Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2021 – Q3 Quarterly Letter

Blue Current SMA Strategy

Q3 2021

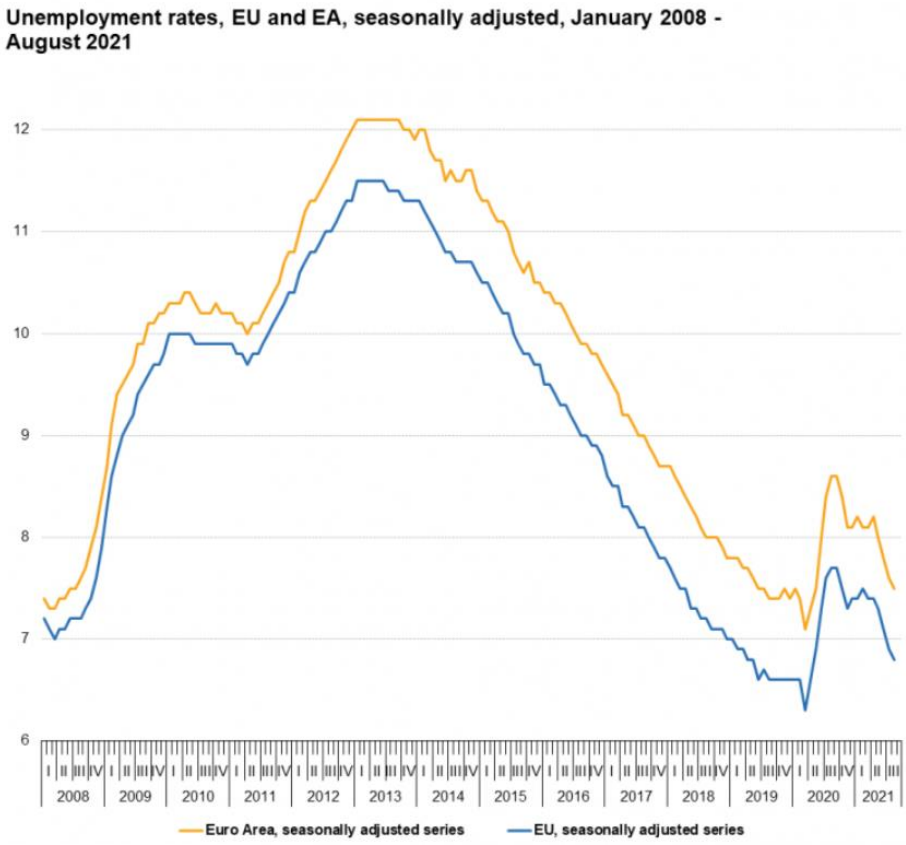
Dear Investors,

The Blue Current Global Dividend Strategy composite returned -1.4% (net) during the third quarter of 2021, reducing the year-to-date performance to +11.3% (net). In comparison, the MSCI World High Dividend Yield Net Index returned -2.0% for the quarter and +8.3% for the first nine months of 2021. Composite returns are shown net of a 1% annualized fee, and individual returns may vary relative to composite performance. We remind you, however, that our strategy is not managed to any specific equity index; instead, it focuses on identifying companies that will pay a stable, increasing dividend and generate an attractive total return.

THE GLOBAL CONSUMER IS HEALTHY

The resurgence of Covid-19 via the Delta variant combined with supply chain challenges negatively impacted underlying economic and consumer strength during the quarter, causing some to question the health of the recovery. The Bureau of Labor Statistics' estimate of Q3 U.S. GDP growth is approximately 2%, which is substantially less than earlier estimates, some of which were expecting 5%+ growth. September nonfarm payrolls missed as well, coming in at 194k versus expectations of 500k, and surprisingly, the labor participation pool is missing 3 million workers relative to pre-pandemic levels. In short, it is difficult to interpret the tea leaves and draw definitive conclusions about the direction of the U.S. economy. Against this backdrop, recent U.S. Federal Reserve commentary continues to lean in the direction of QE tapering beginning in mid-November, which suggests that the underlying state of the economy is strong, and we believe it is – despite some of the economic challenges in the third quarter. Our view stems from the health of the U.S. consumer, which we believe is strong. Consumer-specific credit trends remain strong, delinquencies/default rates are at all-time lows, wages are improving (which creates other challenges), and consumer balance sheets are in good shape. The U.S. consumer has always been the driver of the U.S. economy, and while supply chain challenges will curtail spending in the near term, we think 2022 will be a bright year.

