South Atlantic Capital Management Group, Inc.

Investment Management

December 31, 2014 Portfolio Review

COMPOSITE PERFORMANCE SUMMARY

South Atlantic Capital (SACMG) versus S&P 500
Annualized as of 12/31/2014

	YTD	1 Year	3 Years	5 Years	7 Years	10 Years	Since Inception*	Total Return Since Inception*
SACMG Core Equity[1] (Net)	7.24%	7.24%	14.71%	13.00%	10.06%	7.74%	9.00%	333.15%
S&P 500[2]	13.69%	13.69%	20.41%	15.45%	7.27%	7.67%	6.47%	190.14%

**Inception date of South Atlantic Capital's composite is 1/1/98.*

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, 2002 to December 31, 2014. All returns are net of management fees and include reinvested dividends and interest. Past results are not indicative of future investment results.

VERIFIED

Our full year returns of 7.24% trailed the market's 13.69% return by a wide margin mostly because of significant downturns for energy related positions in the fourth quarter.

We don't like this current level of underperformance at all. However, reading Berkshire Hathaway's shareholder letter it's useful to see just how detached Warren Buffett is from the current price of his holdings. A complete focus on long term values is a mindset which we find necessary to generate long term outperformance. In a recent speech, Stanley Druckenmiller, who has one of the best long term records in the investment business puts it another way, "Never invest in the present you'll get run over, you have to think 18 months down the road".

We certainly didn't anticipate the sharp decline in oil and NGL prices with oil dropping from $115 per barrel in June 2014 to the low $50 range in the fourth quarter. With one exception, lower oil and NGL prices will not, in our opinion, prevent our energy related positions from having rising earnings over the next few years. We also don't think oil and NGL prices are sustainable at these levels. Oil at over $100/barrel is not the fundamental driver of our energy investments but the drop to $50 will temporarily ***delay*** some expansion projects.

More importantly, since we are not macro investors, our investment philosophy focuses on investing in companies that are resilient when unforeseen and difficult to predict negative events occur. Oil prices dropping over 50% is a good test for how resilient our energy related positions are. These names represented about 20% of the portfolio and sold off considerably in the fourth quarter as outlined below. An understandable but unwarranted sell off in our view and an opportunity to buy more shares. It's important to realize that, excluding Atlas Pipeline/Atlas Energy, we expect that earnings for these holdings will not be lower over the next few years due to falling oil prices but, in our view,comfortably higher since they are well positioned to benefit from the continued shale production growth.

Bottom Five Performing Positions	
Atlas Energy	-28.19%
Atlas Pipeline	-24.65%
Chicago Bridge	-20.14%
Phillips 66	-10.79%
Enterprise Prtnrs	-9.52%

Top Five Performing Positions	
21st Century Fox	12.40%
Berkshire Hathaway	9.16%
PNC warrants	9.17%
Markel	8.31%
PNC Financial	7.19%

EARNINGS RESILIENCE

Atlas Pipeline is a gas processing company and their general partner, **Atlas Energy**, which depends on Atlas Pipeline for distributions traded off significantly and were sold. We decided too late that, despite the likelihood of further production increases where their plants are located, they took too much commodity risk and carried too much debt from a recent acquisition, a combination that could threaten their outlook if commodity prices stay low for an extended period. Over 60% of their contracts were structured where payment for processing gas or natural gas liquids was tied to commodity prices. They could have had a problem with their debt and their uncertain outlook forced their hand to accept a merger proposal from Targa Resources, a somewhat stronger company. We sold Atlas because we were concerned about their outlook if the merger fell through.

We found opportunities to reinvest the proceeds and added to existing positions as well as two new positions that had sold off a similar amount but had stronger balance sheets and took much less commodity risk.

Chicago Bridge and Iron is one of the world's largest engineering and construction firms and one of the oldest at 135 years. They are one of the few firms capable of providing the services they provide to large, complex projects. Investors feared their business backlog would suffer from lower oil prices and reduced production, causing cancellations in their $33 billion backlog. However, 83% of their backlog is construction engineering, and maintenance and only about 5% of that is dependent on oil and gas exploration. Their largest construction and engineering exposure (50% of backlog) is power plants where their orders will not suffer from lower commodity prices.

