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Starlight North American Equity Fund

Beyond the Benchmark

The North American equity market remains a cornerstone of Canadian portfolios. In an increasingly complex global economy, mirroring broad market indices like the S&P 500 or S&P 500/TSX Composite may no longer be sufficient to consistently deliver the resilience and growth investors expect.

At Starlight Capital, our approach to North American equity investing is built on delivering sustainable profitable growth. Sustainable growth means that we actively seek high-quality North American companies positioned to benefit from long term secular growth themes rather than short-term cyclical growth trends, emphasizing sustainable growth across all market capitalization and sectors. **Profitable Growth** means that we select businesses that not only increase revenues but also consistently expand profit margins and generate strong free cash flow.

Free cash flow is the cash a company produces *after* accounting for all expenses and the capital expenditures needed to maintain or expand its operations. Excess free cash flow signifies that a company has cash left over to pay down debt, fund future growth initiatives organically, or consistently return capital to shareholders through dividends and share buybacks. This ability to generate excess cash reflects a company's operational strength and provides a solid foundation for long-term value creation.

To manage risk, we steer clear of highly cyclical sectors, unprofitable tech ventures, and unproven business models, focusing instead on long-term financial stability from secular growth rather than speculative trends.

The result is a North American Equity Fund with 20+ year track record of strong performance used as a core for Canadian portfolios to participate in the growth potential of leading North American businesses.

A Flexible North American Equity Mandate

In a market dominated by large firm offerings which adhere closely to benchmark weightings or have rigid mandates, Starlight North American Equity Fund stands apart. Our flexible mandate is designed to identify the best North American opportunities without the constraints of traditional benchmarks. This allows us to invest where we see the most value.

1. Benchmark agnostic, performance-driven

Our primary focus is on delivering strong, risk-adjusted returns, not merely tracking an index. This independence allows us to invest in our highest-conviction ideas, even if they differ significantly from index weights. As a result, we're able to sidestep sectors we view as overly risky or lacking sustainable growth, flexibility that is often restricted in benchmark-constrained portfolios.

2. Small/mid-cap exposure

We actively seek high-quality U.S. small and mid-cap companies. These often-overlooked segments in the broad-market or larger firm offerings can provide growth opportunities characterized by strong cash flows. This exposure can capture unique alpha that complements larger-cap holdings within a diversified portfolio. Data suggests that this can incrementally enhance returns without materially increasing overall portfolio risk.

3. Sectors not available in Canada

We recognize the TSX's limitations as a highly cyclical index that is heavily influenced by Financial, Energy, and Materials and is underexposed to secular growth themes in Healthcare and Technology. To counter this, we strategically access the U.S. market to invest in some of the world's most innovative and resilient businesses in Healthcare and Technology. This approach broadens our exposures, creates a more balanced and robust portfolio, while improving overall diversification. This, in turn, mitigates concentration risk for Canadian investors.

4. Dynamic 50/50 Canadian and U.S. Allocation

The Fund targets a 50/50 Canadian and U.S. weighting with the flexibility of +/-30%. This allows us to allocate capital dynamically toward opportunities with the most attractive risk-adjusted returns, ensuring we prioritize the quality of investment ideas over their geographic location.

Starlight North American Equity Fund: Targeting Sustainable Profitable Growth

Starlight North American Equity Fund offers access to a diversified portfolio of high-quality North American equities selected for their ability to outperform in a variety of economic environments. We focus on businesses demonstrating sustainable profitable growth—those that are positioned to benefit from long term secular growth themes and prioritize and maintain strong free cash flow. The Fund also offers exposure to high-quality U.S. small/mid-cap companies and Healthcare and Technology companies not widely available in the Canadian market, while reducing exposure to the Financials, Energy and Materials sectors that dominate the Canadian market.

Starlight North American Equity Fund has generated a 20+ year track record of strong performance. Driving this performance is our proprietary investment philosophy that focuses on high-quality companies with enduring competitive advantages. The Fund is used as a core for Canadian portfolios to participate in the growth potential of leading North American businesses, a complimentary addition to Canadian Value funds, and an enhancement to Canadian equity portfolios that are overweight in several high volatility sectors.

Access North American Equities with Starlight Capital

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.

Focused Business Investing means we invest in great businesses when they offer us enough return for the risk we are exposed to. Great businesses are characterized by strong recurring cash flow, irreplaceable assets, low leverage, and strong management team. The result is concentrated portfolios of great businesses that reward investors with rising dividends.

Learn more at [StarlightCapital.com](https://starlightcapital.com) or speak to your advisor.

Diversified Equities
Starlight North American Equity Fund

Inception — 2021

Investment Objective:

To provide investors exposure to North American equity securities seeking long-term capital appreciation.

Fund Codes

- Series A (SLC555)
- Series F (SLC557)
- Series T8 (SLC5558)
- Series PTF (SCNAE)
- Series ETF (SCNA)

About Starlight Capital

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