South Atlantic Capital Management Group, Inc.

Investment Management

December 31, 2018 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) Core Equity Composite versus S&P 500 and Russell 1000 Value
Annualized as of 12/31/2018

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception*	Total Return Since Inception*
SACMG Core Equity (gross)	1.52%	11.63%	7.55%	14.16%	9.14%	9.68%	12.88%	2537.34%
SACMG Core Equity (Net)	0.49%	10.50%	6.48%	13.03%	8.08%	8.61%	11.78%	1922.84%
S&P 500[2]	-4.39%	9.26%	8.49%	13.12%	7.77%	5.62%	9.06%	939.16%
Russell 1000 Value	-8.26%	6.96%	5.95%	11.18%	7.04%	6.10%	9.48%	1052.70%

**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 December 31, 2018 was a loss of 10.31% versus a loss of 13.52% for the S&P 500. For the year ended December 31, 2018 our net returns were .49% versus a loss of 4.39% for the S&P 500.

Composite returns gross and net of fees are populated on PSN's database one of the largest databases used by institutions and high net worth individuals searching for portfolio managers. We're pleased that for the year ended December 31, 2018 our returns gross of fees were in the top 2% of the 809 large cap mangers on the database and in the top 1% for the 234 large cap core managers and top 1% for the 239 large cap value managers on the database. Our net returns rank in the top 6%, top 3% and top 1% respectively. Other managers on the database include firms such as JPMorgan, Alliance Bernstein, Goldman Sachs, UBS Asset Management, and Deutsche Bank.

Probably the most valuable thing about this year's performance is that our strategy prioritizes downside protection, or limiting losses in market downturns, and we are pleased our investment philosophy and process has consistently produced this result as we were able to outperform the market this year as we have in the two significant downturns that have occurred since our composite's inception on January 1, 1992, the downturns of 2000-2002 and 2008. This is discussed in more detail in the newsletter as well what our returns have been immediately after previous downturns. Who knows if this one is over but if that is the case it's doubtful we will have the same outperformance that we did in previous downturns since this one so far has not stressed balance sheets as those did which allowed our focus on strong balance sheets to pay off in their aftermath.

This downside protection has greatly helped our long- term performance, our most important statistic for clients. Since inception our returns gross of fees rank in the top 2% of all large cap managers on PSN's database and in the top 1% for all large cap core and all large cap value managers. Net of fees we rank in the top 4%, 1% and 1% respectively. One last statistic, our downside protection also ranks in the top 1% as we have been down only 48.11% of the market's negative returns in various down quarters over the last 27 years.

Worst 5 Quarterly Performers		Best 5 Quarterly Performers	
Apple	(29.9%)	21st Cent. Fox	4.7%
Allergan	(29.5%)	Lennar A	(3.0)
Arconic	(23.2%)	Berkshire B	(4.7%)
Cars.com	(22.1%)	Sirius	(9.5%)
CF Ind.	(19.5%)	Boeing	(12.8%)

How We do in Down Markets and Immediately After

Reviewing our performance during and immediately after past downturns hopefully will give some perspective and lower your anxiety from the market's recent performance. **In times like these, nervous investors can cause the stock prices for many companies to completely detach from an accurate assessment of true value, making selling a costly mistake.**

We've seen two significant downturns previously over 27 years. Nobody knows exactly what will happen in the short term but, **we feel this downturn will not be as severe as 2000-2002 or 2008-2009**. The market was much more overvalued in 1999 at 27 times earnings due to the dot-com boom which led to the downturn as investors completely lost confidence in highly unrealistic valuations and appraisals for dot-com stocks. In 2008-2009, clearly the financial system had significant problems causing lost access to capital, which slowed the economy, bankrupted many companies and put many more at risk.

The current downturn started as short-term interest rates increased making cash and short- term bonds more of an investment alternative to stocks at the same time as the following concerns over stocks were rising ----a somewhat elevated market valuation of about 17.5 times expected 2019 earnings, tariffs, a possible trade war, and potential economic weakness. This led to the anxiety and downturn in the market but, in our view, the market isn't as overvalued as it was in 2000 and the economy seems to be in much better shape than it was in 2008 notwithstanding the trade concerns. The speed and magnitude of this decline probably is being exacerbated by as much as 85% of today's trading being driven by model driven trading, machines, and passive investing which are all momentum based.

Performance During Down Markets

Cumulative Net Returns

	2000-2002	2008-2009	Since Sept. 30, 2018
SAC	Gain of 13.2%	Gain of 6.1%	Loss of 14.44%
S&P 500	Loss of 37.6%	Loss of 19.7%	Loss of 18.93%

We basically avoided the 2000-2002 market downturn since we avoided owning the overvalued dot-com stocks which didn't fit our investment philosophy which is value oriented and defensive. That means we try to avoid owning overvalued companies or companies whose access to capital is threatened during times of stress. In our experience, these are the types of companies that fare the worst during downturns.

