Blue Current

BLUE CURRENT ASSET MANAGEMENT

Dividend Growth Strategies

2024 – Q4 Quarterly Letter

Blue Current SMA Strategies

2024 – Q4

Dear Investors,

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

BLUE CURRENT STRATEGY PERFORMANCE	Q4-24	1-Year	3-Year	5-Year	10-Year	Since Inception through Q4-24	Inception Date
Blue Current Global Div Growth Composite (net)	**-2.8%**	**15.2%**	**6.0%**	**8.3%**	**7.7%**	**9.1%**	**Jan-09**
MSCI World High Dividend Yield Net Index	*-5.8%*	*8.0%*	*3.9%*	*5.4%*	*6.4%*	*8.7%*	
Blue Current US Div Growth Composite (net)	**-2.9%**	**16.5%**	**6.9%**	**10.5%**	**9.7%**	**9.6%**	**May-14**
Russell 1000 Value Net Index	*-2.1%*	*13.7%*	*5.0%*	*8.0%*	*7.7%*	*8.1%*	
Blue Current Intl Div Growth Composite (net)	**-6.2%**	**5.2%**	**3.7%**	**NA**	**NA**	**5.3%**	**Apr-21**
MSCI EAFE Value Net Index	*-7.1%*	*5.7%*	*5.9%*	*NA*	*NA*	*5.6%*	
S&P 500 International Dividend Aristocrats Net Index	*-7.0%*	*5.5%*	*2.0%*	*NA*	*NA*	*2.8%*	

The Global Composite and US Composite performance is 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.

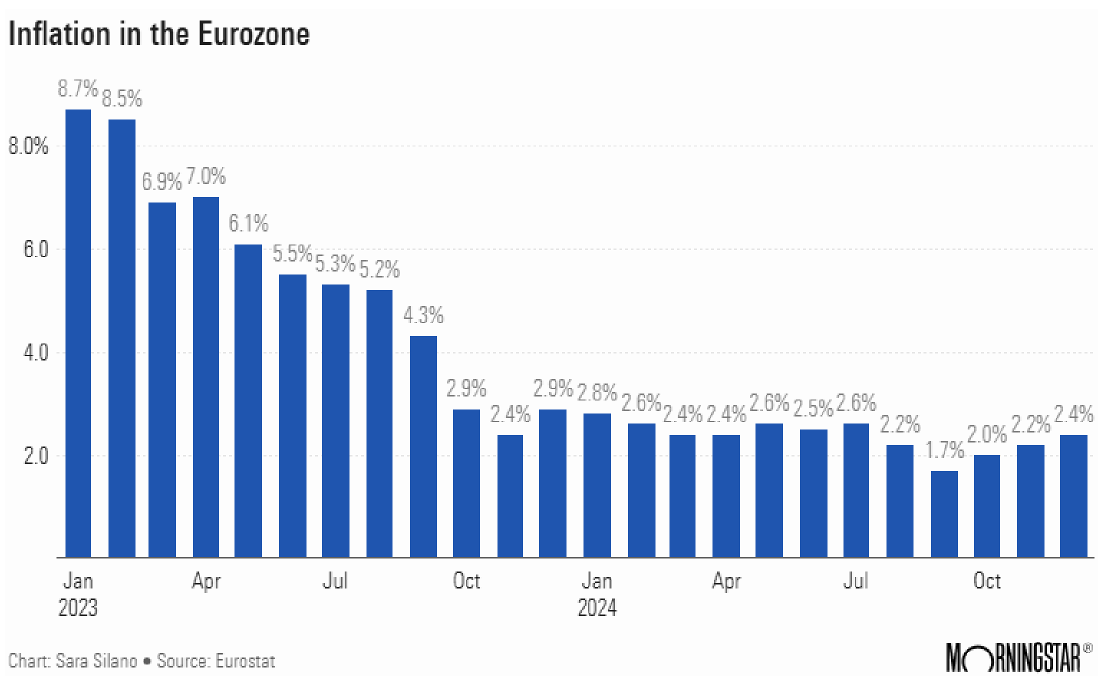
SNEAKY INFLATION

Before getting into the details, we want to recognize our investors who reside in Los Angeles and the surrounding areas and have been impacted by the terrible wildfires. Our thoughts and prayers are with all of you.

The US economy continues to show its resilience versus its international peers, a trend that we think will continue through 2025. Whether you follow lagging payroll data (ADP or the Bureau of Labor Statistics' non-farm payrolls) or emphasize leading indicators such as the Job Openings and Labor Turnover Survey or the BLS's weekly jobless claims releases, the US economy continues to march forward and remains the envy of the world. The behavior of the US consumer reflects the payroll data as consumers continue to spend. Retail sales showed continued growth in October and November and early holiday spending numbers indicate that consumer outlays in December advanced by more than 4% according to the US Commerce Department. There are some early indications of consumer fatigue, mainly available via credit card data, but not yet to the extent that a broader and bearish call can be made.

