



## Sapphire Star Covered Call Strategy Q4 2024

### Commentary

As the election approached in the fourth quarter, the equity markets grew increasingly jittery. However, following the election, investor confidence surged, driving the market significantly higher for the quarter eventually giving up some ground at the end of the quarter and year. The key highlights are below:

- **Federal Reserve Rate Cut:** The Federal Reserve initiated a new easing cycle with a quarter-percent rate cut during the December Federal Open Market Committee meeting bringing the target rate to 4.25% - 4.50%. This move was aimed at supporting economic growth and was well received by the markets, enabling them to drive higher.
- **Ebbing Inflation:** Economic data indicated that inflation pressures are abating, which boosted investor confidence. Soft readings on employment and inflation suggested that price pressures were meaningfully decreasing.
- **Market Rotation:** There was a notable rotation in market leadership with small-cap stocks and value stocks outperforming the previously dominant big tech and growth stocks. This shift in market dynamics contributed to the overall market rally.
- **Economic Moderation:** While there were fears of a recession due to a jump in the unemployment rate, the broader trend indicated an economy that was moderating with healthy growth intact.

### Portfolio Review

The fourth quarter of 2024 saw the Sapphire Star Covered Call Strategy give up a bit of ground declining (0.61%), while maintaining a double digit return of +10.90% for our investors. During the quarter, American Express +9.71%, Apple Inc. +7.59%, JPMorgan Chase & Co +14.35% aided the strategy, while Amgen (18.46%), Phillips 66 (12.57%) and Union Pacific (6.95%) were the main detractors from performance during the quarter.

### Looking Forward

We expect that forthcoming economic data will demonstrate a reduction in inflationary pressures, thereby bolstering investor confidence even if it takes longer than initially anticipated. Despite concerns of a potential recession due to an uptick in the unemployment rate, we maintain that the overarching trend will reveal an economy that is stabilizing with sustained healthy growth.

Moving forward, our focus remains on consistently achieving a high collection rate of call premiums written against our holdings, while balancing these positions against the probability of equity growth rates positively impacting the fund's total return. We foresee this call premium yield continuing to enhance our overall portfolio performance as the bull market in equities continues.

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In summary, while challenges persist, a sense of cautious optimism prevails as investors navigate the evolving economic landscape. Monitoring key developments is essential, as market dynamics can shift rapidly.

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

Regards,

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