Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2016 – Q1 Quarterly Letter

Prepared by:

EDGE ADVISORS

Blue Current SMA Strategy

March 31, 2016

Dear Investors:

The Blue Current Global Dividend Strategy returned +3.2% (net) during the first quarter of 2016. We remind investors that our strategy is not managed to any specific equity index; 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 +3.8% and the MSCI World Index returned -0.4% during the quarter. 2016 marks the 8th year that we have been managing the strategy, and those who have been with us since inception have benefited from an 11% annualized return and a 10% annualized dividend growth rate.

Following a swift decline in January, a rebound in confidence that the U.S. economy may avoid a recession combined with an increasingly dovish Federal Reserve provided the right recipe for investors to revisit stocks in March. The selloff in January (S&P 500 declined 5% for reference) was what appears to be the later stages of a much deeper market correction that started last summer. As measured from the end of the second quarter of 2015 to the recent market lows exhibited in mid-February, major developed markets have declined between 10% and 22% (Japan's Nikkei led the downside). Since its peak in May 2015, the S&P 500 retreated 14% to the lows in mid-February and continues to be range-bound with significant resistance at the 2,100 level. In short, it has been a challenging environment regardless of the region.

Why the persistent negative sentiment? There is no correct answer and the plausible explanations vary significantly from region to region. Within the U.S., declining profits, plummeting energy prices, and a conflicted Federal Reserve that is being forced to reconcile a strong employment cycle with weakening economic growth are providing resistance. An expansion of quantitative easing policies announced by ECB President Mario Draghi should be enough to lift equity markets across the Eurozone; however, that enthusiasm is dampened by political uncertainty (Brexit, etc), deflationary fears, and choppy economic progress. The unfortunate events in Brussels during the quarter are also stirring populist and anti-establishment uprisings across the region. Lastly, the world's third-largest economy, Japan, continues to flirt with recessionary conditions and declining confidence in leadership that threw everything but the kitchen sink at the economy with little progress to show.

Macroeconomic and political uncertainty are ever-present, and we liken the current period to 2011, which had its similarities in the extent of the unknowns. In that year, stocks experienced a significant intra-year drawdown but eventually rebounded as confidence emerged in the underlying fundamental story. Led by value and dividend-payers, the S&P 500 finished the year with a +2% return. We also remember the year well because the Blue Current Global Dividend Strategy returned +9%, significantly outperforming broader indices due to our overweight position in consumer staples and higher dividends. In our last quarterly letter (available at Bluecurrentportfolios.com), we shared our view that dividend investing, which was largely out of favor in 2015, could perform well in 2016 as investor preference for safety and cash flow prevails over growth. In an environment characterized by heightened uncertainty and lower return expectations, dividend stocks have historically outperformed. The rationale is straightforward: with a yield of 3.1%, our portfolio can deliver 40% of the long-term average equity return (approximately +8%) through dependable cash flow. In addition to the stability of our cash flow, our constraints on leverage and valuation increase confidence that our companies will weather even the most challenging of economic environments. Some of

these factors have contributed to the +3.2% return that we were able to deliver to our investors during the first quarter.

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

Owing to the significant rebound in March and some opportunistic additions to the portfolio, the industrial sector was the top contributor during the first quarter, adding 1.4% to performance. The sector's performance was led by Eaton Corporation, which surprisingly returned +21% to start the year. Eaton is another example of the pervasive fickleness of Wall Street – the stock was one of our worst performers during the second half of 2015. At a trough valuation of less than 11x earnings and a forward dividend yield of 4%, we could not resist adding to the position in late December. A fruitful decision in hindsight. Aside from a pause in 2009, Eaton has been steadily increasing its dividend since 2003 – from $0.44 annually per share to the current payout of $2.28. Another industrial company, CH Robinson Worldwide, was also a top performer – adding 0.5% to portfolio performance during the quarter. Shares of this freight broker and logistics management company slipped during 2015, but quickly rebounded with improving sentiment. Lastly, United Parcel Service appreciated 11% during the quarter. We believe fears of Amazon dismissing UPS and FedEx services in favor of its own internal package delivery are over-estimated, and we are not surprised that the stock shrugged the news. After such a significant reversal in March, we are cautious on the group heading into first quarter's earnings season as valuations are, in some cases, higher than the broader market.

Another top performer during the quarter was Hasbro, a longstanding position that we last discussed in detail in our Q2 2015 investor letter. Our investment in Hasbro (initiated in February 2013) has been a tremendous success for our investors: over the trailing three-year period, the stock has returned +25% per year and management has rewarded shareholders with a +7% annual dividend increase. The appreciation, including a 19% advance in Q1, has stretched Hasbro's valuation to the upper end of its historical range, and, accordingly, we have trimmed the position twice during the last 7 months. The revived Star Wars franchise, along with the Disney Frozen Princess brand, promises to drive revenue and earnings growth for Hasbro for years to come; however, the valuation caused us to take profits in the position.

