

Why Real Assets are the Smart Choice for Real Tax-Efficient Income



Dennis Mitchell,
MBA, CFA, CBV

Chief Executive Officer and
Chief Investment Officer



Hisham Yakub,
CFA

Senior Portfolio Manager

In a market defined by a desire for stable income, convertible debentures, preferred shares and covered call ETFs have seen increased demand. While these investments are popular, they are proving less effective at generating sustainable income as rates normalize. This market shift highlights a clear need for alternative solutions. For investors seeking income and growth, real assets—specifically real estate and infrastructure—are a compelling and strategic choice.

What are Real Assets?

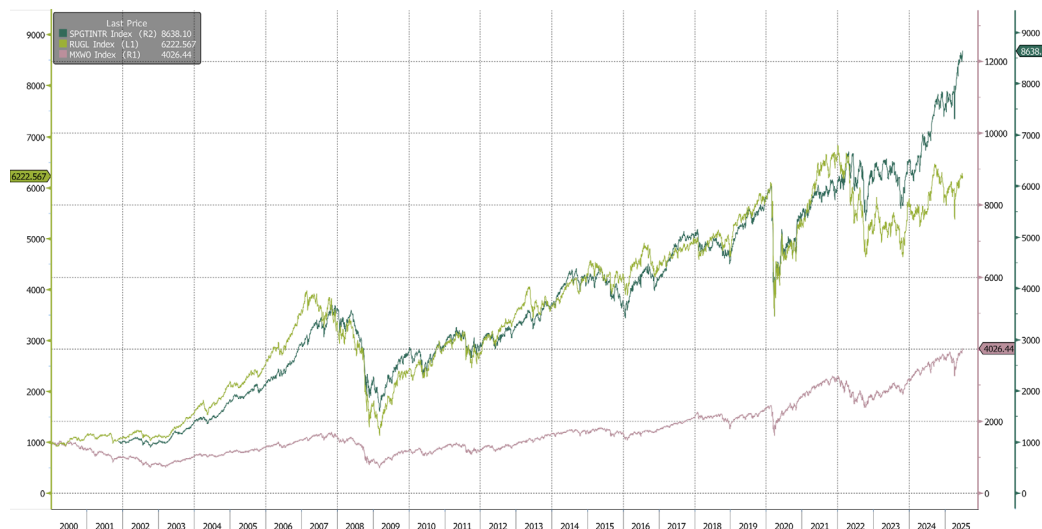
Investing in real assets means investing in essential assets and businesses that allow an economy to function. **Their critical nature provides recession-resistance, a hedge to inflation, recurring tax-efficient income, and long term capital appreciation.**

Real assets, specifically real estate and infrastructure, are businesses that provide essential services in a supply-constrained manner to large portions of the population. These services include housing, healthcare, logistics, electricity, water, waste collection, communications, payment processing, data storage, and high-speed internet. **Due to their essential nature, these services generate a stable revenue stream, as households, corporations, and municipalities continue to pay for them even during periods of economic weakness.**

Consistent and Rising Income Generation

The traditional view of real assets as purely defensive with limited growth is outdated. **Data shows that global real assets have consistently outperformed global equities over the long term (Exhibit 1).**

Exhibit 1 – Global Real Assets Total Returns vs. Global Equity Total Returns



Source: Bloomberg Finance L.P., June 30, 2025. Note: Real Estate Total Returns represented by the RUGL Index. Infrastructure Total Returns represented by the SPGTINTR Index. Global Equity Total Returns represented by the MXWO Index.

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Real assets' outperformance can largely be attributed to the consistent dividends and distributions paid by real estate and infrastructure companies. **Companies that have historically increased their dividends have outperformed on a total return basis with less volatility (Exhibit 2).**

Exhibit 2 - Risk-Adjusted Returns of S&P 500 Index Stocks by Dividend Policy

Risk vs return, annualized, 1973 - 2021



Source: Ned Davis Research, December 2021.

