*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus (the "**Prospectus**") constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended and, subject to certain exemptions, may not be offered or sold in the U.S.*

PROSPECTUS

Initial Public Offering October 12, 2016

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Starlight U.S. Multi-Family

(the "Fund")

Maximum: US$200,000,000 of
Class A Units and/or Class U Units and/or Class D Units and/or
Class E Units and/or Class F Units and/or Class H Units and/or Class C Units

This Prospectus qualifies the distribution of up to US$200,000,000 of class A limited partnership units (the "**Class A Units**") and/or class U limited partnership units (the "**Class U Units**") and/or class D limited partnership units (the "**Class D Units**") and/or class E limited partnership units (the "**Class E Units**") and/or class F limited partnership units (the "**Class F Units**") and/or class H limited partnership units (the "**Class H Units**") and/or class C limited partnership units (the "**Class C Units**", and collectively with the Class A Units, Class U Units, Class D Units, Class E Units, Class F Units and Class H Units, the "**Units**") of the Fund (the "**Offering**") at a price of C$10.00 per Class A Unit, Class D Unit, Class F Unit, Class H Unit and Class C Unit and US$10.00 per Class U Unit and Class E Unit.

The Fund's investment objectives are to: (a) indirectly acquire, own, and operate a portfolio comprised of recently constructed, stabilized, Class "A", income-producing multi-family real estate properties primarily in the States of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas (the "**Primary Markets**"); (b) make stable monthly cash distributions; and (c) enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately directly or indirectly disposing of its interests in the assets at a gain by the end of the Term (as defined herein).

Pursuant to the Reorganization (as defined herein), the Fund will indirectly acquire a property portfolio comprising an aggregate of 5,882 multi-family residential apartment suites in 20 Properties (as defined herein) located in the States of Florida, Georgia, North Carolina and Texas. See "Description of the Activities of the Fund – The Existing Portfolio". Following completion of the Offering, the Fund will indirectly acquire, through Starlight U.S. Multi-Family (No. 5) Core REIT Inc. (the "**U.S. REIT5**") or another subsidiary of the Fund, a portfolio comprising an aggregate of 910 multi-family residential apartment suites in three Properties located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively (the "**New Portfolio**"). See "Description of the Activities of the Fund – The New Portfolio" and "Use of Proceeds". Any Net Subscription Proceeds (as defined herein) which are in excess of the amount required to complete the purchase of the New Portfolio will be used to fund the acquisitions of one or more additional Properties which are expected to occur within nine months following the Closing Date (as defined herein) and for general working capital purposes.

Price: C$10.00 per Class A Unit
US$10.00 per Class U Unit
C$10.00 per Class D Unit
US$10.00 per Class E Unit
C$10.00 per Class F Unit
C$10.00 per Class H Unit
C$10.00 per Class C Unit

PROPERTY HIGHTLIGHTS

Starlight™
U.S. Multi-Family


South Blvd Apartments (2012)

- 320 Units
- Unit amenities: private entries, nine-foot ceilings, stainless steel appliances, granite countertops and wood plank flooring
- Outdoor amenities: two resort-style swimming pools with cabanas, sun bathing pool and oversized spa, designated pet and picnic areas
- Indoor amenities: 24-hour fitness centre, movie theatre with stadium seating, E-Lounge, executive business centre and coffee café


The Views at Coolray Field (2015)

- 206 Units
- Unit amenities: granite countertops, stainless steel appliances, oversized tubs, pendant lighting, plank flooring and balconies
- Outdoor amenities: courtyard lounge featuring gas grills and fire wall
- Indoor amenities: state-of-the-art fitness centre, coffee lounge and Skybox with kitchen, pool, poker and shuffleboard tables, bar-seating and business centre



City North at Sunrise Ranch (2009)

- 384 Units
- Unit amenities: shaker-style maple cabinetry, master baths soaking tubs, in-unit full-size washer and dryers, nine-foot ceilings and walk-in closets
- Outdoor amenities: resort-inspired pool with pavilion lounge, barbeque grilling stations, picnic areas and pet park
- Indoor amenities: elegant clubhouse with billiards and recreation room, pool table and television, business centre, gourmet kitchen, conference room, cyber café and fitness centre

	Price to the Public(1)	Agents' Fee	Net Proceeds to the Fund(2)
Per Class A Unit	C$10.00	C$0.525	C$9.475
Per Class U Unit	US$10.00	US$0.525	US$9.475
Per Class D Unit	C$10.00	C$0.525	C$9.475
Per Class E Unit	US$10.00	US$0.525	US$9.475
Per Class F Unit	C$10.00	C$0.225	C$9.775
Per Class H Unit	C$10.00	C$0.525	C$9.475
Per Class C Unit(3)	C$10.00	C$0.00	C$10.00
Minimum Offering(4)	US$26,500,000	US$1,159,110	US$25,340,890
Maximum Offering(5)	US$200,000,000	US$9,477,000	US$190,523,000

Notes:

(1) The terms of the Offering, including the Offering Price (as defined herein), were determined by negotiation between the Agents (as defined herein) and the Manager (as defined herein), on behalf of the Fund.

(2) Before deduction of the expenses of the Offering (estimated at US$1,730,731) which, subject to a maximum of 1.5% of the Gross Subscription Proceeds (as defined herein) and together with the Agents' Fee, will be paid out of the Gross Subscription Proceeds.

(3) Class C Units will only be sold to the principal of the Manager (as defined herein), certain other investors known to the Manager, and the Lead Investors (as defined herein), if any.

(4) The Minimum Offering assumes that (i) the Canadian dollar equivalent of US$9,540,000 of Class A Units, US$2,650,000 of Class C Units, US$4,770,000 of Class D Units, US$3,100,500 of Class F Units and US$954,000 of Class H Units, and (ii) US$2,385,000 of Class U Units and US$3,100,500 of Class E Units are issued pursuant to this Prospectus but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class U Units, Class D Units, Class E Units, Class F Units, Class H Units and Class C Units.

(5) The Maximum Offering assumes that (i) the Canadian dollar equivalent of US$78,000,000 of Class A Units, US$5,000,000 of Class C Units, US$39,000,000 of Class D Units, US$25,350,000 of Class F Units and US$7,800,000 of Class H Units, and (ii) US$19,500,000 of Class U Units and US$25,350,000 of Class E Units are issued pursuant to this Prospectus but will actually be calculated based on the subscription proceeds received from the issuance of Class A Units, Class U Units, Class D Units, Class E Units, Class F Units, Class H Units and Class C Units.

The minimum subscription amount is C$1,000 in respect of the Class A Units and Class F Units, C$10,000 in respect of the Class D Units and Class H Units, US$10,000 in respect of the Class E Units, and US$1,000 in respect of the Class U Units. There is no minimum subscription amount in respect of the Class C Units.

The Fund has received commitments from the principal of Starlight Investments Ltd. (the "**Manager**") to subscribe for 10% of the Offering, up to a maximum of C$5,000,000 of Class C Units pursuant to this Prospectus or, at the discretion of the Fund, by way of private placement (which commitment will be reduced by the amount of any subscriptions for Class C Units received from other investors known to the Manager other than any Lead Investors). The Fund may also seek out commitments from certain institutional and other investors to subscribe for Class C Units, on a lead order or a private placement basis ("**Lead Investors**"). The Fund may issue additional limited partnership units, including limited partnership units of a new class, by way of private placement concurrent with the closing of the Offering at a price of C$10.00 or US$10.00, as the case may be, provided that the proceeds of any such private placements together with the proceeds of the Offering, do not exceed the Maximum Offering amount. On closing of the Offering, the principal of the Manager will initially beneficially own, or have control or direction over, 343,104 Class A Units, 4,780 Class U Units and 9,480,036 Class C Units (being 20.9% of the aggregate Units then outstanding) assuming the Minimum Offering is achieved or 343,104 Class A Units, 4,780 Class U Units and 9,628,884 Class C Units (being 14.5% of the aggregate Units then outstanding) assuming the Maximum Offering is achieved, and, in each case, assuming no subscriptions for Class C Units are received from Lead Investors and other investors known to the Manager in connection with the Offering, there are no concurrent private placements, a Canadian to U.S. dollar exchange rate of C$1.25 to US$1.00 as at the Closing Date and that the exchange ratios are as described in the definition of Fund Exchange Ratio herein.

The Fund will target an annual pre-tax distribution yield of 6.5% (based on the original subscription price under the Offering and calculated in the currency of the Units held) across all Unit classes and aim to realize a targeted 12% pre-tax, investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund's interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses (as defined herein) and any unhedged exposure to Canadian/U.S. dollar exchange rates. In the case of the Class H Units, the targeted annual pre-tax distribution yield of 6.5% is to be reduced by the cost of the Class H Unit Liquidation Hedge (as defined herein), which is expected to result in a targeted annual pre-tax distribution yield of 3.5%, with any additional costs in respect of such hedge to be accounted for upon termination or liquidation of the Fund. See "Risk Factors" and "Description of the Securities Distributed – Units – Distributions". The *pro rata* monthly distribution on the Units will commence following the end of the Fund's first calendar month after the closing date of the Offering, which is expected to be on or about October 17, 2016 or such later date as the Fund and the Agents may agree, but in any event not later than December 15, 2016 (the "**Closing Date**"). The initial distribution is expected to be paid on November 15 to Unitholders (as defined herein) of record on October 31 and the distribution amount per Unit will be determined in accordance with the Fund LP Agreement (as defined herein). The initial distribution will reflect the Distributable Cash generated by the Existing Portfolio and otherwise available to the Fund for the period from the effective date of the Reorganization to October 31, 2016. See "Description of the Securities Distributed – Units – Distributions". Thereafter, the Fund intends to declare monthly cash distributions no later than seven Business Days (as defined herein) prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end.

The Fund has access to a credit facility in the amount of up to US$25,000,000. Such facility will only be drawn upon in the event that the Gross Subscription Proceeds from the Offering are less than US$49,657,901, in which case, such facility will be drawn on the Closing Date in an amount equal to the difference between the Gross Subscription Proceeds and US$49,657,901. In the event that the Gross Subscription Proceeds exceed the Minimum Offering, the Net Subscription Proceeds will be fully deployed up to the amount required to purchase the New Portfolio, therefore reducing the amount required to be drawn under the Fund's credit facility to complete the acquisition of the New Portfolio. The Gross Subscription Proceeds which exceed US$49,657,901 are not expected to have an impact on Distributable Cash Flow (as defined herein) and, accordingly, until such excess funds are deployed by the Fund to indirectly acquire interests in income-producing properties, the annualized pre-tax distribution yield per Unit can be expected to be less than the targeted yield per Unit. See "Risk Factors".

An investment in the securities offered by this Prospectus must be considered speculative as the securities are subject to certain risk factors as set out under the heading "Risk Factors" or otherwise described in this Prospectus. An investment in Units is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

Although the Fund intends to distribute its available cash to Unitholders in accordance with its distribution policies, unlike fixed-income securities, there is no obligation of the Fund to distribute fixed dollar amounts to Unitholders and, as such, the amount of cash distributions is not guaranteed and may be reduced, including to zero, resulting in a reduction in yield based on the Offering Price of the Fund's Units. The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to indirectly acquire Properties as well as the ongoing operations of the Properties, and will be subject to various factors including those referenced in the "Risk Factors" section of this Prospectus or otherwise described in this Prospectus. The aggregate Minimum Return (as defined herein on a per Unit basis and calculated, for greater clarity, including the amount of the Investors Capital Return Base (as defined herein)) receivable by the Fund for distribution to the Unitholders after payment of all Fund expenses, (i) is based on a 6.5% per annum return on the net subscription proceeds received, or deemed to have been received, by the Fund from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable to the Fund for distribution to the Unitholders prior to payment of any amounts pursuant to the Carried Interest, but (iv) is not guaranteed and may not be paid on a current basis in each year or at all.

The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions. It is important for purchasers of Units ("Purchasers") to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders. See "Risk Factors" and the risks otherwise described in this Prospectus for a more complete discussion of these risks and their potential consequences.

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, the transparency and availability of trading prices, and the extent of issuer regulation. See "Risk Factors". The Fund has received conditional approval from the TSX Venture Exchange (the ''Exchange'') to list the Class A Units and Class U Units distributed under the Offering and any concurrent private placements on the Exchange under the symbols "SUA.A" and "SUA.U", respectively. Listing of the Class A Units and Class U Units is subject to the Fund fulfilling all of the requirements of the Exchange on or before December 30, 2016. See "Plan of Distribution". As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted and has not applied to list or quote any of its securities on the Toronto Stock Exchange, a U.S. marketplace, or any other marketplace within or outside Canada and the U.S.

On the Closing Date, the Fund will convert the net subscription amounts received from the Class A Units, Class D Units, Class F Units, Class H Units and Class C Units (the "**Canadian Dollar Units**") into U.S. dollars. The relative entitlement of a holder of a Canadian Dollar Unit to receive distributions from the Fund and to receive proceeds upon the termination of the Fund (as compared to the entitlement of a holder of a Class U Unit and/or Class E Unit) will depend, in part, on the Canadian/U.S. dollar exchange rate at which the Fund is able to convert such proceeds on the Closing Date. Furthermore, (i) the amount of distributions on the Canadian Dollar Units, (ii) any returns of capital to holders of Canadian Dollar Units and (iii) the distribution of proceeds to holders of Canadian Dollar Units on the termination of the Fund, will be determined and declared in U.S. dollars at the time of such distributions and, accordingly, subject to the utilization of the Class H Unit Liquidation Hedge, will depend, in part, on the Canadian/U.S. dollar exchange rate at each such time. In connection with the closing of the Offering, the Fund intends to acquire, in respect of the Class H Units issued pursuant to the Offering and the Reorganization, derivative instruments which are intended to provide the holders of Class H Units with some protection against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and the target date for termination and liquidation of the Fund (the "**Class H Unit Liquidation Hedge**"). There can be no assurance that the exercise date and underlying notional amount of the derivative instruments effecting the Class H Unit Liquidation Hedge will match the date, or the amount, of any distributions of proceeds to holders of Class H Units upon the termination or liquidation of the Fund. The Manager may, at its sole discretion, discontinue the Class H Unit Liquidation Hedge in the event derivative instruments are not available on an economical basis or the Manager determines that the continuation of the Class H Unit Liquidation Hedge is no longer in the best interests of the applicable class or classes of Unitholders. The cost of the Class H Unit Liquidation Hedge will be allocated exclusively to the Class H Units as a Unit Class Expense. See "Description of the Securities Distributed – Units – Distributions", "Description of the Securities Distributed – Units – Distribution on Termination of the Fund" and "Risk Factors". In addition, the Fund may from time to time, at the sole discretion of the Manager, enter into derivative instruments which are intended to hedge, in whole or in part, its foreign currency risk and interest rate risk in respect of the U.S. dollar amounts it will be required to convert into Canadian dollars to pay expected distributions on the Canadian Dollar Units. There can be no assurance that the exercise date and notional amount underlying such derivative instruments would match the date of declaration, or the amount, of the distribution on any Canadian Dollar Units. The costs of any such derivative instruments would be allocated proportionately to each class of Canadian Dollar Units as a Unit Class Expense. The Fund may also enter into derivative transactions to hedge, in whole or in part, its foreign currency risk and interest rate risk or for any other purpose, including payment of expenses or transactions with the Manager, at no cost to the Fund, intended to ensure that holders of U.S. dollar denominated units of the Fund (being the Class U Units and the Class E Units) are not exposed to fluctuations in the Canadian dollar relative to the U.S. dollar as a consequence of the Fund's structure, provided that the Manager determines that it would be in the best interests of the Fund and its Unitholders to do so.