Higher inflation is not unique to the U.S.; the European Union is also dealing with elevated inflation, with the September reading coming in at 3.4% — the highest since 2008, if you can believe that. If there is one region of the world that should let inflation run hot, it is central Europe. At the moment, much of the increase is being driven by higher energy prices, specifically natural gas, which remains 5 times higher than a year ago. A recent announcement by Gazprom stated that the Russian-based gas producer will increase its European supply, a decision that should help drive prices lower. Beyond rising energy costs, wage growth is also accelerating and is now approaching 4% year over year. Similar to the U.S., the service industry is the source of the wage growth as global tourism rebounds, placing pressure on hotels and restaurants to staff – sound familiar? The rise in wages has bolstered the confidence of the European consumer (sentiment remains at its highest levels), and employment statistics continue to improve. The rate at which EU employment has improved since the pandemic is a relief for the region given the challenges experienced during the prior decade. Similar to spending trends in the U.S., European consumers are spending on services such as travel and dining as Covid-19 restrictions ease. The rebound in eurozone economic recovery may be lagging the U.S., but, we are encouraged by the trends as we head into 2022.



Source: eurostat

BLUE CURRENT PHILOSOPHY AND OBJECTIVES

At Blue Current, we use our broad knowledge of cash flow growth rates to invest in a niche universe of high-quality, dividend-paying companies with sustainable business models and dividend policies. Our primary objectives are to pay a stable and increasing dividend each quarter and to deliver attractive, long-term capital appreciation.

The concentrated portfolio invests in 35-45 companies that meet our stringent quality requirements, domiciled across developed markets. We focus on companies that have a history of rewarding shareholders and have the financial ability to continue to increase their dividends over time. Furthermore, we focus on each company's earnings potential, and we strive to purchase the stock of those businesses when it is trading at a discount to what we see as its true value.

PORTFOLIO COMMENTARY

The top-performing position in the portfolio during the third quarter was Vivendi (+29%). The company benefited from a highly successful public listing of its ownership stake in Universal Music Group (UMG), whose shares priced at the higher end of the expected range with a market value of more than $50 billion. The reaction created a rerating in Vivendi shares during the quarter. Vivendi was an incredibly successful investment, returning nearly 100% in slightly less than 17 months. Upon the spinoff of UMG, we exited the position, as our major catalyst had been realized and we do not find the remaining Vivendi assets as highly favorable. UMG is solely listed in Amsterdam at the moment, and we do expect the company to initiate an

ADR-listing in the near future that will cause us to revisit the idea for our SMA investors. For the second consecutive quarter, Novo Nordisk was a material contributor returning +15% during the third quarter. At the time of this letter, the share price remains near all-time highs, and we have trimmed the position to take advantage of the company's elevated valuation - by most measures the company's valuation is at all-time highs and materially above the pharmaceutical sector average. RELX (+10%), ING Group (+9.4%), and Nextera Energy (+7.6%) complete the top five performers during the quarter. The top five negative performers are as follows: Caterpillar (-11.3%), Rio Tinto (-11.0%), CF Industries (-10.7%), Phillips Healthcare (-10.5%), and Crown Castle (-10.5%). As one could glean from our detractors, a decline in commodity prices during the quarter negatively impacted the portfolio. Portfolio management activity, namely a sale of CF Industries during the quarter and trims of Phillips and Crown Castle prior to the declines, resulted in only a 38bps drag to overall portfolio performance from these three positions.

