UNISON ACQUISITION TRUST UPDATE

February 2024

Unison Midgard Fund (“Unison”) is an open-end fund that generates returns via equity investments in single family homes across the United States. According to the S&P Core Logic Case-Shiller Home Price Index, US homes have appreciated on average approx. 4.5% per annum over the last 36 years.

Unison 2023 Review

In 2023 Unison Acquisition Trust (the "Fund") generated a -3.2% total return however, this return requires some discussion. Unison's return in 2023 was impacted by the lag in its valuation model, securitizations, market mix and currency.

Unison’s valuation model is driven by two main inputs. First, Unison receives valuation feeds from several national automated valuation networks (“AVNs”, i.e. Zillow, Redfin). These inputs are applied to properties in the portfolio that are not sold or refinanced during the month (i.e. the vast majority of the portfolio). These AVN feeds are lagged by a month and Unison’s incorporation of these values into its model also lags by a month (i.e. January market data is reported by the AVNs in February and Unison reflects this data in March). Second, some of the homes in the portfolio are sold or refinanced during the month and these valuations are used to update the home values in the portfolio. Unison’s model has historically been accurate to within +/- 1% when compared to actual sales and refinance values. However, this two-to-three-month lag often results in performance that diverges from the S&P CoreLogic Case-Shiller Home Price Index (“Case-Shiller”) at times.

As home prices appreciated and mortgage rates rose, the demand for Unison equity investments rose materially. Rising mortgage rates increase the cost of second mortgages and home lines of credit, making Unison equity investments more attractive. To meet this demand, Unison entered into securitization transactions in 2022 and 2023 to generate additional funds for originations. They essentially packaged up portfolios of their equity investments and sold them as residential-backed securities and used the sale proceeds to fund more originations. Unison’s securitizations are dilutive in the short term as there is a lag while proceeds are deployed and start to generate returns. **However, given Unison generated an overall 18% IRR from realizations in Q3 2023, the spread between securitization cost and Unison return on proceeds is very large and supports these transactions.**

Unison’s securitizations in June and November of 2023 had a negative impact on Unison’s returns in Q3 and Q4. However, as these proceeds are used to originate home investments and the underlying homes appreciate, these securitizations will add to Unison’s returns. Unison also retains the equity value in the securitization so as home prices appreciate, they will still benefit from the securitized properties. **We have confirmed with Unison management that there are no further planned securitizations in 2024.**

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Unison's market mix (the US states that it does and doesn't originate investments in) worked against it later in the year. Unison is overweight California which lagged relative to Case-Shiller in 2023. Some of California's performance was due to turmoil in both the banking and technology sectors, both of which have since subsided. Despite this, California has also seen nation-leading home price appreciation since the pandemic so it is unlikely that it will lead the nation going forward.

Finally, currency was the biggest detractor from Unison's performance in 2023, reducing total returns by 276 bps. Unison's returns are seasonal based on housing market activity. Q1 and Q2 are the best quarters for housing market activity and currency volatility detracted from this performance. A reprieve in Q3 supported decent performance from Unison but a seasonally weak Q4 was exacerbated by significant currency weakness.

2023 USD CAD Performance											
January	February	March	April	May	June	July	August	September	October	November	December
-1.54%	1.99%	-0.60%	0.22%	0.22%	-2.73%	-0.53%	2.71%	-0.07%	2.61%	-2.39%	-2.83%
Q1 2023			Q2 2023			Q3 2023			Q4 2023		
-0.12%			-2.27%			2.13%			-2.53%		
-2.76%											

Source: RBC Investor & Treasury Services

Unison 2024 Home Price Appreciation Outlook

Since 1960, US home prices have generated an average annual appreciation of 5.0%. In that environment, Unison is designed to deliver an approximate 14.5% total return to investors. After the Global Financial Crisis US home prices troughed in early 2012 and have generated an average annual appreciation of 7.3% since. With mortgage rates rising to 8.0% before pulling back to current levels of 6.6%, we expect US home prices will continue to appreciate but at a level below the 50-year average.

