Blue Current

BLUE CURRENT ASSET MANAGEMENT

2025 – Q2 Quarterly Letter

Blue Current SMA Strategy

2025 – Q2

Dear Investors,

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

BLUE CURRENT STRATEGY PERFORMANCE	YTD (6.30.25)	1-Year	3-Year	5-Year	10-Year	Since Inception through 6.30.25	Inception Date
Blue Current Global Div Growth Composite (net)	**14.4%**	**16.9%**	**16.4%**	**14.3%**	**9.1%**	**9.7%**	**Jan-09**
BCGDX	**15.9%**	**20.2%**	**17.3%**	**15.3%**	**9.6%**	**-**	**Sep-14**
MSCI World High Dividend Yield Net Index	*9.4%*	*13.6%*	*10.3%*	*10.4%*	*7.4%*	*9.0%*	
MSCI World Index Net	*9.5%*	*16.2%*	*18.3%*	*14.5%*	*10.7%*	*11.4%*	
Blue Current US Div Growth Composite (net)	**6.5%**	**10.3%**	**15.0%**	**14.7%**	**10.2%**	**9.8%**	**May-14**
Russell 1000 Value Net Index	*5.7%*	*13.0%*	*12.1%*	*13.2%*	*8.4%*	*8.2%*	
Blue Current Intl Div Growth Composite (net)	**23.6%**	**23.7%**	**16.7%**	*NA*	*NA*	**11.2%**	**Dec-21**
MSCI EAFE Value Net Index	*22.8%*	*24.2%*	*18.5%*	*NA*	*NA*	*13.0%*	
S&P International Dividend Aristocrats Net Index	*20.5%*	*27.2%*	*11.6%*	*NA*	*NA*	*8.5%*	
MSCI EAFE Net Index	*19.5%*	*17.7%*	*16.1%*	*NA*	*NA*	*8.1%*	

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 we believe will pay a stable, increasing dividend and are expected to generate an attractive total return.

TO TARIFF OR NOT TO TARIFF?

When we published the first quarter letter, we had expectations that at least some of the financial and economic uncertainties that have plagued financial markets since late last year would begin to clarify over the course of the summer. Unfortunately, that has not been the case, and we continue to reside in a "kick the can" policy world that has been highly volatile and largely directionless. Except for recently announced Section 232 industry tariffs, trade tariffs have been punted until August 1 – for some strange reason, the Trump administration needs more time and has been unable to negotiate 90 trade deals in 90 days. The Trump administration is showing progress on various trade deals with specific countries: recent examples include Japan, Vietnam, the UK, and South Korea, but details are vague and the process is clearly iterative, leaving investors and corporations with little confidence.

No one can say what will happen between now and August 1, but the beauty of capitalism is that sooner or later companies get back to business and will do what is needed to move forward, even in the face of great uncertainty. Management teams are accelerating their imports, building inventory, and doing what is needed to protect their respective businesses. Ships and containers inbound to the U.S. West and East Coast ports are at record levels as the largest retailers rebuild inventory ahead of what could come. For the first five months of 2025, the Port of Savannah (our neighboring city to the southeast) handled 5.3 million TEUs (a measure of cargo units), which is an increase of 10% over the same period last year and besting 2021 and 2022 levels. The surge in activity is a boon for the transportation industry and has accelerated certain pockets of economic activity, but it does muddy the assessment of the true health of the U.S. economy, as pull forward demand is likely not indicative of underlying economic growth. We may be setting ourselves up for an economic air pocket during the second half of 2025, but this fear could be allayed if other economic forces rally to fill the gap. U.S. gross domestic product (GDP) is currently tracking in the range of +1.0% to +2.0% year over year for 2025 – a respectable pace for a mature expansion, particularly when compared to forecasts for a potential recession catalyzed by tariffs earlier this year. Putting aside the pull forward in demand due to proposed tariffs, other domestic indications continue to suggest a solid U.S. economy. According to the Department of Labor, weekly initial jobless claims remain stable, and the Bureau of Labor Statistics reports that the level of job openings remains consistent – we like to see that companies are still pursuing workers despite the uncertainty. While we suspect the pull forward is influencing the numbers, new orders for manufactured durable goods remain strong (+16% in May), per the Census Bureau, and they have increased in five of the previous six months. As we have been expecting, retail sales data softened in May – reported sales declined by 0.9% – due to declines in auto sales, gasoline, and building materials but the lumpiness of the data leaves us short of calling for a consumer bear market. Peeling back the layers, our understanding is that the lower-end consumer is pressured as real wage growth has not exceeded inflation, but the remaining consumer cohorts continue to spend, albeit more selectively than in recent years. We will learn a lot about the overall health of the consumer once the summer vacation spending numbers are released later this year.

