ATLANTIC CAPITAL MANAGEMENT, INC.

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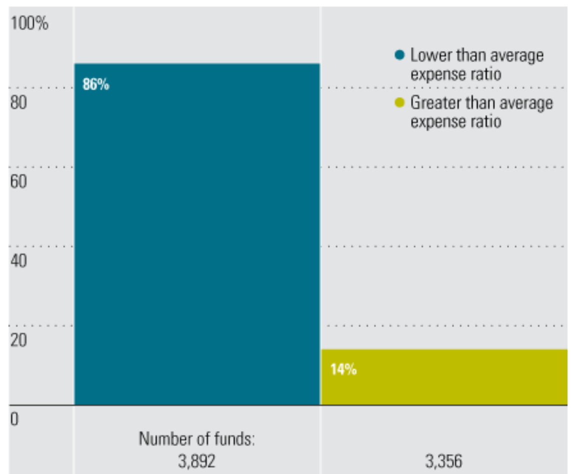
Lighten the Load

Low Expense Funds Hold Majority of Assets



Source: The average expense ratio was computed for the oldest share class of all domestic funds in Morningstar's open-end database (7,248 funds as of October 2013).

Do mutual fund investors prefer to invest in funds offering low expense ratios? The answer is yes. Expense ratios are an important factor in choosing a mutual fund, because they affect returns. It seems that the market is taking matters into its own hands and putting more assets in low-expense funds. As of October 2013, the average expense ratio for domestic funds was 1.14%. Investors pooled about 86% of net assets in funds with expenses lower than the average, leaving only a small portion to higher expense funds.

You would think that a majority of funds available to investors would have fairly low expenses, but 54% of funds have below-average expenses and 46% have expenses equal to or above the average expense. With more funds available and a variety of added investment choices, investors have clearly chosen the low-cost alternative.

Our priority is the privacy, protection and performance of our clients' assets.

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Atlantic Capital Management has been providing their clients with strategic financial planning and investment management services for over 25 years.

Our active and sophisticated investment approach is designed to minimize risk and maximize returns.

Monthly Market Commentary

The market endured yet another month of Fed-watching as investors moved markets upward when more quantitative easing looked possible and downward when it looked like tapering of bond purchases was around the corner. In the past, easing and tightening measures by the Fed have been nearly perfect predictors of stock- and bond-market moves in the short run. At some point, however, bond purchases will inevitably end and rates will move somewhat higher. There is a high probability that bond purchases will end in the next 12 months. (There simply won't be enough bonds left to buy.) And while the positive effect of quantitative easing on markets remains undeniable, gross domestic product growth remains mired in the 2% range.

GDP: The headline third-quarter GDP growth rate of 2.8% came in ahead of the consensus estimate and second-quarter result, which both showed growth of 2.5%. To put this in perspective, the long-term average GDP growth rate is 3.1%. Morningstar economists' year-over-year GDP growth calculation (versus the government's method of annualizing quarter-to-quarter growth) shows a softer 1.6% growth rate.

Despite the powerful rate, the composition of GDP growth was far from optimal. Most of the growth came from net exports and inventory increases. Worse, consumer spending growth rates continued to slump, and businesses' spending for equipment actually decreased for the quarter. The government sector had no net contribution to GDP growth, after three quarters of being a meaningful detractor. Looking ahead, Morningstar economists suspect that GDP growth will drop to 2% or maybe a little less in the fourth quarter, as inventories turn neutral, consumers remain stingy, and net exports make little, if any, contribution to GDP growth.

Employment: Between the furlough and a couple of below-average reports in August and September, everyone braced for the worst with regard to the October jobs report. However, the private sector, expected to increase jobs by only about 130,000, added 212,000 jobs, slightly better than the 196,000 average over the past year. Upward revisions to the prior two months counted an additional 70,000 private-sector jobs. Nevertheless, the report was less than inspiring in aggregate. There was almost no hourly wage growth, and hours worked were flat, which will keep income growth in check. Year-over-year job growth remained stuck around the 2% level, where it has been for some time. Unfortunately, the real strength was again in retail and leisure and entertainment, which are not generally the highest-paying jobs.

Housing: Pending home sales continued to plummet, both month to month and year over year. Weaker existing-home sales have already begun to follow suit, and more deterioration is likely in the short run. The short-term increase in existing-home sales (in July and August), caused by a rush to beat rising rates, could boost GDP growth by 0.2% in the third quarter and subtract a like amount in the fourth quarter, as sales dip back to more sustainable levels. Higher mortgage rates and, more importantly, higher prices, have begun to affect housing affordability in a dramatic way.

Consumer spending: The five-week moving average for weekly shopping center data has been stuck at 2% versus the three-year trend of 2.5%–4.0%, despite lower gasoline prices and the return of furloughed government workers. Retail sales dropped 0.1% in September overall (ex-autos, they increased by 0.4%). Adjusted for inflation, the 2.5% growth rate matched the average of the past 12 months.

One of the few recent pieces of good news was that the federal budget deficit fell dramatically in fiscal year 2013, dropping to $0.7 trillion from $1.1 trillion in just one year, the largest dollar drop in history by a factor of two. Another really good piece of news is that health-care inflation continues to run far, far below long-term projections.