For our estimate of 2024 US house price appreciation, we began by reviewing the national forecasts for a collection of US AVNs, mortgage lenders, property brokers and realtors.

US 2024 Home Price Appreciation Forecasts			
Bright MLS	1.5%	Mortgage Bankers Association	4.1%
CoreLogic	2.5%	National Association of Realtors	0.7%
Fannie Mae	2.4%	Realtor.com	1.2%
Freddie Mac	2.7%	Redfin	3.0%
Average	**2.4%**	Zillow	3.5%

Source: Bloomberg Finance L.P.

Using this as a base, we then drilled down to the Metropolitan Statistical Area ("MSA") level using data from Zillow and Unison's exposure to various states. This analysis captured approximately 93.4% of Unison's portfolio and highlights the quality of Unison's market underwriting. **In 2024, looking at markets that were large enough for Unison to consider (i.e. excluding Rhode Island, Delaware, Maine, etc.), Unison has zero exposure to the five markets that are forecast to be the worst-performing markets from a home price appreciation standpoint.** These are Arkansas, Louisiana, Mississippi, North Dakota (ranging from -1.3% to -2.4%) and Texas (+0.6%). Avoiding these markets allows Unison to outperform Case-Shiller by avoiding potential torpedo markets.

Conversely, Unison's market exposure shows that over 50% of the portfolio is exposed to markets that are forecast to experience over 3.0% home price appreciation in 2024. This is somewhat tempered by the fact that Unison's largest market, California, is only forecast to experience +1.2% home price appreciation. However, we expect strength in Los Angeles to offset weakness in San Francisco, with the rest of the major sub-markets (Oxnard, San Diego, Riverside and Bakersfield) generating strong performance in 2024.

Unison Market Exposure Analysis for 2024 Markets with Forecasted Home Price Appreciation:		
> 3.0%	**> 4.0%**	**> 5.0%**
56.1%	**31.2%**	**21.8%**
Colorado	**Arizona**	**Florida**
Michigan	**Massachusetts**	Georgia
New York	Indiana	Idaho
Ohio	Utah	**New Jersey**
Oregon		North Carolina
Virginia		Tennessee
Washington		
Wisconsin		

Source: Zillow, Unison IM, Starlight Capital. Note: Bold indicates top 10 market for Unison.

Markets in bold represent top 10 markets for Unison and total over 55.0% of Unison's portfolio. **Based on this analysis, we expect Unison to experience home price appreciation of 3.6% in 2024. Based on Unison's historical performance, this would lead to high single-digit/low double-digit total returns in 2024.**

US Housing Market Fundamentals

Looking at the drivers of the US housing market, we find that almost all of them are either supportive of higher prices or improving in that regard. As the chart below demonstrates, US home starts have averaged 1.44M for the last 50 years. Since the global financial crisis, the US has under-invested in single family homes to the point that the US is now short 1.7M homes. That deficit is forecast to increase again in 2024 as 1.35M projected home starts falls below the long-term average and the updated 1.9M run rate of starts required to bridge the deficit over time.

