Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2016 – Q4 Quarterly Letter

Blue Current SMA Strategy

December 31, 2016

Dear Investors:

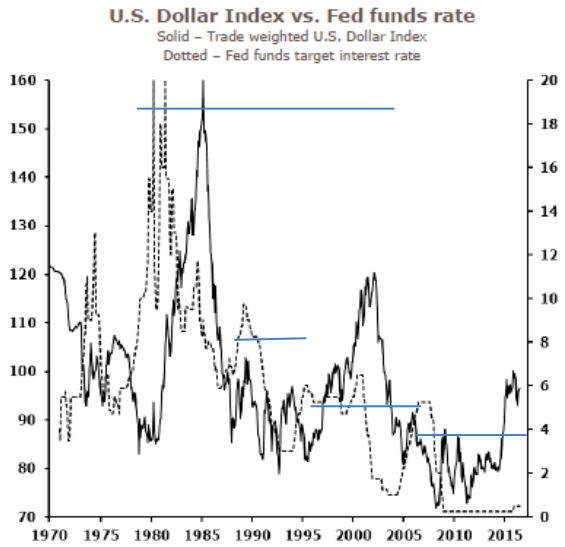
The Blue Current Global Dividend Strategy returned +1.0% (net) during the fourth quarter of 2016, improving year-to-date performance to +9.0% (net). We remind investors that our strategy is not managed to any specific equity index, but instead we focus on identifying companies that will pay a stable and increasing dividend and generate an attractive total return for our investors. For comparison, the MSCI World High Dividend Yield Index returned -0.3% and the MSCI World Index returned +1.9% during the quarter. For the year-to-date period, the MSCI World High Dividend Yield Index returned +9.3% and the MSCI World Index returned +7.5%.

EXPECT THE UNEXPECTED

2016 was a year of the underdog, a year for political surprises (both domestically and abroad), and a year for sharp market reversals that built and erased portfolio returns quicker than most could imagine. Credit duration, emerging markets, utilities, and other rate-sensitive sectors were CNBC headlines until July, when the playbook was tossed in favor of floating rate debt, cyclicals, and U.S. small-caps. The year presented challenges for investment managers, in terms of both sector and regional selectivity. Both Brexit and Trump were considered “bearish” events, the former for a weekend, and the latter for about three hours. In this environment, it is important to focus on fundamentals first and sentiment second, as prices tend to mirror sentiment in the short term and fundamentals over the long term.

The rapid shift in sentiment during the second half of 2016 could denote an inflection point in the global monetary battle to create inflation and a pervasive shift from monetary to fiscal policy. This is a welcome change and one that is long in the making, given that the financial crisis was a distant nine years ago. While the shift is currently eliciting animal spirits, we remain cautious in this environment and interested in the lasting repercussions from Brexit, a Trump administration, and numerous policy initiatives that have the potential to shift global trade, impact foreign relationships, and increase currency volatility.

The increase in the U.S. dollar and the relative valuation to trading partners could have a significant influence on corporate competitiveness, and revenue / profit translation in 2017 and beyond. Simply due to translation, we estimate that the strengthening dollar detracted approximately 300bps from our strategy in 2016, and the question we increasingly face is will that continue in 2017? We suspect not, but we are also in the minority. Dollar bulls are many today, but we believe there is compelling information that suggests the dollar may be in for a pause or even a pullback in 2017, after a strong advance in 2016. To start, expectations of higher interest rates and growth have been quickly repriced by the markets, an original driver of dollar strength, and this is not dissimilar to what has happened in prior historical periods. Also aligning with historical precedence, dollar strength tends to fade with successive rate increases, typically due to the notion that higher rates are intended to slow inflation and economic growth – both dollar bears. The potential that the continually optimistic Federal Reserve initiates fewer than three hikes in 2017 could also apply dollar pressure. As a reminder, the current pace has been a single hike per year. Outside the U.S., improving economic conditions globally, especially in Europe, are likely to add additional headwinds beyond the Federal Reserve.



Low domestic interest rates accompanied by an overall tightening of global interest rate differentials should limit dollar strength. Improvements in global growth and/or a reluctant Fed could drive dollar softness – enhancing returns for international equities.