Financial Experience and Behaviors Among Women

The 2012-2013 Prudential Research Study "Financial Experience and Behaviors Among Women" surveyed 1,410 women about their financial knowledge, actions, and confidence in attaining their financial goals. In general, women face particular financial challenges because they tend to live longer than men, earn less, and take more breaks from the workplace.

On the positive side, the study shows that women, although severely hit by the slow economic recovery, remain positive about the future. However, women also feel they lack knowledge about financial products, feel less confident about retirement, and don't see themselves as well-prepared to make financial decisions. For example, the study found that 26% of women surveyed did not understand IRA plans too well, which is worrisome given that IRAs are important tools of a sound retirement-planning strategy. According to the Department of Labor's "Women and Retirement Savings" publication, only 45% of the 62 million women (age 21 to 64) working in the United States participate in a retirement plan. Here are a few guidelines that women might want to consider to get back on track.

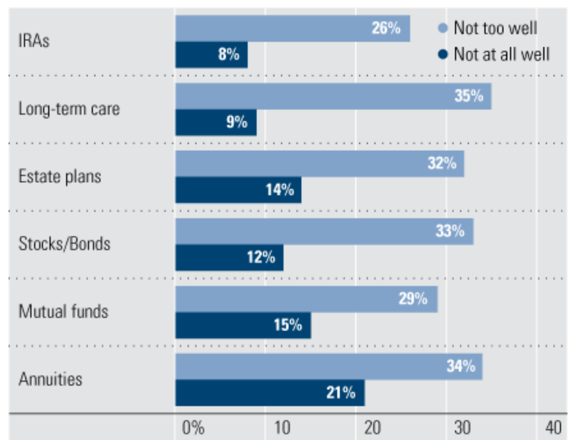
Manage Credit-Card Debt: This may sound like a no-brainer, but if most of your money goes into paying interest and penalties every month, you won't have much left to save. When you receive your bill, pay the balance in full, or as much as you can, instead of just making the minimum payment. Always do your best to pay on time, and try to keep as few credit cards as possible (the more you have, the more you'll be tempted to spend).

Contribute to a Retirement Plan, Now: If you are working, ask if your workplace offers a retirement plan. If the answer is yes, you should start contributing right away. No matter how little you set aside every month, these savings will grow over time. Another good question to ask is whether your employer offers a match on your contributions. For example, an employer can match up to, let's say, 3% of your salary if you contribute that 3% to your retirement plan. This is, technically, free money that you're turning down if you're not contributing. If your workplace doesn't offer a retirement plan, you can still contribute to an Individual Retirement Account (IRA).

Know Your Options: It's never good to think about the worst-case scenario, but women who become divorced or widowed may face financial difficulties on their own. Women should ask questions about the division of retirement benefits in case of divorce and eligibility for Social Security benefits in case of a spouse's death.

Funds in a traditional IRA grow tax-deferred and are taxed at ordinary income tax rates when withdrawn. A 10% federal tax penalty may apply for withdrawals prior to age 59 1/2. Please consult with a financial or tax professional for advice specific to your situation.

Female Breadwinners Lack Knowledge of Financial Products

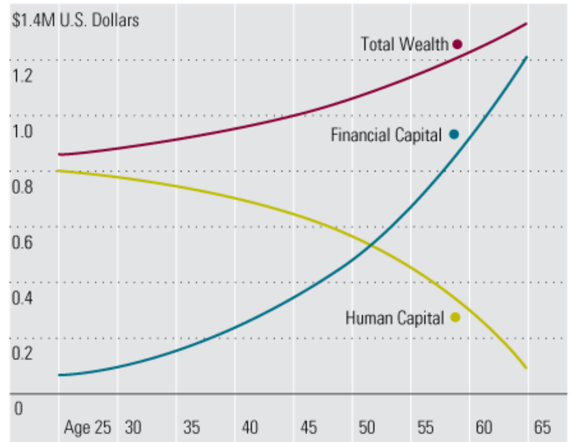


Source: "Financial Experience and Behaviors Among Women", 2012-2013 Prudential Research Study, July 2012.

Understanding Financial Capital and Human Capital

When calculating total wealth, it is important to consider not only financial capital, but human capital as well. Financial capital refers to an individual's total saved assets, while human capital refers to the individual's future potential savings from income earned. Looking at financial capital in isolation for retirement planning is incomplete without also considering human capital. Initially, an individual has higher human capital and lower financial capital. Over time, accumulation in savings increases financial capital, while human capital declines as the individual reaches retirement. Certain life events trigger significant changes in financial capital, such as receiving an inheritance, and in human capital, such as going back to school or receiving a promotion at work. Individuals should keep this in mind when planning their financial goals.

Financial Capital, Human Capital, and Total Wealth Over Time



Source: Roger G. Ibbotson, Moshe A. Milevsky, Peng Chen, CFA, Kevin X. Zhu. Lifetime Financial Advice: Human Capital, Asset Allocation, and Insurance, Research Foundation of CFA Institute, 6 April 2007.

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