We initiated new positions in Merck and CME during the quarter. For several years, Merck's stock has languished under the pressure of a blockbuster drug (Keytruda) facing patent expiry later this decade and no identifiable pipeline drugs capable of offsetting the revenue loss. We found the opportunity through our screening process that rated the company as being highly attractive given its low valuation (low-teens price-to-earnings ratio), high dividend yield, and quality balance sheet. We also knew from recent management conversations that the company was not going to sit idle as the patent cliff approached but rather would look for acquisition targets and partnerships to drive new revenue. We thought the risk/reward was favorable and initiated a position during the quarter. Since that time, Merck announced the acquisition of Acceleron, which brings to Merck a potential blockbuster drug for the treatment of hypertension and announced an antiviral pill for Covid-19. We believe Merck is one of the few investments offering an opportunity for significant multiple expansion in the years ahead should it execute on the growth strategy.

An alternative approach to benefit from higher inflation is through an investment in the Chicago Mercantile Exchange (CME). CME is the leader in energy and agriculture commodity trading and should see hedging and investment activity accelerate as commodity prices, specifically crude and gas, approach multiyear highs. In addition to benefiting from commodity-led inflation, the CME is also a leader in interest rate products that should benefit as rates move higher – either through higher inflation or monetary policy shifts. Lastly, the company is the first to offer Bitcoin and Ethereum futures contracts, which stand to benefit from the launch of cryptocurrency ETF's as these vehicles seek to gain exposure through rolling futures contracts. From multiple perspectives, we believe that CME will be an exciting stock to own in 2022.

To fund our new investments, we exited Vivendi (as previously mentioned) and EssilorLuxottica. We initiated our position in EssilorLuxottica in May 2020 at a valuation multiple previously unavailable to our strategy. We continue to believe it is a world-class company, but a 50% appreciation in price has elevated the 2022 price-to-earnings ratio to 30x — leaving little room for upside based on our underwriting. Since we exited the position in late August, its share price has traded sideways, which we view as supportive of our decision.

As the year comes to a close, we are mindful of the taxes that our investors pay and always make an active effort to offset realized capital gains with available losses in the portfolio. Not surprising given recent market trends, there are few losses to be realized, but we were able to generate a tax loss through the sale of Rio Tinto during the quarter. We initiated a position in Rio Tinto earlier in the quarter, taking advantage of a recent price decline spurred by events in China and our overall bullish view on commodity prices. Shortly after initiating the position, China further tightened restrictions on steel production (largely to preserve energy as

China does not have enough coal to maintain power production in a cold winter), and the China real estate sector continued to implode – exacerbated by Evergrande. Due to these events, we quickly had a capital loss in the position (we did collect an 8% distribution from the company to offset) that we realized and have been out of the position in taxable accounts since the sale. At the time of this writing, we have been out of the position for 30 days and the current share price (as of 10/27) is below our sale price. We are evaluating whether to reinitiate the position.

Top Five Contributors (Security/Contributors*) for the Quarter

- Vivendi: +35bps
- Novo Nordisk: +29bps
- Morgan Stanley: +24bps
- JP Morgan: +23bps
- ING Group: +22bps

Bottom Five Contributors (Security/Contributors*) for the Quarter

- Caterpillar: -29bps
- Union Pacific: -24bps
- Qualcomm: -23bps
- Allianz: -22bps
- Rio Tinto: -20bps

**Please contact Blue Current to obtain our calculation methodology and a list of all holdings' contributions to the overall performance during the period. Contribution by security has been rounded to the nearest 5bps.*

INVESTMENT OUTLOOK

It is expected that the Fed will begin tapering its $120 billion monthly bond purchases that include treasuries and mortgage bonds in mid-November, potentially reducing the monthly purchase by $15-20 billion per month until the program concludes next year. As one could infer from the exceptionally strong start to the fourth quarter, investors do not seem to be rattled by what lies ahead. We would attribute the calm demeanor to the investor experience in 2013 (the last tapering program) that saw a quick market selloff when the program was announced but a subsequent rise in equity prices throughout the implementation of the program. Investors seem quick to look through the potential risk of higher interest rates stemming from tapering, but should they?

It's an obvious question to ask but nearly impossible to answer. Our take is that in the face of exceptional economic growth and rising inflation, interest rates have been surprisingly stubborn to budge. There is a tendency for interest rates to move little by little before a larger and swifter reset occurs, which we may be headed toward in 2022, a move that would rattle equity market valuations. Potentially placing a ceiling on yields is the global demand for safe-haven cash flows, which has limited advancing bond yields in the past. In our view, it's easy to imagine a 10-year Treasury yielding closer to 2.0% in this environment, but we remain doubtful that there is a longer-term path to substantially higher yields due to the global demand for yield and financial assets.

