

Dennis Mitchell, MBA, CFA, CBV

Chief Executive Officer and Chief Investment Officer

Fund	3 mo	YTD 2026	1 Year	3 Year	5 Year	10 Year
Starlight Dividend Growth Class, Series F	0.0%	7.2%	8.4%	14.6%	9.0%	9.9%

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

Performance Summary

- Year-to-date, the Starlight Dividend Growth Class, Series F (the "Fund") generated a total return of 7.2%.
- Information Technology, Materials and Health Care were the top sector contributors to performance, partially offset by a decline in Financials, Consumer Discretionary and Consumer Staples.
- Central banks turned more hawkish as inflation remained elevated, with the Federal Reserve raising its target range to 3.75%–4.00% in September and the 10-year U.S. Treasury yield reaching its highest level in nearly a quarter century. Rising bond yields and expectations of a Bank of Canada rate hike weighed on Canadian banks and other rate-sensitive sectors, while Information Technology and Materials led the S&P/TSX Composite Index.
- With central banks turning more hawkish, we believe financially strong companies that fund their growth from free cash flow are well positioned for long-term capital growth and rising dividends, with less sensitivity to higher borrowing costs. During the quarter, we took profits in Canadian banks and other strong performers, and added pipeline, real estate and electrical equipment businesses with growing earnings.

Market Overview

Central banks signalled a greater willingness to raise interest rates over the quarter. The Federal Reserve held rates in July before raising its target range by 0.25% to 3.75%–4.00% in September, while the Bank of Canada held its policy rate at 2.25% but said it is prepared to raise rates if inflation, which has hovered around 3%, stays too high. Over the same period, the 10-year U.S. Treasury yield climbed from 4.44% on June 30 to 5.29% on September 30, its highest level in nearly a quarter century. The Government of Canada 10-year yield rose from 3.38% to 3.99%.

Energy markets remained volatile. The U.S.-Iran ceasefire broke down in early July, and Brent crude futures, which began the quarter near US$72 per barrel, peaked at US$109 on September 15 amid attacks on regional energy infrastructure.

Economic data pointed to slowing growth alongside persistent inflation. Canadian employment fell by 42,000 in August and 68,000 in September, lifting the unemployment rate to 6.5%, while U.S. consumer price inflation rose to 3.7% in September. That combination kept central banks leaning toward higher rates.

Sector leadership in Canada was narrow, with only three of 11 sectors in the S&P/TSX Composite Index posting gains. Information Technology and Materials led. Financials declined despite third-quarter results that topped analysts' estimates at the major Canadian banks, with rising bond yields, expectations of a Bank of Canada rate hike and elevated valuations weighing on bank stocks. Rate-sensitive sectors also lagged. In the U.S., Energy, Information Technology and Health Care led the S&P 500, while Utilities and Industrials lagged.

The broader takeaway from the quarter is that an energy-driven inflation shock can quickly change the direction of interest rates. Central banks that had been on hold for much of the year turned more hawkish, and rate-sensitive sectors adjusted accordingly. That reinforces our focus on business quality and balance sheet strength.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Real Estate	2.2%	2.2%
Energy	11.0%	1.9%
Health Care	6.5%	1.2%
Financials	33.9%	-2.2%
Industrials	12.3%	-2.3%

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

Financials, Industrials and Energy were three of the Fund's largest sector allocations, at 33.9%, 12.3% and 11.0% respectively, together accounting for approximately 57% of the portfolio.

Real Estate exposure rose as we initiated positions in health care and data centre REITs, which we believe offer good long-term growth potential and growing dividends. **Energy** exposure rose as we initiated pipeline and liquefied natural gas positions and added to an existing pipeline holding. **Health Care** exposure rose, largely on share price gains, alongside an addition in managed care. **Financials** exposure declined, largely due to profit-taking in several Canadian banks following gains earlier this year, along with lower bank share prices. **Industrials** exposure declined following four exits and reductions to waste management and rail holdings, partly offset by new positions.