Unitholders will generally be required to include (or generally be entitled to deduct), in computing their income for each taxation year, their proportionate share of the income (or loss) of the Fund allocated to them by the Fund for the fiscal period of the Fund ending in or coincidentally with such taxation year. Such allocation may bear no relation to the cash distributions made by the Fund to Unitholders for such period. If a Unitholder receives distributions from the Fund in a year which exceed the amount of income for income tax purposes allocated to such Unitholder by the Fund for the year, any such excess distributions will generally not be included in the Unitholder's income for the year, but will result in a net reduction of the adjusted cost base of the Unitholder's Units. In the event that cash distributions paid to a Unitholder in a fiscal period of the Fund are less than the income for income tax purposes allocated to such Unitholder for the year, the full amount of such income will be required to be included in the Unitholder's income for the year and any such shortfall in distributions will generally result in a net increase in the adjusted cost base of the Unitholder's Units. See "Certain Canadian Federal Income Tax Considerations".

The after-tax return from an investment in Units to a Unitholder subject to Canadian income tax will depend in part on the Unitholder's ability to recognize for purposes of the Tax Act (as defined herein) U.S. or other foreign taxes considered to be paid by or on behalf of the Unitholder through the foreign tax credit or foreign tax deduction mechanisms in the Tax Act. See "Certain Canadian Federal Income Tax Considerations" and "Certain U.S. Federal Income Tax Considerations".

CIBC World Markets Inc. (the "**Lead Agent**"), Scotia Capital Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., National Bank Financial Inc., Raymond James Ltd., TD Securities Inc., Canaccord Genuity Corp. and Desjardins Securities Inc. (collectively with the Lead Agent, the "**Agents**") conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement (as defined herein), and subject to the approval of certain Canadian legal matters on behalf of the Fund and the Manager by Blake, Cassels & Graydon LLP and on behalf of the Agents by McCarthy Tétrault LLP. See "Plan of Distribution".

Registration and transfers of Units will be effected through the book-based system administered by CDS Clearing and Depository Services Inc. ("**CDS**"). A Purchaser will receive only a customer confirmation from the registered dealer which is a CDS participant from or through which Units are purchased. Beneficial owners of Units (other than any Units to be held in escrow in accordance with National Policy 46-201 – *Escrow for Initial Public Offerings*) will not have the right to receive physical certificates evidencing their ownership of such securities. See "Plan of Distribution".

The Existing Starlight Funds directly or indirectly own entities that are party to mortgage loans with a U.S. Affiliate of a Canadian chartered bank that is an Affiliate of the Lead Agent. In addition, U.S. REIT5 will be indirectly assuming a first mortgage loan with a U.S. Affiliate of a Canadian chartered bank that is an Affiliate of the Lead Agent. Further, the Canadian chartered bank affiliate of the Lead Agent will be (i) the counterparty to the derivative instruments to be acquired by the Fund in connection with the Class H Unit Liquidation Hedge, and to hedge, in

whole or in part, against the Fund's foreign currency and interest rate risk and (ii) the lender under the Fund's credit facility. Consequently, the Fund may be considered a "connected issuer" of the Lead Agent, as such term is defined in National Instrument 33-105 – ***Underwriting Conflicts*****. See "Description of the Activities of the Fund – The New Portfolio – Financing of the New Portfolio", "Plan of Distribution – Relationship Between the Fund and the Lead Agent", "Description of the Securities Distributed – Units – Distributions" and "Description of the Securities Distributed – Units – Distribution on Termination of the Fund".**

There will be no closing of the Offering unless the Minimum Offering is achieved. The closing of the Offering will not proceed unless all preconditions to the closing of the acquisitions of the Properties comprising the New Portfolio have been satisfied or waived. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for the final prospectus for the Offering (the "Final Prospectus"). If one or more amendments to the Final Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for the Final Prospectus. If the Minimum Offering is not achieved during the 90 day period, subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents. Completion of the Reorganization is a pre-condition to the closing of the Offering. Therefore, if the Reorganization is not completed, the Offering will not close, and any subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

The following persons are incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or reside outside of Canada. The persons named below have appointed the following agents for service of process:

Name of Person or Company	Name and Address of Agent for Service
BBG, Inc. (the "**Appraiser**")	Starlight Investments Ltd. 1400-3280 Bloor St West, Centre Tower, Toronto, ON M8X 2X3

Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

The Manager is the asset manager, and may be considered to be the promoter, of the Fund, giving the Fund access to the Manager's experienced management team and broad network of relationships in the U.S. multi-family real estate sector. The Manager is owned and controlled by Daniel Drimmer, a significant Unitholder of the Fund and director and Chief Executive Officer of the general partner of the Fund. The Manager will receive various fees and payments from the Fund and certain of its subsidiaries in respect of the acquisition and disposition of the Properties and asset management and other services provided to the Fund and certain of its subsidiaries pursuant to the Management Agreement (as defined herein). In addition, certain directors and officers of the Fund will be affiliated with the Manager. The Fund and the Manager or affiliates thereof have or may enter into certain arrangements, such as the Fund purchasing certain Properties from the Manager, including the share acquisition of Campar Capital Corporation. Daniel Drimmer has been the President, Chief Executive Officer and a Director of Campar Capital Corporation since its initial public offering on October 8, 2014 and the remaining 20% interest in Boardwalk Med Center (as defined herein), which will be transferred to the Fund as part of the Reorganization, is owned by Boardwalk Acquisition Partnership (the unitholders of which are principally senior management of the Manager, including Daniel Drimmer). The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Evan Kirsh, Martin Liddell and/or David Hanick. If the Manager loses the services of any of Daniel Drimmer, Evan Kirsh, Martin Liddell and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected. The Fund may also become involved in transactions that conflict with the interests of the foregoing. The Fund and the Manager, or its affiliates, have or may enter into certain transactions (including the Reorganization) pursuant to which the Fund has or may acquire certain Properties from the Manager or affiliates of the Manager. Mr. Drimmer is not in any way limited by the Fund or affected in his ability to carry on other business ventures for his own account and for the account of others other than pursuant to any duties he owes to the Fund, in his capacity as a director and officer of the general partner of the Fund. Mr. Drimmer will not have any obligation to account to the Fund or the Unitholders for profits made in such other activities. See "Principal Security Holders", "The Manager and the Management Agreement – The Manager", "The Manager and the Management Agreement – Potential Conflicts of Interest (Directors and Officers")", "Risk Factors – Risks Related to the Fund – Reliance on the Manager", "Promoter" and "Interests of Management and Others in Material Transactions".

The Fund will adopt a written code of business conduct and ethics that applies to all directors and officers of the Fund, and the Manager and its employees. See "Audit Committee and Corporate Governance – Corporate Governance".

TABLE OF CONTENTS

INTERPRETATION

Certain terms used in this Prospectus are defined under "Glossary of Terms".

Information contained in this Prospectus assumes the completion of, and gives effect to, the Reorganization. References to the Fund refer to Starlight U.S. Multi-Family (No. 5) Core Fund and, unless the context requires otherwise, include its Subsidiaries, and in each case, refer to such entities as constituted on the Closing Date and after giving effect to the Reorganization. Any reference to the U.S. REITs includes their respective Subsidiaries and any nominee entities on behalf of the U.S. REITs, unless the context requires otherwise. In addition, any reference to the indirect acquisition of Properties by the Fund means the acquisition of the Properties by the Fund through its indirect interests in the Investment LPs through the Investment LPs interests in the Holding LPs through the Holding LPs interests in the U.S. REITs, which is or will be the indirect acquirer of such Properties through single purpose entities.

In this Prospectus, all references to "$" or "C$" are to Canadian dollars and all references to "US$" are to U.S. dollars, unless otherwise noted.

The following table sets forth, for the periods indicated, the high, low, average and period-end noon spot rates of exchange for US$1.00, expressed in Canadian dollars, published by the Bank of Canada.

	June 30,		Year ended December 31,	
	2016	2015	2015	2014
	($)	($)	($)	($)
Highest rate during the period	1.4589	1.2083	1.3990	1.1643
Lowest rate during the period	1.2544	1.1728	1.1728	1.0614
Average rate for the period	1.3302	1.2354	1.2787	1.1045
Rate at the end of period	1.3009	1.2474	1.3840	1.1601

For purposes of the *pro forma* and other financial information relating to the interim period ended June 30, 2016, the exchange rate used to convert US$1.00 to $1.00 is $1.30.

The defined term Effective Exchange Rate assumes that the effective date of the Reorganization will be October 14, 2016.

Unless otherwise noted herein, the disclosure in this Prospectus assumes that the Fund will wholly and indirectly acquire the Properties without participation by any co-investors. Co-investors, if any, may invest by acquiring securities of an Investment LP, a Holding LP, a U.S. REIT or otherwise as the directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc. (the general partner of the Fund) determine to be in the best interests of the Fund. Such co-investors would be entitled to the rights associated with securities of an Investment LP and/or a Holding LP and/or a U.S. REIT, as applicable, as described in this Prospectus. See "Risk Factors – Risks Related to the Fund – Co-Investment/Joint Ventures".

Unless otherwise noted herein, the disclosure in this Prospectus assumes that all Class C Units are sold under the Prospectus or issued pursuant to the Reorganization and there is not a concurrent private placement of additional limited partnership units or any Lead Investors.

FORWARD-LOOKING STATEMENTS

This Prospectus includes statements with respect to the Fund, including its business operations and strategy, and financial performance and condition, which may constitute forward-looking information, future oriented financial information, or financial outlooks (collectively, "**forward-looking information**") within the meaning of Canadian securities laws. Forward-looking information may relate to the Fund's future outlook and anticipated events, including future results, performance, achievements, prospects or opportunities for the Fund or the real estate industry and the Offering and may include statements regarding the financial position, budgets, litigation, projected costs, capital expenditures, financial results, taxes, plans and objectives of, or involving, the Fund. Particularly, statements regarding the Fund's expected annual distribution yield, total return on liquidation, target investments, exit strategy and timing thereof, use of local property managers and analytical business strategy, the expected date of completion of the Offering, future market demographics and projected occupancy rates of the Existing Portfolio and the New Portfolio, are forward-looking information. Such forward-looking information in some cases, can be identified by terminology such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information in this Prospectus includes, but is not limited in any manner to statements with respect to:

(a) the Boardwalk Exchange Ratio, the Campar Exchange Ratio and the Fund Exchange Ratio;

(b) opportunities in the U.S. multi-family real estate market and the availability of a substantial inventory of recently constructed, stabilized, Class "A", income-generating properties therein;

(c) optimal market conditions in the Primary Markets;

(d) expectations regarding recent economic developments in the U.S., the future recovery of the U.S. real estate markets generally and the U.S. to Canadian dollar exchange rates;

(e) the forecasted financial results of the Fund for the periods set out under the "Financial Forecast" section of this Prospectus;

(f) the Fund's intention, after the completion of the acquisition of the New Portfolio, to use the remaining Net Subscription Proceeds within nine months to acquire additional Properties;

(g) opportunities to increase the NOI of the Properties comprising the Existing Portfolio and the New Portfolio;

(h) the availability of financing for the Properties;

(i) the Fund's intention to make distributions monthly;

(j) the Fund's intention and ability to purchase derivative instruments that will underlie the Class H Unit Liquidation Hedge and the potential discontinuance of such hedges by the Manager in the event derivative instruments are not available on an economical basis or are determined by the Manager to be no longer in the best interests of holders of the applicable class or classes of Units;

(k) the possibility of the Fund purchasing derivative instruments that will hedge its foreign currency risk or interest rate risk;

(l) the anticipated protection to be provided by the Class H Unit Liquidation Hedge against any weakening of the U.S. dollar as compared to the Canadian dollar;

(m) the Fund's ability to sell or monetize its position in respect of and realize any profit or gain in connection with the derivative instruments that will make up the Class H Unit Liquidation Hedge in the event the Fund is terminated or liquidated prior to the maturity of those contracts, particularly in the event the Term ultimately differs from the intended three-year investment horizon;

(n) the possibility of the Manager leveraging its network in the multi-family sector to explore possible co-investments between the Fund and potential co-investors;

(o) the Fund's objective to enhance the operating income and property values and ultimately dispose of its assets, including its interest in any of its Subsidiaries, at a gain by the end of the Term;

(p) the Fund's target annual pre-tax distribution yield and investor internal rate of return for the term of the Fund, in each case across all Unit classes;

(q) the Fund's ability to further defer tax liabilities; and

(r) the Term.