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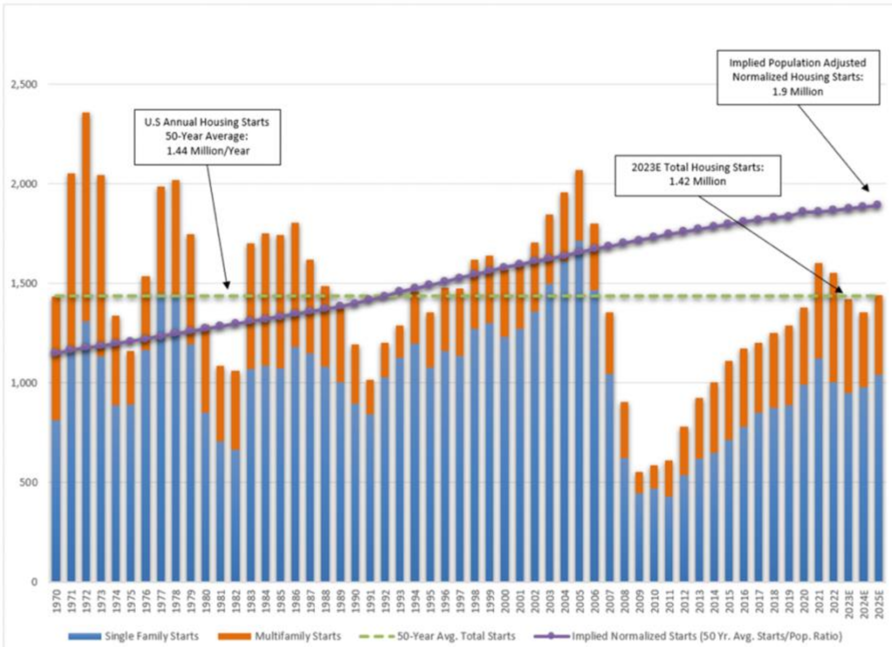
Single-Family Supply Deficit Only Growing More Severe

Total U.S. Housing Starts: 1970-2023

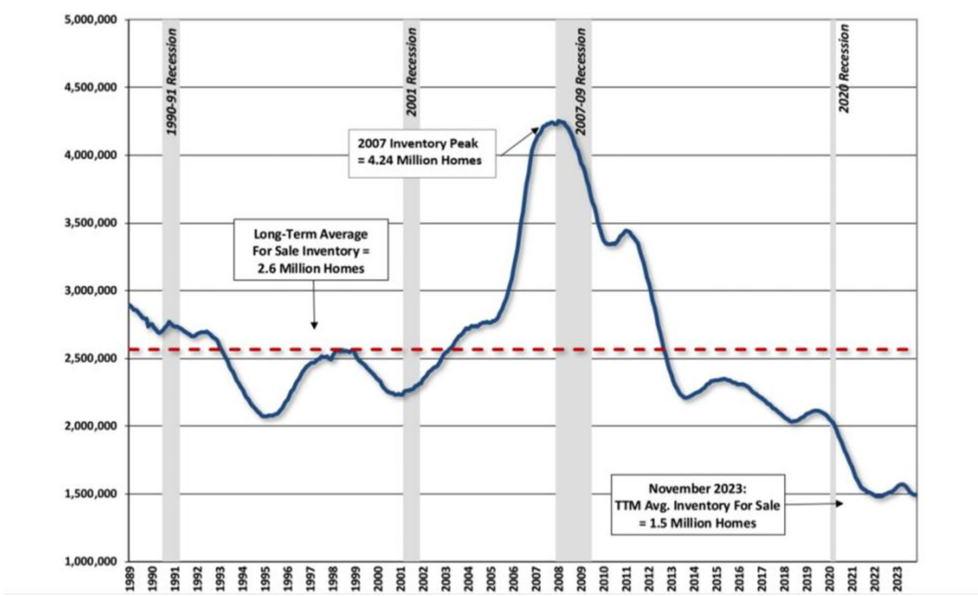


Source: U.S. Census Bureau; Raymond James Research.

Much has been made of the “lock-in effect” created by a significant increase in the 30-year mortgage rate over a short period of time. Existing-home sales have fallen to their slowest pace in more than a decade as homeowners choose to remain in their current homes in order to keep their low mortgage rates.

Total Combined For-Sale Inventory: 1989-2023

(Existing Home Listings and New Homes for Sale)



Source: National Association of Realtors, U.S. Census Bureau, Raymond James research.

