PRIVATE REAL ASSET VALUATIONS

July 2022

Starlight Capital
FOCUSED INVESTING

Since the start of the year, 10-year bond yields in North America have risen approx. 150 bps to the 3.0% level. In response to 8% inflation, both the Federal Reserve Bank and the Bank of Canada have begun to hike policy rates aggressively. Equity markets have corrected sharply as trading multiples have fallen significantly. **The concern for many Advisors is that the value of private assets will similarly correct as higher long bond yields translate into higher costs of capital and discount rates.**

As part of the ongoing oversight of the Starlight Private Pools, we have been in contact with the management teams of all of our private investments. **Our private partners did not report any material impact to their valuations or future return expectations as a result of the sudden increase in interest rates and inflation.**

Starlight has invested in institutional private funds with longer holding periods and larger capital commitments. **Our fellow LPs in our investments include RBC, Fidelity, Citi, HOOPP, OP Trust, Washington State Investment Board, CalPERS, Nordea Bank, Pantheon Ventures, Brown University, Nationwide Insurance, Blackrock, Schroders plc, Legal & General Group plc, Artemis Fund Managers, Investec and AXA Investment Managers.** Investors in the Starlight Private Pools are investing alongside these large global institutions, leveraging their scale and expertise and benefitting from their input on structuring and fees.

Starlight's due diligence begins with a screen to eliminate poor sponsors. **We only underwrite institutional offerings from sponsors with over US $1 billion in AUM, 10 years of operating history and structures that include meaningful co-investment on their part.** We ask each potential sponsor to complete our due diligence questionnaire which covers seven areas of the company and the investment offering.

Our due diligence continues with management interviews and asset visits to verify sponsor claims and gain greater understanding of the assets we may be investing in. Finally, the investment opportunity is presented to our Investment Committee for review and approval. This process has taken anywhere from two months to two years and the risk-adjusted returns of the Starlight Private Pools demonstrate the success of this process.

Our private pool partners each have robust reporting requirements, valuation practices and independent third-party oversight. Valuation methodologies follow IFRS accounting guidelines tailored to the specific asset or strategy and involve multiple layers of review and approval. Our partners utilize several valuation methodologies, including discounted cash flow analysis, third party appraisals, market transactions and historical cost. **Some of the independent valuators and auditors utilized by our private pool partners include Colliers, KPMG, Deloitte, CBRE, Cushman Wakefield and Grant Thornton.**

Our private partners also have Independent Advisory Committees that review and monitor all of the underlying assets on an ongoing basis. Ongoing oversight includes periodic valuations (monthly or quarterly) which are audited annually. **Starlight Capital carries all investments at cost and prices are only adjusted based on the periodic Net Asset Value statements provided by our private partners.**

Starlight has focused on investing in value-add mandates, as opposed to core/core+ or opportunistic investment mandates. Each of our sponsors has demonstrated both the operational capability and the capital capacity to drive growth in revenues and cash flows of the assets acquired and/or developed. **This value-add approach is particularly**

important during periods of rising interest rates and/or inflation as it is this growth which offsets any increase in discount rates or cost of capital.

Alinda Fund IV is the largest investment in the Starlight Private Infrastructure Pool. Alinda Capital Partners ("Alinda", now Astatine Investment Partners) is focused on value-add opportunities in the global Transportation, Utility and Digital markets. Their initial two acquisitions were underwritten at 15%-20% IRRs including 4%+ yields. **Year to date Alinda has increased revenue in these investments by over 50%, EBITDA by over 99% and cash yields are now 6.4% and 22.2%.**

ACL Airshop LLC maintains and rents a fleet of more than 70,000 Unit Load Devices ("ULDs") issued from a network of 55 airport locations globally. ULDs, including pallets and containers, are essential equipment used to transport air cargo in freighter and passenger aircraft. **Due to continuing strong demand, ACL has grown the size of its ULD fleet by 26% over the last 12 months.**

Key Metrics

IRR 99.7%	MOIC 2.0x	Cash Yield 6.4%	Leverage 25%
Quarterly Revenue $24.9m, +62%	LTM Revenue $84.7m, +50.1%	Quarterly EBITDA $13.8m, +99%	LTM EBITDA $40.2m, +71%
ULDs on Lease 54,710, +26% YoY			

Source: Astatine Investment Partners

BTR is a leading provider of specialty vehicles to the waste industry, offering both rental and off-rent vehicle sales. The company has more than 350 customers across North America including public, private and municipal waste service providers. **The demand for off-rent truck sales remains strong as BTR has already pre-sold ~85% of budgeted trucks for 2022.** In addition, BTR has successfully scaled up its terminal tractor fleet, from zero units in early 2021 to ~50 units today, which are utilized by blue-chip e-commerce customers and logistics providers.