While the headline numbers suggest an optimistic consumer, it is important to recognize that spending growth could be largely fueled by higher prices for the same items as opposed to consumers buying more items. Inflation is distorting, and we know that it remains a considerable and stubborn problem and could worsen over the coming months. Government-released statistics are what the financial world follows but we recognize that they are often adjusted, rebased, and sometimes politically manipulated, obfuscating what we all see in our daily lives. We applaud our friends at Strategas for their calculations of a "Common Man CPI [Consumer Price Index]" which includes items that Americans must have such as food, energy, shelter, clothing, utilities, and insurance. The information suggests that the price increases of these items have exceeded the government-released CPI statistics in 42 of the prior 47 months. Specific to food and according to NielsenIQ, the price of cooking oil has increased by 54% from 2020 to 2025, the price of eggs by 65%, and the price of ramen noodles by 74%! Americans are feeling the pressure, and wage growth, while above average in recent years, has not kept pace with skyrocketing inflation. Unfortunately, there are no easy answers on this front, and we fear that food prices will continue to move higher as natural catastrophes, including drought, pressure the food supply, trade tariffs lift prices for imported commodities (i.e. coffee from Brazil), and deteriorating sanitary conditions lead to livestock diseases such as the avian flu. The net results are a notable decline in the food supply and higher prices throughout the supply chain that are eventually borne by the consumer. To pinch pennies, consumers are clearly trading down, and it is no surprise that Walmart was one of our top-performing stocks in 2024 and remains one of our top five positions entering 2025. Addressing the "Common Man CPI" problem will be paramount for the incoming administration.

Headline inflation is somewhat more subdued in Europe but continues to hover slightly above 2%, with the latest reading coming in at 2.4% in December, higher than the 2.2% reading in November and its highest level in five months. Core inflation has remained consistent over the past several months as it strips out volatile food and energy prices. There is a wide variance in the data from country to country; France's CPI rate is well below 2%, while Germany's rate is above, and the highest levels of inflation (north of 4%) reside in Eastern Europe. The differences highlight just one of the challenges the ECB faces in trying to set interest rate policy for such a vast region with notable economic and political distinctions; however, we do believe that the ECB is taking the right steps in continuing to lower interest rates. We expect another interest rate cut at the January 30th meeting.



We will see whether additional rate cuts contribute to incremental economic growth, but the current consensus forecast for GDP growth in the region is roughly 1% in 2025. Like 2024, Southern Europe is expected to show economic growth above trend (Spain and Italy continue to benefit from tourism growth) while other countries, such as Germany, are still expected to struggle. With its concentration in automobile and truck manufacturing, Germany's industrial economy remains underutilized and continues to struggle with rightsizing to address a more competitive environment. Representing Germany's metal workers and one of the largest trade unions in the world, IG Metall, continues to struggle with the country's loss of competitiveness and is desperately looking for answers - even suggesting that the country consider inviting Chinese automobile OEMs to establish a manufacturing presence in Germany. Who would have thought?

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

The fourth quarter proved to be more challenging than we expected, and the US election had a tremendous impact on our global universe of stocks. We saw the biggest response to the Trump victory in the value of the dollar relative to other currencies; in fact, over the 13-week period ending on December 31, the strengthening of the US dollar was in the 95th percentile of any 13-week period going back more than 40 years of market history. Over the quarter, the dollar strengthened 8% against the euro, 7% against the sterling, and 8% against the yen. With just over 40% of our global portfolio invested abroad, there was a considerable currency headwind to end the year as we report performance in US dollars. To compound the challenges, many foreign equity markets were weak in the quarter due to fears of tariffs and economic softening. While the S&P 500 returned +3%, the CAC 40 Index (France) declined 4% and the UK FTSE Index declined 1%.

The portfolios also experienced acute pressure on several sectors including healthcare, industrials, and materials over fears of implications of certain political cabinet selections and trade tariffs impacting both the price of and access to commodities.

CONTRIBUTORS BY SECTOR					
GLOBAL	bps	US	bps	INTERNATIONAL	bps
CONTRIBUTORS		CONTRIBUTORS		CONTRIBUTORS	
Financials	260	Financials	250	Information Tech	37
Information Tech	140	Information Tech	110		
DETRACTORS		DETRACTORS		DETRACTORS	
Healthcare	-170	Healthcare	-150	Industrials	-170
Industrials	-95	Industrials	-100	Consumer Staples	-140
Materials	-50	Materials	-50	Healthcare	-110

