

South Atlantic Capital Management Group, Inc.

Investment Management

June 30, 2020 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) Core Equity Composite¹ versus S&P 500 and Russell 1000 Value
Annualized as of 6/30/2020

	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)	-13.32%	5.53%	5.72%	9.68%	7.89%	9.43%	12.22%	2570.45%
SACMG Core Equity (Net)	-14.19%	4.49%	4.67%	8.60%	6.84%	8.36%	11.12%	1918.67%
S&P 500 ²	7.51%	10.76%	10.74%	14.00%	8.83%	5.92%	9.50%	1225.08%
Russell 1000 Value ³	-8.84%	1.83%	4.64%	10.42%	6.24%	6.32%	9.19%	1121.25%

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, 2019, including the GIPS Composite Report for our Core Equity Composite (as well as necessary disclosures).

To illustrate the real impact of our since-inception outperformance of the indexes, consider how a \$10,000 investment (before taxes, but including our management fee) would have performed over the 28.5 years through June 30:

South Atlantic Capital: \$10,000 grows to	\$201,873
S&P 500:	\$132,508
Russell 1000 Value:	\$122,125

Year to date through June 30th, 2020, our composite return net of fees was -20.70% versus -3.08% for the S&P 500 and -16.25% for the Russell 1000 Value. Year to date through September 14, we estimate that our composite is down 13.60% (net of fees) and, excluding the losses on Boeing and Delta, we would be down about 8.70% versus a loss of 9.85% for the Russell 1000 Value.

Before I review our performance and review the investment environment, I would like to say how pleased we are to welcome Phil Titzer on board. Phil joined South Atlantic Capital in March of this year bringing twenty-four years of investing and business operations experience to the firm.

Phil is a CFA® charterholder and adds substantial valuation and investment management experience to the organization. His value-oriented and risk averse investment philosophy, along with his thoroughness, discipline and amazing attention to detail, complements our philosophy and greatly strengthens our ability to successfully execute the strategy. In addition, Phil serves as our Chief Operating Officer and Compliance Officer.

Previously, Phil 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 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 overall as of this past December 31) as well as high net worth and institutional separate accounts totaling \$1.6 billion at year-end 2019.

We now have a firm with a substantial amount of proven investment experience demonstrated over long periods of time and the insights that go along with that which we think will benefit us for years to come. Phil's joining was especially timely as it further strengthened the commitment to our investment philosophy during a tumultuous time in the markets, which are periods that can lead to poor investment decisions if you stray from your philosophy.

After preparing updates on our largest investment holdings recently (for our clients), we have even more conviction about their prospects over the intermediate to long term, and we firmly believe this year's down-market action for "value" stocks will be short lived. **We've been through similar environments more than a few times before and believe the downturns in account values are temporary primarily because significant price declines for so many positions we hold are simply not matched by a decline in how their businesses are performing which, in our experience, is a sign of good things to come.**

Further, between cash held in the portfolios and large amounts of liquidity on the balance sheets of the companies we own, we are well positioned for additional economic weakness. In fact, we see no balance sheet risk with any of our holdings; even airline leader, Delta, which has the weakest financial position of our holdings, continues to shore up its cash resources during a particularly tough time for that industry.

The current market environment combines a rare mix of strong fear and strong greed. You can see fear in that many stocks that are assumed (often inaccurately) to be significantly harmed by the corona virus have sold off significantly and greed when you look at the craziness in bidding up the already large technology-oriented stocks, some of which have benefitted from people staying at home.

We think prices and valuations between those stocks (value and growth) are distorted due to emotions tied into an overreaction to the virus which, in our opinion, will by and large be a short-term event. **In that vein, the recent uptick in corona cases and downturn in some of our holdings is something we simply aren't worried about given the fact these companies have already shown their resilience through blanket shutdowns—which are highly unlikely going forward, in our view, after all that has been learned about the virus in terms of controlling it through more targeted measures. In addition, therapies have improved, and much progress has been made towards a successful vaccine.**

I think the best illustration of this dichotomy comes from the chart below. It shows just how few stocks are driving the market's return, which in our view puts index investors at risk as these already very large companies have gotten bigger and bigger and now carry extremely high price earnings ratios. **The following table shows median statistics for tranches of the S&P 500 index (as of July 3, 2020):**

<u>Company Size</u>	<u>P/E</u>	<u>YTD Return</u>
Top 10	31.4	9.6%
Top 50	28.7	2.4%
51-100	26.0	(5.7%)
101-150	22.9	(1.9%)
151-200	26.4	(6.7%)
201-250	24.4	(9.3%)
251-300	23.2	(5.5%)
301-350	23.9	(8.5%)
351-400	22.1	(17.6%)
401-450	13.3	(22.6%)
Bottom 55*	13.9	(38.5%)

* There are 505 stocks in the index

You can clearly see that investor excitement about the largest companies (dominated by “growth” or “tech” names) has driven their stocks higher. Consequently, on a P/E basis, they are now quite expensive. Most relatively smaller companies, and particularly value-oriented ones like ours, have declined this year, but they now offer even greater potential for patient investors in our opinion.

