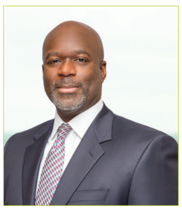
STARLIGHT GLOBAL INFRASTRUCTURE FUND

Infrastructure equities march on in April



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Key takeaways

- In April, global infrastructure generated a 1.6% total return, bringing the year-to-date total return to 13.7%[1]
- With a flat multiple, 9.5% EPS growth and a 1.9% dividend yield, U.S. equities appear poised to deliver low double-digit total returns
- The probability of a 25 bps cut have risen to 58.6% in December and 64.0% in January

Macroeconomic Update

Fears of an earnings recession have receded as 2019 S&P 500 earnings estimates are now for 9.5% growth, compared to 23.7% in 2018. Q1 results have impressed and EPS growth is on track to hit 2.9% as companies have outperformed analyst estimates. This exceeds the long-term average of 6% and provides more support for forward P/E multiples of 16.9x vs. the 35-year average of 15.1x. With a flat multiple, 9.5% EPS growth and a 1.9% dividend yield, U.S. equities appear poised to deliver low double-digit total returns in 2019.

The Federal Reserve Bank appears to have ceased hiking rates just short of what it believes the neutral rate to be. Inflation remains below the 2% target despite strong employment and job growth and the U.S. 10-year bond yield has retraced from a peak of 3.23% in November to the current level of 2.46% (low of 2.37% in March). Currently the odds of a 25 bps increase in the Federal Funds Rate are zero out to January 2020 with the odds of a 25 bps cut rising to 58.6% in December and 64.0% in January[2].

Incredibly, we are still waiting for Brexit as the U.K. parliament cannot agree on the structure of the relationship between the U.K. & Ireland and the EU, post Brexit. Their ineptitude means that the U.K. will have to participate in the EU parliamentary elections on May 23rd, despite their intention to exit the EU. China and the U.S. continue to discuss a new trade deal with the U.S. consistently ratcheting up the pressure on China. China's economy appears to have troughed, given the enormous stimulus enacted since June of 2018. However, a protracted trade war between China and the U.S. would be detrimental to global and Chinese GDP growth. It remains our belief that China and the U.S. will eventually sign a symbolic deal that avoids further tariffs and paves the way for better relations between the two nations.

[1] As of April 30, 2019. Source: Bloomberg LP. Global Infrastructure represented by S&P Global Infrastructure Index (CAD).
[2] Source: Bloomberg LP.

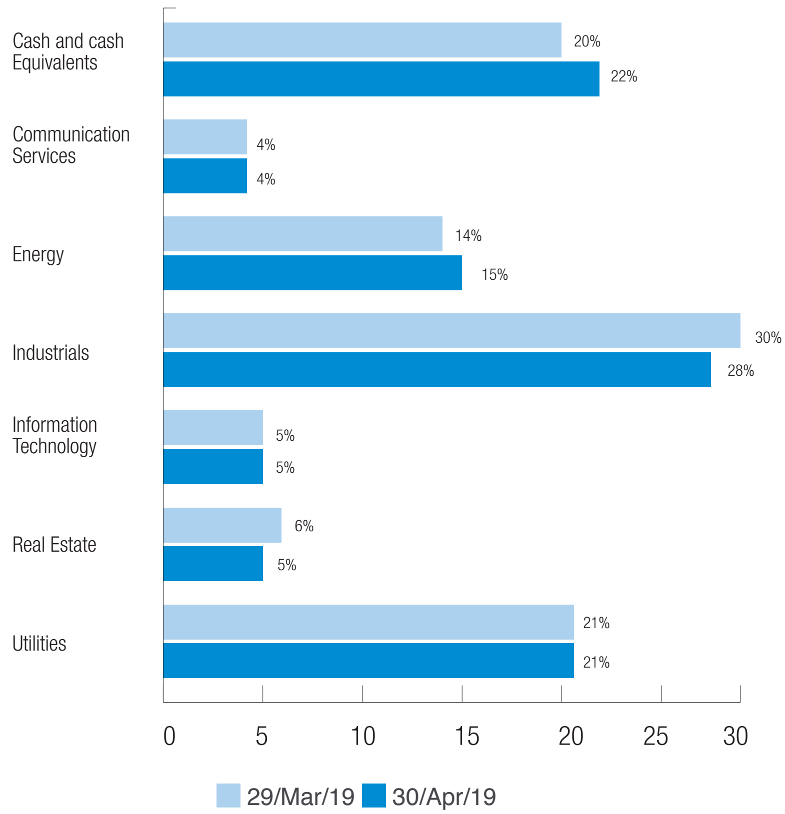
Global Purchasing Managers' Indices (PMIs) were stable in April with the Composite at 52.6, flat from March. Services PMI and Manufacturing PMI are both flat at 53.3 and 50.5 respectively. U.S. PMIs rallied with strength in both Manufacturing and Services and across all subsectors, save Inventories. The strong Orders, Prices Paid and Employment readings in both Manufacturing and Services bodes well for continued U.S. economic expansion. China's positive momentum continued with both Manufacturing and Services PMIs up in April. European PMIs were mixed with robust Services PMI growth offsetting weaker Manufacturing PMI. Generally, the strength in European PMIs has been in the periphery countries, while the core nations continue to see PMI weakness. The EU reduced its estimates for GDP growth to 1.2% in 2019, its second downgrade of the year from its original forecast of 1.9%. The outlook for the region likely means the ECB will be on hold indefinitely.

