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## Global Blue Chip Dividend Strategy

Investor Presentation

September 30, 2019

MERIT INVESTMENT MANAGEMENT

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## MERIT OVERVIEW

Merit Investment Management is the investment advisor for the Global Blue Chip Dividend Strategy (GBCD)



- Merit is a registered investment advisor (RIA) founded in 2009
- Merit manages focused equity strategies for institutions & individual investors

### INVESTMENT PHILOSOPHY

- Generate the highest risk-adjusted returns available to equity investors
- Employ a comprehensive investment approach integrating macro, industry & company analysis
- Generate superior returns through fundamental research & active portfolio management

### INVESTMENT STRATEGY

- Invest in great companies with strong dividend yields offering compelling risk-adjusted returns
- Generate strong dividend income to improve total return, reduce risk & reinvest capital
- Actively manage the portfolio to improve returns, minimize volatility & reduce risk

### OPERATIONS

- Top investment, audit & legal services provide a comprehensive solution
- High level of service and transparency within a regulated compliance structure

## INVESTMENT OBJECTIVES

The Global Blue Chip Dividend Strategy focuses on three key tenets to build sustainable long term wealth

OBJECTIVE	INVESTMENT APPROACH	GOALS
<b>GENERATE THE HIGHEST RISK ADJUSTED RETURNS</b>	<ul style="list-style-type: none"><li>• Invest in high quality companies which offer compelling risk adjusted returns</li><li>• Achieve total return through both dividend income and capital appreciation</li><li>• Mitigate principal loss through continuous dividend income</li></ul>	<ul style="list-style-type: none"><li>• Outperform equity markets over full market cycle</li><li>• Capture majority of returns in strong equity markets</li><li>• Deliver positive returns in flat equity markets</li><li>• Outperform equity markets in down equity markets</li><li>• Compound positive returns over time</li></ul>
<b>GENERATE STRONG DIVIDEND INCOME</b>	<ul style="list-style-type: none"><li>• Utilize an extensive investment universe including REITs, MLPs, international equities</li><li>• Invest in strong dividend paying companies with stable businesses &amp; dividend policies</li><li>• Focus on dividend yield component to provide valuation support and reduce risk</li></ul>	<ul style="list-style-type: none"><li>• Deliver 4-5% dividend yield</li><li>• Deliver higher yield than equity income strategies</li><li>• Deliver dividend yield comparable to IG Bond index</li></ul>
<b>MINIMIZE VOLATILITY &amp; REDUCE RISK</b>	<ul style="list-style-type: none"><li>• Invest in businesses that deliver solid returns through the business cycle</li><li>• Build a diversified portfolio of investments across all market sectors</li><li>• Invest in low beta stocks with low correlations</li></ul>	<ul style="list-style-type: none"><li>• Invest in high quality companies</li><li>• Diversified portfolio of investments in all sectors</li><li>• Portfolio beta lower than equity indexes</li></ul>

## INVESTMENT PROCESS

Merit's fundamental research process follows a three step approach to identify investment opportunities

### INVESTMENT OVERVIEW

- Evaluate wide range of investments
- Review macro, sector & industry data
- Determine areas of investment focus

### FUNDAMENTAL ANALYSIS

- Identify companies to research
- Perform Company Analysis
- Perform Dividend Analysis

### INVESTMENT EVALUATION

- Evaluate portfolio additions
- Determine target price, position size
- Position portfolio to reflect updates

### COMPANY ANALYSIS

Analyze industry & company factors for positive factors

- Durable competitive advantages
- Operate in industries with favorable economic characteristics
- History of earning attractive long-term returns on capital
- Management team has a sound plan for earnings growth
- Managers that are trustworthy and good allocators of capital
- Share price below intrinsic value
- Predictability of revenue streams
- Identifiable downside protection

### DIVIDEND ANALYSIS

Analyze company factors for positive dividend factors

- Superior dividend yield
- Strong FCF generation
- Stable cash flows
- Solid Balance Sheet
- History of growing dividends
- Conservative dividend payout ratios and policies
- Attractive valuation on a historical & relative basis
- Management committed to dividend

## PORTFOLIO SNAPSHOT

The Global Blue Chip Dividend Strategy invests globally in industry leading companies across all sectors