Thirty percent of their design and build backlog is for liquefied natural gas projects whose current economics suffer with oil prices down 50%. However, the projects already underway should get built which is true in CBI's case. In fact, they recently got an order for $2bb+, along with their partner Zachary, to build a third train at Freeport LNG to add to the first two trains where their design work has just begun. This project has secured $11billion in non- recourse financing against $9.6bb in estimated costs through guarantees from Mitsubishi, the end user of the gas. In other words, the project is not dependent on an oil company whose cash flow is suffering to get built and the end user still wants the LNG despite lower oil prices.

Petrochemical projects in their backlog are in a business we are very familiar with. While lower oil prices have hurt the margins of petrochemical companies that use ethane to make ethylene and polyethylene, the plants are still more profitable than plants that use oil. Looking forward, the reliability of abundant supplies of ethane in a country with the stability of the US is still very attractive to petrochemical companies looking to expand to meet growing demand for their products. We are confident these projects will go forward. The government, technology and environmental side of their business represents 15% of operating profit. The company trades at about 9x 2015 expected earnings versus 17-18x for the market.

Phillips 66 earnings adjusted for profits from selling assets were up 13% in the 4th quarter versus last year while the stock price dropped 11%. Earnings for the full year were up 4%. We think three of their primary businesses will benefit from long term increases in US shale production. After a write down of leftover high cost inventory, lower oil prices mean higher margins for their refinery business. Lower oil prices also mean higher gasoline demand and higher refinery utilization rates. We think a significant increase in refinery profits during this oil price downturn will help finance growth in their mid -stream and petrochemical businesses. This should make their earnings more predictable and raise their stock valuation.

They are expanding their world class petrochemical joint venture with Chevron to take advantage of abundant ethane with some smaller facilities to come online in mid- 2015 and a 3.3 billion pound per year ethylene facility due for completion in in 2017.

Their mid-stream business has a leading position in natural gas and natural gas liquids processing and transportation. They also have valuable logistics assets that connect refineries with advantaged US shale oil which is cheaper than the Brent oil many refineries still rely on. A large part of these assets were developed when they were part of Conoco Phillips to connect their refineries with oil supply. They have several mid- stream projects underway backed by long term contracts that should grow earnings considerably overtime. The most important being a fractionation plant expected to be completed in the third quarter of 2015 which is fully contracted and will convert natural gas liquids to ethane, propane, and butane followed by a large propane export facility to be completed in the fourth quarter of 2016 which is also fully contracted.

Enterprise Product Partners's distributable cash flow per unit was flat at $.525/unit due to a significant acquisition in the 4th quarter that strengthens their ability to export ethane, propane, and condensate and should add to future earnings. Distributable cash flow per share increased 4% for the full year. In our opinion, they are one of the most integrated and important energy logistics companies in the world. They take little commodity risk with 85% of their revenue fee based and largely backed up by long term contracts. Only 13% of their business comes from transporting oil on their pipelines. Their system of pipelines, storage, fractionation and export facilities are tied into so many supply basins and demand centers that they will have some arbitrage opportunities created by the turmoil in energy prices.

The bulk of their business is processing, transporting, fractionating, and exporting natural gas and natural gas liquids. Growing US demand for natural gas and ethane in addition to robust growth in export demand for our low cost natural gas, ethane and propane should keep their volumes growing despite the sharp downturn in oil prices.

Summary - All in all, despite the mistakes with Atlas, we think the portfolio was invested in resilient companies which will protect client's capital well during the energy downturn and help future returns What is most important is that the strength of the companies allowed us to be comfortable adding to current positions and buying a couple more atrractively priced energy names we had been watching. Chicago Bridge and Iron, Phillips 66 and a new energy related position, Lyondell Bassell, have appreciated considerably in the 1st quarter and Enterprise Product partners recently increased their dividend.

However, we could have done better. Tom Moore who has extensive finance and investment experience joined us recently to head up marketing. While not making the final decision, he is involved in the investment process through periodic formal discussions in order to better understand our positions and strategy as he meets with potential clients. We intend to do a better job focusing future meetings on uncovering positions that are overpriced or that they may not prove resilient in a downturn and not fit our strategy.

ACCESS TO CAPITAL

We strive to protect capital during market downturns. In addition, an important part of our investment process is to select companies that we feel will have access to capital through the cycle and be able to invest during downturns when opportunities are generally more attractive.

"Again and again during this depression it is driven home to me that opportunity is a stern goddess who passes up those who are unprepared with liquid capital." - Benjamin Roth

Besides investing in companies whose earnings are resilient in downturns, it's central to our strategy to follow Mr. Roth's advice by holding cash and by investing in companies that have the financial strength and are conservative managed such that they can invest through the cycle, i. e. during downturns when opportunities are more attractive.