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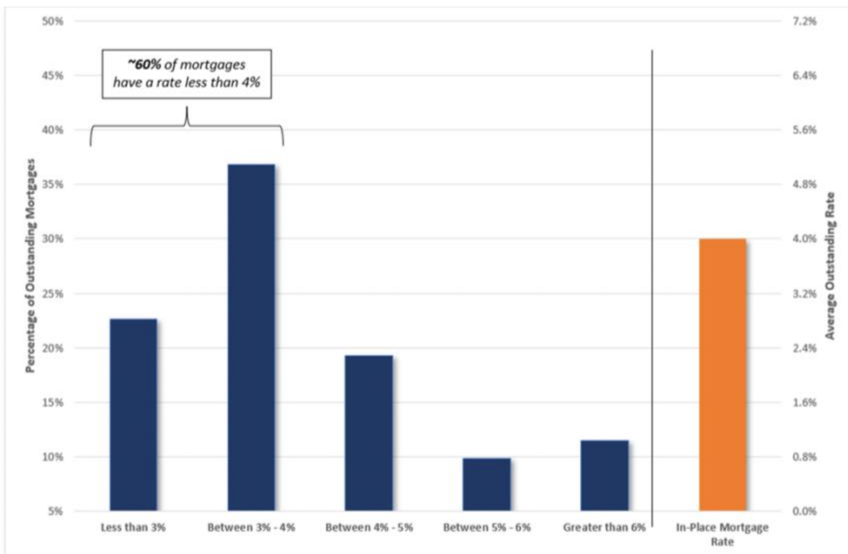
As the chart below indicates, approximately 60.0% of US home mortgages are at a rate that is below 4.0%, compared to the current 30-year mortgage rate of 6.6%.

"Lock-In Effect" Not Going Away Any Time Soon

In-Place Mortgage Rates on Loans Outstanding *(As of September 2023)*

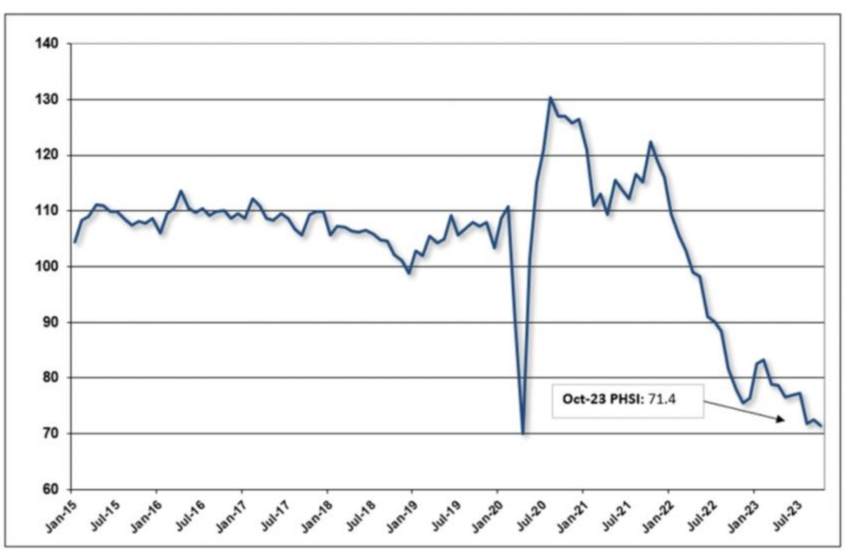


Source: FHFA National Mortgage Database, and Raymond James Research.

As a consequence, pending home sales of existing homes are near their all-time low.

Pending Home Sales Index (Existing Homes)

Seasonally Adjusted Annual Rate: 2015-2023



Source: National Association of Realtors, Raymond James research.

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We expect the Federal Open Market Committee will cut the Federal Funds Rate by 100 bps this year, bringing the US 30-year mortgage rate to the 5.5% range. This will improve affordability and increase activity however, we expect supply in the resale market to continue to lag demand.

Source: Bloomberg Finance L.P.