GBCD HOLDINGS as of SEPTEMBER 30, 2019



SECTOR	COMPANIES	AVG DEBT RATING	DIVIDEND YIELD %
Communications	AT&T, Crown Castle International	Baa2	4.4
Consumer Staples	Proctor & Gamble	Aa3	2.4
Energy	Royal Dutch Shell, Enbridge, Energy Transfer Partners	Baa1	7.4
Financials	HSBC, Blackstone	A2	5.4
Health Care	Johnson & Johnson, Novartis	Aa2	3.1
Industrials	Siemens, United Parcel Service, Atlantia , Brookfield Infrastructure	A1	3.9
Materials	BASF, Weyerhaeuser	A1	5.1
Real Estate	AGNC Investment, Iron Mountain	Ba3	9.8
Technology	Cisco	A1	2.8
Utilities	Duke Energy, Dominion Energy, National Grid	Baa1	5.4

## PORTFOLIO CONSTRUCTION

The Global Blue Chip Dividend Strategy is managed along the following guidelines

METRICS	PORTFOLIO GUIDELINES	GBCD As of SEPTEMBER 30, 2019
Investments	Equities, MLPs, REITs	70.1%, 7.0%, 17.9%
Sector Exposures	All Sectors < ~25%	Industrials = 15.1%
Individual Positions	Position Target = 3.0 - 5.0%	Average = 4.0%
Dividend Yield	Yield Target = 3.0 - 5.0%	Average = 5.2%
Beta	GBCD < MSCI ACWI	Beta = 0.70
Market Capitalization	Market Cap > ~\$5B	Mega Cap > \$100B = 27.7% Large Cap > \$10B = 57.5% Mid Cap > \$5B = 9.8%
Geography	Global Portfolio	55.4% U.S. / 39.6% International
Cash	No Limits. Target < 10%	Cash = 5.0%

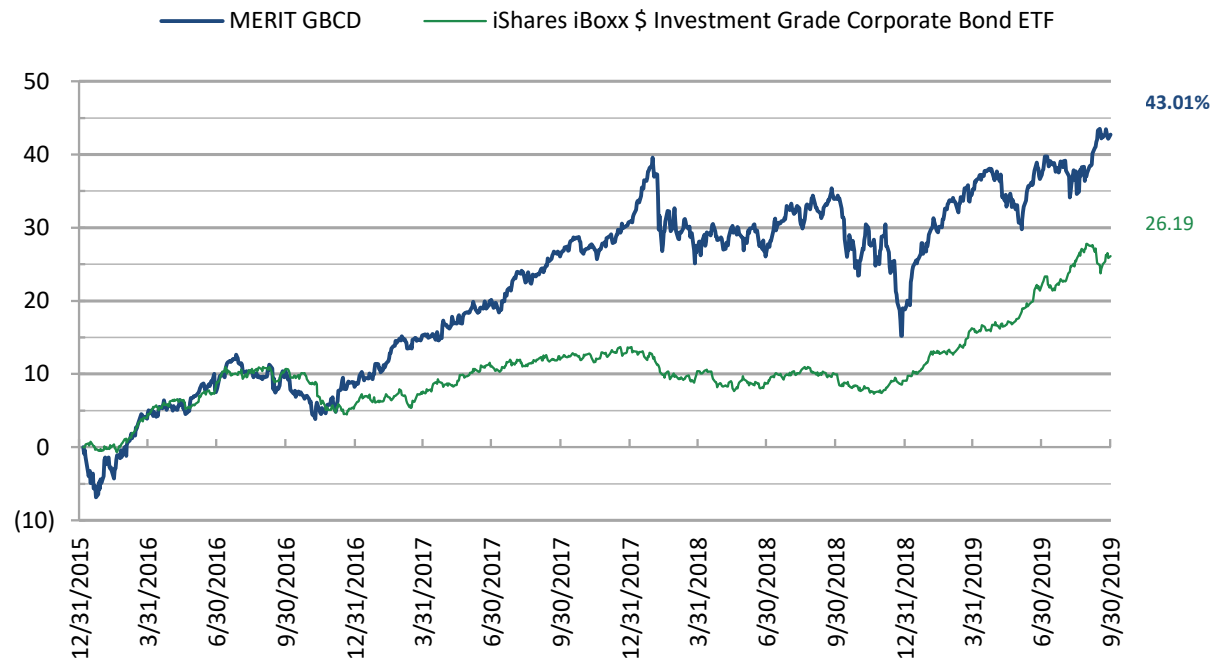
## PERFORMANCE

The Global Blue Chip Dividend Strategy has performed well versus both equity & corporate bond indexes