Source: Wells Capital Management

Although it is too early to have confidence in a trend reversal, recent weakness in the dollar confirms our longer-term view on the currency, and not surprisingly, the non-U.S. allocations within Blue Current have been our strongest performers in 2017.

BLUE CURRENT PHILOSOPHY & OBJECTIVES

The Blue Current investment team utilizes its expertise in growing cash flow to invest in what we believe is a niche universe of high-quality, dividend-paying companies with sustainable business models and dividend policies. The primary objectives are to pay a stable and increasing dividend each quarter and to deliver attractive long-term capital appreciation to investors.

The portfolio is concentrated and invests in 25 to 50 companies across developed markets that meet our stringent quality requirements. We focus on companies that we believe have a strong history of rewarding shareholders and have the financial ability to continue to increase the dividend over time. We also focus on the future earnings potential of each company and strive to purchase those businesses when they are trading at a discount to their true value.

PORTFOLIO COMMENTARY

Overall we are pleased with the performance of Blue Current in 2016, including the full-year dividend growth rate of 9.5%, which is in line with our historical average. We are also proud to report that none of our portfolio companies reduced their dividends during the year, and that the portfolio payout ratio continues to hover in the low 40% range – suggesting that our companies have additional ability to increase their dividends in the future.

As highlighted in our summer white paper "Keeping the RUST Out Through Dividend Growth," we were materially underweight rate-sensitive sectors (REITs, utilities, staples, telecom) in 2016 – largely due to valuations that we believed were stretched relative to fundamentals, exposing investors to earnings and interest rate risk. We specifically stated in our third-quarter letter that we believed investors were underpricing interest rate risk, a view that came to fruition during the second half of 2016. Our underweight position in the RUST sectors resulted in underperformance versus many dividend peers and our primary benchmark at the midpoint of the year, a difficult position for us to defend at that juncture. We remained

disciplined through the summer months in our allocation to individual sectors and regions, a position that rewarded us through the second half when interest rates finally reversed – resulting in a revaluation across the bond proxy sectors. The portfolio performed well through this transitory period, delivering a 4.1% return during the second half of the year, compared to a 2.2% return in our primary benchmark.

Narrowing the time period to the fourth quarter, financials, technology, and energy were the three top contributors to performance, offsetting losses in consumer staples and healthcare. Three of the top four performers in the fourth quarter were in the financials sector (Wells Fargo, BB&T, and Bank of New York). The sector broadly benefitted from the increase in interest rates and the associated benefit to interest margins. Any uptick in economic activity (and lending) in 2017 will continue to support the sector, which has been under-owned by investors for years. While we avoided utilities and REITs throughout most of the year, our exposure to consumer staples detracted from returns during the quarter.

As our cyclical investments in financials, technology, and energy performed well during the second half of 2016, we reviewed new opportunities within the bond proxy sectors (specifically in REITs and staples) that we felt offered compelling value given the recent contraction in stock prices. We initiated a position in Crown Castle International, a telecommunications REIT that corrected 20%, and yielded 4.5% at the time of our purchase. We believe the company's entry into fiber and small-cell deployment adds a growth element to its stable, recurring revenue model provided by large telco tower leases, improving the cash flow profile and dividend growth outlook. The company has closed on several acquisitions and is quietly becoming a significant owner of last-mile fiber within major metropolitan cities.

We also initiated a position in Bayer AG, a diversified conglomerate that scales across healthcare, consumer, and agriculture. We initiated the position at 12x forward earnings and believe the intended acquisition of Monsanto, expected to close in late 2017, will strengthen the company's competitive position within an industry that is rapidly consolidating (Dow/DuPont, ChemChina/Syngenta), driving pricing power. At 12x earnings, we believe the company is being valued solely on its pharmaceutical business with no credit for a strong consumer business and its increasing ag market share. For example, major European pharma companies are trading between 12x and 14x earnings, agriculture commodity producers are trading in the mid-teens, and consumer healthcare businesses garner a P/E in the high teens. Using a sum-of-the-parts valuation approach, the stock should support a price target in the €135 range, implying more than 30% upside excluding dividends. We believe Bayer will continue to increase its dividend in the high-single-digit range.

