Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2016 – Q2 Quarterly Letter

Prepared by:

EDGE ADVISORS

Blue Current SMA Strategy

June 30, 2016

Dear Investors:

The Blue Current Global Dividend Strategy returned +1.96% (net) during the second quarter of 2016, improving year-to-date performance to +5.17% (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 +2.98% and the MSCI World Index returned +1.01% during the quarter. For the year-to-date period, the MSCI World High Dividend Yield Index returned +6.86% and the MSCI World Index returned +0.66%. 2016 marks the eighth year that we have been managing the strategy.

Neither rain, nor snow, nor Brexit shall keep our dividends away!

The chase for yield has been a relentless campaign in recent months and increasingly causes us to question what motivates the decision making of individual market participants. The current state of sovereign yields represents the most extreme example of yield chasing. Why do investors continue to lend money to the German or Japanese government when bond yields across most maturities are negative? When does it make sense to voluntarily lend the equivalent of a $1 knowing that you will not be made whole upon maturity? Unfortunately this describes most of the G10 sovereign fixed income markets today. For a five-year loan, the following countries will not make investors whole at maturity: France, Germany, Japan, Netherlands, Sweden, Switzerland, and Belgium. Because of negative yields, the ECB quantitative easing program faces a dwindling opportunity set as it restricts bond purchases to those yielding above 40bps. If this is the case, why do investors continue to chase a poor opportunity? For many institutions, the investment mandate may necessitate a diverse sovereign bond portfolio, even in the zaniness of the current environment. Other investors (traders) may take a short investment horizon and justify the risk of buying a bond at $101 and selling it at $102 in a few months (or weeks). Regardless of the investment mandate or the time horizon, we believe investors are taking significant interest rate and credit risk against a backdrop of extreme and unprecedented global central bank decision making.

The stretch for yield is not isolated to fixed income, and is having a similar impact across equity sectors that some investors could label as "bond proxies." This includes utilities, consumer staples, and real estate investment trusts. In our mind, the equivalent of a 1.4% U.S. 10-Year Treasury yield is a utility company trading at 22x forward earnings and yielding 2.8% - the median multiple and yield of the utility companies that are eligible for the portfolio. Not to dampen spirits further, but the three-year average dividend growth rate of the sector is 3.8%, approximately one-third of the dividend growth rate of the Blue Current portfolio over that period. Never in recent history have investors paid so much and received so little from this group. Although the sector represents approximately 8% of our benchmark, we are unable to find compelling value in the sector and do not have exposure currently.

Where do all roads lead? For right now, they lead to higher valuations and lower yields. We do not pretend to forecast how long this one-way trade will persist or what the catalyst will be to reverse sentiment. We would guess that the resurfacing of sovereign or corporate credit risk is more likely to be the tipping point versus an inflation or growth scare, but we shall see. Against this backdrop, we believe that our investment

strategy makes more sense than ever. It is simple to articulate: we collect dividends from our companies every quarter and those dividends increase each year. Most political and macroeconomic events (Brexit) will not impair our companies' abilities to pay dividends each quarter. The value of our stocks will change according to market conditions, but if we execute our process of buying companies with increasing dividends at fair multiples, the value of the portfolio will steadily increase over the long term. Growing our investors' cash flow is our core objective and has been for eight years.

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

Ironically, the maligned health care sector was responsible for two of our four top performers during the quarter. Pfizer and Novartis, combined, contributed approximately 90bps to our quarterly performance – both stocks soundly outperformed the health care index over the period. Pfizer returned more than 20% and remains a core position (top 10) for the strategy. Pfizer made headlines in early April when the U.S. Treasury tightened the tax inversion regulations, thereby eliminating the attractiveness of the proposed merger between Pfizer and Allergan. Shareholders not keen on the merger have renewed their interest in stand-alone Pfizer. The stock has also benefited from several new drug developments, specifically in the field of oncology, which should bolster the future pipeline. Pfizer is valued at 15x 2016 earnings, yields 3.2%, and has a three-year dividend growth rate of 8%.

Our largest position (Comcast) was also a top contributor during the quarter. We are pleased to see other investors appreciate what we have valued in the company for some time - that is, the company's cash flow diversification across its leading cable franchise, theme park entertainment, and media properties, including NBC, which is scheduled to host the Olympic Games this summer. The company is a cash cow, and we believe entertainment (and experience) remains at the forefront of consumer spending habits – potentially gaining share from retail and other consumer-challenged areas of the economy. Despite increasing similarities, the company trades at a 20% discount to Walt Disney and has a 15% higher yield. We believe there is additional upside in the company's share price and dividend growth rate – Comcast's current dividend payout ratio is a paltry 30%.

Lastly, a position that we have not discussed in recent letters, National Health Investors, appreciated 14% during the quarter. Similar to our views on the utility sector, we have struggled to find value in the REIT sectors; however, National Health represents solid value in our opinion. For example, the company is valued at 16x FFO (Funds From Operations), which compares to a median valuation for the REIT sector of

19x FFO. The company is a diversified health care operator with exposure to medical office, assisted living, and memory care, mostly nongovernment subsidized as well. National Health Investors currently yields 4.8%.

