South Atlantic Capital Management Group, Inc.

Investment Management

June 30, 2021 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) Core Equity Composite[1] versus S&P 500 and Russell 1000 Value
Annualized as of 6/30/2021

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception (1/1/1992)	Total Return Since Inception
SACMG Core Equity (gross)	47.10%	12.64%	16.36%	11.69%	10.43%	10.28%	13.27%	3829.40%
SACMG Core Equity (Net)	45.64%	11.52%	15.21%	10.59%	9.35%	9.20%	12.16%	2840.95%
S&P 500[2]	40.79%	18.70%	17.68%	14.86%	10.73%	8.61%	10.44%	1765.71%
Russell 1000 Value[3]	43.68%	12.44%	11.89%	11.63%	8.01%	7.73%	10.21%	1654.16%

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® Reports, which are available upon request by calling (910) 763-4113, or emailing info@southatlanticcap.com.. All returns include reinvested dividends and interest. Past results are not indicative of future performance.

Attached is our most recent GIPS verification through December 31, 2020, including the GIPS Composite Report for our Core Equity Composite (as well as necessary disclosures).

INVEST IN EQUITIES IN A RISK AVERSE WAY

This newsletter may be way too long, but we wanted to give you a thorough description of how we try to mitigate risk. Risk mitigation is what allows us to remain confident staying invested, which has allowed us to significantly compound client net worth over time. Every year our experience reinforces our belief that trying to time markets does not work well in that regard while investing in undervalued, durable companies does.

Despite seeing higher than normal risks in the current environment, we are quite optimistic about the portfolio and particularly excited about several positions. A significant reason for our optimism is that Phil running the office smoothly allows me to turn over more rocks and vet them more thoroughly during our investment committee meetings.

Plenty of signs point to a strong economy over the next twelve to eighteen months. Moody's estimates aggressive fiscal stimulus and high savings rates during the pandemic has led consumers to accumulate $2.6 billion in excess savings. This, along with stock market appreciation and a large increase in home prices, has led to an all-time high for household net worth according to the Federal Reserve. In addition, household debt service as a percentage of disposable income has declined.

	12/31/2019	03/31/2021
Total Asset Value	$134 trillion	$154.7 trillion
Liabilities	$16.4 trillion	$17.2 trillion
Household Net Worth	**$118 trillion**	**$137.5 trillion**
Debt service/disposable income	**9.87%**	**8.23%**

Regardless, there are risks to consider, specifically, long-term elevated inflation, higher taxes, higher interest rates and ever-increasing government debt and deficits. These historically large deficits and debt-to-GDP ratios could be disruptive to the dollar and smoothly functioning credit markets if they continue or increase and underscore the advantage of investing in companies with strong balance sheets.

The often-mentioned excessive valuation of the stock market is not a long-term concern to us since our portfolio returns will be fundamentally driven over time by the valuations of the specific companies that we own relative to their prospects and not the valuation of the market. Market downturns are inevitable, but our past experience is that, while overvalued stocks are at risk, the effect on undervalued or fairly valued and growing companies has been temporary and overridden by each specific company's outlook versus its price. We feel interest rates won't be a significant risk to stock valuations unless the rate on the ten-year treasury exceeds 3% versus 1.28% currently.

None of these risks sway us from our strongly held view that investing in equities by owning well financed, well managed businesses with competitive advantages is the best way to protect and grow your net worth against inflation, while maintaining liquidity compared to other assets such as real estate. However, the above-mentioned risks do cause us to stress test the portfolio against these risks, which we think we have done.

