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Senior Portfolio Manager

Fund	Q1 2026	1 Year	3 Year	5 Year	10 Year
Starlight Dividend Growth Class, Series F	1.6%	9.7%	12.7%	9.9%	10.0%

Source: Starlight Capital, as of March 31, 2026.

## Performance Summary

- Over the first quarter of 2026, Starlight Dividend Growth Class, Series F (the Fund) returned 1.6%.
- Energy and Materials were the top contributors to performance, which was partially offset by a decline in Financials and Information Technology.
- The first quarter of 2026 ended far differently than it began. Markets entered the year focused on resilient growth, solid earnings and the prospect of easier monetary policy, but sentiment shifted sharply as conflict involving Iran and risks around the Strait of Hormuz closure. The quarter reflected a leadership rotation rather than a collapse in fundamentals. The broader lesson is that macro shocks rarely affect all assets equally, reinforcing the importance of diversification and balance when market leadership changes quickly.
- The current environment continues to favour disciplined stock selection over broad index exposure. We remain focused on businesses with durable competitive advantages, strong free cash flow, pricing power, and resilient balance sheets. Periods of macro volatility often create attractive entry points into high quality franchises while exposing companies that were supported by lower rates or elevated valuations than by underlying fundamentals.

## Market Overview

The first quarter of 2026 ended far differently than it began. Markets entered the year focused on resilient growth, solid earnings and the prospect of easier monetary policy, but sentiment shifted sharply as conflict involving Iran and risks around the Strait of Hormuz closure pushed energy markets to the forefront. West Texas Intermediate crude rose above US\$100 per barrel, while Brent briefly approached US\$120. The main concern was not just higher fuel prices, but the risk that an energy shock could slow growth and revive inflation as global activity stabilized. Central banks responded cautiously. The Bank of Canada held rates at 2.25%, while the U.S. Federal Reserve maintained its target range at 3.50% to 3.75% as policymakers assessed whether the shock would be temporary or lasting.

The market impact was uneven across regions and sectors. Canada proved more resilient, with the S&P/TSX Composite advancing by 4% as its heavier weighting in energy, materials and dividend paying sectors provided support. Canadian energy stocks surged alongside crude prices, while utilities and materials also posted strong gains. In contrast, U.S. equities faced a valuation reset. The S&P 500 declined 4.4% as investors reduced exposure to long duration and rate sensitive sectors. Information technology, communication services, consumer discretionary and financials weakened, while the Magnificent Seven fell as elevated valuations came under pressure. The quarter reflected a leadership rotation rather than a collapse in fundamentals.

The broader lesson from the quarter is that macro shocks rarely affect all assets equally. Commodity producers, value sectors and real asset markets outperformed, while oil importing regions and higher multiple growth equities faced greater pressure. Gold also underwhelmed as a stronger U.S. dollar and firmer rate expectations offset international demand. The quarter reinforced the importance of diversification and balance when market leadership changes quickly.

## Contributors and Detractors

Q1 2026 Top Five Contributors		
Stock	Average Weighting	Contribution to return
CANADIAN NATURAL RESOURCES	3.0%	1.2%
SUNCOR ENERGY INC	2.0%	0.8%
ENBRIDGE INC	3.2%	0.5%
NORTHROP GRUMMAN CORP	2.5%	0.5%
IMPERIAL OIL LTD	1.1%	0.5%

Q1 2026 Top Five Detractors		
Stock	Average Weighting	Contribution to return
MICROSOFT CORP	2.7%	-0.7%
VISA INC-CLASS A SHARES	3.7%	-0.5%
INTACT FINANCIAL CORP	2.9%	-0.4%
BROOKFIELD CORP	2.8%	-0.3%
THERMO FISHER SCIENTIFIC INC	1.8%	-0.3%

Source: Starlight Capital & Bloomberg Finance L.P. As of March 31, 2026.

### Contributors

**Canadian Natural Resources** was a leading contributor as stronger crude oil prices and continued capital discipline supported sentiment. Investors responded positively to the company's low-cost asset base, robust free cash flow generation and ongoing shareholder returns through dividends and buybacks.

**Suncor Energy** benefited from an improving tone toward large cap integrated energy and a continued emphasis on capital discipline. The company's recently communicated 2026 framework reinforced priorities around operational reliability, high refinery utilization, and sustained shareholder returns, which helped support sentiment across the month.

### Detractors

**Microsoft:** Although operating results were solid and Azure growth guidance remained healthy, the market focused on the magnitude of AI related capital spending and the pace of near-term monetization. That shift in sentiment weighed on several large cap technology leaders during the quarter.

**Visa** detracted as payment volumes remained solid, but the shares were pressured by multiple compression as seen across other high quality compounders. Investors also weighed a slower consumer spending backdrop and more normalized cross border growth trends.

## Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Materials	7.8%	2.6%
Energy	11.3%	1.4%
Utilities	2.2%	-0.9%
Industrials	15.5%	-1.9%
Financials	30.6%	-3.5%

Source: Starlight Capital & Bloomberg Finance L.P. As of March 31, 2026. Excludes Cash and Cash Equivalents.

Energy and Materials were the strongest contributors during the quarter, supported by the sharp rise in commodity prices. Geopolitical tensions in the Middle East and supply concerns around the Strait of Hormuz pushed crude oil materially higher, benefiting Canadian energy producers, pipelines, and related businesses. The sector was further supported by strong free cash flow and shareholder return programs. Materials also advanced as investors rotated toward real assets and inflation beneficiaries, while stronger metal prices supported mining and diversified resource companies.

These gains were partly offset by weakness in Financials and Information Technology. Financials softened as markets considered slower growth, weaker loan demand and uncertainty around credit quality and housing activity, despite generally resilient earnings. Information Technology was the largest drag as higher inflation expectations and rising bond yields reduced

appetite for long duration growth stocks. Several higher valuation technology leaders experienced multiple compression even as underlying fundamentals remained solid.

### New Positions

**Chemed** was initiated for its defensive, cash generative business mix, combining a scaled hospice platform with a recession resilient plumbing business, supported by a strong balance sheet profile.

**Thomson Reuters:** The investment case is supported by the company's recurring revenue model, resilient end markets, and growing contribution from AI enabled product offerings. Management guided to 2026 revenue growth of 7.5% to 8.0% and highlighted increasing commercial traction from generative AI solutions.

**Moody's Corp.** The company benefits from a strong competitive moat in ratings and analytics, recurring revenue streams and attractive long-term growth tied to expanding debt markets and risk data demand.

### Exited positions

We exited **Carrier Global**. The company guided 2026 adjusted earnings below consensus and reported fourth quarter sales below expectations, with weakness in residential HVAC weighing on sentiment. The exit reflects a preference for businesses with stronger near-term earnings momentum and a more attractive valuation to fundamentals relationship

### Fund Outlook

The current environment continues to favour disciplined stock selection over broad index exposure. We remain focused on businesses with durable competitive advantages, strong free cash flow, pricing power, and resilient balance sheets. Periods of macro volatility often create attractive entry points into high quality franchises while exposing companies that were supported by lower rates or elevated valuations than by underlying fundamentals. Looking ahead, the portfolio is positioned with a bias toward high quality dividend growth stocks with visible cash flows and balance sheet flexibility. With valuations still demanding in parts of the market, we are focusing on businesses where durable earnings can drive returns, while staying selective in areas where significant future growth is already priced in.

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