We are reminded of 2008-2009 when excessive fear drove our portfolios down to free cash flow yields much higher than warranted which, along with the opportunities presented for the cash we held, led to strong returns in 2009. We are also reminded of 1998-2002 when greed related to Internet stocks drove the market up in 1998-1999 and down in 2000-2002 as speculative expectations failed to materialize.

Given the conviction we have in our holdings, we believe patient investors will enjoy a rebound in account values and a rebound in performance versus the S&P 500. However, we won't be surprised if our relative performance and the reversal of performance for value versus growth is muted compared to the periods outlined below partly because, on the whole, the growth companies driving what we view as excess valuations today are stronger companies than the companies that inflated the internet bubble in 1998-1999 (right before it popped).

	<u>2000-2002</u>	<u>2008-2009</u>
Cumulative South Atlantic Net Returns	Gain of 12.6%	Gain of 6.1% (+44% in 2009)
Cumulative S&P 500 Total Returns	Loss of 37.6%	Loss of 20.3%

For us, free cash flow yields are the key metric implying strong future returns. Free cash flow yields could be thought of like bond coupons for stocks. They represent the annual cash flow generated after maintaining the business that is available to management for distributions to shareholders if they wish.

The average free cash flow yield for the S&P 500 since 1990 is 4% according to Goldman Sachs Global Investment Research. When you consider that we own good companies with high single digit free cash flow yields such as Lennar, Brookfield, Liberty Sirius and Berkshire Hathaway (after adjusting for Berkshire's large excess cash position) plus we own industry leading companies, although more cyclical, with mid-teens free cash flow yields such as Fox, Enterprise Product

Partners, Williams, and CF Industries, we think the portfolio is very well positioned for future returns given excessive free cash flow yields. On top of that, our outlook for free cash flow per share growth for these companies is similar to the long-term average for S&P 500 earnings growth.

Also, compared to the “risk free” coupon on the ten-year treasury which has ranged from 8% in 1990 to just 0.7% today, according to Federal Reserve data, these free cash flow yields look very attractive compared to bonds.

Investing versus Speculating

We are not comfortable speculating with other people’s money, particularly those in retirement. Borrowing from an investor in Rocky Mount who we think highly of, we will repeat the definition of investing versus speculating articulated by Ben Graham, the founder of value investing, in his seminal book, the Intelligent Investor:

“An Investment Operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative.”

While not as bad as the 1998-1999 internet bubble mostly because of stronger underlying businesses, we consider current valuations for growth stocks as ripe with speculation. Consider that the Russell 1000 Growth index, which includes most of the technology-related stocks, is up 31% year to date through August 31 while the Russell 1000 Value index is down 9%.

In our view, you could analyze these stocks until the cows come home and not conclude that the return discrepancy was justified using Mr. Graham’s requirements of what represents an investing operation. Take for example the jump in market value for Apple and Tesla when they announced their recent stock splits. Stock splits add no more value than someone giving you five \$1 bills for a \$5 bill.

When structuring a portfolio, we think in terms of owning companies that ultimately generate enough cash flow and dividends, as a percentage of account value, to be confident in future appreciation in account value. We also focus on owning companies with conservative balance sheets.

In that regard, we have attached a table entitled “Investing vs Speculating” that shows the dividend and cash flow of \$100 spread evenly in our largest 7 holdings versus \$100 spread evenly in several of the top market darlings (data is from ValueLine). Thus, \$1mm invested in our companies on August 12th would be generating roughly \$122,000 in annual cash flow distributable to shareholders, roughly \$35,000 would be paid out in dividends with the remaining \$87,000 retained by management and available to increase per share value through share buybacks, expansions, or paying off debt.

