



Dennis Mitchell,
MBA, CFA, CBV

Chief Executive Officer and
Chief Investment Officer



Hisham Yakub

Senior Portfolio Manager

Investing in real assets means investing in essential assets and businesses that allow an economy to function. The critical nature of the assets provides recession-resistance, a hedge to inflation, recurring tax-efficient income and long term capital appreciation in line with the growth of the domestic economy.

Real assets, specifically real estate and infrastructure, are businesses that provide essential services in a supply-constrained manner to large portions of the population. These services include housing, healthcare, logistics, electricity, water, waste collection, communications, payment processing, data storage, and high-speed Internet. **Due to their essential nature, households, corporations and municipalities continue to pay for these services, even during periods of economic weakness.**

Traditionally, real assets have been seen by investors as interest-sensitives with defensive qualities and limited growth potential. The chart below contradicts this notion. **Global real assets have consistently outperformed global equities over the long term (Exhibit 1).**

Exhibit 1 - Global Real Assets Total Returns vs. Global Equity Total Returns



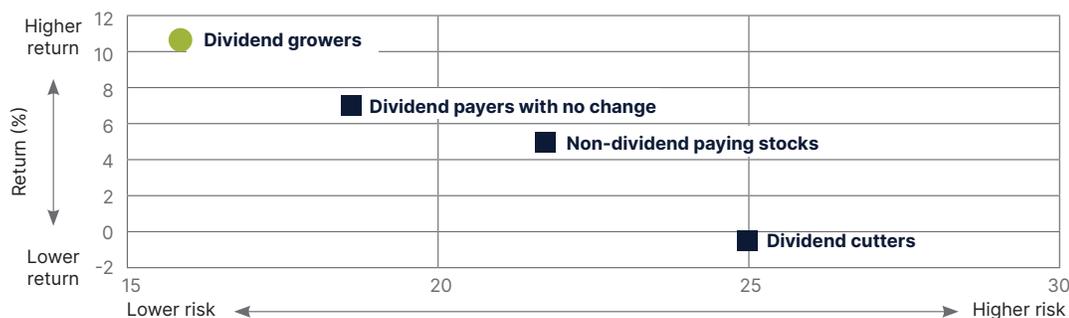
Source: Bloomberg LLP, May 31, 2023.

Note: Real Estate Total Returns represented by the RUGL Index. Infrastructure Total Returns represented by the SPGTINTR Index. Global Equity Total Returns represented by the MXWO Index.

Real assets' outperformance can largely be attributed to the consistent dividends paid by real estate and infrastructure companies. **Companies that have historically increased their dividends have outperformed on a total return basis with less volatility (Exhibit 2).**

Exhibit 2 - Risk-Adjusted Returns of S&P 500 Index Stocks by Dividend Policy

Risk vs return, annualized, 1973 - 2021



Source: Ned Davis Research, December 2021.

Real assets, in addition to offering investors the potential for increasing dividends and distributions, pay very tax-efficient income to investors. **Investors in the Starlight Global Real Estate Fund (SCGR) and the Starlight Global Infrastructure Fund (SCGI) received most of their distributions in the form of return of capital in 2022.** This advantageous tax treatment results in investors retaining more of their Starlight distributions compared to dividends from preferred and common shares or even the higher coupons from high yield bonds. Investors would have to find equities yielding 8.6%+ or bonds yielding 11.3%+ to match the after-tax yields from the Starlight Capital funds (**Exhibit 3**).

Exhibit 3 - Canadian After Tax Yield and Income Comparison

Starlight Real Assets Funds vs. High Yield Bonds vs. Common and Preferred Equity

	High Yield Bonds	Common Equity	Preferred Equity	Starlight Global Infrastructure Fund (SCGI)	Starlight Global Real Estate Fund (SCGR)
Yield	6.75%	3.37%	6.25%	5.56%	6.82%
Tax Rate	53.53%	39.34%	39.34%	5.73%	10.60%
After-Tax Yield	3.14%	2.04%	3.79%	5.24%	6.10%
\$100,000 Investment Example					
Capital	\$100,000	\$100,000	\$100,000	\$100,000	\$100,000
Income	\$6,750	\$3,370	\$6,250	\$5,560	\$6,820
Taxes Payable	\$3,613	\$1,326	\$2,459	\$319	\$723
After-Tax Income	\$3,137	\$2,044	\$3,791	\$5,241	\$6,097

Source: Bloomberg, E&Y Tax Calculators, Starlight Capital, May 31, 2023.

Notes: High Yield Bonds represented by the Horizons Active High Yield Bond ETF, Common Equity represented by the S&P/TSX Composite Index, Preferred Equity represented by BMO Laddered Preferred Share Index ETF, SCGR is the Starlight Global Real Estate Fund series F, SCGI is the Starlight Global Infrastructure Fund series F. Tax rates based on an Ontario resident with taxable income greater than \$220,000. SCGR and SCGI tax breakdowns based on 2022 tax year.

