South Atlantic Capital Management Group, Inc.

Investment Management

June 30, 2018 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) versus S&P 500
Annualized as of 6/30/2018

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception	Total Return Since Inception
SACMG (gross)	21.15 %	10.84 %	10.52 %	12.50 %	10.67 %	9.88 %	13.33 %	2653.20 %
SACMG Core Equity[1] (Net)	19.94 %	9.73 %	9.42 %	11.40 %	9.61 %	8.81 %	12.22 %	2022.78 %
S&P 500[2]	14.38 %	11.93 %	13.42 %	10.17 %	9.30 %	6.46 %	9.53 %	1015.64 %
Russell 1000 Value	6.77 %	8.26 %	10.34 %	8.49 %	8.64 %	6.63 %	9.95 %	1135.20 %

**Inception date of South Atlantic Capital's composite is 1/1/1992.*

South Atlantic Capital is an independent investment adviser registered with the State of North Carolina and the Commonwealth of Virginia. South Atlantic Capital claims compliance with the Global Investment Performance Standards (GIPS®). The firm maintains a complete list and description of composites, as well as GIPS® compliant presentations, which are available upon request by calling (910) 763-4113, or emailing info@southatlanticcap.com. Ashland Partners & Co., LLP, our previous independent verifier, has verified South Atlantic Capital's compliance on a firm-wide level for the period of January 1, 1992 to September 30, 2017. ACA Performance Services has verified our firm-wide compliance for the period of September 30, 2016 to December 31, 2017. All returns are net of management fees and include reinvested dividends and interest. Past results are not indicative of future investment results.

Our Core Equity Composite's return for the quarter ended June 30, 2018 were 7.12% net of fees versus a 3.43% total return for the S&P 500. For the year ended June 30, 2018, our composite's return net of fees was 19.91% compared to the 14.37% total return for the S&P 500.

Composite returns gross of fees and net of fees are populated on PSN Informais's database which is used by investors searching for portfolio managers. For the year ended June 30, 2018, our returns both gross and net of fees ranked in the top 1% of the 242 "Large Cap Core" managers on their database. Other managers on the database include firms such as Alliance Bernstein, Goldman Sachs, UBS Asset Management, Deutsche Bank and JPMorgan.

Long term returns are much more important but we're certainly pleased with our recent performance on an absolute level and versus other large cap core managers particularly since historically our outperformance has been more prevalent during down markets. Our stock selection has paid off and we believe we are well positioned as we have consciously avoided the FAANG stocks which have driven so much of the S&P 500 returns. We feel as a whole they are significantly overvalued although we do have a small position in Apple.

Our bottom 5 and top 5 performers for the quarter are outlined below.

Bottom 5 Performers		**Top 5 Performers**	
Arconic	(25.9%)	21st Fox	36.1%
JPMorgan WT	(8.8%)	CF Ind	18.5%
Berkshire B	(6.4%	Carmax	17.6%
Bank of Am	(5.2%)	Enterprise Pd	14.8%
JPMorgan	(4.8%)	Apple	10.8%

Going Forward

We are not confident we can grow client capital over the long term by timing markets, but we try to stay aware of the severity of the risks that exist that could affect stock prices. We do this, again, not to try to time the markets but to try to protect our portfolios from these risks sufficiently to generate acceptable returns over the next three to five years. We also think it's important to review the portfolio's ability to deploy capital in a downturn when prices become more attractive.

The primary risks we see are excessive price levels for the stocks that are highly owned by passive investment vehicles such as index funds and etf's since so much money has flowed into these products since 2009. Index funds and the vast majority of etf's pay no attention to prices when they buy a stock they just buy the stock in an amount dictated by what percentage of the index or etf that stock represents.

Probably a bigger risk is the very high level of debt outstanding, particularly low- quality debt which has been driven by artificially low interest rates and the minimal cost of borrowing. Total leveraged debt outstanding, high yield debt and leveraged loans, is now $2.5 trillion double what it was in 2007. With interest rates still at low levels with a fed funds rate of 2-2.25% which is negative after adjusting for inflation, the pain to borrowers is yet to come.

With a strong economy and low, stimulative interest rates, the Federal Reserve currently intends to raise the Fed Funds rate to at least 3% which is closer to neutral for the economy. Typically, this would drive the rate on ten-year treasuries, which is currently 3.3%, closer to 5%. This represents a headwind for the economy but a significant headwind for these highly leveraged companies and a risk of higher defaults. For our portfolios what this means is we take a closer look at the balance sheets of our companies to check for excess leverage problems and, as always, we try to be mindful that it's important to be able to deploy capital when prices are down.

CVS and Disney, which is buying much of Fox's assets, both have more leverage than when we initially purchased them, and we anticipate selling part of those positions. In terms of the portfolios having buying power if prices go down, we currently have approximately 13% in cash. In addition, much of Disney's offer to buy assets from Fox will be paid for in cash with the cash portion of their offer representing approximately another 4% of portfolios if the deal is approved as we expect.

