Blue Current

BLUE CURRENT ASSET MANAGEMENT

Dividend Growth Strategies

2024 – Q3 Quarterly Letter

Blue Current SMA Strategies

2024 – Q3

Dear Investors,

Please see our updated performance numbers through the third quarter of 2024:

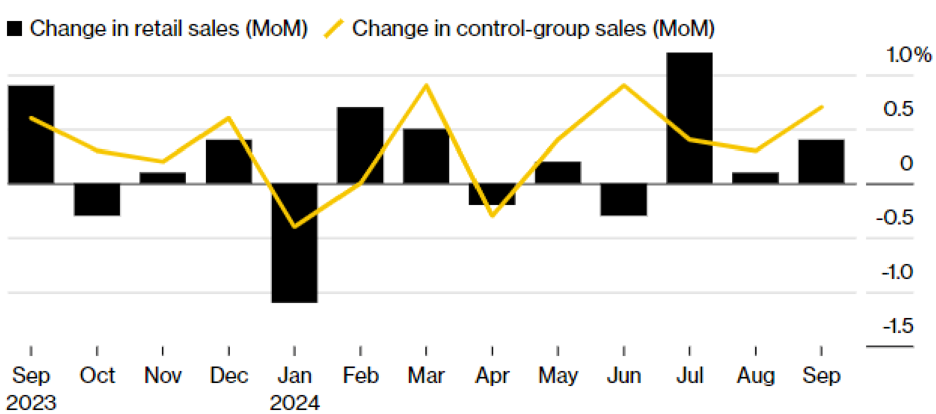
BLUE CURRENT STRATEGY PERFORMANCE	Q3-24	1-Year	3-Year	5-Year	10-Year	Since Inception through Q3-24	Inception Date
Blue Current Global Div Growth Composite (net)	**5.0%**	**29.2%**	**9.1%**	**10.1%**	**9.2%**	**10.4%**	**Jan-09**
MSCI World High Dividend Yield Net Index	*10.2%*	*22.6%*	*8.5%*	*8.1%*	*6.8%*	*9.3%*	
Blue Current US Div Growth Composite (net)	**6.4%**	**30.9%**	**11.2%**	**12.7%**	**9.4%**	**10.1%**	**May-14**
Russell 1000 Value Net Index	*9.3%*	*26.9%*	*8.3%*	*10.0%*	*8.5%*	*8.5%*	
Blue Current Intl Div Growth Composite (net)	**6.6%**	**21.3%**	**6.8%**	**NA**	**NA**	**7.6%**	**Apr-21**
MSCI EAFE Value Net Index	*8.9%*	*23.1%*	*8.9%*	*NA*	*NA*	*8.2%*	
S&P 500 International Dividend Aristocrats Net Index	*13.5%*	*26.5%*	*5.2%*	*NA*	*NA*	*5.2%*	

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.

Global Soft Landing Still Intact

Though we are early in the normalization of U.S. interest rate policy (there has only been a single 50bps reduction), the U.S. economy remains on sound footing through the third quarter, keeping the soft-landing scenario intact. Those looking for a recession are grasping at straws with very few data points supporting their thesis; we concede the consumer is facing a number of challenges stemming from inflationary forces, but we haven't seen any data that suggests capitulation. Below is the recent retail sales data, and while the consumer paused during the summer, we see renewed strength through the second half of the year. Consumer spending is a reflection of confidence in the labor market and labor statistics continue to exude stability in the overall outlook. Supporting the point, the Atlanta Federal Reserve's GDPNow forecaster suggests an acceleration of GDP growth throughout the late summer and early fall. Not everything is coming up roses as the manufacturing sector continues to struggle from weak auto sales, reduced existing home sales, challenges due to worker strikes (Boeing, for example), and reduced construction activity on account of higher rates, but other pockets of strength have been able to offset those pressures.

