South Atlantic Capital Management Group, Inc.

Investment Management

September 30, 2015 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) versus S&P 500

Annualized as of 9/30/2015

	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception*	Total Return Since Inception*
SACMG Core Equity[1] (Net)	(9.31)%	(10.04)%	6.71%	8.23%	10.37%	6.66%	11.89%	1,336.53%
S&P 500[2]	(5.29)%	(0.61)%	12.42%	13.35%	9.76%	6.81%	8.85%	644.13%

**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 June 30, 2015. All returns are net of management fees and include reinvested dividends and interest. Past results are not indicative of future investment results.

VERIFIED

FEAR IS CREATING OPPORTUNITY

For anybody more than a bit fearful or uncertain, we think that's unnecessary. The current market turmoil is nerve racking but price declines experienced by your portfolio, particularly for certain companies, are not rational in our opinion, are widely detached from business value, and won't persist forever.

To make the situation easier please remember that, first, over long periods stocks have easily been the investment that most consistently protects your net worth from declining due to inflation. We strongly believe that attempting to time the market--- making investing decisions for reasons other than comparing price to underlying business value--- makes it more difficult to achieve that goal. If a business is overvalued we should sell but not based on a market prediction.

Second, backed up by our long term statistics, we feel we provide downside protection to clients by having a stronger focus than other managers on investing in resilient companies which we feel can withstand and ultimately benefit from a difficult to predict worsening in stock prices or industry conditions. This is our third major downturn and we feel portfolios are very similarly positioned to how they were in prior downturns. Historically, our holdings have been able to generate attractive returns overtime not in spite of but in some part directly due to the distress- particularly on a per share basis. We expect a similar scenario to play out as many holdings buy back significant amounts of undervalued shares or gain market share due to strong financial positions.

We believe the significant disconnect between stock prices and business values for several holdings is not a function of reduced business values but of investor anxiety created by the unusual number of "headlines risks" plus the role played by risk parity funds where automated selling increased causing gap downs in stock prices not because of changing values but solely due to increased volatility. All of this has been exacerbated by the fed increasing anxiety and in our view opportunity.

Some headline risks are more real than others. However, we must admit that even though we don't feel these risks (real or perceived) will affect the long term value of our holdings, they are pointed more directly at several of our positions than they have been in the past. A slow-down in China, fall in commodity prices, concern whether the fed will raise rates, and media transition away from large cable packages to on demand viewing are the primary "headlines" affecting your portfolio.

That's a lot of stuff to throw at people vulnerable to anxiety and comes at a bad time with most of the attention coming after 2nd quarter earnings calls. That leaves a long time to dwell on the risks before 3rd quarter earnings are released which hopefully will lower anxiety by refocusing investor attention to actual corporate earnings and prospects.

Will the Fed raise rates? Well, the only reason it's being considered is a STRENGTHENING ECONOMY and the discussion centers on whether to raise rates to just 25 basis points. Originally, the market was worried about raising rates. Now, the fed's fairly ridiculous indecisiveness has amplified anxiety to the extent that investors are now worried about rates not going up, the exact opposite of their original concern. In other words, investors are now worried about pretty much everything.

No rate increase had a negative effect on the **bank shares and warrants** we own but, despite believing a rate increase will happen in the near future, our bank investments are not dependent on rate increases. Rates have been at zero for six years so essentially all the fixed rate securities or fixed rate loans the banks held at higher rates back in 2008-2009 have already been repriced at lower rates. Net interest margins have bottomed out. Going forward, per share earnings growth will be a function of loan growth, non- interest income growth, share count reduction and, at some point we still argue, expanding net interest margins. In Wells Fargo's case, core loan growth was 7% in the 2nd quarter and 9% if you include a purchase of commercial real estate loans from GE. Core non- interest income was up 4.4%, deposits were up 8% and they had a record increase of 5.6% in deposits from new households which will lead to further growth. This outlook doesn't justify a current valuation of approximately 10x forward earnings in our opinion.

Energy Related Holdings - As outlined below, despite an average increase in earnings for these holdings in the first six months of 9% they have seen price declines as a whole of 22% since oil prices started dropping a year ago. Extended low commodity prices put some weaker producers out of business and conditions may worsen in November as banks pressured by regulators will most likely be forced to reduce bank lines to energy exploration companies due to lower collateral values.