Best and Worst Performers in the 2nd quarter 2021

TOP 5 PERFORMERS		WORST 5 PERFORMERS	
KKR & Co.	21.6%	Discover Comm.	(21.4%)
Brookfield	15.7%	Southwest Air	(13.0%)
Exxon Mobil	14.6%	Prudential PLC	(10.6%)
Ares Mgmt.	14.3%	Brookfield RE	(10.2%)
CF Industries	14.0%	Disney	(4.7%)

Historical Risk Mitigation

Throughout our history we have put risk reduction at the forefront of our investment approach such that we believe our strategy invests in equities in a risk averse way in comparison to other managers. Our strategy has consistently avoided excess leverage by focusing on investing in conservatively managed companies which maintain the flexibility, through their strong balance sheets and resilient cash flow, to invest during downturns and further strengthen their companies.

This means, rather than forced asset sales at cheap prices due to a weak balance sheet, our investments in great measure have taken advantage of weak prices by buying assets or buying back their stock at a faster rate as prices drop, which increases your proportionate ownership in each

company without having to lift a finger. Many overleveraged companies do the opposite. They dilute your ownership during downturns since they are forced to issue stock at low prices to shore up finances. We think our defensive approach has greatly aided long term returns by avoiding mistakes, or permanent loses of capital, and has typically meant we have funds either held in the portfolio or held at the companies to take advantage of downturns.

Attention to these risks doesn't mean that we are investing based on predicting that they will occur. With few exceptions, those who try to predict macro events have a dismal track record. What it does mean is we are stress testing the portfolios for how they would withstand these *potential* risks. Another way we try to lower risk during these environments is by tightening our standards, which could well mean holding higher cash balances. As always, when we consider where to invest, we are focused on three-year questions not three-month questions.

In terms of high market valuations, if a company we're invested in can withstand an economic downturn and is either undervalued or fairly valued such that we think it has attractive expected returns, why on earth sell it based on an opinion about the market and a potential short-term pullback? That approach does require patience, but the other approach requires a lack of common sense in our view. For clients in retirement who utilize their investments to subsidize income, downward movements and short-term volatility don't affect our view that annual distributions of 6% can be maintained without affecting our ability to invest for the long term and better maintain your net worth. Distributions above 6% make it difficult to be 100% invested in stocks.

As mentioned previously, we think our strategy has consistently mitigated risk by focusing on conservatively managed companies which maintain the flexibility to invest and strengthen their company during downturns, benefiting from strong balance sheets and resilient cash flows. It may seem that we repeat this endlessly but, based on the number of comments from clients worried about short term downturns, we don't repeat it enough. Just as a reminder, the companies in our portfolios handled the recent pandemic downturn with relative ease, and this was the worst year for the economy since the second world war. We know that ignoring market downturns and focusing on the business outlook for the specific companies you own is difficult psychologically but, in our opinion, it is clearly the right mental approach.

"I AM NOT A POTTED PLANT." Paraphrasing Oliver North's attorney Brendan Sullivan, the CEO's are not potted plants. Phil emphasized this fact to me recently, noting that a good CEO should help provide protection during periods of heightened risks. A recent example for us would be Rupert and Lachlan Murdoch, who are definitely not potted plants. They had the vision to realize that **Fox's** entertainment assets (not news and sports) were at significant risk to be disrupted by streaming companies and lose substantial value. They realized more scale was needed to have a competitive streaming product, which is why they tried to buy Time Warner Media. When that failed, they chose to sell their entertainment assets to Disney which coveted them to gain necessary scale. When Disney was forced to bid against Comcast for these unique assets, it led to great profits for Fox which retained their valuable news and sports assets and remains a holding of ours.

Another example is **Ares Management**, an alternative asset manager focused on direct business lending. During our research, we were focused on how defensive they were and how well they avoided mistakes. Post the pandemic shut down, we added to the position significantly after reviewing the loan exposures of their publicly traded direct lending subsidiary, Ares Capital Corporation. Their exposures to what proved to be the riskiest credits during the pandemic compared to competitors, such as high yield funds and leveraged loan funds, were as follows:

Hotel and Gaming		Oil and Gas	Telecommunications
Ares Capital	< 1%	2%	<1%
High Yield[4]	4 .9%	10%	8.3%
Lvg. Loans[5]	8%	4%	5%