This approach led to a smaller 26.7% downturn for us in 2008 compared to the 37.0% market downturn. In this severe downturn, account values were 6.4% above pre-crisis December 31, 2017 values by December 31,2009 and were back even with pre-crisis levels by October 31, 2009. Although down a painful amount, our defensive approach has again resulted in accounts being down much less than the market in the current downturn which began around September 30, 2018.

This downturn is a painful but we think unavoidable part of the process of long term investing and it definitely may not be over but **hopefully this gives you some perspective on when portfolio values might return to September 30, 2018 values.**

For retired clients making monthly distributions, it certainly doesn't prevent you from making annual distributions of around 6% of September 30, 2018 account values while still investing for the long term. Recent dividend increases along with the price declines has increased the portfolio's current dividend yield to approximately 3.2% which along with minimal money market fund balances can fund distributions of around 6% leaving the stocks to be held patiently for the long term.

The second important question is what might happen once the downturn is over. **Our verified returns which are attached indicate that, in our view, selling in downturns is a mistake since you are getting less than the true value of the company due to nervous selling and foregoing attractive future potential returns especially for companies that can deploy capital and add value during times like these.** It's still unknown when it will end and how steep it will be but if this downturn is less steep than previous declines, we would expect post downturn returns to be good but not as good as after prior, steeper downturns.

Net returns post the Dot-Com Bust

2003--- 33.93%

2004--- 19.25% } Cumulative Gain of 59.5%

2005--- (.16%)

Net returns post the credit crisis

2009---44.76%

2010---19.00% } Cumulative Gain of 76.7%

2011---2.59%

Two primary reasons we outperformed the market during and immediately after these downturns is avoiding overvalued stocks and focusing on owning companies that are conservatively managed so that, through their balance sheet and cash flow, they maintain the ability to add to long term value by deploying capital during periods when prices are getting cheaper and weaker competitors have less access to capital

Holding Stocks Through Potential Economic Weakness

There will always be periods of volatility in the markets which were recently beset by nerves driven by constant discussions about potential trade tariffs, higher interest rates, and uncertainty over future economic growth. With the recent increase in volatility, probably the worst thing you can do is watch the market closely. Your money is made by investing in and owning good companies for the long term. Giving in to fear is not a sound strategy and, in our opinion, has much to do with the average investor earning returns much lower than the long- term returns generated by the market.

Long Term Returns Include Periods of Economic Weakness

What drives returns for the S&P 500 over time is the average increase in earnings per share of about 6.8% per year since 1960, according to the NYU Stern School of Business, and a dividend yield of approximately 2%. What this means is long term returns are attractive even after including the periods of economic weakness. You don't have to predict when the good times will roll but you have to stay the course and avoid emotional mistakes. You should certainly worry about what you own since some companies can be put out of business by economic downturns or higher interest rates and may have to restructure troubled balance sheets causing investment losses. Despite that caveat, it's difficult to see healthy long-term appreciation in your capital by making short term decisions.

Value of Short-Term Forecasting

Paul Samuelson, one of the great economists of the 20th century, put the reliability of forecasting recessions this way: "the stock market has correctly predicted nine of the last five recessions". The best thing to do is keep a level head and focus on what a portfolio of quality companies will be worth three years from now. Unless there's a significant change in the long- term trend, which seems highly unlikely, that will allow you to capture the long- term returns which short term attempts to time the market usually prevent you from realizing. Since changes in mass psychology and how the financial community as a whole decide to appraise the outlook for businesses in general or a particular stock can have overriding importance in the short term and can vary almost unpredictably, successful attempts to time the market or forecast recessions is next to impossible to achieve and puts the likely long term capital appreciation from owning good companies at risk.

Current Situation

Forecasts aren't always accurate but based on consensus earnings forecasts the market currently trades below 15 times next year's earnings which is somewhat below the 20- year average. Interest rates are substantially below historical levels so "the market" based on history is undervalued relative to current interest rates.

If you're a long- term investor in a company whose management is disciplined about sound growth, we believe you should not worry too much about recessions (which we are not predicting) since they give these types of companies a higher probability to gain market share from a weaker competitor than a strong economy does. Jamie Dimon at a recent investor conference said that at JPMorgan rather than fear a recession they see recessions as an opportunity.

Don't let nervous investors bother you too much. Downturns are part of the process of getting good long- term returns if you own suitable companies, while succumbing to fear or trying to time the market, in our experience, is part of the process of getting subpar returns.

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

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.*

Russell Value 1000 *seeks to track the investment results of an index composed of large and mid capitalization US 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 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.

ACA
COMPLIANCE GROUP
PERFORMANCE SERVICES

Verification 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. The Firm's management is responsible for compliance with the GIPS standards and the design of its policies and procedures. Our responsibility is to express an opinion based on our verification. We conducted this verification in accordance with the required verification 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.

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

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COMPLIANCE GROUP
PERFORMANCE SERVICES

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.

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, as well as GIPS® compliant presentations, which are available upon request by calling (910) 763-4113, or by emailing info@southatlanticcap.com.

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 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. 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.