Material factors and assumptions used by management of the Fund to develop the forward-looking information include, but are not limited to, the Fund's current expectations about: the Existing Portfolio; vacancy and rental growth rates in the U.S. multi-family market; demographic trends in the U.S.; opportunity for currency appreciation; the realization of property value appreciation and timing thereof; the inventory of multi-family real estate properties; the availability of properties (other than the New Portfolio) for acquisition and the price at which such properties may be acquired; the price at which Properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of Properties; the availability of mortgage financing and current interest rates; the capital structure of the Fund; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the U.S. REITs intend to operate; expenditures and fees in connection with the maintenance, operation and administration of the Properties; the ability of the Manager to manage and operate the Properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws. With respect to factors and assumptions used to calculate the 6.5% pre-tax, investor internal rate of return, please see "Description of the Securities Distributed – Units – Distributions". While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

Although the Manager believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's internal projections, expectations and beliefs at this time, such statements involve known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Fund's control, may affect the operations, performance and results of the Fund, and could cause actual results in future periods to differ materially from current expectations of estimated or anticipated events or results expressed or implied by such forward-looking statements. Such factors include, among other things, the availability of suitable Properties for purchase by the Fund, the availability of mortgage financing for such Properties, and general economic and market factors, including interest rates, prospective purchasers of real estate, the attractiveness of the Fund's Properties and the ability of the Fund to sell its Properties upon termination of the Fund, business competition, changes in government regulations or income tax laws. See "Risk Factors".

Investors are cautioned against placing undue reliance on forward-looking statements.

Except as required by law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

MARKET DATA

This Prospectus contains statistical data, market research and industry forecasts that were obtained from government and industry publications and reports or are based on estimates derived from such publications and reports and the Manager's knowledge of, and experience in, the markets in which the Fund operates. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such publications or reports, and the prospect for material variation can be expected to increase as the length of the forecast period increases. While the Manager believes this data to be reliable, market and industry data is subject to variations and cannot be verified due to limits on the availability and reliability of data inputs and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy, currency and completeness of this information cannot be guaranteed. None of the Fund, the Manager or the Agents has independently verified any of the data from third-party sources referred to in this Prospectus or ascertained the underlying assumptions relied upon by such sources.

NON-IFRS MEASURES

In this Prospectus, the Fund uses certain non-International Financial Reporting Standards ("**IFRS**") financial measures, which include funds from operations ("**FFO**"), adjusted funds from operations ("**AFFO**"), net operating income ("**NOI**"), gross book value ("**Gross Book Value**"), capitalization rate ("**Capitalization Rate**"), indebtedness ("**Indebtedness**"), interest coverage ratio ("**Interest Coverage Ratio**") and indebtedness coverage ratio ("**Indebtedness Coverage Ratio**"). These terms are not measures recognized under IFRS as prescribed by the International Accounting Standards, do not have standardized meanings prescribed by IFRS and should not be compared to or construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. FFO, AFFO, NOI, Gross Book Value, Indebtedness, Interest Coverage Ratio and Indebtedness Coverage Ratio, as computed by the Fund, may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same. The IFRS measurement most directly comparable to FFO, AFFO and NOI is net income. See "Financial Forecast – Non-IFRS Reconciliation" for reconciliations of forecasted NOI, FFO and

AFFO to forecasted net income. FFO, AFFO and NOI should not be construed as alternatives to net income or cash flow from operating activities, determined in accordance with IFRS as indicators of the Fund's performance.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments, distributions to Unitholders on Units classified as financial liabilities, IFRIC 21 adjustment for realty taxes, deferred income tax expense and realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business before reinvestment or provision for other capital needs. FFO is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of operating performance and is being calculated in accordance with RealPac.

AFFO is defined as FFO subject to certain additional adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans assumed; (ii) amortization of deferred financing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by management. Other adjustments may be made to AFFO as determined by management. AFFO is presented in this Prospectus because management considers this non IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of operating performance and uses this measure to assess each property operating performance on an unlevered basis.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of financial condition.

Capitalization Rate is defined as the yield of a property calculated by dividing the NOI of the property by the purchase price of the property. Capitalization Rate is presented in this Prospectus because management considers it relevant in interpreting the purchase price of the Properties being acquired.

Interest Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes and distributions to Unitholders plus finance costs which includes amortization of financing costs and mortgage premiums (discounts), fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest expense. Interest expense is defined as actual interest on debt instruments. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability to make cash distributions.

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes and distributions to Unitholders plus finance costs which include amortization of financing costs and mortgage premiums (discounts), fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy obligations. Indebtedness Coverage Ratio is presented in this Prospectus because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability to make cash distributions.

MARKETING MATERIALS

The following marketing materials (as such term is defined in NI 41-101) have been filed with the securities commission or similar authority in each of the provinces of Canada in connection with the Offering and are incorporated by reference into this Prospectus (collectively, the "**Marketing Materials**"):

(1) the template version of the roadshow presentation dated September 6, 2016; and

(2) the template version of the term sheet dated September 6, 2016.

The template versions of the Marketing Materials are not part of this Prospectus to the extent that the contents of the template versions of the Marketing Materials have been modified or superseded by a statement contained in this Prospectus.

In addition, any template version of any other marketing materials filed with the securities commission or similar authority in each of the provinces of Canada in connection with this Offering after the date hereof but prior to the termination of the distribution of the securities under this Prospectus is deemed to be incorporated by reference into this Prospectus.

ELIGIBILITY FOR INVESTMENT

Based on the current provisions of the Tax Act, in the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, provided that, at all relevant times, the Class A Units and Class U Units are listed on a "designated stock exchange" as defined in the Tax Act (which includes Tier 1 and Tier 2 of the Exchange), the Class A Units and Class U Units will be qualified investments for trusts governed by Plans (which includes RRSPs, RESPs, RRIFs, deferred profit sharing plans, registered disability savings plans and TFSAs). The Class D Units, Class E Units, Class F Units, Class H Units and the Class C Units likely are not qualified investments for Plans. Prospective Purchasers of Class D Units, Class E Units, Class F Units, Class H Units and Class C Units and holders of Class A Units or Class U Units who wish to convert such Units to Class D Units or Class E Units should consult with their own tax advisors in this regard.

The Class A Units and Class U Units will not be a prohibited investment for a trust governed by a TFSA, RRSP or RRIF provided the holder of such TFSA or the annuitant of such RRSP or RRIF, as the case may be, (i) deals at arm's length with the Fund for purposes of the Tax Act, and (ii) does not have a "significant interest" in the Fund, as defined in the Tax Act. Prospective Purchasers who intend to hold Class A Units and Class U Units in a TFSA, RRSP or RRIF are advised to consult their personal tax advisors.

PROSPECTUS SUMMARY

The following is a summary of the principal features of this Offering and should be read together with the more detailed information and financial data and statements contained elsewhere in this Prospectus. Certain terms and abbreviations used in this summary are defined in the Glossary of Terms provided herein.

Issuer: Starlight U.S. Multi-Family (No. 5) Core Fund (the "**Fund**") is a "closed-end" limited partnership, sponsored and asset managed by Starlight Investments Ltd. (the "**Manager**"). The Fund is governed by the laws of Ontario and was established on August 26, 2016, pursuant to the Fund LP Agreement. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio comprised primarily of recently constructed, stabilized, Class "A", income-producing multi-family real estate properties in the States of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas. As a result of the Reorganization prior to Closing of the Offering the Fund will have issued approximately 18,230,428 Class A Units, 2,582,853 Class U Units, 6,131,333 Class D Units, 1,047,476 Class E Units, 2,121,072 Class F Units, 344,553 Class H Units and 13,162,407 Class C Units to the former securityholders of the Existing Starlight Funds and Campar, the former holders of units of Boardwalk Acquisition Partnership and the former indirect holders of the "Carried Interests" in the Existing Starlight Funds, assuming an Effective Exchange Rate of C$1.325 to US$1.00. See "Corporate Structure".

The Fund will indirectly own the Existing Portfolio, being a property portfolio comprising an aggregate of 5,882 multi-family residential apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas, which properties it will have acquired through its acquisition of the Existing Starlight Funds and Campar. See "Description of the Activities of the Fund – The Existing Portfolio". Following completion of the Offering, the Fund will indirectly acquire the New Portfolio, being a portfolio comprising an aggregate of 910 multi-family residential apartment suites in three properties located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively. See "Description of the Activities of the Fund – The New Portfolio" and "Use of Proceeds".

General Partner: The general partner of the Fund is Starlight U.S. Multi-Family (No. 5) Core GP, Inc. (the "**General Partner**"), a corporation incorporated under the laws of Alberta. All of the issued and outstanding securities of the General Partner are held by the Manager.

As required by law, the Fund LP Agreement provides for the management and control of the Fund by a general partner rather than a board of directors and officers. The General Partner has a board consisting of three directors, the majority of whom, upon closing of the Offering, will be independent. The directors of the General Partner, upon closing of the Offering, will be Daniel Drimmer, Graham Rosenberg and Harry Rosenbaum. The officers of the General Partner will be Daniel Drimmer (Chief Executive Officer), Martin Liddell (Chief Financial Officer), Evan Kirsh (President) and David Hanick (Corporate Secretary). Each such director and officer has prior experience in the U.S. multi-family sector gained through the deployment and management of the Existing Starlight Funds. See "Directors and Officers" and "The Manager and the Management Agreement".

The Manager: The Fund will be managed by the Manager, a company incorporated under the laws of Ontario, which will be engaged by the Fund in the identification, acquisition, ownership, operation and disposition of income-producing multi-family real estate properties. Led by a team of industry veterans with a record of creating long-term investor value, the Manager is an experienced multi-family real estate owner and asset manager. The Manager's principal, Daniel Drimmer, has over 18 years of experience identifying undervalued properties in the multi-family real estate sector, acquiring such properties and realizing value through individual asset or portfolio sales. As a result of the Manager's reputation for transacting and its prior experience in the U.S. multi-family sector (gained through, in particular, the deployment and management of the Existing Starlight Funds), the Manager has an established network in the U.S. from which to source future acquisitions.

The Manager currently owns and/or asset manages approximately C$6.4 billion in assets in Canada and the U.S., with approximately 400 properties across Canada and the U.S., including approximately 33,000 apartment suites (of which approximately 8,700 suites are located in the United States in Texas (approximately 5,180 suites), Florida (approximately 1,200 suites), North Carolina (approximately 760 suites), Arizona (approximately 630 suites), Georgia (approximately 400 suites), Tennessee (approximately 300 suites), and Colorado (approximately 230 suites)), and approximately 2,500,000 square feet of commercial space through various entities, including its partnerships with three institutional investors. With investments in over 27 communities, the Manager has a demonstrated ability to identify opportunities for superior returns in the Atlanta, Austin, Charlotte, Dallas, Denver, Houston, Nashville, Orlando, Phoenix, Raleigh and Tampa metropolitan areas and provides asset management services to Northview Apartment REIT (TSX: NVU.UN), True North Commercial REIT (TSX: TNT.UN), Fund1 (TSX-V: UMF.A and UMF.U), Fund2 (TSX-V: SUD.A and SUD.U), Fund3 (TSX-V: SUS.A and SUS.U) and Fund4 (TSX-V: SUF.A and SUF.U). The Manager believes it has been among North America's most active real estate investors since its inception in 1995 and employs approximately 110 professionals.

During the past ten years, the principal of the Manager, Daniel Drimmer, acquired, operated and sold in excess of 85,000 multi-family suites. Also during this time period, the Manager has established a reputation for identifying acquisitions and driving value through a hands-on asset management approach. The Manager is owned by Daniel Drimmer (see the biography of Mr. Drimmer under "Directors and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles").

Historical performance of each of the Existing Starlight Funds, and on a combined basis, is shown for illustrative purposes only and does not guarantee the future performance of any particular investment or the Fund, which will vary. See "The Manager and the Management Agreement". **Investors should also review the financial statements included in this Prospectus for each of the Existing Starlight Funds and Campar (see "Index to Financial Statements").**

Combined Results of the Existing Starlight Funds

Combined operating results for the Existing Starlight Funds for the six months ended June 30, 2016 and as at June 30, 2016 included:

(a) Overall NOI margin of approximately 55.8%.

(b) Weighted average occupancy of approximately 93.5%.

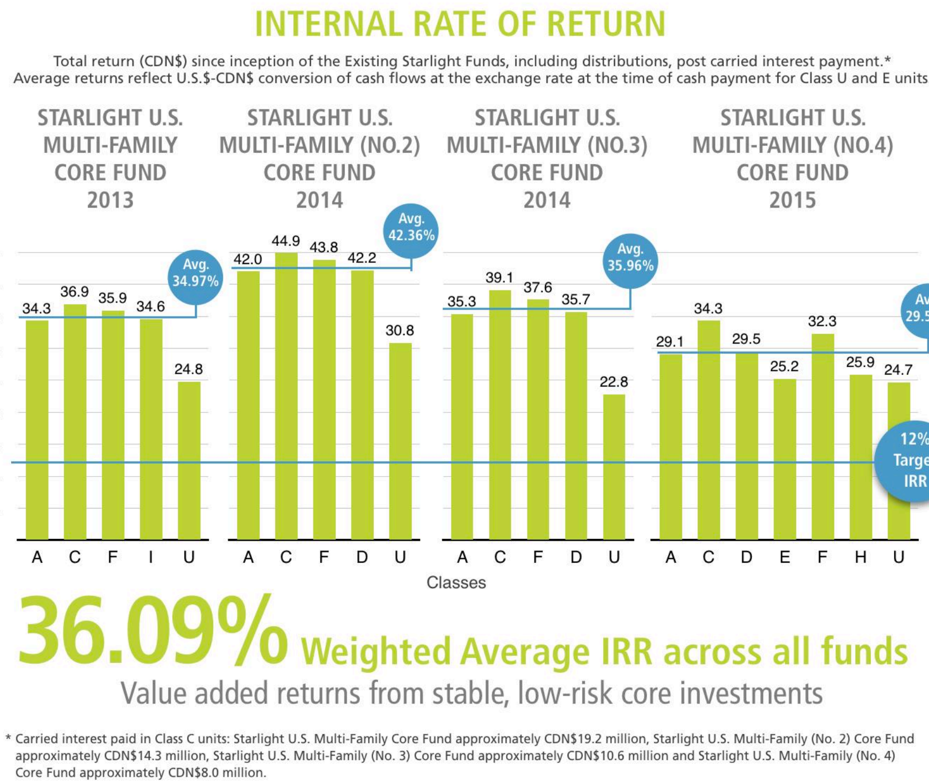
(c) AFFO payout ratio of approximately 50.9%.

