Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2020 – Q2 Quarterly Letter

Prepared by:

EDGE CAPITAL GROUP

Blue Current Global Dividend Fund
Ticker: BCGDX

June 30, 2020

Dear Investors:

The Blue Current Global Dividend Strategy returned +16.99% (net) during the second quarter of 2020, outperforming the primary benchmark (MSCI World High Dividend Yield Index) return of +11.05%. 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	Q2-20	1 Year	3 Year	5 Year	Since Inception* Annualized
BCGDX (net)	16.99%	-6.51%	1.46%	4.13%	3.51%
MSCI World High Dividend Yield Index (Net)	11.05%	-6.00%	2.23%	4.44%	2.94%
MSCI World Index (Net)	19.36%	2.84%	6.69%	6.89%	6.14%

* Since inception: 9/18/2014

Expense Ratio*	BCGDX
Gross Expense Ratio	1.43%
Net Expense Ratio	0.99%

*Contractual agreement until April 30, 2021

IT'S NOT THE YEARS, IT'S THE MILEAGE

In thinking about the many personal challenges of 2020, we are reminded of a scene from one of the great films of the early 1980s, Raiders of the Lost Ark. While an aging Harrison Ford is nursing his wounds, his co-star Karen Allen says, “You are not the man I met ten years ago,” to which Harrison Ford responds, “It's not the years, it's the mileage!” While only seven months into the year, 2020 has been nothing short of a grind and has us all feeling a bit older and looking forward to better things in 2021. At the time of this writing, the Johns Hopkins Coronavirus Center estimates that the U.S. is producing roughly 60k new known cases per day (one of the highest rates in the world) and has a total of 4.2 million known cases. Unfortunately, we expect the rest of the year will continue to be challenging, as recent containment strategies have not proved successful and the country awaits a vaccine solution. Because we are optimists, we take comfort in knowing that we are far more educated today about the virus, our healthcare system has been restocked, and we are closer to the previously mentioned vaccine solution – hopefully a realistic remedy that will be broadly available in 2021.

Below is a picture taken nearly 100 years ago of three train conductors on break during the 1918 Spanish flu pandemic. Except for the color of the film, it would be hard to distinguish today from 1918. Source: National Archives

Unfortunately, Covid-19 will have a lasting impact on many of us, changing the way in which we live our lives personally and professionally. This change in human behavior has had an unprecedented impact on global businesses, rewarding certain models and unapologetically punishing others in a way that was nearly unthinkable only six months ago. We liken it to business Darwinism at an accelerated pace – the worst recessionary conditions applied over the course of several weeks across the entire globe simultaneously. Arguably, Covid-19 is the virus equivalent of "shock and awe" to the global economy. So many companies that have been clinging to life over the past decade through easy financial conditions and a strong economy have either filed or are in the process of filing for debt relief. The data from Epiq suggests there have been 3,600 Chapter 11 filings this year through the end of June, a measure that is increasing by 400 to 500 companies per month.

As we assess the investment opportunity landscape and the specific impacts to global dividend payers due to Covid-19, we have categorized businesses according to their susceptibilities. Category 1 includes the shop -and -work -from -home businesses that are agnostic to location, age, and industry. Most of these companies possess stock prices near all-time highs as investors are assigning permanent market share gains to their future earnings streams. Category 2 includes essential businesses that are marginally impacted by the virus, as their products are consumed with regularity. This group includes some drug companies, consumer staples, utilities, etc. We believe the long-term earnings trajectory of these businesses is largely unaffected by the virus and will continue to grow so long as they can effectively compete for revenue. Beneath these two categories are businesses that are increasingly dependent on time and cash flow. These businesses are arguably the most diverse group and offer the strongest ability for active management to demonstrate alpha over the next several years. Category 3 includes companies that can sustain themselves through the virus on reduced revenue and expenses and have a balance sheet that provides optionality and time for them to survive through a vaccine solution. We would place select retailers and consumer brands in this category. Their ability to gain share is high but also limited by their category, level of innovation, and balance sheet quality, all of which contribute to their ability to execute. Category 4 includes the unfortunate businesses that are facing a tenuous future with time quickly working against them. Some of these were at the "scene of the accident" and include hotels, restaurants, cruise lines and select retailers. We were saddened to see Brooks Brothers declare for Chapter 11 bankruptcy – a brand that has been in existence since 1818 and has survived some of the most challenging periods in modern history. The brand will survive due to the United State judicial process, but we suspect the company will be scaled back and look different in its next chapter. In general, some of the Category 4 businesses are publicly listed but most of them are privately-owned and facing significant challenges. These businesses will lose share to Category 3 companies due to accelerated Darwinism that is shifting future unearned cash flow up through our categories.

