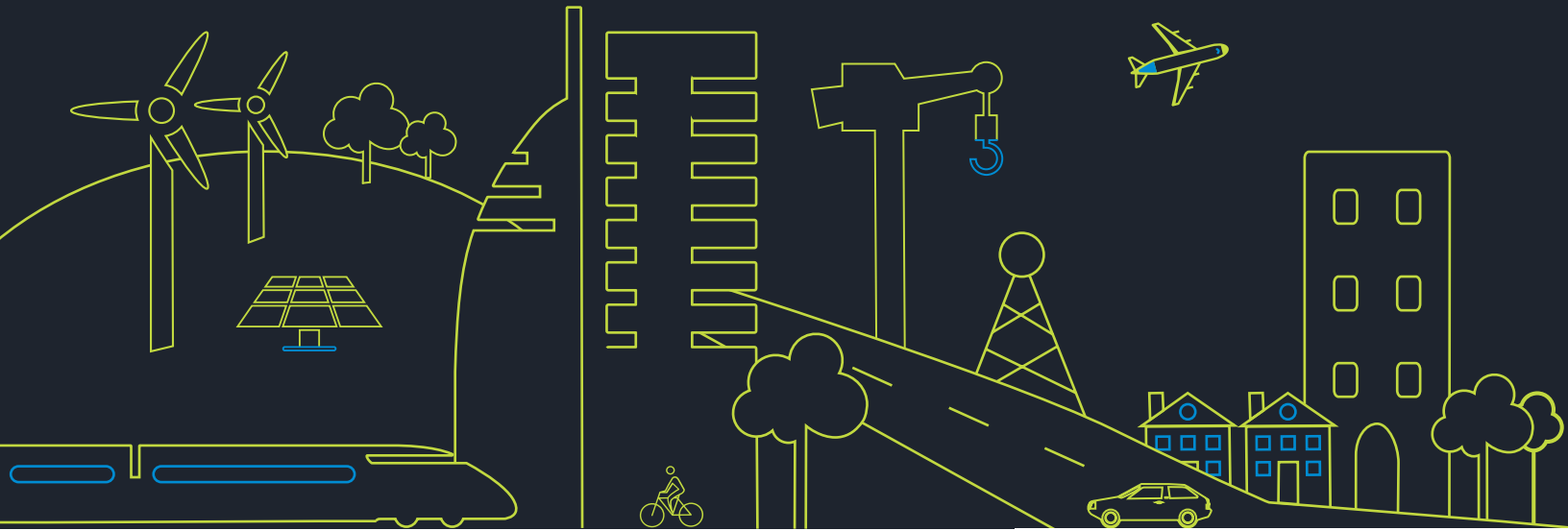


2020 Global Markets Outlook



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Key takeaways

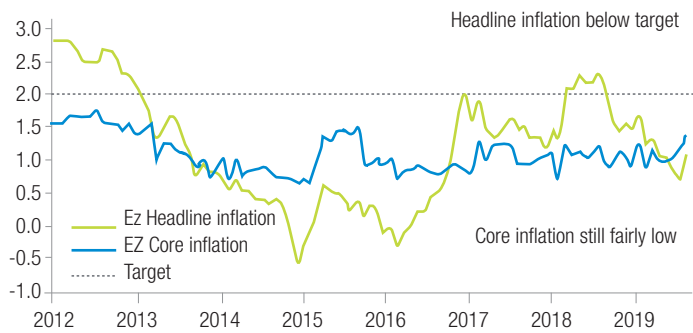
- Global economic growth is forecast at 2.9% in 2020 as investment and trade gradually recover from last year's significant weakness, but downside risks remain¹.
- The outlook for real assets in 2020 is robust with total returns underpinned by strong, expected internal growth and attractive, tax-efficient yields.
- In 2019, Starlight Capital's funds delivered strong total returns, beating their respective benchmarks and generally went up when global and U.S. equities went down.

