Dividend Growth Investing with Starlight Capital

Starlight™ CAPITAL Focused Investing

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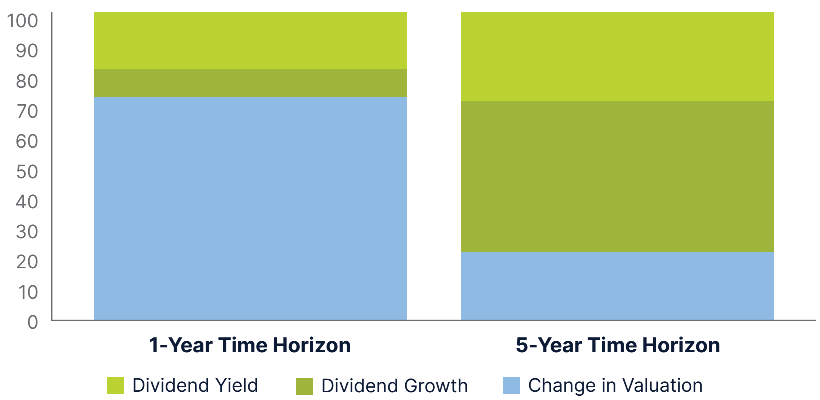
There are three sources of return from any equity investment - the dividend it pays, the growth the company generates and the multiple that the company trades at. Over short periods of time, returns are dominated by the change in the multiple that equities trade at. This can be in response to earnings, central bank monetary policy, government fiscal policy or any other macroeconomic events. Over longer periods of time, total returns are dominated by the dividends and growth that the company generates. Exhibit 1 shows this effect and underlies the benefits of focusing on companies that can grow their earnings and are focused on returning capital to investors.

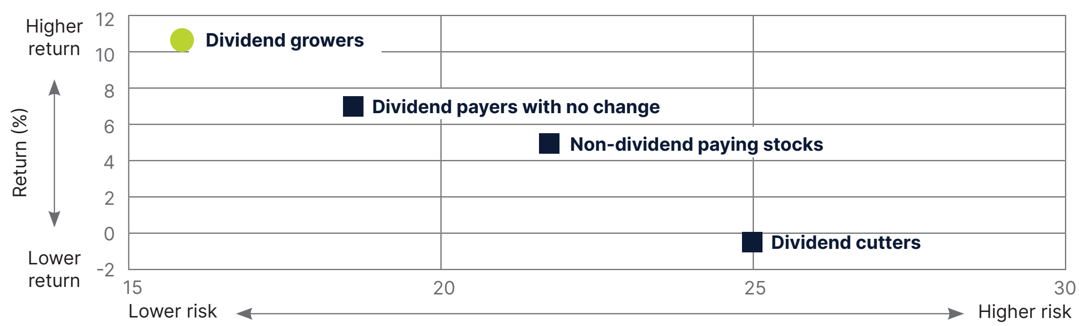
Exhibit 1 – Return Generator by Time Horizon for Every 1-Year and 5-Year Period Since 1871



Source: Bristol Gate Capital Partners

Investors have long understood the benefits of receiving dividends from companies as one of the primary sources of return. However, for over two decades we have extolled the virtues of focusing on companies that consistently grow their dividend to generate superior, risk-adjusted total returns. These companies have historically generated superior long-term total returns and have tended to do so with lower overall volatility. This last point is important as it allows investors to hold onto their positions for longer during periods of elevated volatility. **Exhibit 2** below demonstrates the significant outperformance of dividend growth stocks over the last 50 years.

Exhibit 2 - Dividend Growth Stocks have Outperformed with Less Risk
Risk vs return, annualized , 1973 - 2022



Source: Ned Davis Research, Inc. and Refinitiv, 31 Jan 1973 –31 Dec 2021. Past Performance is no guarantee of future results. Performance represents the historical risk/return performance of S&P 500 stocks grouped by dividend policies.