In Europe, the economic narrative is shifting from caution to ambition, driven in large part by Germany's historic pivot on fiscal and tax policy. The European Central Bank has continued its proactive stance, cutting interest rates for the seventh time in a year to counteract disinflation and softening wage growth. Meanwhile, unemployment across the Eurozone has fallen to 6.1%, the lowest since the euro's inception, and household confidence has stabilized. The real story lies in Berlin, where Germany has broken with decades of fiscal orthodoxy to launch what may be the most consequential economic stimulus in a generation. Germany's coalition government has approved a sweeping €1.2 trillion spending package aimed at reviving its stagnating economy and modernizing its infrastructure. Central to this plan is a €500 billion "special fund" that will be deployed over the next decade to upgrade transport, energy, education, and digital infrastructure. Additional funds will support the energy transition, including hydrogen development and battery cell production, as well as the modernization of schools and universities. Another €100 billion is expected to be distributed to federal states for local infrastructure projects, ensuring that the stimulus reaches both urban and rural communities. Complementing this fiscal push is a bold corporate tax reform package recently passed by the Bundestag. The plan includes €46 billion in tax relief through 2029, with favorable depreciation rules for capital investments and electric vehicles. Most notably, the government will begin reducing the corporate tax rate by one percentage point annually starting in 2028. These measures are designed to stimulate private investment, enhance competitiveness, and restore Germany's position as Europe's economic engine.

Japan, by contrast, remains in a more subdued phase of recovery. The economy stagnated in Q1 and is not expected to show significant improvement in Q2. While employment continues to rise, inflationary pressures are beginning to mount and could erode purchasing power. Wage growth, a critical component of Japan's reflation strategy, has disappointed in recent months. Real wages fell 2.9% year over year in May, marking five consecutive months of real wage declines as inflation continues to remain elevated. The most recent inflation reading, ex-food, came in at 3.7%, creating pressure for the Bank of Japan (BOJ) to continue lifting rates after a recent pause. Ideally, the BOJ would like to stall inflation at a level where wage growth is modestly above inflation (positive nominal growth), supporting consumer spending and the desire for the Japanese population to return to the workforce. Despite some of these challenges, we continue to view the Japanese economic and stock market revival as attractive.

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 what we believe to be 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 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 each of those businesses when it is trading at a discount to what we see as its true value.

PORTFOLIO COMMENTS & ATTRIBUTION

Contributing to our reported performance, foreign currencies continued to rally during the second quarter and the U.S. dollar has now weakened by approximately 10% against a basket of currencies for the year-to-date period. Approximately 55% of the global portfolio is invested abroad. As highlighted below, the financial and industrial sectors have been strong contributors to the year-to-date performance, the latter being driven by defense and aerospace stocks such as Raytheon, Thales, and BAE Aerospace. Led by falling crude prices, the energy sector has been a detractor across all three of our strategies.

AVG CONTRIBUTORS BY SECTOR YTD					
GLOBAL	bps	US	bps	INTERNATIONAL	bps
CONTRIBUTORS		CONTRIBUTORS		CONTRIBUTORS	
Financials	734	Technology	316	Financials	872
Industrials	452	Industrials	228	Industrials	714
Technology	240	Financials	161	Consumer Staples	295
DETRACTORS		DETRACTORS		DETRACTORS	
Consumer Discretionary	-62	Energy	-42	Consumer Discretionary	-7
REITs	22	Consumer Discretionary	-25	Materials	7
Energy	47	Utilities	22	Energy	94

AVG CONTRIBUTORS BY SECURITY YTD					
GLOBAL	bps	US	bps	INTERNATIONAL	bps
CONTRIBUTORS		CONTRIBUTORS		CONTRIBUTORS	
Thales SA	317	JP Morgan	94	CommerzBank	337
BNP Paribas	171	Oracle	87	Thales SA	317
Allianz	110	HCA Healthcare	84	BNP Paribas	211
Ahold Delhaize	96	RTX Corporation	82	BAE Aerospace	210
JP Morgan	88	Broadcom	68	Allianz	137
DETRACTORS		DETRACTORS		DETRACTORS	
Dicks Sporting Goods	-25	ONEOK	-42	LVMH	-47
Procter & Gamble	-9	Blackstone	-33	Daikin Industries	-1
Targa Resources Corp	-2	Dicks Sporting Goods	-25	Rio Tinto	7
Truist	4	Procter & Gamble	-11	Schneider Electric	21
Qualcomm	10	Lockheed Martin	-10	AstraZeneca	24