Tax-Efficient Income

A significant portion of real asset distributions have historically been paid as a return of capital. This unique advantage means investors get to keep more of their distributions after-tax.

Investors in the Starlight Global Real Estate Fund (SCGR) and the Starlight Global Infrastructure Fund (SCGI) received most of their distributions in the form of return of capital in 2024. This advantageous tax treatment results in investors retaining more of their Starlight distributions compared to dividends from preferred and common shares or even the higher coupons from high yield and convertible bonds.

Based on our data as of June 30, 2025, for an Ontario resident with a high income, an investor would need exceptionally high yields from other assets to match the after-tax yield of these funds.

- To match the after-tax yields from the **Starlight Global Real Estate Fund (SCGR)**, an investor would typically need equities yielding **9.9%+** or bonds yielding **12.9%+**.
- Similarly, to match the after-tax yields from the **Starlight Global Infrastructure Fund (SCGI)**, an investor would need equities yielding **7.8%+** or bonds yielding **10.2%+**.

The below table illustrates this advantage, showing how Starlight real assets fund can provide more after-tax income from the same initial investment (**Exhibit 3**).

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Exhibit 3 – Canadian After-Tax Yield and Income Comparison

Starlight Real Assets Funds vs. High Yield Bonds, Common Equity and Preferred Equity

	High Yield Bonds	Common Equity	Preferred Equity	Starlight Global Real Estate Fund (SCGR)	Starlight Global Infrastructure Fund (SCGI)
Yield	5.16%	2.66%	5.19%	6.88%	5.07%
Tax Rate	53.53%	39.34%	39.34%	13.09%	6.85%
After-Tax Yield Comparison	2.40%	1.61%	3.15%	5.89%	4.72%
\$100,000 Investment Example					
Capital	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Income	\$5,160	\$2,660	\$5,190	\$6,880	\$5,070
Taxes Payable	\$2,762	\$1,046	\$2,042	\$901	\$347
After-Tax Income	\$2,398	\$1,614	\$3,148	\$5,979	\$4,723

Note: High Yield Bonds represented by the Mackenzie Global High Yield Fixed Income ETF, Common Equity represented by the S&P/TSX Composite Index, Preferred Equity represented by BMO Laddered Preferred Share Index ETF, SCGR is the Starlight Global Real Estate Fund (Series ETF), and SCGI is the Starlight Global Infrastructure Fund (Series ETF). Tax rates based on an Ontario resident with taxable income greater than \$220,000. SCGR and SCGI tax breakdowns based on 2024 tax year. Source: Bloomberg, E&Y Tax Calculators, Starlight Capital, June 30, 2025. All yields and pricing are as of June 30, 2025.

Both the Starlight Global Real Estate Fund and the Starlight Global Infrastructure Fund yield over 5.0% annually and the distributions are paid to investors on a monthly basis. **High absolute yields from the Starlight real assets funds are supported by strong dividend and distribution growth from the underlying investments (Exhibit 4).**

Exhibit 4 – Starlight Real Assets Funds Yield, ROC and Distribution Increases

Fund Name	Year	Yield	% of Return of Capital	# of Portfolio Dividend or Distribution Increases	Avg. Portfolio Dividend or Distribution Increases
Starlight Global Real Estate Fund (SCGR)	2025	6.88%	Unavailable	12	5.60%
	2024	7.03%	71.22%	19	5.90%
Starlight Global Infrastructure Fund (SCGI)	2025	5.07%	Unavailable	19	12.60%
	2024	5.23%	82.60%	34	12.50%

Note: SCGR is the Starlight Global Real Estate Fund (Series ETF) and SCGI is the Starlight Global Infrastructure Fund (Series ETF). Source: Starlight Capital as of June 30, 2025 and December 31, 2024.

