Fund	YTD 2024	Q3 2024	1 Year	3 Year	5 Year	Incept*
Starlight Global Real Estate Fund, Series F*	14.6%	14.7%	21.1%	0.6%	2.6%	4.1%

*Inception date October 2018.
Source: Starlight Capital, as of September 30, 2024.

Performance Summary

- Over the third quarter of 2024, Starlight Global Real Estate Fund, Series F (the Fund) returned 14.7%.
- Multi-Family Residential REITs, Retail REITs, and Industrial REITs were the top contributors to total return, which was slighlty offset by laggards in Hotel & Resort REITs and Mortgage REITs.

Contributors and Detractors

Q3 2024 Top Five Contributors

Stock	Average Weighting	Contribution to Return
CAN APARTMENT PROP REAL ESTATE	4.2%	+1.0%
GRANITE REAL ESTATE INVESTMENT	4.4%	+1.0%
KILLAM APARTMENT REAL ESTATE	3.9%	+0.9%
SBA COMMUNICATION CORP	4.1%	+0.9%
BOARDWALK REAL ESTATE INVESTMENT	3.8%	+0.8%

Q3 2024 Bottom Five Contributors

Stock	Contribution to Return	Contribution to Return
HOST HOTELS & RESORTS INC	0.7%	-0.1%
GAMING AND LEISURE PROPERTIES	0.1%	0.0%
ANNALY CAPITAL MANAGEMENT INC	0.3%	0.0%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2024.

In Q3, Canadian Apartment REIT, Killam Apartment REIT, and Boardwalk REIT were top contributors to the Fund's performance. These names benefited from the Bank of Canada's 75 basis point rate cuts, which reduced borrowing costs and supported rental demand. Additionally, ongoing housing shortages in Canada, along with rental growth through mark-to-market adjustments, provided further tailwinds. Our focus on Canadian REITs over U.S. counterparts reflects the stronger fundamentals north of the border, where structural supply constraints and demographic trends create robust long-term demand. Granite REIT also ranked among the top contributors after a pullback in the industrial real estate space. Concerns about new supply had pressured valuations, but the sector now expects supply levels to stabilize soon. Granite's discounted valuation was unjustified given its strong fundamentals, allowing it to rebound as market conditions improved, reinforcing the REIT's value as a core holding in the Fund.

Host Hotels & Resorts was the largest detractor from the Fund this quarter, as operational and financial challenges weighed on performance. Recovery efforts following the Maui wildfires delayed the return to full occupancy, while labor strikes at key properties increased wage pressures and disrupted operations. Rising insurance costs and higher capital expenditures further impacted margins, leading to a downward revision of full-year guidance. Gaming and Leisure Properties was also a bottom contributor, though not due to company-specific issues. Capital was reallocated to other subsectors offering deeper discounts and more immediate upside, such as Canadian residential and industrial REITs. We remain constructive on the gaming and leisure space but are focused on areas with more compelling near-term opportunities.

Portfolio Update

Sector	Portfolio Weight %	Top %Q/Q Changes
Mortgage REITs	4.9%	4.9%
Health Care Facilities	3.1%	2.1%
Other Specialized REITs	0.0%	-1.5%
Private Investments	11.3%	-2.0%
Residential REITs	16.1%	-2.1%

Source: Starlight Capital & Bloomberg Finance L.P. As of September 30, 2024.

In Q3, we reduced our holdings in residential and specialized REITs to take some gains in light of the recent interest rate cuts. We redirected the proceeds to initiate positions in mortgage REITs, recognizing their appeal as the downward trend in interest rates enhances their potential for higher dividend yields and capital appreciation. Mortgage REITs stand to benefit significantly from a stabilizing interest rate environment, which improves their net interest margins. This strategic shift aligns with our outlook for 2024, where we expect the convergence of REIT valuations and improving economic conditions to create favorable investment opportunities.

Fund Outlook

As we look ahead, Starlight remains optimistic about both the short- and long-term prospects for the Canadian real estate market. The recent cuts in interest rates by the Bank of Canada signal a shift towards a more favorable borrowing environment, setting the stage for renewed economic growth. Canadian real estate is currently trading at attractive discounts to net asset value, bolstered by low leverage, low payout ratios, and increasing earnings potential. Key sectors, such as residential, industrial, and healthcare, continue to exhibit strong fundamentals characterized by high occupancy rates and robust rent growth, supported by ongoing housing shortages and resilient demand. Additionally, mortgage REITs are positioned for continued growth as lower interest rates enhance their potential for higher yields and capital appreciation. We remain committed to our disciplined investment approach and invite you to partner with us on this journey toward achieving our shared investment goals.

Source: Starlight Capital

Invest With Us

For more information on our investment solutions, learn more at starlightcapital.com or speak to our Sales Team.

For more information, please visit StarlightCapital.com

Important disclaimer.

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