### GBCD PERFORMANCE as of SEPTEMBER 30, 2019

- The Global Blue Chip Dividend Strategy has generated strong risk-adjusted returns while generating a higher yield and exhibiting lower volatility

Net Returns	Yield	YTD	2018	2017	2016	Inception
Merit Global Blue Chip Dividend	5.16%	19.08%	(8.30%)	20.44%	8.66%	43.01
MSCI ACWI High Dividend Index	4.13	14.28	(7.11)	18.86	10.05	38.86
FTSE All-World High Dividend Index	4.12	12.90	(10.90)	19.80	11.50	36.08
SPDR S&P Global Dividend ETF	4.30	11.45	(8.98)	18.38	13.38	36.78
Vanguard Global Equity Income	2.96	15.04	(6.33)	12.27		
iShares iBoxx USD Liquid IG Index	3.40	15.59	(3.76)	7.16	5.97	26.19



**Note:**

Performance data includes all fees and expenses. Performance data shown represents past performance. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing.

## HISTORICAL PERFORMANCE ANALYSIS

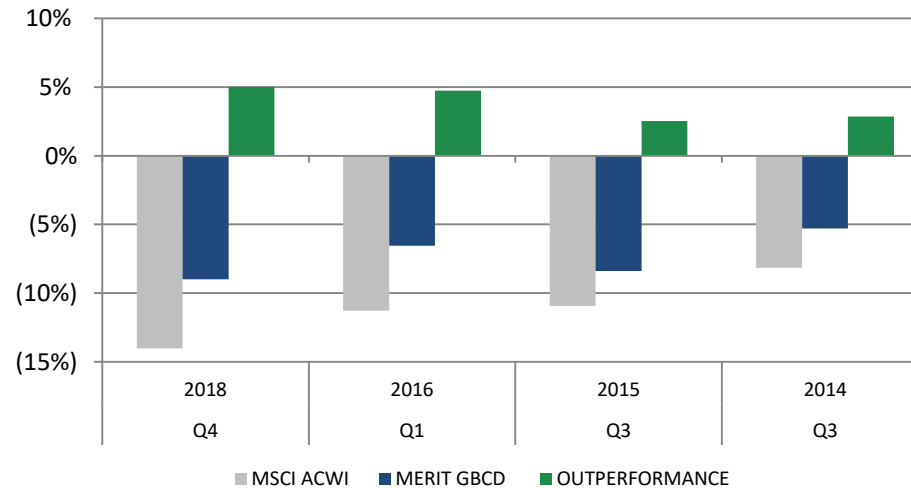
The Global Blue Chip Dividend Strategy can outperform by limiting drawdowns during challenging markets

### ILLUSTRATIVE HISTORICAL PERFORMANCE

- To illustrate illustrative historical performance, the current Merit GBCD holdings are analyzed for prior period returns
- The scenarios illustrate hypothetical performance during recent correction periods over the past 5 years
- Current Merit BCD positions outperformed in all corrections as lower drawdowns lead to future outperformance

CORRECTIONS Periods	Q4 2018	Q1 2016	Q3 2015	Q3 2014
MSCI ACWI	(14.03%)	(11.29%)	(10.93%)	(8.15%)
MERIT GBCD	(9.00%)	(6.54%)	(8.40%)	(5.29%)
OUTPERFORMANCE	5.02%	4.74%	2.53%	2.86%

GBCD OUTPERFORMANCE DURING MARKET DECLINES



1. Historical data reflects the performance of a hypothetical equally-weighted portfolio based on the actual historical performance of Merit GBCD holdings as of 06/30/2019 over the respective time periods.



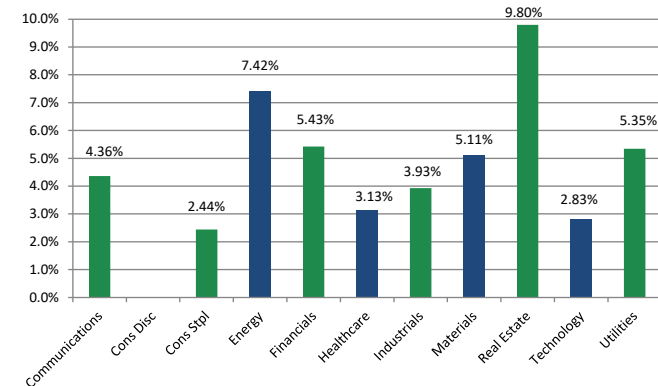
## DIVIDEND YIELD & RISK METRICS

The Global Blue Chip Dividend Strategy offers a higher yield and exhibits significantly lower risk metrics