Retailing and Distribution		Media and Entertainment
Ares Capital	2%	1%
High Yield	2%	5%
Lvg. Loans	4%	7%

(4) Source Bloomberg Barclay's High Yield Corp Update March 31, 2020
(5) Source SPLSTA Leveraged Loan Index Factsheet March 2020

The last example would be **Enterprise Products Partners**, which has historically benefited from the shareholder friendly attitude of the family that controls it. They were the first general partner to give up preferred general partner incentive fees. These fees reduced cash flow available to their limited partners such as us and made the company less creditworthy. As a 32% owner, the family has also helped facilitate important acquisitions by foregoing or delaying their dividend payments. Recently, they reduced the growth in the dividend in order to be self-funding. In other words, their pipeline system, which is backed by long-term fee-based contracts, now retains enough cash flow after paying the dividend to fund growth projects without having to depend on the markets to raise debt or equity capital. That means they are in a better position to fund new projects than competitors with a weaker financial position if excessive fiscal deficits harm capital flows.

Family controlled businesses

Looking for conservatively financed businesses has caused us to gravitate towards family-owned businesses. It is no panacea against the risks mentioned above, but family-owned businesses (certainly with exceptions) tend to be much more conservatively managed because the families earn their returns primarily through their skin in the game (stock ownership) and not through short-term stock option grants. They are ingrained to protect their stock holdings and the family business. If a Noah's Ark-type business is going to be built, apart from Jamie Dimon at JPMorgan, it's unlikely to be built by a hired CEO focused on his stock options that expire in the next few years. Percentage holdings of family-owned or senior employee-controlled businesses in the portfolio are outlined below:

Brookfield Asset Management	10.3%
Liberty Sirius	10.0%
Lennar B	7.3%
Enterprise Products Partners*	6.1%
Ares Management*	5.5%
Fox Corp*	3.3%
Berkshire Hathaway	2.8%
Discovery Communications	2.5%
KKR	1.1%
Total	49.3%

*You'll note that all of the examples of CEO's not being potted plants, but taking actions to avoid risk, are CEO's of family-controlled businesses.

Dealing with Rising Inflation and Higher Interest Rates

What is somewhat different in our risk avoidance in the current environment is adjusting the portfolio to include more companies that have attractive expected returns in the status us quo **but also are better able to withstand or benefit from higher interest rates and above-average inflation**, if they occur. The main additions are discussed below.

Prudential PLC, is a life & health insurance and asset management company with a focus on Asia and Africa. Following their spinoff of Jackson Life, their U.S. subsidiary, they will earn their profit predominately from Asia where they have a top 3 market position in the following markets(6):

Hong Kong	Philippines
Indonesia	Vietnam
Malaysia	India
Singapore	

(6) Sources include formal competitors releases, local regulators and insurance associations

The Asian countries have not grown their money supply as rapidly as the U. S., which we believe means they have less inflation risk. These countries also have less debt compared to their GDPs than the U. S. and, therefore, should have more flexibility to raise interest rates to protect against the potential of rising inflation. Given Prudential's competitive advantages by locking down distribution channels through a very long presence in these markets, we feel the company has a multi-year runway of double-digit earnings growth since so many people in Asia don't have life or health insurance and their middle class is growing rapidly. For example, life insurance represents 8.0% of GDP in the UK versus only 3.0 % in Asia ex Japan.

Phillip Morris International, through a multi-year $6 billion development program, has 80% of the smokeless market and is successfully transitioning smokers to this IQOS product. This product currently carries much lower excise taxes, as its viewed favorably by governments in reducing smoking risk compared to traditional cigarettes. Lower excise taxes on IQOS products enhances Phillip Morris's already strong pricing power. Furthermore, their unit costs should decrease as this market grows since they have already built plants that can make 1.5 billion "heat sticks" while they currently only sell 750 million. In our view, their pricing power and replacement of traditional cigarettes with higher margin smokeless cigarettes, coupled with declining unit costs, protects their earnings nicely against inflation. They have no business in the U. S. and earn about 40% of their profits in Asia.

