UNISON ACQUISITION TRUST UPDATE

January 2025

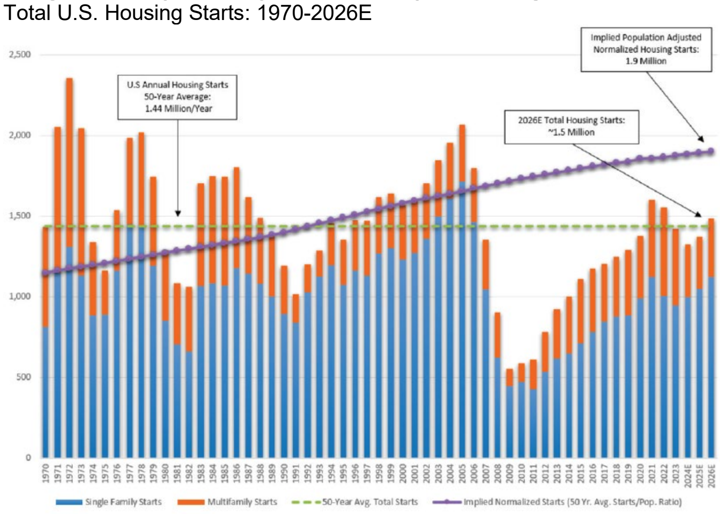
Unison Acquisition Trust ("UAT") is a closed-end fund that invests in global listed real estate securities and Unison Midgard Fund ("Unison"). Unison is an open-end fund that generates returns via equity investments in single family homes across the United States. According to the S&P Core Logic Case-Shiller Home Price Index, US homes have appreciated on average approx. 4.5% per annum over the last 37 years. In that market, Unison is structured to deliver a long-term total return CAGR of approx. 14.5%. **Since inception, UAT has generated an annualized 12.2% net total return[1].**

UAT 2024 Review

In 2024, the S&P CoreLogic Case-Shiller Composite Index generated a 4.3% total return through October. These returns exceeded our forecast of 3.6% for 2024 as several markets materially outperformed. **In 2024, UAT generated a 12.5% net total return, which also exceeded our forecast of ~10.0%.**

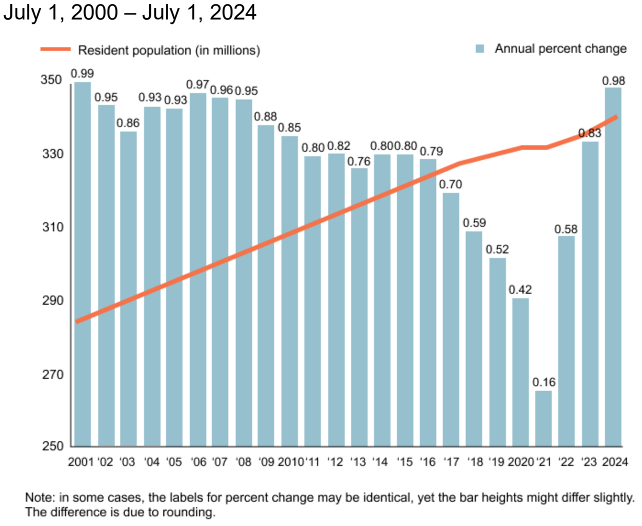
Despite high mortgage rates and poor affordability, US home prices continued to appreciate in 2024. This appreciation in US home prices is a function of a structural shortage of overall housing and continued household formation. **The Congressional Budget Office ("CBO") estimates that the US is short 4.5 million homes**, due to the underinvestment in residential housing since the global financial crisis, the increased demand for housing since the global pandemic and continued household formation. The US Census Bureau estimates that the US population reached 340.1 million on July 1, 2024, up 1.0% from July 1, 2023. This is the highest annual population growth since a 1.0% jump from 2000 to 2001.

Single-Family Supply Deficit Only Growing More Severe
Total U.S. Housing Starts: 1970-2026E



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

Annual Percent Change in U.S. Population:
July 1, 2000 – July 1, 2024



Source: U.S. Census Bureau, Vintage 2024 Population Estimates, 2000-2010 and 2010-2020 intercensal Estimates.

The combination of continued population growth and household formation (CBO estimates 1.2 million per year for the next decade) means that the US housing shortage is actually increasing. The CBO estimates that housing

[1] Source: Unison Investment Management Investor Quarter-End Report September 30, 2024.

starts will average 1.6 million for the next decade (up 10.4% compared to the 50 year average) however, starts will need to average closer to 1.9 million per year to actually close the 4.5 million housing shortfall. Absent a significant decline in population or a significant increase in housing starts, the housing shortfall in the US will persist, putting continued upward pressure on home prices.

