Starlight North American Equity Fund

Q4-2024 Commentary

Fund	YTD 2024	Q4 2024	1 Year	3 Year	5 Year	10 Year
Starlight North American Equity Fund, Series F	27.1%	9.1%	27.1%	10.5%	14.9%	10.6%

Source: Starlight Capital, as of December 31, 2024.

Performance Summary

- Over the fourth quarter of 2024, Starlight North American Equity Fund, Series F (the Fund) returned 9.1%. In 2024, the Fund is up 27.1%.
- Information Technology, Consumer Discretionary, and Industrials were the top sector contributors to performance, which was slightly offset by a decline in Real Estate.
- Financials also contributed positively to performance as the US consumer remained resilient.

In the fourth quarter of 2024, the S&P 500 rose 2.41%, with tech giants like Nvidia, Alphabet, and Apple driving much of the growth. The S&P/TSX Composite Index gained 3.76%, led by strong performances in financials and information technology, as Canadian banks benefitted from rising interest margins. Both markets reflected resilience amid global and domestic challenges.

Donald Trump's victory in the U.S. presidential election was a major event of the quarter. Although markets faced initial volatility leading up to the election, they swiftly rebounded as investors welcomed the potential for pro-business policies, including tax cuts and deregulation. This optimism propelled the S&P 500 to an impressive daily gain of nearly 2.5% following the announcement. However, lingering concerns about the broader economic impact tempered investor enthusiasm in the weeks that followed.

Adding to market caution was the tone set by central banks in December. While both the Federal Reserve and the Bank of Canada implemented widely anticipated rate cuts, their messaging was decidedly cautious. Federal Reserve Chairman Jerome Powell emphasized the risks of persistent inflationary pressures, signaling the need for vigilance in future monetary policy. Similarly, Bank of Canada Governor Tiff Macklem struck a hawkish tone, highlighting concerns about elevated household debt and global economic uncertainty. This restrained optimism, contributing to measured but steady gains across both indices as the year closed.

Contributors and Detractors

Q4 2024 Top Five Contributors		
Stock	Average Weighting	Contribution to return
AMAZON.COM INC	4.0%	0.9%
BROADCOM INC	2.0%	0.8%
FORTINET INC	3.0%	0.8%
ALPHABET INC-CL C	3.5%	0.7%
VISA INC-CLASS A SHARES	3.0%	0.6%

Q4 2024 Bottom Five Detractors		
Stock	Average Weighting	Contribution to return
HCA HEALTHCARE INC	2.2%	-0.5%
METTLER-TOLEDO INTERNATIONAL	2.3%	-0.4%
APPLIED MATERIALS INC	1.7%	-0.3%
STERIS PLC	1.8%	-0.2%
TRISURA GROUP LTD	1.4%	-0.2%

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

Amazon delivered strong earnings and provided an upbeat outlook for the year ahead, with AWS continuing to drive growth. Their plans to ramp up capital expenditures in generative AI drew significant investor attention, giving confidence in the company's trajectory toward monetizing AI opportunities.

Broadcom outperformed the market in Q4, supported by impressive fiscal Q4 financials. However, what really stood out was their jaw-dropping long-term addressable market target for the AI business, which suggested a compound annual growth rate of over 60% for the next 3 years. Management also highlighted the potential to add two new hyperscaler customers for their custom AI accelerators, reinforcing confidence in the ambitious long-term targets.

HCA Healthcare faced high expectations embedded in its stock price, and while the company reported solid fundamentals, a deceleration in growth and the impact of hurricanes ($50M effect from hurricane-related disruptions and supplemental payments) drew increased investor scrutiny. As a result, shares traded lower in the days following the report.

Mettler Toledo underperformed due to ongoing challenges in its main laboratory and industrial end markets, primarily impacted by weaker orders from China. Despite recent underperformance, we believe Mettler remains one of the best-executing companies in the life sciences tools sector, emerging from the downturn with a leaner cost structure and a stronger competitive position.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Information Technology	23.5%	1.4%
Consumer Discretionary	8.3%	1.1%
Industrials	14.4%	0.9%
Private Investments	11.7%	0.7%
Health Care	15.9%	-1.9%

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

We exited our position in UnitedHealth to pursue higher-growth opportunities; however, it remains our top pick in the U.S. managed care sector.

We fully exited our position in Boyd Group as our thesis was challenged after consecutive quarters of underwhelming performance. The company's growth relies heavily on acquiring smaller auto body shops, whose availability and valuations remain uncertain. Additionally, declining used car prices have led insurers to favor writing off damaged vehicles over repairs which has negatively impacted Boyd Groups financial results.

We fully exited our position in Propel Holdings, as the stock price surpassed our valuation expectations.

We have initiated a new position in Brookfield Business Partners (BBU), driven by our confidence in the company's strategy of continued asset monetization. This approach not only crystallizes asset value but also enables BBU to reduce its debt. Additionally, the significant capital deployment over recent years, coupled with BBU's proven track record of strong investment performance, positions the company for compelling net asset value growth. Notably, BBU's shares currently trade at a substantial discount to NAV estimates, further enhancing the attractiveness of this investment opportunity.

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 approximaterly 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 opportunities ahead for the Fund. In addition to our top sector exposures, the top 2 largest positions in the Fund are 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

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