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Senior Portfolio Manager

Fund	YTD 2025	Q3 2025	1 Year	3 Year	5 Year	10 Year
Starlight Dividend Growth Class, Series F	6.1%	4.8%	10.4%	14.3%	11.8%	9.9%

Source: Starlight Capital, as of September 30, 2025.

Performance Summary

- Over the third quarter of 2025, Starlight Dividend Growth Class, Series F (the Fund) returned 4.8%. Year to date, the Fund returned 6.1%.
- U.S. and Canadian equities advanced in the third quarter of 2025, supported by moderating inflation and early signs of monetary easing. The S&P 500 gained 8.1% in U.S. dollars and the S&P/TSX Composite rose 12.5% in Canadian dollars, led by cyclicals and gold miners. Tariff-related uncertainty eased, global growth expectations improved, and central banks cut rates modestly as inflation and labor markets softened.
- Financials, Energy and Information Technology were the top sector contributors to Fund performance in the quarter, which was slightly offset by a decline in Consumer Staples.
- The Fund maintains a balanced approach, emphasizing high-quality North American businesses with strong free cash flow, disciplined capital allocation, and sustainable dividend growth. Core exposures remain in Financials, Industrials, and Energy, sectors supported by resilient fundamentals and secular growth drivers, while selective technology holdings continue to benefit from accelerating AI adoption and innovation-led demand.

Market Overview

U.S. and Canadian equities advanced in the third quarter of 2025. The S&P 500 returned about 8.1% in U.S. dollars. The S&P TSX Composite returned about 12.5% in Canadian dollars, led by cyclicals and gold miners.

Tariff-related uncertainty has eased, and the temporary trade distortions from companies front-loading inventory ahead of expected price increases are now fading. The Organisation for Economic Co-operation and Development (OECD) raised its September global growth forecast from 2.9% to 3.2%. U.S. GDP moved from a 0.6% decline in Q1 to a 3.8% gain in Q2 as trade normalized, while Canada shifted from 2.0% growth in Q1 to a 1.6% contraction in Q2. The Federal Reserve and the Bank of Canada each cut rates by 0.25% as labor markets softened, and inflation trends allowed modest easing.

Equities rallied broadly, with year-to-date gains across major markets. In the U.S., market strength widened beyond mega caps, and the Russell 2000 reached a new high by late September. In Canada, materials drove a large share of returns as gold rose sharply, and financials benefited from a more normal yield curve and steady credit quality.

Earnings trends improved through the quarter, artificial intelligence spending remained a support, and valuations expanded as investors priced the prospect of further policy easing.

We remain balanced, leaning into high quality compounders with durable cash flows and pricing power, and holding selective cyclicals that benefit from firm nominal growth. We expect elevated dispersion and will emphasize companies with visible earnings drivers and healthy balance sheets.

Contributors and Detractors

Q3 2025 Top Five Contributors			Q3 2025 Top Five Detractors		
Stock	Average Weighting	Contribution to Return	Stock	Average Weighting	Contribution to Return
ROYAL BANK OF CANADA	6.0%	0.9%	INTACT FINANCIAL CORP	3.1%	-0.5%
TORONTO-DOMINION BANK	4.5%	0.5%	CANADIAN NATL RAILWAY CO	2.8%	-0.2%
BANK OF MONTREAL	2.4%	0.5%	METRO INC/CN	1.5%	-0.2%
NORTHROP GRUMMAN CORP	2.1%	0.5%	CARRIER GLOBAL CORP	1.1%	-0.2%
BROOKFIELD CORP	3.4%	0.4%	WASTE CONNECTIONS INC	4.2%	-0.2%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2025.

Royal Bank of Canada was a strong contributor during the quarter. The bank delivered earnings ahead of expectations, driven by solid results in wealth management and capital markets. Net interest income supported margins, and management emphasized stable credit quality despite a softer macro backdrop.

Toronto-Dominion Bank also added to performance following its third quarter results and investor day, which highlighted solid adjusted earnings and stable credit costs. Management commentary pointed to ongoing progress in U.S. cards and steady core banking performance.

Intact Financial Corp was the primary detractor during the quarter. Despite growing book value per share and solid Q2 earnings, Intact shares underperformed following a modestly lower premium growth outlook.

Canadian National Railway underperformed as estimates were trimmed, and commentary focused on softer freight volumes and a cautious near-term outlook.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Materials	5.4%	4.0%
Health Care	5.6%	1.6%
Energy	8.1%	-0.6%
Real Estate	0.0%	-0.5%
Information Technology	6.0%	-4.3%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2025. Excludes Cash and Cash Equivalents.

We re-initiated a position in **UnitedHealth Group**. After a series of challenges earlier in the year, the company received approval from the Department of Justice for its acquisition of Amedisys. We viewed this as a positive step for fundamentals, given the attractive economics of home health, and a catalyst for improving sentiment. Our conviction was further reinforced when Berkshire Hathaway disclosed a new stake in the insurer.

We added **Rollins** on resilient, recurring demand for pest control services and consistent execution. Recent updates highlighted steady growth through business cycles.

We added gold exposure through **Agnico Eagle Mines**, **Wheaton Precious Metals** and **Franco Nevada** to benefit from record-high bullion prices and strong free cash flow leverage at high-quality operators and streamers. Supportive pricing and visible project pipelines provide additional tailwinds for the sector.

During the quarter we fully exited our position in **Lam Research**, **Broadcom Inc.** and **Oracle Corp.** due to elevated valuation levels relative to the fundamentals. We also took the opportunity to trim our weight in Microsoft after a strong rally following consecutive quarters of beating expectations by a wide margin. Alongside Microsoft, we continue to hold high-quality technology companies such as Motorola Solutions and Salesforce.

We realized profits in Imperial Oil after strong year-to-date rally of approximately 20%. The company maintains strong fundamentals and is a candidate for re-entry in the future.

We exited **Boardwalk REIT** after a strong rally and tighter valuation relative to fundamentals, with recent updates suggesting a more measured near-term upside.

Fund Outlook

Our strategy remains steadfast in identifying high-quality businesses across North America while remaining sector-agnostic. Furthermore, we actively seek out opportunities aligned with secular growth themes such as digitization, deglobalization, and an aging population. We prioritize factors such as free cash flow generation, consistent capital allocation policies, the magnitude and duration of dividend growth, and valuation relative to historical averages and peer groups.

In 2025, we maintain a balanced approach to risk management, recognizing that it is neither the time to fully embrace risk nor to adopt a fully defensive posture. We monitor high-quality businesses across multiple economic sectors, seeking dislocations and mispriced investment opportunities that the market may overlook.

Along with this view, the Fund maintains a 30% exposure to financials, benefiting from a balanced position in Canadian banks and high-quality U.S. financials including Bank of America and Visa. Our second-largest exposure is in Industrials, where we favor Waste Connections, an all-weather investment. Stantec also benefits from substantial infrastructure spending in North America and Europe. Furthermore, we are positive about the freight sector, with exposure to CN Rail.

While closely monitoring commodity prices and industry dynamics, we remain cautiously optimistic on the energy sector due to strong fundamentals, robust cash flow generation potential, and rising dividends. Our third-largest sector weight provides exposure to high-quality diversified oil and gas players, such as Suncor, Canadian Natural Resources, Imperial Oil, and the top natural gas producer, Tourmaline.

Information Technology forms over 6% of the Fund with exposure to high-quality companies such as Microsoft, Motorola solutions, and Salesforce. These are either direct beneficiaries from huge AI investments or benefit from innovative use cases of artificial intelligence, including agentic AI.

Source: Starlight Capital

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