Starlight Global Real Estate Fund

Q4-2024 Commentary

Starlight™ CAPITAL Focused Investing

Fund	YTD 2024	Q4 2024	1 Year	3 Year	5 Year	Incept*
Starlight Global Real Estate Fund, Series F	7.1%	-6.5%	7.1%	-5.6%	0.7%	2.8%

*Inception date October 2018. Source: Starlight Capital, as of December 31, 2024.

Performance Summary

- Over the fourth quarter of 2024, Starlight Global Real Estate Fund, Series F (the Fund) returned -6.5%. In 2024, the Fund is up 7.1%.
- Mortgage REITs were the top sector contributor to performance, which was offset by a decline in Multi-Family Residential REITs, Industrial REITs, and Telecom Tower REITs.
- Retail REITs also contributed positively to performance as shopping centres in Canada and the US rallied.

Contributors and Detractors

Q4 2024 Top Five Contributors

Stock	Average Weighting	Contribution to Return
BPOCN 4.536 PERP	3.3%	0.4%
KIMCO REALTY CORP	2.8%	0.2%
DYNEX CAPITAL INC	1.0%	0.1%
WELLTOWER INC	2.2%	0.1%
KITE REALTY GROUP TRUST	3.6%	0.1%

Q4 2024 Bottom Five Detractors

Stock	Average Weighting	Contribution to return
BOARDWALK REAL ESTATE INVESTMENT TRUST	3.3%	-0.9%
INTERRENT REAL ESTATE INVESTMENT TRUST	3.8%	-0.8%
CAN APARTMENT PROP REAL ESTATE INVESTMENT TRUST	3.1%	-0.8%
DREAM INDUSTRIAL REAL ESTATE INVESTMENT TRUST	3.9%	-0.7%
MINTO APARTMENT REAL ESTATE INVESTMENT TRUST	2.7%	-0.7%

Source: Starlight Capital & Bloomberg Finance L.P. As of December 31, 2024.

In Q4, the Fund's top performers included Brookfield Preferred Shares (BPOCN 4.536 PERP), Kimco Realty, and Dynex Capital. Brookfield's preferred shares benefitted from the broader market's renewed appetite for high-quality, fixed-income securities amid stabilizing interest rate expectations. This, coupled with Brookfield's strong credit profile, reinforced investor confidence in the perpetual preferred instrument, driving its outperformance. Kimco Realty also contributed significantly as its grocery-anchored retail portfolio continued to demonstrate resilience. Kimco saw stable leasing activity, supported by robust consumer demand for essential retail. Additionally, Kimco's strategic acquisitions and proactive asset management positioned it favorably to capitalize on long-term trends in retail real estate. Dynex Capital rounded out the top performers, rebounding strongly due to its active management of interest rate sensitivity and robust portfolio of agency mortgage-backed securities. The company effectively navigated the shifting macroeconomic environment, and its focus on maintaining liquidity allowed it to capitalize on market opportunities.

In Q4, Boardwalk REIT, InterRent REIT, and Canadian Apartment REIT were the largest detractors from the Fund's performance, as Canadian multifamily names faced headwinds. While the Bank of Canada's pause on rate cuts tempered some of the positive momentum seen earlier in the year, investor sentiment was further dampened by concerns about near-term affordability challenges, and uncertainty surrounding future immigration limits. These factors have raised questions about demand growth, creating additional pressure on the sector despite its strong long-term fundamentals.

Despite these short-term challenges, we remain confident in the long-term fundamentals underpinning the Canadian multifamily sector. Structural housing shortages, strong population growth, and mark-to-market rental opportunities continue to provide a compelling outlook for these REITs. That said, we are actively monitoring our positions in this subsector as we assess unfolding developments and evaluate whether better opportunities may exist elsewhere.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Mortgage REITs	7.5%	2.7%
Private Investments	12.2%	0.9%
Multi-Family Residential REITs	3.0%	-0.9%
Specialized REITs	9.9%	-3.8%
Residential REITs	11.8%	-4.3%

Source: Starlight Capital & Bloomberg Finance L.P. As of December 31, 2024.

In Q4, we reduced our weight in residential REITs. While we remain constructive on the long-term fundamentals of the sector, including housing shortages and demographic tailwinds, near-term affordability challenges and regulatory risks prompted us to decrease our exposure to the sector.

The proceeds were reallocated to mortgage REITs, which offer attractive yields and the potential for capital appreciation in a stabilizing interest rate environment. This strategic shift aligns with our focus on optimizing the portfolio for 2024 by emphasizing sectors with stronger near-term upside and income-generating potential.

Fund Outlook

As we enter 2025, we see significant opportunities emerging within the REIT space, driven by attractive valuations and the potential for a rebound in market sentiment. Many REITs have experienced unwarranted selling pressure, creating a disconnect between their fundamentals and current valuations. This presents a compelling entry point for investors, particularly in sectors with robust structural tailwinds.

While we remain optimistic about the Canadian real estate market, where key subsectors such as residential, industrial, and healthcare continue to demonstrate strong fundamentals, we are also exploring opportunities to diversify into U.S. names across sectors poised for growth. The U.S. market presents attractive prospects in areas with evolving demand drivers and pricing dislocations, allowing us to enhance the Fund's exposure to high-growth opportunities.

Additionally, mortgage REITs remain a key focus, as a stabilizing interest rate environment bolsters their income-generating and capital appreciation potential. Our disciplined investment strategy is centered on positioning the Fund in the right sectors and subsectors to capitalize on recovery trends and unlock long-term value for our investors.

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.

The views in this update are subject to change at any time based upon market or other conditions and are current as of January 15, 2025. 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