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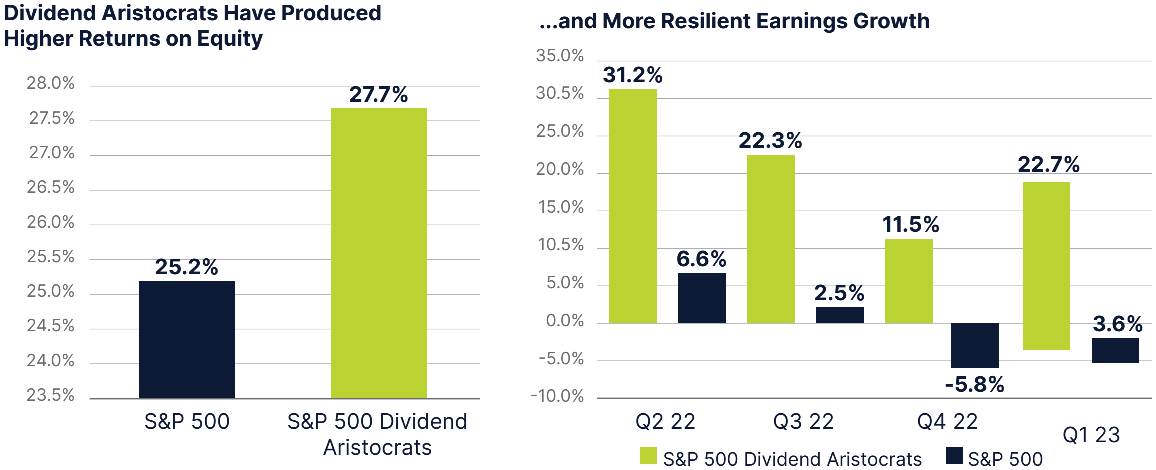
A business must have consistent and growing net earnings before it can implement and then consistently grow its dividend. Consistently rising net earnings are generally the result of an enduring competitive advantage that has not been competed away. This can be anything from Coca-Cola's brand to Microsoft's omnipresence to CN Rail's tracks to regulated monopolies of public goods (electricity, water, gas). All of these are examples of great businesses with irreplaceable assets that possess an enduring competitive advantage.

The S&P 500 Dividend Aristocrats are an elite group of large-cap companies that have increased their dividends for at least 25 consecutive years. **Exhibit 3** provides evidence that these companies have consistently generated higher returns on equity than the companies in the S&P 500. The difference is even more striking when we look at quarterly earnings growth. In Q4 2022 the S&P 500 saw material earnings declines while the Dividend Aristocrats enjoyed very strong earnings growth.

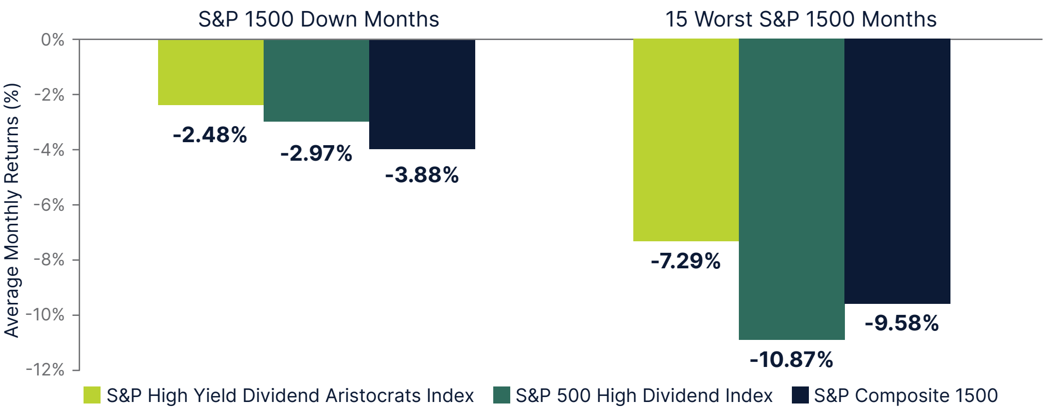
Exhibit 3 – S&P 500 Dividend Aristocrats Return on Equity and Earnings Growth



Source: FactSet, 3/1/22-4/20/23. Return on equity measures how efficiently a company generates profits and equals a company's net income divided by shareholders' equity. CY is defined as current calendar year. Index returns are for illustrative purposes only and do not represent fund performance. Index performance returns do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged, and one cannot invest in an index. Past performance does not guarantee future results.

