Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2020 – Q4 Quarterly Letter

Prepared by:

EDGE CAPITAL GROUP

Blue Current Global Dividend Fund
Ticker: BCGDX

December 31, 2020

Dear Investors:

The Blue Current Global Dividend Strategy returned +14.42% (net) during the fourth quarter of 2020, outperforming the primary benchmark (MSCI World High Dividend Yield Index) return of +11.64%. We remind investors that our strategy is not managed to any specific equity index, instead, we focus on identifying companies that may pay a stable and increasing dividend and potentially generate an attractive total return for our investors.

Performance	Q4-20	1 Year	3 Year	5 Year	Since Inception* Annualized
BCGDX (net)	14.42%	7.06%	5.86%	8.99%	6.46%
MSCI World High Dividend Yield Index (Net)	11.64%	-0.03%	4.39%	7.99%	5.03%
MSCI World Index (Net)	13.96%	15.90%	10.51%	12.18%	9.17%

* Since inception: 9/18/2014

Expense Ratio*	BCGDX
Gross Expense Ratio	1.49%
Net Expense Ratio	1.00%

*Contractual agreement until April 30, 2022

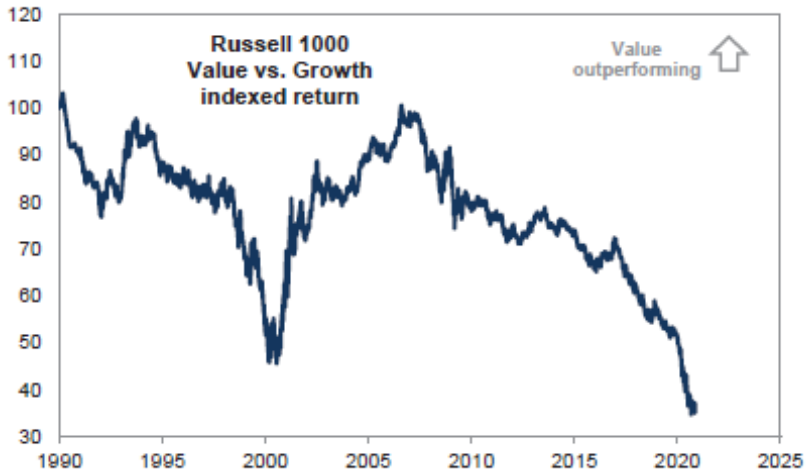
Performance data quoted represents past performance; past performance does not guarantee future results. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance of the 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 a contractual 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, 2022.

IS VALUE COOL AGAIN?

Whether spurred by lower rates, economic uncertainty or the business dominance of Amazon and the like, the outperformance of growth stocks began in 2016 and has accelerated aggressively over the past four years. One could even argue that investor preference for growth began more than a decade ago, when the 2008/2009 financial crisis spawned a distrust of money center banks, perhaps tainting value investing. After all, most value indices have a healthy allocation to financials. Regardless of the rationale, the recent rotation to value has us wondering if this is the start of a new cycle or a flash in the pan. If you stick around long enough, inevitably what was once old and out of favor can surprisingly become popular and new again.

The last period of value outperformance took place from 2002 to 2007, ending abruptly with the unwinding of the housing bubble and the subsequent collapse of the global financial system – a dramatic finish to say the least. Today, the ingredients are in place for a sustained period of value performance – including a refresh of the economic cycle; interest rates that are likely to rise in coming years; and anticipated rising inflation, which does not receive as much credit as we believe it should for being a catalyst for value investing. Inflation is a tailwind for many classic value sectors, including financials, materials, energy, and consumer discretionary. It should not be a surprise that over the past decade inflation has been tepid at best, and value has underperformed growth by a wide margin.



Source: Goldman Sachs

With the expected healing of the global economy in 2021 and 2022, we are hopeful that companies will again start deploying capital into share buybacks and dividends. JP Morgan estimates that U.S. dividends disbursed by S&P 500 companies declined 7% last year and that the shareholder yield (a combination of dividend yield and share buybacks) of the same index was a paltry 3%. We know that large capitalization corporate balance sheets are flush with cash - more than $2 trillion resides on S&P 500 balance sheets. Some may argue against using residual cash for share buybacks or increasing dividends, as such practices can be self-serving for management teams whose compensation is tied to share prices. The view carries an element of truth, but in the same vein, returning excess cash to shareholders enables all of us to make the best use of that cash for our own purposes. Furthermore, share buybacks also serve a valuable purpose: they can offset the dilutive impact of the issuance of stock options while simultaneously allowing investor ownership to accrete higher, as fewer shares are outstanding. In our experience, companies that hoard cash routinely overpay for acquisitions or make non-strategic investments to the long-term detriment of shareholders.

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 invest in companies that we believe could distribute 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

2020 was a litmus test of severe proportions for dividend-paying companies, especially through the first three quarters of the year. An impressive fourth quarter return of +14.42% was enough to lift the portfolio's full-year return to +7.06%. Among our universe of approximately 650 businesses, 13% eliminated their dividends last year, despite many possessing strong enough balance sheets and cash flow to survive the COVID-19 storm. Dozens of other companies reduced dividends out of an abundance of caution or regulatory pressures. At the time of the pandemic's first wave, we owned a handful of businesses that had to take action to preserve cash flow – all of which did as a precaution and not because of solvency concerns.

We entered 2021 with approximately half our underlying investments purchased during the early or middle stages of COVID-19. Most of these portfolio adjustments are attributable to relative decision making – in other words parting with a good business to own a better business that was too expensive to consider in the past. We invested in Starbucks, Home Depot, Qualcomm, Accenture, American Express, Essilor Luxottica, and JP Morgan near the lows of 2020, and many of those businesses contributed to the strong performance in the second half of 2020.

