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Senior Portfolio Manager

Fund	YTD 2025	Q4 2025	1 Year	3 Year	5 Year	10 Year
Starlight Dividend Growth Class, Series F	7.3%	1.1%	7.3%	13.2%	10.8%	9.9%

Source: Starlight Capital, as of December 31, 2025.

Performance Summary

- Over the fourth quarter of 2025, Starlight Dividend Growth Class, Series F (the Fund) returned 1.1%. In 2025, the Fund is up 7.3%.
- North American equities advanced in Q4 2025, with the S&P 500 up about 2.7% and the S&P TSX Composite up about 6.3%.
- Financials, Health Care and Consumer Discretionary were the top sector contributors to Fund performance in the quarter, which was partially offset by a decline in Industrials, Information Technology and Materials.
- Looking ahead, the portfolio is being positioned with a focus on high quality dividend growers with visible cash flows, pricing power, and balance sheet flexibility.

Market Overview

North American equities advanced in Q4 2025, with the S&P 500 up about 2.7% and the S&P TSX Composite up about 6.3%.

Markets were supported by a combination of easing monetary restraint and improving risk appetite into year end. In the United States, the Federal Reserve continued to ease policy in late 2025, underpinning generally resilient earnings commentary and sustaining investor focus on AI-related beneficiaries, despite periodic bouts of volatility tied to interest-rate and inflation expectations. The quarter ultimately finished positive, though market leadership remained selective and sentiment toward higher-multiple growth stocks stayed particularly sensitive to macroeconomic data and forward guidance.

In Canada, the Bank of Canada held its policy rate at 2.25% in December following earlier cuts in 2025, supporting rate-sensitive sectors and improving sentiment into year end. The TSX also benefited from strength in its largest index constituents, with financials and commodity-linked sectors remaining key performance drivers.

Earnings and positioning also played a meaningful role. Investor focus remained anchored on AI-linked demand, while stock-level dispersion stayed elevated, with companies demonstrating credible growth and durable cash generation rewarded, and higher-multiple names with softer forward expectations repriced.

Contributors and Detractors

Q4 2025 Top Five Contributors			Q4 2025 Top Five Detractors		
Stock	Average Weighting	Contribution to Return	Stock	Average Weighting	Contribution to return
ROYAL BANK OF CANADA	6.8%	1.0%	STANTEC INC	3.8%	-0.5%
TORONTO-DOMINION BANK	5.1%	0.8%	MOTOROLA SOLUTIONS INC	1.9%	-0.4%
THERMO FISHER SCIENTIFIC INC	1.8%	0.3%	MICROSOFT CORP	3.0%	-0.3%
NATIONAL BANK OF CANADA	1.3%	0.2%	NORTHROP GRUMMAN CORP	2.2%	-0.2%
MANULIFE FINANCIAL CORP	1.3%	0.2%	COSTCO WHOLESALE CORP	2.0%	-0.2%

Source: Starlight Capital & Bloomberg Finance L.P. As of December 31, 2025.

New positions were added in **Imperial Oil**, **Brown & Brown**, and **Marsh McLennan**, reflecting a continued emphasis on businesses with strong cash generation, pricing power, and durable end-market demand.

During the quarter, we initiated a new position in Imperial Oil Limited, reflecting confidence in the company's disciplined capital allocation, strong free cash flow generation, and shareholder-focused dividend policy, which align with the Fund's emphasis on sustainable dividend growth.

We added Marsh McLennan (MMC) to gain exposure to a high-quality, capital-light compounding with resilient fee revenue, strong free cash flow, and durable tailwinds across brokerage and risk/strategy consulting, supporting steady organic growth and shareholder returns. We also added Brown & Brown (BRO) to complement MMC with a best-in-class broker at a smaller market capitalization and a differentiated growth profile, offering a longer runway through organic growth and tuck-in M&A; together, the positions increase our brokerage exposure while diversifying by scale and business mix.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Financials	34.1%	4.3%
Energy	9.9%	1.7%
Health Care	4.8%	-0.9%
Information Technology	4.7%	-1.3%
Industrials	17.4%	-1.4%

Source: Starlight Capital & Bloomberg Finance L.P. As of December 31, 2025. Excludes Cash and Cash Equivalents.

Financials led returns, driven primarily by Canadian banks, where quarterly earnings and management commentary reinforced a resilient credit backdrop, stable capital positions, and improving confidence in loan growth and net interest income as the rate environment began to normalize. Health Care also contributed, supported by steady earnings delivery from defensive compounders and continued investor preference for visible cash flows. Consumer Discretionary added to performance as select large cap retailers and consumer services names benefited from solid demand indicators and a constructive tone on margins into year end.

These gains were partially offset by Industrials, where Stantec underperformed amid investor concerns about AI driven disruption in parts of the engineering and consulting workflow, government contract delays, and heightened sensitivity to valuation. Information Technology also detracted as the sector saw a late-quarter pullback, reflecting profit taking and greater sensitivity to rates after a strong year, particularly in higher multiple areas tied to secular AI enthusiasm.

Fund Outlook

Looking ahead, the portfolio is being positioned with a focus on high quality dividend growers with visible cash flows, pricing power, and balance sheet flexibility. With valuations in several pockets of the market still demanding, we are emphasizing businesses where earnings durability and capital return profiles can carry more of the total return, while remaining selective in areas where expectations embed a lot of future execution.

Source: Starlight Capital

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