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Senior Portfolio Manager

Fund	YTD 2025	Q3 2025	1 Year	3 Year	5 Year	10 Year
Starlight North American Equity Fund, Series F	3.7%	2.3%	13.2%	17.8%	13.0%	10.4%

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

Performance Summary

- Over the third quarter of 2025, Starlight North American Equity Fund, Series F (the Fund) returned 2.3%. Year to date, the Fund returned 3.7%.
- 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.
- Communication Services, Information Technology and Consumer Discretionary were the sector top contributors to Fund performance in the quarter, which was slightly offset by a decline in Health Care and Consumer Staples.
- The Fund maintains a balanced approach, emphasizing high-quality North American businesses with durable earnings growth, strong free cash flow, and attractive valuations. Core exposures in Information Technology and Health Care—representing approximately 40% of the portfolio—are positioned to benefit from long-term secular themes including digitization, deglobalization, an aging population, cybersecurity, and artificial intelligence.

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 Q2 trade front loading distortions are 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 labour 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 costs.

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 Bottom Five Detractors		
Stock	Average Weighting	Contribution to Return	Stock	Average Weighting	Contribution to Return
ALPHABET INC-CL C	3.7%	1.3%	FORTINET INC	2.8%	-0.6%
TJX COMPANIES INC	2.8%	0.5%	DEXCOM INC	1.8%	-0.4%
BROADCOM INC	2.2%	0.4%	INTUITIVE SURGICAL INC	2.3%	-0.4%
NVIDIA CORP	2.2%	0.4%	ACCENTURE PLC-CL A	1.6%	-0.3%
SHOPIFY INC - CLASS A	1.5%	0.4%	BOSTON SCIENTIFIC CORP	3.2%	-0.2%

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

Alphabet was among the top contributors in Q3. The company posted strong Q2 results with 14% year-over-year revenue growth, supported by continued strength in Search, YouTube and Cloud. Management also highlighted momentum in AI-driven advertising and new partnerships that should help sustain growth.

TJX Companies also contributed positively. The retailer reported better-than-expected quarterly results, with comparable store sales and margins both improving. Strong consumer demand and disciplined cost management were key drivers, and guidance pointing to continued momentum in the second half of the year was well received by investors.

On the detractor side, **Fortinet** weighed on performance. Shares pulled back sharply after the company reported weaker-than-expected billings growth and issued cautious guidance, raising concerns about demand trends in the cybersecurity space.

Dexcom underperformed on renewed debate around growth visibility and quality headlines, including previous year's regulatory scrutiny and cautious commentary around guidance relative to peers. The stock also faced short-seller attention during September.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Communication Services	6.8%	1.9%
Information Technology	24.9%	1.0%
Real Estate	0.0%	-0.5%
Industrials	12.7%	-1.9%
Energy	0.7%	-2.5%

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

During the quarter, we initiated a position in **Netflix**. The company continues to benefit from subscriber growth and improved monetization through its advertising tier and password-sharing crackdown. Positive guidance around its content pipeline and margin profile further supported the investment case.

We exited multiple positions during the quarter, including:

- **DRI Healthcare and Badger Infrastructure** following recent share price appreciation that drove valuations to extended levels.
- **Dream Industrial REIT** on valuation concerns amid persistent weakness in Canadian industrial real estate.
- **Jack Henry** as slowing growth in its core banking software business and rising U.S. bank mergers reduced upside potential.
- **Exxon Mobil** and **EOG Resources** amid heightened oil price volatility and a less favourable near-term energy outlook.

Fund Outlook

Our strategy is to consistently target high-quality businesses across all sectors. We also focus on secular growth trends like digitization, deglobalization, an aging population, cybersecurity, and artificial intelligence.

We place a strong emphasis on profitability, market attractiveness, potential for revenue and earnings growth, and valuation compared to historical averages and peer groups.

Despite our sector-agnostic view, we find the most attractive growth opportunities in Health Care and Information Technology, aligned with broad secular growth themes such as digitization, deglobalization, an aging population, cybersecurity, and artificial intelligence. With approximately 25% exposure to Information Technology and 15% to Health Care at the end of the quarter, and through our bottom-up approach to stock selection, we are positive on the growth opportunities ahead for the Fund.

In addition to our top sector exposures, the top two largest positions in the Fund are Alphabet and Amazon due to their strong fundamentals and growth potential in cloud services and advertising.

Regardless of the macroeconomic or political backdrop, our guiding principle is to pursue high quality growth at a reasonable price.

Source: Starlight Capital

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For more information, please visit [StarlightCapital.com](https://starlightcapital.com)

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