Blue Current

BLUE CURRENT ASSET MANAGEMENT

2025 – Q1 Quarterly Letter

Blue Current SMA Strategy

2025 – Q1

Dear Investors,

Please see our updated performance through the first quarter of 2025.

BLUE CURRENT STRATEGY PERFORMANCE	Q1-25	1-Year	3-Year	5-Year	10-Year	Since Inception through 3.31.25	Inception Date
Blue Current Global Div Growth Composite (net)	**4.7%**	**10.3%**	**8.7%**	**15.7%**	**8.1%**	**9.2%**	**Jan-09**
MSCI World High Dividend Yield Net Index	*6.6%*	*9.0%*	*6.1%*	*12.1%*	*7.0%*	*9.0%*	
Blue Current US Div Growth Composite (net)	**-1.5%**	**3.1%**	**6.7%**	**15.8%**	**9.3%**	**9.3%**	**May-14**
Russell 1000 Value Net Index	*2.0%*	*6.5%*	*6.0%*	*15.4%*	*8.1%*	*8.1%*	
Blue Current Intl Div Growth Composite (net)	**12.8%**	**14.4%**	**9.2%**	*NA*	*NA*	**8.2%**	**Apr-21**
MSCI EAFE Value Net Index	*11.6%*	*12.9%*	*9.7%*	*NA*	*NA*	*8.1%*	
S&P International Dividend Aristocrats Index	*6.3%*	*13.9%*	*4.7%*	*NA*	*NA*	*4.2%*	

The Global Composite and the US Composite performance are shown net of a 1% fee
The International Composite performance is shown net of a 0.5% fee

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.

IS THE JUICE WORTH THE SQUEEZE?

We know better than to invite a discussion about the merits of DOGE and trade tariffs into our discussions; instead, we strive to find common ground on topics that are easier to cross. Whether you are for or against the recent policy actions, most people believe that the US economy (and corporate profits) will slow in 2025, regardless of whether the policies with the strongest punch (tariffs) stick as communicated or are modulated over time based on trade agreements. The Atlanta Federal Reserve is projecting negative GDP growth in the first quarter, and it is hard to imagine that we won't see the same forecast for the second quarter. We think the Q1 estimate is a little too bearish but lets see what happens. The magnitude of the near-term slowdown will be determined by the duration of the policy uncertainty followed by the eventual steady-state level of tariffs, both those initiated domestically and the reciprocal tariffs levied by trade partners. The uncertainty is a guaranteed slowdown in spending on several fronts, including government (courtesy of DOGE), corporations due to tariffs, and the consumer whose sentiment continues to deteriorate, at least according to recent surveys (from the University of Michigan, for example).

Despite the negativity, recently released economic data has not foreshadowed the softness projected by the Atlanta Fed. On the contrary, unemployment remains at historical lows, and we have not seen any deterioration in job quits, or departures / layoffs, as reported by the Bureau of Labor Statistics. The consumer-specific data, released by the US Census Bureau, also appears to be very healthy, led by a 13% year-over-year increase in car sales in March and broad consumer spending strength across several categories. We are also watching new home sales as a proxy for consumer confidence and recently released March data highlights a stronger than expected result (724k homes sold versus 683k a year earlier). A healthy housing market is critical for the US consumer as it signals confidence, increases worker and family mobility, and creates opportunities for vast segments of the US economy.

While we recognize the allure of positive economic data occurring at a time when the headlines could not be more negative, we are dismissing the positives for now as it is too early for tariffs to impact the broader economy. It is also possible that the fear of tariffs is creating an artificial pull forward of consumption and we remind investors that March and April consumer data is noisy due to early tax refunds. The positives are that coming into this period of uncertainty, the US consumer appears healthy and absorbing the current level of inflation. Perhaps this strength will help the economy navigate the challenges to come.

