South Atlantic Capital Management Group, Inc.

Investment Management

September 30, 2024 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) Core Equity Composite[1] versus S&P 500 and Russell 1000 Value
Annualized as of 9/30/2024

	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)	24.24%	4.29%	7.68%	8.58%	11.02%	9.22%	12.37%	4435.18%
SACMG Core Equity (Net)	23.01%	3.25%	6.61%	7.50%	9.92%	8.16%	11.27%	3186.08%
Russell 1000 Value[2]	27.76%	9.06%	10.71%	9.25%	11.20%	8.54%	10.00%	2155.08%
S&P 500[3]	36.35%	11.96%	16.01%	13.40%	14.15%	10.72%	10.51%	2531.19%

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, 2023, including the GIPS Composite Report for our Core Equity Composite (as well as necessary disclosures).

In our view, what will drive good long-term results is to compound money over time in investments that have a high probability of success. Compounding money over long periods at attractive rates can have a powerful effect. Inevitably, there will be drawdowns in account values from time to time, but we think it would be a painful mistake to let that take away from the overriding long-term goal of compounding your capital.

For us, what drives our assessment of the odds of success is investing in companies where we think we can estimate future earnings reliably and paying a reasonable price for our estimate of those earnings. We believe the odds of success for our current portfolio are similar to the past although, in an expensive market, it’s somewhat more difficult to find those situations, which explains our current cash holdings.

However, we feel less confident about the market itself. We are active managers buying or selling companies based on whether we think they are undervalued or overvalued compared to our view of their prospects. Given the current AI (Artificial Intelligence) near-euphoria, I think investors in passive market-weighted index funds need to at least be cognizant of the internet boom in 1998-1999 and the resulting bust in 2000-2002.

Investors in market-weighted index funds like the SPY, which invests in the S&P 500 index, need to understand that, perpetually, the higher Apple, Microsoft, Nvidia, Amazon, etc. go relative to the other companies in the index the more the index (and the individual investor) are invested in those stocks. The index fund doesn't have the flexibility to buy or sell based on their view of valuations; they can only buy or sell based on what the market tells them to do.

This AI hyper focus has led to levels of concentration for the S&P 500 in the meaningfully higher valued information technology stocks such as Apple, Nvidia, Broadcom and Microsoft that is similar to the concentration created by the internet boom in 1999.

According to an analysis by Horizon Kinetics, earlier this year in April, the information technology sector increased to a 29% weighting in the S&P 500, the highest since the 29% reached in 1999. Including Amazon, Meta, and Google (which are not included in the information technology sector) increases the concentration to almost 40%. Is this justified by earnings growth or is the increased weighting due to higher valuations?

Although earnings increases for these stocks are well above that of the broad market in 2024, Horizon Kinetics found that from December of 2013 through December 2023, the IT sector had free cash flow per share growth of 7.9%/year but a much higher 20.1%/year increase in their stock prices. That compares to annual returns of just 12.0% during the same period for the S&P 500 Index. The returns for the index have been driven by the IT stocks which are arguably overvalued. During this period, the IT sector's valuation went from 14.8X earnings to a much more problematic 36.5X according to Horizon Kinetics. If the very strong earnings growth implied by these valuations doesn't materialize, these stocks are vulnerable and the S&P 500 Index they dominate is vulnerable.

AI is the overwhelming topic of the day, but we currently don't see AI-related investments as having as high a probability of success as we like. This is primarily because we can't put as fine a point as we prefer on the value of the end uses of AI, which are yet to materialize in a significant way. These end uses are what will ultimately drive earnings for the sector, not the current buildout. In fact, although we don't believe we are in as bad of a bubble yet, we think index investors should be wary that the AI hype could create the third bubble we've seen since we started our composite in 1992 for people invested in index funds.

In our view, the bubbles we've seen and potential bubble in AI were driven by the following sentiments:

(1) You can't lose money in internet stocks—which created the 1998-1999 internet related market Subsequent bursting of the bubble and extreme downturn in the market in 2000-2002.

(2) You can't lose money in real estate—which led to the credit crisis and significant market downturn and recession in 2008-2009 and, potentially:

(3) You can't lose money in an AI related stock.

We were skeptical of those sentiments and valuations, and we performed significantly better than the market (S&P 500) when those bubbles burst in both 2000-2002 and 2008-2009 as outlined below.

Cumulative Net Returns

	2000-2002	2008-2009
South Atlantic Net	Gain of 12.6%	Gain of 6.1%
S&P 500	Loss of 37.6%	Loss of 20.3%

Perhaps the most comparable period to today is the internet related boom (1998-1999) and bust (2000-2002) and we think index investors need to be wary. If forced to voice an opinion on calling markets, which is next to impossible, we would say today seems to be most similar to 1998-1999 when the internet was still being built out as AI currently is.