US Retail Sales Strength Continues



Source: Census Bureau

While the U.S. economy remains resilient, economic conditions across the eurozone are softening as we approach 2025. The European Central Bank (ECB) lowered interest rates an additional 25bps in early October, making this the third cut in 2024 with more expected as consensus predicts that the ECB has not completed the path toward monetary normalization. One of the biggest economic headwinds: the region's manufacturing slump reappeared in September, with a PMI reading of 48.9 signaling contraction after several months of expansion. Fortunately, the sluggish manufacturing sector has been more than offset by a robust year of tourism and services for the eurozone; however, there are now signs that even this growth engine has run its course – perhaps it's an Olympic-sized hangover. Offsetting these unknowns, unemployment statistics remain generally stable despite some pockets of weakening – rising unemployment in Germany's manufacturing sector being an example. Also important to the consumer, wage growth remains positive for the two largest European economies (France and Germany), providing some support to consumer purchasing, but from a longer-term perspective wages have not kept pace with the extreme rise in prices that has occurred since 2019.

There is a divergence of opinion as to whether the ECB is being too aggressive as inflation can be volatile, especially in a world that is deglobalizing, but we believe that inflation is not the long-term threat to the region. We contend that the eurozone should be emphasizing policies that lower the cost of capital, simplify business formation to attract talented labor, and develop pro-growth industries that can compete in an increasingly complex world. A recent article in the Financial Times suggested that R&D spending by European companies is 50% lower than it is in the United States and partly responsible for the widening innovation gap, even when the data is adjusted for sector differences (source: https://app.ft.com/content/13f04579-babf-4de9-9cdb-262500b66948). The three largest R&D spenders in Europe are Mercedes Benz, VW, and Siemens, which compares to Alphabet, Meta, and Microsoft in the United States. Narrowing the gap will be challenging given the existing political divide and other factors such as policy diverging from country to country, all of which continue to impede the region's growth. We would argue that the risks of falling technologically behind far exceed these differences and we hope that European leaders and regulators can make the necessary concessions to move forward.

We don't often write about Japan, but Japanese companies have become more prominent in our global and international portfolios over the past two years. The circumstances supporting investor interest in Japanese companies are unique to the country and reflect an improved sense of shareholder values. This renewal follows a multi-decade period of poor capital allocation decisions that resulted in too many wonky conglomerates that lacked synergies and had misaligned corporate interests. One of the best performing companies in our global and international portfolios (Hitachi) is emblematic of the recent shift in shareholder values in Japan. Hitachi has divested non-core assets and redeployed the capital via several strategic acquisitions over the past fiive years (one of the biggest being their acquisition of GlobalLogic), thereby transforming the company into a software and automation company with AI aspirations.

While Japanese companies streamline governance and efficiency, the Bank of Japan is moving against policy trends in other regions by raising short-term interest rates (to a paltry 25bps) but concurrently engaging in yield curve manipulation through targeted bond purchases to maintain a target yield level across the curve. In theory, this should allow the government to dampen inflation yet control borrowing costs at the long end – we have written about Japan's mounting debt issues in the past. This manipulation is not without its consequences as the yen remains volatile, creating challenges for investors and for local companies that rely on exports to drive revenue. Despite the cross currents of policy outcomes, Japan's GDP growth has been strong throughout 2024, and the local consumer continues to benefit from wage growth after decades of stagnation, pushing the balance of growth closer toward internal demand versus exports. Consensus is that Japan will remain hawkish in its policy implementation. We continue to look for new opportunities in Japan.

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

GLOBAL SMA

The consumer staples sector was the strongest contributor to quarterly performance (returning +15.5% / contributing 2.2%). The sector averaged 16% of capital during the quarter. Other top sectors include the financial services sector (returning +9.6% / contributing 1.9%) and industrials (returning +9.4% / contributing 1.2%). The largest detractors by sector include energy (returning -2.4% / detracting 0.2%), materials (returning -0.4% / detracting 0.2%), and technology (returning +0.0% / contributing 0.1%).

INTERNATIONAL SMA

The financial services sector was the strongest contributor to quarterly performance (returning +9.4% / contributing 2.1%). The sector represents approximately 23% of capital. Other top sectors include consumer staples (returning +11.6% / contributing 1.7%) and industrial (returning +6.2% / contributing 1.2%). The largest detractors by sector include energy (returning -1.8% / detracting 0.2%), healthcare (returning +0.6% / contributing 0.0%), and technology (returning +0.5% / contributing 0.1%).

