

“THERE IS A BEAUTY AND CLARITY THAT COMES FROM SIMPLICITY THAT WE SOMETIMES DO NOT APPRECIATE IN OUR THIRST FOR INTRICATE SOLUTIONS.”

DIETER F. UCHTDORF

“Know What You Own and Why You Own It.”

First, let me begin with some exciting news here at Nepsis Capital Management.

After extensive research and in an effort to more efficiently communicate the message of Investing with Clarity™, I am extremely excited to inform our clients that we are in the process of rebranding and enhancing our messaging to investors. This includes changing the name of our company from Nepsis Capital Management to “Nepsis”.

We believe the name change along with our new approach to composing educational materials and other content will better communicate our belief system pertaining to the power of investing and planning.

Fundamentally, Nepsis means ultimate **Clarity**. The more clarity investors have as it pertains to what is happening with their investments, the more apt they are to stick to a **PROCESS** and enhance their ability to invest and plan with success!

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“Know What You Own and Why You Own It.”

We want our investors to understand the power Clarity provides. Our aim is to provide our investors with details on their portfolios which they could never receive if they own a mutual fund or an ETF.

More information will be forthcoming. However, let me just say, **I believe the financial services industry is at a tipping point.** I personally believe that the approach Wall Street and the financial services industry is taking by **focusing on the lowest fees possible, as well as on indexes and benchmarks, has long-term negative, unintended consequences for investors.**

This is evidenced by the amount of cash still sitting on the sidelines even though markets continue to move higher. In fact, there is more money in cash today than there was at the bottom of the financial crisis.



That is amazing!

Investment returns are a function of a sound investment Philosophy and Strategy. Additionally, focusing on returns is less important than understanding the Philosophy and Strategy involved with the management of your investments. Why? Because “knowing what you own and why you own it” allows investors to answer one of the most important questions we all face, **“Are you on track to have the kind of financial future you want?”**

It is simple, Invest with Clarity™.



SYNOPSIS OF PORTFOLIO PERFORMANCE FOR THE SECOND QUARTER OF 2017

For starters, the theme for 2017 continues to be low volatility and lack of belief that the markets can move higher and the economy can improve.

However, as I have stated many times before, the type of markets and economy we are experiencing today are the exact type of chemistry I like. As I have used the quote many times before by Sir John Templeton – **“Bull markets are born on pessimism, rise on skepticism, mature on optimism and die on euphoria”**. I love that quote. **So true!**

We continue to live in an investment world of skepticism as record amounts of cash sit on the sidelines waiting for that ever elusive big correction. **Don't get me wrong, it will happen. But, you cannot time it!** If the appropriate work has been done up front for your portfolio to be in the appropriate asset allocation (notice I say asset allocation and NOT diversification), corrections should not bother you, rather, they should provide a sense of opportunity!

As a **global** portfolio manager, I believe it is far more important to stick to a time-tested asset allocation and investment strategy rather than getting caught up in short-term noise.

As we continue to work through 2017, we continue to be very satisfied with the positions owned in portfolios. Of course, as you may be aware, our largest position is a company called Ecoark Holdings. Considering the fact that the stock is down over 30% YTD as the largest holding, portfolios continue to do well on a risk-adjusted basis.

I will discuss the status of Ecoark in the Portfolio Structure and Outlook section.

▲ **BOTTOM LINE:**

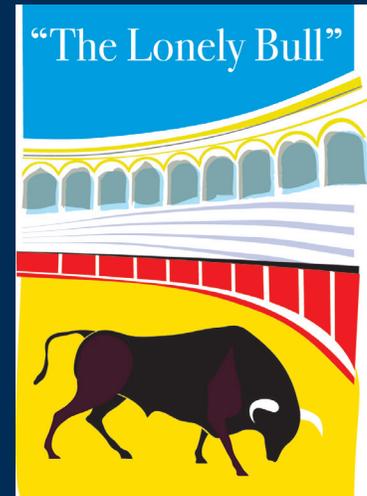
We continue to be extremely proud of our long-term performance of client portfolios. Portfolio theory mandates appropriate diversification AND asset allocation which means allocating assets in international businesses and emerging markets businesses along with owning U.S. businesses. It also means owning other assets where and WHEN appropriate to accomplish long-term objectives.