In early June, we initiated a position in Sandoz within our global and international portfolios. Based in Switzerland, Sandoz has only been a public company for roughly 18 months and so it is probably not a household name for most of our investors. The company is a global leader in the production of generic and biosimilar pharmaceuticals. The playbook for launching a generic version of a drug once its patent expires is widely understood; however, investors are probably much less familiar with a biosimilar and how it differs. Biosimilars are replicas of existing biologic drugs that produce very similar results to the original but are manufactured from different (yet similar) ingredients and processes. Because it leverages the datapoints from an existing drug, the FDA approval process is considerably shorter – lowering the R&D expenses to bring a drug to market and the overall retail cost. Biosimilars have been met with legal challenges in the US (not surprising given the strength of pharma lobbying groups), but they are much more widely accepted and adopted in Europe and positioned well to compete with US-based pharmaceuticals that are sold abroad. Specific to Sandoz, 80% of its sales are derived from outside the US; therefore, we felt that the company was much less exposed to US tariffs, should they be implemented. Aside from the operational efficiencies (and margin improvement) that Sandoz has developed as a standalone company, it has a deep pipeline of biosimilars coming to market over the next several years with the greatest opportunity being the production and sale of a GLP1 biosimilar intended to challenge the incumbents (i.e. Ozempic) at lower prices. Biosimilars carry greater margins than the company's legacy generics business and so we see a strong opportunity for margin growth over the next several years as the company's robust pipeline comes to fruition. In addition, the company has guided to an expanding dividend payout range over time. With a growing dividend and a forward Price to Earnings ratio of 14x, we believe the investment more than meets our criteria for the Blue Current portfolios.

INVESTMENT OUTLOOK

At the midway point of the year, the U.S. economy is performing well above earlier expectations and has been able to navigate a litany of financial and economic challenges. Whether the second half proves as durable as the first remains to be seen, but the U.S. economy deserves the benefit of the doubt; if we have learned anything it is that the U.S. possesses one of the most resilient economies in the world. We are still unable to assess the impact of tariffs, but historically they have tended to be stagflationary; they increase the likelihood of slower growth while putting upward pressure on prices. If history proves to be accurate, the Federal Reserve's dual mandate of maximum employment and stable prices will place them in a precarious position for the foreseeable future. Fed officials have ratcheted down growth expectations while raising their forecasts for both unemployment and inflation.

Appreciating the economic resilience, U.S. equities have performed well to start the year, albeit with higher volatility than what has been experienced in recent years. Right or wrong, equities have sniffed out that the current administration does not have the tolerance for sustainably high tariff rates and prolonged trade wars, despite the rhetoric that continually emanates from Washington. Calling the bluff, however, comes with consequences – specifically, heightened volatility should the administration decide to reaccelerate tariff rates and apply a hardline approach to discussions. We are seeing a glimpse of this at the time of this writing, giving pause to the summer equity market advance and pushing longer-term rates slightly higher. Our view remains that de-escalation is still the base case and that tariffs will be applied but at levels that broadly can be absorbed. With midterm elections around the corner, we also find it hard to believe that the administration will pursue an aggressive agenda capable of derailing the U.S. economy.

Despite the risks of a prolonged trade war, the outlook for international equities is brighter today than it has been for the previous decade. Germany, with the fourth largest economy in the world and the largest in the

EU, is ready to spend and spend they will. As highlighted earlier in this letter, Germany is preparing to spend €1.2 trillion over the next decade to revitalize the economy; this compares to a total GDP of around €4.4 trillion, so the numbers are meaningful, assuming the coalition government can get the benefits into the economy. The enthusiasm has propelled the German DAX (local equity market) to all-time highs, and this strength has benefited several positions in our portfolio, including our German financials (Allianz and Deutsche Bank). We continue to look for new investment opportunities in Germany and abroad, but we will remain patient, as current valuations reflect a healthy dose of optimism.

Our performance through the first half of the year has been driven by several secular growth drivers, including the benefit of higher global interest rates to major banks, as the financial sector is our largest allocation; the need for increased global defense spending, as the U.S. has made it clear that it is no longer the world's protector; and lastly, the continued spending on AI and related infrastructure. These three themes, along with the derivative benefactors, have been lucrative for our portfolios, and we are comfortable in our belief that they will continue this pattern through this year and perhaps into 2026. Despite our optimism, we have not turned a blind eye to the level of valuations; therefore, we continue to reduce exposures to companies with unjustified multiples and low dividend yields so that we can continue our tradition of delivering attractive risk-adjusted returns.

As most of our investors appreciate, we remain steadfast in our mandate to invest in companies committed to dividend growth, and we have benefited from several dividend announcements this year. A small sample of our portfolio companies, in no particular order, have committed to the following dividend increases: JP Morgan (+12%), Targa Resources Corp (+33%), Dick's Sporting Goods (+10%), Taiwan Semiconductor (+25%), and Deutsche Bank (+50%). Corporate balance sheets of large-cap multinationals remain healthy, and this attribute, combined with strong free cash flow, should continue to reinforce the portfolio's dividend growth potential as we head into the uncertainty of the second half.

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

Sincerely,

Dennis Sabo, CFA
Portfolio Manager

Harry Jones
Portfolio Advisor

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[1] (as of March 31, 2025), which include the assets managed by the Blue Current division of SCS ($700M) as well as assets within SCS but not managed 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.

[1] Total firm assets reflects total assets under management and assets under advisement as of 3/31/25

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.