¹ OECD Interim Economic Outlook, November 21, 2019.

Central banks and interest rates

Globally monetary policy is very accommodative as central banks around the world continue to ease. Both the Bank of Japan and the European Central Bank (“ECB”) continue to maintain negative deposit and policy rates in a bid to keep real gross domestic product (GDP) growth and inflation above zero. Even after exiting the European Union (“EU”) this month, the United Kingdom (“U.K.”) will remain subject to EU regulations through the rest of the year. A complex negotiation to determine the new trading relationship between the U.K. and EU will likely keep the ECB and Bank of England in easing mode until at least 2022.

Euro Zone (EZ) Inflation



Source: Cornerstone Macro, January 9, 2020

In the face of mounting U.S. tariffs, the People's Bank of China (“PBOC”) has introduced approximately 110 easing and stimulus measures (i.e. tax and rate cuts) since June 2018 to achieve its 6.0% real GDP growth target². The PBOC’s balance sheet has now

swollen to over US \$5.2 trillion, making it very unlikely that China introduces another massive stimulus program such as the one introduced in 2015. A “phase one trade deal/truce” is scheduled to be signed by the U.S. and China this month that leaves most of the existing tariffs in place. If the U.S. waits until after the election in November to negotiate a more comprehensive deal, then the International Monetary Fund believes that existing tariffs will reduce global GDP growth by 80 bps or US \$700 billion in 2020 – roughly the size of the economy of Switzerland³.

After raising the federal funds rate (“FFR”) to the neutral rate, the Federal Reserve Bank (“Fed”) has recently completed an easing cycle. Because the Fed did not raise past the neutral rate, the odds of a U.S. recession are greatly reduced, and it is unlikely we see an economic contraction in the U.S. before 2022. Core personal consumption expenditures (PCE), has been below the 2.0% target for 11 years and global growth risks are to the downside, so the Fed is unlikely to raise the FFR anytime soon (please refer to the chart below titled “Fed policy is easy”).

Historically low short-term rates, below trend inflation and below potential global real GDP growth all point to long bond yields remaining near current levels. According to Bloomberg, over US \$11 trillion or 20% of global investment grade bonds, yield less than 0%. Japan leads the way with US \$4.8 trillion while both Germany and France have US \$1.6 trillion of negatively yielding sovereign debt outstanding. The U.S. 10-year bond yield remains below 2.0% and while we could see upside to 2.5% during 2020, it is equally possible that the U.S. 10-year is dragged down below current levels by declining global rates⁴.

Fed Policy is Easy



Source: Cornerstone Macro, January 9, 2020

² Global Economic Prospects, Slow Growth, Policy Challenges, A World Bank Group, Flagship Report, January 2020.

³ “Trade war hit to global economy could be as big as the entire economy of Switzerland, new IMF director says”, CNBC, Oct 17, 2019.

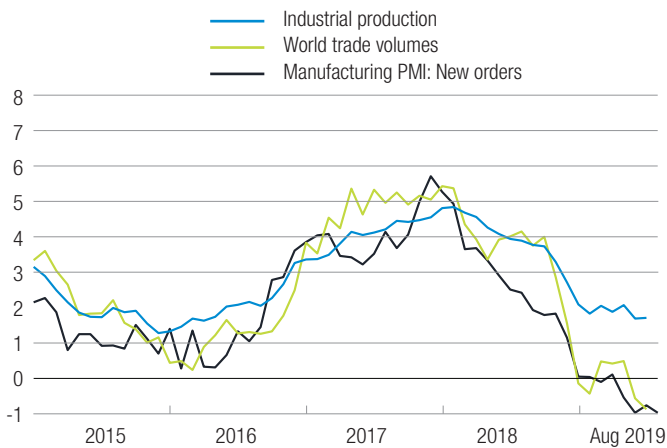
⁴ “Bond World Is Backing Away from All That Negativity as 2019 Ends”, Bloomberg, December 23, 2019.

