Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2017 – Q2 Quarterly Letter

Blue Current SMA Strategy

June 30, 2017

Dear Investors:

The Blue Current Global Dividend Strategy returned +4.5% (net) during the second quarter of 2017, improving the year-to-date performance to +11.2% (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 +3.2% and the MSCI World Index returned +4.0% 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 +10.7%.

THE GREEKS ARE BACK

Investor appetite for risk assets continued through the second quarter, extending a trend that began in November and remains largely unabated at the time of this writing in July. The broadness of the participation in the equity rally globally remains unusual, and is by some measure a reflection of broad G7 economic strength, which we have not experienced in unison in over a decade, and the multi-year benefits of easy liquidity conditions across most major markets, despite some recent tightening in the U.S. Look no further than the reopening of the debt markets to Greece that floated €5.6bn in debt at a 4.6% yield this week, an issuance that is expected to carry the country until late 2018. It is important to note that we have no investments in Greek companies but reference the debt issuance to highlight liquidity conditions and the appetite for income in a region of the world where most yields remain in negative territory.

Liquidity abundance has translated to broad improvements in economic growth around the globe, which combined with recent favorable political outcomes in France and Netherlands, have provided for a highly favorable backdrop for corporate investment and job creation. The European Commission's Business Economic Survey Indicator (a barometer for business confidence) has risen to levels last seen in 2006, while economic growth estimates are approaching 2% for the eurozone region, a lower rate relative to longer historical averages, but an improvement from the recent doldrums. Another measure of economic growth, the eurozone Purchasing Managers Index (PMI), reached 56.3 for the second quarter, a six-year high for the index with growth led by Spain and Ireland. The economic momentum has translated to earnings growth (what we care most about) and is already exceeding the US growth rate - approximately 15% compared to 10%. With the absolute level of earnings still well below prior peaks, the potential for continued eurozone growth is higher in the short to intermediate term.

While we are participating in the performance and acknowledge the genuine factors underpinning the recent momentum in Europe, we are realistic that the liquidity punchbowl will be removed and the timing is critical. ECB President Mario Draghi spoke in Frankfurt earlier in July and commented that the central bank will continue to execute its current stimulus of €60bn per month until the end of 2017 and "beyond if necessary", or until there is a sustained upward path to inflation. While some market participants and popular media interpreted the news conference as foreshadowing the beginning of the end of quantitative easing, we were slightly more dovish on his comments. In our opinion, the ECB needs to extend their program deep into 2018 to better ensure that the recent momentum is not lost. The region cannot afford another "Trichet moment" when then ECB President Jean-Claude Trichet raised rates in the middle of a debt crisis in July 2011.

BLUE CURRENT PHILOSOPHY AND 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

Once again, the portfolio's quarterly return was driven by the international investments that at the close of the quarter represented approximately 50% of the overall portfolio. Eight of the portfolio's top ten contributors to portfolio performance during the quarter were domiciled outside of the U.S. and span several sectors, including staples, consumer, healthcare, and financials. Also at the risk of repeating ourselves, France-based LVMH was the top performer in the portfolio, generating a +14.6% return in U.S. dollars during the second quarter, extending the year-to-date return to +31.9%. We discussed LVMH at length in our prior letter highlighting the strength of brands that CEO Bernard Arnault has assembled. Building on our praise, a recent Wall Street Journal article highlighted the attractiveness of Sephora, an LVMH brand, as one of the few bright spots in brick-and-mortar retail due to its DIY approach to cosmetics. Sadly, we trimmed our exposure last quarter for valuation reasons and increasingly high expectations – as evident by a solid second-quarter earnings report this week that did not budge the stock.

Also a top performer, Nestle returned +16.7% in U.S. dollars in the second quarter. Successful activist investor Dan Loeb of Third Point announced a $3.5bn stake during the quarter, an investment that follows a failed acquisition of Unilever by 3G earlier in the year. The combination of the two places the magnifying glass squarely on European management teams to cut costs, lift earnings, and improve profit margins to be more in line with American peers. Depending on comparisons, there is a significant margin discrepancy between consumer product companies based in the U.S. and the equivalent European peer – an arbitrage that for obvious reasons appeals to Mr. Loeb. We welcome his assistance! Adding to the attractiveness, Nestle (and Unilever) have demonstrated stronger pricing power in recent quarters relative to U.S. peers. While Procter & Gamble struggles to maintain flat pricing, Nestle and Unilever have been able to raise prices, especially across their emerging markets portfolio brands.

