



## **Sapphire Star Covered Call Strategy Q1 2025**

### **Commentary**

Although the implementation of the tariffs represents a notable shift in trade policy and indicates significant change, promising higher sustainable future growth, the actual outcomes remain to be seen. It is imperative to acknowledge the challenges our clients have faced in recent months. Many have endured financial hardships and uncertainties that have profoundly affected their lives and businesses. We empathize deeply with the struggles as we feel them too and remain committed to providing support through these turbulent times.

- Despite these difficulties, as of this writing, there exists a silver lining: Apple's (AAPL) share price has increased over the past year, from \$165.00 on April 19, 2024, to \$193.12 on April 21, 2025.
  - This rise is a testament to the resilience and adaptability of the market, offering a glimpse of hope and stability. Due to this gain, Apple has grown into the largest holding in the strategy.
- 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. Additionally, prospects for a June cut have increased substantially, which should also encourage growth.
- Ebbing Inflation: Economic data indicated that inflation pressures are abating, which boosted investor confidence. Recent positive readings on employment and inflation suggested that price pressures were meaningfully decreasing.

### **Portfolio Review**

In the first quarter of 2025, the Sapphire Star Covered Call Strategy achieved a net gain of 1.03%. This positive performance was driven by significant returns from Exxon +11.58%, American Electric Power Company +19.57%, and Intel Corporation +13.27%. However, the strategy experienced headwinds from several detractors, including Apple (11.20%), Microsoft (10.76%), and American Express (9.14%).

From an attribution standpoint, these metrics underscore the dynamic nature of our investment strategy, reflecting both the opportunities and challenges present in the market. The notable contributions from the energy and power sectors highlighted their resilience, whereas the technology sector faced certain setbacks. Our strategic focus continues to be on balancing risk and return, ensuring that our investors benefit from a well-diversified portfolio.

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## Looking Forward

The recent implementation of the tariff's marks a significant shift in U.S. trade policy, aimed at stimulating domestic manufacturing, addressing trade imbalances, and promoting global equity. These tariffs target non-U.S. content to incentivize domestic production and strengthen the American economy.

The United Auto Workers (UAW) has expressed support for these tariffs, recognizing their potential to revitalize union jobs and blue-collar communities. Despite stock market reactions, the broader economic outlook remains optimistic, with progressive growth prospects.

To be sure, we are experiencing a significant reset in global trade. While this transition may be challenging and uncomfortable in the short term, it is expected to place the United States on a more sustainable trajectory for future growth. Both sides of the political spectrum have observed and commented on the unsustainability of our previous path. Although short-term disruptions may be extremely uncomfortable, we firmly believe that these changes will ultimately benefit both our economy and the global economy.

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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