Regardless of whether mortgage rates continue to come down, there will be organic activity in the housing market over the next two years, driven by demographics and life decisions:

- 7 million new-born babies
- 3 million marriages
- 50 million job switches
- Millennial student debt forgiveness
- 4 million deaths
- 1.5 million divorces
- 4 million net new jobs
- 7 million people turn 65 years old

Source: National Association of Realtors

This will drive activity in the housing market and some people holding onto low-rate mortgages will be forced to transact at current levels. Some of these transactions will be with international purchasers returning to buy US homes in several of Unison's key markets (California, Florida and Arizona). **International buyers purchased $77.9 billion of US homes in 2019 but fell to just $53.3 billion in 2023 (National Association of Realtors). The pandemic and rising mortgage rates certainly curtailed this activity but we expect demand from international buyers to return and augment some of the organic natural demand.**

The labour market in the US remains resilient with unemployment at 3.7% and the most recent Nonfarm Payroll Employment ("NFP") number coming in at 216,000 for December 2023. For 2023, the NFP number averaged a robust monthly gain of 225,000 jobs, with a total of 2.7 million people added to payrolls. **Real wages have returned to positive growth for the first time since early 2021 which is also generally supportive of rising housing prices.**

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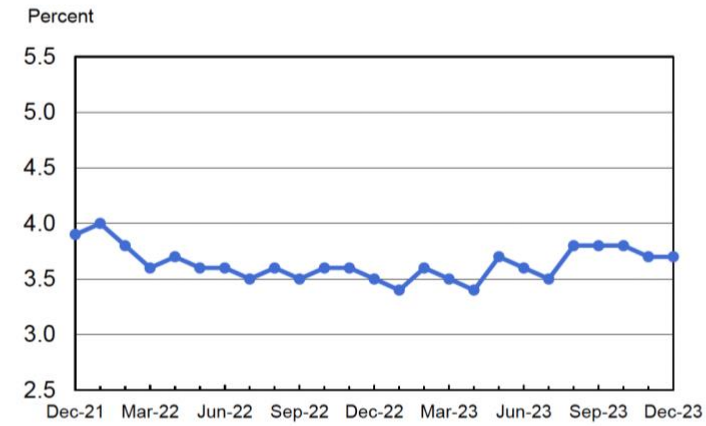
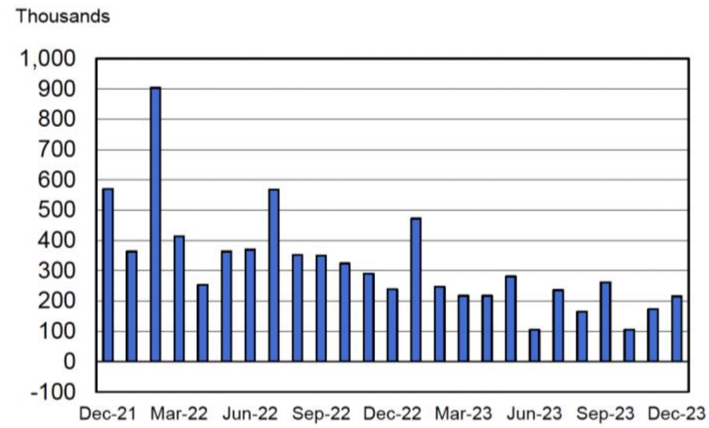
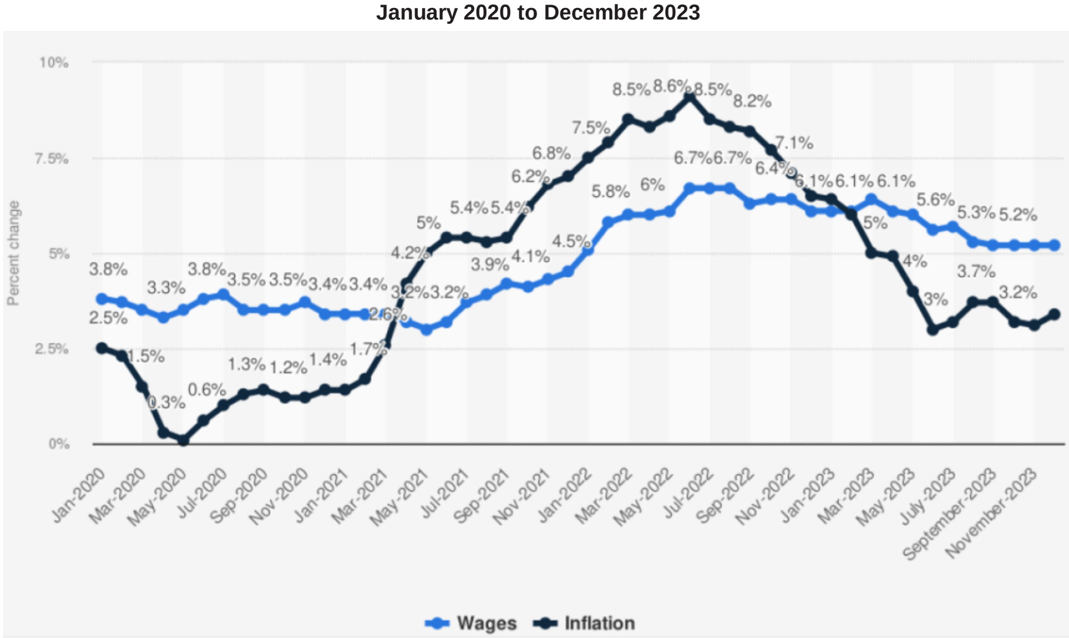
Unemployment rate, seasonally adjusted December 2021 – December 2023