One of our newer investments, International Paper, was a top performer among our U.S. -domiciled positions during the quarter, returning +13.5%. We believe International Paper is a classic Blue Current investment due to its below-market multiple (14x 2017 earnings), attractive dividend yield (above 3%) and the potential for a 10% dividend growth rate over the next three years. Earlier in the year the company's share price struggled due to an explosion and shutdown of a core paper mill and rising raw material costs, specifically old corrugated containers, which are purchased to manufacture cardboard boxes. This provided the buying opportunity. In addition, we are interested in the company due to its recent acquisition of

Weyerhaeuser's cellulose fiber mills that are marketshare leaders in the production of fluff pulp, a highly absorbent material used in diapers and other medical applications. We learned that the Southeast produces some of the highest quality fluff pulp in the world, enhancing the attractiveness of the acquisition.

Longer-term, we are favorable on the broader packaging industry due to what is expected to be supply constraints related to the accelerating usage of eCommerce delivery services, such as Amazon Prime, setting the stage for increasing pricing power for companies like International Paper. The growth of eCommerce delivery has been accelerating in recent years and is expected to grow 15% per annum until at least 2020, placing demand pressure on cardboard box manufacturers that generally operate with utilizations in the high 90% range and are accustomed to overall demand growth of less than 1% per year. Based on the percentage of cardboard boxes that are deployed for eCommerce deliveries, it is possible that overall box demand growth moves closer to 3% over the next several years. We believe this sets the stage for packaging companies to raise prices in the foreseeable future, an outcome that we hope will accelerate earnings growth (and perhaps the valuation) of International Paper.

As many of our investors understand, our strategy emphasizes dividend growth, and we would be remiss if we did not share some of the recent dividend growth announcements. These are in addition to the eight portfolio companies that announced last quarter.

- Oneok Inc: +21%
- Imperial Brands: +10%
- Stanley Black and Decker: +9%
- GKN Plc: +5%

INVESTMENT OUTLOOK

As highlighted in our opening commentary, we believe easy liquidity conditions and accommodative central bank policies, especially in the eurozone, are key ingredients for international equity markets in the near term. That view is obvious but heightened because companies and consumers located abroad are only recently beginning to feel the wind at their backs, boosting spending and improving CEO confidence (see survey results above). Globally, the U.S. is already in the process of normalizing interest rates, as evident by four rate hikes to date, and the expected unwind of the inflated Fed balance sheet scheduled for later this year. Normally this would dampen U.S. equity market returns. However, we believe the Fed's actions could be mitigated by President Trump's focus on fiscal policy stimulation (i.e. lower taxes) beginning later this year. Assuming he is successful (not an easy assumption given the Obamacare debate), could lower corporate taxes provide the offset to tightening monetary policy? Difficult to evaluate given the many unknowns, but it should be stimulating for economic growth in 2018 and beyond, providing an additional tailwind to earnings growth. While the economic and political saga unfolds, we remain focused on corporate fundamentals, maximizing dividend growth, and minimizing the portfolio's valuation.

Our portfolio statistics are as follows:

Gross Dividend Yield:	3.1%
2017 Price/Earnings:	15.7x
2017 Expected Earnings Growth:	10%
International Exposure:	51%
AAAA/AAA Exposure:*	62%

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

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

Sincerely,

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Source: Blue Current asset Management. See GIPS® disclosure at the end of this report.

EQUITY PERFORMANCE		
	Blue Current Equity Composite (net of 1% manager fee)	MSCI World High Dividend Yield Index (no transaction costs or fees)
2009	15.0	32.9
2010	12.7	6.3
2011	8.6	3.9
2012	11.4	12.2
2013	28.9	21.9
2014	3.4	2.5
2015	-2.0	-3.2
2016	9.0	9.3
2017-YTD	11.2	9.3
CAGR (trailing 3 years)	**5.2**	**3.1**
CAGR (trailing 5 years)	**10.6**	**9.4**
CAGR (trailing 7 years)	**12.4**	**10.8**

BLUE CURRENT GLOBAL DIVIDEND

Blue Current Asset Management											
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
2016	10.05%	8.98%	9.29%	7.51%	10.00%	10.46%	10.92%	0.61%	56	$144,576,804	$366,339,073

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 Strategy 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 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 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. Withholding taxes may vary according to the investor's domicile. Composite returns are calculated net 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.

The benchmark 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 Asset Management has been independently verified for the periods January, 2009 to December 2016 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 December, 2016, by Ashland Partners & Company. The verification and performance examination reports are available upon request. Note: Blue Current firm AUM has been amended. For additional information, please refer to bluecurrentportfolios.com.

Blue Current Asset Management is a division of Edge Advisors, LLC ("Edge") also referred to in previous presentations as Blue Current Investments. 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 December 31, 2016) include the assets manager by the Blue Current division of Edge ($384M) 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.

Disclosure and Risk Summary

The opinions expressed herein are those of Edge Advisors, 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.

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