Global GDP growth

The Organization for Economic Co-operation and Development (OECD) estimates global real GDP growth of 2.9% in 2020, consistent with 2019⁵. These are the lowest levels since the Global Financial Crisis and well below the 3.8% average since 1950. Looking at the global Purchasing Managers Index (“PMI”), most of the shortfall in economic output was in Manufacturing, as trade uncertainty (Brexit) and trade friction (U.S./China tariffs) weighed on economic activity. Global Services PMIs are generally higher indicating that the consumer remains resilient and domestic economic activity remains robust. It is global trade and business capital investment that is lacking. Without an uptick in New Orders or the removal of tariffs, it is unlikely that the overall Manufacturing PMI will rise significantly.

EU Manufacturing PMIs came in at 46.3 in December, making it 11 straight months of economic contraction⁶. This level of decline in economic output has not been seen since 2012 when the EU was in recession. Declines in Output and New Orders indicate that it is unlikely that EU manufacturing will recover in the near-term. Consistent with this outlook is the fact that manufacturers have moved to reduce both inventory (price reductions) and headcount (rising unemployment). Germany, once the strongest economy in the EU, is now one of the weakest, flirting with recession in 2019. German Manufacturing PMIs came in at 43.7 and were below 50 for all of 2019⁷. Japanese Manufacturing PMIs were also below 50 at 48.8 as the Japanese economy remained stagnant⁸. While Prime Minister Abe has enacted a stimulus plan and Tokyo hosts the Olympics in 2020, it is unlikely that the Japanese consumer can counteract the negative impact from the manufacturing sector.

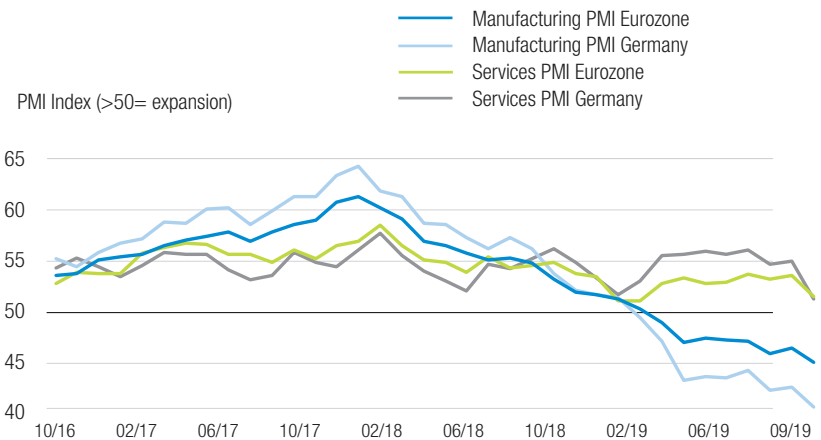
World Trade, Industrial Production, and Manufacturing PMI (Deviations from 50 for manufacturing PMI)



Sources: CPB Netherlands Bureau for Economic Policy Analysis; Haver Analytics; Markit Economics; and IMF staff calculations.

Eurozone Outlook is Subdued

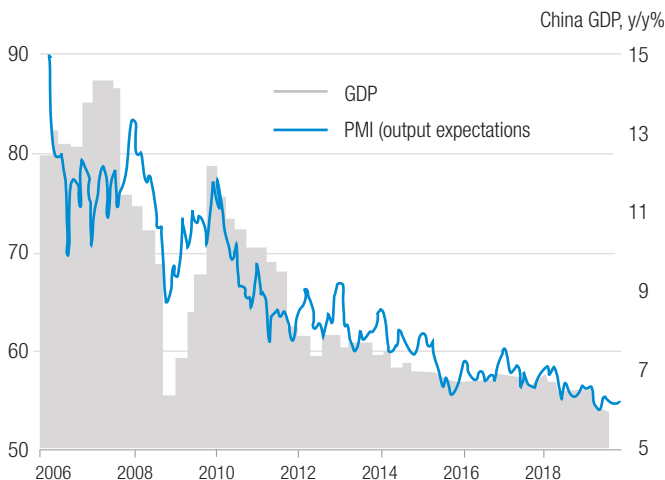
PMI indicates weakening conditions in Eurozone October 2016–September 2019



Source: Markit Economics, (IHS Markit Eurozone Manufacturing PMI, Eurozone Services PMI, IHS Markit/BME. Germany Manufacturing PMI, IHS Markit Germany Services PMI).