U.S. SMA

The industrials sector was the strongest contributor to quarterly performance (returning +16.1% / contributing 3.1%). The sector represents approximately 19% of capital. Other top sectors include consumer staples (returning +9.2% / contributing 1.2%) and technology (returning +6.0% / contributing 1.1%). The largest detractors by sector include energy (returning -1.9% / detracting 0.2%), consumer discretionary (returning +10.5% / contributing 0.2%), and materials (returning +3.4% / contributing 0.1%).

Individual Contributors:

GLOBAL	bps	US	bps	INTERNATIONAL	bps
CONTRIBUTORS		**CONTRIBUTORS**		**CONTRIBUTORS**	
Raytheon Technologies	96	Raytheon Technologies	96	Unilever Plc	78
HCA Healthcare	67	HCA Healthcare	93	Singapore Telecom	75
Walmart	59	Lockheed Martin	71	Danone	70
National Bank of Canada	50	IBM	65	National Bank of Canada	60
Coca-Cola Company	48	Lennar	51	Allianz	54
DETRACTORS		**DETRACTORS**		**DETRACTORS**	
Stellantis	-44	Qualcomm	-35	ST Microelectronics	-54
Novo Nordisk	-32	Merck	-27	Shell Plc	-34
Qualcomm	-35	Schlumberger	-24	Mitsubishi Financial	-23
Merck	-27	Bunge	-18	Frontline	-15
BP	-24	Chevron	-14	Thales SA	-10

INVESTMENT OUTLOOK

While we expect market volatility to accelerate as we push through one of the most divisive elections in U.S. history, it's hard to imagine equity markets not closing the year with an exceptional return for investors. Much has been made about the dominance of companies like Nvidia and other technology peers, but even the "average stock" or equal-weighted S&P 500 Index is on pace for a solid double-digit return. Despite the flashy headline numbers not everything has worked in 2024; specifically, mid and small cap equities have lagged their large cap peers drastically, and outside the U.S. there have been the haves and have-nots. The dispersion of returns is the catalyst for active managers finding opportunities that exist away from the crowded and over-owned segments of the market.

Looking ahead to 2025, many of the same catalysts that were responsible for the strong gains of 2024 are likely to repeat. These trends would include solid economic growth, low unemployment, lower short-term interest rates courtesy of the Fed, and positive earnings growth at the corporate level. Generally, these tailwinds would be enough to keep equity prices grinding higher, but we concede that valuations at the top of the S&P 500 leave little room for additional upside and so we would dampen expectations for another strong year at least at the index level. More likely, investors will dig deeper into other sectors of the market that have more modest valuations and specific catalysts capable of surprising the analyst community. In our minds, this will lead investors toward favoring quality at a reasonable price and even deeper value opportunities that are undergoing business transformation or have other catalysts to unlock value.

Specific to our strategies, we continue to like pharma companies with drugs that address a broad set of illnesses including those in oncology and defense stocks that can supply NATO countries with much needed military and cyber infrastructure. Select industrial sectors have been out of favor in 2024 and could see benefits from improving industrial activity in the years ahead as the push toward deglobalization continues. The stocks of transportation and logistics companies have not participated in the recent rally, leaving many stocks trading at low and mid-teens multiples. Several 2024 trends are also likely to continue, and we are excited about data storage and infrastructure, demand for commercial airline travel, and consumer preferences for value shopping as wages have not kept up with inflation. Walmart has been one of our top-performing investments across the global and U.S. dividend growth strategies in 2024. While we don't invest in China directly, the plethora of stimulus announcements has us refocused on our companies that are domiciled in the U.S. and Europe but have meaningful revenue exposure to Asia. This includes various consumer staple and discretionary brands that are positioned to benefit from a strengthening Asian consumer after several years of softening trends.

From our perspective we continue to see investable opportunities across a wide range of sectors and trends.

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

Henry "Harry" M.T. 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 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 $6.4B (as of December 31, 2023) include the assets manager by the Blue Current division of Edge ($514M) 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. 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

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