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# Starlight Hybrid Global Real Assets Trust

## **Management's Discussion and Analysis of Operations and Financial Condition**

For the three and nine months ended September 30, 2019

November 14, 2019

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**Starlight Hybrid Global Real Assets Trust**  
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**TABLE OF CONTENTS**

MANAGEMENT'S DISCUSSION AND ANALYSIS .....	1
CAUTION REGARDING FORWARD-LOOKING STATEMENTS .....	1
BASIS OF PRESENTATION .....	2
OVERVIEW AND INVESTMENT OBJECTIVES .....	2
INVESTMENT STRATEGY .....	3
INVESTMENT RESTRICTIONS.....	4
DECLARATION OF TRUST .....	5
PORTFOLIO REVIEW & SUMMARY .....	5
Q3 AND YTD 2019 HIGHLIGHTS .....	9
DISTRIBUTIONS.....	9
FINANCIAL AND OPERATIONAL HIGHLIGHTS.....	10
ANALYSIS OF FINANCIAL PERFORMANCE .....	10
GENERAL AND ADMINISTRATION EXPENSES.....	10
ACCRUED EXPENSES .....	10
LIABILITIES .....	10
UNITHOLDERS' EQUITY.....	11
LIQUIDITY AND CAPITAL RESOURCES .....	11
RELATED PARTY TRANSACTIONS AND ARRANGEMENTS.....	12
ARRANGEMENTS WITH STARLIGHT CAPITAL.....	12
SUMMARY OF FEES AND EXPENSES.....	13
RISKS AND UNCERTAINTIES .....	14
USE OF ESTIMATES .....	19
DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING.....	19
SUBSEQUENT EVENTS.....	20
OUTLOOK— FORWARD-LOOKING INFORMATION.....	20

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the financial results of Starlight Hybrid Global Real Assets Trust (the "Trust") dated November 14, 2019 for the three and nine months ended September 30, 2019 should be read in conjunction with the Trust's annual audited financial statements for the period from December 13, 2018 (date of formation) to December 31, 2018 and the unaudited condensed interim financial statements for the three and nine months ended September 30, 2019 and accompanying notes thereto. These documents are available on [www.starlightcapital.com](http://www.starlightcapital.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

Certain time periods used in this MD&A are used interchangeably such as three and nine months ended September 30, 2019 ("Q3 2019") and ("YTD 2019"), respectively, and three months ended March 31, 2019 ("Q1 2019") and June 30, 2019 ("Q2 2019").

Additional information relating to the Trust, including the Trust's Annual Information Form, can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purpose of assisting the reader in understanding the Trust's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future. Readers are cautioned such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Trust, the real estate industry or the infrastructure industry and may include statements regarding the financial position, investment portfolio, business strategy, budgets, projected costs, financial results, taxes, plans and objectives of or involving the Trust. In some cases, forward-looking information can be identified by such terms as "may", "might", "will", "could", "should", "would", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", or the negative thereof or other similar expressions suggesting future outcomes or events.

Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Trust's control, affect the operations, performance and results of the Trust and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. These factors include, but are not limited to, risks related to the series A units ("Series A Units") or series C units ("Series C Units") of the Trust (collectively the "Units") and risks related to the Trust and its business. See "Risks and Uncertainties". The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions applied in drawing a conclusion or making a forecast or projection, including management's perception of historical trends, current conditions and expected future developments, as well as other considerations believed to be appropriate in the circumstances, including the following: the global economy will remain stable over the next 12 months; inflation will remain relatively low; interest rates will remain relatively stable; conditions within the global real estate and infrastructure market will be consistent with the current climate; Starlight Investments Capital GP Inc. (the "Manager") and or an affiliate of the Manager, will continue its involvement as manager of the Trust in

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

accordance with the terms of the Management Agreement (as defined herein); Starlight Investments Capital LP (the "Investment Manager" and together with the Manager, "Starlight Capital"), or an affiliate of the Investment Manager, will continue its involvement as portfolio manager of the Starlight Global Real Assets LP, in accordance with the terms of the Investment Management Agreement (as defined herein); and the risks referenced above, collectively, will not have a material impact on the Trust. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian securities laws, the Trust undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

## **BASIS OF PRESENTATION**

The Trust's unaudited condensed interim financial statements for the three and nine months ended September 30, 2019 have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. The Trust's presentation currency is the Canadian dollar.

## **OVERVIEW AND INVESTMENT OBJECTIVES**

The Trust is an investment trust established under the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust ("DOT") dated as of December 13, 2018. Starlight Global Real Assets LP (the "Public Portfolio LP") is a limited partnership formed pursuant to a Limited Partnership Agreement dated November 28, 2018, governed by the laws of the Province of Ontario. The Trust is the only limited partner of the Public Portfolio LP.

The Public Portfolio LP holds an actively managed global portfolio of real estate and infrastructure securities (the "Public Portfolio"). In addition to the Public Portfolio, the Trust also invests in a private portfolio of Canadian real estate properties and global infrastructure assets (the "Private Portfolio", and together with the Public Portfolio, the "Portfolio"), primarily through investments in other investment vehicles. The Investment Manager provides investment management advice, including advice in respect of the Trust's asset mix and security selection for the Public Portfolio, subject to the Trust's investment restrictions.

The Trust is listed on the NEO Exchange Inc. (the "Exchange") under the symbol SCHG.UN. The Trust's registered address is 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario M8X 2X3. RBC Investor Services Trust acts as custodian and administrator of the Trust. The Trust is currently offered in Canadian-dollar-denominated Units.

The objectives of the Trust are to provide holders of Units (the "Unitholders") with stable monthly cash distributions and long-term capital appreciation through exposure to institutional quality real assets in the global real estate and global infrastructure sectors.