### DIVIDEND METRICS

- GBCD yield of 5.16% is higher than the MSCI ACWI ex US of 2.52%
- GBCD yield of 5.16% is higher than the IG Corp Bond index 3.23%
- Solid dividend yields across all sectors; range from 2.44% to 9.80%
- All positions have stable yields & high dividend health scores
- Strong dividend income with equity upside and inflation hedge

### SECTOR DIVIDEND YIELDS as of SEPTEMBER 30, 2019



### RISK METRICS SINCE INCEPTION

- Lower Beta than the MSCI ACWI
- Lower Standard Deviation than the MSCI ACWI
- Lower Downside Risk than the MSCI ACWI

### RISK METRICS as of SEPTEMBER 30, 2019

RISK METRICS		YTD		Since Inception	
		GBCD	ACWI	GBCD	ACWI
Beta	Volatility in comparison to the market	0.71	1.00	0.83	1.00
Sharpe Ratio	Calculation for risk-adjusted return	2.74	1.84	0.99	0.80
Sortino Ratio	Risk adjusted return with required rate	3.29	2.05	0.73	0.60
Calmar Ratio	Ratio of return versus drawdown risk	0.57	0.22	0.84	0.73
Standard Deviation	Dispersion of returns versus expectations	7.32	9.36	7.68	9.60
Downside Deviation	Downside risk of returns below threshold	5.04	7.68	6.72	7.20
Maximum Drawdown	Maximum portfolio loss peak to trough	(5.96)	(6.53)	(17.18)	(19.49)

## INVESTOR FOCUS

Merit's Global Blue Chip Dividend Strategy is well suited for current markets and a wide investor base

### KEY STRENGTHS

### MARKET ENVIRONMENT & INVESTOR SUITABILITY

#### SOUND INVESTMENT STRATEGY

- Generate the highest risk adjusted returns in equity markets
- Invest globally in high quality companies improves returns and reduces risk
- Dividend income improves total return, rises with inflation and offers continuous re-investment

#### WELL POSITIONED FOR CURRENT MARKETS

- Strong company position needed to realize value in a weak economic growth environment
- High quality equities generating strong cash flows are more resilient in volatile markets
- Flexibility to position strategy to take advantage of market opportunities