Ardagh Metal Packaging is a subsidiary recently spun out of AMP Group which has 24 aluminum can manufacturing facilities across the U. S., Europe and Brazil. They are using free cash flow to increase their manufacturing capacity from 39 billion to 60 billion by 2024, a 54% increase. Aluminum is the most recyclable, sustainable packaging which, aided by seltzer waters changing to aluminum cans, has seen the industry growth rate increase from 1-2% to 5-7%. A 1% shift from plastic bottles to aluminum cans equates to a 5% growth in aluminum cans. Nearly all of the expansion is backed by 4- to 7-year contracts with major beverage companies and includes pass-through pricing on aluminum, energy and other major cost inputs. In our view, this investment—with a locked in 54% increase in volumes and margins, which are well protected from inflation through these contracts—certainly adds to inflation protection in the portfolio. Because it only recently was spun off from its parent, we feel it is somewhat undiscovered.

Review of How Our Largest Positions Withstood 2020's COVID Downturn

Portfolio values have rebounded a great deal as fears of COVID's long-term effect on our investments has dissipated in conjunction with the success of the vaccines. However, we feel the price declines were disconnected from how our companies' operations were withstanding the severe economic downturn. Using the period December 31, 2019, through December 31, 2020, which represents the worst calendar year for the pandemic and the worst year for the economy since WW2, we illustrate below how our largest positions (ranked in order of size) have come out of the downturn stronger. ***Despite the emotionally driven downturn in their stock prices, we think their operating performance (which is most important) was quite good***. We believe that our continued focus on risk mitigation should result in a similar scenario in the next downturn, whenever that is.

1. **Enterprise Product Partners** – Enterprise is a logistics company transporting, processing, storing and exporting natural gas, natural gas liquids, petrochemicals and oil. Twenty percent of gross margin comes from providing services to the producers of the low sulfur oil the U. S. generates. Importantly, **65%** of gross margin comes from petrochemical and natural liquids services, which are expected to grow faster than GDP partly because the rest of the world needs cleaner burning LPG to reduce the environmental and health risks of using wood to heat their homes or cook. Despite an extraordinary 25% drop in oil demand and oil prices, Enterprise's resilient business model allowed them to maintain distributable cash flow of $6.4bb versus a record $6.6billion in 2019. That not only covered the dividend by a healthy 1.6X, but allowed them to fund $3billion in growth projects backed by long-term fee-based contracts with a minimal increase in debt. They also maintain one of the strongest credit ratings (BBB+) in the industry, and debt to operating profit is now below 2019's level.

2. JPMorgan – Despite the severe drop in the economy, JPMorgan came out of it in stronger shape certainly aided somewhat by the federal stimulus, as well as conservative underwriting and a diverse income stream. At the end of 2019, they had $998bb of loans outstanding with $13bb in reserves and $234bb in common equity. At year-end 2020, they had $1.013 trillion in loans but had built loan loss reserves to $28bb and common equity to $249bb. So, equity and loan loss reserves increased from 24.7% of loans in 2019 to 27.3% of loans at the end of 2020. Their diverse income stream allowed them to increase operating income before credit losses from $53.bb to $56.3bb despite the negative effect lower interest rates had on loan income. This was achieved because the volatility created by the downturn helped their trading business and increased the need for their clients to use JPMorgan to raise capital. This operating income increase allowed them to raise loss reserves and reduce shares outstanding by 2% while still increasing capital levels.

3. Brookfield Asset Management – Brookfield ended 2020 with cash of $4.5bb and investments of $49.8bb at the parent company against $9bb in debt which has a 4.4% interest rate with an average maturity of 14 years. This compares to $2.2bb of cash and $40bb of investments in 2019. Brookfield is an alternative asset management company managing private funds and publicly-traded affiliates which invest in renewable energy, infrastructure, real estate and distressed credit.