THE MOST HATED BULL MARKET EVER

- From the Desk of the Vice President of Global Research

For the second quarter in a row we reference a 1960s - pop tune as the thesis for our summary report. If you remember, last quarter we used the song, "Won't Get Fooled Again" performed by the British rock group The Who to speak about the Financial Press' insatiable appetite for using fear to stoke readership suggesting the old saying, "If It Bleeds It Leads."



We specifically sited four headline stories that were vastly different than the actual bottom-line causing investors to sell at the middle of a so-called crisis that never came about or at best was very short-lived. This quarter, we take the next step by suggesting that due to the financial media reporting so many negative stories about the current state of the stock market that this particular bull market is the "most loathed of all time." In fact, we use the song popularized by legendary trumpet player Herb Alpert, "The Lonely Bull" as a reference to how this market is viewed by eyes of vitriol.

Just as the matador and the crowd cheer against the bull in the proverbial bull fight, the press and the investing public are sneering at this bull (as in markets) despite its obvious and apparent victory. With record cash on the sidelines (and growing), and with few, if any, long-term bulls outside of Jeremey Siegel and Jeffery Saut, the investment management industry along with the "so-called" experts seem to be singing off of the same highly skeptical song sheet.



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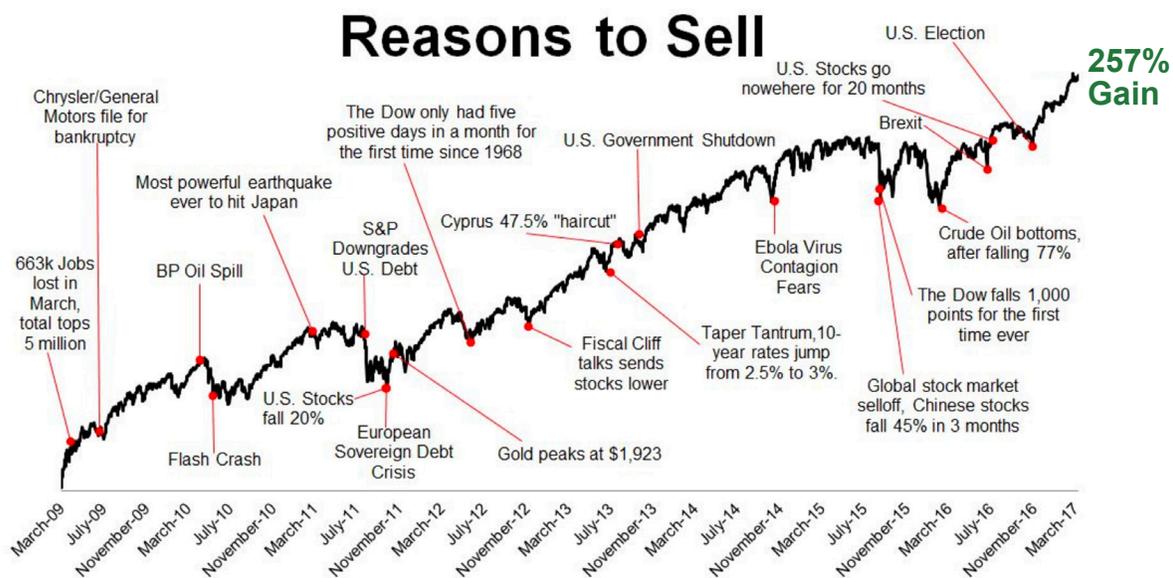
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THE MOST HATED BULL MARKET EVER

continued

As the chart below shows, over the past eight years going back to 2009, the S&P 500 has gained 257% off of the “Great Recession” bottom of March 9th. It has not been a smooth ride however; as the chart shows there have been many temptations to push the sell button based solely on a news story headline. In spite of the media hysteria surrounding each “crisis” the bull kept rolling ahead. Each time the bull powered forward, our industry, with a certain smugness, has created an excuse for this rise — from an easy Fed policy to euphoric investors suffering from a case of irrational exuberance.