Both the Starlight Global Real Estate Fund and the Starlight Global Infrastructure Fund yield over 5.50% annually and the distributions are paid to investors on a monthly basis. **High absolute yields from the Starlight real assets funds are supported by strong dividend and distribution growth from the underlying investments (Exhibit 4).**

Exhibit 4 - Starlight Real Assets Funds Yield, ROC and Distribution Increases

Year	Fund Name	Yield	% of Return of Capital	Investment Portfolio Dividend or Distribution Increases	
				# of Increases	Avg. Increase
YTD 2023	Starlight Global Real Estate Fund (SCGR)	6.82%	Unavailable	13	14.2%
2022		6.62%	65.61%	31	12.7%
YTD 2023	Starlight Global Infrastructure Fund (SCGI)	5.56%	Unavailable	12	10.8%
2022		5.50%	79.10%	30	10.2%

Notes: Data for the year 2023 is as of May 31, 2023, Series F.

Real Assets and Real Income

Investors could choose to invest in other asset classes to generate income however, income from some of these asset classes has deteriorated over the last 23 years. In the year 2000 investors could generate a comfortable 6.3% annualized yield by investing in AAA-rated 10-year Canadian government bonds.

Today, to generate a similar income stream out of fixed income, investors are faced with two choices:

- Take on significantly more risk by investing in high yield or emerging market bonds; or
- Allocate significantly more capital to fixed income

Allocating capital to riskier companies or countries during a period of slowing economic growth seems like a poor decision. Allocating more capital to treasuries is feasible however, in order to generate the same level of income as offered in the year 2000, investors would have to allocate over three times as much capital. **In comparison, investors in the Starlight real assets funds can generate the same absolute level of after-tax cash flow with significantly less capital. This strategy should result in more after-tax cash flow with a lower risk profile for investors (Exhibit 5).**

Exhibit 5 - Canadian After Tax Income Comparison

Starlight Real Assets Funds vs. 10 Yr Bonds

	2000	2023	2023	2023	2023
Asset Class	10 Yr Bonds	10 Yr Bonds	10 Yr Bonds	Starlight Global Infrastructure Fund (SCGI)	Starlight Global Real Estate Fund (SCGR)
Required Capital	\$100,000	\$100,000	\$171,576	\$55,464	\$47,681
Yield	6.26%	3.65%	3.65%	5.56%	6.82%
Annual Income	\$6,255	\$3,646	\$6,256	\$3,084	\$3,252
Taxes Payable	\$3,348	\$1,952	\$3,349	\$177	\$345
After-Tax Income	\$2,907	\$1,694	\$2,907	\$2,907	\$2,907

Source: Bloomberg LLP, U.S. 10 year yield as of January 20, 2000 and May 31, 2023, Starlight Capital, Series F.

We invite you to partner with us.

Starlight Real Assets Mutual Funds & ETFs

Real Assets	
Starlight Global Infrastructure Fund (SCGI)	Starlight Global Real Estate Fund (SCGR)
Inception-2018, open-ended	Inception-2018, open-ended
Investment Objective: To provide regular current income by investing globally in companies with either direct or indirect exposure to infrastructure.	Investment Objective: To provide regular current income by investing globally primarily in real estate investment trusts (REITs) and equity securities of corporations participating in the residential and commercial real estate sector.
Distribution Frequency Fixed Monthly	Distribution Frequency Fixed Monthly

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 \$25B in AUM. A privately held owner, developer and asset manager of over 77,000 multi-residential suites and over 8 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.



Important disclaimer.

The views in this update are subject to change at any time based upon market or other conditions and are current as of June 30, 2023. While all material is deemed to be reliable, accuracy and completeness cannot be guaranteed.

Certain statements in this document are forward-looking. Forward-looking statements ("FLS") are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as "may," "will," "should," "could," "expect," "anticipate," "intend," "plan," "believe," or "estimate," or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what Starlight Capital and the portfolio manager believe to be reasonable assumptions, neither Starlight Capital nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. Investment funds are not guaranteed, their values change frequently, and past performance may not be repeated.

The content of this document (including facts, views, opinions, recommendations, descriptions of or references to, products or securities) is not to be used or construed as investment advice, as an offer to sell or the solicitation of an offer to buy, or an endorsement, recommendation or sponsorship of any entity or security cited. Although we endeavour to ensure its accuracy and completeness, we assume no responsibility for any reliance upon it. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the offering documents before investing. Investors should consult with their advisors prior to investing.

Starlight, Starlight Investments, Starlight Capital and all other related Starlight logos are trademarks of Starlight Group Property Holdings Inc.

Starlight Capital
1400-3280 Bloor Street West
Toronto, Ontario, Canada M8X 2X3
info@starlightcapital.com
1-833-752-4683
starlightcapital.com

Starlight™ **CAPITAL**
Focused Investing