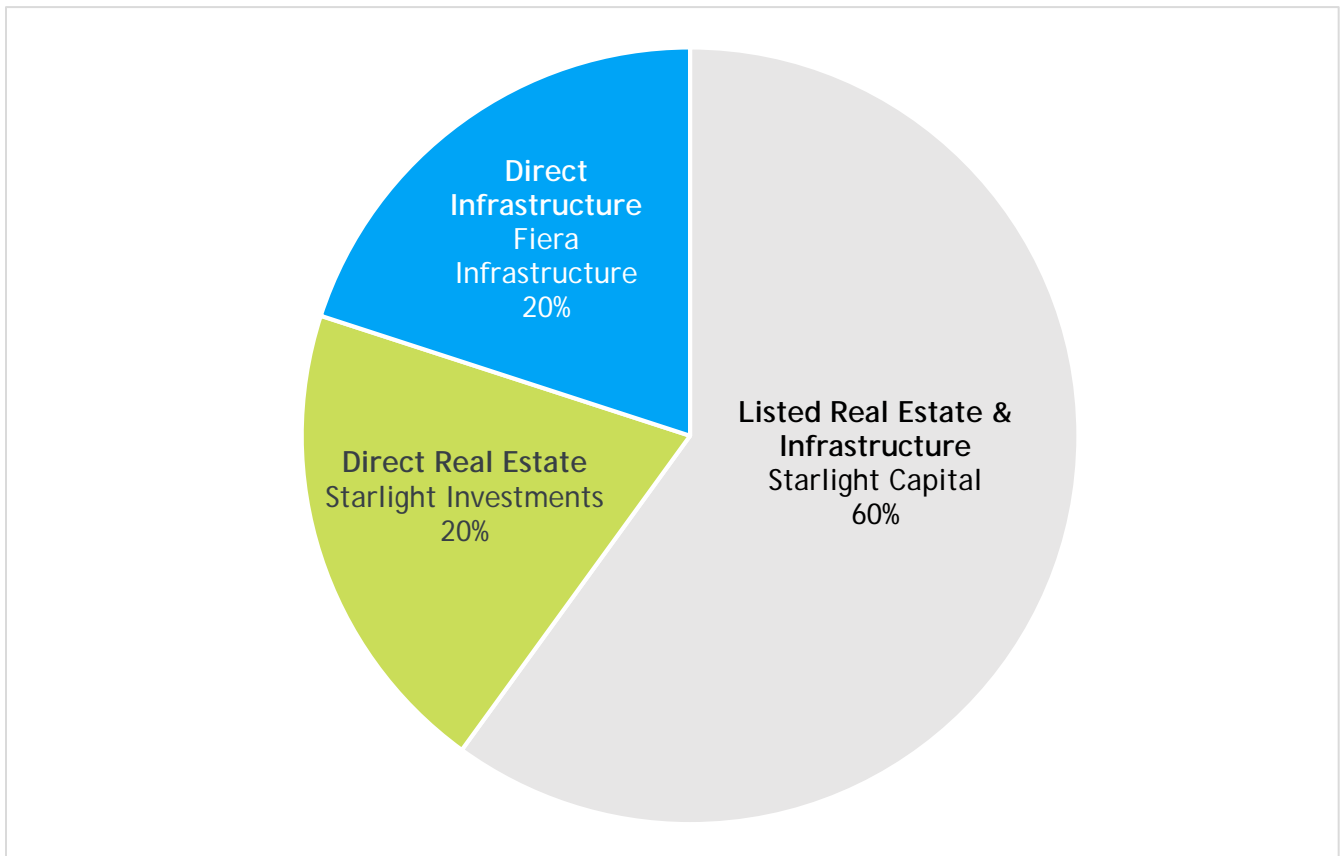
Starlight Capital seeks to identify potential investments for the Trust using its investment philosophy "Focused Business Investing". The fundamental investment criteria that it focuses on are recurring free cash flow, irreplaceable assets that allow a business to resist competition and generate higher returns on capital, low debt, and a strong management team. The result is concentrated portfolios that Starlight Capital expects to generate superior, risk-adjusted returns over the long term.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

**INVESTMENT STRATEGY**

To achieve its objectives, the Trust invests no less than 60% of the net capital raised into the Public Portfolio LP, that holds an actively managed global portfolio of real estate and infrastructure securities, targeting issuers primarily in Organization for Economic Cooperation and Development (“OECD”) countries, managed by Dennis Mitchell, the Chief Executive Officer and Chief Investment Officer of the Trust and the Investment Manager of the Public Portfolio LP. The Trust also invests in global real estate properties and global infrastructure assets, beginning with allocations of up to 20% of the net capital raised to each of Starlight Canadian Residential Growth Fund (the “Starlight Residential Fund”), a newly created fund managed by an affiliate of Starlight Group Property Holdings Inc., and EagleCrest Infrastructure Canada LP (“EICLP”), managed by Fiera Infrastructure Inc. The Starlight Residential Fund holds direct investments in Canadian multi-residential real estate properties and portfolios. EICLP holds investments in 30 infrastructure assets located in Canada, the U.S., the U.K. and Spain.



**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

## INVESTMENT RESTRICTIONS

The Trust is subject to the investment restrictions set out below that, among other things, limit the securities that the Trust may acquire for the investment portfolio. The Trust's investment restrictions may not be changed without the approval of the Unitholders at a meeting called for such purpose. The Trust's investment restrictions provide that the Trust may not:

- (i) purchase securities, other than securities of public and private issuers operating in, or that derive a significant portion of their revenue or earnings from, the global residential and commercial real estate sectors and the global infrastructure sector;
- (ii) invest more than 40% (at the time of investment) of its total assets in securities of private issuers (other than securities of the Public Portfolio LP or other wholly-owned subsidiaries);
- (iii) invest more than 20% (at the time of investment) of its total assets in securities of any single issuer other than (a) securities issued or guaranteed by the government of Canada or a province or territory thereof or securities issued or guaranteed by the U.S. government or its agencies and instrumentalities, (b) the Public Portfolio LP, or (c) wholly-owned subsidiaries;
- (iv) make any investment or conduct any activity that would result in the Trust failing to qualify as a "mutual fund trust" within the meaning of the *Income Tax Act (Canada)* (the "Tax Act"), or that would result in that Trust acquiring or holding "non-portfolio property" or otherwise becoming a "SIFT trust" within the meaning of the Tax Act;
- (v) borrow money or employ any other forms of leverage in the Public Portfolio greater than 15% of the net asset value ("NAV") of the Public Portfolio LP; obtain leverage in the Private Portfolio of greater than 75% of the fair market value (at the time of investment) of any direct real estate held in the Private Portfolio either directly or indirectly through an investment vehicle or greater than 90% of the fair market value (at the time of investment) of any direct infrastructure held in the Private Portfolio either directly or indirectly through an investment vehicle;
- (vi) issue preferred units until the later of (a) January 1, 2021 and (b) the date at which the NAV of the Trust reaches \$500,000,000. The number of preferred units that the Trust may issue is limited to such number of preferred units with an aggregate preferred unit redemption price equal to 25% of the NAV of the Trust, after giving effect to the offering of such preferred units, and shall not constitute leverage for the purposes of (v) above;
- (vii) have short exposure, other than for purposes of hedging, in excess of 20% of the total assets of the Trust as determined on a daily marked-to-market basis;
- (viii) hold or acquire an interest as a member of a partnership unless the liability of the Fund as a member of such partnership is limited by operation of applicable law within the meaning of subsection 253.1(1) of the Tax Act;
- (ix) invest in or hold (a) securities of or an interest in any non-resident entity, an interest in or a right or option to acquire such property, or an interest in a partnership which holds any such property if the Trust (or the partnership) would be required to include any significant amounts in income pursuant to section 94.1 of the Tax Act, (b) an interest in a trust (or a partnership which holds such an interest) which would require the Trust (or the partnership) to report income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or (c) any interest in a non-

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

resident trust (or a partnership which holds such an interest) other than an "exempt foreign trust" for the purposes of section 94 of the Tax Act; and

- (x) enter into any arrangement (including the acquisition of securities for the portfolio) where the result is a "dividend rental arrangement" for the purposes of the Tax Act, or engage in securities lending that does not constitute a "securities lending arrangement" for purposes of the Tax Act.

If a percentage restriction on investment or use of assets set forth above is adhered to at the time of the transaction, later changes to the market value of the investment or the total assets of the Trust will not be considered a violation of the restriction (except for the restrictions in paragraphs (iv), (ix) or (x) above). If the Trust receives from an issuer, subscription rights to purchase securities of that issuer, and if the Trust exercises such subscription rights at a time when the Trust's portfolio holdings of securities of that issuer would otherwise exceed the limits set forth above, it will not constitute a violation if, prior to receipt of securities upon exercise of such rights, the Trust has sold at least as many securities of the same class and value as would result in the restriction being complied with.

The operations of Public Portfolio LP are subject to the terms of its constating documents, which provide, among other things that Public Portfolio LP operate in a manner consistent with the investment restrictions set out above (except for the restriction in paragraph (viii) above).

#### DECLARATION OF TRUST

The Investment guidelines of the Trust are outlined in the DOT. A copy of this document is available upon request by all Unitholders, and can also be found on [www.starlightcapital.com](http://www.starlightcapital.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

As of the date hereof, the Trust was in material compliance with all investment guidelines in the DOT.