They utilize conservative capital structures that allow them to invest during downturns which, among many other things, allowed them to start a reinsurance company in 2020 which was recently spun off to shareholders. This reinsurance company will help them gain share in the insurance market, which has total credit investments of $30 trillion, mostly in traditional credit. Low interest rates make it difficult for insurance companies to earn an adequate spread over their

insurance liabilities and is causing them to allocate more and more of policyholder funds to Brookfield's funds.

Besides insurance companies, other institutional investors are having trouble earning adequate returns in traditional credit, which is greatly helping Brookfield's fundraising efforts due to their global advantages in renewable energy, infrastructure and distressed debt funds. This led to an increase in assets under management from $545bb to $602bb. "Dry powder" increased from $60bb to $77bb. The benefit of their focus on critical service assets with contracted, leased, or regulated cash flows was highlighted by the increase in the market value of their listed subs in real estate, infrastructure, private equity, and renewable energy despite the problems in the retail portion of their real estate business caused by the pandemic. Funds from operations and distributable cash flow increased to $5.2 billion and $3.1bb in 2020 versus $4.2bb and $2.6bb last year, both records.

4. Disney – Over time, Disney has been committed to a strong balance sheet, giving them the flexibility to take advantage of opportunities as they arose. This allowed them to aggressively pursue Fox's assets. We held Disney despite the increase in leverage from the Fox deal due to the discrepancy between their market value and Netflix's and our view that their streaming product would be successful. Despite buying much of Fox and the disruption caused by COVID 19 on their film and park business, they maintained enough financial strength to boldly launch Disney+ reaching 73 million subscribers and positioning the company for long-term growth.

5. Berkshire Hathaway – Berkshire is a huge company with approximately $117bb in debt, which is well covered by consistent cash flows where most of it is held—at Burlington Northern Railroad and their energy business. Much of that business is renewable energy where cash flows are supported by regulations due to the monopolistic nature of utilities.

They also have cash and treasury bills of $135bb, up $10bb from last year. Earnings of most of their manufacturing, retail and services businesses declined considerably. Offset by their energy, insurance and investment income, operating earnings declined just 6% to $22.3bb, which was used to buy back $24.7 billion in stock or roughly 2.5% of shares outstanding. So, their cash holdings went up and their shares outstanding went down, a good combination.

6. CF Industries – As the largest nitrogen fertilizer manufacturer in the country, they saw essentially no demand destruction due to the pandemic. Since 15% of fertilizer demand is imported and bears significant transportation costs, and the natural gas used to manufacture fertilizer is typically much cheaper in the U.S., they have a large cost advantage supplying the corn belt. This allowed them to generate $3.50 of free cash flow per share versus their $45 share price. This was down from the previous year as the chaos of the shutdown caused natural gas to flood into Europe in 2020 as a result of China canceling contracts, which temporarily lowered the cost for European manufacturers. CF used their cash flow to pay a $1.20 dividend, buy back 3% of the shares and reduce net debt from $3.7bb to $3.3bb. Natural gas costs in Europe have since skyrocketed along with fertilizer prices.

7. **Fox** – Fox generates the **majority of its operating profit from its cable networks** where cash flows are more stable than broadcast networks because they are more dependent on subscription fees which are backed by 3–5-year contracts, while broadcast profit is more dependent on advertising revenue. Cable operating profit increases were effectively locked in by these contracts since growing audience and leverage for Fox News led to price increases per subscriber significantly higher than subscriber declines. This, along with the importance of broadcast networks to political advertisements, led to operating cash flow of $2.639bb in 2020 despite the

pandemic versus $2.365bb the previous year. Cash balances rose from $4.6bb to $5.9bb (or $10 per share) despite spending $1bb to reduce the share count by about 3.5%. Fox's fiscal year ends June 30, so we had to use the June 30, 2020 - June 30, 2021 period to get accurate cash flow information.

