Dennis Mitchell, MBA, CFA, CBV

CEO & CIO

Fund	Q2 2026	YTD 2026	1 Year	3 Year	5 Year	10 Year
Starlight Dividend Growth Class, Series F	5.6%	7.2%	13.7%	13.9%	9.7%	10.4%

Source: Starlight Capital, as of June 30, 2026.

Performance Summary

- Over the second quarter of 2026, the Starlight Dividend Growth Class, Series F (the Fund) returned 5.6%.
- Financials, Health Care and Consumer Staples were the top sector contributors to performance, which was partially offset by a decline in Materials, Energy and Industrials.
- The quarter reversed Q1's volatility as a June 17 US-Iran agreement to reopen the Strait of Hormuz sent oil lower and equities sharply higher. The Bank of Canada held rates at 2.25%, while the Federal Reserve held at 3.50%-3.75% under new Chair Kevin Warsh, though its projections turned more hawkish.
- We remain focused on businesses with durable competitive advantages, strong free cash flow and low leverage. This quarter's rapid reversal in sector leadership, from Energy and Materials to Financials and Health Care, reinforces our conviction that business quality, not macro exposure, drives long-term returns.

Market Overview

The second quarter of 2026 stood in stark contrast to the volatility that defined the first quarter for North American equity markets. Markets had entered the year focused on the escalating conflict involving Iran and the closure of the Strait of Hormuz, but sentiment shifted meaningfully as the quarter progressed. Ceasefire negotiations advanced through May and culminated in a memorandum of understanding between the United States and Iran on June 17, aimed at reopening the Strait to shipping traffic.

Brent crude, which reached as high as US$96 per barrel during the first quarter, fell steadily as negotiations advanced, reaching a low near US$70 by late June. That decline eased some of the inflationary pressure and macro uncertainty that had weighed on risk assets earlier in the year, though prices remained volatile and sensitive to headlines out of the region.

Central banks maintained a cautious stance through the quarter. The Bank of Canada held its policy rate at 2.25% at both its April and June meetings, noting that economic activity had shown signs of improvement even as the uncertainty around US trade policy and the Middle East conflict persisted. The Federal Reserve also held its target range at 3.50% to 3.75% at both its April and June meetings, though officials' updated projections turned more hawkish as they weighed the durability of energy driven inflation.

Equity markets responded with one of their strongest quarters in years. The S&P 500 rallied close to 15%, its best quarterly performance since the 2020 COVID recovery, as resilient corporate earnings and continued momentum in artificial intelligence related capital spending supported a rally that broadened beyond the largest technology names into cyclicals and small caps. The S&P/TSX Composite advanced approximately 6.4% over the quarter, led initially by energy and financials before energy cooled alongside falling crude prices.

Against this backdrop, the Fund's return trailed the broader market advance. Much of the S&P 500 and S&P/TSX Composite's gains this quarter came from a sharp recovery in higher-beta names, including the same stocks that led the market's decline in the first quarter and its rebound in the second. The Fund's focus on recurring positive free cash flow and a prudent balance sheet, rather than high-beta swings in sentiment, meant it captured less of the index-level rebound even as its underlying holdings, particularly the banks, performed well on their own fundamentals.

The broader takeaway from the quarter is that leadership rotations built on a macro shock can reverse just as quickly once the shock begins to fade. Energy and Materials, the strongest contributors in the first quarter, became the primary detractors in the second, while Financials, which had lagged amid rate uncertainty, emerged as the leader on the back of strong bank earnings. That reversal reinforces our discipline around business quality over macro positioning.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Financials	36.1%	5.5%
Information Technology	6.8%	2.2%
Materials	6.9%	-0.8%
Industrials	14.6%	-0.9%
Energy	9.2%	-2.1%

Source: Starlight Capital & Bloomberg Finance L.P. As of June 30, 2026. Excludes Cash and Cash Equivalents.

Financials, Industrials and Energy were three of the Fund's largest sector allocations, at 36.1%, 14.6% and 9.2% respectively, together accounting for approximately 60% of the portfolio.

Financials' weight rose to 36.1%, reflecting both price appreciation across the Canadian banks and continued conviction in the sector's earnings resilience and capital return capacity. **Information Technology**'s weight rose to 6.8%, supported by strong performance from the Fund's cloud, semiconductor and enterprise software holdings. **Energy**'s weight declined to 9.2%, reflecting both falling crude oil prices and active trimming of select positions during the quarter.