#### PORTFOLIO REVIEW & SUMMARY

As at September 30, 2019 the Trust's portfolio was comprised of units of the Public Portfolio LP and two private placements:

Number of Units	Description	Average Cost	Fair Value	% of Net Assets
	Fund(s)			
2,455,448	Starlight Global Real Assets LP	\$ 24,771,620	\$ 26,842,714	78.10%
550	EagleCrest Infrastructure Canada LP	5,500,000	5,394,739	15.70%
22,205	Starlight Canadian Residential Growth Fund (Series C)	2,220,497	2,340,626	6.80%
	<b>Total</b>	<b>\$ 32,492,117</b>	<b>\$ 34,578,079</b>	<b>100.60%</b>

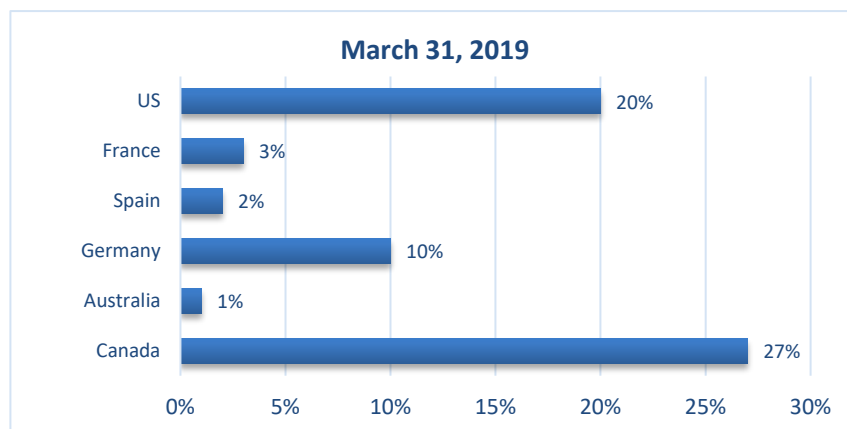
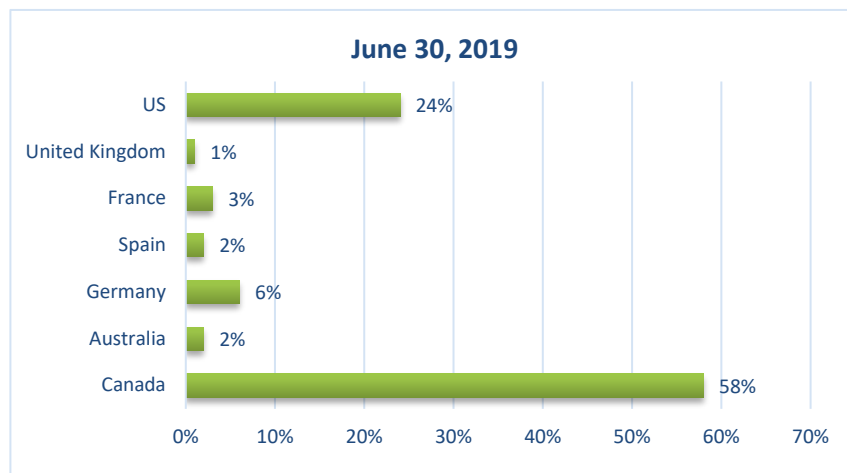
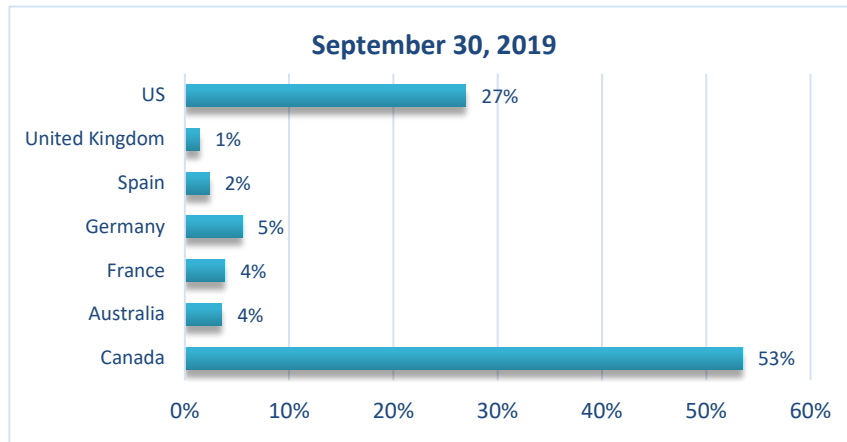
In Q3 2019, the Public Portfolio LP's cash position increased slightly from 4% to 7%. The Investment Manager has deployed capital into a diversified portfolio of public global real estate and infrastructure securities along with allocations to the Starlight Canadian Residential Growth Fund and EagleCrest Infrastructure Canada LP. As at September 30, 2019, the Public Portfolio LP held 38 positions, with 24 companies increasing their dividends or distributions by an average of 9.4% per dividend during the nine months ended September 30, 2019. Assets Under Management ("AUM") increased by 20.7% in Q3 2019 due to market appreciation and a \$4.6 million private placement in July.

**Starlight Hybrid Global Real Assets Trust**  
 Management's Discussion and Analysis of Operations and Financial Condition  
 For the three and nine months ended September 30, 2019

Beginning in February 2019, the Trust declared monthly distributions of \$0.0416667 per Unit for each series. As of September 30, 2019, the Trust declared eight monthly distributions for a total amount of \$0.33333 per Series A Unit, \$0.33333 per Series C Unit and two monthly distributions for a total amount of \$0.08333 per Series F Unit. Series F Units were redesignated as Series A Units on March 29, 2019.

The Public Portfolio LP's investment portfolio geographic and sector allocations are shown below:

**Geographic Allocation (%)\***

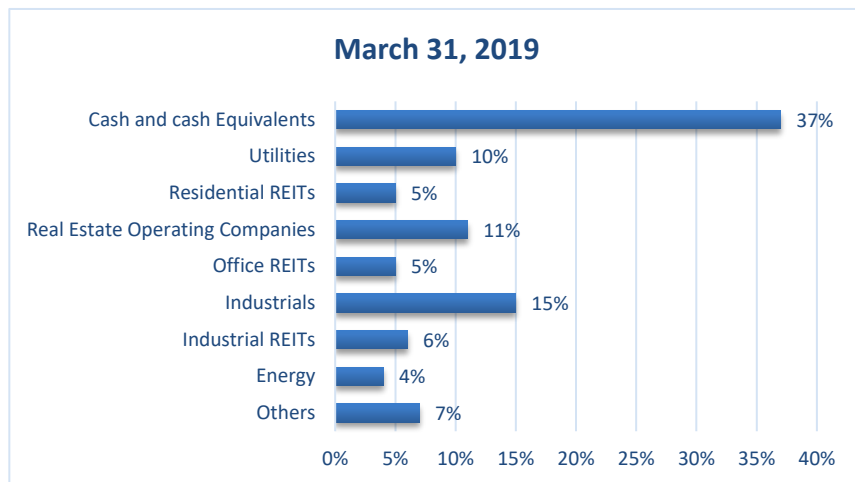
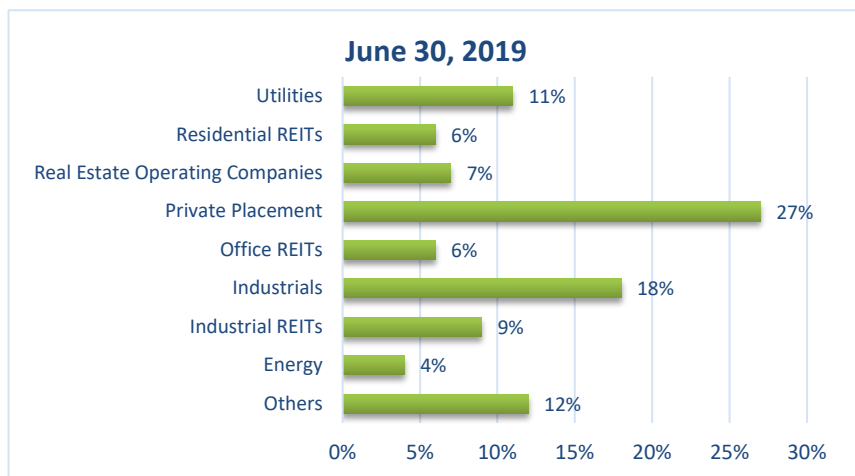
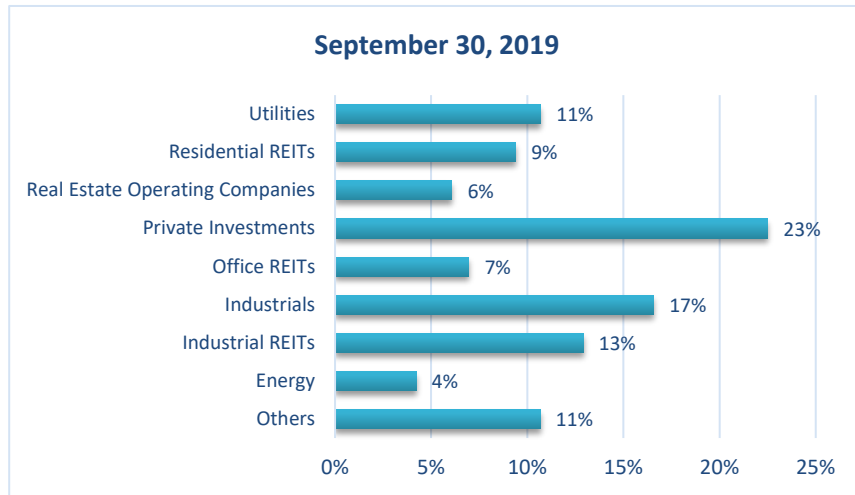


\* excludes cash & cash equivalents



**Starlight Hybrid Global Real Assets Trust**  
 Management's Discussion and Analysis of Operations and Financial Condition  
 For the three and nine months ended September 30, 2019

**Sector Allocation (%)**



**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

As at September 30, 2019 the Public Portfolio LP had invested 95.33% of its net assets in equities. The top 10 holdings of the Public Portfolio LP as at September 30, 2019 are:

Number of Shares	Description	Average Cost	Fair Value	% of Net Assets
41,948	Boralex Inc.	\$ 779,920	\$ 949,283	3.54%
8,235	Prologis Inc.	749,382	929,162	3.46%
13,773	Brookfield Infrastructure Partners Limited partnership	719,443	903,509	3.37%
193,398	European Residential Real Estate Investment Trust	827,058	903,169	3.36%
19,576	Duke Realty Corporation	822,589	880,452	3.28%
63,882	Goodman Group	869,467	808,893	3.01%
3,923	Alexandria Real Estate Equities Inc.	658,594	800,088	2.98%
7,731	Kilroy Realty Corporation	782,562	797,267	2.97%
35,234	Minto Apartment Real Estate Investment Trust	667,472	796,993	2.97%
20,798	Ferrovial SA	618,079	795,836	2.96%
<b>Total</b>		<b>\$ 7,494,566</b>	<b>\$ 8,564,652</b>	<b>31.90%</b>

Two of the top contributors to the Trust's performance in Q3 2019 were Dream Global REIT ("Dream Global"), with a total return of 22.8%, and Brookfield Infrastructure Partners LP("BIP"), with a total return of 18.1%<sup>1</sup>.

Dream Global is an owner and operator of a diversified high-quality portfolio of office and industrial properties located in key markets in Western Europe with a focus on Germany and the Netherlands. On September 15, 2019, Dream Global announced an agreement to be acquired by real estate funds managed by The Blackstone Group Inc. for cash consideration of \$16.79/unit. The offer price represented an 18.5% premium to the previous closing price on the Toronto Stock Exchange ("TSX") and will represent a total return for 2019 of 47%. We have exited our position in the Dream Global and increased the Trust's exposure in Western European.

BIP owns and operates infrastructure assets across the globe, including energy, utilities, transport and communications assets. BIP employs a capital recycling model, where it acquires minority or majority interests in infrastructure assets, invests in capital and operational improvements to boost returns, and then sells off its ownership interests, often at a significant premium to their original purchase price. BIP shares have outperformed the broader market this year, on the back of strong earnings results and visibility into the capital rotation strategy, namely the expansion into the Indian telecommunications towers business and the lucrative sale of its Chilean toll road assets. We continue to see upside to the name, with a robust cash flow stream which will continue to support the dividend growth profile.

One of the top detractors from fund performance in Q3 2019 was Goodman Group ("Goodman"). Goodman is the largest industrial property group listed on the Australian Securities Exchange and one of the largest listed specialist investment managers of industrial property and business space globally. Goodman owns, develops, and manages high-quality industrial properties across 17 countries throughout Asia, Europe, North America and South America. The underperformance was largely attributable to three factors a) on September 4, 2019 it was announced that Goodman would be excluded from the FTSE EPRA NAREIT index, b) political uncertainty, and c) rotation into value (at Goodman's share price peak in July, it's share price had risen 51% since the beginning of the year). We continue to hold our position in the company in the Public Portfolio and have increased our position on share price weakness.

<sup>1</sup> Source: Bloomberg LP

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

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Q3 2019 AND YTD 2019 highlights

***REDESIGNATION OF UNITS***

Series F Units were automatically redesignated as Series A Units in accordance with their terms on March 29, 2019 at NAV. Series F Unitholders received 144,746 Series A Units with a NAV of \$9.81 in exchange for 141,000 Series F Units with a NAV of \$10.07.

The Series A Units are listed on the Exchange under the ticker SCHG.UN. The Series F Units were unlisted.

***PRIVATE PLACEMENT***

On May 6, 2019, Starlight Capital announced the Trust intended to complete a non-brokered private placement of Series C Units of the Trust for gross proceeds of up to \$20,000,000 (the "Private Placement"). On July 5, 2019, the Trust closed the Private Placement for gross proceeds of \$4,589,115. Pursuant to the Private Placement, the Trust issued an aggregate of 446,412 Series C Units at the offer price of \$10.28 per unit which was the NAV per Series C Unit on the pricing date, May 31, 2019, plus costs of 1.5%.

On November 13, 2019, Starlight Capital announced the Trust intends to complete a private placement offering, consisting of both a brokered private placement of Series B Units and Series F Units of the Trust and a non-brokered private placement of Series C Units of the Trust for gross proceeds of up to \$50,000,000.

***PORTFOLIO INVESTMENTS***

As at September 30, 2019, the Trust had an investment of \$26,842,714 in the Public Portfolio LP and \$7,735,365 in two private investments and a commitment of \$3,279,503 to Starlight Residential Fund. The Public Portfolio LP had 38 investments with a market value of \$25,589,130 in publicly traded global real estate and infrastructure securities. See "Commitments".

***DISTRIBUTIONS***

The Trust targets a \$0.50 gross distributions per Unit per annum (5.0% yield based on the initial offering price per Unit) at the discretion of the Trustees, to be paid on a monthly basis. As at September 30, 2019, the Trust declared eight distributions of \$0.0416667 per Series A Unit and Series C Unit for a total distribution of \$0.33333 per Unit for each of Series A and Series C. The Trust also declared two distributions of \$0.0416667 per Series F Unit for a total distribution of \$0.08333.