8. Liberty Sirius – Liberty's ownership of 3.2 billion shares of Sirius Radio represents 80% of Liberty Sirius's value. Almost 80% of Sirius Radio's revenue comes from more predictable subscription fees compared to more volatile advertising revenue. A 3% growth in subscribers, plus price increases on subscriptions, led to a 6% increase in adjusted operating profit and helped Sirius reduce its shares outstanding by 7% while maintaining debt levels at a very reasonable 3.3x operating profit.

9. Lennar – Pent up demand for new homes due to the large shortfall in new home construction since 2007, along with a change in corporate strategy to hold more land through options versus outright ownership of land, attracted us to Lennar. This backlog of demand expanded during pandemic as people exited cities to own their own homes. As a result, Lennar earned $7.85 per share, up 37% over 2019.

Reducing excess land inventory added to earnings and led to free cash flow growing from $1.4bb in 2019 to $4.1bb. This has allowed the company to strengthen its balance sheet, as they reduced net debt from $6.6bb to $3.3bb. This led Standard and Poor's to upgrade Lennar's credit rating to investment grade. In addition, Lennar reduced its share count by approximately 3% in 2020. Their fiscal year ends November 30th.

Summary

Despite awareness of the risks mentioned earlier, we enjoy the outlook we have for the portfolios and feel we are well protected against the risks. We believe during potentially volatile times its certainly helpful to clients to have direct access to the person making the investment decisions and to have the amount of access we provide. This gives you transparency into what you own.

We feel this direct access leads to better risk monitoring and to clients having a better understanding of their investments during periods of stress. In our view, this helps clients stay invested and compound capital over time much better than attempts to manage risk by trying to time markets which, in our experience, has a low probability of success given the unpredictability of the market.

Also, please understand that when we hire someone who will be involved in the investment process, that decision will be driven by finding someone who has impressive investment capabilities and is dedicated to the investment side of the business. We believe this leads to quality results for clients and obviously applies to Phil. We feel our commitment to the investment process and our investment capabilities are second to none with respect to other firms in the area, and we remain committed to further enhancement of our investment capabilities.

Thanks for your continued confidence in our firm, and please let us know if there has been any significant change to your financial position.

Eddie Nowell

DISCLOSURES

[1]***Core Equity Composite*** *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 generally large cap value-oriented U.S. equities. 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 are invested in approximately 20-25 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 market-capitalization-weighted index has over U.S. $11.2 trillion indexed or benchmarked, with indexed assets comprising approximately U.S. $4.6 trillion of this total. The index includes 500 leading companies representing all major industries of the U.S. economy and captures approximately 80% of all U.S. equities. Returns include the reinvestment of dividends.*

[3]***Russell Value 1000 Index*** *is also market-cap weighted and measures the performance of the large-cap "value" segment of the US equity universe. This index originated in 1987.*

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 are GIPS Reports 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 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 performance. An investor should further understand that future results may represent 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.

PHILLIP A. TITZER

Mr. Titzer is Chief Operating Officer & Compliance Officer of South Atlantic Capital Management Group, Inc.

Mr. Titzer joined South Atlantic Capital in March 2020, bringing twenty-four years of investing and business operations experience to the firm. As a CFA® charterholder on the advisor's investment committee, he adds additional valuation and investment management experience to the organization. Previously, Mr. Titzer was a portfolio manager and head of investment operations for The Edgar Lomax Company, a large-cap value equity manager in Alexandria, Virginia. There, he directed all research, trading and portfolio administration activities and, along with the firm's founder, managed the Edgar Lomax Value Fund (a mutual fund that earned Morningstar's highest rating of 5 Stars as of December 31, 2019) as well as high-net-worth and institutional separate accounts totaling approximately $1.6 billion. Prior to that, he was a nuclear-trained submarine officer in the U.S. Navy, serving on the U.S.S. Kentucky (SSBN 737) and, later, as a combat control test & evaluation officer for Naval Sea Systems Command. Mr. Titzer holds a B.S. in Mechanical Engineering from Rose-Hulman Institute of Technology and an M.B.A. in Finance from George Mason University.