We do think index investors need to monitor the situation since, if AI end applications don't meet expectations or don't meet expectations on how soon they will occur, which is built into current valuations, you could see a period similar to the internet bust when it took until 2008 for the level of the S&P 500 to exceed its pre-bust peak in March of 2000. The Nasdaq, which was more dominated by internet related companies, didn't return to its pre-bust peak in March of 2000 until 2015.

While index investors should be wary and closely monitor the situation in our view, there are some factors which could mitigate the risk from what unfolded in the dotcom bust:

1. According to Barrons, the current trailing 12-month P/E for the S&P 500 is 25.4 versus the 35-year average of 19 but still below the peak reached in 2000.
2. The "magnificent 7" companies that are funding the AI buildout and driving index returns may not generate an adequate return on their massive investment, thus hurting their valuations; however, they are much stronger companies than those that drove the market during the internet buildout and much less prone to the financial stress that added to the price declines.

Obviously, we could be wrong about the situation, but we feel clients with index exposure should be aware of the similarities.

While we are not immune to market pressures, we feel our portfolios have considerably less risk. As during the internet boom, they do not closely mirror the S&P 500 index and its exposure to what we feel are the overvalued Information Technology and related companies, as can be seen below.

	SAC	S&P 500
***Vulnerability to AI disappointment**	9.5%	Approx. 40%
Dividend Yield	3.10%	1.24%
Estimated Free Cash Flow Yield	7.8%	3-4%
Cash equivalents	10.2%	0%

*Vulnerability to AI disappointment is defined as investment exposure to the Information Technology Sector plus Amazon, Meta, and Google

Sources: macro trends as of September 17th, Advent Black Diamond and our analysis

We are putting the finishing touches on our office and will soon be inviting clients, or anybody else for that matter, over for a cup of coffee to review their portfolio.

On a sidenote, Phil Titzer will be retiring as of December 31. Phil's talents and total commitment to the smooth operations of the company are much appreciated, and we certainly wish him well in retirement.

We thank you for your support, and please let us know if you have any questions.

Best regards,

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]***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.*

[3]***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. $15.6 trillion indexed or benchmarked, with indexed assets comprising approximately U.S. $7.1 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.*

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 and founder of South Atlantic Capital Management Group, Inc.

Mr. Nowell has forty years of experience in the finance business. Since founding South Atlantic Capital in 1991, he has been the sole portfolio manager of our Core Equity Composite, which has outperformed the S&P 500 since its inception on January 1, 1992, and ranks highly among its peers in performance and downside protection during that time period. Recently, he was named a top 10 performing manager by PSN Informa among Large Cap Value managers for the 3rd quarter of 2021 and was named a top 10 Manager of the Decade among all Large Cap Managers at year-end 2012. Previously, he was an Assistant Vice President at Bankers Trust Company in New York. His primary responsibility was arranging bank financing for leveraged buyouts led by Kohlberg Kravis and Roberts, Forstmann Little, and other leading private equity firms. During business school he interned with Merrill Lynch's Capital Markets Group in New York. Later, he served as an Institutional Fixed-Income salesman with Carolina Securities/ Prudential Bache and worked with Fox, Graham, and Mintz, Securities. He graduated from the University of North Carolina at Chapel Hill and received his M. B. A. from the Darden Graduate School of Business Administration at 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.

Alpha VERIFICATION

Alpha Performance Verification Services

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Independent Verifier's Performance Examination Report

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

We have verified whether South Atlantic Capital Management Group, Inc. (the "Firm") has, for the periods from January 1, 2022 through December 31, 2023, 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. We have also examined the Firm's ***Core Equity Composite*** for the periods January 1, 2022 through December 31, 2023.

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 ***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 January 1, 2022 through December 31, 2023, 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.

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 January 1, 2022 through December 31, 2023 in compliance with the GIPS standards, and
- Prepared and presented the ***Core Equity Composite's*** GIPS composite report for the periods from January 1, 2022 through December 31, 2023 in compliance with the GIPS standards.

This report does not relate to or provide assurance on any specific performance report of the Firm other than the Firm's ***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.

Alpha Performance Verification

Alpha Performance Verification Services
Michael W. Hultzapple, CPA, CFA, CIPM
September 4, 2023

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
2023	52.2	34.6	71	7.05%	5.99%	26.29%	0.81%	18.05%	17.29%
2022	55.3	42.1	78	(14.41%)	(15.26%)	(18.11%)	1.26%	24.59%	20.87%
2021	66.4	50.1	80	30.19%	28.90%	28.71%	0.95%	21.67%	17.17%
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; by ACA Performance Services for the periods September 30, 2016 to December 31, 2021; and by Alpha Performance Verification Services for the periods December 31, 2021 to December 31, 2023. 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.

The Core Equity Composite has had a performance examination for the periods January 1, 1992 to December 31, 2023. 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.

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Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite policy requires a three month, temporary removal of any portfolio incurring a client initiated external significant cash inflow of at least 25% of portfolio assets. The temporary removal of such an account occurs at the end of the prior month in which the external significant cash flow occurs and the account re-enters the composite at the end of the second full month after the cash flow. 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.