***DISTRIBUTIONS REINVESTMENT PLAN***

On March 25, 2019, the Trust announced a distribution reinvestment and optional cash purchase plan (the "DRIP Plan"). The DRIP Plan provides eligible Unitholders of Series A Units and Series C Units of the Trust an opportunity to acquire additional Series A Units at the greater of either the NAV per Series A Unit or 97% of the average market price (as such term is defined in the DRIP Plan). The DRIP Plan provides an efficient and cost-effective way for the Trust to issue additional equity to existing Unitholders.

Unitholders may choose to make optional cash purchases of Series A Units under the DRIP Plan at any time in amounts equal to or greater than \$1,000, but not to exceed \$100,000 per annum. The aggregate number of Series A Units issued pursuant to optional cash payments, in any financial year, cannot exceed 2% of the issued and outstanding Series A Units as at the beginning of that financial year.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at September 30, 2019	As at December 31, 2018
Current assets	\$ 34,690,747	\$ 28,312,178
Current liabilities	318,901	497,061
Net assets attributable to holders of redeemable units per series		
Series A	21,835,673	19,085,354
Series C	12,536,173	7,370,787
Series F	–	1,358,976
	<b>\$ 34,371,846</b>	<b>\$ 27,815,117</b>

## ANALYSIS OF FINANCIAL PERFORMANCE

The Trust's financial performance and results of operations for the three and nine months ended September 30, 2019 are summarized below:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Investment gain	\$ 1,839,072	\$ 3,433,659
Expenses	48,214	365,884
Net Investment income	1,790,858	3,067,775
Increase in net assets attributable to holders of redeemable units	<b>\$ 1,790,858</b>	<b>\$ 3,067,775</b>

## GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include items such as legal and audit fees, trustee fees, investor relations expenses, trustees' and officers' insurance premiums, and other general and administrative expenses associated with the operation of the Trust. Management fees payable to the Manager would also be included in general and administration expenses. Management fees paid or payable to the Manager in Q3 2019 was \$40,776 (YTD 2019 was \$78,921). See "Related Party Transactions and Arrangements – Arrangements with Starlight Capital".

## ACCRUED EXPENSES

As at September 30, 2019, the Trust had \$178,228 in accounts payable and accrued liabilities (as at December 31, 2018, the Trust had \$497,061 in accounts payable and accrued liabilities).

## LIABILITIES

### LEVERAGE

The Trust may obtain leverage of up to 15% of the net NAV of the Public Portfolio LP by way of a margin facility. In addition, the Private Portfolio may obtain leverage of up to 75% of the fair market value of any direct real estate held in the Private Portfolio either directly or indirectly through an investment vehicle. The Private Portfolio may also obtain leverage of up to 90% of the fair market value of any direct infrastructure held in the Private Portfolio either directly or indirectly through an investment vehicle.

As at September 30, 2019, the Trust had no leverage (as at December 31, 2018, the Trust had no leverage).

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

## UNITHOLDERS' EQUITY

As at September 30, 2019 there were 2,179,719 Series A Units outstanding valued at \$21,835,673; 1,196,412 Series C Units outstanding valued at \$12,536,173; and nil Series F Units outstanding. As at December 31, 2018 there were 2,034,901 Series A Units outstanding valued at \$19,085,354; 750,000 Series C Units outstanding valued at \$7,370,787; and 141,000 Series F Units outstanding valued at \$1,358,976. The Trust has the following Series A, C and F Units outstanding as of September 30, 2019:

Series	Units		
	Series A	Series C	Series F
Balance, beginning of period	2,034,901	750,000	141,000
Units redesignated	144,746	–	(141,000)
Units issued	–	446,412	–
Dividends reinvested	72	–	–
Units outstanding, end of period	2,179,719	1,196,412	–

## LIQUIDITY AND CAPITAL RESOURCES

### LIQUIDITY

Cash flows from investments represents the primary source of liquidity to fund distributions and the Trust's expenses. The Trust's cash flow from investments is dependent upon the distribution levels of its investments, foreign currency exchange rates and from the realization of capital gains on its investments. Declines in these factors may adversely affect the Trust's net cash flow from operations and hence require distributions and expenses to be paid from return of capital through the sale of investments.

The Investment Manager manages the liquidity of the Public Portfolio to be able to meet the liquidity needs of the Public Portfolio LP and of the Trust.

The Trust expects to be able to meet all its obligations, including distributions to Unitholders and expenses as they become due. The Trust has a number of financing sources available to fulfill its commitments including: (i) cash flow from operating activities; (ii) investment portfolio; (iii) issuance of equity; and (iv) ability to implement a margin facility.

Where the trustees determine that the Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution that has been declared payable, or otherwise made payable, on the due date for such payment or for any other reason cannot pay the distribution in cash, or the Trustees otherwise elect in respect of any such distribution at the sole and absolute discretion of the trustees, the payment will be distributed to the Unitholders in the form of additional Units, or fractions of Units, if necessary or desirable, having a value equal to the difference between the amount of such distribution declared to be payable and the amount of cash that has been determined by the trustees to be available for the payment of such distribution. Such additional Units will be issued based on the proportionate interest of each series and with respect to such series, *pro rata* in proportion to the number of Units held as of record by such Unitholder on such date. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing. Immediately after a proportionate *pro rata* distribution of such Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated so that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

**CASH FLOW**

The following table details the changes in cash and cash equivalents:

	Three months ended September 30, 2019	Nine months ended September 30, 2019
Cash used in operating activities	\$ (4,039,285)	\$ (4,041,316)
Cash from financing activities	4,117,349	3,629,627
Increase (decrease) in cash	78,064	(411,689)
Cash at beginning of period	26,761	516,514
Cash at end of period	104,825	104,825

Cash used in operating activities primarily represents operating costs of the Trust (2018 – primarily consists of investments in the Public Portfolio LP).

Cash from financing activities is a result of the distributions.

**COMMITMENTS**

On March 4, 2019 the Trust entered into a subscription agreement for \$5.5 million commitment in the Private Portfolio to invest in the Starlight Residential Growth Fund. The commitment is callable on demand on a pro-rata basis with other investors. As of September 30, 2019, the Trust has a remaining commitment of \$3.28 million to Starlight Residential Fund.

In April 2019, the Trust received a capital call for \$2.22 million of the capital committed to Starlight Residential Growth Fund which was paid on April 29, 2019.

In September 2019, the Trust received a capital call for \$2.27 million of the capital committed to Starlight Residential Growth Fund and was paid on October 24, 2019.

**RELATED PARTY TRANSACTIONS AND SIGNIFICANT ARRANGEMENTS**

Starlight Capital is considered a related party to the Trust as Starlight Capital is controlled by a significant Unitholder who owns more than 10% of the Trust.

**ARRANGEMENTS WITH STARLIGHT CAPITAL**

Pursuant to the management agreement dated December 13, 2018 ("Management Agreement"), the Manager manages the business of the Trust, including making all decisions regarding the business of the Trust that are advisable or consistent with accomplishing the objectives of the Trust, transacting the business of the Trust, dealing with and in the assets of the Trust, and providing advisory, investment management and administrative services to the Trust. The Trust is administered and operated by the Trust's Chief Executive Officer and Chief Investment Officer and its Chief Financial Officer and Chief Operating Officer and an experienced team of investment management professionals from Starlight Capital.

