South Atlantic Capital Management Group, Inc.

Investment Management

June 30, 2015 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) versus S&P 500

Annualized as of 6/30/2015

	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	20 Years	Since Inception*	Total Return Since Inception*
SACMG Core Equity[1] (Net)	1.48%	0.86%	12.43%	12.68%	12.12%	7.94%	11.52%	12.55%	1,484.00%
S&P 500[2]	1.23%	7.42%	17.32%	17.34%	9.43%	7.89%	8.91%	9.23%	685.70%

**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 independent verifier, has verified South Atlantic's compliance on a firm-wide level for the period of January 1, 1992 to March 31, 2015. All returns are net of management fees and include reinvested dividends and interest. Past results are not indicative of future investment results.

Our returns for the second quarter of 2015 were 1.72% net of fees, besting the .28% return for our bench mark, the S&P 500. Year to date our net return was 1.48%, slightly ahead of the S&P's total return of 1.23%. While we are pleased with this result, we remain primarily focused on generating competitive long term returns for our clients in a risk averse manner. Recently our independent third party verifier for performance results, Ashland Partners, extended its examination of our Core Equity Composite record back to 1992. We believe their examination produced evidence that our long term focus has been beneficial to our clients. Specifically, the Composite average annualized net return from 12/31/91 through 6/30/15 was 12.55% vs. the S&P 500 return of 9.23% for the same period.

We have chosen to highlight our long term record in light of the increasing recent discussion of active vs. passive management of equity investments. In a passive investment strategy, an investor purchases shares in a mutual fund or exchange traded fund that mirrors an index like the S&P 500 and charges a low fee. The patron saint of passive index investing, John Bogle of Vanguard, has been very successful at selling his view that since the majority of active managers have underperformed the market over time, the investor should focus his efforts primarily on getting the lowest fee possible in an index fund to enhance returns. This view has roots in the infamous Efficient Market Hypothesis (EMH), which is taught as financial gospel in most business schools. According to this theory, the price of a stock always reflects the best estimate of its true value, and thus an investor cannot reasonably expect to do better than anyone else in the market when he buys and sells stocks. Whether it's John Bogle or academics citing numerous studies supporting the EMH, it is true that the market has bested the majority of professional investors, particularly over the last 7 years or so. Because investing is hard work and the avalanche of information available through today's technology causes much confusion and uncertainty, it seems comforting to heed this siren call by simply buying an index fund and patting yourself on the back for paying such low fees.

Not surprisingly, we do not believe that the market is efficient. There is much evidence to support this view, and the market continues to offer evidence of it's inefficiency every day. Proponents of the EMH argue that beating the market in the short run is probably the result of luck, and beating the market in the long run can't be done. Naturally, we offer our results as evidence that active management performed within a sound intellectual frame work with patience, discipline, and consistency offers investors the opportunity for market beating returns. Just because most active managers may not outperform the market doesn't mean that no active managers can outperform for a long period of time. It is not necessary in our view for all managers to beat the market for active management to be validated as an approach. Our clients know that we place a high degree of importance on investing in a risk averse manner. While EMH proponents seek to define risk as volatility, we define risk as the possibility of a permanent loss of capital. We seek to avoid such a permanent loss by not over paying for stocks. The Dean of Value Investing, Benjamin Graham, provided the philosophical underpinning for accomplishing this task by introducing two key concepts, Intrinsic Value and the Margin of Safety. In essence Graham believed that when buying a stock one should view it as buying a piece of a business at a significant discount to its Intrinsic Value, thus providing a Margin of Safety in the portfolio. If that portfolio is properly diversified, and the manager has done his homework in valuing the business (Intrinsic Value), and he has successfully exploited the difference between the market price of the stock and its Intrinsic Value, then eventually that portfolio will provide good returns. The market price of the stock will fluctuate much more widely than the underlying value of the business representing that stock, and the manager can choose to take advantage of this fluctuation or ignore it as he sees fit. He should focus on changes in the value of the business more so than the changes in the price of its stock.

The rubber meets the road, so to speak, in the skill at which a manager determines the Intrinsic Value of his positions. We pay homage to Graham by adhering to the basic tenets of his philosophy of Value Investing. We seek to purchase pieces of great, durable companies with competitive advantages and strong balance sheets that can withstand down turns and have the financial strength to take advantage of opportunities that often present themselves. These companies typically have high returns on capital and assets and strong free cash flow. We also pay careful attention to what managers of the companies do with that cash flow. Do they make decisions in deploying that cash that are consistently in their shareholders' best interest? Lastly we employ a concentrated portfolio of 20-25 companies, because we believe that we should fully understand our positions. This creates conviction and makes it less likely that we will react emotionally to market swings.

Contrast our process and philosophy with an index fund. A passive manager of an index fund must own everything in the index. He is by definition buying over priced stocks. Additionally, if an overpriced stock's price continues to increase, the passive manager much continue to buy more of it. An index makes no explicit assessment of the investment merits of its constituent companies or their actual value. It thus provides investors no protection from overpaying for stocks. We never worry about an undervalued stock that we own declining or underperforming our bench mark in the short run, but we have deep regret if we eventually find that we paid too much for a stock. As Value Investors who believe that the price one pays for a stock is a substantial component of reducing risk in a portfolio, we argue that an actively managed portfolio adhering to the tenets of Graham should provide a much lower chance of permanent loss of capital than a passively managed fund.

Secondly, an individual investor in a passive fund is relying on himself, rather than an advisor, to control his emotions in a volatile markets. If the index fund is sold out of fear when its value is depressed, then a permanent loss of capital could arise when patience and a long term focus are needed. We believe that this is an underappreciated risk related to passive index investing.

