has spread beyond a generational viewpoint and become more widely appreciated by the market. Businesses like **Booking** (formerly known as Priceline) are driving this dynamic by helping travelers get the most out of their dollar to travel wherever and however they choose.

How consumers shop - Brick and mortar stores aren't dead, but successful retailers are being more responsive to shopper habits. Crucially, new avenues of bringing the consumer together with the goods and services they want will continue to develop, and foresighted operators will benefit. **Amazon** continues to drive this evolution as its dominance in making more products and services available, to more individuals, at more competitive prices, and in more ways that provide seemingly immeasurable value.

The technology sector is undergoing its own set of changes and the following themes are attributes through which we identify technology names more likely to thrive.

As-a-service business models - companies are moving away from the transactional method of revenue collection, to one that offers a recurring revenue stream under a subscription model at generally higher levels of productivity.

One of the earliest adopters of this idea in software was **Adobe Systems** in 2013. They met with initial resistance from customers who were used to paying a one-time fee, but have since seen acceptance grow beyond their original goals, and the approach began to spread.

Gaming in particular is an industry where we saw the applicability long before its feasibility became evident, and supported our outlook for companies like **Activision Blizzard, Electronic Arts** and **Take-Two Interactive**. These are three of the biggest game developers in the market and are poised to benefit as "Gaming-as-a-Service" moves the industry to a subscription model. The idea is that a monthly fee would grant access to any game in their library, much like Netflix and Hulu have done with movies and television.

Digitization of money - Digital transformation has touched numerous industries and payments processing is only the latest, with many ideas having come and gone already. Progress will continue and we want to own companies that have the best ideas and execution to offer the greatest penetration for how people pay for things. Digital payment volumes globally are accelerating, and cross border transactions are growing as well as the absolute amount of dollars processed.

At the nexus of this accelerating trend sit **Visa** and **Paypal**. Digital payment growth is happening in the U.S., but is particularly strong overseas where many developing countries like China and India, who are skipping over legacy financial technology on their way up the development curve, hand-in-hand with the explosion of mobile phones.

All Cap Growth Equity Strategy

June 30, 2018

Strategy Characteristics

Characteristic	Portfolio	Index
Dividend Yield	0.5%	1.1%
Free Cash Flow Yield	3.6%	3.8%
Price / Book	5.3x	7.4x
Debt / Equity	0.5x	1.1x
Forward Price / Earnings	21.1x	20.8x
Price / Earnings Growth	1.5x	1.6x

Top Ten Holdings

Position	Allocation %
Amazon.com, Inc.	5.0
Visa Inc.	4.1
Facebook Inc.	3.7
Alphabet Inc.	3.6
Martin Marietta Materials, Inc.	3.4
Thermo Fisher Scientific Inc.	3.3
Aetna Inc.	3.2
Broadcom Inc.	3.2
MKS Instruments Inc.	3.1
Nike, Inc.	3.1

Sector Weightings

Sector	Portfolio %	Index %
Consumer Discretionary	10.8	17.4
Consumer Staples	3.1	5.5
Energy	0.0	1.1
Financials	8.0	4.7
Health Care	15.2	14.4
Industrials	13.1	12.4
Information Technology	37.1	39.8
Materials	4.5	2.0
Real Estate	0.0	2.2
Telecommunications	0.0	0.2
Utilities	0.0	0.3
Cash	8.2	0.0

Capitalization Profile

	Portfolio %
Giant	28
Large	44
Mid	22
Small	6

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.