



## Sapphire Star Capital Mid Cap Strategy Q3 2024

### Commentary

In the third quarter of 2024, the United States economy had continued to exhibit signs of stability and resilience, with GDP growth slightly decelerating to an annualized rate of 2.8%. In contrast to the second quarter, the third quarter witnessed a slowdown in real GDP, largely due to a decline in private inventory investment and a steeper drop in residential fixed investment. However, these downward trends were partially counterbalanced by increases in exports, consumer spending, and federal government expenditures. Additionally, imports showed an uptick.

The performance of the Russell Mid Cap Index for the third quarter was notable, registering a gain of 9.21%. Meanwhile, the Russell Mid Cap Growth Index recorded a third-quarter performance of 6.54%. Year-to-date, the Russell Mid Cap Index achieved a performance of 14.63%, whereas the Russell Mid Cap Growth Index has shown a year-to-date performance of 12.91%.

### Portfolio Review

- **Performance Comparison in Q3 2024:**
  - The **Sapphire Star Mid Cap Strategy** trailed our benchmarks, gaining 3.42% net. This miss was primarily driven by several previous winners correcting and giving back previous gains.
- **Top-Performing Sectors:**
  - Industrials, Health Care and Consumer Discretionary, performed well and aided portfolio performance during the quarter.
- **Underperforming Sectors:**
  - Technology, energy and materials sectors detracted from relative performance during the quarter.
- **Contributors to Absolute Performance:**
  - Palantir Technologies 46.86%, Howmet Aerospace 29.25%, and Quanta Services 17.38% drove absolute performance.
- **Detractors from Absolute Performance:**
  - Super Micro Computer (49.18%), e.l.f. Beauty Inc. (48.26%) and Amkor Technology (23.33%) detracted the most during the quarter.
- **Sector Weightings:**
  - Overweight sectors: Industrials, finance and material.
  - Underweight sectors: Health Care, consumer discretionary, and consumer staples.

7826 Leary Way NE  
Suite 201  
Redmond, WA 98052  
Phone: 425.576.4083



## Looking Forward

For long-term investors, mid cap stocks remain particularly promising due to several factors:

- Exposure to Domestic Growth: These stocks are typically more focused on the domestic market, which can be a source of robust growth.
- Innovative Capabilities: Mid cap companies are often in a prime position to innovate, pivot, and adapt to new market trends and demands.
- Mergers and Acquisitions Potential: There's always the possibility of M&A activity, which can unlock value for shareholders.

The investment strategy remains centered on the identification of high-quality businesses. These are companies that not only have developing competitive advantages and strong balance sheets but also trade at attractive valuations.

In conclusion, economic indicators and market performance from the third quarter of 2024 point toward a cautiously optimistic outlook. Quality investments remain a priority, the Federal Reserve's interest rate decisions as well as the outcome from the United State general election will be pivotal in shaping the market landscape moving forward.

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

Regards,

Michael J. Borgen  
Founder & CIO  
Sapphire Star Capital LLC

Meghan N. Chicoine CCO  
COO / CCO  
Sapphire Star Capital LLC

### **Important Disclosures:**

***Sapphire Star Capital LLC is a registered investment adviser and the information contained herein has been prepared by Sapphire Star Capital LLC. Such information is obtained from and based upon sources believed to be reliable, but accuracy cannot be guaranteed. Sapphire Star Capital LLC and its affiliates and representatives disclaim all liability for any inaccuracies and omissions contained in these materials. All opinions and estimates constitute Sapphire Star's judgement as of the date of the creation of these materials and are subject to change without notice. The information presented is not intended to be an offer of solicitation for the sale or purchase of any securities, investments involve risk and are not guaranteed. Any decision to purchase securities mentioned herein must consider existing public information on such security. Projections contained herein are based on a variety of estimates and assumptions and there can be no assurance that the assumptions made in connection with the projections will prove accurate, and actual results may differ materially. Past performance is not indicative of future results.***

7826 Leary Way NE  
Suite 201  
Redmond, WA 98052  
Phone: 425.576.4083