A one-million-dollar portfolio invested in the other stocks would be generating just \$31,400 in distributable cash flow versus our \$122,000 and \$1,100 in dividends versus our \$35,000 with roughly \$30,000 retained to grow the businesses. Many of these companies are great companies with solid management, but we cannot say with any confidence that their cash flow and dividends will grow at the very rapid rate required to one day match our portfolios’ current free cash flow and dividend yield, particularly since our positions continue to grow, although not at the rate the tech stocks are currently growing. Put another way, if we manage a \$1mm account, we are much more

comfortable that the value will be maintained and grow if it's backed by distributable cash flow of \$122,000 versus \$35,000 notwithstanding the potential for higher growth with the tech-oriented portfolio.

Elections

We caution against mixing portfolios and politics.

Because of the low valuations for our positions, particularly compared to our view that they have bright business prospects, we believe a successful vaccine will be a much larger driver of account performance in the short to medium term than election results.

We believe beginning valuations and interest rates are primarily what drive returns during an administration more than party affiliation. Looking at returns for each administration below, the worst performance was under George W. Bush, one of the most pro-business Presidents, as he suffered from high beginning market valuations in 2000 due to the Internet Bubble and the credit crisis in 2007-2008.

<u>President</u>	<u>Political Party</u>	<u>Years in Office</u>	<u>S&P Return (%)</u>
William J. Clinton	D	1993-2001	210
Barack H. Obama	D	2009-2017	182
Dwight D. Eisenhower	R	1953-1961	129
Ronald W. Reagan	R	1981-1989	117
Harry S. Truman	D	1945-1953	87
George H.W. Bush	R	1989-1993	51
Lyndon B. Johnson	D	1963-1969	46
Donald J. Trump	R	2017-	43
Jimmy E. Carter	D	1977-1981	28
Gerald R. Ford	R	1974-1977	26
John F. Kennedy	D	1961-1963	16
Richard M. Nixon	R	1969-1974	-20
George W. Bush	R	2001-2009	-40

* Forbes (July 23, 2020). Return represents price change only. Truman performance is the Dow Jones Industrial Average.

Whomever is elected will have his hands tied on excessively anti-business policies by high unemployment and the moderating effect of a closely split Senate, particularly on issues such as Energy where senators in Ohio, Pennsylvania, Colorado and Illinois will feel pressure to vote for what benefits their states.

Political bantering during a campaign generally moderates to a more practical governance approach once in office (in order to remain there), despite pockets of extremism. For example, the federal gasoline tax has not been raised since October 1993.

There are other risks besides elections, such as inflation, and cash is a horrible protection against inflation.

While higher taxes would certainly be a headwind to stock prices, the election includes positive and negative tradeoffs between results on fiscal policy, regulations and tariffs.

That said, we are not oblivious to the fact that the markets hate uncertainty, and a contested election would likely put pressure on the markets as it did in 2000, when it led to a 5% drop from election day until George W. Bush was declared the victor in December. It would be preferable, in our view, to hold more cash for this uncertainty prior to the election and, in that regard, we have recently trimmed and sold some positions that we believed had limited upside. We think this cash, which is an option on future opportunities, will pay off well.

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 time 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 market-capitalization-weighted index has over U.S. \$11.1 trillion 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 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 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 Chartered Financial Analyst 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 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.

Investing vs. Speculating

August 12, 2020

South Atlantic Capital "Top Holdings"

	Annual Dividend	Share Price	Dividends received if \$100 split equally	Cash flow Per Share*	Cash flow if invest \$100 split equally
Liberty Sirius	0.00	36.95	0.00	3.24	1.25
Lennar	0.50	57.08	0.13	5.15	1.29
Brookfield	0.48	34.01	0.20	4.55	1.91
Fox	0.46	25.28	0.26	2.75	1.55
CF Industries	1.20	35.71	0.48	6.10	2.44
Ent. Product Ptnrs	1.78	18.32	1.39	2.65	2.07
Williams Cos.	1.60	21.68	1.05	2.60	1.71
			\$3.51		\$12.23

Current Market "Darlings"

Facebook	0.00	260.37	0.00	9.60	0.53
Amazon	0.00	3119.54	0.00	78.05	0.36
Apple	3.28	442.95	0.11	15.65	0.50
Netflix	0.00	471.55	0.00	31.00	0.94
Google	0.00	1495.78	0.00	68.25	0.65
Tesla	0.00	1392.91	0.00	15.60	0.16
			\$0.11		\$3.14

* From ValueLine

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

December 31, 2019



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, 2019, 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, 2019.

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, 2019, 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, 2019 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, 2019 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.

Adviser Compliance Associates, LLC

Adviser Compliance Associates, LLC

ACA Performance Services Division

August 11, 2020

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
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 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. 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, 2019. 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, 2019. 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.