Atlas Pipeline/Atlas Energy were in no position to do that and were sold.

Phillips 66 is moving forward with $6bb in projects and since June 30 when oil prices started to fall they have reduced their share count by 2.5% or 5% annualized. Their corporate structure puts them in a unique position to fund necessary midstream projects if financing dries up for weaker players. They can incubate projects at the corporate level using cash flow from their refining, wholesale gasoline marketing, and mid-stream businesses plus generate additional cash by dropping existing mature assets down to the publicly traded master partnership they control. They did this as recently as March of this year, dropping down assets generating $1.3 billion in proceeds. At year end, prior to the drop down, they had $2.5bb in cash versus $5.2bb in debt. The MLP is rated BBB by Moody's or investment grade and recently issued $1.1 billion in 5, 10, and 30 year debt at a blended rate of 3.6%.

Enterprise Product Partners is also in very good shape to take advantage if credit gets tight. They have one of the strongest credit ratings of the mid-stream MLP's at BBB+. As opposed to their competitors who pay out almost all their cash flow in dividends, they retain about 1/3 of their cash flow which amounted to $1.36bb in 2014 to help fund growth. The founding family which owns 35% of the shares also strengthens their financial flexibility by supporting the company's future. Recently, they used $100mm in dividends to buy additional shares. Lastly, they are not obligated to pay distributions to their general partner which improves their access to debt financing.

Chicago Bridge and Iron has announced they have sufficient excess cash flow to retire at least 10% of their shares over the next two years. Two other energy related holdings, **CF Industries and Lyondell Bassell** are financing capacity expansions of 20-25% to take advantage of cheap U.S. natural gas while maintaining the financial flexibility since June 30 when oil prices started their free fall to reduce their share counts by 7% and 8% on an annualized basis.

In the past, our strategy has helped our future performance benefit significantly from downturns. Overall, we think the energy positions we hold will prove to be consistent with that strategy.

MARKET ENVIRONMENT

We simply don't make decisions based on a view of the market but you should be aware that a downturn will happen at some point. In 2014, stocks had a double digit increase for the third year in a row, only the second time this has happened in the last forty years. The S&P 500 now trades for 18-19 times forward earnings and a high multiple of GDP.

Interest rates at zero for six years is unprecedented. Investors reaching for yield has led to a deterioration in credit quality. In 2006-2007, a period with little regard for risk, corporations issued $700 billion in debt. In 2013 and 2014, they've issued about $1.1 trillion of which 71% is B rated versus 28% of bonds issued in 2006-2007 being B rated. Also, 60% of bonds issues in 2013-2014 are covenant lite versus 28% in 2006-2007. Energy issuers are 18% of this low quality debt B rated debt. Highly leveraged and lower quality companies will have a hard time servicing this debt as rates rise which should help the stronger players if defaults and restructurings start to increase. When credit problems surface investors who piled into "liquid' ETF's could suffer along with high yield investors since the ETF is only as liquid in a downturn as the assets it holds.

What we worry about is not a market downturn but whether any of our positions are overpriced and whether any of our positions will suffer as the excesses in lower quality bond issuance are worked through.

Please feel free to contact us if you would like to learn more about our services.

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.*

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
2014	40.7	26.7	67	8.19%	7.24%	13.69%	1.18%	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%	12.64%	14.86%
2003	9.2	8.5	23	35.31%	33.95%	28.68%	4.38%	13.78%	18.07%
2002	6.9	6.4	21	(3.36%)	(4.34%)	(22.10%)	6.43%	14.13%	18.55%
2001	7.4	6.8	18	6.92%	5.86%	(11.89%)	6.23%	13.85%	16.71%
2000	6.8	6.3	15	14.37%	13.33%	(9.10%)	4.48%	13.33%	17.42%
1999	6.4	5.7	14	8.80%	7.77%	21.04%	10.61%	12.57%	16.52%
1998	6.3	5.5	14	5.17%	4.00%	28.58%	5.61%	12.07%	16.01%

***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, 2002 to December 31, 2014.

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, 2002 to December 31, 2014. 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. 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. Beginning 2002, net of fee performance was calculated using actual management fees applied quarterly. Prior to 2002, the highest applicable management fee of 1% was applied. 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 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.

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, 2002, to December 31, 2014, and (2) the Firm's policies and procedures are designed to calculate and present performance results in compliance with the GIPS standards as of December 31, 2014. 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 December 31, 2014; and
- the Firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards as of December 31, 2014.

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
April 10, 2015