#### WELL SUITED FOR EVOLVING INVESTOR TRENDS

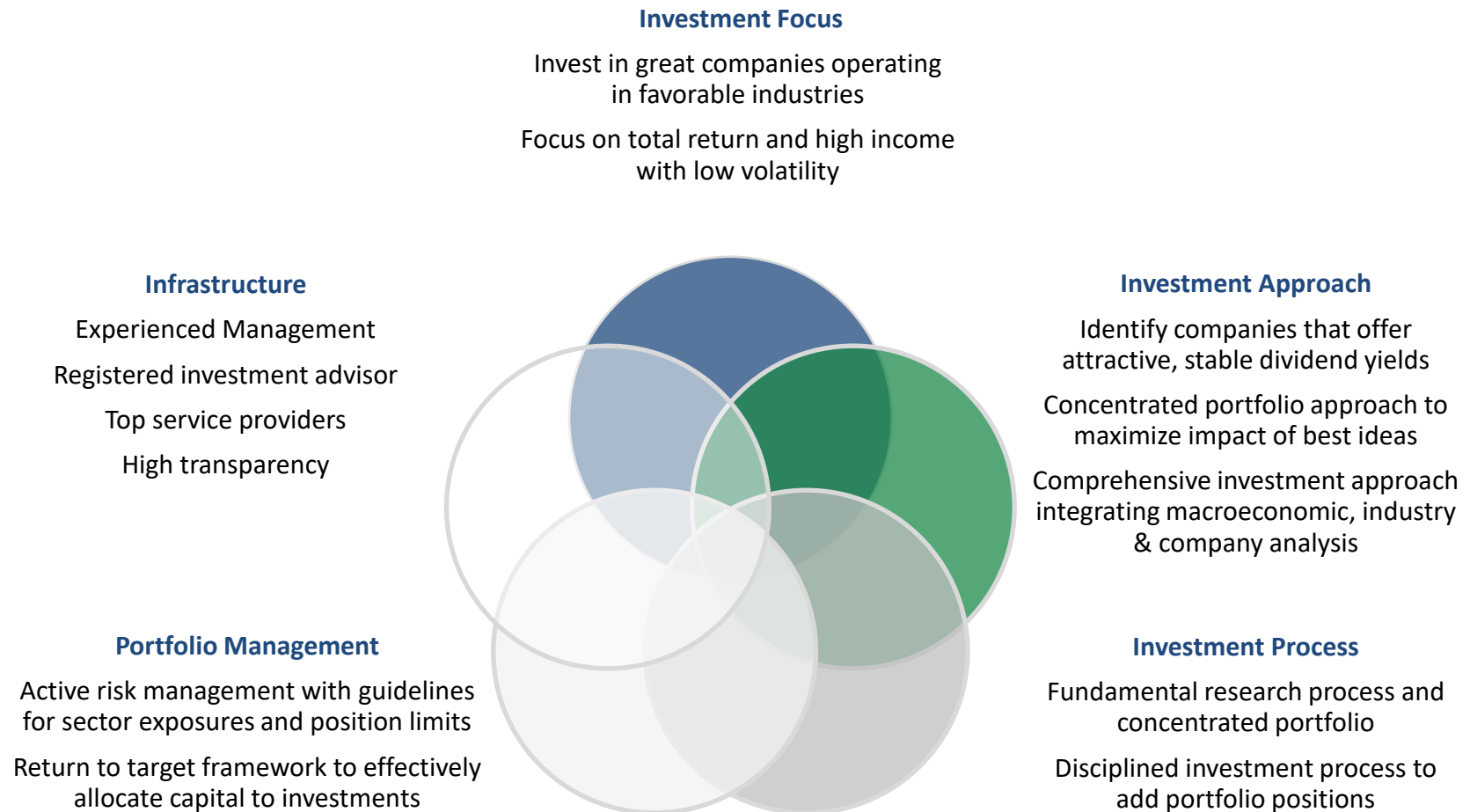
- Individual investors are increasingly focused on global and income generating strategies
- Institutional investors switching from traditional to new allocation frameworks
- Low global yields increases cross-over investor base for Balanced and Equity Income strategies

#### WIDE TARGET INVESTOR BASE

- Individuals - Baby Boomers, high net worth individuals, risk adverse equity investors
- Institutions - Insurance companies, corporations, pension funds, endowments, family offices

## INVESTMENT SUMMARY

Merit is committed to delivering superior risk-adjusted returns through its disciplined investment approach





**APPENDIX**



# PORTFOLIO ANALYSIS

Merit tracks portfolio metrics such as dividend, valuation, credit & performance data to manage the strategy