As the industrial sector led to the upside during the quarter, an increasingly dovish Federal Reserve and fears of accelerated high yield energy defaults created headwinds for U.S. financials, including one of our core positions, Wells Fargo. When we include our insurance exposure (Chubb, Allianz), the financial sector detracted 1% during the quarter. Through Wells Fargo and Bank of NY Mellon, our current exposure to the banking sector is just under 6%; when combined with our exposure to the insurance sector, the total financial sector (excluding REITS) exposure represents approximately 11% of the portfolio. We decided against highlighting the fundamental underpinnings behind our ownership in the above brands, and instead address one of the more common questions raised by our investors: Do you need higher rates for the banking sector to perform? We believe the answer is "no" - but concede that higher rates would be a nice tailwind for the group. In our opinion, the potential for higher rates is currently underappreciated by investors and presently represents one of the largest underpriced risk factors in the market. The extent to which expectations for higher rates have been suppressed, represented through declining valuations for the financial sector, increases the optionality for maintaining exposure to the sector. Our base case outlook for owning high-quality companies such as Wells Fargo and Bank of NY Mellon does not require the Federal Reserve to increase interest rates in 2016 or in 2017. Most investors would be surprised to know that Bank of NY Mellon was able to increase earnings nearly 20% in 2015 - without interest rate tailwinds. Other drivers to earnings growth are robust loan demand including mortgage originations, expense reductions, and dividend/buyback increases. We believe there are fundamental reasons to maintain exposure to the sector, and if the consensus view is incorrect, the overall sector has the potential to be one of the strongest performers in the portfolio.

The broad market decline did provide an opportunity to add exposure to one of our favorite local franchises, Home Depot. We initiated a position on February 18, at which time our quantitative ranking process assigned the company one of the highest scores within the consumer discretionary sector. Over the past year, our team has been evaluating consumer-facing businesses that despite significant competitive threats from Amazon (and other Internet retailers) are able to maintain their competitive moat and loyal customer base. Our challenge has been that many of these insular businesses trade at lofty multiples and/or do not have a consistent dividend policy. The cross-reference of our universe with our desire to own companies with the above attributes led to few opportunities within the consumer discretionary sector. The recent sell-off, which accelerated in February, elevated Home Depot in our process and provided us the opportunity to own a terrific franchise with strong competitive positioning. Most of our readers are familiar with Home Depot; but here are a few statistics that are not broadly known or appreciated.

Long-term trends such as housing formation (which began to accelerate in 2015), age of housing stock (60% of houses are over 30 years old), and improving home affordability (relative to increasing rents) all provide macro tailwinds for Home Depot. Home Depot is a cash cow, generating nearly $8 billion of free cash flow in 2015 – representing more than 100% of net income. The company has been generous to its shareholders, using excess cash flow to increase its dividend 20% per year for five consecutive years and repurchasing $30 billion in stock over that time period. Enhancing cash flow, Home Depot has moved away from costly new store openings within the U.S. to grow revenue, and instead shifted focus to improving productivity and return on capital metrics. New store openings have been largely contained to Mexico and Canada, while U.S. store margins continue to rise. The company also continues to make incremental

improvements for its core DIY customer base, including installation services, which has driven additional revenue capture. The company estimates 2 million installations in 2015. Outside of DIY, Home Depot recognizes a market-share opportunity in the professional category, including contractors and smaller homebuilders. The professional spends nearly 35% more per visit than the average DIY shopper and visits a Home Depot store 10x more per year.

DIVIDEND ANNOUNCEMENTS

We estimate the first quarter dividend growth rate for the portfolio was 9%. Overall, the number of dividend announcements was significant and below we highlight a few examples:

- Home Depot: +18%
- Hasbro: +11%
- InterContinental Hotels: 10% + $1.5bn special dividend
- Comcast: +10%
- Cinemark: +8%
- Enterprise Products Partners: +5%

INVESTMENT OUTLOOK

The momentum that began during the first quarter for dividend and value equities has continued through early April. Adding to the investment case behind owning global multinationals, the U.S. Dollar has weakened 4% through the first quarter as compared with a trade-weighted basket of currencies, benefiting revenue and profit translation. In a world where real organic growth is expensive and money fungible, investors will buy any advantage that presents itself, especially if the valuation is compelling, as is the case for value and dividend equities. We can't predict whether the dollar trend will continue, but at the very least- it has stopped being a headwind (as was the case last year) for revenue and profit growth. If history repeats, the largest moves in the U.S. Dollar will occur prior to the first rate hike. With that now in the rearview, investors are less concerned about dollar strength, and more optimistic on owning multi-nationals.

We expect our portfolio companies will continue to grow revenue and free cash flow in 2016, rewarding shareholders with dividend increases and share buybacks. As of March 31, the portfolio was invested in 42 companies with an average yield of 3.1%, and a 2016 average P/E of 16.0x.

Note: Please visit our refreshed website at bluecurrentportfolios.com

Sincerely,

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EQUITY PERFORMANCE				
	Blue Current Equity Composite (net of fees)	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
CAGR (since inception)	**10.8**		**10.3**	
CAGR (trailing 3 years)	**9.3**		**6.5**	

Source: Blue Current Investment Management. 2015 performance has not 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 6/30/2015

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	$115,089,166
2012	12.50%	11.40%	12.24%	15.83%	12.58%	15.33%	16.98%	0.49%	16	$30,917,548	$192,572,153
2013	30.14%	28.88%	21.91%	26.68%	10.53%	11.88%	13.73%	0.29%	46	$71,025,142	$291,321,586
2014	4.40%	3.35%	2.48%	4.94%	8.84%	10.44%	10.37%	0.31%	57	$115,318,155	$425,601,341
6/30/2015	1.58%	1.07%	-0.63%	2.63%	8.72%	9.43%	8.71%	NA	60	$118,152,568	$402,219,248

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 1 January 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, .7% on the next $5 million, 0.65% on the next $10 million, .55% on the next $30 million, .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 1611 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 Markets 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 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.

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 styles. Edge's total firm assets of approximately $2.7B (as of July 31, 2015) include the assets manager 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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