Blue Current

BLUE CURRENT GLOBAL DIVIDEND

2022 – Q1 Quarterly Letter

Blue Current SMA Strategy

Q1 2022

Dear Investors,

The Blue Current Global Dividend Strategy composite returned -2.9% (net) during the first quarter of 2022, reducing the trailing one-year return to +8.2% (net). In comparison, the MSCI World High Dividend Yield Net Index returned +0.2% for the quarter and +9.4% for trailing one-year. 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.

MIXED SIGNALS

If the outlook for 2022 wasn’t challenging enough, the conflict in Ukraine (and its ripple effects) combined with the renewed Covid-inspired lockdowns across China have created a new litany of supply chain challenges, acerbating the pre-existing tightness. Inflation was stubbornly high before these events and will likely remain so for most of the year as soaring food and energy prices have little hope of additional supply until 2024. The result has been an acceleration in the expectations for the removal of monetary stimulus, lower forecasted economic growth, and rising probabilities of a global recession over the next two years. Some strategists believe that the odds of a recession are one in three, while others are pushing the probability closer to a coin flip.

During the quarter, we have seen some evidence of a slowdown created by higher interest rates. Mortgage refinancing and new home applications are slipping month after month. Online sales have steadily declined through the quarter which is not too surprising considering the Covid-induced uplift in 2021, but also, department store sales have been weak to start the year – it is important to strip out the CPI or price impact to sales. Offsetting what appears to be sluggish spending on goods, spending on travel, hotels, and dining out has accelerated (services spending). Information released by the TSA (Transportation Security Administration) suggests that airport passenger volume continues to accelerate, not quite reaching 2019 levels but still improving. Lastly, the US economy continues to create jobs, with initial jobless claims continuing to fall and the BLS unemployment rate reaching 3.6%. Given the increases in wages and more individuals transitioning back into the workforce, it is not surprising that credit card delinquencies and charge-offs remain very low and are not suggestive of any consumer fatigue.

While consumer spending appears to be resilient, it is still difficult to ignore what could be coming around the corner. Gasoline prices remain elevated (the national average for mid-grade gas is $4.52/gallon), home affordability is declining, and the costs to do almost anything continue to rise – food expenses, whether purchased at a retail store or consumed away from home, remain elevated and we expect food and household product costs will continue to rise. It is not abnormal to expect the combination of the above pressures will dampen discretionary consumer spending at some point later this year.

The market and economy are filled with mixed signals at the moment, and we see this manifest itself in asset price volatility. Investors love bonds on Monday only to sell them on Tuesday, while equity investors continue to chase the hot sectors, rotating between value and growth weekly depending on the daily direction of interest rates. The extreme level of indecisiveness is indicative of the environment and the multitude of risk signals that are difficult to interpret.

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 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

Taking a private equity approach to managing the portfolio, we have been selling interests in our businesses where we like the price, selling entire positions that entered the year with operational challenges, and initiating new positions where we feel value will later be appreciated. Examples include a sale of Texas Instruments at $187, a sale of Abbott Labs at $130, a trim of Microsoft at $332, a trim of Qualcomm at $186, and a trim of American Express at $178. Not all of our decisions have been rewarding, as we were adding to select European positions prior to the Ukrainian conflict, which in hindsight has detracted from performance. Despite the reinvestment risk, we continue to feel good about our price execution due to the realized exit multiples for those businesses.

The top-performing position in the portfolio during the first quarter was Rio Tinto (+27%), a company that has benefited from a recovery in iron ore prices that started when China lifted curbs on steel production in late 2021. In addition to China accelerating its need for iron ore, the supply of iron ore and steel were negatively impacted by the ongoing conflict in Ukraine. Even if current iron-ore prices retreat, the company should print money this year and currently offers investors a double-digit dividend yield that is growing. The company does have outsized exposure to the largest iron-ore importer in the world (China), which we incorporate in the sizing of the position.

AstraZeneca is the largest position in the portfolio and was a strong performer during the quarter, appreciating +16% and contributing nearly 0.5% to the fund's return. AstraZeneca is too cheap a stock given the underlying strength of its current pharmaceutical lineup and robust pipeline. Raytheon (+16%), Targa Resources (+15%), and American Express (+15%) round out the top five performers during the first quarter. Russia's invasion of Ukraine was exceptionally punitive on nearly all of our European businesses during the quarter, and accordingly, most of our laggards were domiciled in Europe. Those of you who follow our work may recall that we came into 2022 bullish on the prospects for European equities due to expected economic growth across the region, higher interest rates, and the continued post-Covid recovery. The top five disappointments during the quarter were ING Groep (-25%), Deutsche Post (-21%), BNP Paribas (-18%), Philips Healthcare (-17%), and Qualcomm (-16%). Ironically, Qualcomm was the top-performing position in the fourth quarter, appreciating 42%. The share price remains volatile, as the market is increasingly concerned about smartphone shipments during the second half of 2022. We took some profits in Qualcomm, but it remains a core position.