Some companies use financial engineering (rising payout ratio, rising leverage) in order to generate rising dividends. This is not sustainable over the long-term and we screen these businesses out during our analysis. These companies often start off as dividend growers and/or high yield stocks but often become dividend cutters when economic (i.e. recession) or financial (i.e. rapidly rising interest rates) adversity arises. **We target companies that can continue to grow their dividends through full business and economic cycles, based on their ability to grow their net earnings.** As **Exhibit 4** demonstrates, Dividend Aristocrats provide materially more downside protection compared to High Dividend equities and the S&P Composite 1500® in aggregate.

Exhibit 4 - Dividend Growers versus High Dividend Payers in Down Markets

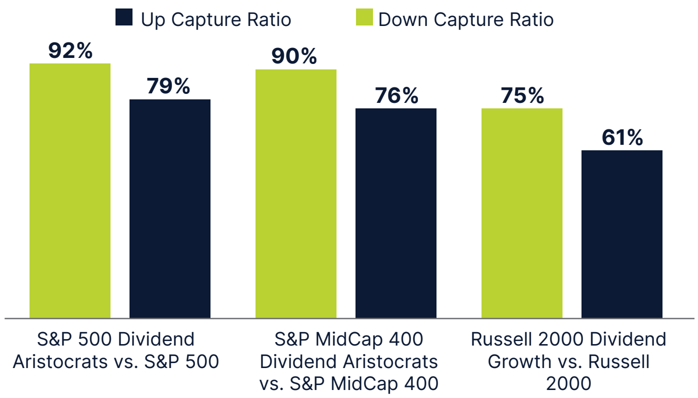


Source: S&P Dow Jones Indices LLC. Data from Dec. 31. 1999, to March 31, 2022. Index performance based on total return in USD. Past performance is no guarantee of future results. The S&P High Yield Dividend Aristocrats was launched Nov. 9, 2005. The S&P 500 High Dividend Index was launched Sept. 21, 2015. All data prior to the index launch date is back-tested hypothetical performance. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

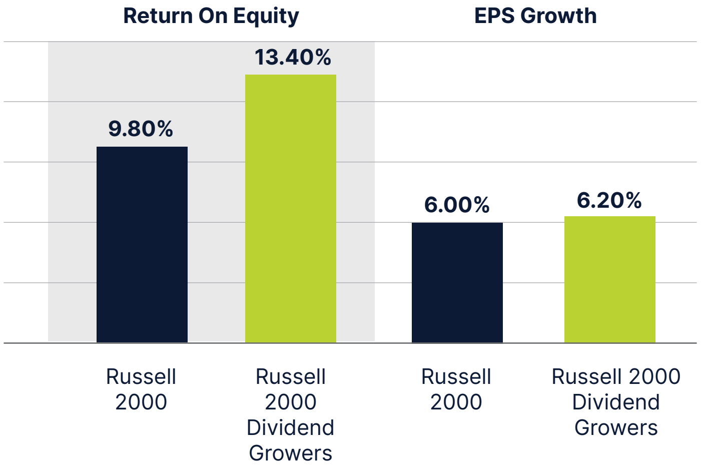
Many investors have incorporated small capitalization stocks strategically into their portfolios for the diversification benefits and the potential for higher returns. Since 1926, small capitalization stocks have outperformed large caps on a nominal basis however, these returns have historically come with greater risk as measured by volatility. The story is very different for small cap dividend growers, as they have experienced both lower volatility and lower drawdowns, compared with the overall small cap universe. Exhibit 5 shows that small cap dividend growers likely owe this outperformance to their ability to generate higher returns on equity and earnings per share growth.

Exhibit 5 - Small Cap Dividend Growers: Higher ROEs & Growth, Better Upside/Downside Capture

Index Dividend Growers Delivered Strong Up/Down Capture Ratios
(Inception - June 30, 2022)



Source: Morningstar. Data as of 6/30/2022. Index returns are for illustrative purposes only and do not reflect any management fees, transaction costs or expenses. Indexes are unmanaged and one cannot invest directly in an index. Past performance does not guarantee future results. S&P 500 Dividend Aristocrats: 5/2/05 - 6/30/22. S&P MidCap 400 Dividend Aristocrats: 1/5/15 -6/30/22. Russell 2000 Dividend Growth: 11/11/14 - 6/30/22.