South Atlantic Capital Management Group, Inc.
Verification and Core Equity Composite Performance Examination Report

December 31, 2020

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") has, for the periods from October 1, 2016 through December 31, 2020, established policies and procedures for complying with the Global Investment Performance Standards (GIPS®) related to composite and pooled fund maintenance and the calculation, presentation, and distribution of performance that are designed in compliance with the GIPS standards, as well as whether these policies and procedures have been implemented on a firm-wide basis. GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. We have also examined the Firm's Core Equity Composite for the periods from October 1, 2016 through December 31, 2020.

The Firm's management is responsible for its claim of compliance with the GIPS standards, the design and implementation of its policies and procedures, and for the accompanying Core Equity Composite's GIPS composite report. Our responsibilities are to be independent from the Firm and 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, which includes testing performed on a sample basis. We also conducted such other procedures as we considered necessary in the circumstances.

In our opinion, for the periods from October 1, 2016 through December 31, 2020, the Firm's policies and procedures for complying with the GIPS standards related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been, in all material respects:

- Designed in compliance with the GIPS standards, and
- Implemented on a firm-wide basis.

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 December 31, 2020 in compliance with the GIPS standards; and

- Prepared and presented the accompanying Core Equity Composite's GIPS composite report for the periods from October 1, 2016 through December 31, 2020 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 specific performance report of the Firm other than the Firm's accompanying Core Equity Composite's GIPS composite report, or on the operating effectiveness of the Firm's controls or policies and procedures for complying with the GIPS standards.

ACA Group

ACA Group, Performance Services Division

June 3, 2021

ACA Group, 1370 Broadway, 12th Floor New York, NY 10018
Phone: (212) 951-1030 www.acaglobal.com

SOUTH ATLANTIC CAPITAL MANAGEMENT GROUP, INC.
CORE EQUITY COMPOSITE
GIPS COMPOSITE REPORT

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
2020	52.8	38.1	71	-2.68%	-3.65%	18.40%	1.84%	22.02%	18.53%
2019	54.9	44.8	82	27.23%	25.96%	31.49%	1.11%	12.57%	11.93%
2018	46.1	36.2	77	1.52%	0.51%	-4.38%	0.72%	12.74%	10.80%
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%		

Core Equity Composite* 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 generally large cap value-oriented U.S. equities. 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 are invested in approximately 20-25 positions but have held fewer than 15 positions in the past. The minimum account size for this composite is $50,000. The composite has an inception date of January 1, 1992. The Core Equity composite was created on March 1, 2011.

South Atlantic Capital Management Group, Inc. ("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, 2020. A firm that claims compliance with the GIPS standards must establish policies and

procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. Verification does not provide assurance on the accuracy of any specific performance report

The Core Equity Composite has had a performance examination for the periods January 1, 1992 to December 31, 2020. The verification and performance examination reports are available upon request by calling (910) 763-4113, or by emailing info@southatlanticcap.com.

South Atlantic Capital is an independent registered investment adviser registered with the State of North Carolina and the Commonwealth of Virginia. The firm maintains a complete list and description of composites and limited distributed pooled funds, as well as GIPS Reports, which are available upon request by calling (910) 763-4113, or by emailing info@southatlanticcap.com.

GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.

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. Effective 12/1/1992 - 7/1/2014, net of fee performance was calculated using actual management fees. In 2014, South Atlantic Capital switched to a new database reporting software and switched our composite fee calculation methodology to utilize model fees, using the highest fee in the composite, 1.0%, effective 7/1/2014 - Present. 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.

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 investments, calculating performance, and preparing GIPS Reports are available upon request, as are GIPS Reports and lists and descriptions of South Atlantic Capital's composites and limited distributed pooled funds, 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.