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 Mitchell Capital All-Cap Growth strategy had a strong second quarter. Industrials, Technology, and Consumer Staples led the way for our portfolio while Energy and Health Care were the poorest performers, though still all positive for the quarter.

What helped:
Industrial holdings were led by NV5 Global, Woodward, and Hexcel. Both **Woodward** and **Hexcel** operate in the Aerospace industry and are benefiting from strong demand for their respective components necessary for producing airplanes and other industrial equipment. These names are also driven by various business cycles across the globe, with positive trade sentiment and certain trends fueling investor demand for these types of growth companies.

After a rough first quarter, **NV5 Global** delivered strong results during their most recent earnings release. Previous concerns about delays around project starts appear to be non-issues as management continues to win new business and ultimately turn their bookings into revenue.

Mettler Toledo and **Idexx Labs** are both health care investments that continue to be long-term, consistent performers for the strategy. **Constellation Brands** reported a stellar quarter days before the second quarter came to a close showing robust demand for their brands Modelo and Corona, which some had written-off as being on a declining trajectory. We continue to believe the company is well positioned to sustain its growth track, especially as management works to clean up their weak Wine & Spirits segment.

What hurt:
MKS Instruments reversed course from an incredibly strong first quarter as the market got ahead of itself pricing in a recovery for demand as early as the second half of this year. It remains to be seen as to whether global demand will pick-up in the short-term, but we continue to like MKS Instrument's value proposition for companies looking to enhance and automate production lines.

Eli Lilly had a rough quarter along with the rest of the pharmaceutical industry on negative political rhetoric and investor sentiment. These are both inherent risks of investing in this space specifically, but which we believe will have limited impact on the company's ability to generate sustainable cash flows and fuel pipeline development, all at relative valuation discounts to the market. For now we like the opportunity they present.

What's New:
Tyler Technologies operates in the niche space of providing end-to-end information technology solutions for the political sector at the state, city, county, and district levels. Utilizing their own cloud platform in addition to third-party providers, Tyler helps these entities bring their day-to-day operations into the present by replacing decade-old platforms with modern technologies, improving accuracy and productivity. Its end markets are relatively insulated from economic concerns, and Tyler's industry leading role puts the company in a position to continue its track record of growth.

Leidos is a technology company servicing the challenges in defense intelligence, homeland security and civil markets. As an example, Leidos recently won a multi-year contract with the U.S. Air Force providing intelligence support targeting terrorist and insurgent groups. 85% of their business is to the U.S. Government.

Rogers Corp provides engineered materials into the 5G, electric car and wireless infrastructures, providing three attractive growth opportunities. Their products are used for cushioning and sealing portable devices, ceramic materials for high power devices and circuit materials for connected devices.

What's Out:
As was the case last quarter, our sells during the second quarter were mostly done to pare back positions that had worked well for us over the course of time, with specific emphasis placed on **Insperity, Nike, Idexx Laboratories**, and **Paypal**.

Broadly speaking, we continue to view the stocks as core, long-term positions for our portfolio, but believe reducing our allocations was appropriate from a risk management perspective as valuations reached the upper end of our target ranges.

All Cap Growth Equity Strategy

June 30, 2019

Strategy Characteristics

Characteristic	Portfolio
Dividend Yield	0.9%
Free Cash Flow Yield	3.2%
Debt / Equity	0.5x
Forward Price / Earnings	24.4x
Price / Earnings Growth	1.9x

Sector Weightings

Sector	Portfolio %
Consumer Discretionary	13.2
Consumer Staples	3.8
Energy	1.8
Financials	5.7
Health Care	14.2
Industrials	13.3
Information Technology	30.7
Materials	0.1
Real Estate	0.2
Communication Services	11.7
Utilities	0.2
Cash	5.1

Top Ten Holdings

Position	Allocation %
iShares Core S&P US Growth	6.3
Amazon.com	6.2
Alphabet Inc.	4.6
Microsoft Corp.	4.5
Apple	3.9
Mettler-Toledo	3.2
Honeywell	3.1
Facebook, Inc.	2.9
Visa	2.9
Thermo Fisher Scientific	2.9

Capitalization Profile

	Portfolio %
Giant	43
Large	33
Mid	22
Small	2
Median market cap	$5.7B

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.