Not surprising given the Brexit decision, two of our main detractors in the portfolio are domestically exposed to the UK and eurozone economies, Sky Broadcasting and LVMH (Louis Vuitton SE). If one were to only read the media headlines during the days following the Brexit announcement, you would believe that investors panicked, sending all equities into a tailspin. From our vantage, however, that was not the case at all. Companies domiciled within the UK but with material revenue generation in foreign markets rallied immediately after the decision and continued to rally through the end of the quarter. Investors were, intelligently, reacting to the depreciating GBP, which should serve as a nice boost to revenue translation and competitiveness for exporters. We added to our position in Diageo following the Brexit vote. Investors should note that the company has appreciated 14% (GBP) since the vote through quarter-end, which is a reference to our earlier point that the FTSE market has acted rationally to the depreciating currency. Simultaneously, companies that were inwardly focused to the UK consumer plummeted over fears of Brexit creating a 2017 UK recession – a view that is approaching consensus. As a result, Sky and LVMH were under pressure immediately following the announcement. We continue to hold these positions in the portfolio, and will monitor future economic data to determine whether Brexit will undermine economic growth in the region. As we mentioned, a weaker GBP should be stimulative for the UK economy, the benefit of having a local currency that can directly react to local fiscal and monetary policy – a phenomenon that many EU countries secretly wish for.

Concerns surrounding the health of the U.S. consumer have been negatively impacting the retail sector for well over a year, and as a result, valuations of many retailers are now at multiyear lows. Due to valuation and softening growth, we exited our position in Target during the first quarter at a fair price. As the sector continued to retreat during the second quarter, valuations have contracted, and accordingly, our quantitative scoring process has elevated several interesting ideas for the portfolio. One of the highest-rated companies is Williams-Sonoma, a position we subsequently initiated during the quarter. Aside from the namesake retailer (Williams-Sonoma), our readers are probably most familiar with two other WSM brands, Pottery Barn and West Elm. Within our process, Williams-Sonoma garners one of the highest rankings across the consumer discretionary sector. While performing our analysis, we were surprised to learn that over 50% of WSM sales are online! Aside from Amazon, that is one of the highest online penetration rates of any retailer. We were also impressed to learn that the company has a net cash balance sheet and currently has a valuation of 15x 2016 earnings. Williams-Sonoma initiated its dividend in 2006 and has been steadily increasing it since 2010. Lastly, the company's three-year dividend growth rate is 14% and the stock currently yields 2.7%.

INVESTMENT OUTLOOK

Investor preference for yield and safety continues to attract investors to our universe of stocks, although as we have shared, the attention is more myopic and raising valuations in some areas to stretched levels. The overall portfolio continues to trade at a meaningful discount to the broader markets, a quality that we believe will reward us in the future should market volatility accelerate.

Within the U.S., we believe second-quarter earnings will be better than consensus, especially within the consumer sector and our names in particular. Job creation, wage growth, low energy prices, and declining interest rates are all positive factors that we believe expand purchasing power and ultimately revenue for our companies. The consumer discretionary and staples sectors currently represent 32% of our portfolio. Outside of the U.S., we are positioned defensively in staples and telecom. Specifically within the UK, we are invested in exporters that will benefit from a weaker sterling relative to trading partners and includes such names as Diageo and Unilever. Within the UK, valuations are reasonable and materially lower than the U.S., where we believe investors are paying a handsome price for the equivalent peers.

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 June 30, the portfolio was invested in 41 companies with an average yield of 3.1% and a 2016 average P/E of 16.4x.

For more information, please visit bluecurrentportfolios.com.

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 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
2016-YTD	5.2	215.5	6.9	212.9
CAGR (since inception)	**10.9**		**10.6**	
CAGR (trailing 3 years)	**6.6**		**6.5**	
CAGR (trailing 7 years)	**12.1**		**10.6**	

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 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 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. 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 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.

PAST PERFORMANCE CANNOT BE CONSTRUED AS AN INDICATOR OF FUTURE RESULTS BECAUSE OF, AMONG OTHER THINGS, POSSIBLE DIFFERENCES IN MARKET CONDITIONS, INVESTMENT STRATEGY, AND REGULATORY CLIMATE. THERE IS NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE. INDEX INFORMATION (I) IS INCLUDED MERELY TO SHOW THE GENERAL TREND IN THE EQUITY MARKETS FOR THE PERIODS INDICATED AND IS NOT INTENDED TO IMPLY THAT THE FUND'S PORTFOLIO WILL BE SIMILAR TO THE INDICES EITHER IN COMPOSITION OR RISK AND (II) HAS BEEN OBTAINED FROM SOURCES BELIEVED TO BE ACCURATE.

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