(d) Leverage of approximately 62.9% of Gross Book Value.

(e) Interest Coverage Ratio for the period of 2.46x and Indebtedness Coverage Ratio of 2.33x.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016 to appraise the portfolios of each Existing Starlight Fund. The combined appraised value of the Existing Starlight Funds' portfolio was in aggregate US$882,400,000, which amount exceeds the aggregate purchase price of such properties by US$165,030,500 or 23%. This increase in appraised value was due to NOI growth and Capitalization Rate compression and reflects underlying fundamentals and market conditions as well as the Manager's active asset management strategy. There can be no assurance that the performance of the Fund will equal or exceed the past performance of the Existing Starlight Funds. Past performance does not guarantee future results.

The Manager intends to continue executing its proven investment and asset management strategy to deliver superior returns for the Fund, deriving stable returns from attractive assets in target markets that exhibit favourable fundamentals. Investors in the Existing Starlight Funds have benefited from this approach.



Fund1

The Manager, as promoter, closed its first offering on April 18, 2013 through Fund1 and raised approximately US$47.2 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$145.1 million of apartment product, and purchased interests in 1,764 apartment suites in Houston and Dallas, Texas. Including subsequently acquired interests in Properties in North Carolina and Georgia, Fund1 now holds interests in nine properties in a portfolio of 2,606 suites. Property managers engaged on the portfolio of Fund1 include Greystar and Pinnacle, two of the largest and most well-respected apartment managers in the U.S. with approximately 395,000 and 132,000 multi-family suites under management, respectively.

Property	Location	# of Suites	Purchase Price Per Suite	Purchase Price Per Square Foot
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	US$108,489	US$108
Villages of Towne Lake	4055 Village Drive, McKinney, Texas	126	US$115,079	US$118
Greenhaven Apartments	8690 Virginia Parkway, McKinney, Texas	216	US$108,796	US$123
Falls at Eagle Creek (35% Interest)[1]	9702 N. Sam Houston Highway, Humble, Texas	412	US$99,515	US$108
Soho Parkway (25% Interest)[1]	6653 McKinney Ranch Parkway, McKinney, Texas	379	US$108,971	US$113
The Villages at Sunset Ridge (50% Interest)[2]	14807 Woodland Hills Dr, Humble, Texas	257	US$95,720	US$104
Belle Haven Apartments (66.67% Interest)[2]	9005 Post Canyon Lane, Charlotte, North Carolina	176	US$150,000	US$137

Sorelle Apartments (35% Interest)[2]	2399 Parkland Drive, Atlanta, Georgia	401	US$163,342	US$186
Marquee Station	2110 Cinema Drive, Fuquay Varina, North Carolina	265	US$156,604	US$157
TOTAL/AVERAGE		**2,606**	**US$122,362**	**US$129**

Notes:

(1) The remaining interest in the property is owned by Fund2.

(2) The remaining interest in the property is owned by Fund3.

Operating results for Fund1 for the period April 23, 2013 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 56.9% and annualized rental growth of 4.8%.

(b) Weighted average occupancy of Fund1's properties for the second quarter of 2016 of 93.2%.

(c) AFFO payout ratio for the second quarter of 2016 of 44.4%.

(d) Leverage of 59.5% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 2.4x and Indebtedness Coverage Ratio of 2.0x.

(f) Weighted average interest rate on mortgages of 2.77% and weighted average term to maturity of approximately 3.23 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 34.3%.

As at June 30, 2016, the U.S. dollar has appreciated 26.1% against the Canadian dollar since the close of the Fund1 offering.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016 to appraise Fund1's portfolio. The appraised value of the portfolio was in aggregate US$252,715,970, which amount exceeds the aggregate purchase price of such properties by US$55,140,970 or 27.9%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy.

Fund2

The Manager, as promoter, closed its second offering on November 15, 2013 through Fund2 and raised approximately US$32.7 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$94.6 million of apartment product, and purchased interests in 1,131 apartment suites in Houston, Austin and Dallas, Texas. Fund2 holds interests in a portfolio of 1,527 suites. Property managers engaged on the portfolio of Fund2 include Greystar, Pinnacle and Alliance, three of the largest and most well-respected apartment managers in the U.S. with approximately 395,000, 132,000 and 82,000 multi-family suites under management, respectively.

Property	Location	# of Suites	Purchase Price Per Suite	Purchase Price Per Square Foot
Palm Valley Apartments	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	US$107,206	US$110

Falls at Eagle Creek (65% Interest)[1]	9702 N. Sam Houston Highway, Humble, Texas	412	US$101,286	US$110
Soho Parkway (75% Interest)[1]	6653 McKinney Ranch Parkway in McKinney, Texas	379	US$108,971	US$113
Travesia Apartments	3701 Quick Hill Road, Austin, Williamson County, Texas	396	US$127,778	US$147
TOTAL/AVERAGE		**1,527**	**US$111,382**	**US$120**

Note:

(1) The remaining interest in the property is owned by Fund1.

Operating results for Fund2 for the period November 18, 2013 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 55.5% and annualized rental growth of 5.4%.

(b) Weighted average occupancy of Fund2's properties for the second quarter of 2016 of 94.9%.

(c) AFFO payout ratio for the second quarter of 2016 of 34.2%.

(d) Leverage of 60.7% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 3.1x and Indebtedness Coverage Ratio of 3.1x.

(f) Weighted average interest rate on mortgages of 2.33% and weighted average term to maturity of approximately 5.29 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 42.0%.

As at June 30, 2016, the U.S. dollar has appreciated 23.5% against the Canadian dollar since the close of the Fund2 offering.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016 to appraise Fund2's portfolio. The appraised value of the portfolio was in aggregate US$189,915,000, which amount exceeds the aggregate purchase price of the properties by US$44,765,500 or 30.8%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy.

Fund3

The Manager, as promoter, closed its third offering on July 9, 2014 through Fund3 and raised approximately US$49.6 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within four months of the closing of the offering, comprising US$139.1 million of apartment product and purchased interests in 983 apartment suites in Houston and Dallas, Texas. Including subsequently acquired interests in Properties in North Carolina and Georgia, Fund3 now holds ownership interests in a portfolio of 1,894 suites. Property managers engaged on the portfolio of Fund3 include Greystar and Alliance, two of the largest and most well-respected apartment managers in the U.S. with approximately 395,000 and 82,000 multi-family suites under management, respectively.

Property	Location	# of Suites	Purchase Price Per Suite	Purchase Price Per Square Foot
The Allure	701 North Vista Ridge,	334	US$129,192	US$131

	Cedar Park, Texas			
Residences at Cinco Ranch	20900 FM 1093, Richmond, Texas	300	US$116,333	US$121
The Villages at Sunset Ridge (50% Interest)[1]	14807 Woodland Hills Drive, Humble, Texas	257	US$97,276	US$106
Yorktown Crossing	15903 Yorktown Crossing Parkway, Houston, Texas	312	US$112,821	US$126
The Reserve at Jones Road	9702 N. Sam Houston Highway, Humble, Texas	114	US$115,263	US$125
Belle Haven Apartments (33.33% Interest)[1]	9005 Post Canyon Lane, Charlotte, North Carolina	176	US$150,000	US$137
Sorelle Apartments (65% Interest)[1]	2399 Parkland Drive, Atlanta, Georgia	401	US$163,342	US$186
TOTAL/AVERAGE		**1,894**	**US$128,453**	**US$137**

Note:

(1) The remaining interest in the property is owned by Fund1.

Operating results for Fund3 for the period July 10, 2014 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 52.0% and annualized rental growth of 3.9%.

(b) Weighted average occupancy of Fund3's properties for the second quarter of 2016 of 92.3%.

(c) AFFO payout ratio for the second quarter of 2016 of 60.4%.

(d) Leverage of 65.0% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 2.3x and Indebtedness Coverage Ratio of 2.3x.

(f) Weighted average interest rate on mortgages of 2.44% and weighted average term to maturity of approximately 4.82 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 35.3%.

As at June 30, 2016, the U.S. dollar has appreciated 21.0% against the Canadian dollar since the close of the Fund3 offering.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016 to appraise Fund3's portfolio. The appraised value of the portfolio was in aggregate US$226,169,903, which amount exceeds the aggregate purchase price of such properties by US$35,904,903 or 18.9%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy.

Fund4

The Manager, as promoter, closed its fourth offering on April 10, 2015 through Fund4 and raised approximately US$51.4 million. These funds were substantially deployed to acquire four recently constructed, stabilized, Class "A", multi-family assets in Orlando and Tampa, Florida. Property managers engaged on the portfolio of Fund4 include Pinnacle, one of the largest and most well-respected apartment managers in the U.S., and Altman Property Management, a large, third-party, multi-family, property manager in the U.S. with local market expertise and experience, with approximately 132,000 and over 24,000 multi-family suites under management, respectively.

Property	Location	# of Suites	Purchase Price Per Suite	Purchase Price Per Square Foot
Altis at Grand Cypress	1901 Cypress Preserve Dr, Tampa, Florida	304	US$157,993	US$158
Verano Apartments	2200 Villa Verano Way, Orlando, Florida	384	US$127,344	US $125
Pure Living	740 Savory Place, Heathrow, Florida	252	US$177,579	US$146
The Reserves at Alafaya	3715 Alafaya Heights Road, Orlando, Florida	264	US$161,742	US$154
TOTAL/AVERAGE		**1,204**	**US$153,140**	**US$144**

Operating results for Fund4 for the period April 10, 2015 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 58.8% and annualized rental growth of 4.9%.

(b) Weighted average occupancy of Fund4's properties for the second quarter of 2016 of 93.9% (in-line with underwriting assumptions).

(c) AFFO payout ratio for the second quarter of 2016 of 73.2%.

(d) Leverage of 66.5% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 2.0x and Indebtedness Coverage Ratio of 2.0x.

(f) Weighted average interest rate on mortgages of 2.56% and weighted average term to maturity of approximately 4.25 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 29.1%.

As at June 30, 2016, the U.S. dollar has appreciated 2.6% against the Canadian dollar since the close of the Fund4 offering.

The Manager engaged the Appraiser on July 22, 2016 to appraise Fund4's portfolio. The appraised value of the portfolio was in aggregate US$213,600,000, which amount exceeds the aggregate purchase price of such properties by US$29,220,000 or 15.8%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy.

Investment Strategy: The Fund was established for the primary purpose of investing indirectly in recently constructed, Class "A", core income-producing rental properties in the U.S. multi-family real estate market. The Manager believes that the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long term returns when compared to other real estate asset classes. The Manager believes that the Existing Portfolio benefits from being located in strong submarkets with favourable demographics, and expects that the Existing Portfolio will have excellent prospects for rental growth going forward. The Properties will also benefit from the Manager's active asset management to enhance rental income and reduce expenses going forward.

Investment Objectives: The Fund's investment objectives are to:

(a) indirectly acquire, own, and operate a portfolio comprised of recently constructed, stabilized, Class "A", income-producing multi-family real estate properties in the Primary Markets;

(b) make stable monthly cash distributions; and

(c) enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately directly or indirectly disposing of its interests in the assets at a gain by the end of the Term.

The Fund will target an annual pre-tax distribution yield of 6.5% (based on the original subscription price under the Offering and calculated in the currency of the Units held) across all Unit classes and aim to realize a targeted 12% pre-tax, investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund's interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses (as defined herein) and any unhedged exposure to Canadian/U.S. dollar exchange rates. In the case of the Class H Units, the targeted annual pre-tax distribution yield of 6.5% is to be reduced by the cost of the Class H Unit Liquidation Hedge which is expected to result in a targeted annual pre-tax distribution yield of 3.5%, with any additional costs in respect of such hedge to be accounted for upon termination or liquidation of the Fund. See "Risk Factors" and "Description of the Securities Distributed – Units – Distributions".

In order to meet its investment objectives, the Fund's investment strategy will be as follows:

Core Acquisition of U.S. Multi-Family Real Estate

(a) Identify additional acquisition opportunities in the U.S. multi-family residential market by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off" market opportunities.

(b) Target multi-family assets that are:

(i) constructed in 2008 or later, Class "A", stabilized properties with the potential to benefit from active management;

(ii) located in the Primary Markets, each with favourable demographics and fundamentals ;

(iii) located in mature areas with barriers to new development; and

(iv) stabilized, with the potential to benefit from an active asset management strategy.

(c) Complete a comprehensive due diligence program, including cash flow and return modeling, operating expense reviews, and third-party reports including market studies, structural and environmental assessments and appraisals.

(d) Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.

(e) Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors. See "Investment Strategy – Potential Co-Investments".

Asset Value Enhancement Through Active Asset Management Strategy

(a) Acquire primarily from merchant builders and private equity funds (not operators).

(b) Prepare a property-specific asset management plan to improve NOI margins by:

(i) increasing rental rates through rental rate mapping and the use of yield management software;

(ii) identifying and realizing upon ancillary income opportunities;

(iii) reducing Operating Expenses; and

(iv) utilizing reputable best in class U.S.-based property managers.

(c) Perform targeted, discrete capital expenditures in order to increase asking rental rates.

(d) Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.

(e) Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).

(f) Reduce operating expenses such as staffing, maintenance contracts, advertising and insurance through economies of scale.

(g) Perform selective, discrete in-suite, capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas

The Manager will target acquisitions primarily in the Primary Markets where markets feature:

(a) compelling population, economic and employment growth rates;

(b) ‘landlord friendly’ legal environments; and

(c) comfortable climates and quality of life.

The Fund expects to indirectly acquire properties primarily in the Primary Markets and the Manager believes that each of these states exhibits the characteristics above.

Value Realization Through Strategic Dispositions

(a) Asset value increases are expected by the Manager to be realized through a combination of NOI growth, Capitalization Rate compression and currency appreciation.

(b) The Manager, on behalf of the Fund, will execute dispositions throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.

(c) The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds on a tax efficient basis. In addition, the Manager may also consider a recapitalization or conversion to a new publicly listed vehicle.