The Management Agreement, unless terminated in accordance with its termination provisions, will continue in effect until the winding-up or dissolution of the Trust.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

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Pursuant to the investment management agreement dated December 13, 2018 ("Investment Management Agreement"), the Investment Manager manages the business of the Public Portfolio LP, including making all decisions regarding the investment portfolio of the Public Portfolio LP in accordance with the investment objectives, investment strategy and investment restrictions of the Trust, employing leverage, and providing administrative services to the Public Portfolio LP. The Public Portfolio LP is administered and operated by Starlight Capital's Chief Executive Officer and Chief Investment Officer and its Chief Financial Officer and Chief Operating Officer and an experienced team of investment management professionals from Starlight Capital.

The Investment Management Agreement, unless terminated in accordance with its termination provisions, will continue in effect until the winding-up or dissolution of the Trust.

## **SUMMARY OF FEES AND EXPENSES**

### **MANAGEMENT FEE**

Pursuant to the Management Agreement, the Manager is entitled to an annual management fee of 1.25% of the market capitalization of the Trust based on the NAV of the Trust plus the aggregate redemption price of any outstanding Preferred Units calculated and accrued daily and paid by the Trust monthly in arrears. Any fees payable on delegation of responsibilities of the Manager to the Investment Manager will be paid out of the Manager's fees entitlement and will not result in additional fees to the Trust. Any management fees charged by an underlying investment vehicle will reduce the amount of the Management Fee paid to the Manager of the Trust attributable to the portion of the portfolio allocated to the respective underlying investment vehicle. The management fee will be waived until the NAV per Unit of the applicable series is greater than \$10.00. The management fees on Series A Units, Series C Units and Series F Units for the period ended September 30, 2019 amounted to \$78,921, with \$16,837 in outstanding accrued fees on the Series A and C Units due to the Manager at September 30, 2019. The Series A NAV per unit increased above \$10.00 on September 20, 2019 at which time the Fund began charging management fees.

### Performance fee

Pursuant to the Investment Management Agreement, the Investment Manager is entitled to an annual performance fee equal to the product of: the weighted average number of Public Portfolio LP units outstanding on the calculation date for such year, and

- (a) 10% of (A) the amount by which the sum of:
  - i) the NAV of the Public Portfolio per Public Portfolio LP unit at the end of such fiscal year (calculated before taking into account the Public Portfolio performance fee payable for the fiscal year), plus,
  - ii) the total amount of distributions paid by the Public Portfolio LP to the Trust during such fiscal year, if any, divided by the weighted average number of Public Portfolio LP units outstanding during such fiscal year.exceeds (B) the greater of:
  - a. the High Water Mark (as defined below), and
  - b. the Hurdle Amount (as defined below).

The high water mark for any fiscal year means the greater of: (a) \$10 and (b) the highest NAV per applicable unit determined as at the last business day of any previous fiscal year, less the total amount of distributions paid on the applicable series during all consecutive immediately preceding fiscal years, if any, in respect of which no Public Portfolio performance fee was paid divided by the weighted average number of units of such series outstanding during such fiscal years (the "High Water Mark"). The hurdle

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

amount for any fiscal year of the Trust means an amount equal to the product of: (a) the NAV per applicable unit on the last business day of the preceding fiscal year, and (b) 112% (the "Hurdle Amount"). No performance fee was accrued as at September 30, 2019.

#### ***OPERATING EXPENSES***

The Trust reimburses the Manager for all reasonable and necessary actual out-of-pocket costs and expenses incurred by the Manager in connection with the performance of the services described in the Management Agreement, as well as certain specified expenses ancillary to the operations of the Manager, including travel on behalf of the Trust.

The Public Portfolio LP reimburses the Investment Manager for all reasonable and necessary actual out-of-pocket costs and expenses incurred by the Investment Manager in connection with the performance of the services described in the Investment Management Agreement, as well as certain specified expenses ancillary to the operations of the Investment Manager.

Each series of Units is responsible for the expenses specifically related to that series and a proportionate share of expenses that are common to all series.

As at September 30, 2019, \$19,026 in management fees payable was included in accounts payable and accrued liabilities to the Manager. In addition, the Investment Manager has paid \$159,202 of the Trust's operating expenses included in accounts payable and accrued liabilities which is recoverable from the Trust.

#### ***RISKS AND UNCERTAINTIES***

There are certain risks inherent in an investment in the securities of the Trust and in the activities of the Trust. Risks and uncertainties are disclosed below, and in the Trust's annual Management Discussion and Analysis of Operations and Financial Condition dated March 28, 2019 and for the period from December 13, 2018 (date of formation) to December 31, 2018 and in the Annual Information Form ("AIF"). The annual MD&A and AIF are available on SEDAR at [www.sedar.com](http://www.sedar.com). Current and prospective Unitholders of the Trust should carefully consider such risk factors.

Management is not aware of any significant changes in risks and uncertainties since September 30, 2019.

#### ***NO ASSURANCES ON ACHIEVING INVESTMENT OBJECTIVES***

There is no assurance that the Trust will be able to return to Unitholders an amount equal to or in excess of the purchase price of the Units. There is no guarantee that an investment in the Trust will earn any positive return in the short or long term nor is there any guarantee that the investment objectives will be achieved. An investment in the Trust involves a degree of risk and is appropriate only for investors who have the capacity to absorb investment losses.

#### ***RECENT AND FUTURE GLOBAL FINANCIAL DEVELOPMENTS***

Global financial markets have experienced increased volatility in the last several years. This has been, in part, the result of the revaluation of assets on the balance sheets of international financial institutions and related securities. This has contributed to a reduction in liquidity among financial institutions and has reduced the availability of credit to those institutions and to the issuers who borrow from them. While central banks as well as global governments have worked to restore much needed liquidity to the global economies, no assurance can be given that the combined impact of the significant revaluations and constraints on the availability of credit will not continue to materially and adversely affect economies around the world. No assurance can be given



**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

that efforts to respond to the crisis will continue or that, if continued, they will be successful, or these economies will not be adversely affected by the inflationary pressures resulting from such efforts or central banks' efforts to slow inflation. Further, continued market concerns about the developments in the Middle East, the Ukraine and North Korea, matters related to the United Kingdom's withdrawal from the European Union, and matters related to the U.S. government debt limits and international trading relationships, may adversely impact global equity markets. Some of these economies have experienced significantly diminished growth and some are experiencing or have experienced a recession. These market conditions and further volatility or illiquidity in capital markets may also adversely affect the prospects of the Trust and the value of the investment portfolio.

***RISKS RELATING TO THE PORTFOLIO ISSUERS***

As the Trust invests globally in businesses in the residential and commercial real estate sectors and the global infrastructure sector, the Trust is subject to certain risk factors to which the investment portfolio issuers are subject and which could affect the business, prospects, financial position, financial condition or operating results of the Trust as a result of its investment in such issuers.

The value of the assets of the Trust will vary as the value of the securities in the investment portfolio changes. The Trust has no control over the factors that affect the value of the securities in the investment portfolio. Factors unique to each company included in the investment portfolio, such as changes in its management, strategic direction, achievement of goals, mergers, acquisitions and divestitures, changes in distribution policies, changes in law and regulation and other events, may affect the value of the securities in the investment portfolio. A substantial drop in equities markets could have a negative effect on the Trust and could lead to a significant decline in the value of the investment portfolio and the value of the Units.

The value of the securities acquired by the Trust will be affected by business factors and risks that are beyond the control of the Manager or the Investment Manager, including:

- (a) operational risks related to specific business activities of the respective issuers;
- (b) quality of underlying assets;
- (c) financial performance of the respective issuers and their competitors;
- (d) sector risk;
- (e) fluctuations in exchange rates;
- (f) fluctuations in interest rates; and
- (g) changes in government regulations.

