Blue Current

BLUE CURRENT ASSET MANAGEMENT

Global Dividend Growth SMA

International Dividend Growth SMA

2024 – Q2 Quarterly Letter

Blue Current SMA Strategy

2024 – Q2

Dear Investors,

The Blue Current Global Dividend Strategy composite returned +3.1% (net) during the second quarter of 2024, improving the trailing one-year return to +17.8% (net). In comparison, the MSCI World High Dividend Yield Net Index returned -1.5% for the quarter and +9.3% for the trailing one-year return. Results are shown net of a 1% fee.

The Blue Current International Dividend Strategy composite returned +1.3% (net) during the second quarter of 2024, improving the trailing one-year return to +9.7% (net). In comparison, the S&P International Dividend Aristocrats Net Index returned +0.8% for the quarter and +7.7% for the trailing one-year return. Results are 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.

HEY LOOK KIDS, THERE'S BIG BEN, THERE'S PARLIAMENT

Those of you over the age of 40 will instantly recognize this quote from one of the great movies of the 1980s, *National Lampoon's European Vacation*. Being an American, Clark Griswold finds himself and his family unable to exit a London roundabout while sightseeing in the dense city, driving in circles for hours around the two famous landmarks. The movie is a parody of an American family's first time to Europe, where the culture, customs, and rules of the road are very different from those of their native Chicago. While the movie is approaching 40 years old, good comedy never goes out of style!

Tourism is booming this summer, and specifically tourism to Europe. The European Travel Commission estimates that European visitors are going to spend €800 billion in the EU in 2024, roughly 14% higher than a year ago, with much of the benefit accruing to Southern and Eastern Europe. To put that number in perspective, the estimated GDP of the Eurozone is $16 trillion, and for many countries tourism represents the largest contributor to growth. As the commission measures, inbound spending has brought the most benefit to Spain, Greece, Italy, and France. The region hasn't let the opportunity slip by as local governments have found clever ways to levy tourism taxes and raise rates for tourist-facing services such as restaurants and hotels. In preparation for the Olympics, Paris increased the nightly tax rate that hotels charge by 200% for 2024. Tax collection has gone litigious as well. Airbnb was sued and agreed to a $620 million settlement with the Italian government for failure to collect and remit taxes on rental income collected in the country. The tourist impulse has been so strong that we hear and read stories of local businesses being frustrated with the continued stream of visitors and the inability to effectively staff for demand. This is a good reminder of how short collective memories can be after what has ensued over the past five years.

For the moment, Europe has a lot to be excited about and we hope the extra tax revenue is put to good use, specifically addressing the region's continued fiscal deficits, but we suspect that won't be the case. The surge in tourism will run its course eventually and there will be concern that the growth rate will return to the low levels experienced prior to the pandemic. Two of the chronic growth problems that have plagued Europe relative to the United States have been the region's low productivity levels (somewhat determined by the region's overweight to low productivity sectors) and the lack of policy coordination across the region. We found a great editorial authored by the IMF's Alfred Kammer on Europe's growth challenges, located here: Kammer on Growth Challenges

The challenges are secular and could take years to address, assuming there is the desire for change, but Europe has some unique advantages that could be exploited to its benefit, including immigration and its geographic position between China and the United States. Despite the structural headwinds, from a bottom-up perspective, we have found great investment opportunities in European equities. An advantage that we possess as a global manager is the ability to find great companies around the globe. Recent examples include companies such as Novo Nordisk (Denmark, pharmaceuticals), LVMH (France, fashion), RELX (United Kingdom, technology), ASML (Netherlands, technology), and AstraZeneca (United Kingdom, pharmaceuticals). We tend to favor multinationals, regardless of region, and have been successful in identifying the global growth companies across Europe and the United Kingdom.

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 information technology sector was the strongest contributor to quarterly performance (returning +11.8% / contributing 1.5%). The sector averaged 16% of capital during the quarter. Other top sectors include consumer staples (+5.0% / contributing 0.6%) and industrials (+6.6% / contributing 0.4%). The largest detractors by sector include consumer cyclicals (-14.8% / detracting 1.1%), materials (-3.2% / detracting 0.1%), and healthcare (+2.0% / contributing 0.3%).