The Manager, on behalf of the Fund, may also consider reducing its exposure in any one of the Primary Markets by disposing of certain Properties during the Term and by replacing such Properties with new Properties in the Primary Markets having greater potential NOI growth and value while achieving further geographical diversification of the Fund’s overall portfolio and a more balanced distribution of Properties within the Primary Markets.

Strategic U.S. Market and Asset Class Focus

The Manager believes that:

(a) multi-family fundamentals are strong, featuring both declining vacancy rates and appealing rental growth rates due to a reduction in home ownership and strong employment growth;

(b) positive demographic trends increasingly support strong demand for rental accommodation, while the

U.S. housing market has shifted away from home ownership in favour of rental housing, which should enhance the sector's performance;

(c) younger Americans prefer to rent rather than own as it provides flexibility to relocate elsewhere in the U.S. and the quality of rental accommodations and amenities are in some cases superior to what would be found in a new home, without the requirement for a down payment;

(d) new supply of multi-family product remains below historical levels;

(e) attractive mortgage debt financing rates create positive leverage;

(f) multi-family real estate provides strong, risk-adjusted, long term returns compared to other real estate asset classes; and

(g) private investors and other investment funds have focused more on older, Class "B" and "C" value add assets, which has created an opportunity on recently constructed, stabilized, Class "A" assets.

The Manager will provide the Fund with the platform necessary to capitalize on this opportunity, offering its experience, expertise, and the benefit of its established network of industry contacts. The Manager believes that the multi-family real estate sector in the U.S. currently provides an opportunity to acquire multi-family properties at favourable pricing. The Manager believes that, since recovering from the global financial crisis, real estate investment trusts and institutional investors have focused their attention on trophy assets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. Consequently, the Manager believes that there exists a substantial inventory of recently constructed, stabilized, Class "A", income-generating, multi-family properties that it can source on an "on" and "off" market basis at attractive pricing.

Capital growth will be pursued by the Manager through value-added enhancements to the Properties and organic growth in suite rental rates. Additionally, the Manager expects that the low interest rate environment and investors' demand for yield will lead to an increase in demand for income-producing real estate and, ultimately, an overall reduction in Capitalization Rates.

Financing Strategy

The Fund's financing strategy is to access short term financing at comparatively low interest rates, and maintain flexibility by not locking in for longer terms. The Fund is differentiated by its targeted three-year time horizon, and the goal is to align the term of debt to the investment holding period. As part of this strategy, the intent is to offer the portfolio unencumbered by any mortgages at the end of the holding period to prospective buyers.

Investment Highlights:

Optimal U.S. Submarkets – The Manager believes that Las Vegas, Atlanta and Austin exhibit optimal characteristics for targeted, core multi-family investments.

Las Vegas is the most populous city in the state of Nevada and the 29th-most populous city in the United States, with a population in the Las Vegas Metropolitan area of approximately 2.1 million people. Often referred to as the 'Entertainment Capital of the World', Las Vegas is an internationally renowned major resort city known primarily for gambling, shopping, fine dining, and nightlife and is the leading financial, commercial and cultural center for Southern Nevada. Today, Las Vegas is one of the top tourist destinations in the world and attracts approximately 41 million tourists annually. Las Vegas is also one of the top places for business conventions and meetings, hosting over 21,000 conventions and 5.9 million convention delegates in 2015. Some of Las Vegas' major employers include MGM Resorts International, Clark County School District, Caesars Entertainment, Nellis & Creech AFB, Wynn Resorts and Stations Casinos. Las Vegas currently has an unemployment rate of 6.9%, 0.2% below the rate experienced a year prior. According to the U.S. Bureau of Labor Statistics, Las Vegas is estimated to have gained 19,600 jobs from May 2015 to May 2016, which translates to a 2.1% increase over the previous year's total employment.

The Atlanta metropolitan area is home to approximately 5.5 million people and is the ninth largest metropolitan area in the United States. Atlanta has a diverse economic base made up of companies operating in the logistics, professional and business services, media operations and information technology industries. Job growth in the

Atlanta metropolitan area was 2.7% in June 2016, reflecting over 69,000 jobs added during a 12-month period and was well above the national average of 1.8%. As the primary transportation hub to the Southeastern United States, Atlanta's Harstfield-Jackson Atlanta International Airport accommodates approximately 260,000 passengers daily and is the busiest airport in the world. Key employers in the Atlanta metropolitan area include The Coca-Cola Company, The Home Depot, Delta Air Lines, AT&T Mobility, UPS and Newell-Rubbermaid. Atlanta currently has an unemployment rate of 5.3%, in line with the state average 5.1%. According to the U.S. Bureau of Labor Statistics, Atlanta is estimated to have gained 76,600 jobs from May 2015 to May 2016, which translates to a 3% increase over the previous year's total employment.

Austin is the capital of the state of Texas and is the fourth most populated city in the state. As one of the fasting growing cities in the Unites States, Austin has a population of approximately 932,000. Considered to be a major hub for high tech companies, major corporations and companies such as Apple, Dell, 3M, IBM and Hewlett-Packard all have significant operations within the Austin metropolitan area. Austin is also emerging as a hub for pharmaceutical and biotechnologies companies. Unemployment in Austin currently sits at 3.3%, below the state average of 4.5%. According to the U.S. Bureau of Labor Statistics, Austin is estimated to have gained 37,300 jobs from May 2015 to May 2016, which translates to a 3.9% increase over the previous year's total employment.

Optimal U.S. Market Conditions – The Manager believes that the U.S. multi-family real estate market exhibits conditions that are optimal for a targeted, core investment program. While the U.S. economy experiences strong growth, the Manager believes that asset pricing will remain attractive. Moreover, according to Marcus & Millichap, multi-family real estate sector fundamentals are strong, owing to a shift away from home ownership and positive demographic trends supporting rental accommodation.

According to Marcus & Millichap, since a significant decline in apartment prices began in 2007, prices have recovered across the U.S. and the market outlook remains positive. The Manager is of the view that a convergence of demographic and market factors will continue to support this sector's recovery and that now is an opportune time to invest in this asset class.

Favourable Demographic Trends – According to Green Street Advisors, the U.S. multi-family real estate market is currently supported by a larger-than-normal cohort of Americans entering the 18 to 34 year old age bracket, representing the prime renting years of many Americans. The prime renter demographic – those under 35 years old (Millennial subset) – is projected to grow at a rate above the broader population over the next decade, representing a strong tailwind for apartment demand. The population of Millennials in the U.S. is projected to surpass 75 million by 2020. Those aged 25 to 29 have a 68% propensity to rent, while those 30 to 34 display a 54% propensity to rent. In addition, the Manager believes that job growth disparity across the U.S. has caused many Americans to migrate to high-growth markets, including many communities in the Primary Markets.

According to the U.S. Census Bureau, Housing Vacancies and Home Ownership, since its peak in 2004, the U.S. home ownership rate has fallen from approximately 69.2% to its recent level of approximately 62.9% as at June 30, 2016, an all-time low, creating an increased renter pool of over 18 million people. The Manager is of the view that events in 2008 surrounding aggressive mortgage lending and the ensuing collapse of the U.S. asset-backed securities market created a relatively negative bias toward home ownership, while the proliferation of attractive, cost-effective rental communities, close to workplaces have increased demand for multi-family suite rentals.

Defensive Nature of Multi-Family Sector – The Manager believes that the multi-family real estate sector provides investors with favourable sector and industry characteristics in comparison to other asset classes. With a historically low vacancy rate compared to the office and retail asset classes, multi-family real estate investments have exhibited robust performance that has been driven by strong demand and limited new supply. Moreover, according to Investment Property Databank, multi-family real estate investments have provided some of the most attractive returns over the past 20 years, among the major income-producing real estate asset classes.

Favourable Foreign Exchange Exposure – After trading close to or above par with the U.S. dollar due to high commodity prices and a relatively sound Canadian financial system, the Canadian dollar has recently lost ground to the U.S. dollar, which the Manager believes is at least partially attributable to improved growth prospects in the U.S. In prior decades, the Canadian dollar has typically traded significantly below the U.S. dollar; in January 2016, the Canadian dollar reached its lowest value since 2003. The average retail investor in Canada has been historically limited to the stock market for U.S. exposure and recent capital markets volatility has rendered this option potentially less desirable. The Manager believes that an investment in Units will allow retail investors to take advantage of opportunities in the U.S. multi-family real estate market, while (other than in the case of Class E Units and Class U Units) also providing exposure to the U.S. dollar.

Attractive Mortgage Debt Financing Rates – Interest rates on mortgage debt have continued to decline and remain well below historical levels, providing strong, positive leverage and enhancing levered returns for property owners that are able to obtain financing. Historical one month LIBOR average rates are shown on the graph in "Investment Strategy". Current mortgage rates are in the 2% to 3% range.

Constraints on Development – According to the U.S. Census Bureau, new residential construction, multi-family housing starts are still below historical levels, albeit recovering, since declining substantially in 2009. The Manager believes that now is an opportune time for landlords to target higher rents and improve NOI margins amid lower supply and increased demand for the existing supply, just as housing starts and supply begins to pick up.

The Existing Portfolio

The Fund will indirectly own a portfolio comprising an aggregate of 5,882 multi-family residential apartment suites in 20 properties (the "**Existing Portfolio**"). The Properties comprising the Existing Portfolio are located in the States of Florida, Georgia, North Carolina and Texas in the markets of Orlando, Tampa, Atlanta, Charlotte, Raleigh, Houston, Dallas, Austin and San Antonio, respectively. The Manager believes the Properties comprising the Existing Portfolio are in desirable geographic locations, well-tenanted and indicative of the types of properties that the Fund intends to continue to cause the U.S. REITs to acquire as part of its business strategy.

Combined operating results for the Existing Starlight Funds as at June 30, 2016 included:

(a) Overall NOI margin of approximately 55.8%.

(b) Weighted average occupancy of approximately 93.5%.

(c) AFFO payout ratio of approximately 50.9%.

(d) Leverage of approximately 62.9% of Gross Book Value.

(e) Interest Coverage Ratio for the second quarter of 2016 of 2.46x and Indebtedness Coverage Ratio of 2.33x.

The following table highlights certain information about the Existing Properties:

Property	**Year Completed**	**Fund Ownership Interest**	**Total Suites**	**Rentable Area (Sq. Ft.)**	**Average Suite Size (Sq. Ft.)**	**Land Area (Acres)**	**Purchase Price (US$)**	**Purchase Price Per Suite (US$)**	**Purchase Price Per Sq. Ft. (US$)**	**Average Occupancy(1)**	**Average Monthly In Place Rent Per Sq. Ft.(2) (US$)**	**Average Monthly In Place Rent Per Suite(2) (US$)**
Falls at Copper Lake	2008	100%	374	375,396	1,004	18.179	$60,300,000	$161,230	$161	94.39%	$1.19	$1,197
Villages at Towne Lake	2008	100%	126	123,140	977	14.529	$19,100,000	$151,587	$155	96.83%	$1.35	$1,318
Greenhaven Apartments	2009	100%	216	191,540	887	11.24	$32,300,000	$149,537	$169	94.91%	$1.26	$1,121
Falls at Eagle Creek	2009	100%	412	380,756	924	22.13	$56,600,000	$137,379	$149	89.56%	$1.23	$1,127
Soho Parkway Apartments	2008	100%	379	364,383	961	15.04	$56,300,000	$148,549	$155	94.46%	$1.11	$1,066
The Villages at Sunset Ridge	2013	100%	257	235,465	916	11.45	$31,200,000	$121,401	$133	90.66%	$1.17	$1,077
Belle Haven Apartments	2014	100%	176	193,204	1,098	12.89	$29,100,000	$165,341	$151	90.34%	$1.00	$1,101
Sorelle Apartments	2009	100%	401	352,347	879	5.09	$75,800,000	$189,027	$215	94.01%	$1.49	$1,304

Property	Year Completed	Fund Ownership Interest	Total Suites	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (Acres)	Purchase Price (US$)	Purchase Price Per Suite (US$)	Purchase Price Per Sq. Ft. (US$)	Average Occupancy(1)	Average Monthly In Place Rent Per Sq. Ft.(2) (US$)	Average Monthly In Place Rent Per Suite(2) (US$)
Marquee Station	2013/2014	100%	265	263,940	996	17.69	$45,600,000	$172,075	$173	95.09%	$1.13	$1,129
Palm Valley Apartments	2009	100%	340	330,300	971	18.6	$50,200,000	$147,647	$152	92.94%	$1.13	$1,099
Travesia Apartments	2008	100%	396	343,332	867	19.4	$60,700,000	$153,283	$177	97.22%	$1.27	$1,106
The Allure	2012	100%	334	329,104	985	19.97	$59,300,000	$177,545	$180	94.31%	$1.27	$1,248
Residences at Cinco Ranch	2009	100%	300	287,502	958	16.34	$38,200,000	$127,333	$133	93.00%	$1.15	$1,099
Yorktown Crossing	2009	100%	312	278,292	892	12.18	$38,500,000	$123,397	$138	92.95%	$1.23	$1,094
The Reserve at Jones Road	2013	100%	114	104,961	921	4.225	$15,600,000	$136,842	$149	89.47%	$1.23	$1,118
Altis at Grand Cypress	2013/2014	100%	304	303,426	998	62.11	$56,900,000	$187,171	$188	95.72%	$1.25	$1,256
Verano Apartments	2008	100%	384	390,936	1,018	21.94	$59,000,000	$153,646	$151	93.23%	$1.09	$1,113
Pure Living	2009	100%	252	307,230	1,219	28.53	$50,500,000	$200,397	$164	91.27%	$1.15	$1,404
The Reserves at Alafaya	2014	100%	264	278,124	1,054	46.26	$47,200,000	$178,788	$170	94.70%	$1.21	$1,281
Boardwalk Med Center	2011/2014	100%	276	241,236	874	11.91	$38,100,000	$138,043	$158	97.10%	$1.25	$1,092
Total			**5,882**	**5,674,614**	**965**	**389.703**	**$920,500,000**	**$156,494**	**$162**	**93.71%**	**$1.21**	**$1,168**

Notes:

(1) As at August 8, 2016 for each Existing Property, excluding Boardwalk Med Center which is as of July 7, 2016.