While the spat between President Trump and Federal Reserve Chairman Powell over the direction of interest rates has been well publicized, the European Central Bank (ECB) wasted no time and decided to cut rates again this month (the 7th over the past year) to get in front of what is an anticipated economic slowdown. ECB President Christine Lagarde specifically cited disinflation tendencies, moderating wage growth, and the deteriorating outlook due to trade tensions and the associated impact on sentiment as reasons for the cut. Despite the rate cut, eurozone unemployment fell to 6.1%, its lowest level since the launch of the euro currency. We must imagine that the ECB's decision created even more consternation for President Trump, adding additional pressure on Powell to follow his peers across the pond. The ECB remains bullish on infrastructure and defense spending, much of which is being led by Germany, which announced a €500 billion infrastructure package during the quarter and has pledged to accelerate defense spending. US Vice President Vance's speech at the Munich Security Conference in February was the shot across the bow that forced European countries to rethink their national security needs and partners. We are skeptical of the magnitude of the spending pledges for several European countries, but regardless, Europe is lowering its cost of capital and opening the spending spigots. Both catalysts should be bullish for economic growth and for many sectors that comprise the European equity indices. The strong increase in European equities could continue.

We also view the policy shift in Europe as a generational event. The combined European economy has steadily lost ground versus the world's two major superpowers, and there must be a sense of urgency across European leaders that something needs to be done. A global trade war between the US and China may be Europe's opening. Assuming the US holds its ground on tariffs against the EU, the opportunity is a free trade agreement between Europe and Asia that enables each side to improve its competitiveness both locally and abroad. Europe can export its luxury automobiles, aircraft, pharmaceuticals, chemicals, and Dom Perignon to Asia at prices below the US for similar products while Vietnam can export cheap retail apparel and footwear and China its cheap automobiles, smartphones, and consumer electronics to Europe, again at prices that undermine the US. Aside from economic upside, there are political reasons for Europe to align itself with the East, specifically to create a divide between Russia and China. Europe needs access to cheaper fuel sources and Asia is a large producer of natural gas, while China needs to find a new trading partner to absorb what is likely to be declining US consumption. We must believe that the US is wise enough to prevent Europe from strengthening its alignment with China, but in any event, Europe has an opportunity to increase its competitive position, whether it be looking to the west or to the east.

We will close this section by acknowledging that the policies emanating from Washington have significant implications, even if many of them are retracted, and our hope is that at some point in the future (perhaps in two to three years) we can look back and better understand why the decisions were made and point to some benefits to the US economy, whether those be new revenue to close the deficit, better trade deals that treat US companies who operate abroad more fairly, or other tangible benefits yet to be known.

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 to 45 companies domiciled across developed markets that meet our stringent quality requirements. 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 strive to purchase the stock of those businesses when it is trading at a discount to what we see as its true value.

PORTFOLIO ATTRIBUTION

In our fourth-quarter letter, we discussed the challenging conditions, including one of the strongest advances in the US dollar on record, that led to what we thought was disappointing performance across the Blue Current strategies. To say that much has changed in early 2025 may be an understatement, as the US economic outlook has swung toward a probable recession and the dollar has weakened considerably. The strengthening of the euro (4.5% in Q1), yen (4.8%), and sterling (3.3%) has been a strong tailwind for the quarter and therefore additive to the performance of our non-US investments. Approximately 50% of the global portfolio is invested abroad. We are not calling for the end of US exceptionalism, but the conditions are falling into place for a sustained period of dollar weakness and improved investor returns from owning non-US assets. For our taxable investors, we continue to look for opportunities to harvest losses across portfolios, reducing what we expect could be a net realized gain for the full year – although it is still early in the year.

