South Atlantic Capital Management Group, Inc.

Investment Management

September 30, 2018 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) Core Equity Composite versus S&P 500 and Russell 1000 Value
Annualized as of 9/30/2018

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception*	Total Return Since Inception*
SACMG Core Equity (gross)	22.20%	17.40%	11.34%	13.21%	10.75%	10.58%	13.46%	2832.39%
SACMG Core Equity (Net)	20.97%	16.23%	10.24%	12.09%	9.69%	9.52%	12.35%	2155.20%
S&P 500²	17.91%	17.31%	13.95%	11.97%	9.65%	7.42%	9.74%	1101.67%
Russell 1000 Value	9.46%	13.55%	10.72%	9.79%	8.90%	7.59%	10.08%	1205.73%

**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, 2016. ACA Performance Services has verified our firm-wide compliance for the period of September 30, 2016 to June 30, 2018. 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 September 30, 2018 was 6.25% net of fees versus 7.71% total return for the S&P 500. For the year ended September 30, 2018, our composite's return net of fees was 20.97% compared to 17.91% 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 September 30, 2018, our returns gross fees ranked in the top 2% of the 249 "Large Cap Core" managers on their database and in the top 10% gross of fees. Other managers on the database include firms such as Alliance Bernstein, Golden Sachs, UBS Asset Management, Deutsche Bank and JP Morgan. Since inception on December 31, 1992, our Core Equity Composite performance versus other Large Cap Core managers on the database rank in the top 1% gross of fees and the top 4% net of fees.

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.

PSN reports are available on our website www.southatlanticcap.com.

Is Passive Investing Wise

We are witnessing a massive trend towards passive investing. Ads for tech focused Exchange Traded Funds fill the financial press but is this wise?

Yes and no. On average, the returns for actively managed funds will approximate the market's return so after their higher expenses they will underperform a low- cost index fund designed to track the return of the S&P 500. No less than Warren Buffett has recommended to his wife (after he dies) and for people who don't have the time or inclination to thoroughly research and monitor their investments that index funds are the way to go.

Buy High Sell Low

However, investors in passive vehicles may not fully understand how they work. Whether it's index funds, index ETFs or smart beta funds, once the guidelines are set, they are followed without discretion and without any regard to company fundamentals or any reflection on a company's stock's price.

For example, Amazon was .77% of the S&P 500 index on September 30, 2013 versus 3.37% on September 30, 2018. This means an S&P 500 index fund's exposure to Amazon went up almost 5 times versus 2013 **after** a seven-fold increase in Amazon's stock price from $312 per share to $2,003. The index fund was not recommending a large 3.37% weighting 5 years ago in anticipation of the stock going from $312 per share to $2,003. Your exposure went up only after the stock price went up relative to other stocks in the index. An active manager would attempt to do the opposite, have a large weighting in a stock in anticipation of high returns not post the run up. If one of their holdings went up almost 7 times in 5 years, it's hard to imagine they wouldn't be selling or trimming the position as opposed to adding to it.

Passive investing is essentially momentum based, adding exposure to a company as its price rises relative to an index and lowering exposure if it's relative price falls. This is close to buy high and sell low while active investing is more focused on buying companies that are undervalued due to price declines. This means prices can be distorted when large amounts of money flow into passive vehicles paying no attention to valuations, especially for companies that are held in many exchange traded index funds.

A Crowded Trade

Conventional U. S. stock funds that invest passively without regard to price or earnings prospects now hold $1.9 trillion in assets triple what they had in 2007. Add in $1.7 trillion in U. S. exchange traded funds, another type of index portfolio, and passively managed funds account for 42% of all U.S. stock fund assets. According to data from Morningstar, roughly similar amounts went into active and passive equity mutual funds from 2005-20011 but the flows into active and passive funds, began to decline in 2012 and in 2015 turned into outflows while inflows into index funds accelerated.

If money were to flow out of equities, the stocks that have been disproportionately bought will have to be disproportionately sold. It's not clear where the buyers will come from if the passive funds must sell their holdings in a crunch since the trade is so crowded.

Downside Protection

Essentially, with momentum-based guidelines mimicking an index and holding no cash, passive vehicles have no downside protection. You get all the upside in an index and all the downside as well. Not surprisingly, there have been periods in the past when downside protection was valuable and active funds outperformed an index such as the S&P 500 despite higher expenses.

