



## Covered Call Strategy

### Manager Profile

**Michael J. Borgen**  
Founder & Chief  
Investment Officer



University of Nevada  
M.S., Economics  
B.S., Finance

Over the preceding two decades, Michael has researched, constructed, and managed a variety of systematic equity and equity derivative strategies, ranging across the market capitalization spectrum, first while with Navellier & Associates, as a Senior Portfolio Manager, and currently at Sapphire Star Capital.

### Investment Process

Sapphire Star Covered Call portfolios are based on the “buy-write” approach to investing in the equity markets. The buy-write strategy involves the simultaneous purchase of equity securities and the writing of call options on these same securities and the subsequent collection of the call premium income. The Sapphire Star strategies combine the innovative Sapphire Star Large Cap Core Tactical strategy with a buy-write option overlay. Because the U.S. markets are expansive, most stocks have monthly options, giving the strategies flexibility. The option selection process focuses on contracts that are “close-to-the-money” and seeks the highest amount of income possible (the target range is 0.10% - 1.00% per month). The expiration dates of the calls are out to 9 months for the portfolio. An objective of this strategy is to generate income (via the call premiums and dividends) and to limit the volatility of the portfolio. Volatility can be lowered due to the portfolio’s ability to hold higher levels of cash, up to 50%, when conditions warrant.

### Recent Performance

	Sapphire Star Covered Call Income (Net) Wrap Composite	Russell 1000 <sup>®</sup> (65%) / 3-Month T-bill (35%) Return (%)
Q2 2024	-0.17%	2.81%
Year-to-Date	7.17%	10.1%

### Strategy Highlights

The Sapphire Star Covered Call Strategies utilize a strategy of buying stocks and the simultaneous writing call options against them (also know as a “buy-write” strategy).

We offer two portfolio styles either a fully-diversified version (20 - 30 positions) or a concentrated version (8 - 15 positions).

Two major objectives of the portfolios are the ability to generate income (via premiums earned on the calls and the dividends) and to limit overall portfolio volatility.

The portfolios typically consist of well-known companies spanning the market capitalization range. In addition, the portfolios seek companies with low debt levels and high dividends.

The call premium goal is 5 - 8% per year for the Income portfolio.

Many stocks contained in the portfolios pay dividends, generating additional income.

In a further attempt to limit volatility of the portfolios, a higher level of cash can be held (up to 50%) if conditions warrant.

### Benefits of Covered Call Strategies

Sapphire Star developed the Covered Call Strategies with three principal purposes:

- 1) Provide investors with the ability for capital preservation
- 1) Provide investors with an additional source of income,
- 2) Provide investors with moderate upside equity appreciation potential

As such, we believe the portfolios should be viewed in terms of how well they meet these criteria for the investor and not whether the portfolio beats a particular benchmark. The benchmark used for the portfolios was chosen because it most closely approximates what the portfolio is intended to do, not as a number to be beaten.

**Past performance does not guarantee future results; investment in equity strategies involves substantial risk and has the potential for partial or complete loss of funds invested. Results presented include reinvestment of dividends and other earnings. See GIPS Performance Report on the last page of this document**



## Covered Call Strategies

## Performance Returns

	Sapphire Star Covered Call Income (Net) (Wrap Composite)	Russell 1000® (65%) / 3-Month T- bill (35%) Return (%)
<b>Annualized Returns: through 06/30/2024</b>		
Year-to-Date	7.17%	10.1%
Trailing 1 Year	14.20%	17.24%
Trailing 3 Year	6.39%	7.09%
Trailing 5 Year	8.50%	10.67%
Trailing 10 Year	6.41%	8.93%
<b>Calendar Year Returns</b>		
2023	12.35%	18.78%
2022	-4.59%	-11.84%
2021	16.51%	16.75%
2020	7.53%	15.02%
2019	15.84%	20.60%
2018	0.87%	-0.22%
2017	11.57%	14.00%
2016	3.74%	8.00%
2015	-4.62%	0.88%
2014	6.75%	8.59%
2013	9.36%	20.63%
2012	7.86%	10.62%
<b>Quarterly Returns</b>		
6/30/24	-0.17%	2.81%
3/31/24	7.35%	7.10%
12/31/23	6.87%	8.18%
9/30/2023	-0.28%	-1.57%
6/30/2023	3.15%	5.98%
3/31/2023	2.23%	5.26%
12/31/2022	-4.59%	-11.84%
9/30/2022	-2.68%	-2.73%
6/30/2022	-11.51%	-10.94%
3/31/2022	0.54%	-3.22%
12/31/2021	5.77%	6.32%
9/30/2021	-0.88%	0.18%
6/30/2021	3.17%	5.51%
3/31/2021	7.82%	3.89%
12/31/2020	7.04%	8.80%
9/30/2020	4.19%	6.17%

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## Covered Call Strategies

Portfolio Highlights  
Covered Call Income

5-Yr Beta (Relative to S&amp;P 500) 0.61

5-Yr Standard Deviation 11.86%

5-Yr Beta (Relative to Russell  
1000(65%)/3 Month T-Bill (35%)) 0.90Portfolio Highlights  
Covered Call Strategy

Forecasted PE 7.53

Average Market Cap (\$ billion) 505

Median Market Cap (\$ billion) 234

Average Dividend Yield 2.2

Average Number of Holdings 26

Sector  
Weights

1. Energy Minerals

2. Finance

3. Electronic Technology

4. Technology Services

5. Health Technology

6. Retail Trade

7. Transportation

8. Consumer Services

9. Consumer Non-Durables

10. Consumer Durables

Top 10 Stock Holdings  
Covered Call Model

1. Microsoft Corporation

2. Apple Inc.

3. American Express Company

4. Exxon Mobil Corporation

5. Union Pacific Corporation

6. Chevron Corporation

7. Phillips 66

8. McDonald's Corporation

9. Walmart Inc

10. JP Morgan Chase &amp; Co.

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