



## **Sapphire Star Capital Mid Cap Strategy Q3 2023**

### **Commentary**

The third quarter of 2023 was a challenging period for the mid cap space as measured by the Russell Mid Cap Index, which declined by 5.08%. This decline was attributed to the “gravitational pull of higher yields” which impacted risk assets. The surge in yields over the third quarter was attributed to “higher for longer” Fed rhetoric, regarding future Fed funds rate policy. However, despite these short-term challenges, there are reasons for optimism. While higher yields present an impediment to stocks and bonds, they also create opportunities for long term investors, particularly in mid cap stocks.

### **Portfolio Review**

The Sapphire Star Mid Cap Strategy suffered along with the rest of the mid cap market during the soft 3<sup>rd</sup> quarter, declining by (5.91%) net versus a loss of (5.22%) for the Russell Mid Cap Growth Index and a loss of (5.08%) for the Russell Mid Cap Index. The three sectors that aided relative performance included health technology, distribution services, and financials. The three sectors that hindered relative performance the most included consumer services, retail trade, and health services. From a holding’s perspective, Super Micro Computer Inc. +10.02%, LPL Financial Holdings +9.45%, and Boise Cascade +14.25% contributed the most to positive absolute performance. Dick’s Sporting Goods (17.14%), Novanta Corporation (22.09%) and Allegro MicroSystems Inc. (29.24%) hindered absolute portfolio performance the most during the quarter. By the end of the quarter electronic technology, producer manufacturing, and finance continued as the three highest weighted sectors and consumer non-durables, process industries, and health service were the three sectors with the smallest representation in the strategy.

### **Looking Forward**

Despite this short-term negative fluctuation, the index has shown strong resilience over the years. It’s natural for markets to experience periods of volatility and as investors it’s important to remember that investing in mid cap stocks is considered a long-term strategy. The mid cap market is regarded as the sweet spot of the market spectrum, providing historically less volatile return streams than the small cap market segment and has produced strong historical value over the large cap market segment and over the long term.

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In conclusion, while the third quarter presented many challenges, it's important to remember that market fluctuations are a normal part of investing. Looking forward, we believe that the

mid cap space continues to offer potential for growth and diversification. Stay positive and keep an eye on the long-term horizon!

As always, we welcome any questions or concerns that you have and thank you for confidence in the Sapphire Star Mid Cap Strategy.

Regards,

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