Nonfarm payroll employment over-the-month change, seasonally adjusted, December 2021 – December 2023



Difference Between the Inflation Rate and Growth of Wages in the United States from January 2020 to December 2023



Source: Bureau of Labor Statistics: Federal Reserve Bank of Atlanta: US Census Bureau.

US households have over $32 trillion in equity that they can tap into. This is important because the US savings rate is falling as households draw down on their "COVID cash" and savings to fund consumption after the recent inflationary spike. Many households will turn to this enormous amount of homeowners' equity to continue to fund their lifestyles. The mortgage lock-in effect will discourage mortgage refinancing as a source of cash and elevated mortgage rates have made second mortgage and lines of credit very expensive. We expect that homeowners will embrace alternative solutions such as Unison (no payments and not tied to mortgage rates) to fund their consumption.

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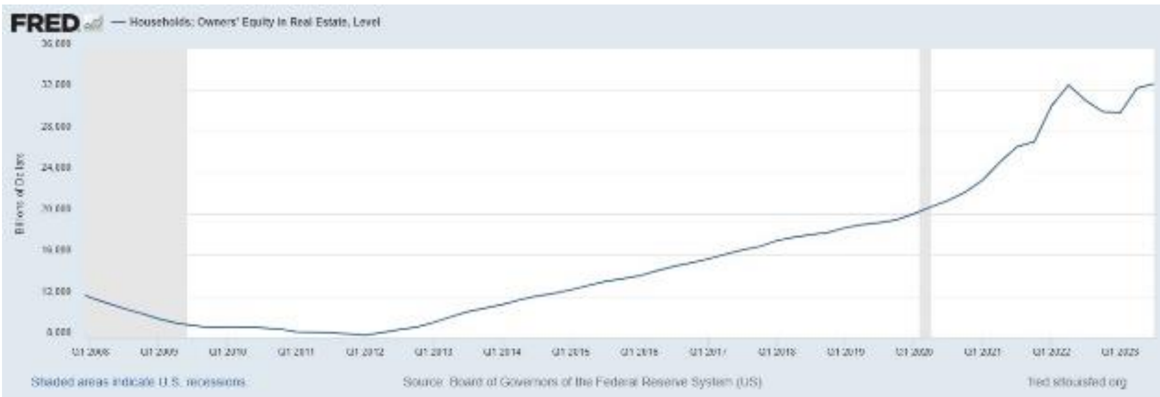
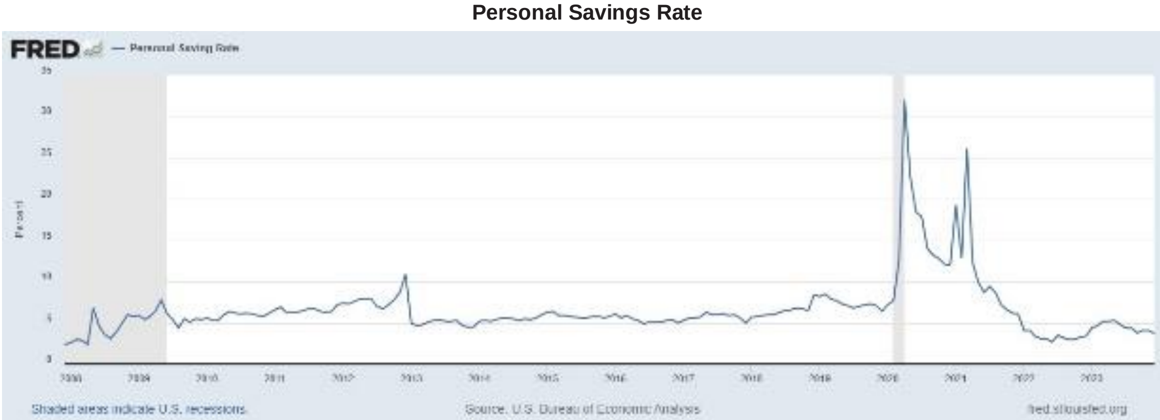
Households; Owner's Equity in Real Estate, Level



Source: Board of Governors of the Federal Reserve System (US).

Personal Savings Rate



Source: U.S. Bureau of Economic Analysis.

Unison Midgard Portfolio

Unison's portfolio quality remains very high with low loan-to-value and prime credit homeowners. Unison's portfolio has grown to US $962.9 million and is secured to real estate with a value of US $3.8 billion. Realizations (property sales and/or property refinances) in Q3 of 2023 generated a realized gain of 66.0% and an overall IRR of 18.0%. These are returns realized from investments made approximately seven years ago but demonstrate that Unison should continue to generate strong, long-term total returns.

