South Atlantic Capital Management Group, Inc.

Investment Management

September 30, 2019 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) Core Equity Composite versus S&P 500 and Russell 1000 Value
Annualized as of 9/30/2019

	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years	Since Inception*	Total Return Since Inception*
SACMG Core Equity (gross)	6.95 %	18.93 %	9.46 %	12.73 %	9.75 %	10.67 %	13.22 %	3034.42 %
SACMG Core Equity (Net)	5.88 %	17.75 %	8.37 %	11.62 %	8.68 %	9.59 %	12.11 %	2286.70 %
S&P 500[2]	4.26 %	13.40 %	10.85 %	13.25 %	9.01 %	6.34 %	9.54 %	1153.42 %
Russell 1000 Value	4.02 %	9.43 %	7.79 %	11.46 %	7.83 %	6.94 %	9.86 %	1257.64 %

**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 December 31, 2018. All returns are net of management fees and include reinvested dividends and interest. Past results are not indicative of future investment results.

Our annual returns since our inception in 1992 are 13.22% gross of fees and 12.12% net of fees compared to the total annual return for the S&P 500 over that time frame of 9.54%. We submit our returns, which are independently verified by a third party,to PSN Informais' database for peer rankings.

We are pleased our returns since inception rank in the top 1% gross of fees and top 4% net of fees for the large cap core managers on PSN's database. The last time we checked in October of 2018 other managers on the database included, among many others, Aberdeen Asset, Alliance Bernstein, Boston Advisors LLC, Deutsche Bank Private Wealth, Goldman Sachs Asset Management, JPMorgan Asset Management, and UBS Asset Management, although we don't know the inception date of their statistics.

Although we have unperformed the S&P 500 for the last five and ten years due in large part to our lack of exposure to the large tech stocks which have driven so much of the market's performance, we are skeptical of their valuations. As value oriented investors, we are pleased that we have outperformed the Russell 1000 Value Index in all the time frames outlined above.

Since our returns are verified, we think potential clients can view with some clarity how the firm's risk averse strategy has historically provided protection in down markets as well as attractive long-term returns. In our view, future success depends on our ability to continue to be disciplined about implementing that strategy.

PSN's database also provides further insight into our returns by calculating our downside protection statistics which measures how we have done historically versus the market during down quarters for the market. At 48.11% our downside protection ranks in the 1% of large cap managers on their database. In our view, an investment philosophy that has historically provided downsize protection currently, is well worth considering given the market's somewhat stretched valuation and the historically long period since the last correction. We think our story is compelling and welcome anyone to review their situation and our verified returns and peer reviews over coffee or by visiting our office at Lumina Station. Peer rankings are available on our website.

Reducing Some Positions

Recently, we increased portfolio holdings of cash and cash equivalents to roughly 15% as our expectation for future returns on some investments no longer met our hurdle rate and we intend to patiently search for investments that do meet our criteria before redeploying these funds. We also continue to review our positions to maintain our comfort that the companies we own on behalf of clients will have funds available to take advantage of the opportunities that will present themselves when the inevitable downturn occurs. Our framework for making investment decisions includes a mechanism that we feel provides strong sell signals, not for the market but for specific portfolio holdings, which led to our recent sales.

We remain defensive in our approach to investing client funds and feel being disciplined about implementing our strategy, as have tried to be since our inception over twenty- seven years ago, is paramount to generating acceptable future returns. In our view, this defensive approach has been the driving force in providing downside protection for clients' over that time and has led to the attractive returns outlined above. We feel it would be a big mistake to change our focus and try to time the markets.

We also feel it would be unwise for investors to assume the market will produce returns in the next 3 to 5 years as high as the 13.39% and 10.84% annual returns produced in the last three and five years, respectively. Any comment we make about future market returns are not predictions, since we would almost assuredly be wrong. It's more like an admonition.

Even though a market downturn sometime in the future is inevitable, our decisions will continue to be driven totally by our outlook for a specific company. Who knows when such a downturn might occur, but we think a defensive strategy helps our portfolios to be better prepared.

We have outlined below our composite returns for the three year and five -year periods using the market peaks of 1999 and 2007 as starting points. In other words, how did our composite do using the worst starting points since 1973 for market returns.

OUR CORE EQUITY ANNUAL RETURNS STARTING FROM MARKET PEAKS

	1999 Market Peak Followed by 2000-2002 Downturn	2007 Market Peak Followed by 2008 Downturn
3 year	4.1%	8.0%
5 year	14.0%	12.5%

While we saw basically no drawdowns in client account values in the period starting January 1, 2000 since we avoided the overvalued dot com stocks, we did see significant drawdowns in the period starting January 1, 2008 due to the credit crisis, which is arguably the worst economic event and recession the U. S. has have experienced since the Great Depression. However, by December 31, 2009, account values were back above their starting point.

