Starlight Global Real Estate Fund
Q1-2024 Commentary

Fund	Q1 2024	1 Year	3 Year	5 Year	Incept*
Starlight Global Real Estate Fund, Series F	1.3%	-1.2%	0.7%	1.0%	2.2%

*Inception date October 2018.
Source: Starlight Capital, as of March 31, 2024.

Performance Summary

- Over the first quarter of 2024, Starlight Global Real Estate Fund, Series F (the Fund) returned 1.3%.
- The Fund generated a total return of 0.92% in March 2024, taking the first quarter total return to +1.27%. This compares to Canadian REITs at -0.73%, US REITs at +2.18% (-0.32% in USD) and global REITs at +1.36% (-1.11% in USD).
- Industrial (Canada and US) and Multi-Residential (Canada) REITs were the top contributors to fund performance. These two sectors have the strongest fundamentals (high occupancy, strong rent and NOI growth, rising distributions) and represented two of the largest allocations in the portfolio.

Contributors and Detractors

Q1 2024 Top Five Contributors		
Stock	**Contribution to Return**	**Average Weighting**
BPOCN 4.536 PERP	+ 1.0%	2.5%
BOARDWALK REAL ESTATE INVEST	+ 0.4%	3.7%
EQUINIX INC	+ 0.3%	3.1%
KILLAM APARTMENT REAL ESTATE	+ 0.2%	4.7%
INVITATION HOMES INC	+ 0.2%	2.5%

Q1 2024 Bottom Five Contributors		
Stock	**Contribution to Return**	**Average Weighting**
MINTO APARTMENT REAL ESTATE	- 0.2%	1.3%
AMERICAN TOWER CORP	- 0.2%	4.2%
SBA COMMUNICATIONS CORP	- 0.2%	3.2%
CROWN CASTLE INC	- 0.2%	3.8%
DREAM INDUSTRIAL REAL ESTATE	- 0.2%	4.7%

Source: Starlight Capital & Bloomberg Finance L.P. As of March 31, 2024.

Boardwalk REIT and Killam REIT are both multi-family REITs that reported strong operating results in February. Both REITs provided upbeat guidance for 2024 operations and stand to benefit from the low level of affordability in the Canadian home ownership market.

American Tower, Crown Castle and SBA Communications are all cell tower REITs, which tend to trade at higher multiples compared to the REIT Index. The continued strong performance of the US economy and stickiness of inflation has pushed out forecasted Federal Funds Rate cuts and negatively impacted high multiple stocks.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Retail REITs	13.8%	+ 6.5%
Specialized REITs	22.1%	+ 4.7%
Health Care REITs	4.0%	+ 4.0%
Multi-Family Residential REITs	1.5%	- 5.7%
Industrial REITs	13.9%	- 8.3%

Source: Starlight Capital & Bloomberg Finance L.P. As of March 31, 2024.

The portfolio remains invested in North American names however, the Canadian allocation increased by 4.4%, to 56.0% of the Fund. The Canadian weight will continue to rise in anticipation of Bank of Canada rate cuts which should be bullish for Canadian REITs.

From a sector standpoint, Industrial and Multi-Family REITs were trimmed by 8.3% and 5.7%, respectively, with the exit from two US Residential REITs (Mid-America Apartment Communities Inc. and UDR, Inc.) and one US Industrial REIT (Terreno Realty Corporation). Several other Industrial and Multi-Family positions were also trimmed.

The proceeds of these sales, along with cash, were used to initiate positions in Canadian Retail (Choice Properties REIT) and Multi-Family (Minto Apartment REIT) positions. Specialized REITs (Equinix Inc., American Tower) were also added to.

Fund Outlook

US inflation in February remained above the 2.0% long term target at 3.2% and up from 3.1% in January. In contrast, Canadian inflation in February continued to decline to 2.8% from 2.9% in January. The Canadian economy is more rate-sensitive than the US economy and the recent rate hike cycle has resulted in Canadian GDP growth slowing to 1.0% in Q3 2023, compared to 3.2% for the US economy in Q3 2023. These trends should result in the Bank of Canada initiating interest rate cuts sooner than the US and potentially cutting rates by more. The rate cuts are bullish for both Canadian and US REITs and the Fund should also benefit from the resulting weakness in the Canadian dollar.

The Fund has experienced 6 dividend and distribution increases in 2024 with an average increase of 8.17% (26 and 10.5% in 2023). The Fund, Series F, has a current annual distribution yield of 7.1% which is paid to investors on a monthly basis. In 2023 approx. 80.31% of distributions were treated as return of capital for tax purposes.

Recent weakness in the North American REIT market is generally a result of the strength in the US economy (job and wage growth, GDP growth) and the persistence of inflation (above estimates for three straight months, remains above 3.0%). In January the market was pricing in as many as six rate cuts in 2024. The market is now only pricing in two rate cuts and some analysts have begun to question whether the Federal Reserve Bank will cut rates at all in 2024. We believe both the Federal Reserve and the Bank of Canada are on pace to cut rates this year and current REIT valuations are compelling in this environment. REITs are generally trading at a discount to Net Asset Value and at lower earnings multiples than the general market. When central banks begin cutting rates, interest rates sensitive names should begin to outperform.

Source: Starlight Capital

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