China GDP and PMI Expectations*

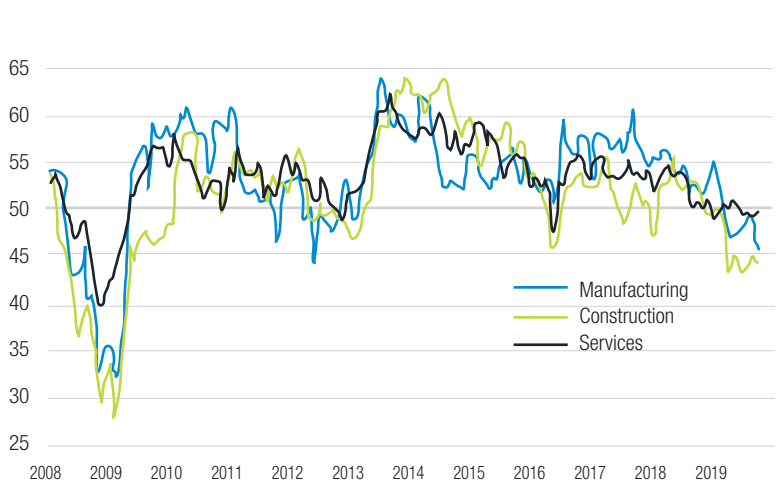
Caixin (IHS Markit) Mainland China Manufacturing PMI



* Index uses only services pre-April 2012, combined manufacturing and services thereafter. Source: IHS Markit, Caixin, NBS.

UK PMI Output by Sector

IHS Markit/CIPS PMI Output/Activity



Source: IHS Markit, CIPS.

⁵ OECD Interim Economic Outlook, September 17, 2019. ⁶ IHS Markit, Eurozone Manufacturing PMI, January 2, 2020. ⁷ IHS Markit/ BME Germany Manufacturing PMI, January 2, 2020.

⁸ Jibun Bank Japan Manufacturing PMI, January 6, 2020.

Global real assets outlook

In his Q3 letter to Shareholders, J. Bruce Flatt, CEO, Brookfield Asset Management Inc., made several significant observations:

*“With interest rates in Japan and Europe now negative for all maturities, we seem to be in a new phase with **global rates in the range of -2% to +2% for the next five to seven years**... Should this interest rate environment continue to prevail, and with institutional capital growing, we expect that capital will increasingly be allocated to alternatives. We think that **institutional investors will continue a push towards 60% alternatives allocation in their portfolios – from a global estimate of 25% today.**”*

While 60% may seem like an extremely high allocation, we note that U.S. endowment funds with over \$1 billion in assets under management are already at 58.0%⁹. The combination of equity markets at all time highs and global long bond yields below 2.0%¹⁰ is continuing to push large pools of capital with absolute return targets (pension funds, endowments, insurance companies) into alternatives, primarily real estate and infrastructure.

Over the long-term, global real assets have outperformed global equities¹¹. The provision of essential services (heat, water, electricity, communication, transportation, shelter, logistics) in a supply-constrained manner allows global real estate and infrastructure firms to generate consistent cash-flow and distribution growth through the economic cycle. Numerous macro-economic trends (social media, big data, e-commerce, 5G, on-line payments, cloud computing, urbanization, industrialization, co-working) are driving demand, occupancy and utilization of real estate and infrastructure assets.

