Fund	YTD 2024	Q3 2024	1 Year	3 Year	5 Year	10 Year
Starlight North American Equity Fund, Series F*	16.5%	3.2%	24.2%	10.8%	14.9%	10.2%

*Inception date October 2001.
Source: Starlight Capital, as of September 30, 2024.

Performance Summary

- Over the third quarter of 2024, Starlight North American Equity Fund, Series F (the Fund) returned 3.2%. Year to date, the Fund is up 16.5%.
- Financials, Information Technology, and Real Estate were the top contributors to total returns, which was slightly offset by laggards in Communication Services and Energy.

Note: Excludes Cash and Cash Equivalents. Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2024.

At the start of the quarter, we observed a broadening of the market as investors began rotating out of technology stocks, which had experienced a pullback following an extended period of outperformance. This shift was largely driven by rising concerns about the sustainability of returns from unprecedented AI investments and elevated valuations within the sector. In response, investors turned their attention toward more stable, undervalued sectors, leading to notable gains in Healthcare, Financials, and Consumer Staples, which offered more attractive risk-adjusted returns in the current environment.

The equity market pullback that started in July extended into early August, largely driven by weaker-than-expected employment data from both Canada and the U.S. However, by the end of the month, most major indices had recovered significantly.

The cooling labor market raised concerns about economic growth, tempering market optimism in early August. With inflation largely under control, the labor market has emerged as a key macroeconomic driver for market sentiment. The July U.S. nonfarm payrolls report showed a significant slowdown in job creation, falling well below expectations, and the unemployment rate increased to 4.3%, marking the fourth consecutive month of rising unemployment.

Additionally, the unwinding of the Yen carry trade on August 5th added to market volatility as investors rapidly exited highly leveraged positions. This triggered sudden fluctuations in currency, bond, and equity markets, further contributing to the early August sell-off. Despite these headwinds, investor sentiment improved later in the month, leading to a broader recovery in equity markets as the outlook for inflation and interest rates remained stable.

In September 2024, North American equity markets performed strongly, defying historical trends of weakness during the month. The S&P 500 gained 2.0%, driven by the Federal Reserve's decision to begin an interest rate easing cycle with a larger-than-expected 50 basis point cut. This move, boosted investor sentiment, pushing the index to its best September performance since 2013. Overall, the S&P 500 has gained more than 22% year-to-date, supported by resilient consumer demand and optimism in the services sector, while the manufacturing sector continued to struggle.

In Canada, the S&P/TSX Composite also gained 2.8% for the month of September 2024. This growth was largely supported by the energy sector and continued strength in Canadian exports. Similar to the U.S., the easing monetary environment and positive economic data contributed to rising investor confidence, despite global uncertainties and potential election-related volatility in the U.S.

Contributors and Detractors

Q3 2024 Top Five Contributors		
Stock	Average Weighting	Contribution to Return
COLLIERS INTL GR-SUBORD VOT	2.1%	+0.6%
HCA HEALTHCARE INC	2.6%	+0.6%
FORTINET INC	2.3%	+0.6%
BROOKFIELD CORP	1.5%	+0.3%
SS&C TECHNOLOGIES HOLDINGS	2.0%	+0.3%

Q3 2024 Bottom Five Contributors		
Stock	Average Weighting	Contribution to Return
DEXCOM INC	1.8%	-1.0%
ALPHABET INC-CL C	3.6%	-0.4%
APPLIED MATERIALS INC	1.9%	-0.3%
MCKESSON CORP	1.5%	-0.3%
BOYD GROUP SERVICES INC	1.0%	-0.2%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2024.

Colliers demonstrated robust earnings momentum, capitalizing on increased real estate transactions and leasing activities. This uptick was propelled by the central banks' easing cycle as well as sustained progress in fundraising, engineering, and property management.

HCA Healthcare's performance can be ascribed to persistent demand momentum, which appears to alleviate concerns of peak utilization earlier this year, coupled with effective cost controls.

Dexcom's market strategy for their newly launched diabetes monitoring product fell short of expectations, showing signs of losing market share to a larger competitor. Despite the market's overreaction and the temporary hit to management's credibility, we remain confident that patience will be rewarded, as improved execution is already in progress.

Despite delivering solid quarterly performance, Alphabet's shares underperformed following an antitrust ruling against Google Search, which labeled the company a monopolist. The full impact of this decision, including potential fines or other punitive measures, remains uncertain and has contributed to market apprehension surrounding the stock.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Industrials	13.5%	+2.9%
Information Technology	22.1%	+1.2%
Private Investments	10.9%	+0.4%
Consumer Discretionary	7.2%	-1.7%
Consumer Staples	1.0%	-1.9%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2024. Excludes Cash and Cash Equivalents.

We initiated a position in Canadian Pacific, one of North America's leading railroads, which offers significant growth potential, particularly following its acquisition of Kansas City Southern and its expanded access to Mexico. Recent share price weakness caused by strikes in Western Canada presented an attractive entry point.

Additionally, we took advantage of a recent large acquisition by WSP Global Inc. and the subsequent secondary offering to gain exposure to one of North America's top engineering firms at a discount. WSP, a global professional services company, generates approximately 90% of its net revenue in OECD countries. The company's well-diversified business model aligns with its strategy to solidify its position as a pure-play global leader in professional services, making it a strong addition to our portfolio.

We initiated a new position in Badger Infrastructure North America's largest hydro-excavation service company as a promising beneficiary of infrastructure spend in North America with large runway ahead for growth driven by a perfect storm of secular trends that is driving unprecedented growth in Badger's key markets—utilities and infrastructure construction.

During the quarter, we reduced our stake in Boston Scientific, a standout performer since the year's start, due to our assessment of its valuation exceeding our target. The proceeds were reallocated to The Cooper Companies, where we anticipate higher potential returns.

We exited our position in Medtronic (MDT) due to stalled organic growth following the pandemic and the company's ongoing challenges in meeting management's 5% growth target. We believe there are better growth opportunities with greater transparency and upside potential within the broader Healthcare and Medical Technology sectors.

We exited our entire position in KKR as it reached our target price after rallying over 70% since the beginning of the year.

Fund Outlook

Our strategy is to consistently target high-quality businesses across all sectors. However, we also focus on secular growth trends like digitization, deglobalization, aging population, cybersecurity, and artificial intelligence.

We place a strong emphasis on profitability, market attractiveness, potential for revenue and earnings growth, and valuation compared to historical averages and peer groups.

Despite our sector-agnostic view, we find the most attractive growth opportunities in Healthcare and Information Technology, aligned with broad secular growth themes such as digitization, deglobalization, an aging population, cybersecurity, and artificial intelligence. With roughly 20% exposure in each of these sectors at the end of the quarter and our bottom-up approach to stock selection we are positive on the growth runway ahead for the Fund. In addition to our top sector exposures, the Fund maintains an overweight position in Amazon and Google due to their strong fundamentals and growth potential in cloud services and advertising.

Regardless of the macroeconomic or political climate, our guiding principle is to pursue high quality growth at a reasonable price.

Source: Starlight Capital

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.

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