(2) Based on units occupied or leased, net of concessions as at August 8, 2016, excluding Boardwalk Med Center which is as of July 7, 2016.

The New Portfolio

Following completion of the Offering, the Fund will indirectly acquire the New Portfolio, being a portfolio comprising an aggregate of 910 multi-family residential apartment suites in three properties located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively. The Manager believes the Properties are in desirable geographic locations, well-tenanted and indicative of the types of properties that the Fund intends to continue to cause the U.S. REITs to acquire as part of its business strategy.

The following table highlights certain information about the New Portfolio:

Property	Year Completed	Fund Ownership Interest	Total Suites	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (Acres)	Purchase Price (US$)	Purchase Price Per Suite (US$)	Purchase Price Per Sq. Ft. (US$)	Average Occupancy(1)	Asking Rent Per Sq. Ft. (US$)	Average Monthly In Place Rent Per Sq. Ft.(2) (US$)	Average Monthly In Place Rent Per Suite(2) (US$)
Sunrise Ranch	2009	100%	384	364,432	949	20.56	$52,200,000	$135,938	$143	92.96%	$1.18	$1.10	$1,046
South Blvd Apartments	2012	100%	320	333,576	1,042	14.25	$53,600,000	$167,500	$161	94.06%	$1.11	$1.04	$1,089
Coolray Field	2015	100%	206	169,455	823	2.51	$35,600,000(3)	$172,816	$210	92.72%	$1.63	$1.58	$1,292
Totals			**910**	**867,463**	**953**	**40.68**	**$141,400,000**	**$155,385**	**$163**	**93.29%**	**$1.24**	**$1.17**	**$1,117**

Notes:

(1) As at July 14, 2016 for Sunrise Ranch, July 18, 2016 for South Blvd Apartments, and August 9, 2016 for Coolray Field.

(2) Based on suites occupied or leased, net of concessions as at July 14, 2016 for Sunrise Ranch, July 18, 2016 for South Blvd Apartments, and August 9, 2016 for Coolray Field.

(3) Based on a closing date of October 20, 2016 for Coolray Field.

The New Properties have an aggregate Canadian equivalent Capitalization Rate of 5.39% based on the Manager's calculation of NOI.

Each of the three New Properties is a well-located and well-maintained apartment property with a wide array of amenities to attract and retain residents.

Purchase Agreements

The Fund intends to indirectly acquire interests in the New Properties on the Closing Date or shortly thereafter for a purchase price of approximately US$141,400,000 pursuant to the applicable purchase agreements described below.

The following is a summary of certain material provisions of the Sunrise Ranch Purchase Agreement, South Blvd Apartments Purchase Agreement and Coolray Field Purchase Agreement. This summary does not purport to be complete and reference should be made to the agreements themselves, copies of which will be made available promptly and in any event within seven days after its execution on SEDAR at www.sedar.com.

Sunrise Ranch Purchase Agreement

Pursuant to the Sunrise Ranch Purchase Agreement dated as of July 29th, 2016, as may be amended from time to time, Starlight Investments Acquisition LLC, an Affiliate of the Manager, agreed to purchase Sunrise Ranch from Sunrise, an independent third-party vendor, for the purchase price of US$52,200,000. The Sunrise Ranch Purchase Agreement will be transferred to City North Acquisition LLC, an indirect subsidiary of U.S. REIT5 prior to closing thereof. Accordingly, the Fund will indirectly acquire a 100% interest in Sunrise Ranch from Sunrise, an independent third-party vendor. The Sunrise Ranch Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Sunrise in relation to, among other things, organization and authority; execution, delivery and performance; no violation of governing documents; no conflicts with contracts or any judgement, order or decree; no notice of threatened eminent domain or similar proceeding; no notice of violation of applicable building, fire or other safety laws, rules or regulations; no notice of litigation; accuracy of rent roll; and no other contract to sell and no grant of any right or option to purchase. A claim for a breach of a representation or warranty in the Sunrise Ranch Purchase Agreement must be brought within nine months of the closing date of the acquisition of Sunrise Ranch. The Sunrise Ranch Purchase Agreement provides that in no event shall the liability of Sunrise to City North Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. See "Risk Factors – Risks Related to the Fund – Limited Recourse Against Property Vendors".

Subject to the satisfaction or waiver of conditions precedent, the purchase of Sunrise Ranch is scheduled to close on October 31, 2016, following the exercise of a one-time right by City North Acquisition LLC to extend the closing date until October 31, 2016. Pursuant to the Sunrise Ranch Purchase Agreement, an initial deposit of US$500,000 was paid, with an additional deposit of US$500,000 being paid at waiver of due diligence. All deposits will be applied to the purchase price at closing.

South Blvd Apartments Purchase Agreement

Pursuant to the South Blvd Apartments Purchase Agreement dated as of July 20th, 2016, as may be amended from time to time, Starlight Investments Acquisition LLC, an Affiliate of the Manager, agreed to purchase South Blvd Apartments from Giles, an independent third-party vendor, for the purchase price of US$53,600,000. The South Blvd Apartments Purchase Agreement will be transferred to South Blvd Acquisition LLC, an Affiliate of U.S. REIT5, prior to closing thereof. Accordingly, the Fund will indirectly acquire a 100% interest in South Blvd Apartments from Giles, an independent third-party vendor. The South Blvd Apartments Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Giles in relation to, among other things, organization and authority; no violation of governing documents; no conflicts with contracts or any judgement, order or decree; no notice of threatened eminent domain or similar proceeding; no notice of violation of applicable building, fire or other safety laws, rules or regulations; no notice of litigation; accuracy of rent roll; and no other contract to sell and no grant of any right or option to purchase. The representations and warranties in the South Blvd Apartments Purchase Agreement will survive the closing date of the acquisition of South Blvd Apartments for nine months. The South Blvd Apartments Purchase Agreement provides that in no event shall liability of Giles to South Blvd Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. See "Risk Factors – Risks Related to the Fund – Limited Recourse Against Property Vendors".

Pursuant to the South Blvd Apartments Purchase Agreement, an initial deposit of US$150,000 was paid, with an additional deposit of US$500,000 paid at waiver of due diligence. Subject to the satisfaction or waiver of conditions precedent, the purchase of South Blvd Apartments was scheduled to close on August 29, 2016, however a one-time right to extend the closing until October 18, 2016 was exercised upon the payment of a second additional deposit of US$150,000. All deposits will be applied to the purchase price at closing.

Coolray Field Purchase Agreement

Pursuant to the Coolray Field Purchase Agreement dated as of August 18th, 2016, as may be amended from time to time, Starlight Investments Acquisition LLC, an Affiliate of the Manager, agreed to purchase Coolray Field from Views, an independent third-party vendor, for the purchase price of US$35,600,000. The Coolray Field Purchase Agreement will be transferred to Coolray Field Acquisition LLC, an Affiliate of U.S. REIT5, prior to closing thereof. Accordingly, the Fund will indirectly acquire a 100% interest in Coolray Field from Views, an independent third-party vendor. The Coolray Field Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Views in relation to, among other things, organization and authority; no violation of governing documents; no conflicts with contracts or any judgement, order or decree; no notice of threatened eminent domain or similar proceeding; no notice of violation of applicable building, fire or other safety laws, rules or regulations; no notice of violation of environmental laws; no notice of litigation; accuracy of rent roll; no bankruptcy; and no grant of any right or option to purchase. The representations and warranties in the Coolray Field Purchase Agreement will survive the closing date of the acquisition of Coolray Field for nine months. The Coolray Field Purchase Agreement provides that in no event shall the liability of Views to Coolray Field Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. See "Risk Factors – Risks Related to the Fund – Limited Recourse Against Property Vendors".

Subject to the satisfaction or waiver of conditions precedent, the purchase of Coolray Field is scheduled to close on October 20, 2016 following the exercise by Coolray Field Acquisition LLC of a one-time right to extend the closing until October 20, 2016 upon an increase to the purchase price of US$100,000 to US$35,600,000. Pursuant to the Coolray Field Purchase Agreement, an initial deposit of US$150,000 was paid, with an additional deposit of US$600,000 paid at waiver of due diligence. All
deposits will be applied to the purchase price at closing.

Independent Appraisals of the New Portfolio

The Manager retained the Appraiser to provide an independent appraisal of the fair market value of each of the Properties comprising the New Portfolio. Based on the Appraisals, the estimated market value of the Properties comprising the New Portfolio is US$53,000,000 for Sunrise Ranch, US$56,500,000 for South Blvd Apartments and US$36,600,000 for Coolray Field, each based on the "income capitalization" approach. This Prospectus assumes that the estimated aggregate market value of the New Portfolio is approximately US$146,100,000. See "Description of the Activities of the Fund – The New Portfolio – Independent Appraisals of the New Portfolio".

Selected Financial and Operating Information

The following selected financial information of the Fund Portfolio has been derived from, and should be read in conjunction with, the audited consolidated financial statements of the Properties which comprise the Fund Portfolio for the years ended December 2015 and 2014 and the six months ended June 30, 2016 and accompanying notes (see "Index to Financial Statements"), in each case prepared in accordance with IFRS. Amounts are presented in thousands of U.S. dollars.

The selected consolidated financial information should be read in conjunction with "Management's Discussion and Analysis" and the audited consolidated financial statements and accompanying notes contained elsewhere in this Prospectus. The selected consolidated financial information set out below may not be indicative of the Fund's future performance.

Selected Financial Information

Six months ended June 30, 2016	Fund 1 (1)	Fund 2 (1)	Fund 3 (1)	Fund 4	Boardwalk Med Center	New Portfolio	Total
Income Statement Data							
Revenues:							
Revenue from property operations	$ 11,273	$ 8,858	$ 10,785	$ 9,148	$ 1,780	$ 5,807	$ 47,651
Expenses:							
Property operating	2,886	2,200	2,975	2,492	449	1,813	12,815
Realty taxes (2)	1,979	1,701	2,155	1,341	432	852	8,460
	4,865	3,901	5,130	3,833	881	2,665	21,275
NOI	$ 6,408	$ 4,957	$ 5,655	$ 5,315	$ 899	$ 3,142	$ 26,376
NOI margin	**56.8%**	**56.0%**	**52.4%**	**58.1%**	**50.5%**	**54.1%**	**55.4%**

Notes:

(1) Adjusted to include joint venture interests in co-owned properties between Fund 1, Fund 2 and Fund 3.

(2) Realty taxes for the six months ended June 30, 2016 have been adjusted to reflect half of the annual amounts of Boardwalk Med Center, South Blvd Apartments, Coolray Field and Sunrise Ranch.

THE OFFERING

Offering:	Class A Units and/or Class U Units and/or Class D Units and/or Class E Units and/or Class F Units and/or Class H Units and/or Class C Units
Issue Size:	Minimum Offering: US$26,500,000 of Units Maximum Offering: US$200,000,000 of Units
Price:	C$10.00 per Class A Unit US$10.00 per Class U Unit C$10.00 per Class D Unit US$10.00 per Class E Unit C$10.00 per Class F Unit C$10.00 per Class H Unit C$10.00 per Class C Unit
Minimum Subscription Amount:	Class A – C$1,000 (100 Class A Units) or Class U – US$1,000 (100 Class U Units) or Class D – C$10,000 (1,000 Class D Units) or Class E – US$10,000 (1,000 Class E Units) or Class F – C$1,000 (100 Class F Units) or Class H – C$10,000 (1,000 Class H Units)
Leverage:	The Manager believes the current U.S. multi-family rental property debt financing market offers debt financing at attractive interest rates that the Manager intends to utilize in order to seek an increased return on equity. The Manager will target an overall loan-to-value ratio of the Mortgage Loans between 60% to 70% of the asset value of the Properties as a whole, plus the amount of any property improvement reserve account approved by the lenders. Notwithstanding the foregoing, the Fund LP Agreement limits total indebtedness of the Fund to no more than 75% of the Investable Funds (or, at the discretion of the General Partner, the appraised value of the Properties). See "Capitalization – Long-Term Debt" and "Investment Restrictions and Operating Policies".
Distributions:	The Fund will target an annual pre-tax distribution yield of 6.5% (based on the original subscription price under the Offering and calculated in the currency of the Units held) across all Unit classes and aim to realize a targeted 12% pre-tax, investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund's interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses and any unhedged exposure to Canadian/U.S. dollar exchange rates. See "Risk Factors". An annual pre-tax distribution yield of 6.5% would represent an expected AFFO payout ratio of approximately 83.2% in the first year, assuming the Minimum Offering is achieved, exchange rates remain constant and based on the applicable Agents' Fee and costs of the Offering. The achievement of the 12% pre-tax, investor internal rate of return is based on the following assumptions (and on average, the Properties comprising the Existing Portfolio have generally satisfied, and the Properties comprising the New Portfolio are expected to generally satisfy, the following assumptions): (a) a typical property (a "**Sample Target Property**") is acquired for approximately, on-average, US$50 million with a 5.50% Capitalization Rate (Canadian equivalent); (b) the acquisitions of the Sample Target Properties are partially financed by way of Mortgage Loans in an aggregate amount equal to, on average, approximately 65.0% of each Sample Target Property's value and at an average interest rate of approximately 2.5%;

(c) real estate closing costs in respect of each Sample Target Property are 1.0% of the purchase price; annual interest payments, capital expenditures and general and administrative expenses and asset management fees in respect of each Sample Target Property are equal to 2.5% of the purchase price; and

(d) capital appreciation of 4.3% (after all fees and Carried Interest payments) in respect of each Sample Target Property (which is to be realized from approximately 4.0% NOI growth).

Accordingly, the pre-tax, investor rate of return from the Sample Target Property (determined without reference to foreign exchange rate fluctuations in the case of Canadian Dollar Units) would be comprised of approximately 7.7% from ongoing cash (6.5% of which would be distributed to Unitholders as a result of payment in respect of the Minimum Return by SIP to the Fund, and a further 1.2% of which is distributed to the Fund for distribution to the Unitholders following the payment of the Carried Interest by SIP) and 4.3% from capital appreciation. In addition, further upside may be realized through achieving a portfolio premium upon the direct or indirect disposition of the Fund's interest in the Sample Target Property, above target NOI growth, Capitalization Rate compression and (in the case of the Canadian Dollar Units) U.S. dollar appreciation against the Canadian dollar. To date, 67% of the appraisal gains in respect of the Existing Starlight Funds have resulted from annualized NOI growth of approximately 5.7%.