In 2018 global asset management firms raised over US \$197.5 billion in private real estate and infrastructure funds¹². 2019 was on pace for over US \$200 billion, with Brookfield and Blackstone combining to raise almost US \$60 billion across four funds¹³. Institutions continue to be attracted to the yield, uncorrelated returns and strong cash flow growth generated by real assets. Their increased allocations support current valuations and provide the capital needed for real asset firms to invest for future growth.

Asset Allocations for U.S. Colleges and University Endowments and Affiliated Foundations, Fiscal Year 2018

Size of Endowment (%)	Domestic Equities	Fixed Income	Non-U.S. Equities	Alternative Strategies	Short-term Securities Cash/ Other
Over \$1 Billion	13	7	19	58	3
\$501 Million to \$1 Billion	22	10	22	41	5
\$251 Million to \$500 Million	24	12	22	38	4
\$101 Million to \$500 Million	31	15	22	27	5
\$51 Million to \$100 Million	34	19	22	22	3
\$25 Million to \$50 Million	39	22	18	16	5
Under \$25 Million	45	24	15	11	5

Source: 2018 NACUBO-TIAA Study of Endowments

⁹ 2018 NACUBO-TIAA Study of Endowments. ¹⁰ “Bond World Is Backing Away from All That Negativity as 2019 Ends”, Bloomberg, December 23, 2019. ¹¹ Source: Bloomberg from December 31, 2002 to December 31, 2019. Global Infrastructure, Global REITs and Global Equities are represented by the S&P Global Infrastructure Index (CAD), FTSE EPRA/NAREIT Developed Total Return Index (CAD) and MSCI World Index (CAD), respectively. Past performance is no guarantee of future results. ¹² “Infrastructure, real estate to remain high on investor lists”, Pensions & Investments, January 7, 2019. ¹³ Preqin.

Fund commentaries, Q4 2019

Starlight Global Infrastructure Fund

The Starlight Global Infrastructure Fund ("Infrastructure Fund") generated a 26.5% total return in 2019¹⁴. The Infrastructure Fund also beat the S&P Global Infrastructure Total Return Index's return of 21.0% ("Infrastructure Benchmark")¹⁵. The Starlight Global Infrastructure Fund demonstrated negative downside capture versus global and U.S. equities in 2019, providing excellent diversification benefits to investors.

2019 Upside/ Downside Capture*

Starlight Global Infrastructure Fund (Series F)		
	Upside Capture	Downside Capture
vs. Global Equities	75.9%	-66.1%
vs. U.S. Equities	67.8%	-63.4%

Source: Bloomberg LP & Starlight Capital. From December 31, 2018 to December 31, 2019. Global equities represented by MSCI World Index and U.S. equities represented by S&P 500 Index.

All three traditional sectors of global infrastructure performed well in 2019 with the Infrastructure Fund generating 32.6% in Industrials, 36.3% in Energy and 37.5% in Utilities¹⁴. However, it was our allocation to out of index, "alpha names" that contributed to the Infrastructure Fund's strong returns and outperformance against the Infrastructure Benchmark. Information Technology (Interxion Holding NV, Visa Inc.), Communication Services (Comcast Corp.) and Real Estate positions (American Tower Corp., Crown Castle International Corp., Equinix Inc.) generated total returns ranging from 27.3% to 60.4%. These alpha positions also allowed us to avoid overweighting expensive sectors, such as U.S. Utilities, thus improving risk-adjusted returns.

