Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2019 – Q3 Quarterly Letter

Prepared by:

EDGE CAPITAL GROUP

Blue Current Global Dividend Fund
Ticker: BCGDX

September 30, 2019

Dear Investors:

The Blue Current Global Dividend Strategy returned +0.41% (net) during the third quarter of 2019, underperforming the primary benchmark (MSCI World High Dividend Yield Index) return of +1.09%. 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.

Performance	Q3-19	1 Year	3 Year	5 Year	Since Inception* Annualized
BCGDX (net)	0.41%	5.28%	8.14%	6.26%	5.53%
MSCI World High Dividend Yield Index (Net)	1.09%	4.95%	7.77%	5.49%	4.89%
MSCI World Index (Net)	0.53%	1.83%	10.21%	7.18%	6.60%
* Since inception: 9/18/2014					
Expense Ratio	**BCGDX**				
Gross Expense Ratio	1.39%				
Net Expense Ratio	0.99%				

THE RETURN OF DIVIDENDS

After a challenging 2018, we are pleased with how the portfolio is positioned this year and excited that management teams continue to focus on dividend increases. Much of the recent performance can be attributed to decisions that were made one year ago, but we acknowledge that recent investor preferences for dividend growth and stable cash flow have been a tailwind for the strategy, especially in the 2019 calendar year. This is a trend that we welcome and believe has further room to run.

Since the global economy exited the financial crisis and central banks embarked on a long monetary experiment in pushing borrowing rates to close to zero (negative in many regions), investors have flocked to equities and especially growth equities. When long-dated cash flows are discounted at an almost zero percentage cost of capital, the value of that asset increases which is what has happened for nearly a decade. All equities have benefitted from the math, but growth companies that need access to cheap capital and don't pay dividends have reaped the reward through this cycle with the rest of the market trying to keep up. We would place dividend equities (those yielding above the broad market) in the camp of trying to keep up with their speedy peers over the trailing ten-year period.

Following a decade of strong performance, we believe investor preference for long-dated cash flows may be waning, opting for the higher certainty of business models with quicker paybacks and more stringent capital discipline. Surprisingly, this transition has not occurred from a normalization of interest rate policy, as many would have predicted, but rather a sharp rise in political and economic uncertainty, two factors that are increasingly connected. Some of the uncertainty stems from recognition that central banks are now wavering in their commitment and ability to improve growth through monetary policy and that future growth may be more dependent on fiscal measures. Unfortunately, in today's world characterized by rising income inequality, a shift towards populism and protectionism, and growing political factions, fiscal policy may not be achievable on a large scale capable of extending the business cycle forward. Also contributing to the performance of dividend equities is the continued decline of sovereign interest rates, moving deeper into negative territory as banks continue to purchase bond securities in an attempt to stir growth. With few viable options to enhance cash flow, investors are being pushed toward risk assets for income needs.

All of this leads us back to investors preferring durable cash flows and dividends playing a larger role in portfolios. We have been through these cycles in the past. Throughout the 1960s and 1970s, periods of time where economic and policy uncertainty were high, dividends represented 44% and 73% of an investor's total annualized return. Unlike those periods, however, fixed income today doesn't provide any yield which we believe is another catalyst for dividends to play a meaningful role in portfolios. We believe these risk factors will elevate the importance of dividend growth investing in the decade to come.

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

When we examine the contributors to the strategy's return over the quarter, investor preference for cash flow stability and defensive businesses are apparent. The three strongest sector contributors over the quarter are consumer staples, real estate, and telecom. These three sectors represented approximately 31% of the portfolio at period end. Sectors that detracted include technology, energy, and financials. These three sectors also represented approximately 31% of the portfolio. Exiting the quarter, consumer staples represents 23% of capital and is the strategy's largest sector allocation.

We initiated positions in Reckitt Benckiser and Kohls during the quarter. Based in the UK, Reckitt Benckiser is a global multinational consumer staples company best known for its Mucinex, Lysol, and Calgon brand of products. The company has experienced its fair share of operational challenges in recent years culminating in a turnover of the management team and the hiring of Laxman Narasimhan as CEO in September 2019. Mr. Narasimhan comes from Pepsi where he was the Global Chief Commercial Officer and held several leadership positions prior to that role with the global powerhouse. We appreciate Mr. Narasimhan's direct tone and emphasis on accountability during the company's most recent earnings call. The company's checkered history has earned it a valuation multiple (17x) that is materially below its peers, despite having solid margins and 40% of sales originating in emerging markets, a segment that is growing mid-to-high single digits. In a sector that has appreciated handsomely over the prior twelve months leaving few bargain opportunities for investors, we felt that new leadership could be the catalyst that closes the valuation gap with peers.

We also initiated a position in Kohls during the quarter. We are aware of the challenges that retail is facing on a number of fronts, but we believe Kohls has a strong opportunity to be one of the dominant brands gaining market share from fallen competitors. To start, the company's balance sheet is one of the best with net financial debt of less than $1bn and the company owns approximately 40% of their 1,100 store locations. More than 70% of the properties are in strip centers which we believe offer the consumer a better value proposition relative to other big box brands, i.e., Macys or JC Penney, that are largely dependent on mall traffic. The company recently announced a partnership with Amazon to handle returns which should drive incremental store traffic and hopefully sales growth. We also believe that our purchase price of 8x earnings and a mid-teens free cash flow yield equates to favorable return optionality where we see 10% downside risk but more than 30% upside potential in our blue-sky scenario. The stock also pays a 5.4% dividend yield.

