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 objectives as we seek to provide consistent growth of principal.

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

Mitchell Capital All-Cap Growth

The MCM All-Cap Growth strategy had a strong start to 2019. Technology, Communication Services, and Industrials led the way for the portfolio while Healthcare, Consumer Discretionary, and Financials were less helpful.

Technology holdings were led by **MKS Instruments**, **IPG Photonics** and **EPAM Systems**. The products of both MKS Instruments and IPG Photonics combine to touch about every aspect of technological and industrial production across the globe. As industrial production and investment in technology, specifically semiconductors, began to show signs of life in various regions of the world following a brutal second half of 2018, these stocks began to work again. They are a perfect example of companies that were unjustly punished in the December sell-off being subsequently rewarded as rational outlooks returned.

EPAM Systems has been a workhorse for our portfolio since we took our initial position in February 2018. The company is benefitting from a secular rush by companies to ready their operational infrastructure and client/customer interfaces for the current and future waves of technology. EPAM helps clients with this process and we believe have a substantial runway for new and existing business growth.

Communication Services performance was led by **Netflix**, **Facebook**, and **Electronic Arts**. All three companies fit squarly under our wide-reaching thesis of investing where the consumer is going and spending, and each continue to thrive in their respective niches. Netflix continues to dominate the streaming film and television space with internally created content gaining credibility and viewer interest. Investors continue to recognize the magnitude of pricing power the company has yet to wield in driving revenue growth. Facebook is benefitting from two primary things; a diminished amount of bad news making its way into the market, and a re-emphasis on the scalability of Instagram and What's App. These two heavily-used core platforms were purchased for large sums in 2012 and 2014 and the company has yet to see a worthy return.

Finally, Electronic Arts benefitted from a surprise launch of Apex Legends, a direct competitor to Fortnite. Users jumped above 25 million in just one week and reminded the market how powerful the future of gaming can be for the major developers. The growth of gaming is further enhanced by Google's unveiling of its game streaming platform Stadia. Much in the same way Netflix reinvented how consumers watch movies, we believe streaming high-quality video games will create real long-term value for content companies.

The largest negative contributors to the portfolio were **Burlington Stores** and **Biogen**. Burlington Stores suffered from a retail malaise following elevated investor expectations coming out of 2018. The stock had done quite well throughout last year, but a disappointing holiday quarter was met with selling as we wait for management to re-establish their business heading into an important spring selling season. Biogen's attempt to cure Alzheimer's disease ultimately fell short of expectations and left investors and the families of those suffering from this horrible disease disappointed. As the potential growth from this treatment can no longer be discounted into the value of its shares, the stock sold-off following the news.

What's New:

To better diversify our holdings, we added positions in **F5 Networks, Home Depot, McDonald's, Simon Property Group**, and **Union Pacific**. Home Depot and Simon Property Group are companies we believe will gain from a shifting interest rate environment for separate reasons. Home Depot will gain from what we believe will be a reinvigorated housing market and Simon Property will continue to benefit as investors look for stability in yield paying firms that can also benefit from a still expanding economy. Similarly, Union Pacific and McDonald's will profit as the US consumer and business environment remain strong, with defensive business models to insulate the portfolio if investor sentiment shifts as it did during the fourth quarter.

Our sales in the quarter were mostly done to reduce positions that had worked well for us over the course of time, with specific emphasis placed on Insperity, Thermo Fisher, Adobe, Broadcom, and Visa. Each stock has been a perennial outperformer for our portfolio since our initial investments and we used strength during the quarter to pare back exposures.

All Cap Growth Equity Strategy
March 31, 2019

Strategy Characteristics

Characteristic	Portfolio
Dividend Yield	0.8%
Free Cash Flow Yield	3.9%
Debt / Equity	0.5x
Forward Price / Earnings	18.3x
Price / Earnings Growth	1.8x

Top Ten Holdings

Position	Allocation %
Amazon.com, Inc.	5.7
Apple Inc.	4.6
Alphabet Inc.	4.5
Microsoft Corp	4.5
iShares Core S&P US Growth	3.9
Insperity Inc.	3.6
Paypal Holdings Inc.	3.1
EPAM Systems	2.9
Mettler-Toledo	2.8
Nike Inc.	2.8

Sector Weightings

Sector	Portfolio %
Consumer Discretionary	14.3
Consumer Staples	7.8
Energy	1.6
Financials	7.0
Health Care	13.5
Industrials	12.6
Information Technology	26.8
Materials	0.0
Real Estate	0.0
Communication Services	10.9
Utilities	0.0
Cash	5.5

Capitalization Profile

	Portfolio %
Giant	39
Large	45
Mid	14
Small	2
Median market cap	$58.4B

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.