Starlight Global Real Estate Fund

Q2-2025 Commentary

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Fund	YTD 2025	Q2 2025	1 Year	3 Year	5 Year	Incept*
Starlight Global Real Estate Fund, Series F	5.7%	1.6%	13.3%	4.2%	4.0%	3.5%

*Inception date October 2018. Source: Starlight Capital, as of June 30, 2025.

Performance Summary

- Year to date, Starlight Global Real Estate Fund, Series F (the Fund) returned 5.7%.
- Multi-Family Residential REITs, Industrial REITs and Health Care Facilities were the top contributors to performance, which was slightly offset by a decline in Single-Family Residential REITs, Mortgage REITs and Health Care REITs.

Market Overview

Investor sentiment in the real estate sector improved meaningfully through the last quarter, as signs of easing inflation and a more dovish stance from central banks supported a re-rating in yield-sensitive asset classes. After several quarters of underperformance, listed REITs began to catch a bid, aided by declining long-term bond yields and renewed interest from both generalist and dedicated real estate investors. The U.S. 10-year Treasury yield fell from a peak of ~4.6% in April to ~4.2% by late June, following softer CPI prints and commentary from the Federal Reserve suggesting rate cuts are likely in the second half of 2025. This move in rates contributed to cap rate stability across core asset classes and narrowed the discount to NAV in several REIT sectors. The equity risk premium for REITs improved modestly, reversing some of the valuation pressure that had persisted since mid-2022.

Transaction volumes in the private market have started to show signs of recovery, particularly in sectors where fundamentals remain strong and financing conditions have improved. While bid-ask spreads persist, especially in segments facing structural headwinds, the combination of lower debt costs and greater visibility around interest rates has prompted a growing number of buyers to re-engage.

The Canadian REIT market followed a similar trajectory, with the S&P/TSX Capped REIT Index rebounding alongside falling GoC bond yields. Retail and residential REITs were notable outperformers, as resilient consumer spending and tight housing supply conditions supported rent growth and occupancy.

Contributors and Detractors

June 2025 Top Five Contributors		
Stock	Average Weighting	Contribution to return
INTERRENT REAL ESTATE INVESTMENT TRUST	2.6%	0.9%
GOODMAN GROUP	3.6%	0.7%
KILLAM APARTMENT REAL ESTATE INVESTMENT TRUST	4.0%	0.5%
CHARTWELL RETIREMENT RESIDENCES	4.1%	0.5%
HELIOS TOWERS PLC	2.9%	0.4%

June 2025 Top Five Detractors		
Stock	Average Weighting	Contribution to return
HEALTHPEAK PROPERTIES INC	2.6%	-0.5%
VENTAS INC	3.8%	-0.5%
PROLOGIS INC	3.8%	-0.2%
ANNALY CAPITAL MANAGEMENT INC	2.1%	-0.2%
INVITATION HOMES INC	1.9%	-0.2%

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

The Fund posted positive performance in June, supported by strong contributions from InterRent REIT and Goodman Group.

InterRent REIT was a top contributor following the announcement of a strategic takeover bid at approximately 27% above its then-trading price. The transaction highlighted the quality of InterRent's underlying portfolio and underscored the ongoing disconnect between public market valuations and private real estate transactions in the Canadian residential space. The bid continued the trend of M&A in the Canadian REIT sector (Summit REIT, Tricon Residential, Agellan, Pure Industrial). Goodman Group also contributed meaningfully to returns. Shares rebounded after facing near-term pressure earlier in the year related to negative sentiment around the data center vertical. The recovery was supported by continued progress in the company's expansion into data infrastructure assets, alongside its core global logistics platform. Investors responded positively to Goodman's ability to capitalize on secular tailwinds in high-growth corridors, particularly those tied to AI-driven and cloud-based demand, leading to renewed momentum in the name.

On the other hand, the largest detractors during the month were Healthpeak Properties and Ventas, both of which were impacted by persistent softness in the medical office segment. Slower leasing velocity and rising tenant turnover contributed to more cautious long-term rent growth assumptions across the space. Healthpeak in particular continues to face a more limited external growth outlook due to a higher cost of equity, which constrains its ability to pursue accretive transactions. Additionally, fundamentals in the life sciences segment remain under pressure, as venture capital funding slows and leasing timelines elongate, further weighing on sentiment. While both names are key players in the healthcare REIT landscape, near-term headwinds in core segments contributed to their relative underperformance in June.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Retail REITs	13.6%	2.3%
Industrial REITs	15.2%	1.3%
Health Care REITs	11.2%	-1.9%
Mortgage REITs	6.1%	-1.9%
Residential REITs	9.0%	-4.4%

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

The most notable portfolio activity in June occurred within the retail and residential REIT sectors.

In retail, the Fund initiated a position in Simon Property Group, following a period of market weakness in April that presented a more attractive valuation entry point. Simon is a leading operator of high-quality U.S. retail real estate with a strong balance sheet, high-traffic assets, and a track record of delivering NOI growth through redevelopment and mixed-use initiatives. The decision to add Simon reflects a renewed opportunity to gain exposure to a best-in-class platform at a valuation level that aligns with the Fund's long-term investment criteria.

In the residential segment, the Fund exited its position in InterRent REIT following the announcement of a takeover bid priced at approximately 27% above the price at which it was trading. With the offer representing a meaningful premium and limited visibility on a higher competing bid, the position was closed to realize gains. Proceeds were reallocated to other high-conviction opportunities within the portfolio.

Fund Outlook

Looking ahead to the second half of the year, we remain constructive on the real estate sector. With inflation easing and central banks signaling a shift toward monetary easing, we expect interest rates to gradually decline in the coming quarters. This backdrop should improve the relative attractiveness of REITs and listed real assets, encouraging a reallocation of capital from GICs, preferred shares, and other yield alternatives back into the space. We are also seeing increased transaction activity in private markets, which is helping to reduce the gap between public REIT valuations and underlying asset values. This improved price discovery is gradually closing the gap between discounted NAVs and fair value, and we believe the environment is conducive to multiple expansion in select sectors with durable cash flows and inflation-linked pricing power.

While the outlook for a soft landing and lower rates is gaining traction, we remain mindful of lingering risks. Inflation trends are improving, but the path remains uneven, and long-term yields could stay volatile amid fiscal imbalances and global macro uncertainty. Against this backdrop, we continue to focus on REITs with strong balance sheets, durable cash flows, and pricing power particularly in sectors where fundamentals remain tight and valuations disconnected from intrinsic value. Selectivity remains critical, and we are positioning the portfolio to benefit from multiple expansion and capital rotation as investor confidence continues to return to the real estate sector.

Source: Starlight Capital

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