

Starlight Private Global Real Estate Pool 2024 Update

September 2, 2024



Dennis Mitchell,
MBA, CFA, CBV

Chief Executive Officer and
Chief Investment Officer

The Starlight Private Global Real Estate Pool is designed to provide accredited investors with access to institutional-quality, private assets in a solution that provides both liquidity and income. The unique design (target 80% private asset funds, target 20% public listed securities) allows investors to partner with best-in-class, global institutional managers of private assets and invest alongside some of the largest pension funds, insurance companies and wealth managers in the world.

2024 Year to Date

The Starlight Private Global Real Estate Pool (“Pool”) has generated a 9.5% total return year to date. The Pool’s current annual yield (paid quarterly) is 5.4% and in 2023 the distribution was 100% return of capital for tax purposes.

Through the end of July, the listed securities portfolio delivered a 5.2% total return while generating 8 dividend and distribution increases with an average increase of 7.8%. Declining interest rates in both Canada and the United States have pushed discount rates and cap rates down, positively impacting the valuation of the private assets.

The returns of the Starlight Private Global Real Estate Pool compare very favourably to the universe of private real estate solutions.

Exhibit 1 - Starlight Private Global Real Estate Pool Performance

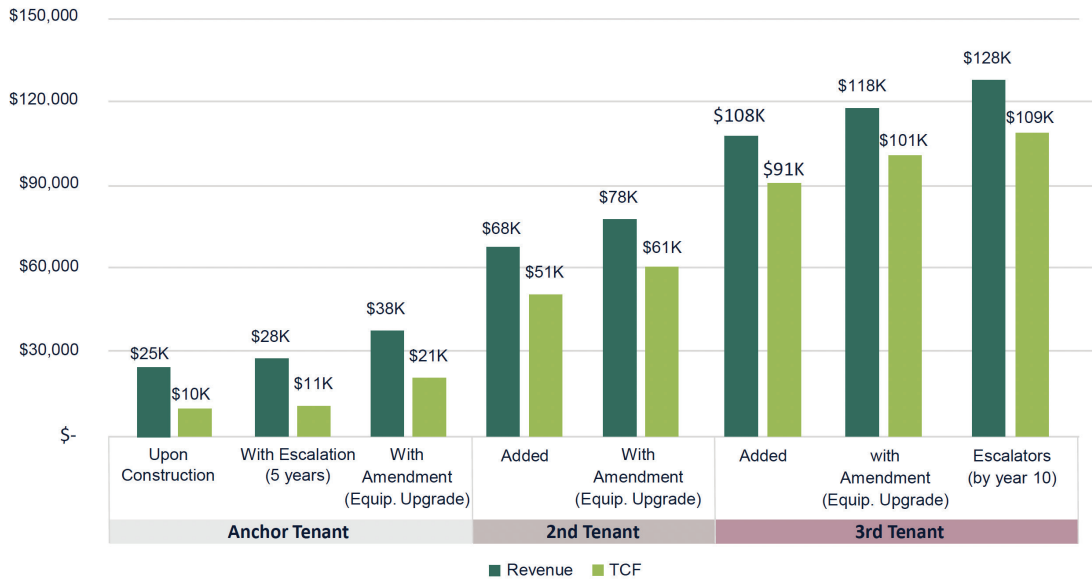
Private Real Estate Pool Performance					
	YTD	Q1	1 Year	3 Year	Incept
Starlight Private Global Real Estate Pool	9.5%	-0.2%	10.3%	8.0%	12.6%
MSCI Global Private Real Estate Pool	N/A	-0.6%	-6.1%	5.3%	N/A

Source: Starlight Capital, MSCI Burgiss as of July 31, 2024. Inception date is April 2020 for Series F of the Starlight Private Global Real Estate Pool.

Peppertree Capital Fund IX

Peppertree Capital is the dominant developer of cell towers in the United States. Towers are developed, leased up to telecom firms (i.e. Verizon, AT&T and T-Mobile) and sold to tower aggregators (i.e. American Tower, Crown Castle and SBA Communications). **Historically Peppertree has generated a 1.89x net return on invested capital and a 16.6% net IRR.**

Exhibit 2 – Example of Modeled TCF Growth Over Extended



Source: Peppertree Capital as of July 31, 2024.