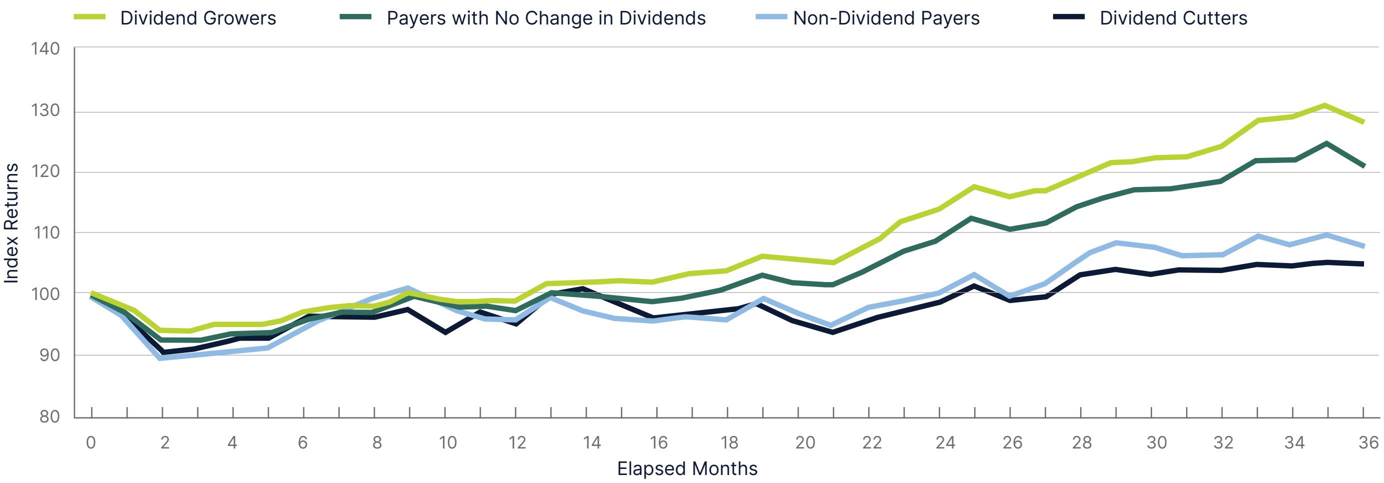


Source: Russell Investment Group. Return on Equity (ROE) is based on the 5-year average for the period ending 12/31/2014. Earnings per share (EPS) is the portion of a company's profit allocated to each outstanding share of common stock; it serves as an indicator of a company's profitability. Here, EPS is calculated for the last 10 years ending 12/31/2014.

It is a perfect time for investors to allocate to dividend growth strategies as inflation and rising interest rates have been the most dominant factors impacting equity market returns and volatility for the last two years. Rising rates have historically acted as a brake on economic activity, making the cost of capital higher for businesses while simultaneously increasing valuation discount rates. The offset to this impact has historically been stronger earnings growth to offset the impact of higher rates. As **Exhibit 6** demonstrates, dividend growers have historically outperformed after Federal Open Market Committee (FOMC) rate hike cycles, largely due to their superior earnings growth.

Exhibit 6 - Dividend Growers After FOMC Rate Hike Cycles

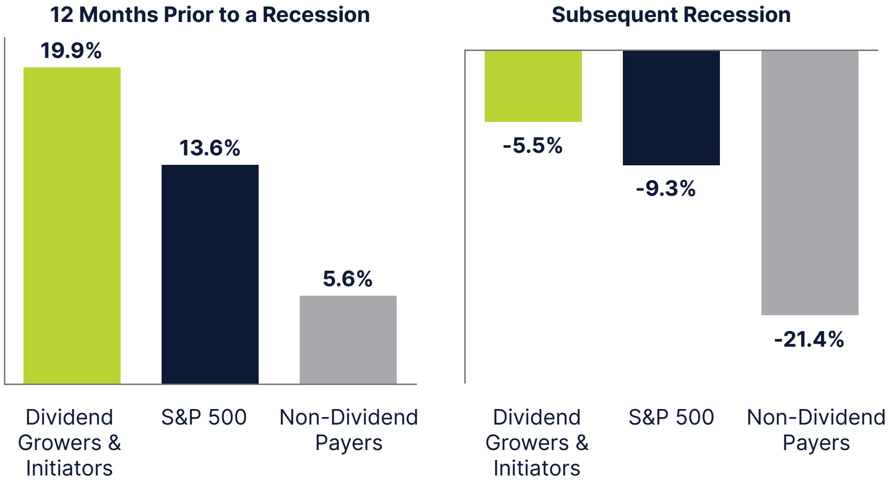
Subsets of S&P 500, All Rate Hikes Since 1972



Source: Ned Davis Research, Inc Past performance is no guarantee of future results. Data shown is based on the average 36 month performance after all rate hikes since 1972 which occurred on the following dates: 1/15/73, 8/31/77, 8/31/80,9/4/87, 2/4/94, 6/30/99, 6/30/04, 12/16/15.