However, we don't own any oil and gas producers. Our large energy related positions either have energy based commodities as input costs protecting margins from price declines for their end products such as in the case of Lyondell Bassell's petrochemical business, Cf Industries fertilizer manufacturing business and Phillips 66's refining and petrochemical business. Or, in the case of Enterprise and Phillips 66's mid- stream businesses, their earnings are dependent on volumes not price since they provide energy producers with transportation and processing services under long term predominately fee based contracts. We feel all of these holdings maintain significant long term advantages despite the drop in oil prices.

Volumes for oil, natural gas, and natural gas liquids are still increasing despite the price drops. While total oil volumes in the US will probably decline next year, volumes in the shale basins where Enterprise and Phillips 66 operate should be up modestly. Natural gas and natural gas liquids (NGL) volume growth is expected to be remain significant since the U. S. is one of the world's lowest cost and most reliable producer of natural gas, propane, ethane, and butane. This is leading petrochemical and fertilizer manufacturers such as Lyondell and Cf industries to expand capacity in the U. S. and leading to very significant increases in the export of ethane, propane, and LNG.

Exporting propane and ethane is a business Enterprise dominates due to their integrated system of transportation processing, and fractionation assets along with extensive dock and terminal facilities on the Gulf Coast. Phillips 66 also has a significant propane export project on the Gulf Coast expected to come online by mid- 2016 where they economically reconfigured a terminal that previously imported oil.

	E.P.S. Thru 6/14	E.P.S. Thru 6/15	Cash	Net debt	Free cash Flow trailing 12 months	Market Value
Lyondell Bassell	$2.54	$2.79	$3.8bb	$4.5bb	$5bb	$38.4bb
Enterprise Product Partners*	$1.04	$1.01	$551mm	$21.74bb*	$4bb	$45.46bb
Phillips 66	$2.98	$3.34	$5.0bb	$1.88bb	$3.18bb	$41.3bb
Cf Industries	$2.11	$2.44	$.8bb	$3.78bb	$959mm	$10.24bb

** Enterprise carries high debt levels because the great majority of their business is backed by long term fee based contracts.*

Watching private transactions for these companies, it's clear to us a substantial disconnect exists between private values determined by knowledgeable insiders and public values placed on energy related assets by nervous investors. Cf Industries just negotiated an agreement with CHS, a large farm Co-op, which is expected to close in February of 2016 and entitles CHS to buy 8.9% of CF Industries nitrogen fertilizer production for 40 years at market prices and receive semi- annual profit distributions in return for $2.9 billion.

Valuing all of CF's production capacity at the same level, including the 25% increase in capacity expected to be online by mid- 2016, they would have an enterprise value of approximately $31 billion. Subtracting net debt of $5.4bb after including the $1.6bb left to complete the expansions would imply a market value of $25.6bb versus the recent market value placed on the company by nervous public investors of $10.24bb.

Second, Phillips 66 took too much commodity risk in a joint venture with Sempra Energy called DCP which processes 12% of all natural gas consumed in the US. The venture represents about one third of Phillips 66's energy transportation and processing business with the rest predominately fee based. They had to recapitalize DCP which they own 50/50 with Sempra to reduce bank debt. They contributed $1.5 billion in cash while Sempra, which is less liquid, contributed their one third interest in the Sand Hills and Southern Hills NGL pipelines, assets Phillips 66 also have an interest in and knows well.

Sempra's interest currently generates about $100 million of EBITDA. The pipelines have above average growth prospects but still an informed buyer is willing to value them at 15x ebitda while Enterprise Product Partner's nervous public investors place a value on Enterprises' important system of integrated assets of 12 times ebitda even though these assets are held in an MLP which pays no taxes and should trade at a much higher multiple in our view.

Market fear has created what we think is a significant opportunity for these companies to buy back share when you look at their financial positions and free cash flow/market values in the chart above. The buybacks are attractive in our view given both earnings multiples and private asset values.