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Unison Midgard Fund Details			
Total Unison Agreements	10,478	Qualifying Credit Score	733
Homeowner Age	58	Current Credit Score	749
Home Price	497,000	Original LTV	63.0%
Invested Amount	73,500	Current LTV	44.0%

Source: Unison Investment Management, as of September 30, 2023.

To summarize, Unison's markets appear poised to deliver strong home price appreciation in 2024. US housing market fundamentals (low supply, rising demand, high owners' equity, declining mortgage rates, strong labour market) remain very strong and we are entering the seasonally strong period for the US housing market.

US 36-Year Home Price Appreciation		
Month	Average Return	
	Monthly	Quarterly
January	0.18%	
February	0.68%	
March	0.90%	1.79%
April	0.93%	
May	0.82%	
June	0.56%	2.34%
July	0.31%	
August	0.08%	
September	-0.01%	0.39%
October	-0.05%	
November	-0.07%	
December	-0.01%	-0.12%

Source: Federal Reserve Bank of St. Louis

As we approach our six-year anniversary as a firm and the four-year anniversary of the Starlight Private Pools, we appreciate the support you have shown us. We appreciate the opportunity to compete for your client's capital and the Starlight Private Pools have played a significant role in our combined success.

Sincerely,

The Starlight Capital Team

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Starlight Capital
1400-3280 Bloor Street West
Toronto, Ontario, Canada M8X 2X3
info@starlightcapital.com
1-833-752-4693
Starlightcapital.com