The *pro rata* monthly distribution on the Units will commence following the end of the Fund's first calendar month after the Closing Date. The initial distribution is expected to be paid on November 15, 2016 to Unitholders of record on October 31, 2016 and the distribution amount per Unit will be determined in accordance with the Fund LP Agreement. The initial distribution will reflect the Distributable Cash generated by the Existing Portfolio and otherwise available to the Fund for the period from the effective date of the Reorganization to October 31, 2016. Thereafter, the Fund intends to declare monthly cash distributions no later than seven Business Days (as defined herein) prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end.

In the event that any day on which any distribution amount is to be determined is not a Business Day, then such amount shall be determined on the next succeeding day that is a Business Day.

The Fund will initially own all of the issued and outstanding units of the Existing Starlight Funds, all of the issued and outstanding Investment LP5 Units, all of the shares of Campar and the Class A partnership interests in SIP. The Existing Starlight Funds will own all of the issued and outstanding units of the Investment LPs, other than Investment LP5. The Investment LPs will initially own all of the issued and outstanding limited partnership interests of the Holding LPs, except in the case of Holding LP5, of which all of the issued and outstanding limited partnership interests are owned by Investment LP5 and Campar. The Holding LPs will initially own all of the issued and outstanding U.S. REITs Common Stock and U.S. REITs ROC Shares and may also own U.S. REITs Notes. Holding LP5 will, following the Reorganization, own all of the issued and outstanding Series C U.S. REIT 5 Preferred Stock. The Property known as Travesia Apartments is indirectly owned by the Fund through Fund2 and Travesia ULC (see "Description of the Securities Distributed – Ownership Structure of Travesia Apartments" for the applicable ownership structure).

As a consequence of the Reorganization, the tax cost of the Properties in the Existing Portfolio to the Fund and its Subsidiaries is expected to be significantly less than their fair market value. When one or more of such properties are disposed of, including upon the termination of the Fund at the end of the Term, any gain recognized by the Fund (or its applicable Subsidiary) for tax purposes is expected to be in excess of that which would have been realized if it had acquired such Properties at a tax cost equal to their fair market value. Any tax payable by an applicable Subsidiary on any such excess gain as determined for tax purposes, if crystallized, will reduce the amount of the proceeds from such a disposition that will be available for distribution to Unitholders. The amount of such excess gain could be material. For purposes of the foregoing, the aggregate appraised value of the Existing Properties and the New Properties is approximately US$1.0619 billion and the estimated equity value of the Fund (without giving effect to any deferred tax and assuming completion of a minimum offering of Units) is approximately US$364.6 million (being the aggregate appraised value noted above, plus the estimated net working capital of the Fund of approximately US$14.5 million as at September 30, 2016, less total estimated outstanding debt of the Fund of approximately US$711.8 million as at September 30, 2016). See specifically "Risk Factors – Risks Related to the Fund – Fund may be Liable for Deferred Taxes". See also "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Risk Factors –Risks Related to the Fund", "Risk Factors – Risk Factors Relating to The Fund's Canadian Tax Status" and "Risk Factors – Risk Factors Relating to The Fund's U.S. Tax Status".

If the General Partner determines that it is in the best interests of the Fund (i) to make a co-investment with a Canadian real estate investment trust, such a co-investor would be expected to subscribe for Investment LPs Units and be entitled to receive distributions on the same terms as the Fund described above, based on its proportionate investment in Investment LPs, and (ii) to make a co-investment with a Canadian pension fund, such a co-investor would be expected to subscribe for or purchase U.S. REITs Common Stock, U.S. REITs ROC Shares and U.S. REITs Notes (to the extent U.S. REITs Notes may be issued to the applicable Holding LP) and be entitled to receive dividends, returns of capital and interest payments and repayments of principal as described above, based on its proportionate investment in the U.S. REITs and principal amount of U.S. REITs Notes purchased. Ultimately, it is expected that any co-investor will seek to structure their investment in a tax efficient manner, which could result in a different approach from those described above.

Each Investment LP has elected, or will elect, to be classified as a corporation for U.S. federal income tax purposes. Accordingly, each Investment LP will be subject to applicable U.S. income and withholding taxes. The Investment LPs will satisfy its U.S. tax liability, or make sufficient reserves for its applicable U.S. taxes, prior to making distributions to the applicable Existing Starlight Fund or the Fund, as the case may be. The Fund will then distribute the Distributable Cash Flow (including distributions received from the Existing Starlight Funds) to the Unitholders, based, initially, on the proportionate interest of the Net Subscription Proceeds attributable to each class of Units, as described below. A Canadian resident Unitholder (other than a Plan) generally will be entitled to a credit in respect of the U.S. taxes paid by the Investment LPs in computing its Canadian taxable income to the extent permitted by the detailed rules in the Tax Act. See "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Risk Factors – Risk Factors Relating to The Fund's Canadian Tax Status" and "Risk Factors – Risk Factors Relating to The Fund's U.S. Tax Status".

Dividends paid by the Subsidiary Canadian Corporations will be subject to Canadian withholding tax to the extent attributable to Unitholders who are non-residents of Canada for purposes of the Tax Act. The net amount of such dividends received by the Fund (either directly or through Fund 2) will be included in calculating Distributable Cash Flow of the Fund. See "Risk Factors – Risk Factors Relating to the Funds Canadian Tax Status – Canadian withholding tax on dividends paid by Subsidiary Canadian Corporations".

The Manager intends to monitor the exchange rate between the Canadian dollar and U.S. dollar and may acquire derivative instruments to hedge, in whole or in part, its foreign currency risk in respect of the U.S. dollar amounts the Fund will be required to convert into Canadian dollars to pay expected distributions on the Canadian Dollar Units. Such derivative instruments would be intended to provide the holders of Canadian Dollar Units with some protection against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and each date of declaration in respect of any distributions on the Canadian Dollar Units. There can be no assurance that the exercise date and notional amount underlying such derivative instruments would match the date of declaration, or the amount, of the distribution on any Canadian Dollar Units. The costs of any such derivative instruments would be allocated proportionately to each class of Canadian Dollar Units as a Unit Class Expense.

The Fund may also enter into derivative transactions to hedge, in whole or in part, its foreign currency risk and interest rate risk or for any other purpose, including payment of expenses or transactions with the Manager, at no cost to the Fund, intended to ensure that holders of U.S. dollar denominated units of the Fund (being the Class U Units and the Class E Units) are not exposed to fluctuations in the Canadian dollar relative to the U.S. dollar as a consequence of the Fund's structure, provided that the Manager determines that it would be in the best interests of the Fund and its Unitholders to do so.

See "Description of the Securities Distributed – Units – Distributions", "Description of the Securities Distributed – Units – Distribution on Termination of the Fund" and "Risk Factors".

Term: The term of the Fund is targeted to be three years (the "**Term**"), subject to earlier termination as described below. The Term may also be extended (including following the exercise of the two one-year extensions by the General Partner) by Special Resolution of the Unitholders, subject to approval by the General Partner.

Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and terminated as soon as practicable following the direct or indirect disposition of all of the assets of the Fund.

See "Description of the Securities Distributed – Units – Termination of the Fund LP Agreement".

Use of Proceeds: Following the completion of the Offering, the Fund intends to indirectly acquire interests in the New Portfolio using the Investable Funds.

Assuming that the Minimum Offering is sold, the Gross Subscription Proceeds will be US$26,500,000 (net proceeds of approximately US$25,340,890) and assuming that the Maximum Offering is sold, the Gross Subscription Proceeds will be US$200,000,000 (net proceeds of approximately US$190,523,000). Funds remaining following the indirect acquisition of the New Portfolio may be used to repay existing indebtedness of the Fund or its Subsidiaries, acquire additional Properties or otherwise used by the Fund to acquire units of any of the Investment LPs. The Fund may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and making distributions to Unitholders. The Manager is targeting deployment of the unallocated portion of the Net Subscription Proceeds (after completion of the acquisition of the New Portfolio) to fund the acquisition of one or more additional Properties within nine months following the Closing Date.

Investment LP5 will invest the proceeds from the issuance of Investment LP5 Units to the Fund to acquire Holding LP5 Units. Holding LP5 will invest the proceeds from such issuance to acquire U.S. REIT5 Common Stock and U.S. REIT5 ROC Shares. Holding LP5 may also acquire U.S. REIT5 Notes. U.S. REIT5 will use the proceeds from the issuance of U.S. REIT5 Common Stock, U.S. REIT5 ROC Shares and U.S. REIT5 Notes (if any) to directly or indirectly acquire, from time to time, one or more additional Properties. The New Portfolio will be acquired indirectly by the Fund through its investment in Investment LP5 with the Investable Funds flowing down to U.S. REIT5. As a result, an investment in Units will be an indirect investment in the acquisition, ownership and operation of the Properties, and the returns on and of capital payable in respect of U.S. REITs Common Stock and U.S. REITs ROC Shares and any interest and repayment of principal on U.S. REITs Notes will ultimately flow through to Unitholders after payment of Fund expenses, including taxes and any shortfall payments required to be made to SIP in accordance with the SIP Agreement (and, where applicable, any other Persons having a direct or indirect interest in such amounts, including Starlight and Mr. Kirsh through their respective partnership interests in SIP. See "Corporate Structure – Name and Formation – SIP").

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. Pending its investment in the acquisition of Properties, the unallocated portion of the Net Subscription Proceeds and other funds not fully invested in the Properties from time to time will be held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of the U.S. or a state of the U.S., short-term government debt securities or money market instruments maturing prior to one year from the date of issue and otherwise as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, under the supervision of the General Partner and the Manager. Further, the Fund may, in the interim, use the unallocated portion of such net proceeds to repay indebtedness incurred on the acquisition and/or ownership of the Properties comprising the Existing Portfolio.

See "Use of Proceeds".

Eligibility for Investment: Based on the current provisions of the Tax Act, in the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, provided that, at all relevant times, the Class A Units and Class U Units are listed on a "designated stock exchange" as defined in the Tax Act (which includes Tier 1 and Tier 2 of the Exchange), the Class A Units and Class U Units will be qualified investments for trusts governed by Plans (which includes RRSPs, RESPs, RRIFs, deferred profit sharing plans, registered disability savings plans and TFSAs). The Class D Units, Class E Units, Class F Units, Class H Units and the Class C Units likely are not qualified investments for Plans. Prospective Purchasers of Class D Units, Class E Units, Class F Units, Class H Units and Class C Units should consult with their own tax advisors in this regard. See "Eligibility for Investment".

Liquidity: The Fund will not be required to redeem the Units at any time.

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, the transparency and availability of trading prices, and the extent of issuer regulation. See "Risk Factors".

The Fund has received conditional approval from the Exchange to list the Class A Units and Class U Units distributed under the Offering and any concurrent private placements on the Exchange under the symbols "SUA.A" and "SUA.U", respectively. Listing of the Class A Units and Class U Units is subject to the Fund fulfilling all the requirements of the Exchange on or before December 30, 2016. See "Plan of Distribution".

Risk Factors: These securities are speculative in nature. Purchasers should consider the following risk factors before purchasing Units:

This is Partly a Blind Pool Offering – After completion of the acquisition of the New Portfolio, although the Fund expects that the unallocated Investable Funds will be applied to the purchase of one or more additional Properties, the Manager has not yet identified any additional Properties for potential investment.

The Unitholders' return on their investments in the Units will vary depending on the return on investment achieved on the Properties, including the New Portfolio and other Properties acquired with the Investable Funds. Accordingly, if the Gross Subscription Proceeds exceed US$49,657,901, until such time as the excess funds are deployed by the Fund to indirectly acquire interests in income-producing properties, the annualized pre-tax distribution yield across all Unit classes can be expected to be less than 6.5% across all Unit classes.

No Prior Public Market for Units –An active and liquid market for the Units may not develop or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Units. The Offering Price of Units was determined by negotiation among the Manager, on behalf of the Fund, and the Agents and may not be indicative of the price at which the Units will trade following the completion of the Offering. The Fund cannot assure investors that the market price of Units will not materially decline below the Offering Price. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long term investment.

Volatile Market Price for Units – The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Fund's control, including the following: (i) actual or anticipated fluctuations in the Fund's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Fund; (iv) addition or departure of the Fund's or the Manager's executive officers and other key personnel; (v) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Fund or its competitors; and (vi) news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Fund's industry or target markets.

Insufficient Gross Proceeds of the Offering – There can be no assurance the Maximum Offering will be sold. If less than all of the Units offered are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund may be unable to implement all of its business development plans in the manner currently intended.

Risks of Real Estate Investment and Ownership – An investment in Units is an investment in U.S. real estate through the Fund's interest in the Properties, directly or indirectly, acquired by it. Investment in real estate is subject to numerous risks. See "Risk Factors – Risks Related to the Fund".

Co-investment/Joint Ventures – The Manager may explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors. The Manager may also invest in, or be a participant in, joint ventures and partnerships with third parties in respect of the Properties. Such co-investment opportunities and joint ventures or partnerships may involve certain additional risks. See "Risk Factors – Risks Related to the Fund – Co-Investment/Joint Ventures".

Limited Recourse Against Property Vendor – Purchasers under this Prospectus will not have a direct statutory right or any other rights against the vendors of certain of the Properties comprising the New Portfolio, and their securityholders. The sole remedy of the Fund against Sunrise, Giles and Views (each of whom is an independent third-party vendor) and any of their securityholders will be through the Fund or its Subsidiaries bringing an action against the applicable vendor for a breach of the representations and warranties contained in such agreement, subject to the limitations described above. The vendors' liability to the Fund under the purchase agreements for breach of representations and warranties is capped at US$500,000 with respect to each of Sunrise Ranch, South Blvd Apartments and Coolray Field. In addition, the vendors have not made any representation to the Fund, and are not making any representation to investors in the Offering, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Properties comprising the New Portfolio, or that this Prospectus does not contain a misrepresentation with respect to such Properties. Accordingly, the vendors will not have any liability to investors in the Offering if the Prospectus disclosure relating to the Properties comprising the New Portfolio does not meet such standard or contains a misrepresentation.