We exited our position in Hasbro during the quarter. The sale closes our second period of ownership in the company and we hope the company at some future period re-enters our watch list. We sold because we felt the market was significantly exaggerating the value of the company and we are happy to sell our stake if another investor is willing to pay the price. We think the company has assembled a fantastic collection of brands and the current CEO, Brian Goldner, has been exceptional identifying new revenue streams online and in film to increasingly monetize the portfolio. At the end of the day, however, Hasbro is a toy company and toys are a cyclical and faddish industry that goes through cycles. We hope to revisit the company again in the future when the valuation becomes more appealing.

Top 5 Contributors (Security / Contribution)*

- Procter & Gamble: +36bps
- Taiwan Semi: +32bps
- SunTrust Bank: +26bps
- Sanofi: +23bps
- Crown Castle: +23bps

Bottom 5 Contributors

- Corning: -39bps
- Cisco Systems: -29bps
- Prudential PLC: -25bps
- Richemont: -23bps
- International Paper: -21bps

**Please contact Blue Current to obtain the calculation's methodology and a list of all holdings contributions to the overall performance during the period.*

The following companies announced dividend increases during the third quarter:

- Microsoft: 11%
- LVMH: 10%
- Prudential Plc: 5%
- ONEOK Inc: 3.5%
- JM Smucker: 3.5%
- Verizon: 2.1%
- None of our portfolio companies announced a reduction in the dividend

INVESTMENT OUTLOOK

Since our last update, we have witnessed little progress on trade relations between the US and China, a concerning stalemate that has now spilled over to affect many pockets of the global economy including industrial manufacturing and executive confidence. The result has been a downward revision to US and global growth, as well as earnings expectations for the year. The market has been amazingly resilient and less volatile than we would have imagined, believing that underneath the rhetoric there is a sound US economy with decision makers that simply want to know the new rules before resuming investment. Regardless of whether a "skinny deal" or an all-encompassing trade treaty is announced, we do not believe that executive confidence and earnings growth will rebound quickly in 2020. Instead, we think economic conditions will continue to be tough and that trade will be increasingly leveraged as a negotiating tactic between political leaders with corporations caught in the middle. We are witnessing this play out through trade tariffs and economic sanctions in an attempt to rebalance financial relationships and force geopolitical compliance. We believe this behavior is in its early years and will continue to escalate corporate and earnings uncertainty.

In this environment we believe investors will again focus on quality and that dividends, similar to prior periods, will represent a meaningful portion of an investor's annualized return.

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

Sincerely,

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Co-Portfolio Manager
Blue Current Global Dividend

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Blue Current Global Dividend

Disclosure and Risk Summary

The Letter to Shareholders seeks to describe some of the current opinions and views of the financial markets of Edge Capital Group (the "Adviser"). Although the Adviser believes it has a reasonable basis for any opinions or views expressed, actual results may differ, sometimes significantly so, from those expected or expressed. The securities held by the Fund that are discussed in the Letter to Shareholders were held during the period covered by this Report. They do not comprise the entire investment portfolio of the Fund, may be sold at any time and may no longer be held by the Fund. The opinions of the Adviser with respect to those securities may change at any time.

The opinions expressed herein are those of the Adviser, 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.

Mutual fund investing involves risk. Principal loss is possible. Index returns reflect the reinvestment of dividends. An investor should consider the investment objectives, risks, charges and expenses of the Fund carefully before investing. The Fund's prospectus contains this and other important information. To obtain a copy of the Fund's prospectus please visit our website at www.bluecurrentfunds.com or call 1-800-514-3583 and a copy will be sent to you free of charge. Please read the prospectus carefully before you invest. The Blue Current Global Dividend Fund is distributed by Ultimus Fund Distributors, LLC.

Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the Fund may be lower or higher than the performance quoted. The fund imposes a 2% redemption fee on shares held within 7 days after purchase. Performance data does reflect the redemption fee which, if reflected would reduce the performance quoted. Performance data current to the most recent month-end is available at 1-800-514-3583.

The advisor has entered into an Expense limitation Agreement with the Fund that calls for the Advisor to reduce management fees and reimburse other expenses of the Fund, if necessary, to maintain Total Annual Fund Operating Expenses at 0.99% for Institutional Class Shares per annum. This agreement is in effect until January 1, 2020.

Investment in the Fund is subject to investment risks, including, without limitation, market risk, management style risk, investment style risk, large cap risk, mid cap risk, small cap risk, foreign security risk, ETF risk, MLP risk, MLP tax risk, and new fund risk. For more information about the Fund, including the Fund's objectives, charges, expenses and risks (including more information about the risks listed above), please read the prospectus. The MSCI World Index Net is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. You cannot invest directly in the index.

As of 09-30-2019, the holding percentages of the stocks mentioned in this commentary are as follows: PEP (2.81%), RB /LN (1.49%), HAS (0%), KSS (2.03%), PG (2.77%), STI (3.30%), TSM (2.67%), SNY (3.73%), CCI (2.80%), GLW (2.08%), CSCO (3.01%), PUK (1.88%), OKE (2.13%), VZ (3.12%), SJM (1.86%).