We exited our long-standing position in Accenture during the fourth quarter. We continue to believe that Accenture runs an outstanding business with exceptional expertise in cloud computing and other technology verticals that require specialization; however, the valuation (> 20x earnings) and a dividend yield approaching our threshold of 2% present downside optionality that we no longer find attractive. We purchased Accenture in 2014 and earned our investors a 60% cumulative return over the 25 months of ownership. We hope we will find another opportunity in the future to invest in this excellent company.

INVESTMENT OUTLOOK

Spurred by optimism in the U.S., a slightly weaker dollar, and green shoots of economic activity abroad, global equities have started the year on a strong note. The ingredients are in place for another strong year of equity returns; however, experience has taught us that a simultaneous advance by all three major regions of the world (US, EAFE, EM) is unusual and likely not sustainable. With major policy initiatives under way in the U.S., critical political elections on the horizon in Europe, and vital trade agreements under revision across Asia, all netted against the backdrop of a commodity recovery supported by a fragile OPEC agreement, there is much that could surprise in the coming quarters. For the time being, optimism prevails that the world's struggle with deflation is ending and sharp fiscal policy can grab the steering wheel away from central banks.

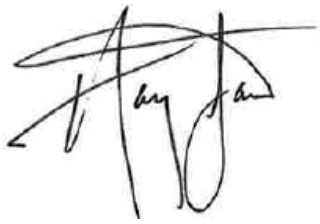
Our view entering 2017 is that pro-growth sectors will continue to lead, and our emphasis on dividend growth (as opposed to yield) implies that our positioning across industrials, energy, financials, and technology will enable us to participate. Our portfolio statistics are as follows:

Gross Dividend Yield:	3.3%
2017 Price/Earnings:	16.0x
2017 Expected Earnings Growth:	13%
International Exposure:	47%
AAAA/AAA Exposure:*	60%

For more information on our strategy, please visit www.bluecurrentportfolios.com.

*Defined as a percentage of the portfolio invested in companies with 10+ years of dividend growth.

Sincerely,



Henry "Harry" M. T. Jones
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Blue Current Global Dividend

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EQUITY PERFORMANCE				
	Blue Current Equity Composite (net of 1% manager fee)	Cumulative	MSCI World High Dividend Yield Index (no transaction costs or fees)	Cumulative
2009	15.0	115.0	32.9	132.9
2010	12.7	129.6	6.3	141.3
2011	8.6	140.8	3.9	146.8
2012	11.4	156.8	12.2	164.7
2013	28.9	202.1	21.9	200.8
2014	3.4	209.0	2.5	205.8
2015	-2.0	204.8	-3.2	199.2
2016	9.0	223.2	9.3	217.7
CAGR (since inception)	**10.5**		**10.2**	
CAGR (trailing 5 years)	**9.6**		**8.2**	
CAGR (trailing 7 years)	**9.9**		**7.3**	

Source: Blue Current Investment Management. 2016 performance has not yet been verified by our independent verification service provider, Ashland Partners & Company. See GIPS® disclosure at the end of this report.

BLUE CURRENT INVESTMENT MANAGEMENT

EQUITY ONLY COMPOSITE

Annual Disclosure Presentation

1/1/2009 to 12/31/2015

Year	Blue Current Gross Return	Blue Current Net Return	MSCI World High Div Yield Net Index Return	MSCI World Net Index Return	Blue Current Standard Deviation	MSCI World High Div Yield Net Standard Deviation	MSCI World Index Net Standard Deviation	Internal Dispersion	Number of Portfolios	End of Period Assets	End of Period Firm Assets
2009	16.11%	14.97%	32.48%	29.99%	NA 2	24.23%	21.70%	NA 1	< 6	$1,565,376	$10,970,324
2010	13.85%	12.71%	6.29%	11.76%	NA 2	25.89%	24.05%	NA 1	< 6	$2,363,654	$32,789,983
2011	9.67%	8.58%	3.89%	-5.54%	14.98%	21.81%	20.44%	NA 1	< 6	$19,499,442	$77,655,266
2012	12.50%	11.40%	12.24%	15.83%	12.58%	15.33%	16.98%	0.49%	16	$30,917,548	$190,942,763
2013	30.14%	28.88%	21.91%	26.68%	10.53%	11.88%	13.73%	0.29%	46	$71,025,142	$267,812,275
2014	4.40%	3.35%	2.48%	4.94%	8.84%	10.44%	10.37%	0.31%	57	$115,318,155	$337,317,537
2015	-1.04%	-2.03%	-3.20%	-0.87%	10.37%	11.16%	10.80%	0.64%	58	$122,654,070	$325,139,286

N.A.1 - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.
N.A.2 - The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The three-year annualized standard deviation is not presented for periods with less than 36 months of data.