Contributors and Detractors

Q3 2026 Top Five Contributors

Stock	Average Weighting	Contribution to return
MICROSOFT CORP	3.9%	1.2%
THERMO FISHER SCIENTIFIC INC	2.2%	0.7%
CANADIAN NATURAL RESOURCES	2.6%	0.5%
SUNCOR ENERGY INC	2.0%	0.5%
AGNICO EAGLE MINES LTD	3.1%	0.4%

Q3 2026 Top Five Detractors

Stock	Average Weighting	Contribution to return
ENBRIDGE INC	4.0%	-0.5%
INTACT FINANCIAL CORP	3.3%	-0.5%
ALIMENTATION COUCHE-TARD INC	3.1%	-0.4%
BROOKFIELD CORP	2.9%	-0.4%
WASTE CONNECTIONS INC	4.2%	-0.3%

Source: Starlight Capital & Bloomberg Finance L.P. For the period July 1, 2026 to September 30, 2026.

Contributors

Microsoft was the largest contributor. Cloud demand drove fiscal fourth-quarter revenue up 18%, and the company raised its quarterly dividend by 8% in September. We continue to hold Microsoft as a core compounder given its cloud scale, expanding AI monetization and consistent capital returns.

Thermo Fisher Scientific contributed after second-quarter revenue rose 10% and adjusted earnings per share rose 13%. We believe its recurring revenue and free cash flow support continued earnings and dividend growth.

Canadian Natural Resources also contributed as crude oil prices rose, and the company reported record second-quarter production. We trimmed the position into strength while maintaining a meaningful holding, given its production growth and capacity to return cash to shareholders.

Detractors

Enbridge was the largest detractor as rising government bond yields weighed on rate-sensitive dividend payers. The company reaffirmed its 2026 guidance and grew its secured backlog to $41 billion, and we believe its contracted cash flows support further dividend increases. We added to the position in September.

Intact Financial detracted as $416 million in second-quarter catastrophe and large losses weighed on earnings. We view these losses as event-driven and continue to hold Intact for its underwriting discipline and dividend growth.

Alimentation Couche-Tard also detracted after agreeing to a debt-funded acquisition of a controlling stake in Poland's Żabka Group, valued at about US$8.6 billion and its largest to date. We continue to hold Couche-Tard, as we believe Żabka strengthens its European growth platform and that the company's free cash flow can fund debt reduction and continued dividend growth.

New Positions and Exits

We initiated a position in **Hubbell Incorporated**, a U.S. manufacturer of electrical and utility infrastructure equipment, in September. The company raised its 2026 earnings guidance in July as data centre demand lifted second-quarter sales 15%, and we believe rising electricity demand supports its earnings growth and free cash flow, positioning it for continued dividend growth.

We also initiated a position in **Pembina Pipeline Corporation** in July and added to it in September. The company reiterated its 2026 guidance and approved a natural gas-fired power project to serve an Alberta data centre, and we believe its contracted cash flows and new growth projects support both capital growth and sustained dividend increases.

We exited **Otis Worldwide** in July after second-quarter results showed continued softness in new equipment orders, and redeployed the proceeds into newly initiated positions with a more attractive risk/reward.

We exited **Stella-Jones** in August given pressure on its margins, as we believe better long-term opportunities exist elsewhere in the portfolio.

We also exited **Northrop Grumman** and **Gildan Activewear** in September and redeployed the proceeds into higher-conviction holdings.

Fund Outlook

Looking ahead, higher energy prices and bond yields present a more challenging backdrop for rate-sensitive sectors, while supporting cash flow for energy producers. In this environment, we believe financially strong businesses that fund growth and dividends from free cash flow, rather than borrowing, are better positioned to manage higher financing costs.

We continue to favour companies with durable competitive advantages, pricing power and resilient balance sheets. With valuations elevated in parts of the market, particularly among companies most exposed to the artificial intelligence investment cycle, we are being selective, emphasizing businesses whose earnings durability and growing capital returns can drive long-term capital growth and rising dividends, 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 September 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, Starlight Investments, Starlight Capital and all other related Starlight logos are trademarks of Starlight Group Property Holdings Inc.

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