Late in the quarter, we added a new position in Ahold Delhaize, a European-based grocer with retail locations across Europe and in the United States – you may know the Food Lion brand that is owned by the company. Regardless of where you consume your meals (at home or away from home), food costs are elevated and will continue to rise, but restaurants are also grabbling with rising labor costs. We believe that restaurant patrons will experience sticker shock this year, creating trade-down benefits to the retailers as consumers seek lower cost options. While not our base case, we also believe grocers benefit in a tougher economic environment. We like other competitors as well, including Kroger, Albertsons, and Carrefour, but we think Ahold offers a compelling blend of value and dividends. We also like select consumer staples companies that will benefit from rising prices and can hold market share against private label competitors. At some point, the commodity pressures will subside, and if prices remain sticky, there is a longer-term opportunity for margin expansion.

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

- AstraZeneca: +50bps
- Rio Tinto: +40bps
- Raytheon: +40bps
- American Express: +35bps
- Targa Resources: +30bps

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

- Qualcomm: -60bps
- ING Groep: -50bps
- Deutsche Post: -50bps
- Philips Healthcare: -35bps
- Unilever: -35bps

**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

In our prior letter we shared our view that the draining of liquidity from the global financial system would continue to put pressure on the share prices of lower-quality and over-valued businesses and that old-economy businesses with dividends and cash flow would attract investor interest. Up until March, that forecast would have earned us high grades; however, we did not see the invasion of Ukraine, sweeping sanctions against Russia by many of the largest economies, or the resurgence of Covid in China, all of which have created concurrent systematic risk factors at a time when the global economy needs safe footing and normalized behaviors to fully recover from the pandemic.

We stated in our last letter that commodity inflation would be the transmission mechanism through which the rest of the world is penalized by the tragic events that continue to unfold in Ukraine. This statement is as true today as it was when we shared the view three months ago. Specifically, energy and agriculture prices will likely remain elevated well into 2023, pressuring consumers and central banks to take more action to slow economic demand. The supply chain damage created by Covid has been remedied for some sectors but has worsened for others – Covid lockdowns in China being the latest setback. The net effect of these challenges has been to derail the economic normalization process by at least several quarters, placing additional political and economic pressure on global leaders to solve these problems. We will see the political pressures firsthand in the US with upcoming midterm elections when inflation promises to be the major agenda item.

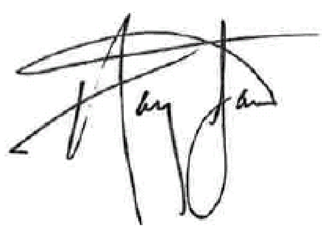
With these challenges in mind, we continue to believe the US Federal Reserve will raise interest rates much less than feared, as we believe that financial conditions are likely tighter than expected and some of the transitory elements within the CPI calculation will stall during the second half. The jury is still out as to whether the central banks can successfully reduce inflation yet prevent the global economy from falling into a recession. Until investors can handicap the probabilities of each, we expect equity markets to remain fickle and volatile through the summer months. With this information, we have made some adjustments to the portfolio including an increase in consumer staples (as discussed above) and reductions in numerous positions where we are comfortable with the “exit” multiples.

As of March 31, 2022, our portfolio stats were as follows:

Gross Dividend Yield: 2.7%
Forward Price/Earnings Ratio: 14.0
Forward Expected Earnings Growth: 8.7%
Net Debt to EBITDA: 1.9x
International Exposure: 47%

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	26.24%	25.01%	23.15%	27.67%	10.69%	9.80%	11.29%	0.65%	160	$246	$381
2020	6.81%	5.75%	-0.03%	15.90%	18.19%	21.19%	26.42%	0.57%	157	$225	$392

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 1546 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 2020. 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 2020. 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 2020.

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 $4.9B (as of December 31, 2021) include the assets manager by the Blue Current division of Edge ($480M) 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

The opinions expressed herein are those of Edge Capital Group, 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.

The information contained in this document does not constitute an offer to sell any securities nor a solicitation to purchase any securities. Index returns reflect the reinvestment of dividends.

PAST PERFORMANCE CANNOT BE CONSTRUED AS AN INDICATOR OF FUTURE RESULTS BECAUSE OF, AMONG OTHER THINGS, POSSIBLE DIFFERENCES IN MARKET CONDITIONS, INVESTMENT STRATEGY, AND REGULATORY CLIMATE. THERE IS NO ASSURANCE THAT THE FUND WILL ACHIEVE ITS INVESTMENT OBJECTIVE. INDEX INFORMATION (I) IS INCLUDED MERELY TO SHOW THE GENERAL TREND IN THE EQUITY MARKETS FOR THE PERIODS INDICATED AND IS NOT INTENDED TO IMPLY THAT THE FUND'S PORTFOLIO WILL

BE SIMILAR TO THE INDICES IN EITHER COMPOSITION OR RISK AND (II) HAS BEEN OBTAINED FROM SOURCES BELIEVED TO BE ACCURATE.