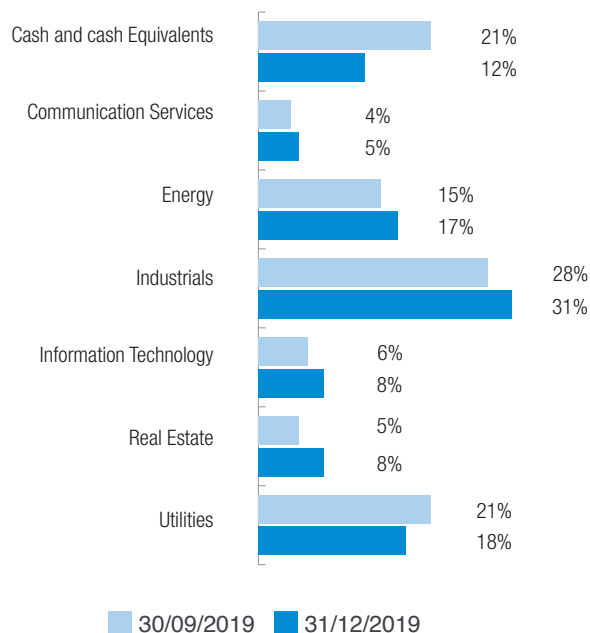
In 2019 global and U.S. equities delivered 22.4% and 25.2% total returns to investors, respectively¹⁶. Most of these total returns came from multiple expansion. Dividends and earnings per share (EPS) growth accounted for between 4.0% and 5.0% of the total returns for U.S. equities¹⁷. Compare this to global infrastructure with 9.0% EBIT[†] growth and 4.0% dividend yields¹⁸. Compared to global and U.S. equities, global infrastructure generated more of their total returns from dividend yields and growth and relied less on multiple expansion to reward investors. We prefer the return composition of global infrastructure equities as we see it as more sustainable and predictable and should produce superior risk-adjusted returns to investors over the long-term.

Looking into 2020, global infrastructure offers a 4.0% dividend yield with 7.0% expected dividend growth supported by 8.0% expected EBIT growth¹⁸. The global infrastructure sector trades at 12.0x 2020 EV/EBITDA[†] which is in-line with its 10-year average. Global infrastructure balance sheets are sound at 1.0x Net Debt/Equity and 3.6x Net Debt/EBITDA¹⁸ and firms enjoy strong access to equity and debt markets.

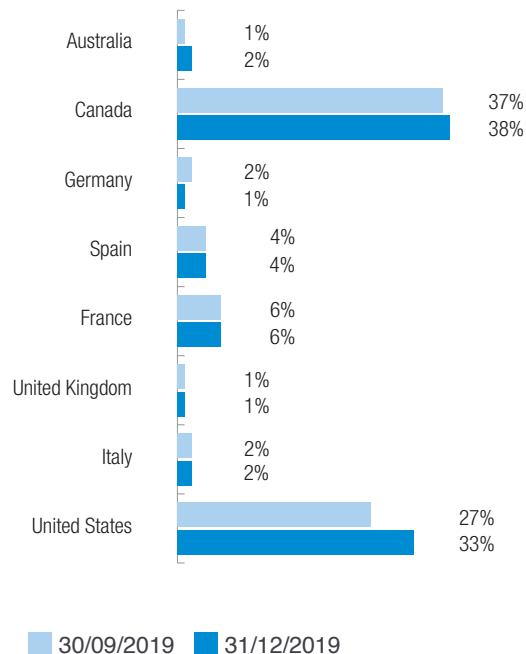
[†]Earnings before interest and taxes

[†]Enterprise value (EV) to the earnings before interest, tax, depreciation, and amortization (EBITDA) ratio

Starlight Global Infrastructure Fund – Sector Allocation (%)



Starlight Global Infrastructure Fund – Geographic Allocation (%)*



*excludes cash & cash equivalents

¹⁴ From December 31, 2018 to December 31, 2019. Source: Bloomberg LP. ¹⁵ From December 31, 2018 to December 31, 2019. Source: Bloomberg LP. Global infrastructure represented by the S&P Global Infrastructure Index (CAD). ¹⁶ From December 31, 2018 to December 31, 2019. Source: Bloomberg LP. Global and U.S. equities represented by MSCI World Index and S&P 500 Total Return Index, respectively. ¹⁷ Credit Suisse, Equity Research, Return Decomposition Monthly, January 2020. ¹⁸ Credit Suisse, Global Infrastructure Valuation and Performance Data Pack, December 19, 2019.