Contributors and Detractors

Q2 2026 Top Five Contributors		
Stock	Average Weighting	Contribution to return
ROYAL BANK OF CANADA	7.2%	2.0%
TORONTO-DOMINION BANK	5.3%	1.6%
BANK OF MONTREAL	3.3%	1.0%
CANADIAN NATL RAILWAY CO	3.3%	0.6%
VISA INC-CLASS A SHARES	3.7%	0.6%

Q2 2026 Top Five Detractors		
Stock	Average Weighting	Contribution to return
AGNICO EAGLE MINES LTD	3.0%	-0.8%
NORTHROP GRUMMAN CORP	1.9%	-0.6%
CANADIAN NATURAL RESOURCES	2.7%	-0.5%
STANTEC INC	1.9%	-0.4%
SUNCOR ENERGY INC	1.7%	-0.3%

Source: Starlight Capital & Bloomberg Finance L.P. As of June 30, 2026

Contributors

Royal Bank of Canada was the largest contributor to Fund performance in the quarter. The bank's fiscal second quarter results reinforced its earnings durability, with profit rising year over year on strength across personal banking, wealth management and capital markets. Royal Bank also raised its quarterly dividend, reflecting management's confidence in its capital position and its ability to sustain distributions through a variety of operating environments.

Toronto-Dominion Bank also contributed meaningfully. TD reported adjusted earnings per share ahead of analyst estimates, with record earnings in Canadian personal and commercial banking and all-time highs in wealth management and insurance. The bank raised its quarterly dividend and continued returning capital through buybacks.

Bank of Montreal contributed as fiscal second quarter adjusted earnings per share rose 40% year over year to a record level, driven by broad based fee revenue growth across capital markets, wealth management, and its Canadian and U.S. banking businesses. The bank raised its quarterly dividend by 5% from a year earlier, and repurchased shares during the quarter.

Canadian National Railway contributed as the company posted a new first-quarter volume record in its April results, with volume up 3% year over year, and continued to execute on cost and network efficiency. Investors looked ahead through the quarter to an expected volume rebound in the second half of 2026.

Detractors

Agnico Eagle Mines detracted as gold prices pulled back sharply from the record highs reached earlier in the year, reducing near term free cash flow expectations across the sector even as the company's underlying operating performance and low-cost position remained intact.

Northrop Grumman detracted as shares came under pressure following the signing of the US-Iran memorandum of understanding in June, which compressed the geopolitical risk premium that had supported defense valuations through the first half of the year. The company's second quarter results, reported after quarter end, in fact beat consensus estimates and included a record backlog, but a further loss accrual on the B-21 low-rate initial production program continued to weigh on margins and investor sentiment.

Canadian Natural Resources detracted as crude oil prices declined substantially through the quarter, reversing much of the sector's strong first quarter performance despite the company's continued low-cost position and shareholder return discipline.

New Positions and Exits

The Fund continued to hold its April additions of Broadcom, NVIDIA and Oracle.

Broadcom was initiated for its highly recurring semiconductor and infrastructure software revenue, supported by expanding free cash flow as hyperscale customers scale AI-related custom silicon programs.

NVIDIA was added for its dominant positioning in accelerated computing and AI training, with data center revenue sustaining strong growth and a compelling long-term free cash flow trajectory.

Oracle was initiated for its accelerating cloud infrastructure business and resilient enterprise software franchise, underpinned by the recurring revenue model and balance sheet strength of a business capable of compounding dividends over time.

There were no positions exited from the Fund during the second quarter.

Fund Outlook

The current environment continues to favour disciplined stock selection over broad index exposure. We remain focused on businesses with durable competitive advantages, strong free cash flow, pricing power and resilient balance sheets. Periods of macro volatility often create attractive entry points into high-quality franchises while exposing companies that were supported more by low rates or elevated valuations than by underlying fundamentals. Looking ahead, the portfolio is positioned with a bias toward high-quality dividend growers with visible cash flows and balance sheet flexibility. With valuations in several areas of the market still demanding, we are emphasizing businesses where earnings durability and capital returns can drive a greater share of total return, while remaining selective in segments where expectations already price in significant future execution.

With equity valuations elevated in parts of the market, particularly among businesses most exposed to the artificial intelligence investment cycle, we remain selective, focusing on companies where visible cash flows and balance sheet strength can support continued dividend growth regardless of how market leadership shifts.

Invest With Us

For more information on our investment solutions, learn more at starlightcapital.com or speak to our Sales Team.

For more information, please visit StarlightCapital.com

Important disclaimer.

The views in this update are subject to change at any time based upon market or other conditions and are current as of June 30, 2026. While all material is deemed to be reliable, accuracy and completeness cannot be guaranteed.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what Starlight Capital and the portfolio manager believe to be reasonable assumptions, neither Starlight Capital nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise. Investment funds are not guaranteed, their values change frequently, and past performance may not be repeated.

The content of this document (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the offering documents before investing. Investors should consult with their advisors prior to investing.

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

Starlight™ CAPITAL
Focused Investing