Lastly, the increasing interest in passive investing could potentially create the irony of an even less efficient market than already exists. The fewer active managers available to analyze and trade stocks, the more opportunity there might be for their mispricing. Thus the theoretical basis for the existence of index funds, the efficient market hypothesis, would be called even more into question. If every investor did simply put their money into index funds and stopped conducting individual security analysis altogether, then the very price discovery mechanisms that support the EMH would be gone.

We continue to believe that based on our experience and track record, active management can provide value, particularly during periods of market volatility. Indeed, our performance during the prior two market down turns is strong evidence of that. We acknowledge that passive index funds might have a place in some portfolios. However, particularly during periods where mispricing may be prevalent, active managers, particularly those of a value bent, have attractive long term merit. We trust our opinions haven't been too self-serving, and hope that you will feel free to contact us with any questions you might have or if you wish to discuss your situation.

Sincerely,

Tom Moore

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.*

Returns are presented 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.

ASHLAND
VERIFIED

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.
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
6/30/2015	42.5	28.0	69	1.97%	1.48%	1.23%	0.78%	8.69%	8.43%
2014	40.7	26.8	68	8.20%	7.14%	13.69%	1.12%	7.99%	8.97%
2013	37.2	23.1	56	26.97%	25.76%	32.39%	2.23%	9.88%	11.94%
2012	28.6	17.3	47	13.02%	11.93%	16.00%	1.83%	11.19%	15.09%
2011	25.3	15.2	43	3.60%	2.56%	2.11%	2.54%	15.55%	18.71%
2010	22.0	14.4	40	20.20%	19.02%	15.06%	3.42%	17.94%	21.85%
2009	18.6	13.0	36	46.22%	44.77%	26.46%	5.32%	17.26%	19.63%
2008	12.4	8.4	38	(25.99%)	(26.68%)	(37.00%)	2.30%	12.59%	15.08%
2007	17.4	11.9	37	(1.89%)	(2.83%)	5.49%	3.03%	9.31%	7.68%
2006	22.4	12.6	36	12.08%	11.11%	15.79%	2.52%	8.75%	6.82%
2005	12.4	10.8	33	0.79%	(0.16%)	4.91%	3.12%	11.08%	9.04%
2004	12.3	11.1	30	20.37%	19.24%	10.88%	3.37%	12.60%	14.86%
2003	9.2	8.5	23	35.31%	33.95%	28.68%	4.38%	13.67%	18.07%
2002	6.9	6.4	21	(3.21%)	(4.20%)	(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	13.91%	12.87%	(9.10%)	3.77%	13.65%	17.42%
1999	6.4	5.4	13	8.94%	7.90%	21.04%	10.61%	12.67%	16.52%
1998	6.5	5.4	13	6.09%	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	23.66%	22.42%	22.96%	3.34%	11.76%	9.58%
1995	2.9	2.7	6	48.47%	47.03%	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	23.29%	22.07%	10.08%	3.33%		
1992	1.3	1.2	3	13.86%	12.85%	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 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 March 31, 2015.

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 March 31, 2015. 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. Additional information regarding the treatment of significant cash flows is available upon request. Composite returns represent investors domiciled primarily in the United States. As of December 31, 2014, less than 1% of composite assets represent non-fee paying accounts. 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. Actual management fees were used to calculate composite performance for each year presented. The annual composite dispersion presented is a size-weighted standard deviation calculated for the accounts in the composite the entire year. The annual dispersion and the standard deviation are calculated based on net returns. 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 $500,000 is 1.25%. For accounts with assets between $500,000 and $5,000,000, the management fee schedule 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.

South Atlantic Capital recently engaged Ashland Partners & Company LLP to extend the examination period of our composite back to January 1, 1992 versus the previous begin date of January 1, 2002. During the examination process, an error was discovered in an account where an inflow of securities was mistakenly included in the account's return. This issue caused gross composite returns for 2001 to change to 5.18% versus a previously reported return of 6.92% and net returns that year to change from 5.86% to 4.14%. Changing that account's return along with eliminating an account that was in liquidation from the composite caused our dispersion to narrow in 2000 from 4.48% to 3.77% and from 6.23% to 2.36% in 2001.

The Core Equity composite was created on March 1, 2011.

Ashland Partners & Company LLP

ASHLAND

525 Bigham Knoll, Suite 200
Jacksonville, OR 97530
541.857.8800
www.ashlandpartners.com

Independent Accountant's Verification Report

Mr. Edward D. Nowell, President
South Atlantic Capital Management Group, Inc.:

We have examined whether (1) South Atlantic Capital Management Group, Inc. (the "Firm") has complied with all the composite construction requirements of the Global Investment Performance Standards (GIPS® standards) on a firm-wide basis for the periods from January 1, 2002, to March 31, 2015, and (2) the Firm's policies and procedures are designed to calculate and present performance results in compliance with the GIPS standards as of March 31, 2015. 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 examination.

Scope of Work
Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the Firm's compliance with the previously mentioned requirements; evaluating the design of the Firm's policies and procedures previously referred to; and performing the procedures for a verification required by the GIPS standards and such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

Opinion
In our opinion, in all material respects,

- the Firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis for the periods from January 1, 2002, to March 31, 2015; and
- the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards as of March 31, 2015.

This report does not relate to any composite presentation of the Firm that may accompany this report, and accordingly, we express no opinion on any such performance.

Ashland Partners + Company LLP

Ashland Partners & Company LLP
August 6, 2015