



Q1 2021

Commentary

Continued progress against COVID-19 resulted in optimism about an economic rebound and a return to the some-what-normal. During the first quarter of 2021 equity markets extended their strong run following the lows reached at the start of the pandemic just over a year ago. Leading the pack were US based small and small value stocks and as it relates to the overall market, companies with the lowest market caps produced the highest returns. The Russell microcap index did best, followed by the small-cap, mid-cap, and large-cap indexes. The strength of this performance at the end of 2020 carrying over to 2021 appears to indicate restored investor confidence in equities as well as in the markets ability to continue its bull run. With Q2 well underway, we believe that we are at the precipice of a very powerful economic cycle largely in part due to better than expected vaccine rollout and distribution, continued monetary support as well as continued stimulus and ample cash in both the consumer and corporate sectors, itching to be put to work.

Looking Forward

With Q22021 well underway, President Biden's \$1.8 trillion America Rescue Plan is poised to supercharge U.S. recovery efforts ultimately resulting in fast and furious economic growth. In fact, as reported by US News and Russell Investments¹, the Federal Reserve recently raised its 2021 GDP growth forecast to 6.5% and if that number is achieved it would mean the best calendar-year outcome since 1984 It is important to note that as we do believe earnings are going to be strong throughout 2021 and beyond, market volatility will still play into the scenario at times during the year. We think that diversification of both value and growth investments offer a compelling risk/reward over time. As has been the case in the past, when one is flourishing, the other is lagging so it is important for investors to seek more resilient portfolios which incorporates the relative strength of diversification through its active management approach. The ability to distinguish between companies that can continue to deliver earnings growth post COVID will be key as well as the ability to cull those that were able to hang on during the pandemic but have little future earnings potential.

As always, we welcome any questions or concerns that you may have and appreciate your continued confidence in Sapphire Star.

Regards,

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¹ [Investing and Personal Finance News and Research - US News Money](https://russellinvestments.com/us/insights) <https://russellinvestments.com/us/insights>



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