In addition, Berkshire Hathaway, a 5% position, has about $120 billion in excess cash representing around 25% of their market value to take advantage of any future downturns including buying back their own shares. Oaktree Capital, which is an alternative asset manager focusing on managing fixed income funds particularly distressed debt, represents about 7% of portfolios but we plan on adding to the position. They have "dry powder" representing about 20% of managed assets. They have excellent relationships with their clients and a history of not raising funds until enough opportunity exists to invest the funds. For example, from 2007-2009 as the credit crisis created great opportunity in distressed debt, they were able to grow assets under management by 38%. Boeing, Home Depot, and CF Industries also have strong balance sheets that could be used to buy back their stock although we don't consider Home Depot's stock that attractive.

There are too many variables to predict when a market downturn will happen but don't waste time wondering if it will. It will. However, we feel we are well positioned to withstand a downturn and deploy funds at lower prices when it occurs.

Please let us know if you have any questions and let us know if you have had a material change in your financial situation such that you might not have a long enough time horizon to be heavily invested in stocks.

Please feel free to contact us if you would like further information or if you would like to schedule a time to discuss our services.

Best regards,

Eddie Nowell

DISCLOSURES

[1]***Core Equity Composite*** *contains all fully discretionary accounts invested in equities excluding accounts that use significant leverage. For comparative purposes it is measured against the total return for the S&P 500. It includes accounts managed for capital appreciation as well as accounts managed for a combination of capital appreciation and current income. The equity securities are typically mid cap and large cap value oriented U.S. equities and ADR's of similar capitalization. The portfolios also include equity securities that provide higher current income such as master limited partnerships, real estate investment trusts and similar securities that "pass through" most of their cash flow as distributions. The portfolios may from time to invest in fixed income securities and various hedges such as gold backed ETF's as conditions warrant. The portfolios are typically invested in 15-25 positions but have held fewer than 15 positions in the past.*

[2]***S&P 500 Index*** *has been widely regarded as the best single gauge of the large cap U.S. equities market since the index was first published in 1957. The index has over U.S. $4.83 trillion benchmarked, with index assets comprising approximately U.S. $1.1 trillion of this total. The index includes 500 leading companies in leading industries of the U.S. economy, capturing 75% coverage of U.S. equities and includes the reinvestment of dividends of companies in the S&P 500.*

Returns are presented net of management fees and include the reinvestment of all income. The U.S. Dollar is the currency used to express performance. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request, as is GIPS compliant presentations and lists and descriptions of South Atlantic Capital's composites, by emailing Info@SouthAtlanticCap.com or calling (910) 763-4113. Portfolio composition is subject to change at any time and references to specific securities, industries, and sectors referenced in this letter are not recommendations to purchase or sell any particular security. Current and future portfolio holdings are subject to risk.

The discussion of our firm's investments and investment strategy (including current investment themes, the portfolio managers' research and investment process, and portfolio characteristics) represents the firm's investments and the views of the investment adviser, at the time of this letter, and are subject to change without notice.

Past results are not indicative of future investment results. An investor should further understand that future results may result in losses for account holders.

EDWARD D. NOWELL

Edward D. Nowell is President, founder and sole portfolio manager of South Atlantic Capital Management Group, Inc.

Mr. Nowell has over thirty years of experience in the finance business. Prior to founding South Atlantic Capital he worked in the structured finance department of Bankers Trust Company, New York as an Assistant Vice President. His primary responsibility was arranging bank financing for leveraged buyouts led by Kohlberg Kravis Roberts & Company. During graduate school, he interned with Merrill Lynch's Capital Markets Group in New York. Later, he served as an institutional fixed income sales representative for Carolina Securities/Prudential Bache Securities and worked with Fox, Graham, and Mintz, Securities. Mr. Nowell graduated from the University of North Carolina with a B.S. in Economics and received his M.B.A. from the University of Virginia.