Key Metrics

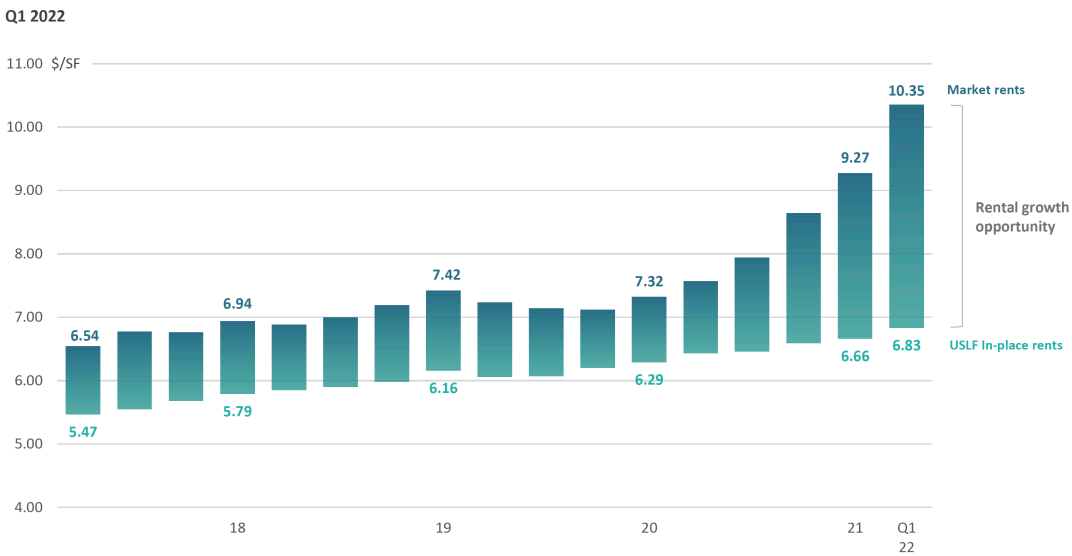
IRR 83.8%	MOIC 1.4x	Cash Yield 22.2%	Leverage 46%
Quarterly Revenue $30.9m, +75%	LTM Revenue $124.5m, +61%	Quarterly EBITDA $10.9m, +103%	LTM EBITDA $41.9m, +103%
Total Fleet $645, +36% YoY	Utilization 90%, +17% YoY		

Source: Astatine Investment Partners

Prologis Inc. ("Prologis") is the world's largest industrial landlord with over one billion square feet of real estate across 19 countries. Prologis' Strategic Capital business includes the US $28 billion US Targeted Logistics Fund which the Starlight Private Real Estate Pool owns. The pandemic accelerated the global trend towards e-commerce and CBRE estimates this created incremental demand for over 70 million square feet of additional industrial real estate just in 2020 alone. Prologis reported second-quarter results and estimated that they will generate 8% same-property net operating income growth through 2025 (long-term industry average is 2.9%) based on current market rents and future lease expiries. **Prologis realized 45.6% rent growth on leasing activity in the second quarter and estimates that its in-place leases are 56% below-market rents and will be over 60% below-market rents by year end.**

Income growth potential is accelerating

Current in-place rents are nearly 50% below market



Source: Prologis Inc.

Peppertree Capital ("Peppertree") is an acquirer and developer of cell towers in the US. The cell tower industry is driven by the global creation of data and the need for connected devices (smart phones, laptops, televisions, smartwatches, appliances, automobiles) to access that data. **The US Chamber of Commerce Foundation estimates that 90% of the data that exists in the world today was produced in the last two years.** Both Starlight Private Pools have investments in Peppertree Capital Fund IX which acquires and leases up existing cell towers and funds the development and lease up of new cell towers. **These tower portfolios are eventually sold at 30x+ multiples of cash flow, often to the publicly traded cell tower REITs.** Peppertree continues to acquire, develop and sell their cell tower assets to generate IRRs similar to their 17-year track record of 24.5%.

U.S. New Macro Tower Build Economics Drive Strong ROI[1]

	One Tenant	Two Tenants[2]	Three Tenants[2]
Construction / Upgrade Costs ($ in USD)	$275,000	—	—
Tenant Revenue	$20,000	$50,000	$80,000
Operating Expenses (including ground rent, utility, monitor)	$12,000	$13,000	$14,000
Gross Margin	$8,000	$37,000	$66,000
Gross Margin (%)	40%	74%	83%
Gross Margin Conversion Rate (%)	–	97%	97%
Return on Investment [3]	**3%**	**13%**	**24%**

Source: American Tower Inc.

(1) For illustrative purposes only. Does not reflect any American Tower financial data.
(2) Colocating tenants typically pay higher rents than anchor tenants on build-to-suit towers.
(3) Calculated as Gross Margin divided by Construction/Upgrade Costs.

In recent months we have seen several private real asset solutions experience negative returns. Some of these real asset solutions are "buy-and-hold" strategies with little value creation or core/core+ strategies with little incremental value creation potential. In these instances, a 150 bps increase in long bond yields can materially impact the value of the investment. In contrast, **the Starlight Private Pools invest in value-add strategies and have continued to benefit from the material value creation our private partners have generated by allocating capital to investments with long-term structural drivers of growth.** While we cannot predict future returns, we believe our current and pending investments possess significant value creation potential and our sponsor partners have long track records of adding value in their sectors.

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