CONTRIBUTORS BY SECTOR					
GLOBAL	bps	US	bps	INTERNATIONAL	bps
CONTRIBUTORS		**CONTRIBUTORS**		**CONTRIBUTORS**	
Industrials	282	Healthcare	157	Financials	438
Consumer Staples	178	Energy	110	Industrials	337
Financials	174	Consumer Staples	74	Consumer Staples	208
DETRACTORS		**DETRACTORS**		**DETRACTORS**	
Technology	-183	Technology	-125	Technology	-11
Consumer Discretionary	-61	Consumer Discretionary	-41	Materials	15
Materials	7	Financials	-41	Consumer Discretionary	39

CONTRIBUTORS BY SECURITY					
GLOBAL	bps	US	bps	INTERNATIONAL	bps
CONTRIBUTORS		**CONTRIBUTORS**		**CONTRIBUTORS**	
Thales	221	Chevron	67	Thales SA	254
BNP Paribas	80	Baxter Intl	54	BNP Paribas	142
RTX Corporation	63	Targa Resources	45	Commerzbank	135
Targa Resources	56	Coca-Cola Company	40	Allianz	95
Shell Plc	47	RTX Corporation	38	Nestle	83
DETRACTORS		**DETRACTORS**		**DETRACTORS**	
Broadcom	-103	Broadcom	-80	Taiwan Semiconductor	-55
Taiwan Semi	-35	Digital Realty	-54	Daikin Industries	-32
Microsoft	-32	Blackstone	-50	Hitachi	-27
LVMH	-31	Oracle	-44	National Bank of Canada	-26
Dicks Sporting Goods	-28	Dell	-41	Schneider Electric	-24

INVESTMENT OUTLOOK

After nearly 15 years of continued underperformance versus the S&P 500, international equities have sprung to life in 2025, surprising even the astute investor. While a global equity strategy can be tough to bucket for asset allocators who like to manage their specific geographic exposures, the benefit of managing a global strategy is that we are always watching and investing in international equities. Our internal rule of allocating a minimum of 40% of our global strategy to international markets requires us to continually perform due diligence on non-US-listed equities. In recent years, this diversification has been costly to relative performance when compared to US markets; however, this year is a strong reminder as to how quickly conditions can reverse. With the correction in US equities, over the trailing 3-year period ending March 31, 2025, the MSCI EAFE Value Index has annualized at a higher return than the S&P 500 (+9.7% versus 9.0% annually). We take no pleasure in seeing US equity markets decline; rather, we are highlighting the importance of owning a globally diversified basket of stocks so that your portfolio benefits from market transitions while they are happening. As we know, the biggest moves often occur early in the cycle and so it is important to be there beforehand!

Just a few weeks have passed since “Liberation Day,” so it is hard to make any definitive conclusions from recently announced corporate earnings, but we can share a few observations. Overall, earnings are coming in better than expected for the first quarter, and this is true for both the market and for our portfolio companies. In addition to reflecting the current situation, a stronger first quarter does lend support for the full-year 2025 earnings, a number that is being ratcheted lower daily. The thinking being that if we come into the slowdown from a period of stronger-than-expected growth, perhaps the downside won’t be as bad when it comes. We will see. Except for Raytheon, a core position for our global and US strategies, few companies have altered current full-year guidance or have quantified the near-term earnings headwinds due to tariffs – preferring to kick the can until there is more clarity. Raytheon believes that tariffs could reduce corporate profits by roughly $800 million – sending shares down 10% on the news. As the US earnings season progresses and we hear from more industrial and transportation companies, we would expect the financial drag from tariffs to be better articulated. For those of you who don't make a career picking stocks, there is limited financial disclosures from publicly traded companies regarding the finer details of supply chain infrastructure, leaving many analysts to apply a "best guess" methodology. As a result, expect more volatile reactions to earnings releases than is normal – see Raytheon.

As you can deduce from the tone of this letter, we have been adding exposure to our non-US positions and look forward to hearing from management teams over the next several weeks. The allure of lower valuations, accelerating national and corporate spending, and declining interest rates are a hard combination to ignore. Adding to the attractiveness, the weakening US dollar will be another tailwind for our investors.