Unison 2025 Home Price Appreciation Outlook

Since 1987, the S&P CoreLogic Case-Shiller US National Home Price Index ("Case-Shiller Index") has appreciated at ~4.5% annualized rate. In that environment, Unison is designed to deliver an ~14.5% total return to investors. After troughing in February 2012 (in response to the global financial crisis), the Case-Shiller Index has generated an average annual CAGR of 7.2%. However, given elevated mortgage rates and poor home affordability, we expect home price appreciation below these long-term levels, just as they were in 2024.

For our estimate of 2025 US housing price appreciation, we reviewed 26 forecasts from the firms listed below. The average forecast for home price appreciation is 3.0%. If we remove the high and low outliers this falls to 2.9% and the median forecast is 3.1%.

US 2024 Home Price Appreciation Forecasts

Firm	Forecast	Firm	Forecast	Firm	Forecast
AEI Housing Center	4.5%	Goldman Sachs	4.4%	Realtor.com	3.7%
Apollo Global Management	10.8%	Housing Wire	3.5%	Redfin	4.0%
Bank of America	2.0%	Hunter Housing Economics	4.0%	Reventure App	0.9%
Bright MLS	3.1%	MacroEdge	-0.5%	TD Bank	2.0%
Capital Economics	4.0%	Moody's	-0.4%	Wells Fargo	4.9%
CoreLogic	2.4%	Morgan Stanley	3.0%	Windermere	4.9%
Fannie Mae	3.6%	Mortgage Bankers Association	1.3%	Zillow	2.6%
First American	3.9%	National Association of Realtors	2.0%	Zonda	1.7%
Freddie Mac	0.6%	Raymond James	2.0%		
Average	**3.0%**	**Remove Outliers**	**2.9%**	**Median**	**3.1%**

Source: Firm forecasts.

Since inception, Unison has historically outperformed the S&P CoreLogic Case-Shiller National Index by ~170 bps annually. Accordingly, we compared these forecasts to Unison's expected home price appreciation based on their geographic exposure. That analysis indicated that Unison's portfolio should appreciate by ~4.5% in 2025. **Based on that analysis, we expect UAT to deliver ~10.0%+ total returns in 2025.**

US Housing Market Fundamentals

The structural shortage of housing in the US will persist for many more years to come, biasing home prices upwards for the foreseeable future. In addition, elevated mortgage rates have created the "lock-in effect". 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. As the chart below indicates, approximately 55.0% of US home mortgages are at a rate that is below 4.0% (almost 75.0% below 5.0%), compared to the current 30-year mortgage rate of 6.9%. As a consequence, pending home sales of existing homes are near their all-time low.

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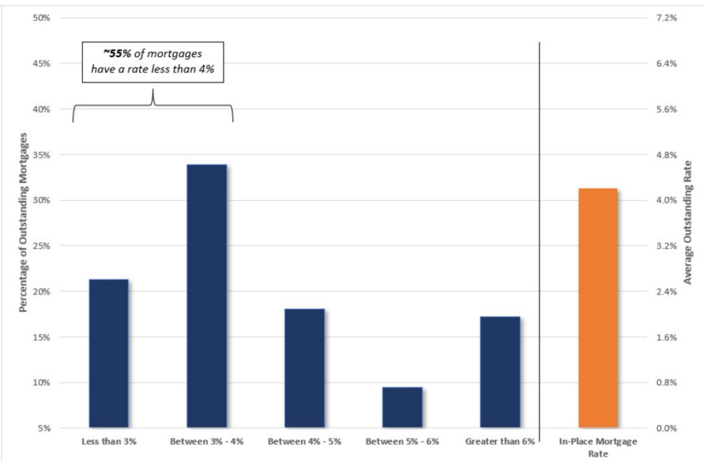
"Lock-in Effect" Still Restraining Re-Sale Activity

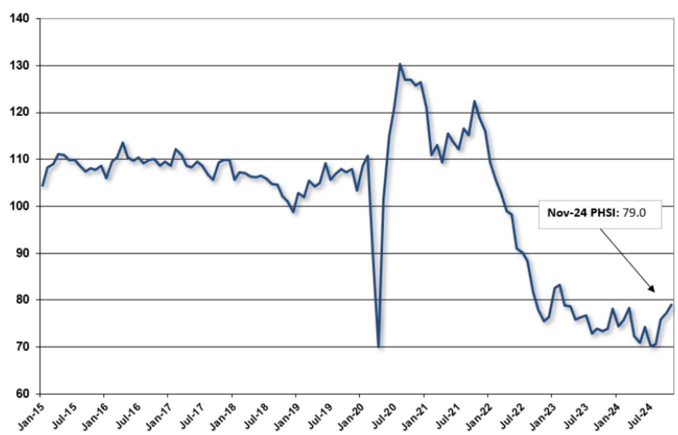
In-Place Mortgage Rates on Loans Outstanding (As of September 2024)



Source: FHFA National Mortgage Database, Raymond James research.

