Fund	YTD 2024	Q3 2024	1 Year	3 Year	5 Year	10 Year
Starlight Global Growth Fund, Series F	19.3%	4.3%	31.7%	4.4%	12.2%	12.9%

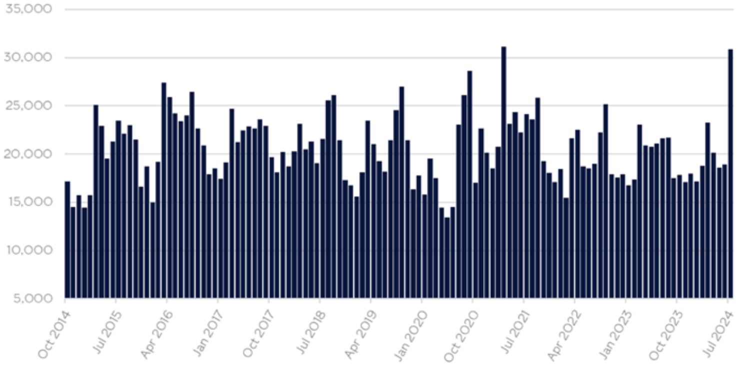
*Inception date August 2003. Source: Starlight Capital, as of September 30, 2024.

Performance Summary

In the third quarter, the Fund's Series F returned 4.3% and Year-to-date is up 19.3%.

The long-awaited pivot in global interest rate policy accompanied a destabilising summer — both politically and economically — triggering one of the heaviest rotations in stock market history. 'Growth' to 'value', big to small, and leaders to laggards. The chart below shows just how big that rotation has been: only once in the last decade have more stories mentioning 'rotation' appeared in the news than in July.

'ROTATION' APPEARED IN LOTS OF NEWS STORIES



Source: Bloomberg, Piper Sandler, Rathbones; number of stories mentioning rotation

In little over a week, we also had to contend with the attempted assassination of a would-be US president and the ousting of incumbent Joe Biden from the presidential race. Loud noise and the need to keep pace with benchmark indices are combining to create greater performance divergence and inconsistencies as certain stocks and sectors run very hot and then ice cold. The stocks detracting from our performance illustrate this trend. Most of our worst performers in the third quarter were our best performers earlier in the year. We don't believe much has changed in the investment cases for most of these — and many other — stocks, but the size of price moves is forcing many investors to make hasty changes.

Nevertheless, we certainly made a mistake by failing to anticipate glucose monitor maker **Dexcom**'s problems during the quarter. It issued a shocking profit warning after a 50% increase in its salesforce headcount was handled so badly that it drove a 25% drop in quarterly sales — a perverse outcome that should have done the opposite. It takes time for sales reps to get trained properly. But, without warning, many of Dexcom's key customers suddenly had new sales reps who didn't really know what they were doing at their doors. This poor execution allowed an inferior competitor to pounce and take market share. Management initially dismissed rumours of the problem, only to confirm it later on. We think this lapse has dented management credibility and it's not clear how long it will take to turn things around. We have exited the position.

Our other bottom contributors to performance generally suffered from the 'sell the winners' phenomenon as the market rotation took hold — a trend we've seen hundreds of times before at market inflection points. Following the crowd on these rotations is usually the wrong thing to do. That said, we remain alert to individual changes in circumstances that might be unmasked in the months ahead.

Q3 2024 Top Five Contributors		
Stock	Average Weighting	Contribution to Return
SHERWIN-WILLIAMS CO/THE	1.7%	+0.4%
CINTAS CORP	2.3%	+0.4%
WALMART INC	2.0%	+0.3%
RATIONAL AG	1.3%	+0.3%
EQUIFAX INC	1.4%	+0.3%

Q3 2024 Bottom Five Contributors		
Stock	Average Weighting	Contribution to Return
DEXCOM INC	1.0%	-0.6%
ASML HOLDING NV	2.1%	-0.5%
NOVO NORDISK A/S-B	1.3%	-0.3%
ALPHABET INC-CL C	2.1%	-0.2%
MICROSOFT CORP	2.6%	-0.1%

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

Reversal of fortune for key retailers?