At the time we didn't know it, but looking back on the events of 2024 has led us to conclude that the world today is in a different place. There is a secular shift in market structure that historically occurs every 10 to 15 years, and we think the groundwork for this change was laid in 2020 (COVID-19) but that the switch was finally flipped in 2024. Market historians will look back to study the sequence of events and identify the catalysts, so we will leave that exercise to others, but one's investing outlook has to be colored differently from here. The signpost for a shift in market structure is that new leadership emerges and therefore, if we are correct, then the Mag 7 will not be the best performing stocks in the years to come. Instead, we are likely to see a new cohort emerge – it could be international equities, US small caps, or another group of stocks in the S&P 500. We do not know yet. Our outlook is not just influenced by international stocks being up (and tech stocks down) in 2025. The world has changed drastically since COVID-19 and many of the decisions being made today by individuals and corporations are influenced by the lessons learned and decisions made over the past five years. We will not be able to shift completely away from China, but we will see more production of goods domestically and seek stronger partnerships with countries that are politically aligned and accessible. Manufacturing will shift to new regions, supply chains will consolidate, and companies will look to vertically integrate in the future, especially in areas that are deemed mission critical. Countries will seek greater security in the areas of technology, energy, and healthcare, three areas that are vital to national security in a world that is increasingly isolating. Companies will be required (or asked) to invest more in the US, a trend that should benefit the US economy and protect our national interests but one that carries great uncertainty as the US lacks certain resources such as cheap labor. To our earlier point, these initiatives will result in new profit opportunities for businesses of all sizes, some of which will be based domestically and others that will be based abroad.

As a global manager of risk assets with few sector and market capitalization restrictions, we welcome these changes, as we believe they will extend the investment opportunity beyond a select group of stocks. Our view is not an indictment of technology stocks; to the contrary, we have several technology investments across our portfolios and very much believe in the future of artificial intelligence. Instead, we are providing credence to the idea that new profit pools will be available for us to exploit – many of which will benefit dividend growers and accessible via Blue Current.

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%	164	$252	$364
2020	6.81%	5.75%	-0.03%	15.90%	18.19%	15.69%	18.27%	0.57%	162	$231	$399
2021	19.15%	17.96%	15.83%	21.82%	17.45%	15.50%	17.06%	0.57%	137	$243	$450
2022	-8.48%	-9.39%	-4.74%	-18.14%	19.76%	17.40%	20.72%	0.45%	128	$219	$413
2023	15.03%	13.87%	9.10%	23.80%	14.21%	13.81%	16.75%	0.85%	145	$264	$514

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 Blue Current Global Dividend Strategy 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 1650 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 2023. 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 Strategy Composite has had a performance examination for the periods January 2009 to December 2023. 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 2023. For additional information, please refer to bluecurrentportfolios.com.

Blue Current Asset Management is an Atlanta, GA-based division of SCS Capital Management, LLC ("SCS"). SCS is a registered investment adviser based in Boston, MA. Blue Current manages separate account strategies with defined investment objectives styles. SCS's total firm assets of approximately $53B (which represents the December 31, 2024 assets under management and assets under advisement of SCS, Edge Capital Group LLC pre-February 1, 2025 merger, and Lake Street Advisors, LLC pre-March 1, 2025 merger) include the assets managed by the Blue Current division of SCS ($700M) as well as those managed by SCS but not by the Blue Current division. All employees who work within the Blue Current division of SCS may also manage assets for SCS outside of the Blue Current division. The firm's list of composite descriptions and broad distribution pooled funds is available upon request. GIPS® is a registered *trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein.*

Disclosure and Risk Summary

The opinions expressed herein are those of SCS Capital Management, 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.

Performance presented prior to February 1, 2025 represents the track record achieved by the Blue Current division of Edge Capital Group LLC ("Edge") and is considered to be predecessor performance. Edge merged with SCS Capital Management LLC on February 1, 2025. The Blue Current investment team continues to manage substantially the same strategy and accounts post-merger.

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.