Within this framework, we are continually assessing our portfolio's investments, assigning our businesses in this fashion to ensure that we are emphasizing the first three categories and avoiding the fourth. Not every investment fits firmly "in the box" and some have aspects of their business that cross over into other areas. Raytheon is cross-over business because they can rely on the company's resilient defense business to generate cash flow (a Category 2 business), thereby buying time for their commercial aerospace business (a Category 3 business) to adjust to the notion that corporate and personal travel may not recover to pre-Covid-19 levels for many years.

Over the next 12 to 18 months, we believe the better opportunity to generate returns will be in Category 2, but the best will be in Category 3 businesses – those that are treading water until the economic expansion begins in earnest. We own several Category 3 businesses including Medtronic, American Express, JP Morgan Chase, Coca-Cola, Starbucks, Carrier, Chevron, LVMH, and Essilor Luxottica to name a few.

The strategy's exposures to the four categories are highlighted below.

Category 1: 17%

Category 2: 38%

Category 3: 45%

Category 4: 0%

Not surprisingly, the companies that we have assigned to Category 1 are some of the best-performing investments in the portfolio this year (Microsoft, Abbott Labs, Reckitt Benckiser), while the value of our Category 3 businesses is still down materially year-to-date (JP Morgan, Essilor-Luxottica, Coca-Cola). As the global economy emerges from the pandemic in 2021 and 2022, we expect these businesses will have a clearer line of sight to their prior earnings levels – perhaps even eclipsing them once expense rationalization occurs.

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

The portfolio's activity remained elevated through April and May but slowed considerably through June, matching long-term historical averages. We initiated new positions in Vivendi, Coca-Cola, American Express, Prudential Plc, and Morgan Stanley during the quarter, and sold existing positions in Procter & Gamble, Pepsi, Citigroup, and Travelers. Below we discuss our rotation from Pepsi to Coca-Cola and our investment thesis on Vivendi. As always, if there is a question about any of the other decisions (buy or sell), please contact us.

Because of its snack food and oatmeal product categories sold through grocers, Pepsi is well positioned to survive and flourish in the current environment. The stock's performance reflects the company's resilient cash flows and the share price appreciated quickly back to 2019 levels in April. For comparison, Coca-Cola lacks Pepsi's dominant snack food business and has higher exposure to on-premise sales (restaurants, sporting events, etc.), increasing the company's financial dependence on the re-opening of the global economy. Because of its financial susceptibility, the share price remains approximately 17% off prior year levels and carries a valuation below rivals. Historically, Coke's asset-light model has generated attractive margins relative to peers demanding a higher valuation. Lastly, Coca-Cola's dividend yield of 3.6% is also superior to rivals. For these reasons, we transitioned to Coca-Cola late in the quarter.