Starlight Global Real Estate Fund

The Starlight Global Real Estate Fund (“Real Estate Fund”) generated a 20.8% total return in 2019¹⁹. The Real Estate Fund also beat the FTSE EPRA Nareit Developed Total Return Index’s return of 17.2% (“Real Estate Benchmark”) ²⁰. The Starlight Global Real Estate Fund demonstrated negative downside capture versus global and U.S. equities in 2019, providing excellent diversification benefits to investors.

2019 Upside/ downside capture*

Starlight Global Real Estate Fund (Series F)		
	Upside Capture	Downside Capture
vs. Global Equities	58.4%	-60.0%
vs. U.S. Equities	52.2%	-57.6%

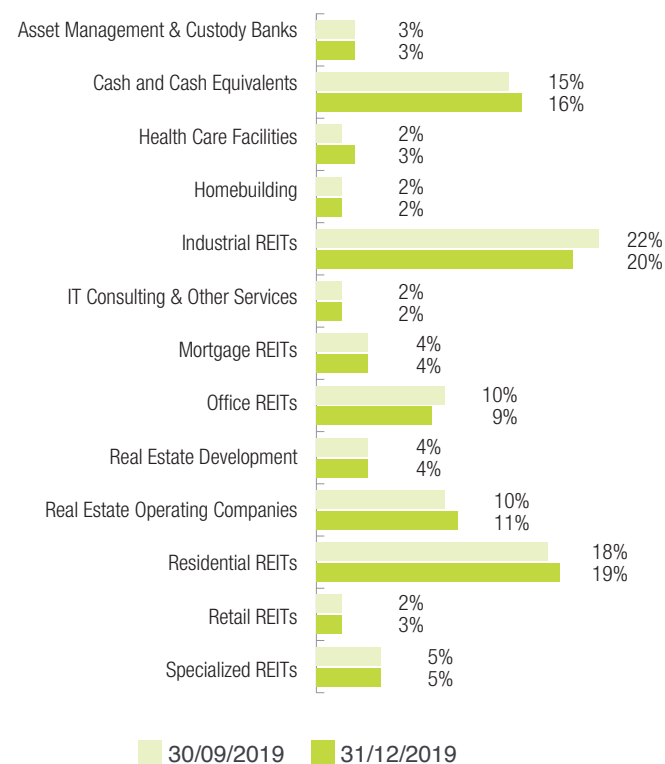
Source: Bloomberg LP & Starlight Capital. From December 31, 2018 to December 31, 2019. Global equities represented by MSCI World Index and U.S. equities represented by S&P 500 Index.

Several domestic sectors performed well in 2019, with the Real Estate Fund generating a 27.3% return in Industrial, 28.1% in Residential and 38.1% in Office¹⁹. However, it was our allocation to sectors that are unavailable in the Canadian market that contributed to the Real Estate Fund’s strong returns and outperformance against the Real Estate Benchmark. Specialized (American Tower Corp., Equinix Inc., Interxion Holding NV), Mortgage (New Residential Investment Corp., Starwood Property Trust Inc.) and Homebuilders (Lennar Corp.) generated total returns ranging from 19.6% to 60.4%. These alpha positions also allowed us to avoid allocating to sectors that are out of favour, such as U.S. Malls, to improve risk-adjusted returns.

