Fund	YTD 2024	Q4 2024	1 Year	3 Year	5 Year	10 Year
Starlight Dividend Growth Class, Series F	20.3%	4.1%	20.3%	6.9%	11.2%	8.8%

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

Performance Summary

- Over the fourth quarter of 2024, Starlight Dividend Growth Class, Series F (the Fund) returned 4.1%. In 2024, the Fund is up 20.3%.
- Financials, Information Technology, and Utilities were the top sector contributors to performance, which was slightly offset by a decline in Industrials, Health Care, and Materials.
- The USD appreciated by 6.1% against the Canadian dollar in Q4 also contributing to the positive Fund performance.

In the fourth quarter of 2024, the S&P 500 rose 2.4%, with tech giants like Nvidia, Alphabet, and Apple driving much of the growth. The S&P/TSX Composite Index gained 3.8%, 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
BROOKFIELD CORP	5.4%	0.8%
VISA INC-CLASS A SHARES	3.1%	0.6%
CAPITAL POWER CORP	2.3%	0.6%
BROOKFIELD ASSET MGMT-A	2.5%	0.5%
BROADCOM INC	1.2%	0.5%

Q4 2024 Bottom Five Detractors		
Stock	Average Weighting	Contribution to Return
UNITEDHEALTH GROUP INC	3.8%	-0.3%
TORONTO-DOMINION BANK	2.5%	-0.3%
CARGOJET INC	1.0%	-0.2%
STELLA-JONES INC	1.0%	-0.2%
THERMO FISHER SCIENTIFIC INC	1.6%	-0.2%

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

Brookfield Corporation outperformed, driven by global easing of monetary policy, which alleviated concerns over its commercial real estate holdings and supported further fundraising. The company also hosted an investor day, unveiling robust five-year targets (2024–2029) that exceeded market expectations.

Visa rebounded in Q4 following a weak Q3, which had been impacted by a Department of Justice lawsuit alleging monopolization of the US debit card market. Its performance was boosted by strong card spending reported by major US banks in Q3, along with better-than-expected revenue and earnings—a clear sign of resilient US consumer spending.

Sentiment around UnitedHealth Group declined after its investor day, driven by a higher-than-expected Medical Loss Ratio and the tragic death of executive Brian Thompson, which amplified negative sentiment toward the health insurance industry. Additionally, legislative discussions about forcing Pharmacy Benefit Managers to separate their pharmacies weighed on performance, overshadowing a brief rally following Trump's election win.

TD Bank: After settling with US regulators for $3 billion in fines related to anti-money laundering issues, TD Bank suspended its fiscal 2025 growth target, citing a transitional year with challenging conditions. Despite slower US growth, TD remains well-positioned with strong fundamentals across capital, liquidity, credit, and margins, making it a compelling choice for the year ahead.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Financials	28.9%	0.7%
Consumer Staples	9.3%	0.3%
Information Technology	4.5%	-0.2%
Industrials	14.8%	-0.5%
Health Care	6.6%	-1.8%

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

In October, we exited our position in Enghouse Systems, as the recent resignation of the President raised concerns about our investment thesis and potential disruption to the company's mergers and acquisitions activity. However, no other new meaningful positions were initiated, nor were any exits made during November and December 2024.

Fund Outlook

Our strategy remains steadfast in identifying high-quality businesses across North America while remaining sector-agnostic. Furthermore, we actively seek out opportunities aligned with secular growth themes such as digitization, deglobalization, and an aging population. We prioritize factors such as free cash flow generation, consistent capital allocation policies, the magnitude and duration of dividend growth, and valuation relative to historical averages and peer groups.

In 2024, we maintain a balanced approach to risk management, recognizing that it is neither the time to fully embrace risk nor to adopt a fully defensive posture. We monitor high-quality businesses across multiple economic sectors, seeking dislocations and mispriced investment opportunities that the market may overlook.

Along with this view, the Fund maintains a 29% exposure to financials, benefiting from a balanced position in Canadian banks and high-quality US financials including Bank of America and Visa. Our second-largest exposure is in Industrials, where we favor Waste Connections—an all-weather investment. Stantec also benefits from substantial infrastructure spending in North America and Europe. Furthermore, we are positive about the freight sector, with exposure to CN Rail and Cargojet. While closely monitoring commodity prices and industry dynamics, we remain bullish on the energy sector due to strong fundamentals, robust cash flow generation potential, and rising dividends. Our third-largest sector weight provides exposure to high-quality diversified oil and gas players, such as Suncor, Canadian Natural Resources, Imperial Oil, and the top natural gas producer, Tourmaline.

Source: Starlight Capital

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Important disclaimer.

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