INTERNATIONAL SMA

The technology sector was the strongest contributor to quarterly performance (returning +4.4% / contributing 0.9%). The sector represents approximately 14% of capital. Other top sectors include industrials (+3.8% / contributing 0.7%) and healthcare (+16.0% / contributing 0.6%). The largest detractors by sector include consumer cyclicals (-1.0% / detracting 0.1%), materials (+2.7% / contributing 0.1%), and financials (+1.8% / contributing 0.3%).

Individual Contributors:

GLOBAL	bps	INTERNATIONAL	bps
CONTRIBUTORS		**CONTRIBUTORS**	
HITACHI	76	HITACHI	96
BROADCOM	45	TAIWAN SEMI	58
ASTRAZENECA PLC	44	ASTRAZENECA	56
TARGA RESOURCES	41	UNILEVER	39
WALMART	39	DBS GROUP	37
DETRACTORS		**DETRACTORS**	
STELLANTIS	-62	PORSCHE AG	-59
PORSCHE AG	-34	VINCI	-53
DAIKIN INDUSTRIES	-29	LVMH	-42
SCHLUMBERGER	-29	ST MICRO	-32
DICKS SPORTING GOODS	-16	ACCENTURE	-20

INVESTMENT OUTLOOK

Developed markets have been benefiting from Goldilocks conditions, which we define as falling inflation due to the rebalancing of supply and demand fundamentals occurring within a sound global economy that continues to thrive despite higher interest rates. That's not to say that there haven't been a few casualties. Real estate conditions have been abysmal, and regional banks continue to struggle with low loan demand and duration mismatches within the securities portfolio. Aside from these two, other sectors of the market are proving more durable and insulated from higher rates than one would have thought. Perhaps the strong balance sheets of large capitalization, publicly traded companies have shielded them from the impact of higher rates. Even the consumer, who generally is sitting on significant home equity and benefiting from low unemployment, has navigated well so far. Rather than falling prey to higher rates, the economy may falter due to plain ol' consumer fatigue, an Achilles heel that has fathered many economic slowdowns over history. To date, higher rates have not deterred consumer spending. Consumers have been spending hand over fist on services, and before that they spent the bank (and government stimulus) on goods, but how much gas does the consumer have left in the tank? We don't think it's much. We think services spending is about to exhaust itself - airlines are already confirming that reversal and restaurant volumes are starting to roll over. Taking the baton, spending on goods is likely to accelerate during the second half but is likely not enough to offset the decline in services, and so we think overall spend will start to decline in the second half. This doesn't signal a recession, but it does suggest that overall economic growth will be slower, and this should drive additional sector rotation in the stock market. We have intentionally reduced our exposure to consumer discretionary companies.

With the release of June's inflation data, it's looking more likely that the Fed will cut rates at least once before the calendar turns to 2025. Lower rates will help the share prices of several sectors, including banks, home builders, and any real estate asset from office to multifamily. Lower rates are already being priced by the market, but it will likely take several additional rate cuts and time before we see a positive impact on fundamentals. As stock pickers, however, we skate to where the puck is going, and so have added selective exposure to financials and a home builder over the summer.

Despite our enthusiasm for AI and its associated impact on other sectors of the market (such as semiconductors), we think valuations have pulled forward demand and that the sector may be ahead of itself. This view has become closer to consensus over the past few weeks as investors have begun rotating away. Specific to Blue Current, the few technology stocks that we own have generated spectacular returns for investors, and not just this year but rather over several years. This specific basket of stocks now represents the most expensive stocks across our portfolios and has the lowest yields, often well below 1%. This, combined with the fact that investors don't need to (and shouldn't) pay active management fees to own the largest companies within any major index, has compelled us to take profits in some long-standing positions and to reallocate this capital to other opportunities – investors should not lose sight of the fact that the rest of the market continues to be valued very reasonably and offers higher yields than the technology sector. Technology will continue to be a major investment allocation in our portfolios: the sector is flush with cash, possesses strong balance sheets, and is shareholder friendly, but it may occupy less capital than over the past two years.

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

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 $38.9B (which represents the December 31, 2024 assets under management of SCS and Edge Capital Group LLC pre-February 1, 2025 merger) include the assets managed by the Blue Current division of SCS ($514M) 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.