Source: <http://theirrelevantinvestor.com/2017/03/20/gradual-improvements-go-unnoticed/>

What really gets our goat is when money managers with clout attempt to talk down the market so as to draw attention to themselves or so they can finally participate in a bull market that has eluded them for the most part. It is simply not right if any money manager, despite their beliefs to the contrary, does one thing just to save face vs. doing what their analysis should lead them to do.

A leading poll reports that a very high number of mutual fund managers believe the market to be richly valued despite them remaining fully invested. Our advice to our fellow money managers, although we doubt they will accept it; do what you believe is in the best interest of your clients vs. doing something because everyone else is doing it! It has been said that it is lonely at the top and this bull market is very lonely no doubt.

- From the Desk of the Vice President of Global Research



PORTFOLIO STRUCTURE AND OUTLOOK

Listed below are changes that took place in a general manner in portfolios in the quarter and the reasons for why these changes were made.

1. We continue to be very happy with the overall structure of portfolios and many of the companies we owned. However, during periods of volatility (whether it is overall market volatility or volatility in individual companies), there are usually opportunities to potentially improve portfolios by selling weaker companies in favor of stronger companies. This last quarter was no different.
2. We continued to take profits in companies we want to continue to own as we balance the percentage owned in the businesses while raising cash for new opportunities or income needs where appropriate.
3. Because we are quite pleased with the companies in the portfolio, recent changes in the portfolios are more reflective of pullbacks in individual companies than the overall stock market.

The largest investment continues to be EARK (Ecoark) as we continued to add to our position. I will discuss this position in more detail on the next page.

As for other additions or deletions, we added positions like MZOR in the medical technology space, as well as adding to the technology sector. Additionally, as we continue to see the international and emerging markets improve, we have increased exposure in that sector by adding to BIDU, JD and XRF.

We continue to believe the emerging markets and international markets will continue to improve. We continue to look for opportunities in that part of the world and will adjust when appropriate.

Please review the important information regarding EARK on the following page.

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PORTFOLIO STRUCTURE AND OUTLOOK

IMPORTANT INFORMATION REGARDING EARK:

As for EARK, this is a unique situation. First, let me reiterate, as I have discussed many times, investing is a **PROCESS** over time. Additionally, no one position should make or break the performance **LONG-TERM** of one's portfolio.

That said, we have had clients ask what is the situation with EARK and the associated size of the position in client portfolios. It is true, the percentage of EARK in client allocations is higher than most, if not all, of the other positions we have held in the past.

It is important to understand that successful investing requires continued focus on the fundamentals of a company and attention to the RISK vs. the REWARD opportunity. In other words, as we manage the allocation of all positions in client portfolios, we are mindful of the investment risk (percentage owned of a business) vs. the reward potential.

While it is not necessarily important to get into all of the fundamentals of this company, it is important for investors to understand, that longer-term, I believe EARK can be an absolute game changer in their industry as at this point there is no one with the competitive advantage of EARK. Additionally, while this is a small company in the technology sector, the market opportunity for their business is outstanding.

EARK involves supply chain management and logistics, particularly in the area of fresh food. Please visit www.ecoarkusa.com to see a short video on their technology and other information regarding the company.



Certainly, whenever you invest in a small and up-and-coming company there are investment risks. However, as we continually assess the risks associated with owning this investment longer-term, we believe that there is a significant imbalance between the downside risk vs. the upside risk over time.

While EARK is a small company, as disclosed in SEC filings, we at Nepsis Capital have taken a significant position on a percentage basis of the outstanding shares of this company. There are several reasons for this strategy besides the fact we like the investment.