Low interest rates, the continuation of the business cycle, and the health of the global consumer should keep equity markets buoyant into 2022.

As of September 30, 2021, our portfolio stats were as follows:

Gross Dividend Yield: 2.7%
Forward Price/Earnings Ratio: 15.8x
Forward Expected Earnings Growth: 10.3%
Net Debt to EBITDA: 2.2x
International Exposure: 45%

Thank you for your interest in Blue Current. For more information on our strategy, please visit http://www.bluecurrentportfolios.com.

Sincerely,

Henry "Harry" M. T. Jones
Co-Portfolio Manager

Dennis Sabo, CFA
Co-Portfolio Manager

Blue Current Global Dividend

Year	Blue Current Global Dividend Gross Return	Blue Current Global Dividend Net Return	MSCI World High Div Yield Net Index Return	MSCI World Net Index Return	Blue Current Global Dividend Standard Deviation	MSCI World High Div Yield Net Standard Deviation	MSCI World Index Net Standard Deviation	Internal Dispersion	Number of Portfolios	End of Period Composite Assets (In Millions)	End of Period Firm Assets (In Millions)
2009	16.11%	14.97%	32.48%	29.99%	NA 2	24.23%	21.70%	NA 1	< 6	$2	$11
2010	13.85%	12.71%	6.29%	11.76%	NA 2	25.89%	24.05%	NA 1	< 6	$2	$33
2011	9.67%	8.58%	3.89%	-5.54%	14.98%	21.81%	20.44%	NA 1	< 6	$19	$78
2012	12.50%	11.40%	12.24%	15.83%	12.58%	15.33%	16.98%	0.49%	16	$31	$191
2013	30.14%	28.88%	21.91%	26.68%	10.53%	11.88%	13.73%	0.29%	46	$71	$268
2014	4.40%	3.35%	2.48%	4.94%	8.84%	10.44%	10.37%	0.31%	57	$115	$337
2015	-1.04%	-2.03%	-3.20%	-0.87%	10.37%	11.16%	10.80%	0.64%	58	$123	$325
2016	10.05%	8.98%	9.29%	7.51%	10.00%	10.46%	10.92%	0.61%	56	$145	$384
2017	20.66%	19.48%	18.14%	22.40%	9.14%	9.59%	10.38%	0.23%	106	$230	$555
2018	-10.23%	-11.13%	-7.56%	-8.71%	9.74%	9.14%	10.53%	0.47%	140	$205	$305
2019	26.26%	25.02%	23.15%	27.67%	10.86%	9.80%	11.29%	0.66%	145	$241	$375

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 gross returns 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.

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

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. Blue Current Asset Management offers pre-defined equity strategies using a team-managed approach. Prior to January 1, 2018, the GIPS Firm Definition included certain fixed income strategies; however, it was determined that these strategies were managed differently and did not meet the pre-defined, team-based approach required for inclusion in the GIPS Firm. The GIPS "firm" definition is the foundation to ensure all portfolio accounts within the division of Blue Current Asset Management are assigned to a composite. 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 and incepted 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 a gross asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing investments, calculating performance, and preparing GIPS Reports 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 1586 stocks located across 23 developed countries and captures approximately 85% 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 has been independently verified for the periods January 2009 to December 2019. A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Blue Current Global Dividend composite has had a performance examination for the periods January 2009 to December 2019. The verification and performance examination reports are available upon request. Note: Blue Current firm AUM has been amended. Ashland Partners &

Company verified for the periods January 2009 to December 2016 and ACA Performance Services has verified performance from January 2017 to December 2019.
For additional information, please refer to bluecurrentportfolios.com.

Blue Current Asset Management is a division of Edge Capital Group, 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 $4.3B (as of December 31, 2020) include the assets manager by the Blue Current division of Edge ($400M) 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 and broad distribution pooled funds is available upon request.

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Disclosure and Risk Summary

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