## GBCD PORTFOLIO as of SEPTEMBER 30, 2019

52	TP	D5	Dt	T	TICKER	COMPANY	Geo	Weight	BETA	STOCK PRICE & PERFORMANCE				TARGET PRICES		DIVIDEND INFO			DIV V DEBT		GROWTH		VALUATION			OTHER				
										COST	PRICE	P&L %	% C	RSI	%F52H	Tgt Px	% to T	DIV IB	D 5 IB	D-5	DIV EX DATE	D CST%	D- DC%	REV Y	EPS Y	P/E	F P/E	D/Cap	ROE	CR
✓	✓	✓	✓	✓	AGNC	AGNC Investment Corp.	U.S.	3.84%	0.26	19.25	16.09	-17.1%	-0.36%	50	-14.1%	17.33	8.6%	12.0%	13.01	(1.01)	2019-10-09	2.62%	9.4%	NA	NA	7.5	7.9	2%	(9.0)	
✓	✓	✓	✓	✓	atasy	Atlantia Spa	EU	3.06%	0.43	13.54	12.13	-11.1%	2.16%	43	-15.3%	13.68	13.7%	4.3%	3.25	1.05	2019-06-06	2.67%	1.6%	68%	67%	16.0	9.6	NA	0.1	
✓	✓	✓	✓	✓	basfy	BASF SE ADR (Sponsored)	EU	3.32%	1.07	21.94	17.43	-20.6%	0.99%	53	-22.2%	17.94	3.0%	5.3%	3.05	2.25	2019-05-20	3.46%	1.8%	337%	337%	5.9	13.8	NA	0.1	A1
✓	✓	✓	✓	✓	bip	Brookfield Infrastructure Partner	CAN	4.05%	0.54	34.34	49.61	44.4%	1.06%	70	-0.5%	49.63	0.1%	4.1%	4.74	(0.64)	2019-09-30	5.00%	-0.9%	-34%	-43%	815.4	30.5	73%	0.5	BBB+
✓	✓	✓	✓	✓	BX	The Blackstone Group L.P. Repres	U.S.	4.70%	1.57	33.29	48.84	47.4%	-2.31%	50	-6.4%	53.29	8.6%	4.2%	7.41	(3.18)	2019-08-05	2.04%	2.2%	-59%	-59%	29.9	16.4	64%	18.5	A1
✓	✓	✓	✓	✓	CCI	Crown Castle International Corp.	U.S.	3.38%	0.33	96.64	139.01	43.6%	0.67%	46	-7.5%	139.25	0.3%	3.3%	3.61	(0.31)	2019-09-30	3.02%	0.3%	37%	44%	80.3	66.0	67%	6.1	Baa3
✓	✓	✓	✓	✓	CSCO	Cisco Systems Inc.	U.S.	3.31%	1.10	29.67	49.41	66.4%	1.11%	44	-15.7%	55.94	13.3%	2.8%	2.79	0.04	2019-10-23	2.77%	0.1%	-42%	-37%	19.2	13.7	30%	30.3	A1
✓	✓	✓	✓	✓	CVS	CVS Health Corporation	U.S.	5.08%	1.00	57.22	63.07	9.8%	1.17%	54	-23.0%	72.95	16.2%	3.2%	2.00	1.17	2019-08-02	2.77%	0.4%	35%	159%	18.0	8.6	58%	9.0	A1
✓	✓	✓	✓	✓	D	Dominion Energy Inc.	U.S.	4.25%	0.24	76.51	81.04	5.7%	-0.10%	64	0.0%	81.40	0.6%	4.5%	3.79	0.74	2019-09-20	2.77%	1.8%	-88%	-93%	53.2	18.4	57%	4.0	A1
✓	✓	✓	✓	✓	DUK	Duke Energy Corporation (Holdin	U.S.	3.17%	0.12	87.92	95.86	9.1%	-0.36%	68	0.0%	93.14	-2.9%	4.0%	4.19	(0.19)	2019-09-16	2.77%	1.2%	66%	58%	20.8	18.7	55%	7.6	A1
✓	✓	✓	✓	✓	enb	Enbridge Inc	CAN	3.54%	0.47	34.71	35.08	2.3%	-1.53%	65	-4.8%	41.40	16.6%	6.4%	4.13	2.22	2019-09-01	2.77%	3.6%	58%	37%	19.5	19.6	46%	8.1	A1
✓	✓	✓	✓	✓	enia	Enel Americas S.A. American Depu	LA	3.54%	0.27	8.13	9.11	11.4%	0.89%	65	-14.2%	10.00	10.4%	7.2%	4.13	3.06	2019-06-05	2.77%	4.4%	87%	87%	7.5	7.6	43%	20.3	A1
✓	✓	✓	✓	✓	ET	Energy Transfer LP	U.S.	2.97%	1.29	13.38	13.08	-2.1%	-0.08%	41	-27.6%	21.00	60.4%	9.3%	5.73	3.59	2019-08-19	2.77%	6.6%	148%	8%	11.1	8.6	69%	27.6	A1
✓	✓	✓	✓	✓	hsbc	HSBC Holdings plc.	EU	3.27%	0.61	41.66	38.27	-7.5%	1.04%	51	-14.5%	42.80	11.1%	6.6%	5.75	0.87	2019-09-26	3.45%	3.2%	7%	0%	21.6	10.1	46%	7.5	Aa2
✓	✓	✓	✓	✓	IRM	Iron Mountain Incorporated (Del	U.S.	5.95%	0.64	35.48	32.39	-8.7%	0.70%	52	-13.4%	36.22	11.8%	7.6%	5.91	1.69	2019-10-02	5.48%	2.1%	1%	1%	28.5	28.0	84%	19.4	Ba3
✓	✓	✓	✓	✓	JNJ	Johnson & Johnson	U.S.	3.14%	0.73	123.24	129.38	5.0%	0.67%	44	-12.9%	148.91	15.0%	2.9%	2.66	0.24	2019-09-10	2.91%	0.0%	42%	43%	21.3	14.1	31%	26.8	Aaa
✓	✓	✓	✓	✓	ngg	National Grid Transco PLC PLC (N	EU	3.79%	0.53	59.62	54.13	-8.8%	0.63%	59	-8.3%	65.10	19.8%	5.7%	5.50	0.17	2019-08-14	3.26%	2.4%	-62%	-63%	18.0	14.8	56%	8.0	Baa3
✓	✓	✓	✓	✓	nvs	Novartis AG	EU	3.63%	0.55	72.73	86.90	19.4%	-0.62%	46	-9.1%	100.67	15.9%	3.3%	3.70	(0.38)	2019-03-13	2.46%	0.9%	-13%	-12%	18.1	15.4	30%	18.0	Aa3
✓	✓	✓	✓	✓	PG	Procter & Gamble Company (The)	U.S.	3.87%	0.34	83.99	124.38	48.7%	0.27%	61	0.0%	115.77	-7.3%	2.4%	3.11	(0.67)	2019-08-15	2.66%	-0.2%	4%	NA	85.4	24.1	30%	7.6	Aa2
✓	✓	✓	✓	✓	rds.a	Royal Dutch Shell PLC American I	EU	4.52%	0.68	56.06	58.85	5.1%	-0.29%	57	-18.3%	68.23	15.8%	6.6%	6.43	0.17	2019-11-14	3.26%	3.3%	-6%	-49%	11.4	9.4	28%	10.6	A1
✓	✓	✓	✓	✓	siegy	Siemens AG (Germany) ADR (Spon	EU	3.07%	0.91	60.64	53.58	-11.5%	1.40%	53	-16.8%	65.98	23.0%	4.1%	3.17	0.93	2019-02-11	3.99%	0.1%	-7%	-5%	17.6	13.0	NA	0.1	Baa1
✓	✓	✓	✓	✓	T	AT&T Inc.	U.S.	5.92%	0.76	36.51	37.84	3.1%	0.59%	61	-3.4%	36.81	-2.2%	5.4%	5.40	0.02	2019-11-01	3.72%	1.7%	-28%	-37%	14.7	10.3	49%	9.6	A1
✓	✓	✓	✓	✓	UPS	United Parcel Service Inc.	U.S.	4.89%	1.44	106.48	119.82	12.2%	0.42%	53	-3.2%	120.85	1.2%	3.2%	2.90	0.31	2019-09-04	3.99%	-0.8%	14%	14%	21.3	14.6	84%	142.6	Baa2
✓	✓	✓	✓	✓	WY	Weyerhaeuser Company	U.S.	4.76%	1.75	28.33	27.70	-1.8%	0.11%	62	-13.1%	31.29	12.5%	4.9%	3.90	1.01	2019-09-20	3.99%	0.9%	-60%	-59%	NA	29.2	41%	0.0	Baa2
					USD	Cash			5.00%																					
					24	Averages		100.0%	0.70				0.30%	55	-10.1%		11.0%	5.16%		0.53		3.19%	1.52%	28.0%	18%	69.2	17.1		16.2	