According to work done by Joseph Mezrich at Nomura Instinet, the percentage of funds outperforming the S&P 500 on a five-year basis was in the 90% range in 1982 as index funds suffered more from the market downturn caused by Paul Volcker raising interest rates. By 1988-1990, after a strong run for the S&P 500, the percentage of funds outperforming the index on a five- year basis was back down to approximately 15%.

The same pattern was continued by the 1991 market downturn which caused an increase in the funds outperforming the index by 1994. Not surprisingly, again by 1999 only 5% of active funds were outperforming the index due to the screaming and top- heavy tech related market gains of 1998-1999. This of course was followed by an increase to almost 60% of active funds outperforming the index by 2004 due to the tech related market bust you probably remember. Today, the number of outperforming funds is again low at about 15%. If this sounds repetitive and cyclical, that's because it is.

Investors in index funds should remember that if looked at over longer periods, the market can be more volatile than recent performance would indicate. It's unknown what affect the large amount of passive investing will have on the next downturn but if history repeats it's highly likely the poor recent performance of active funds versus the index will improve.

Looking at 20 year returns through December 31, 2016, the average equity fund investor's return was 4.79% badly trailing the 7.68%* return for the index with similar poor results shown for the average index fund investor. Most people can't buy and hold as Warren Buffett suggests due, in our experience, to the emotional mistake of selling during downturns. By mitigating the downturns, we believe active management can make it easier for investors to stay invested and benefit from compounding their money over long periods of time.

*Dalbar and Associates

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

Best regards,

Eddie Nowell

Worst 5 performers		Best 5 Performers	
Fox	-6.8%	Arconic	29.7%
Sirius	-6.5%	Cf Inds	23.3%
Cars.com	-2.7%	CVS h	23.3%
Moody's	-1.7%	Apple	22.4%
Carmax	2.5%	Berkshire	14.7%

DISCLOSURES

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.*

Russell 1000 Value *seeks to track the investment results of an index composed of large and mid-capitalization U.S. equities that exhibit value characteristics.*

Returns are presented gross and 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 holder

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.

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.

Verification and Performance Examination Report

Mr. Edward D. Nowell, President
South Atlantic Capital Management Group, Inc.

We have verified whether South Atlantic Capital Management Group, Inc. (the "Firm") (1) has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS®) on a firm-wide basis for the periods from October 1, 2016 through June 30, 2018, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of June 30, 2018. We have also conducted a performance examination of the Firm's Core Equity Composite for the periods from October 1, 2016 through June 30, 2018. The Firm's management is responsible for compliance with the GIPS standards and the design of its policies and procedures and for the Core Equity Composite's compliant presentation. Our responsibility is to express an opinion based on our verification and performance examination. We conducted this verification and performance examination in accordance with the required verification and performance examination procedures of the GIPS standards. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, the Firm has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from October 1, 2016 through June 30, 2018; and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of June 30, 2018.

A verification covering the periods from January 1, 1992 through September 30, 2016 was performed by another verification firm, whose report expressed an unqualified opinion thereon.

Also, in our opinion, the Firm has, in all material respects:

- Constructed the Core Equity Composite and calculated the Core Equity Composite's performance for the periods from October 1, 2016 through June 30, 2018 in compliance with the GIPS standards; and
- Prepared and presented the Core Equity Composite's accompanying compliant presentation for the periods from October 1, 2016 through June 30, 2018 in compliance with the GIPS standards.

A performance examination of the Firm's Core Equity Composite covering the periods from January 1, 1992 through September 30, 2016 was performed by another verification firm, whose report expressed an unqualified opinion thereon.

This report does not relate to or provide assurance on any composite compliant presentation of the Firm other than the Firm's Core Equity Composite.

ACA Performance Services, LLC

ACA Performance Services, LLC
December 6, 2018

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
6/30/2018		39.2	77	5.98%	5.46%	2.65%			
2017	41.6	37.6	77	23.79%	22.57%	21.83%	1.20%	13.43%	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%		

**Three Year Annualized Ex-Post Standard Deviation, Total Firm Assets and Composite Dispersion 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 June 30, 2018.

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 June 30, 2018. 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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Verification Report

Mr. Edward D. Nowell, President
South Atlantic Capital Management Group, Inc.

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In our opinion, the Firm has, in all material respects:

- Complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from October 1, 2016 through June 30, 2018; and
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This report does not relate to or provide assurance on any composite compliant presentation of the Firm and does not ensure the accuracy of any specific composite compliant presentation.

ACA Performance Services, LLC

ACA Performance Services, LLC
December 6, 2018