CONTRIBUTORS BY SECURITY					
GLOBAL	bps	US	bps	INTERNATIONAL	bps
CONTRIBUTORS		CONTRIBUTORS		CONTRIBUTORS	
Broadcom	116	Broadcom	128	Taiwan Semiconductor	53
Mitsubishi Finance	82	JP Morgan	70	Mitsubishi Finance	50
Targa Resources	67	Targa Resources	67	DBS Group Holdings	31
JP Morgan	66	Morgan Stanley	60	Enbridge	17
DBS Group Holdings	55	Digital Realty	43	EssilorLuxottica	13
DETRACTORS		DETRACTORS		DETRACTORS	
HCA Healthcare	-77	HCA Healthcare	-72	Frontline	-94
Frontline	-60	Lennar	-68	AstraZeneca	-74
Lennar	-55	Frontline	-65	Nestle	-65
Freeport McMoran	-48	Lockheed Martin	-53	Unilever	-46
Johnson & Johnson	-35	Freeport McMoran	-50	Daikin Industries	-52

INVESTMENT OUTLOOK

Heading into 2025, it is hard not to be optimistic about the US economy and the continued growth of corporate profits. As we have shown in this letter, the US economy is on sound footing, and the biggest contributor to the economy, the US consumer, continues to spend, although we acknowledge that inflation remains a problem. Concurrently, companies continue to reinvest in the US, and this is strongest in the technology sector where companies are aggressively investing in data centers and semiconductor manufacturing. In 2020, Taiwan Semiconductor announced a $65 billion investment to construct three new fabrication plants in the US, with the goal of diversifying the company's manufacturing base outside Taiwan. The construction of these fabs generates tremendous economic inertia, creating demand for raw materials, machinery, jobs, housing, and all the associated supportive services, such as restaurants and fuel stations. The amount of capital flowing into the launch of AI, including data center construction, is multiples greater than just this single example. The trend of bolstering US investment is not a local phenomenon either; the Financial Times recently published an article on the strength of Foreign Direct Investment (FDI) in the US as compared to other regions, citing that the percentage of foreign-sponsored projects to be developed in the US expanded to 14.3% of reported projects over the trailing 12-month period, up from 11.6% a year earlier. Meanwhile, the United Kingdom, Germany, and China all have experienced declines over the same period. https://www.ft.com/content/38c1687a-dba5-4442-a7e6-5ec0e0b0ac5b

We are also optimistic about the prospects of deregulation and its impact on economic growth. History has shown that when an industry deregulates, whether it be telecom, utilities, energy, or banking, capital generally flows into the industry to create new opportunities for growth. Deregulation is not an immediate boost to growth, but it is a long-term tailwind that should promote additional investment alongside the other factors we have mentioned.

The outlook for Europe in 2025 is less sanguine than in the US, as the region has not benefited from the same level of economic growth or enthusiasm for companies to reinvest for future growth. The region must find a way to make friends with the incoming US administration to avoid tariffs on European exports to the US and establish itself as a trade and political ally. Strategically, Europe cannot afford to dismiss the US, as the region is becoming dependent on US energy exports (LNG) and rationally, the US, despite the recent tariff threats, is a much more viable energy partner than Moscow. The cost of natural gas has already increased more than 40% since a year ago and many countries are now reporting below average gas reserves with much of the winter still to come. The cost of a US alliance may be higher defense spending across NATO, but that could be a small price to pay if Europe has long-term access to US-sourced LNG.

Europe’s fiscal and political challenges create the opportunity for active stock pickers to identify mispriced investments that have been dismissed because their headquarters happens to have an EU address. As we continually remind our investors, European indices, comprised of hundreds of stocks, may not be an attractive investment for most, but we can identify 30 to 50 stocks across 12 different countries (including parts of Asia such as Japan) that are wonderful investments. Several of these, including Hitachi, RELX, and Taiwan Semiconductor have been our top performers in recent years. From what we can see in the analyst community, we would summarize European (ex-UK) expected earnings growth to be in the mid-single-digit range, representing about 40% of the level of growth expected from the S&P 500. It is not an apples-to-apples comparison, as sector weights within the two indices are materially different, with cyclical industries (industrials, consumer, and energy) having much higher representation in Europe. The best point we can make on this topic is that the industrial sector has more than twice the weight of the technology sector in the MSCI Europe Index. The catalysts for European equity outperformance at the index level are a strong global industrial base, commodity inflation, and solid demand from emerging markets that absorb European exports. While only a few weeks into the new year, we are seeing strong performance from cyclical and value stocks, but it is too early to know whether this trend will persist.

In our last quarterly letter, we highlighted several themes that we are excited about in 2025 and will try to capture across our three portfolios. These themes include the continued investment in data and AI (despite the recent DeepSeek announcement), re-armament via higher defense spending, deregulated capital markets, infrastructure and transportation, select healthcare companies with breakthrough drugs, and improved spending by the Asian consumer. In summary, we continue to see lots of investment opportunities around the globe.

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

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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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.

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