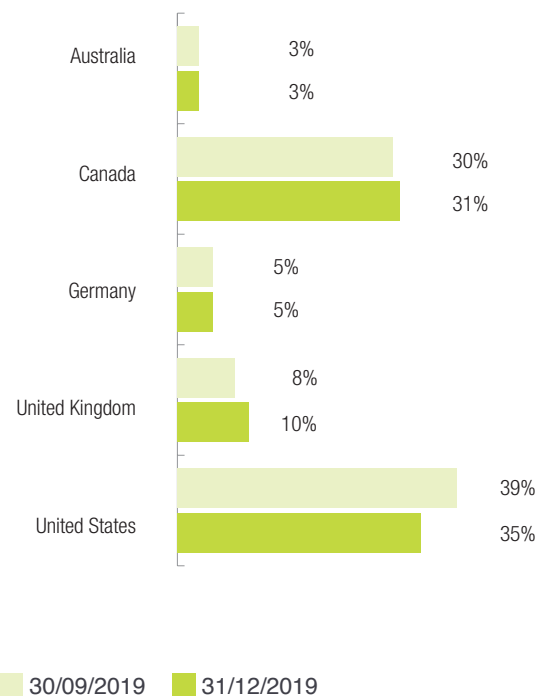
In 2019 global and U.S. equities delivered 22.4% and 25.2% total returns to investors, respectively²¹. Most of these total returns came from multiple expansion. Dividends and EPS growth accounted for between 4.0% and 5.0% of the total returns for U.S. equities²². Compare this to global real estate with 6.4% funds from operations (FFO) growth and 3.8% dividend yields²³. Compared to global and U.S. equities, global real estate generated more of their total returns from dividend yields and growth and relied less on multiple expansion to reward investors. We prefer the return composition of global real estate equities as we see it as more sustainable and predictable and should produce superior risk-adjusted returns to investors over the long-term.

Looking into 2020, global real estate offers a 4.4% dividend yield with 2.5% expected dividend growth supported by 7.4% expected FFO growth^{23, 24}. The global real estate sector trades at 16.9x 2020 FFO/Unit, which compares favourably to U.S. equities at 18.8x²⁵ and global equities at 21.1x, 2020 Price/Earnings²⁶, respectively. Global real estate balance sheets are sound at 31.1% Net Debt/EV and the global sector still trades at a 9.1% discount to Net Asset Value²³.

Starlight Global Real Estate Fund – Sector Allocation (%)



Starlight Global Real Estate Fund – Geographic Allocation (%)*



*excludes cash & cash equivalents

¹⁹ From December 31, 2018 to December 31, 2019. Source: Bloomberg LP. ²⁰ From December 31, 2018 to December 31, 2019. Source: Bloomberg LP. Global real estate is represented by FTSE EPRA NAREIT DEVELOPED Total Return Index (CAD). ²¹ From December 31, 2018 to December 31, 2019. Source: Bloomberg LP. Global and U.S. equities represented by MSCI World Index and S&P 500 Total Return Index, respectively. ²² Credit Suisse, Equity Research, Return Decomposition Monthly, January 2020. ²³ Citi Research, The Global Property Hunter, January 7, 2020 and Global Real Estate Strategy, 2020 Outlook and Nine Key Themes, UBS Global Research, January 6, 2020. ²⁴ As of January 17, 2020. Source: Bloomberg LP. ²⁵ Citi Research, U.S. Equity Strategy, January 10, 2020. ²⁶ As of January 17, 2020. Source: Bloomberg LP.

Thank You

Starlight Capital was founded in March 2018 and launched its first funds and ETFs in October 2018. Since then, the team and assets under management have grown steadily. Our investment solutions are available through more than 50 distribution partners and in 2019 we delivered strong risk-adjusted returns that have outperformed our benchmarks with downside protection. As we look forward, we are excited about the prospects for global real asset returns and allocations and humbled by the strong support we have garnered.

We remain an investment-led and client-focused provider of differentiated investment solutions and invite you to partner with us.

Starlight Capital

The views in this Global Market Outlook report are subject to change at any time based upon market or other conditions and are current as of January 17, 2019. While all material is deemed to be reliable, accuracy and completeness cannot be guaranteed.

*Upside capture ratios for funds are calculated by taking the fund's monthly return during months when the benchmark had a positive return and dividing it by the benchmark return during that same month. Downside capture ratios are calculated by taking the fund's monthly return during the periods of negative benchmark performance and dividing it by the benchmark return. 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.

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