In 2024, Peppertree Capital Fund IX (“PCF IX”) has developed 297 towers, bringing the total towers constructed to 3,220. PCF IX currently has 1,224 cell towers under construction and 440 pending acquisition. Demand for new towers continues to be driven by population growth, connected device growth, data-intensive application development and network evolution (from 4G to 5G).

Going into 2025, we expect PCF IX to begin liquidating tower portfolios at 30x – 40x Tower Cash Flow or better. This would generate additional returns and liquidity for the Real Estate Pool, allowing us to allocate to the next Peppertree fund or other investment opportunities that offer a 15%+ total return. **PCF IX generated an approx. 21.7% total return in 2023 and we expect strong, total returns to continue in 2024**, driven by additional tower development, annual contractual rent escalators, lease amendment rental gains and increased tenant intensity on existing towers.

Starlight Canadian Residential Growth Fund

Starlight Investments is the largest residential landlord in Canada with over 66,000 suites across Canada. Older apartment buildings are acquired and suites and building infrastructure are renovated to bring the building to a more modern and efficient standard. **Historically Starlight Investments has generated a 25.0% gross IRR in this strategy, including a 4.0% annual cash distribution.**

Starlight Canadian Residential Growth Fund II (“SCRGF II”) has acquired 5,508 suites across 66 properties, primarily in Ontario and BC. SCRGF II has invested \$117.0 million to renovate buildings and to improve 1,620 suites. These investments have generated 60.5% average rent growth and a 31.0% return on cost. Total value created by SCRGF II is now \$401.0 million and the portfolio has appreciated to \$1.8 billion in value. **SCRGF II has generated an Unrealized Gross IRR since inception of 13.0% and the Gross Equity Money Multiple is 1.42x.**

Starlight Canadian Residential Growth Fund III (“SCRGF III”) has acquired 6,210 suites across 55 properties, primarily in Ontario and BC. SCRGF III has invested \$71 million to renovate buildings and to improve 1,237 suites. These investments have generated 41.2% average rent growth and a 32.8% return on cost. Total value created by SCRGF III is now \$286 million and the portfolio has appreciated to \$2.2 billion in value. **SCRGF III should generate total returns similar to SCRGF II.**

Exhibit 3 - Starlight Suite Upgrade Program



Source: Starlight Investments.

Canadian Mortgage & Housing Corporation (“CMHC”) estimates that by 2030 the housing shortage in Canada will reach 3.5 million homes. **In their 2024 Rental Market Report, CMHC estimates that national apartment vacancy is at a record low 1.5%, which has led to 8.0% rent growth in 2023.** SCRGFs II & III are primarily exposed to Toronto (1.4% vacancy) and Vancouver/ Victoria (0.9% vacancy) which have even lower vacancy and higher rent growth.

In 2024, **both SCRGF II & III should deliver strong, total returns similar to those achieved in 2023 (10.0%+).** Declining interest rates in the second half of 2024 should bring cap rates down and provide valuation uplifts for the portfolio. **Most of the debt in each portfolio has been refinanced into 40-year, amortizing debt with coupons well below 4.0%.**

Going into 2025, we expect SCRGF III’s returns to be generated through suite turns and building improvements. However, **in 2025 we expect SCRGF II to begin selling apartment buildings at 4.0% cap rates or better.** This would generate additional returns and liquidity for the Real Estate Pool, allowing us to allocate to the next SCRGF or other investment opportunities that offer a 15%+ total return.

Prologis Targeted US Logistics Fund

Prologis Inc. is the largest global industrial landlord with ~1.2 billion square feet of real estate across 19 countries. Every year 2.8% of global GDP passes through Prologis’ warehouses as the portfolio contains 5,613 buildings that serve 6,700 customers. Prologis Targeted US Logistics Fund (“USLF”) is a US portfolio of modern distribution, logistics and warehouse assets in coastal tier 1 markets that serve global customers.

Prologis reports that rising interest rates have pushed both cap rates and expected investor IRRs significantly higher and valuations down. While rent growth has been 80.0%+, this growth only applies to the 15% of rents expiring annually. This has been more than offset by the 250 bps increase in cap rates and investor IRRs that apply to 100% of the portfolio’s net operating income. Prologis values 100% of the portfolio every quarter and their appraisers have been extremely conservative. We have sold our position in USLF and have redeployed the capital into listed securities at a material discount to Net Asset Value and other private investments.