The top-performing position during the fourth quarter was Morgan Stanley (+43%), an investment that we made in June 2020 in a difficult backdrop for financials. Two international investments, Taiwan Semiconductor and LVMH Moet Hennessy, returned +35% and +34%, respectively. JP Morgan (+33%) and Qualcomm (+30%) complete the top 5 contributors during the quarter. There were only a few detractors during the quarter: Prudential Plc (-14%), Reckitt Benckiser (-10%), Amgen (-9%), Cisco Systems (-8%), and Home Depot (-4%).

We initiated five new positions during the fourth quarter: two semiconductor companies (Tokyo Electron and Texas Instruments), two industrial companies (Caterpillar and Union Pacific), and one consumer discretionary investment in Europe (Coca-Cola Enterprises). Four of the five companies represent an investment in the economic recovery that we expect to occur in 2021, while Tokyo Electron is a thematic investment in the recovery of semiconductor memory prices that we anticipate late in the year. The company is a leading provider of semiconductor fabrication equipment for the production of memory chips – mainly DRAM and non-volatile memory that is used by data centers, PCs, and 5G deployment. Tokyo Electron represents one of the rare instances where we have identified an opportunity in Japan that meets our dividend requirements. In our experience, outside the telecom sector, Japan-based companies rarely yield above 2.0%. In recent years, the memory market has been plagued by oversupply and depressed prices, however, with the accelerating demand from these sources the excess supply has narrowed resulting in firmer prices. We anticipate spending on memory chip manufacturing to increase in 2021 and beyond.

Along with the sharp rebound in global economic activity, demand for commodities has accelerated in recent months and should continue to be robust in 2021. This surge in demand combined with supply disruptions

created by COVID-19 and other factors (weather, regulations, etc) has created a perfect tailwind for higher prices. We believe supply could be chasing demand for at least the next two years - perhaps less for some commodity groups such as agriculture, but even longer for others such as iron ore and copper. In addition to investing in Caterpillar during the fourth quarter of 2020, we initiated two agriculture and alternative fuel investments in early 2021. While not a direct investment in higher commodity prices, Union Pacific is positioned to benefit from increased agriculture demand and any increases in infrastructure spending.

In recent quarterly letters, we have shared that due to the many challenges within our investment universe, the portfolio's dividend growth rate had been tracking in the negative low-single-digit range for 2020. The dividend growth rate for the Blue Current strategy finished the year down 6% for portfolios that have been invested for a minimum of two years, making this the first time since our 2009 launch that our strategy has not been successful in increasing the portfolio's annual dividend cash flow. Deconstructing the cash flows further, our U.S. positions generated an approximate 8% increase in dividends for the year, although this was more than offset by an approximate 20% decrease in dividends from our international investments. Peeling the onion further reveals that the decline in cash flow from international investments can be attributed to the challenges in replacing income from the sale of a higher-yielding investment. For example, we exited Royal Dutch Shell (~7% yield) in mid-February 2020 but were unable to replace that level of income in the portfolio given global circumstances. Our sales of BNP Paribas and ING are further examples of the same challenge in replacing higher-yielding income. In addition, we attribute an estimated 30% of the cash flow shortfall of international companies to the fact that European companies typically distribute dividends at a fixed payout of earnings, thereby exposing the dividend growth rate to earnings declines over a specified period. With earnings on the rise and regulatory pressures subsiding, especially as it relates to eurozone financials, we fully expect these dividends to recover in 2021.

Top 5 Contributors (Security / Contribution)*

- JP Morgan: +141bps
- Morgan Stanley: +101bps
- Qualcomm: +99bps
- Taiwan Semiconductor: +98bps
- LMVH: +84bps

Bottom 5 Contributors

- Danone: -37bps
- Prudential Plc: -22bps
- Reckitt Benckiser: -21bps
- Cisco Systems: -19bps
- Amgen: -15bps

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

INVESTMENT OUTLOOK

We have been transparent regarding the portfolio's positioning and its exposure to the global economic recovery anticipated in 2021. Fourth-quarter earnings announcements are currently underway providing some of the first opportunities to learn about businesses' expectations for the year ahead. Halfway through the earnings calendar, 80% of the companies that have reported are exceeding consensus expectations by approximately 17%. An extrapolation of the recent trends suggests that earnings expectations for 2021 are likely understated and will be moving higher over the next several weeks. As a result, headline valuations are going to be overstated for the full year, likely by several multiple points. In other words, the S&P 500 is likely trading closer to 18-19x earnings versus the 22x that is being widely reported. Likewise, we believe the price to earnings ratio of the Blue Current strategy could be overstated (19.8x 2021 earnings).

Unlike at any time over the past four years, 2021 has started with enthusiasm for value and cyclical investments that provide exposure to the economic recovery, this includes consumer spending and service-based businesses such as those in the travel and leisure industry. At the same time, we are also expecting an increase in shareholder friendly actions as corporations look to deploy excess cash toward share buybacks and increased dividends. We believe the portfolio is well positioned to capitalize on these trends.

Thank you for your interest in Blue Current.

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

Sincerely,

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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.

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, 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 12-31-2020, the holding percentages of the stocks mentioned in this commentary are as follows: JPM (4.92%), QCOM (3.63%), MS (3.00%), MC FP (2.91%), TSM (2.94%), PUK (0.0%), BN FP (0.0%), RB LON (0.0%), CSCO (0.0%), AMGN (0.0%), TXN (2.54%), TOELY (1.88%), CAT (2.44%), SBUX (1.68%), HD (2.14%), ACN (0.0%), AXP (2.50%), EL FP (2.70%), CCEP (2.61%), UNP (1.22%), ING (0.0%), BNP FP (0.0%).