Pending Home Sales Index (Existing Homes)

Seasonally Adjusted Annual Rate: 2015-2024



Source: National Association of Realtors, Raymond James research.

Some have suggested that the "silver Tsunami" will provide additional supply in the housing market as empty nesters downsize and seniors move into seniors' housing. In 2022, there were roughly 20.9 million empty-nest households nationwide — residents aged 55 or older who have lived in the same home for 10 or more years, have no children at home and have at least two extra bedrooms. That's compared to the 8.1 million families living with nonrelatives in 2022 that were likely in need of their own place. **Putting aside the fact that 43.0% of baby boomers indicate they will "never sell their house", the supply and the demand don't match up as empty-nest households are not where most young workers choose to live.**

Empty-nest households tend to be in markets that are less expensive. Among the 50 largest U.S. metros, Pittsburgh had the highest share of empty-nest households at 22%, followed by Buffalo (20%), Cleveland (20%), Detroit (19%), St. Louis (19%) and New Orleans (18%). These markets are already accessible — all but New Orleans are among the top 10 markets with homes on the market that are affordable. They also have relatively low shares of heads of households younger than age 44.

On the other hand, metros with some of the largest shares of millennials and Gen Zers moving in are among the nation's most expensive. Markets where the largest share of recently moved households with members 44 and younger are San Jose (35%), Austin (32%) and Denver (32%). Seattle and Portland are also among the top 10, each with 30%. Housing affordability in these metros is far more challenging than at the national level, and all of them have a smaller share of empty-nest households than the national average. **As a result, the impact of a future increase in supply coming from the existing housing stock owned by older individuals would likely have a smaller impact on affordability in expensive, high-demand coastal markets.**

Finally, we expect continued domestic household formation driven by the 5 D's **– diapers, diplomas, diamonds, divorce and death. While many focus on interest rates, it is actually these life events that drive the decision to purchase a home – having children, students attending/graduating from post-secondary education, marriages, divorces and death**. As these activities take place the demand for housing will increase in 2025, regardless of the level of interest rates.

The labour market in the US remains resilient with the unemployment rate at 4.1% and the most recent Nonfarm Payroll Employment ("NFP") number coming in at 256,000 for December 2024, versus 155,000 expected. The Labor Force Participation Rate remained at 62.5% while annual wage inflation, as measured by the change in the Average Hourly Earnings, held steady at 3.9%