We initiated a new position in Vivendi during the quarter. Based in France, Vivendi is a media conglomerate with a collection of portfolio assets including Universal Music Group – one of the premier record labels with economics tied to music streaming. Our team was puzzled why Vivendi's share price declined 40% in March, given its exposure to streaming and the benefits we thought would accrue, given so many content-starved consumers sheltering in place. We have heard the Vivendi bear story but ultimately believe that the value of Universal Music and its dominant collection of artists would thrive in the current environment, even without the tailwinds of live music. To prove the value of Universal Music Group, Tencent recently made a strategic investment in the subsidiary, valuing it at approximately $33 billion – eclipsing the value that the overall market was ascribing to Vivendi as a whole – despite the company owning additional media assets such as Canal+ Group and Havas Group. The company had a modest dividend yield just below 3% at the time of our investment but we ultimately believe the dividend will grow over time and that the total return opportunity was too good to ignore. We originally invested at $21 (ADR) and have watched the stock price appreciate to $26 for a handsome 25% return. Below are the material contributors to the quarterly performance:

Top 5 Contributors (Security / Contribution)*

- Microsoft: +110bps
- Broadcom: +93bps
- Qualcomm: +88bps

- Allianz: +82bp
- Deutsche Post: +81bps

Bottom 5 Contributors

- Starbucks: -5bps
- Raytheon Technologies: +7bps
- Medtronic: +8bps
- Procter & Gamble: +15bps
- JP Morgan Chase: +16bps

**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 quarter:

Johnson & Johnson: +6.3%
Kinder Morgan: +5%

INVESTMENT OUTLOOK

Our observation over the past several months is that investors have become increasingly concentrated in a smaller number of companies. As most of our readers are aware, the S&P 500 has the highest level of concentration among its top five holdings since the late 1970s and early 1980s when companies such as IBM and AT&T occupied the largest weights in the index. Today, the top five companies (including Alphabet A and C shares as a single company) represent nearly 25% of the index. The fascination with such a small group of companies has increased the concentration risks in owning the S&P 500 and has elevated the valuations of these businesses to multi-decade highs. This has created one of the widest valuation gaps between the top five holdings and the rest of the index since the late 1990s. Our intent in highlighting these risks is not to suggest that Amazon is not worth 25x EBITDA (earnings before interest, taxes, depreciation, and amortization), but instead highlight the relative valuation spread between the largest companies by market cap and the rest of the market. The valuation gap between Amazon and Coca Cola, Medtronics, and even Taiwan Semiconductor is becoming too significant to ignore. With high valuations comes high expectations, and the opposite is true as well. We believe investors may soon begin to appreciate the other 75% of the S&P 500.

Away from the U.S. and without debate, our international peers have demonstrated much stronger discipline both in terms of containment and the reopening of the local economies. The benefits of the difficult decisions that were made back in February and March are resulting in economic greenshoots today and have two primary advantages relative to the U.S. First, the economic recovery in many countries does appear to be V-shaped, promising a quicker return to prior earnings levels and a recovery that is simpler to forecast. Second, the successful containment (knock on wood) of the virus accompanied with the surge in economic activity relieves the European Central Bank and other national governments from applying new stimulus to local markets. While the U.S. is considering an additional trillion-dollar stimulus program to support the economy, many European countries have been able to curtail the need for additional debt – both at the eurozone and national levels. The recent decision by Angela Merkel to support the Eurozone Recovery Fund could suggest that the region is beginning to mend after a tumultuous decade of watching the rest of the world (U.S. to the west, China to the east) surge ahead. Interestingly, the Euro currency is at a recent high of $1.17/€, providing another tailwind to U.S. investors owning international assets in their financial portfolio.

The case supporting a globally diversified portfolio are mounting, and we have intentionally structured the portfolio to emphasize Category 3 businesses. These companies are leveraged to the reopening of not only the U.S. economy but the broader global economy.

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

Sincerely,

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Blue Current Global Dividend

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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 April 30, 2021.

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 06-30-2020, the holding percentages of the stocks mentioned in this commentary are as follows: MDT (2.41%), AXP (2.99%), JPM (3.96%), KO (2.53%), SBUX (0.99%), CARR (1.54%), CVX (2.50%), FP (2.84%), EL (2.59%), MSFT (4.29%), ABT (2.03%), RB (2.32%), VIV (1.89%), AVGO (2.23%), QCOM (2.84%), ALV (3.82%), DPW (3.04%), RTX (1.65%), PG (0%) KMI (2.89%), JNJ (3.12%)