Some of our top performers this quarter had lagged earlier in the year, showing the benefits of investing in a variety of stocks that thrive in different economic environments. **Sherwin-Williams** is a very well-known paint brand in the United States, but it's suffered from poor sentiment and weak post-COVID demand normalisation as investors embraced the 'higher for longer' interest rate environment that dampened demand for housing-related spending. This has hollowed out the competition and given Sherwin the chance to take even more share in a recovering market.

SHERWIN-WILLIAMS IS SEIZING MARKET SHARE FROM PAINT COMPETITORS

SHERWIN-WILLIAMS' NORTH AMERICAN STORE COUNT DWARFS RIVALS

Source: Redburn Atlantic, Sherwin-Williams

The expected recovery in home remodelling, combined with Sherwin-Williams' ability to keep its prices unchanged or higher while benefiting from lower raw material costs, could drive significant upside to its profit margins.

Equifax is one of the largest credit agencies in the world, yet it is another business that has suffered from higher rates. Roughly half as many mortgages are being applied for since rates were hiked two years ago, so demand for Equifax's credit checks has fallen as well. Company management has used this fallow period to modernise and enhance its product range, which now includes 'trended credit data' on consumers, which gives lenders a more in-depth report showing changes over time, rather than simply a snapshot. When demand for mortgages and consumer credit improves, this trended consumer credit data (tracking payments for things like mobile phone contracts, broadband bills and making car repayments) should become very valuable in assessing creditworthiness as it provides a dataset that rivals can't match.

As we highlight in our recent 'In Conversation' video update, retailer **Walmart** has become one of the largest holdings in the fund. We first bought it as recently as last year as part of our pivot to 'the strong get stronger' growth companies. It's gaining market share and has the scale, strength and flexibility to withstand highly seasonal stop-start consumer spending concentrated around holidays and events. Its value offering, which includes growing private label and e-commerce sales, has warded off the threat from discounters like Aldi, Lidl and Amazon. Walmart has invested in logistics to improve efficiency and on-shelf availability while also reducing costs. Revenue growth was driven from remodelling Walmart stores, launching a third-party marketplace, and targeting people who are trading down from higher-priced rivals. Its operating margins peaked at 6%; they've now dipped to 4%, but we believe they can get back to peak again. The shares look pretty highly valued at first blush, but that's because of the nascent lower profit contribution from its operations in India and Africa, and from its stake in Chinese e-commerce business JD.com. We believe it's more important to focus on the valuation of the core business. Targeting 'under the radar growth' doesn't always mean investing in companies you've never heard of. In our view, this particular giant is built to win in a consumer spending environment like today's.

Wild swings in both individual stock prices and the wider market have become commonplace. Recent falls in markets have quickly reversed and the narrative around interest rate cuts and the likelihood of recession changes almost daily. Despite some of the most destabilising months in memory, we're always impressed with the adaptability and resilience of our portfolio companies. We remain alert, but not hyper-sensitive to newsflow: quick-fire reactions can often be wrong.

That said, we've been managing portfolio positions sensibly to prepare for market tantrums. We've sold over 70% of our Nvidia holding over the past 18 months to stop the holding dominating overall portfolio returns and we've maintained our weatherproof bucket of defensive stocks. We have stocks that benefit from falling rates and others from 'higher for longer' rates, but believe both groups will prove excellent long-term investments no matter the short-term headwinds.

Investment Management Team

Starlight Global Growth Fund is sub-advised by Rathbones Asset Management Limited.

James Thomson
Portfolio Manager

Sammy Dow
Portfolio Manager

Investment Management Team

Starlight Capital is an independent Canadian asset management firm with over $1 billion in assets under management. We manage Global and North American diversified private and public equity investments across traditional and alternative asset classes, including real estate, infrastructure and private equity. Our goal is to deliver superior risk-adjusted, total returns to investors through a disciplined investment approach: Focused Business Investing. Starlight Capital is a wholly-owned subsidiary of Starlight Investments. Starlight Investments is a leading global real estate investment and asset management firm with over 360 employees and $28B in AUM. A privately held owner, developer and asset manager of over 66,000 multi-residential suites and over 7 million square feet of commercial property space. Learn more at www.starlightcapital.com and connect with us on LinkedIn at www.linkedin.com/company/starlightcapital/

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