Continuing along with the timeliness discussion is the risk of a recession. Historically, aggressive FOMC rate hike cycles have triggered economic recessions in the US and the current rate hike cycle is the most aggressive on record. Synchronized aggressive rate hike cycles in developed economies (European Union, Canada, the UK) and China have reduced global GDP growth and significantly raised the odds of a recession in 2024. **Exhibit 7 demonstrates that dividend growers have historically outperformed prior to and during recessions.**

Exhibit 7 - Dividend Growers Prior and During Recessions
Average Cumulative Return Over the Last 5 Recessions (January 1, 1979 - December 31, 2018)



Source: National Bureau of Economic Research and Ned Davis Research, Inc., 1/1/79-12/31/18, based on the five most recent recessions. Past performance is no guarantee of future results. The average total return performance of each group and the S&P 500 are based on equal -weighted geometric average, computed monthly. For a description of how each stock is grouped by dividend policy, see the Dividend Policy Description on the last page.

The Starlight Dividend Growth Class offers access to a diversified portfolio of North American equities that have often increased their dividends at a 10%+ compound annual growth rate. The Fund offers exposure to high quality US small caps, 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 Capital was founded to provide Canadian investors with the ability to invest in dividend growth mandates to drive superior, long-term risk-adjusted returns. **The Starlight Dividend Growth Class has generated a 20-year track record of strong performance. Driving this performance is the focus on dividend growers and our proprietary investment philosophy that focuses on high-quality companies with enduring competitive advantages.**

Exhibit 8 - Starlight Capital Dividend Growth

Starlight Dividend Growth Class			
# of Investments*		39	
	1 Y	**3 Y**	**5 Y**
Average Dividend Growth Rate (CAGR) as of July 31, 2023	11.23%	13.34%	10.71%
Average Dividend Growth Rate (CAGR) as of December 31, 2022	11.84%		

*Excludes cash and cash equivalents.
Source: Bloomberg.

We invite you to partner with us.

Starlight Capital Mutual Fund

Diversified Equities
Starlight Dividend Growth Class
Inception—2003, open-ended **Investment Objective:** To achieve above average long-term capital growth that is consistent with a conservative investment philosophy encompassing a diversified portfolio approach. The Fund invests primarily in equity securities of Canadian companies that demonstrate financial strength and good growth potential. **Fund Codes** Series A (SLC515) Series F (SLC517) Series T8 (SLC5158) **Distribution Frequency** Monthly

About 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. 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 $25B in AUM. A privately held owner, developer and asset manager of over 77,000 multi- residential suites and over 8 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/

Invest With Us

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

Important disclaimer.

The views in this update are subject to change at any time based upon market or other conditions and are current as of July 31, 2023. While all material is deemed to be reliable, accuracy and completeness cannot be guaranteed.

Certain statements in this document are forward-looking. Forward-looking statements (“FLS”) are statements that are predictive in nature, depend upon or refer to future events or conditions, or that include words such as “may,” “will,” “should,” “could,” “expect,” “anticipate,” “intend,” “plan,” “believe,” or “estimate,” or other similar expressions. Statements that look forward in time or include anything other than historical information are subject to risks and uncertainties, and actual results, actions or events could differ materially from those set forth in the FLS. FLS are not guarantees of future performance and are by their nature based on numerous assumptions. Although the FLS contained herein are based upon what Starlight Capital and the portfolio manager believe to be reasonable assumptions, neither Starlight Capital nor the portfolio manager can assure that actual results will be consistent with these FLS. The reader is cautioned to consider the FLS carefully and not to place undue reliance on FLS. Unless required by applicable law, it is not undertaken, and specifically disclaimed that there is any intention or obligation to update or revise FLS, whether as a result of new information, future events or otherwise. Commissions, trailing commissions, management fees and expenses all may be associated with investment funds. Please read the prospectus before investing. Investment funds are not guaranteed, their values change frequently, and past performance may not be repeated.

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