***RISKS RELATING TO THE VALUATION OF THE PORTFOLIO***

Fluctuations in the respective market values of the securities in the investment portfolio may occur for a number of reasons beyond the control of the Trust and may be both volatile and rapid with potentially large variations over a short period of time. Independent pricing information regarding certain of the Trust's securities and other investments may not be readily available at all times. Valuation determinations will be made in good faith by the Trust. The Trust may have some of its assets in investments which by their very nature may be extremely difficult to value accurately.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

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***VALUATION METHODOLOGIES INVOLVE SUBJECTIVE JUDGMENTS***

For purposes of IFRS-compliant financial reporting, the Trust's assets and liabilities will be valued in accordance with IFRS. Accordingly, the Trust is required to follow a specific framework for measuring the fair value of its assets and liabilities and, in its unaudited financial statements, to provide certain disclosures regarding the use of fair value measurements.

The fair value measurement accounting guidance establishes a hierarchal disclosure framework that ranks the observability of market inputs used in measuring financing instruments at fair value. The observability of inputs depends on a number of factors, including the type of financial instrument, the characteristics specific to the financial instrument and the state of the marketplace, including the existence and transparency of transactions between market participants. Financial instruments with readily quoted prices, or for which fair value can be measured from quoted prices in active markets, generally will have a high degree of market price observability and less judgment applied in determining fair value.

A portion of the Trust's portfolio investments will be in the form of securities that are not publicly traded. The fair value of securities and other investments that are not publicly traded may not be readily determinable. The Trust will value these securities at fair value as determined in good faith by the Trust and in accordance with the valuation policies and procedures described under "Calculation of Net Asset Value" in the DOT. However, the Trust may be required to value its securities at fair value as determined in good faith by the Manager to the extent necessary to reflect significant events affecting the value of its securities. The Trust may utilize the services of an independent valuation firm to aid it in determining the fair value of these securities. The types of factors that may be considered in fair value pricing of the Trust's investments include the nature and realizable value of any collateral, the portfolio business' ability to make payments and its earnings, the markets in which the portfolio investment does business, comparison to publicly traded companies, discounted cash flow and other relevant factors. Because such valuations, and particularly valuations of private securities and private companies, are inherently uncertain, such valuations may fluctuate over short periods of time and may be based on estimates, and the Trust's determinations of fair value may differ materially from the values that would have been used if a ready market for these securities existed. The value of the Trust's assets could be materially adversely affected if the Trust's determinations regarding the fair value of its investments were materially higher than the values that it ultimately realizes upon the disposition of such securities.

The value of the Trust's investment portfolio may also be affected by changes in accounting standards, policies or practices. From time to time, the Trust will be required to adopt new or revised accounting standards or guidance. It is possible that future accounting standards that the Trust is required to adopt could change the valuation of the Trust's assets and liabilities.

Due to a wide variety of market factors and the nature of certain securities to be held by the Trust, there is no guarantee that the value determined by the Trust or any third-party valuation agents will represent the value that will be realized by the Trust on the eventual disposition of the investment or that would, in fact, be realized upon an immediate disposition of the investment. Moreover, the valuations to be performed by the Trust or any third-party valuation agents are inherently different from the valuation of the Trust's securities that would be performed if the Trust were forced to liquidate all or a significant portion of its securities, which liquidation valuation could be materially lower.

***ILLIQUID SECURITIES AND PRIVATE SECURITIES***

There is no assurance that an adequate market will exist for the securities held in the Portfolio, including the Private Portfolio. The Trust cannot predict whether the securities held by it will trade at a discount to, a premium to, or at their fair value, if applicable. If

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

the market for a specific security is particularly illiquid, the Trust may be unable to dispose of such securities or may be unable to dispose of such securities at an acceptable price. Up to 40% of the Trust's total assets (at the time of investment) may be invested in the Private Portfolio. Over time, if the value of the Private Portfolio increases at a greater rate than the Public Portfolio, the Private Portfolio may comprise more than 40% of the Trust's total assets.

The Private Portfolio or illiquid securities may be held in companies that are small in size and are therefore subject to greater risk based on economic and regulatory changes. There is generally little or no publicly available information about such businesses, and the Trust must rely on the diligence of the manager of the investment vehicle, investment managers, or its employees and consultants to obtain the information necessary for the decision to invest in them. There can be no assurance that such diligence efforts will uncover all material information about these privately held businesses. Investments in private companies may be riskier, more volatile and more vulnerable to economic, market and industry changes than investments in larger, more established publicly listed companies. The valuation of securities of private companies is not based upon a liquid market, and valuations of these securities may be substantially higher or lower than the valuation of the securities when and if they are subsequently sold. Therefore, the value of the Private Portfolio, and the Trust as a whole, may change substantially when investments in such private issuers are subsequently sold.

There can be no assurance that the Trust will be able to realize a return of capital on the sale of investments in issuers in the Private Portfolio.

#### ***FOREIGN MARKET EXPOSURE***

The Trust's investments may, at any time, include securities of issuers established in jurisdictions outside Canada and the United States. Although most of such issuers will be subject to uniform accounting, auditing and financial reporting standards comparable to those applicable to Canadian and U.S. companies, some issuers may not be subject to such standards and, as a result, there may be less publicly available information about such issuers than a Canadian or U.S. company. Investments in foreign markets carry the potential exposure to the risk of political upheaval, acts of terrorism and war, all of which could have an adverse impact on the value of such securities.

#### ***CURRENCY EXPOSURE RISK***

As a portion of the investment portfolio may be invested directly or indirectly in securities in currencies other than the Canadian dollar ("foreign currencies"), the NAV of the Trust will, to the extent this has not been hedged against, be affected by changes in the value of the foreign currencies relative to the Canadian dollar. Accordingly, no assurance can be given that the Trust will not be adversely impacted by changes in foreign exchange rates or other factors.

#### ***CURRENCY HEDGING RISK***

The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity and, to the extent the Investment Manager's assessment of certain market movements is incorrect, the risk that the use of hedges could result in losses greater than if the hedging had not been used. Hedging arrangements may have the effect of limiting or reducing the total returns to the Trust if the Investment Manager's expectations concerning future events or market conditions prove to be incorrect. In addition, the costs associated with a hedging program may outweigh the benefits of the arrangements in such circumstances.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

***DEGREE OF LEVERAGE***

The Trust's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the Trust's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general fund purposes, making the Trust more vulnerable to a downturn in business or the economy in general. The Trust may obtain leverage of up to 15% of the NAV of the Public Portfolio LP by way of a margin facility. In addition, the Private Portfolio will obtain leverage of up to 75% of the fair market value of any direct real estate held in the Private Portfolio either directly or indirectly through an investment vehicle. In addition, the Private Portfolio will obtain leverage of up to 90% of the fair market value of any direct infrastructure held in the Private Portfolio either directly or indirectly through an investment vehicle. The Trust and the Public Portfolio LP do not currently have any leverage.

***SIGNIFICANT OWNERSHIP BY STARLIGHT CAPITAL***

As of the date hereof, Daniel Drimmer and his affiliates hold an approximate 15.25% interest in the Trust through ownership of Series C Units. Starlight Capital has the ability to exercise influence with respect to the affairs of the Trust and significantly affect the outcome of Unitholder votes, including transactions in which an investor might otherwise receive a premium for its Units over the then current market price.