Blue Current Global Dividend Composite includes all fully discretionary, fee-paying accounts under management following a common investment objective, including those accounts no longer with the firm. The composite invests primarily in domestic or international securities the portfolio manager feels have the potential to deliver outperformance

due to a combination of price appreciation and current income in the form of a dividend. The composite will typically invest in securities with a current dividend yield in excess of the broad equity markets with a history of consistently increasing the dividend rate and with what we believe to be strong fundamentals at an attractive price (i.e. low use of leverage, operating margins in excess of 5%, free positive cash flow yield, a price-to-earnings ratio at or below the market average, and earnings growth). The Global Dividend Equity Composite was created on January 1, 2009. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year.

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. Net of fee performance was calculated using the highest allowable annual management fee of 1% applied monthly. The annual composite dispersion presented is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request. Past performance is not indicative of future results.

The investment management fee schedule for the composite is 1% on the first $5 million, 0.7% on the next $5 million, 0.65% on the next $10 million, 0.55% on the next $30 million, 0.45% on the next $50 million. Fees for assets over $100 million are at a rate customized to the client. Actual investment advisory fees incurred by clients may vary.

The benchmark MSCI World Index includes 1,611 stocks located across 24 developed countries and captures approximately 84% of the free float-adjusted market capitalization in each country. MSCI uses the maximum withholding tax rate applicable to institutional investors in calculating MSCI net dividends.

The MSCI World High Dividend Yield Index is based on the MSCI World Index, its parent index, and includes large and mid-cap stocks across 23 developed market countries. The index is designed to reflect the performance of equities in the parent index (excluding REITs) with higher dividend income and quality characteristics than average and dividend yields that are both sustainable and persistent. The index also applies quality screens and reviews 12-month past performance to omit stocks with potentially deteriorating fundamentals that could force them to cut or reduce dividends. MSCI uses the maximum withholding tax rate applicable to institutional investors in calculating MSCI net dividends.

Blue Current claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Blue Current has been independently verified for the periods January 2009 to June 2015 by Ashland Partners & Company. 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 Blue Current Global Dividend composite has been examined for the periods January 2009 to June 2015 by Ashland Partners & Company. The verification and performance examination reports are available upon request. Note: Blue Current firm AUM has been amended.

Blue Current Investments is a subsidiary of Edge Advisors, LLC ("Edge"). Edge is an independent registered investment adviser based in Atlanta, Georgia. Blue Current manages separate account strategies with defined investment objectives. Edge's total firm assets of approximately $2.7B (as of July 31, 2015) include the assets managed by the Blue Current division of Edge ($295.98M) as well as those managed by Edge but not by the Blue Current division. All employees who work within the Blue Current division of Edge may also manage assets for Edge outside of the Blue Current division. The firm's list of composite descriptions is available upon request.

Withholding taxes may vary according to the investor's domicile. Composite returns are gross of withholding tax and represent investors domiciled primarily in the United States. The MSCI Indices uses withholding tax rates applicable to GHI country holding companies.

Disclosure and Risk Summary

The opinions expressed herein are those of Edge Capital Partners, LLC, and the report is not meant as legal, tax, or financial advice. You should consult your own professional advisors as to the legal, tax, financial, or other matters relevant to the suitability of investing. The external data presented in this report have been obtained from independent sources (as noted) and are believed to be accurate, but no independent verification has been made and accuracy is not guaranteed. The information contained in this report is not intended to address the needs of any particular investor.

The information contained in this document does not constitute an offer to sell any securities nor a solicitation to purchase any securities. Index returns reflect the reinvestment of dividends.

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