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Fund	YTD 2025	Q2 2025	1 Year	3 Year	5 Year	10 Year
Starlight Dividend Growth Class, Series F	1.2%	1.9%	13.4%	11.8%	12.1%	8.8%

Source: Starlight Capital, as of June 30, 2025.

Performance Summary

- Over the second quarter of 2025, Starlight Dividend Growth Class, Series F (the Fund) returned 1.9%.
- Financials, Information Technology and Industrials were the top contributors to performance, which was slightly offset by a decline in Health Care and Energy.

Market Overview

The second quarter of 2025 saw a powerful equity market rally that defied a backdrop of geopolitical risk and economic anxiety. The S&P 500 climbed 10.9%, reaching new all-time highs. Canada's S&P/TSX Composite Index advanced approximately 8.5%, supported by steady performance in financials and technology and materials.

Investor sentiment was initially shaken by the April 2 "Liberation Day" tariff announcements, which reignited fears of a global trade war. However, markets stabilized after a 90-day pause on new tariffs was announced on April 9. Equity strength resumed despite continued concerns about the U.S. deficit and tensions in the Middle East, which caused a spike in oil prices.

Growth leadership dominated, with Technology and Communication Services sectors gaining over 23.7% and 18.5% respectively, as investors rewarded resilient earnings and AI-linked momentum. Small-cap and value stocks underperformed, while defensives like utilities and healthcare lagged. Sector dispersion widened significantly, reflecting investor preference for quality growth.

Corporate earnings were modestly ahead of expectations, with S&P 500 earnings up about 13.3 percent year-over-year. Despite macro risks, multiple expansion and increased risk appetite helped drive strong returns across large-cap equities.

Contributors and Detractors

June 2025 Top Five Contributors

Stock	Average Weighting	Contribution to return
STANTEC INC	4.1%	0.9%
MICROSOFT CORP	3.5%	0.8%
TORONTO-DOMINION BANK	3.7%	0.6%
ROYAL BANK OF CANADA	5.5%	0.6%
ORACLE CORP	0.8%	0.5%

June 2025 Top Five Detractors

Stock	Average Weighting	Contribution to return
UNITEDHEALTH GROUP INC	1.7%	-2.0%
WASTE CONNECTIONS INC	4.6%	-0.4%
THERMO FISHER SCIENTIFIC INC	1.4%	-0.4%
SUNCOR ENERGY INC	1.6%	-0.2%
OTIS WORLDWIDE CORP	1.9%	-0.2%

Source: Starlight Capital & Bloomberg Finance L.P. As of June 30, 2025.

Stantec shares outperformed meaningfully during the month, supported by quarterly results that significantly exceeded expectations. A strong forward outlook and the acquisition of Page Engineering further bolstered sentiment, offering exposure to high-growth verticals such as data centers and healthcare infrastructure.

Microsoft delivered a standout quarter, driven by a notable beat in Azure growth, strong AI demand, and better-than-expected profitability. Management guided to Azure growth of 34–35% year-over-year (vs. 32% consensus) and reaffirmed its commitment to elevated capital expenditures into fiscal year 2026, signaling continued confidence in AI infrastructure as a long-term growth driver.

UnitedHealth Group Inc. was the portfolio's most significant detractor. Shares declined sharply following a series of negative developments, including rising medical utilization in its Medicare Advantage plans, the withdrawal of 2025 earnings guidance, and increasing regulatory scrutiny over its Optum division. Investors responded negatively to growing cost pressures and uncertainty around future profitability.

Waste Connections Inc. also detracted from performance. The company issued softer volume guidance during the quarter and faced margin pressure from inflation-sensitive cost lines. Management noted a more cautious tone regarding commercial demand, which weighed on investor sentiment despite the company's stable long-term fundamentals.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Information Technology	10.3%	6.1%
Industrials	18.5%	3.3%
Financials	29.8%	2.8%
Health Care	4.0%	-3.0%
Energy	8.7%	-3.3%

Source: Starlight Capital & Bloomberg Finance L.P. As of June 30, 2025. Excludes Cash and Cash Equivalents.

During the period We initiated new positions in

- Motorola Solutions (MSI) was added for its mission-critical communications business, where long term public safety contracts and double-digit software growth continue to support earnings resilience and cash flow generation.
- TFI International (TFII) was introduced as a high-quality logistics business expected to benefit from a recovery in freight markets, improving margins, and disciplined capital allocation. Recent acquisitions further enhanced its growth profile.
- Oracle (ORCL) shares was purchased before another strong quarter from its cloud business. Growth in Oracle Cloud Infrastructure and new AI partnerships highlighted the company's strategic pivot towards GPU-as-a-service and improving competitive position.
- Manulife Financial (MFC) The company continues to post improving profitability across its insurance and wealth segments, supported by strong Asian operations and rising interest margins.
- Toromont Industries (TIH) was initiated based on resilient equipment demand from infrastructure and mining end markets. Strong backlogs, rental demand and service revenue stability make it a compelling compounder in the industrial space.

And fully exited our position in

- UnitedHealth was fully exited during the quarter. Following the stock's sharp decline in April due to elevated medical costs and a weak outlook, the risk profile worsened with reports of a Department of Justice investigation into alleged Medicare fraud, compounded by the abrupt resignation of the CEO. The company also cut full-year guidance. While the Chairman has stepped in as interim CEO, we viewed capital preservation as the prudent choice in the face of growing uncertainty. That said, we believe the market may be pricing in excessive pessimism. The company's long-term fundamentals remain strong, and this dislocation could present a re-entry opportunity once visibility improves.
- Booking Holdings (BKNG) was sold following a period of strong price performance. While the travel sector remains healthy, valuation had reached levels that no longer justified the potential upside. Gains were realized and redeployed into higher-conviction ideas.

Fund Outlook

Our strategy remains steadfast in identifying high-quality businesses across North America while remaining sector-agnostic. Furthermore, we actively seek out opportunities aligned with secular growth themes such as digitization, deglobalization, and an aging population. We prioritize factors such as free cash flow generation, consistent capital allocation policies, the magnitude and duration of dividend growth, and valuation relative to historical averages and peer groups.

In 2025, we maintain a balanced approach to risk management, recognizing that it is neither the time to fully embrace risk nor to adopt a fully defensive posture. We monitor high-quality businesses across multiple economic sectors, seeking dislocations and mispriced investment opportunities that the market may overlook.

Along with this view, the Fund maintains a 29% exposure to financials, benefiting from a balanced position in Canadian banks and high- quality US financials including Bank of America and Visa. Our second-largest exposure is in Industrials, where we favor Waste Connections, an all-weather investment. Stantec also benefits from substantial infrastructure spending in North America and Europe. Furthermore, we are positive about the freight sector, with exposure to CN Rail. Information Technology forms over 10% of the Fund with exposure to high quality companies such as Microsoft, Motorola solutions, Oracle, Broadcom, Lam Research and Salesforce. These are either direct beneficiaries from huge Ai investments or benefit from innovative use cases of artificial intelligence including agentic Ai. While closely monitoring commodity prices and industry dynamics, we remain cautiously optimistic on the energy sector due to strong fundamentals, robust cash flow generation potential, and rising dividends. Our fourth-largest sector weight provides exposure to high-quality diversified oil and gas players, such as Suncor, Canadian Natural Resources, Imperial Oil, and the top natural gas producer, Tourmaline.

Source: Starlight Capital

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