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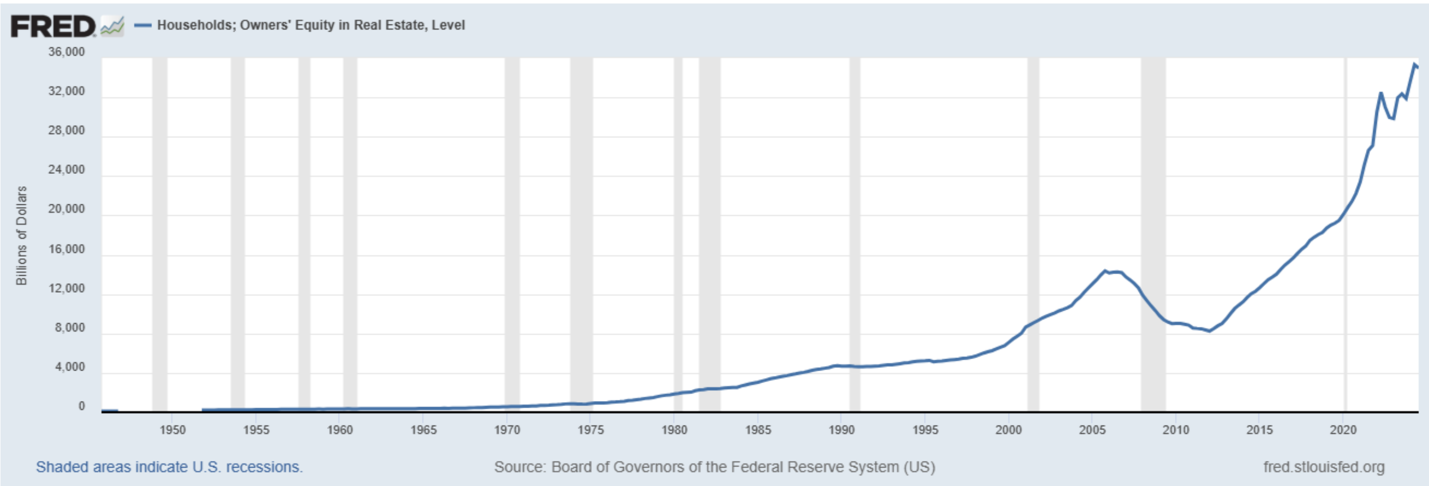
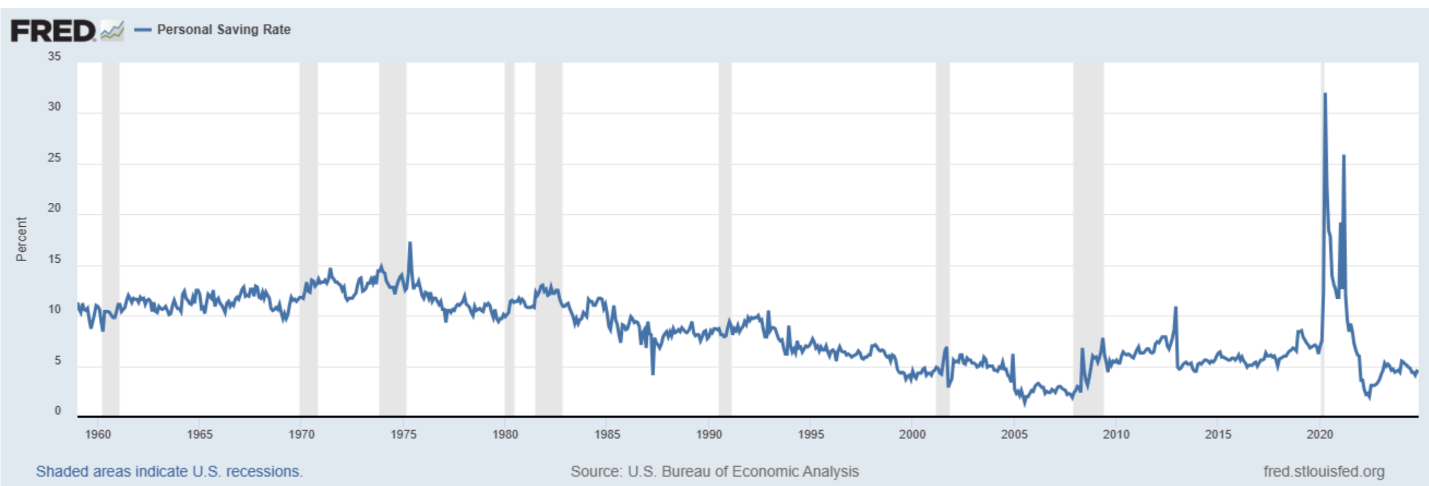
US households have over $35 trillion in equity that they can tap into. Many households will eventually turn to this enormous amount of capital to fund their lifestyles. The mortgage lock-in effect will discourage mortgage refinancing as a source of cash and elevated mortgage rates have made second mortgages 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.

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.

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Unison Midgard Portfolio

Unison has 5,031 investments outstanding and the portfolio 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 Q3 2024 generated average gross gains of 76.2% and an overall gross IRR of 17.9%. The Unison portfolio continues to improve in credit quality as the average home value has risen to US $649,965 (US average is $408,000) with an average Unison investment of US $74,725. The average homeowner is 58 years old with a credit score of 743 (up from 729 at origination) and the homes have an average loan-to-value of 42.8% (down from 63.4% at origination).

Unison Midgard Fund Details			
Total Unison Agreements	5,031	Qualifying Credit Score	729
Homeowner Age	58	Current Credit Score	743
Home Price	649,965	Original LTV	63.4%
Invested Amount	74,725	Current LTV	42.8%

Source: Unison Investment Management, as of September 30, 2024.

California is Unison's largest market however, **the recent wildfires have had little impact on the portfolio**. To date, four Unison properties have been damaged and the aggregate portfolio value of those properties is ~$1.2 million (this is the value of the contracts in the Unison portfolio, NOT the home value). In addition, six more homes are in the general vicinity of one of the wildfires and the aggregate portfolio value of those properties is ~$2.6 million. Combined, this is 0.4% of the portfolio value and not material to Unison's performance. In addition, homeowners have property insurance with Unison listed as a lienholder (lienholders are paid first) and Unison also maintains a separate insurance policy that provides up to $2.5 million of coverage per property.

To summarize, Unison's markets appear poised to deliver strong home price appreciation in 2025. 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.

As we approach our seven-year anniversary as a firm we appreciate the support you have shown us.

Sincerely,

The Starlight Capital Team

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