Starlight North American Equity Fund

Q2-2024 Commentary

Fund	YTD 2024	Q2 2024	1 Year	3 Year	5 Year	10 Year	15 Year	Incept*
Starlight North American Equity Fund, Series F*	12.8%	3.0%	17.1%	10.5%	14.0%	10.6%	10.2%	8.1%

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

Performance Summary

- In the second quarter of 2024, Starlight North American Equity, Series F (the Fund) returned 3.0%. YTD, the Fund is up 12.8%.
- Information Technology, Consumer Discretionary, and Communication Services were the top contributors to total return (in excess of 85% total return), which was slightly offset by laggards in Financials and Real Estate.
- The Fund's 72% weighted average exposure to the United States contributed more than 88% of the return over the quarter.

Contributors and Detractors

Q2 2024 Top Five Contributors		
Stock	Contribution to Return	Average Weighting
ALPHABET INC-CL C	+ 0.7%	3.6%
COSTCO WHOLESALE CORP	+ 0.4%	2.7%
NVIDIA CORP	+ 0.4%	1.3%
PALO ALTO NETWORKS INC	+ 0.4%	2.0%
BROADCOM INC	+ 0.4%	2.0%

Q2 2024 Bottom Five Contributors		
Stock	Contribution to Return	Average Weighting
DEXCOM INC	- 0.5%	2.5%
COLLIERS INTL GR-SUBORD VOT	- 0.3%	2.2%
FORTINET INC	- 0.3%	2.1%
ACCENTURE PLC-CL A	- 0.2%	1.8%
MASTERCARD INC - A	- 0.2%	2.6%

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

Alphabet was the top performer in the Fund. Search business, YouTube and Cloud all fared better than expected while margins showed improvement. Management rewarded shareholders by authorizing a new $70B share buyback program which accounts for 3% of their market cap, and more importantly introduced a dividend. A clear sign of confidence by management.

Costco was another strong performer for the Fund as the company reported strong foot traffic and operating margins beat expectations. Management also believes that their consumer has turned a corner and is spending more on discretionary items as inflation has moderated.

On the other hand, Dexcom was the worst performer in the quarter, coming off a very strong performance since being added to the Fund last October. Dexcom is preparing to launch a new CGM (Continuous Glucose Monitoring) product called Stelo this summer and the market is very excited about the prospects. The stock reacted poorly after reporting earnings as the company didn't raise guidance enough to meet the market's elevated expectations. We believe their business drivers are well intact and the new product launch should be well received in the diabetes market.

Colliers International was another detractor. Despite reiterating the outlook for the year, uncertainty around interest rate cuts pushed the stock lower. Colliers has remained resilient even during difficult times for the commercial real estate market as transaction volumes declined. At the same time management has been, in our view, rightly investing to increase its proportion of recurring revenue (currently over 60%) by actively acquiring businesses in engineering, consulting as well as investment management.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Industrials	10.7%	+ 1.2%
Information Technology	20.9%	+ 1.2%
Consumer Discretionary	8.9%	+ 0.9%
Real Estate	1.8%	- 1.2%
Cash and Cash Equivalents	4.6%	- 2.8%

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

We initiated a position in Boyd Group Services Inc during the quarter, after a rare miss on earnings and guidance which gave us a good buying opportunity. The weakness was partly related to a milder winter, which led to lower collisions. We believe the company is well positioned to continue to acquire more collision centers to grow its network, as well as benefit from new service offerings around calibration.

In line with the e-commerce and digitization theme, we initiated a new position in Shopify, as a key beneficiary of the secular trend toward e-commerce after patiently waiting for an entry point. The weakness in performance (18% since it reported 1Q24 results on May 8) gave us the opportunity to gain exposure to Shopify which powers over 2 million online merchants across over 175 countries. In our opinion, Shopify’s breadth of product, user friendliness, and its massive scale are hard to replicate competitive advantages that will continue to support their growth.

The Consumer Discretionary sector was a bright spot for the Fund over the quarter as TJX Companies had an amazing quarter along with other Off-Price retailers who benefitted from value seeking consumers across the globe. Results were propelled by what seems like a structural margin step-up from the historical numbers.

Amazon was also one of the top performers in the sector with AWS performance standing out. Retail Gross Merchandise Volume also maintained its resilient double-digit growth in the face of a weaker consumer, which to us speaks to the competitive advantages that Amazon has built.

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 nearly 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 growth at a reasonable price.

Source: Starlight Capital

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