SOUTH ATLANTIC CAPITAL MANAGEMENT GROUP, INC.
CORE EQUITY COMPOSITE
ANNUAL DISCLOSURE PRESENTATION

Year End	Total Firm Assets (millions)	Composite Assets (USD) (millions)	Number of Accounts in Composite	Annual Performance Results Composite		S&P 500	Composite Dispersion	Three Year Annualized Ex-Post Standard Deviation	
				Gross	Net			Core Equity	S&P 500
2018*	N/A	38.4	76	5.97%	5.44%	2.65%	N/A	N/A	N/A
2017	41.6	36.9	76	23.79%	22.57%	21.83%	1.20%	13.42%	9.92%
2016	35.6	29.7	71	10.66%	9.56%	11.96%	1.63%	12.81%	10.59%
2015	42.0	23.4	70	(4.41%)	(5.36%)	1.38%	1.11%	11.57%	10.47%
2014	40.7	26.8	67	8.19%	7.16%	13.69%	0.98%	7.99%	8.97%
2013	37.2	23.1	55	26.97%	25.77%	32.39%	2.15%	9.88%	11.94%
2012	28.6	17.3	46	13.02%	11.94%	16.00%	1.69%	11.19%	15.09%
2011	25.3	15.2	42	3.63%	2.59%	2.11%	2.48%	15.55%	18.71%
2010	22.0	14.4	40	20.19%	19.00%	15.06%	3.42%	17.94%	21.85%
2009	18.6	13.0	36	46.20%	44.76%	26.46%	5.32%	17.26%	19.63%
2008	12.4	8.4	38	(25.98%)	(26.68%)	(37.00%)	2.30%	12.59%	15.08%
2007	17.4	11.9	37	(1.90%)	(2.82%)	5.49%	3.03%	9.31%	7.68%
2006	22.4	12.6	36	12.11%	11.12%	15.80%	2.52%	8.75%	6.82%
2005	12.4	10.8	33	0.78%	(0.16%)	4.91%	3.12%	11.08%	9.04%
2004	12.3	11.1	30	20.38%	19.25%	10.88%	3.37%	12.60%	14.86%
2003	9.2	8.5	23	35.31%	33.93%	28.68%	4.38%	13.67%	18.07%
2002	6.9	6.4	21	(3.21%)	(4.22%)	(22.10%)	6.43%	14.21%	18.55%
2001	7.6	6.7	17	5.18%	4.14%	(11.89%)	2.36%	14.06%	16.71%
2000	7.1	5.9	14	13.89%	12.86%	(9.10%)	3.77%	13.65%	17.42%
1999	6.4	5.4	13	8.94%	7.89%	21.04%	10.61%	12.67%	16.52%
1998	6.5	5.4	13	6.11%	4.93%	28.58%	5.60%	12.07%	16.01%
1997	5.1	4.7	11	41.04%	39.60%	33.36%	5.15%	11.12%	11.14%
1996	3.6	3.3	8	23.65%	22.40%	22.96%	3.34%	11.76%	9.58%
1995	2.9	2.7	6	48.47%	47.05%	37.58%	3.31%	10.46%	8.22%
1994	2.0	1.9	5	7.76%	6.69%	1.32%	8.02%	11.05%	7.95%
1993	1.8	1.7	4	23.26%	22.05%	10.08%	3.33%		
1992	1.3	1.2	3	13.88%	12.87%	7.62%	0.00%		

**Performance is for a partial year beginning January 1, 2018 and ending June 30, 2018.*

N/A – Total Firm Assets, Three Year Annualized Ex-Post Standard Deviation, and Composite Dispersion are provided for full year-end periods only.

<u>Core Equity Composite</u> contains all fully discretionary accounts invested in equities excluding accounts that use significant leverage and for comparative purposes is measured against the total return for the S&P 500. It includes accounts managed for capital appreciation as well as accounts managed for a combination of capital appreciation and current income. The equity securities are typically mid cap and large cap value oriented U.S. equities and ADR's of similar capitalization. The portfolios also include equity securities that provide higher current income such as master limited partnerships, real estate investment trusts and similar securities that "pass through" most of their cash flow as distributions. The portfolios may from time to invest in fixed income securities and various hedges such as gold backed ETF's as conditions warrant. The portfolios are typically invested in 15-25 positions but have held fewer than 15 positions in the past. The minimum account size for this composite is $50,000.

South Atlantic Capital claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. South Atlantic Capital has been independently verified by Ashland Partners & Company LLP for the periods January 1, 1992 to September 30, 2016 and by ACA Performance Services for the periods September 30, 2016 to December 31, 2016.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the

GIPS standards. The Core Equity Composite has been examined for the periods January 1, 1992 to December 31, 2016. The verification and performance examination reports are available upon request by calling (910) 763-4113, or by emailing info@southatlanticcap.com.

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Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite policy requires a three month, temporary removal of any portfolio incurring a client initiated external significant cash inflow of at least 25% of portfolio assets. The temporary removal of such an account occurs at the end of the prior month in which the external significant cash flow occurs and the account re-enters the composite at the end of the second full month after the cash flow. In 2014, South Atlantic Capital switched to a new database reporting software and switched our composite fee calculation methodology to using the highest fee in the account, 1.0%, effective 7/1/2014. Additional information regarding the treatment of significant cash flows is available upon request. Composite returns represent investors domiciled primarily in the United States. Past performance is not indicative of future results. As of December 31, 2014, less than 1% of composite assets represent non-fee paying accounts.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Returns are presented after trading expenses but before any applicable taxes. The annual composite dispersion presented is a size-weighted standard deviation calculated for the accounts in the composite the entire period. The annual dispersion and the standard deviation were calculated based on net returns prior to 12/31/2014, and gross of fees beginning 1/1/2015. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request, as is GIPS compliant presentations and lists and descriptions of South Atlantic Capital's composites, by emailing info@southatlanticcap.com or calling (910) 763-4113.

South Atlantic Capital's management fee schedule for accounts with assets up to $5,000,000 is generally set at 1.0% per annum, and is negotiable for accounts with assets over $5,000,000. Actual investment advisory fees incurred by clients may vary.

The Core Equity composite was created on March 1, 2011.