The S&P 500 currently trades at 18.19 times forward earnings, somewhat above its historical average valuation of roughly 16 times earnings due primarily to the aggregate valuation for the Nasdaq 100 of 27 times earnings. However, we think it's worth pointing out that you can find some attractive valuations if you are willing to avoid following this crowd. Approximately 40% of the money we have invested in stocks are in companies that trade at less than ten times free cash flow compared to the market's average free cash flow multiple over the last 30 years of 25 times. Another 45% is invested in companies that trade for no more than 25 times free cash flow and the remaining 15% is in cash or cash equivalents(1).

While currently we have not been able to find enough investments meeting our criteria to be fully invested, we are enthusiastic about the long- term prospects of the companies that we own, a few of which are discussed below.

CF Industries is the largest nitrogen fertilizer manufacturer in the world with most of their production of Ammonia, Urea, and Uan based in Iowa and Louisiana. They currently trade for roughly 10 times free cash flow compared to the market which trades at over twenty five times. They have a strong and, in our view, lasting cost advantage. Manufacturing fertilizer in the U.S. with cheap and abundant natural gas is much cheaper than in the rest of the world where it is made from anthracite coal in China and LNG priced off oil in Europe. Roughly forty % of their production costs is the cost of U. S. natural gas.

According to company investor presentations, they currently have cost advantages of approximately $98 per ton compared to making fertilizer in Europe and $198 per to versus making fertilizer in China from anthracite coal. With the current ammonia price in the Gulf Coast of about $231 per ton, this cost advantage leads to very profitable operations for U. S. fertilizer manufacturers and CF Industries in particular.

The U.S. produces roughly 85% of what's required to meet domestic fertilizer demand, so we are still dependent on imports for 15% of our needs. That means U. S. fertilizer prices need to be high enough to attract higher cost producers around the world to make and ship their product to the U.S. Gulf Coast. Additional costs are required to get the product up the Mississippi river into the farm belt. Particularly with their Iowa production, CF Industries doesn't bear these costs to get fertilizer to customers. These cost advantages could be enhanced if increased US oil shale production is needed to meet world oil demand due to supply disruptions in the Middle East. Increased drilling for oil in the U. S. could further lower the price of natural gas here compared to European gas costs and Chinese coal costs since roughly 40% of gas production in the U.S. is associated with drilling for oil. In other words, major U.S. oil producers aren't worried about creating excess supply of natural gas and driving down prices, since these projects are economically justified by oil revenues alone.

Berkshire Hathaway, despite having a market value over $500 billion, is little followed and not well understood by Wall Street. This largely explains their current undervaluation in our view. The investment community seems to think of Berkshire as a fund dependent on 89-year-old Warren

Buffett's latest stock pick. Instead, we think it should be valued and viewed largely as a group of fully owned well and well positioned companies including many industrial companies, the largest being Burlington Northern and Precision Castparts.

In addition, they have the world's largest insurance business with strong business advantages derived from their enormous capital position and a long- term view with little regard for quarterly mark to market volatility of their insurance book. Put together, this gives them the ability to make quick decision and means they are often the only company willing to write large and unusual risks. Their insurance business also includes full ownership of Geico, the leading auto insurance company. The large and growing float from their insurance business is very valuable in that it's like borrowing money at a negative rate because of their underwriting profitability which can be invested for the long term in common stocks because of how much excess capital they have accumulated to pay potential claims.

Accounting quirks cause their earnings to be understated since they are required to reflect dividends alone on their income statement if they own less than 20% of a company. In our view, this significantly understates their true earnings power. As an example, if a company they own in their $150 billion+ stock portfolio only pays out 1/3 of earnings as a dividend then their income statement only reflects 1/3 of their share of that company's earnings. Our estimate of their earnings adjusting for that and excluding amortization of intangibles from acquisitions, results in Berkshire amalgamation of strong businesses trading for just 14 times our estimate of next year's earnings. Adjusting for their $100 billion plus in excess cash, which would come in handy in any market downturn, they trade for just 12 times our estimate of next year's earnings.

Our worst five and best five performing positions year to date through September 30, 2019 are outlined below.

Worst 5 Positions		**Best 5 Positions**	
Fox Class A	(20.8%)	Moody's	47.9%
Delta Air Lines	(1.5%)	Apple	43.7%
Berkshire Hathaway	1.9%	Lennar B	41.4%
United Technologies	9.2%	Carmax	40.3%
Liberty Media Sirius	10.1%	Home Depot	38.1%

Please feel free to contact us at 910-763-4113 if you would like further information about our company.

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.

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

December 31, 2018

ACA
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 December 31, 2018, and (2) designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 2018. We have also conducted a performance examination of the Firm's Core Equity Composite for the periods from October 1, 2016 through December 31, 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 December 31, 2018; and
- Designed its policies and procedures to calculate and present performance in compliance with the GIPS standards as of December 31, 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 December 31, 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 December 31, 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
August 26, 2019

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

Year End	Total Firm Assets (millions)	Composite Assets (USD) (millions)	Number of Accounts in Composite	Annual Performance Results Composite		S&P 500	Composite Dispersion	Three Year Annualized Ex-Post Standard Deviation	
				Gross	Net			Core Equity	S&P 500
2018	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%		

**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 December 31, 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 December 31, 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.