Enterprise can't buy back shares due to their MLP structure but should benefit if a weak environment makes it difficult for competitors to finance new projects. Enterprise is one of only 2 of the 74 companies in the Alerian MLP index whose bonds are rated BBB+ by both rating agencies. They recently issued ten year bonds at 3.75% versus 4.75% and 6.75% respectively for competitors Energy Transfer and Targa Resources. Both of these companies have general partners siphoning off cash flows which Enterprise does not.

Also, Enterprise, more conservatively than other MLP's, withholds about $1.2bb of their $4bb in distributable cash flow to fund new projects lowering their need to issue new shares in a jittery market. Lastly, again lowering new share issuance, the founding family owns 34% of shares outstanding and this year will reinvest $200mm back into the company. Enterprise's financial situation makes us confident they will be able to fund $8 billion in new fee based projects due to come online by 2017 and may give them additional opportunities if less creditworthy competitors have difficulty financing needed projects.

Media. Twenty First Century Fox has fallen 30% from its high and 25% since Disney mentioned that ESPN subscribers would be down 2-3% due to cord cutting in their July earnings call. Certainly viewership is transitioning away from cable TV but this creates both a risk and an opportunity as total time spent by consumers viewing video content when you count all devices---- mobile, internet, car, airports, etc. is up significantly. In addition to capturing this additional viewership, we feel the dominant media companies have a better opportunity to work with advertisers to reach digital viewers through more engaged, more targeted, and more valuable ads.

We feel the market overstates the cable cord cutting risk to Fox since several of their domestic cable channels are new and growing subscribers as in the case of Fox Sports 1 and the FX complex which includes FX, FXX, and FX movies. They also have a larger international presence than their competitors through SKY B which operates in Europe and Star India. Both of these markets are underpenetrated and have growing subscription rates for cable and satellite TV. They also have a one third interest in Hulu, a successful streaming service in the US which is picking up viewers who prefer to watch their shows on demand.

Underlying the growing importance of multi- platform ratings reporting, a recent episode of Fox's highly successful show Empire had 16.2 million viewers in the prime 18-49 demographic at its original showing but 22.5 million or 39% higher when you include viewers that watched the show three days later or streamed it through Hulu or Fox.com. Fox is not making Empire available on Hulu's competitor Netflix this year.

We expect Fox's earnings to grow nicely and think it trades at a cheap multiple of 13 times our estimate of next year's earnings. In addition, they have $8 billion of excess cash plus $3 billion of estimated free cash flow in their fiscal year ending June 30, 2016 to buyback a significant amount of the company at attractive prices when you consider their market value has been reduced to approximately $56 billion as of September 29.

Berkshire Hathaway - Lower energy prices helped our largest holding increase value by allowing them to purchase Precision Castparts, a very strong company, at a reasonable price. Also, the market value of their holding in Heinz increased by almost $10 billion when they announced they would be merging with Kraft and this increase in book value after deducting deferred taxes will be reflected in their September 30 book value. They also invested another $5bb in the company to help effect the cash portion of the merger. However, the stock price continues to decline despite these value adding transactions, partly due to Berkshire's holdings in bank shares, and recently traded for $128 per B share down about 15% for the year. We estimate the B shares will have a book value of about $103 as of September 30th so they trade for less than 130% of book value which we think is cheap. Buffett has stated that 120% of book value significantly undervalues the shares and they will aggressively buy back shares if the stock reaches that level and they have plenty of funds to do that.

I'm sure this is much more detail than anybody wanted but hopefully you will take comfort in the fact that we think the portfolio is well positioned and are adding to positions during the price decline. While it may sound self- serving, we urge you not to be concerned about long term returns.

Please feel free to contact me.

Best regards,

Eddie Nowell

Worst 5 performers- Tribune Media, Cf Industries, Franklin Resources, Chicago Bridge and Iron, WFC wts
Best 5 performers- Phillip Morris, Johnson and Johnson, Markel, Phillips 66, Berkshire Hathaway

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.

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
9/30/2015	40.1	24.6	70	(8.63%)	(9.31%)	(5.29%)	1.32%	10.44%	9.61%
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 June 30, 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 June 30, 2015. The verification and performance examination reports 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. 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

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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, 1992, to June 30, 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 June 30, 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, 1992, to June 30, 2015; and
- the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards as of June 30, 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
October 21, 2015