In April, global infrastructure underperformed global equities and U.S. equities (1.6%, 3.9% and 4.4% total returns[3], respectively). Investor appetite for risk increased during the month, resulting in capital flowing to more volatile and cyclical sectors. Despite the underperformance in April, over the long-term global infrastructure has outperformed global equities and U.S. equities (9.7%, 8.1% and 8.8% total returns[4], respectively) and this underscores the need for advisors to add a strategic allocation to their clients' portfolios.

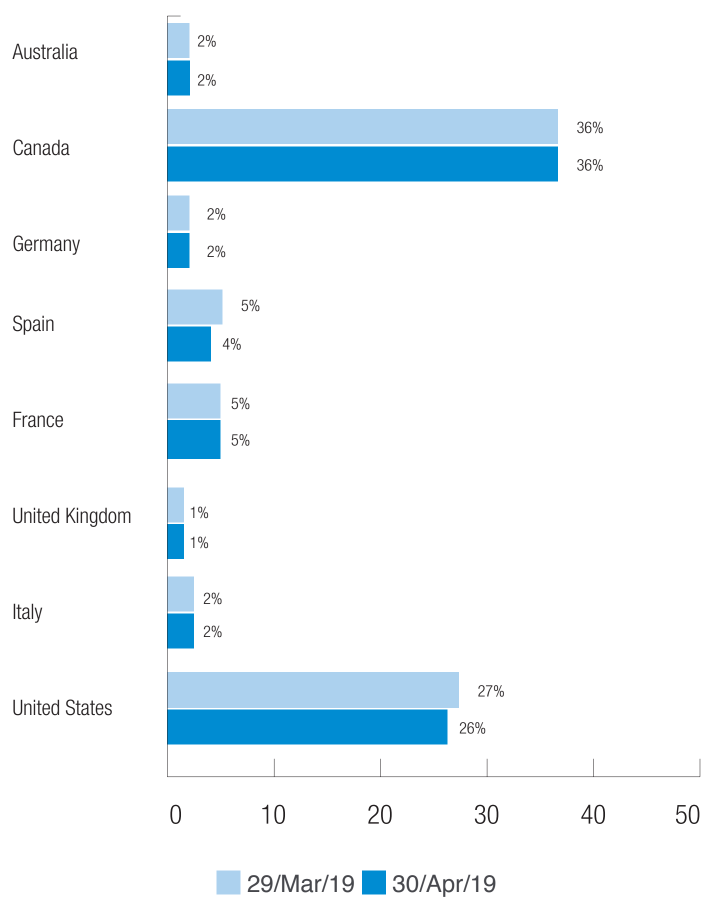
Starlight Global Infrastructure Fund Overview

The Fund's geographic and sector allocations are shown (adjacent) here. Assets Under Management (AUM) increased 34% in April. Incremental new capital was allocated to existing positions, with portfolio allocations remaining largely the same. No new positions were eliminated or added during the month. The Fund's cash weighting reflects our lag in deploying lumpy capital inflows as the market continued to rise.

Starlight Global Infrastructure Fund – Sector Allocation (%)



Starlight Global Infrastructure Fund – Geographic Allocation (%)*



*excludes cash & cash equivalents

[3] As of April 30, 2019. Source: Bloomberg LP. Global infrastructure, global equities, and U.S. equities represented by the S&P Global Infrastructure Index (CAD), MSCI World Index (CAD) and S&P 500 Index (CAD), respectively.