## ABOUT MERIT

### Scott McGraw is the Founder & Chief Investment Officer of Merit Investment Management

#### MERIT INVESTMENT MANAGEMENT

- Founded Merit Investment Management in 2009 and established the Registered Investment Adviser (RIA) with State of DE, PA & SEC
- Chief Investment Officer of Merit investment strategies:
  - Merit Global Blue Chip Dividend Strategy
  - Merit Fund L.P. long/short equity strategy
- Established Merit infrastructure:
  - research, portfolio management
  - trading, operations, compliance
  - business development processes

#### PRIOR EXPERIENCE

- 20+ years of professional experience in investment management, investment banking and consulting in financial services
- Investment Management - Investment Analyst at Gardner Lewis Asset Management responsible for investment positions of over ~\$750M in AUM across multiple investment strategies
- Investment Banking - Associate at Banc of America Securities in the Energy & Power sectors and Merrill Lynch in Technology & Telecom
- Consulting - Manager in the Financial Services practice at Accenture in management consulting, technology services and outsourcing
- MBA from The Wharton School of the University of Pennsylvania and BS from Boston College both with concentrations in Finance

#### SERVICE PROVIDERS

- |                 |                     |
|-----------------|---------------------|
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| • Administrator | Opus Fund Services  |
| • Auditor       | Stephano Slack LLC  |
| • Legal         | Cipperman & Company |

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