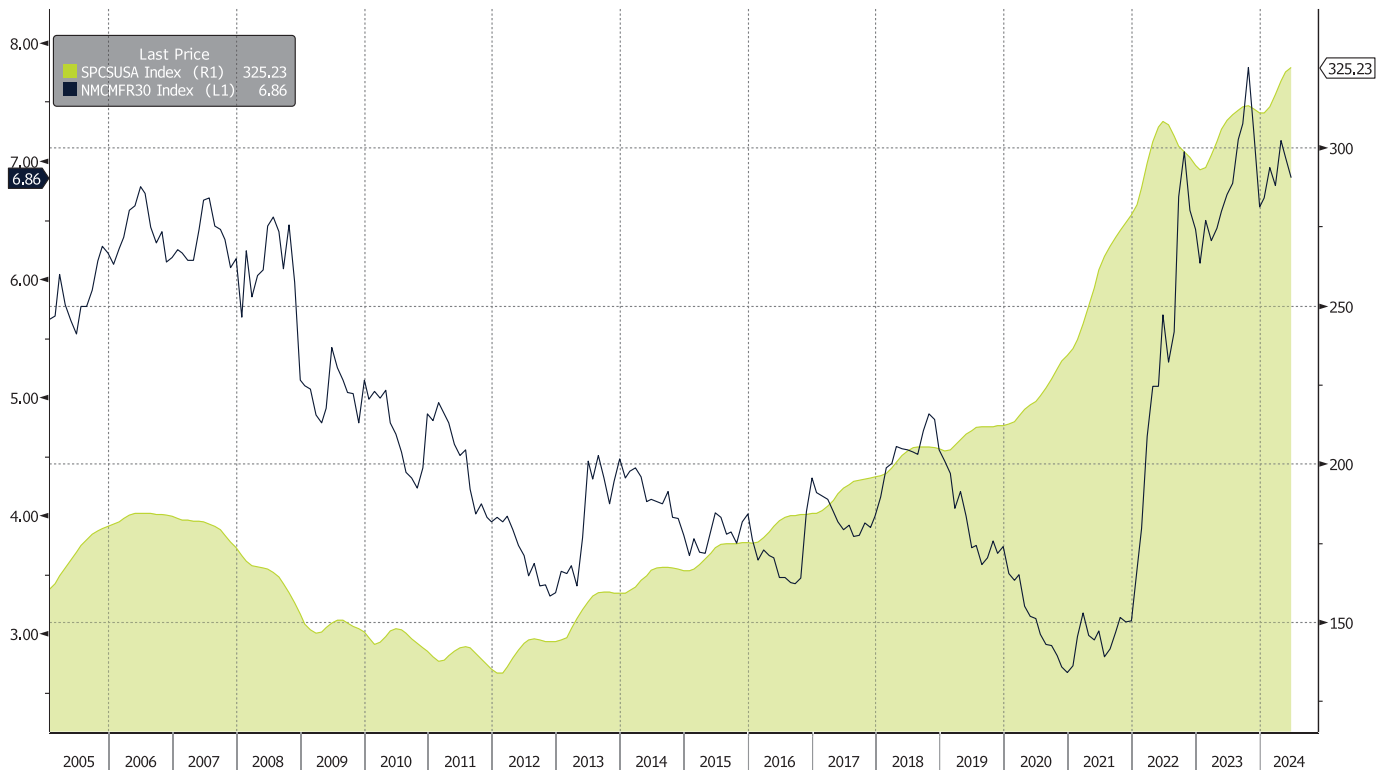
Unison Midgard Fund

Unison Midgard Fund (“Unison”) is an open-end fund that generates returns via equity investments in single family homes across the United States. Historically US home prices have appreciated 5.0% on average over the last 50 years while the homes Unison has invested in have historically outperformed this by ~170 bps. **Accordingly, Unison has generated on average a 14.5% total return when US homes have appreciated by 5.0%.**

Unison has grown to US \$1.1 billion secured to real estate with a value of US \$4.0 billion. Realizations (property sales or property refinancings) in Q2 2024 generated average gains of 100.1% and an overall IRR of 21.0% (66.2% and 23.2% respectively, since inception). As of June 30, 2024, the Unison portfolio continues to improve in quality as the average home value has risen to US \$497,000 (US average is \$417,700) with an average Unison investment of US \$73,500. The average homeowner is 58 years old with a credit score of 749 (up from 733 at origination) and the homes have an average loan-to-value of 44.0% (down from 63.0% at origination).