More After-Tax Cash Flow with Less Capital

Investors can choose to invest in other asset classes to generate income, however, income from some of these asset classes has deteriorated over the last 25 years. In the year 2000 investors could generate a comfortable 6.3% annualized yield by investing in AAA-rated 10-year Canadian government bonds.

Today, to generate a similar income stream out of fixed income, investors are faced with two choices:

- Take on significantly more risk by investing in high yield or emerging market bonds; or
- Allocate significantly more capital to fixed income.

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Allocating capital to riskier companies or countries during a period of slowing economic growth seems like a poor decision. Allocating more capital to treasuries is feasible, however, in order to generate the same level of after-tax income as offered in the year 2000, investors would have to allocate almost 50% more capital to 10-year bonds or over two times as much capital than the Starlight real assets funds.

The strategy of investing in real assets offers a far more efficient solution. **Investors in the Starlight Global Real Estate Fund and the Starlight Global Infrastructure Fund can generate the same absolute level of after-tax cash flow with significantly less capital. This strategy should result in more after-tax cash flow with a lower risk profile for investors (Exhibit 5).**

Exhibit 5 - Canadian After Tax Income Comparison
Starlight Real Assets Funds vs. 10-Year Bonds

Asset Class	2000	2025	2025	2025	2025
	10-Year Bonds	10-Year Bonds	10-Year Bonds	Starlight Global Real Estate Fund (SCGR)	Starlight Global Infrastructure Fund (SCGI)
Required Capital	\$100,000	\$100,000	\$147,888	\$48,612	\$61,564
Yield	6.26%	4.23%	4.23%	6.88%	5.07%
Annual Income	\$6,255	\$4,230	\$6,256	\$3,345	\$3,121
Taxes Payable	\$3,348	\$2,264	\$3,349	\$438	\$214
After-Tax Income	\$2,907	\$1,966	\$2,907	\$2,907	\$2,907

Source: Bloomberg Finance L.P. U.S. 10-year yield and Starlight Capital as of June 30, 2025.

We invite you to explore how the **Starlight Global Real Estate Fund** and **Starlight Global Infrastructure Fund** can provide capital appreciation, with a more tax-efficient income solution for your portfolios.

Learn more at [StarlightCapital.com](https://www.starlightcapital.com) or speak to your advisor.

Starlight Real Assets Mutual Funds & ETFs

Real Assets	
Starlight Global Real Estate Fund	Starlight Global Infrastructure Fund
Inception — 2018	Inception — 2018
Investment Objective: To provide regular current income by investing globally primarily in real estate investment trusts (REITs) and equity securities of corporations participating in the residential and commercial real estate sector.	Investment Objective: To provide regular current income by investing globally in companies with either direct or indirect exposure to infrastructure.
Distribution Frequency Fixed Monthly	Distribution Frequency Fixed Monthly
Fund Codes Series A (SLC101) Series F (SLC201) Series FT6 (SLC251) Series T6 (SLC151) Series ETF (SCGR)	Fund Codes Series A (SLC102) Series F (SLC202) Series FT6 (SLC252) Series T6 (SLC152) Series ETF (SCGI)

About Starlight Capital

Starlight Capital is an independent Canadian asset management firm with over \$1 billion in assets under management. We manage Global and North American diversified private and public equity investments across traditional and alternative asset classes, including real estate, infrastructure and private equity. Our goal is to deliver superior risk-adjusted, total returns to investors through a disciplined investment approach: Focused Business Investing. Starlight Capital is a wholly-owned subsidiary of Starlight Investments. Starlight Investments is a leading global real estate investment and asset management firm with over 375 employees and \$30B in AUM. A privately held owner, developer and asset manager of over 70,000 multi-residential suites and over 8 million square feet of commercial property space. Learn more at www.starlightcapital.com and connect with us on LinkedIn at www.linkedin.com/company/starlightcapital/

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Starlight Capital
1400-3280 Bloor Street West
Toronto, Ontario, Canada M8X 2X3
info@starlightcapital.com
1-833-752-4683
starlightcapital.com

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