[4] Source: Bloomberg LP from Dec 31, 2002 – April 30, 2019. Global infrastructure, global equities, and U.S. equities represented by the S&P Global Infrastructure Index (CAD), MSCI World Index (CAD) and S&P 500 Index (CAD), respectively.

Portfolio review

Two of the top contributors to Fund performance in April were Comcast Corp. ("Comcast"), with a total return of 10.2%, and Eiffage, with a total return of 9.25%[5].

Comcast is the largest scale residential broadband network owner and service provider in the U.S. Comcast provides high-speed internet, communication services, video streaming and television programming. We believe broadband infrastructure is as critical to modern society as traditional infrastructure assets (i.e. electricity networks, airports), as access to high speed internet has become a necessity in today's economy. During April, Comcast reported strong Q1/19 results, as the company reported the best cable EBITDA growth in over a decade, driven by both organic growth and margin expansion. We believe Comcast shares do not fully reflect the transition of the cable business, as the company increases margins, lowers capital intensity and continues to grow subscribers. We continue to hold the name and see further share upside over the long-term.

Eiffage is a French-based infrastructure company, primarily focused on concessions and contracting. The company operates through numerous business lines, including toll road concessions, public-private partnerships, construction and public works. Some of Eiffage's largest projects include the Channel Tunnel between England and France, as well as the Millau Viaduct, a 2,460 m long motorway in Southern France. During April, Eiffage reported strong Q1/19 traffic numbers on its flagship APRR toll road concession, despite the unfavourable calendar effects (Easter timing) and disturbances caused by the Gilet Jaunes protests in January. The impressive numbers demonstrated the resilience of Eiffage's road network, as the assets are strategically placed in congested areas of France with strong underlying fundamentals. We believe Eiffage shares remain undervalued and continue to hold the company in the Fund.

Year-to-date, 16 companies in the **Starlight Global Infrastructure Fund** have increased their dividends or distributions by an average 9.8%.

The top detractor from Fund performance in April was Boralex. Boralex is an independent power producer whose core business is the development and operation of renewable energy assets. Boralex assets are primarily located in Canada and France, with the largest exposure to offshore wind, followed by hydroelectric energy. Boralex has a high-quality set of renewable assets, with more than 95% of its capacity fully contracted, providing long-term cash flow visibility. In April, a report was released claiming Boralex would have weak wind generation results in its portfolio for Q1/19, causing the stock to underperform. Our analysis shows that while January and February production numbers were weaker, wind production in March was one of the best months in the past decade in France. As a result, we believe concerns of weak production are overblown (no pun intended!). Beyond short-term production numbers, Boralex has a strong pipeline of growth in France, with more than 1,000 MW of development projects in various stages. Boralex remains a core holding for the Fund, as we see strong growth potential combined with an undervalued asset base.

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Portfolio outlook

The Starlight Global Infrastructure Fund now holds 38 positions. We expect to continue deploying capital into these businesses on an opportunistic basis. Longer-term the portfolio should reach a targeted strategic allocation of 30% each to Europe, the U.S. and Canada supplemented by opportunistic investments in Asia, Australia and Latin America. As Europe works through its legislative calendar, we will increase allocations to European infrastructure companies.

Data centres have delivered strong results this year and all of our holdings in this sector have generated double-digit total returns. We focus on data centre companies that concentrate on interconnection and co-location services in highly dense geographies, as these assets tend to possess better pricing power and strategic value. We believe data centres represent compelling value over the long-term as demand for data and connectivity continues to grow however, stock selection will remain key within the space.

We remain optimistic with respect to the energy infrastructure space, despite the strong share price performance this year. We focus on energy companies that operate in the midstream sector, as most revenues are contractual, reducing commodity price sensitivity. We believe the growth pipeline for several of these companies is not currently reflected in valuations.

Conversely, we remain cautious around the utility sector, particularly in the U.S., as valuations remain elevated and growth opportunities are limited, particularly for pure-play regulated utilities. Our strategy is to invest in utilities with strong growth outside of the regulated franchise, whether it be midstream assets, renewable energy or emerging markets.

Overall, we believe the Fund is well positioned to participate in continued up-markets while providing downside protection. We will closely monitor the investment environment and actively manage the Fund's positioning by carefully selecting individual businesses in-line with Starlight Capital's proven investment philosophy.

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 perfor mance 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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