In 2024, 56.1% of Unison markets are forecast to have home price appreciation of 3.0% or better, 31.2% are at 4.0% or better and 21.8% are at 5.0% or better. **As of June 30, 2024 Unison has generated a 13.2% total return** as the “lock-in” effect continues to limit supply in the resale market and supply in the new home market continues to be below annual household formation. As the Federal Funds Rate has come down, mortgage rates have declined while the US labour market remains relatively strong. Accordingly, as affordability improves, we would expect US home prices to continue to appreciate, albeit at a slower pace.

Exhibit 4 - US Home Prices and 30 Year Mortgage Rates

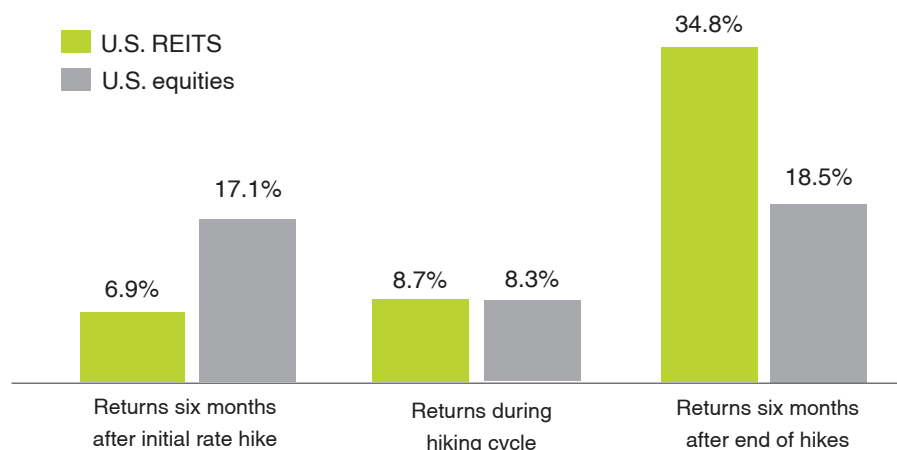


Source: Bloomberg Finance L.P. As of August 31, 2024.

2024 Performance Outlook

Much of the performance of global real estate in 2023 was driven by a global central bank hiking cycle from 2022 through 2023. This hiking cycle has ended and the Bank of Canada has begun cutting the Overnight Rate. The Federal Reserve Bank has followed suit with a large 50 bps cut to the Federal Funds Rate in September. Historically publicly-traded real estate has outperformed after rate hike cycles end and also when long bond yields fall.

Exhibit 5 - Real Estate Outperformance After Rate Hike Cycles



Source: Cohen & Steers calculations, Bloomberg, and Federal Reserve. As of August 31, 2022.

The rate hike cycle did not significantly impact real estate earnings however, real estate trading multiples fell significantly. Many investors remain underweight real estate but as rates fall and real estate earnings rise, we expect real estate multiples will continue to expand.

Exhibit 6 - Global Listed Real Estate Performance vs. Global Diversified Equity Benchmarks

Global Listed Real Estate Performance vs. Global Diversified Equity Benchmarks				
	Since May 31	2024 YTD	Q4 2023	2023
S&P/TSX Capped REIT Index	18.47%	10.90%	9.39%	2.80%
S&P/TSX Composite Index	4.16%	12.06%	8.11%	11.83%
Real Estate Outperformance/ (Underperformance)	14.31%	-1.16%	1.28%	-9.03%
MSCI US REIT Index	18.43%	14.84%	16.00%	13.74%
S&P 500 Index	4.53%	16.34%	11.68%	26.26%
Real Estate Outperformance/(Underperformance)	13.90%	-1.50%	4.32%	-12.52%
FTSE EPRA Nareit Developed Total Return Index	15.09%	10.87%	15.59%	10.85%
MSCI ACWI	3.45%	12.88%	11.15%	22.82%
Real Estate Outperformance/(Underperformance)	11.64%	-2.01%	4.44%	-11.97%

Source: Bloomberg Finance L.P. As of September 10, 2024.

Note: Canadian securities in CAD. US securities in USD.