***FLUCTUATIONS IN NAV AND NAV FOR EACH SERIES OF UNIT***

The NAV and series NAV for each series of Unit of the Trust will vary according to, among other things, the value of the investments held by the Trust. The Manager, the Investment Manager and the Trust have no control over the factors that affect the value of the investments held by the Trust, including factors that affect the equity and debt markets generally, such as general economic and political conditions, fluctuations in interest rates and factors unique to each issuer included in the investment portfolio, such as changes in management, changes in strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution and dividend policies and other events.

***RISKS RELATED TO THE UNITS***

***RETURN ON INVESTMENT IS NOT GUARANTEED***

There can be no assurance regarding the amount of income to be generated by the Trust's investments. The Units are equity securities of the Trust and are not fixed income securities. Unlike fixed-income securities, there is no obligation of the Trust to distribute to Unitholders a fixed amount or to return the initial purchase price of a Unit on a date in the future. The market value of the Series A Units will deteriorate if the Trust is unable to generate sufficient positive returns, and that deterioration may be significant.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the Trust's securities may decline even if the Trust's financial performance, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary. There can be no assurance that continuing fluctuations in price and volume will not occur.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

### **DILUTION OF UNITS**

The number of Units the Trust is authorized to issue is unlimited. The Trust may, in its sole discretion, issue additional Units from time to time subject to the rules of any applicable stock exchange on which the Units are then listed. The issuance of any additional Units may have a dilutive effect on the interests of Unitholders.

### **USE OF ESTIMATES**

The preparation of the Trust's financial statements in conformity with IFRS requires management to make estimates and assumptions which affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties management believes will materially affect the methodology or assumptions utilized in making those estimates in its unaudited condensed consolidated interim financial statements.

As at September 30, 2019, no material estimates were used in determining the recorded amount for assets and liabilities in the annual audited financial statements.

### **DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING**

The Trust maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements for external purposes in accordance with IFRS.

All control systems have inherent limitations, including well-designed and operated systems. No control system can provide complete assurance the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility management's assumptions and judgments may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors. As a growing enterprise, management anticipates that the Trust will be continually evolving and enhancing its systems of controls and procedures.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

The Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of the Trust's disclosure controls and procedures (as defined in National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* and concluded that the design and operation of the Trust's disclosure controls and procedures; and internal controls over financial reporting were effective and continue to be appropriate for the three and nine months ended September 30, 2019.

## **SUBSEQUENT EVENTS**

### ***PRIVATE PLACEMENT***

On November 13, 2019, Starlight Capital announced that the Trust intends to complete a private placement offering, consisting of both a brokered private placement of Series B Units and Series F Units of the Trust and a non-brokered private placement of Series C Units of the Trust for gross proceeds of up to \$50,000,000.

The offer price ("Offer Price") of each Series B Unit and Series F Unit will be equal to \$11.22 and \$10.93, respectively. The Offer Price was calculated based on the NAV per Series C Unit on October 31, 2019, plus agents' fees and costs of the issuance. The Offer Price of each Series C Unit will be equal to the NAV per Series C Unit on November 29, 2019, plus costs of the issuance.

## **OUTLOOK— FORWARD-LOOKING INFORMATION**

### ***PORTFOLIO OUTLOOK***

The Public Portfolio LP held 38 positions and the Trust held 2 private positions as at September 30, 2019. We expect to continue deploying capital into these businesses on an opportunistic basis. Longer-term the portfolio should reach a targeted strategic allocation of 30% each to Europe, the U.S. and Canada supplemented by opportunistic investments in Asia, Latin America and Australia.

We remain optimistic with respect to the industrial real estate sector and believe stock selection will be key to generating strong returns. We believe industrial REITs offer an attractive risk/return profile driven by favourable supply-demand imbalances and the rise of e-commerce. We look for companies that generate strong cash flow, have a defensive balance sheet and provide exposure to markets with high barriers to entry.

We also remain optimistic with respect to the Industrial sector, despite the underperformance this year. We like the diversity of business sectors and models within the industrial sector which allows us to achieve high active share. We believe the growth pipeline for several of these companies is not currently reflected in valuations.

Conversely, we are cautious around the lodging real estate sector and the energy sector. We are cautious on the lodging sector as it is under assault from firms like Airbnb that are disrupting the traditional hospitality sector. Globally, we continue to see the low rate of GDP growth negatively impacting occupancy levels and average daily rates. We are cautious around the energy sector, particularly in Europe, as very weak manufacturing and inflation levels has put downward pressure on commodity prices. Our global energy strategy is to invest in North American midstream businesses with minimal commodity price exposure and strong, internally-funded growth.

Overall, we believe the Trust is well positioned to participate in continued up-markets while providing downside protection. We will closely monitor the investment environment and actively manage the Public Portfolio LP's positioning by carefully selecting individual businesses in-line with Starlight Capital's investment philosophy.

**Starlight Hybrid Global Real Assets Trust**  
Management's Discussion and Analysis of Operations and Financial Condition  
For the three and nine months ended September 30, 2019

---

**MACROECONOMIC UPDATE**

Much of 2019 has seen a rotating series of issues that have stoked investors' concerns that the global economy is headed towards a recession. Q4 2018 saw global equity markets sell off as investors grew concerned that the Federal Reserve Bank would raise rates four times in 2019 and tip the US economy into recession. This was followed by concerns that Brexit and the US/China trade war would combine to push the three largest economic zones into recession. Then during the summer, yield curve inversions stoked investors fears that a global recession was imminent. Finally, economic data, including recent PMI readings, have made investors fear that future economic output was due to contract as manufacturing activity continued to decline.

In response to this market volatility and economic uncertainty, investors have gravitated to firms with better growth potential, fundamental and operating momentum and/or low volatility/defensive characteristics. Capital has been allocated to global real estate and infrastructure securities, causing their trading multiples to rise and boosting returns from both sectors. The Trust has benefited from these increased allocations to both sectors and Q3 in particular saw the Trust generate strong returns from its listed securities portfolio.

In response to these macroeconomic risks, central banks have leaned heavily into monetary accommodation. As a result, global yield curves have flattened significantly and the amount of sovereign debt trading at negative yields has increased sharply. While we do not expect global growth to accelerate anytime soon, we do think the global economy is stabilizing at a level of growth that is below the prior long term trend rate (3.8% since 1950) but in line with the more recent average since 2008. We expect that synchronized global easing by central banks will eventually cause leading economic indicators to turn up, followed by rising Purchasing Managers Indices (PMIs), global economic output and finally equities.

The S&P 500 generated total returns of 2.9%<sup>2</sup> during Q3 with weakness in August surrounded by strength in July and September. Global equities similarly generated total returns of 1.8%<sup>2</sup> in Q3 with a similar return pattern. Global infrastructure and global real estate equities delivered 1.7%<sup>2</sup> and 6.1%<sup>2</sup> total returns respectively during Q3. Consensus estimates for 2019 S&P 500 EPS growth are now 2.1%, which is down from 2.6% in Q2. Q3 2019 is anticipated to be the trough quarter at -2.2%. Building off the poor finish to last year, Q4 EPS growth should rebound to 4.1%. 2020 consensus EPS growth currently sits at 10.1% but with anticipated downward revisions, 2020 is likely to see 5.0% EPS growth. The 2020E price-to-earnings (P/E) multiple for the S&P 500 has risen to 17.1x and the current dividend yield is 2.0%. High single digit total returns from this point would seem to be in order, but with a continued uptick in market volatility.

Dated: November 14, 2019

Toronto, Ontario, Canada

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<sup>2</sup> From June 28, 2019 to September 30, 2019. Source: Bloomberg LP. Global equities represented by MSCI World Index. Global real estate is represented by FTSE EPRA NAREIT DEVELOPED Total Return Index (CAD).