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PORTFOLIO STRUCTURE AND OUTLOOK

IMPORTANT INFORMATION REGARDING EARK: *(continued)*

We believe that because this is an infancy technology and opportunity, we want to be able to protect this investment from any takeover potential as we want to hold this company for many years based on their market opportunity.

Because this is a small company, it has taken us over a year to establish the position we want to own in this company to accomplish our objectives. Again, downside risk vs. upside potential.

The technology that EARK has, called Zest, is part of a sector in the technology space and supply chain management space. This happens to be one of the hottest, if not the hottest area of technology and food space today. Visit the ZestLabs™ website at: www.zestlabs.com



Although no guarantees, we believe this is a huge opportunity for our clients to take advantage of a long-term opportunity where the upside potential far outweighs the downside risk. However, even if the investment does not do well, we do believe the percentages owned are prudent for the opportunity we face.

Lastly, in light of comments made on their last investor call, and news that is coming out in the media, I do believe that EARK is doing a great job in positioning themselves as a major influence in the area of grocery fresh and supply chain management.

I have been more active lately in sharing with EARK thoughts on how to improve shareholder value. They have been very appreciative of my thoughts and are in the process of assessing several suggestions that, I believe, will provide shareholder value longer-term. Again, no guarantees, but, when you look at the recent purchase of Whole Foods by Amazon.com, there should be NO question that fresh and organic food solutions will be on the rise. I believe EARK can have a major role in that secular shift.

It is extremely important that if you are NOT comfortable with the percentage owned in your portfolio, you should contact your advisor.

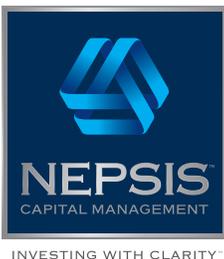
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THE STATUS OF FIXED INCOME

Investing in bonds continues to be a challenge. Of course, for our longer-term clients that should not be a surprise. We are living through an unprecedented period of historically low interest rates. After watching interest rates contract for over 30 years, it appears that we may now have seen the bottom in interest rates for a long time.

That said, it does not mean that interest rates are going to shoot up any time soon. However, investing should be about “risk-adjusted return” – how much risk am I taking to get the returns associated with the risk.

I continue to believe that owning bonds is nothing more than a hedge against volatility in one’s portfolio. In other words, the interest rate, received from bonds today, continues to lag behind the cost of living. Meaning, you are potentially losing purchasing power in your portfolio.

Are there better options? Yes. This is why we continue to prefer a “total return” approach. Meaning, by allocating the portfolio differently while not sacrificing the volatility, we can achieve the outcome investors need to accomplish their goals.

Frankly, for our more conservative portfolios, on a risk-adjusted basis, portfolios are doing outstanding! We will continue to monitor the interest rate environment, utilize our sell disciplines and adjust accordingly.

On the Air & Online - “Investing for Success” Radio Show

Our show, “Investing For Success” can be heard in Minneapolis locally on the AM dial, 1440 KYCR, airing 4:00-5:00pm Monday-Friday. If you are outside the Minneapolis area, tune into the show on iHeart Radio by searching out 1440 KYCR Investing For Success.



Our show allows clients to hear our thoughts and ideas directly from their portfolio manager in an easy to access format. Too many investors do not invest for success due to a lack of Clarity. **My goal is to have investors as a whole, “Invest for Success”!**

Be assured that the markets are closed at time of our live show. Our show does not inhibit in ANY way our ability to manage our clients’ portfolios! Additionally, you can go to www.investingsuccessforyou.com and download the podcasts or subscribe to SoundCloud and have our podcasts automatically downloaded to your phone.

As Nepsis Capital continues to grow, we appreciate your continued confidence and support. We believe successful investing requires Investing With Clarity™ in your portfolio. We look forward to continually providing you with the Clarity needed to be a successful investor long-term.



Respectfully,

Mark Pearson
President, Founder & CIO
Nepsis Capital Management, Inc.

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