The Starlight Global Real Estate Pool was designed to generate 12.0%-14.0% annual total returns to investors, including a 5.0% annual distribution yield. **Since inception (April 30, 2020), the Real Estate Pool has generated an annualized total return of 12.6% and initial investors have seen their annualized yield rise to 7.3%. We anticipate that the Real Estate Pool will continue to generate strong positive returns in 2024 with additional upside in 2025 tied to the sale of apartment buildings and cell towers in our private investments.**

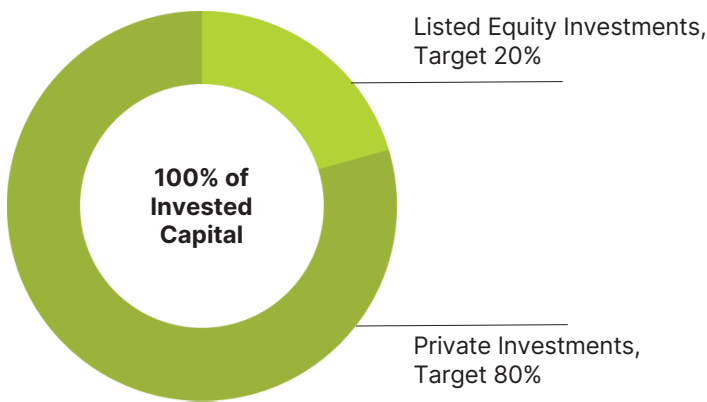
We invite you to partner with us.

Starlight Private Global Real Estate Pool

Innovative Fund Structure

Access a diversified portfolio of best-in-class private investment partners managing institutional-quality, private real estate.

Target Asset Allocation



Total Return

- ✓ Target 12-14% Net IRR to investors
- ✓ Attractive long-term capital appreciation potential with a target 5% annual distribution paid quarterly

Innovative Fund Structure

- ✓ Access to institutional private assets that provide uncorrelated returns and long-term capital appreciation
- ✓ Concentrated portfolio of actively managed global listed securities support yield and liquidity

Liquidity

- ✓ Monthly subscriptions with quarterly redemption privileges
- ✓ Tax-efficient, quarterly distributions

Real Assets

Starlight Private Global Real Estate Pool

Inception - 2020

Investment Objective:

To achieve long-term capital appreciation and regular current income by investing globally in private real estate investments and in public real estate investment trusts (REITs) and equity securities of corporations participating in the residential and commercial real estate sector.

Fund Codes

Series A (SLC1101)
 Series F (SLC1201)
 Series I (SLC1901)

Distribution Frequency

Fixed Quarterly

Investment Management



Dennis Mitchell,
MBA, CFA, CBV
Chief Executive
Officer and Chief
Investment Officer

Dennis Mitchell joined Starlight Capital in March 2018 as Chief Executive Officer and Chief Investment Officer. He has over 20 years of experience in the investment industry and has held executive positions with Sprott Asset Management, serving as Senior Vice-President and Senior Portfolio Manager, and Sentry Investments, serving as Executive Vice-President and Chief Investment Officer.

Mr. Mitchell received the Brendan Wood International Canadian TopGun Award in 2009, 2010, and 2011 and the Brendan Wood International 2012 Canadian TopGun Team Leader Award. He also received the Afroglobal Television Excellence Award for Enterprise in 2020 and the Black Business and Professionals Association's Harry Jerome President's Award in 2021.

Mr. Mitchell holds the Chartered Financial Analyst and Chartered Business Valuator designations and earned a Master of Business Administration from the Schulich School of Business at York University in 2002 and an Honors Bachelor of Business Administration degree from Wilfrid Laurier University in 1998.

Mr. Mitchell currently sits on the Board of the Toronto Foundation and is Co-Founder and Director of the Black Opportunity Fund.

About Starlight Capital

Starlight Capital is an independent Canadian asset management firm with over \$1 billion in assets under management. We manage Global and North American diversified private and public equity investments across traditional and alternative asset classes, including real estate, infrastructure and private equity. Our goal is to deliver superior risk-adjusted, total returns to investors through a disciplined investment approach: Focused Business Investing. Starlight Capital is a wholly-owned subsidiary of Starlight Investments. Starlight Investments is a leading global real estate investment and asset management firm with over 360 employees and \$28B in AUM. A privately held owner, developer and asset manager of over 66,000 multi-residential suites and over 7 million square feet of commercial property space. Learn more at www.starlightcapital.com and connect with us on LinkedIn at www.linkedin.com/company/starlightcapital/

Invest With Us

For more information on our investment solutions, learn more at starlightcapital.com or speak to our Sales Team.

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