Reliance on the Manager – Prospective Purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. If the Manager loses the services of Daniel Drimmer, Evan Kirsh, Martin Liddell and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected. See "Directors and Officers" and "The Manager and the Management Agreement".

Distributions may be Reduced or Suspended – Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 6.5% across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses and any unhedged exposure to Canadian/U.S. dollar exchange rates, and will depend on the ability of the Fund to fully deploy the Net Subscription Proceeds to indirectly acquire the Properties and manage the ongoing operations of the Properties and the ability of the Investment LPs, the Subsidiary Canadian Corporations and SIP, as a group, to pay the Minimum Return to the Fund. The Minimum Return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for Purchasers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

Assumption of Liabilities and Deferred Taxes – Pursuant to the Reorganization, the Fund assumed all liabilities arising out of or related to the Existing Starlight Funds' and Campar's past, present or future business, operations or assets. As a result, the Fund may have assumed unknown liabilities that could be significant. In addition, as a result of the Reorganization, all liabilities for deferred taxes of the Existing Starlight Funds and Campar, in the amount of approximately US$73.6 million as at June 30, 2016 (representing US$1.09 per Unit on a *pro forma*, fully-diluted basis assuming completion of a maximum offering of Units), became liabilities of the Fund and will be included as liabilities on the consolidated financial statements of the Fund.

Possible Loss of Limited Liability of Limited Partners – Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that Unitholders may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and the Fund's net assets. A transferee of a Unit will become a Unitholder and shall be subject to the obligations and entitled to the rights of Unitholders under the Fund LP Agreement on the date on which the General Partner amends the Fund's record of Unitholders to reflect that the transferee is a Unitholder or at such time as the General Partner, in its sole discretion, recognizes the transferee as a Unitholder. See "Description of the Securities Distributed – Units – Transfer of Units".

Historical Financial Information and Pro Forma Financial Information – The historical financial information relating to the Existing Starlight Funds, New Portfolio and Boardwalk Med Center included in this Prospectus has been derived from historical accounting records. The General Partner believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the Fund's financial position, results of operations or cash flows would have been had the Fund been a consolidated standalone entity during the historical periods presented or what the Fund's financial position, results of operations or cash flows will be in the future.

Non-IFRS Measures – The *pro forma* financial information set out in this Prospectus includes certain measures which do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. There are no directly comparable measures calculated in accordance with GAAP, as such measures are based on investments that are external to the Fund. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned.

Reliance on Assumptions – The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in the U.S., the future status of the U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 6.5% across all Unit classes.

Timing for Investment of Net Subscription Proceeds – Although the Manager is targeting deployment of the unallocated Gross Subscription Proceeds within nine months following the Closing Date, the time period for the full investment of the net proceeds of the Offering and any concurrent private placements in Properties other than the New Portfolio is not certain and may exceed nine months.

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. It is the intention of the Manager the unallocated Investable Funds be deployed to acquire additional income-producing rental properties in the U.S. multi-family real estate market in the Primary Markets in accordance with the Fund's stated investment objectives. In the meantime, funds remaining following the indirect acquisition of the New Portfolio may be used to repay existing indebtedness of the Fund or its Subsidiaries, acquire additional Properties or otherwise used by the Fund to acquire units of any of the Investment LPs. There is a risk that the Manager may not invest all net proceeds of the Offering and any concurrent private placements in Properties in a timely manner and, therefore, the Fund may not be able to generate sufficient funds to pay the Minimum Return, in which case, Unitholders can expect the annualized pre-tax distribution yield across all Unit classes to be less than 6.5% (subject to the Minimum Return Support Amount as described under "Description of the Securities Distributed – Starlight Investments Partnerships – Distributions").

Use of Derivatives – In purchasing derivatives, the Fund is subject to the credit risk that its counterparty may be unable to meet its obligations. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying reference exposure. In addition, there is risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position.

While the Class H Unit Liquidation Hedge is intended to provide holders of Class H Units, in respect of their original investment, with some protection against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and the target date for termination or liquidation of the Fund, the reference amount for the Class H Unit Liquidation Hedge will be based on the net proceeds received from the issuance of the Class H Units pursuant to the Offering. To the extent that the actual amount to be distributed to the holders of Class H Units on termination or liquidation of the Fund differs from this reference amount, or Class H Units are acquired for an amount that differs from their Offering Price, the holders of Class H Units will be subject to currency exchange rate risk and their returns may be adversely impacted.

Similarly, while any derivative instruments purchased in order to hedge, in whole or in part, against foreign currency risk in respect of the U.S. dollar amounts the Fund will be required to convert into Canadian dollars to pay expected distributions on the Canadian Dollar Units are intended to provide holders of Canadian Dollar Units with some protection, in respect of any distributions, against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and each date of declaration in respect of any distributions on the Canadian Dollar Units, increases in Distributable Cash Flow due to currency exchange rate fluctuations may be less than they otherwise would be, but accordingly, decreases in Distributable Cash Flow may be more limited as well.

There can be no assurance that the exercise date and underlying notional amount of the derivative instruments effecting the Class H Unit Liquidation Hedge will match the date, or the amount, of any distributions of proceeds to holders of Class H Units upon the termination or liquidation of the Fund. In particular, the Class H Unit Liquidation Hedge will be established on the basis of the Fund's targeted three-year investment horizon. To the extent that the Term differs from this targeted investment horizon, the holders of Canadian Dollar Units (including the holders of Class H Units) will be subject to currency exchange rate risk and their returns may be adversely impacted.

Similarly, there can be no assurance that the exercise date and notional amount underlying such derivative instruments would match the date of declaration, or the amount, of the distribution on any Canadian Dollar Units.

In the event the termination or liquidation of the Fund occurs prior to the end of the Fund's three-year investment horizon there can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to realize its profits (if any) and monetize its position in respect of the remaining derivatives under the Class H Unit Liquidation Hedge. If the Fund is unable to sell any such derivatives prior to the termination or liquidation of the Fund, the Fund will be unable to realize any anticipated profits or gains which may have been realized had the Fund held such derivatives to maturity. In the event that the Term is extended beyond the Fund's three year investment horizon, the Fund may be unable to purchase further derivatives on an economical basis.

The Manager may, at its sole discretion, discontinue the Class H Unit Liquidation Hedge in the event options are not available on an economical basis or the Manager determines that the continuation of the Class H Unit Liquidation is no longer in the best interests of the applicable class or classes of Unitholders. In such case, holders of Class H Units will have unhedged exposure to the Canadian/U.S. dollar exchange rate. The specific terms and conditions of the derivatives acquired may further limit the Fund's ability to use such derivative instruments to effectively hedge its exposure to currency fluctuations in the event that the Term of the Fund differs from the projected three-year investment horizon.

See "Description of the Securities Distributed – Units – Distributions" and "Description of the Securities Distributed – Units – Distribution on Termination of the Fund".

Tax Matters – The Fund (including the Existing Starlight Funds, the Investment LPs, SIP, the Holdings GPs, the Holding LPs, the Subsidiary Canadian Corporations and the U.S. REITs) will be subject to the tax laws of Canada and the U.S., as applicable. The tax treatment of such entities may have a material adverse effect on the Fund's financial position and may adversely impact funds available for distribution to Unitholders. In addition, future legislative, judicial or administrative changes to Canadian or U.S. tax laws could affect the tax implications to the Fund, its Subsidiaries and Unitholders. There are numerous Canadian and U.S. tax risks associated with an investment in Units. Prospective Purchasers are advised to refer to "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Risk Factors – Risk Factors Relating to the Fund's Canadian Tax Status" and "Risk Factors – Risk Factors Relating to the Fund's U.S. Tax Status".

For a more complete discussion of the risks associated with an investment in Units, see "Risk Factors".

SUMMARY OF FEES AND EXPENSES

The following table contains a summary of the fees and expenses payable by the Fund.

Type of fee	Amount and Description
Agents' Fee:	C$0.525 (5.25%) per Class A Unit, Class D Unit and Class H Unit, C$0.225 (2.25%) per Class F Unit and US$0.525 (5.25%) per Class E Unit and Class U Unit. The Agents' Fee for the Class A Units, Class D Units, Class E Units, Class H Units and Class U Units includes a selling concession of 3%. The Agents' Fee will be paid out of the Gross Subscription Proceeds. No Agents' Fee, selling concession or other commissions will be paid in connection with the issuance of Class C Units under this Prospectus.
Expenses of the Offering:	The expenses of the Offering are estimated to be US$1,730,731 which, together with the Agents' Fee, will be paid by the Fund from the Gross Subscription Proceeds subject to a maximum of 1.5% of the Gross Subscription Proceeds.
Carried Interest:	The Manager and President of the Fund as holders of the Class B partnership units of SIP, are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all Units of the Fund of a particular class if all SIP Distributable Cash in excess of amounts payable to SIP GPco were paid to the Fund and distributed, together with all distributions received by the Fund from its other Subsidiaries (but net of any amounts required to provide for expenses), to Unitholders of the Fund in accordance with the Fund LP Agreement, exceeds (ii) the aggregate Minimum Return in respect of such class of Units of the Fund (the calculation of which, for greater clarity includes the amount of the Investors Capital Return Base), each such excess, if any, to be calculated in U.S. dollars and, in the case of Canadian Dollar Units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from SIP to the Fund. 75% of such amount will be payable by SIP to the Fund, as holder of class A partnership units of SIP, for distribution to Unitholders. In the event that the Unitholders do not receive the Minimum Return, each of D.D. Acquisitions Partnership, the Manager and the President of the Fund will be required to pay to the Fund their *pro rata* share (based on their pre-Reorganization ownership of SIP) of an amount representing such deficiency, up to 20% of the deemed value at the time of issuance of the Class C Units received in consideration for the transfer by such persons of their respective interests in SIP (being the direct or indirect holder of the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest, Fund4 Carried Interest and Travesia Carried Interest) to the Fund (net of any taxes payable on the realization of any Unit to fund such deficiency) (the "**Minimum Return Support Amount**"), which such Class C Units shall be pledged as security therefore.
Asset Management Fee:	In consideration for providing management services, the Fund and each U.S. REIT will pay the Manager an aggregate base annual management fee calculated and payable on a monthly basis in arrears in cash on the first day of each month equal to 0.35% of the sum of (i) the appraised values of the Properties acquired in connection with the Reorganization, or in the case of the New Properties or future acquisitions, the purchase price, in U.S. dollars, and (ii) the cost of any capital expenditures in respect of the Properties since the date of their indirect acquisition by the Fund, plus an amount equal to the Service Fee. See "The Manager and the Management Agreement – The Management Agreement".
Acquisition Fee:	In consideration for providing financing and other services in connection with the acquisition of the Properties, the U.S. REITs will pay the Manager an acquisition fee (the "**Acquisition Fee**") equal to (i) 1.00% of the purchase price paid by such U.S. REIT for the purchase of a Property, on the first US$100,000,000 of Properties acquired by the U.S. REITs in each calendar year, (ii) 0.75% of the purchase price paid by such U.S. REIT for the purchase of a Property, on the next

US$100,000,000 of Properties acquired by the U.S. REITs in each calendar year, and (iii) 0.50% of the purchase price paid by such U.S. REIT for the purchase of a Property, on Properties in excess of US$200,000,000 acquired by the U.S. REITs in each calendar year. Such Acquisition Fee shall be paid in full upon the completion of the purchase of each such Property. No Acquisition Fee was paid on the acquisition of the Existing Portfolio except for on the Fund's indirect acquisition of Boardwalk Med Center.

See "The Manager and the Management Agreement – The Management Agreement".

Disposition Fee: If there occurs any amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund, or similar transaction involving the Fund or a Subsidiary of the Fund (other than in connection with an internal reorganization, an initial public offering of all or substantially all of such properties, or a transaction with the Manager or any of its affiliates as the purchaser), whether in one transaction or series of transactions (collectively, the "**Disposition Transaction**"), the Fund will pay the Manager a disposition fee, in cash, equal to 0.50% of the value of such Disposition Transaction up to a maximum of US$5,500,000, provided that no such disposition fee is payable unless the value of such Disposition Transaction is greater than the aggregate appraised value, at the time of acquisition by the Fund, of the Existing Portfolio and the New Portfolio, converted into Canadian dollars using the Effective Exchange Rate.

See "The Manager and the Management Agreement – The Management Agreement".

Guarantee Fee: In the event that the Manager or any of its affiliates is required by the lenders to provide a financing guarantee in connection with the amount borrowed by the Fund or its Subsidiaries to indirectly acquire an interest in the Properties, the Fund and each U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its Subsidiaries in connection with the financing of the Fund's interests in Properties ("**Guarantee Fee**"), which Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the first day of each month.

See "The Manager and the Management Agreement – The Management Agreement".

Property Management and Capital Expenditure Fees: The Manager expects that the fees payable to third party property managers will include a property management fee between 2.25% and 3% of the gross revenue from the managed Properties and a market capital expenditure fee for capital expenditures relating to construction, renovations or deferred maintenance. For capital projects, the Manager may, in its discretion, undertake the capital expenditures and receive a capital expenditure fee commensurate with the capital expenditure fee payable to a third party property manager.

See "Description of the Activities of the Fund – Management and Leasing of the Properties".

Service Fee: The Manager will pay an annual service fee (the "**Service Fee**") equal to 0.5% of the gross subscription proceeds received or deemed to have been received for the Class A Units and/or Class U Units to registered dealers based on the number of Class A Units and/or Class U Units held by clients of such registered dealers at the end of the relevant quarter (calculated and paid at the end of each calendar quarter commencing on December 31, 2016).

Ongoing Expenses of the Fund: Pursuant to the Management Agreement, the Fund and the U.S. REITs will collectively pay for all ordinary expenses incurred in connection with their operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the Fund; regulatory filing fees; administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund; investor relations; costs and expenses arising as a result of complying with all Applicable Laws; regulations and policies;

insurance expenses; extraordinary expenses the Fund may incur; and any expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager (and any of its officers, directors, employees consultants or agents) or the Directors or the executive officers of the Fund are entitled to an indemnity from the Fund. The aggregate annual amount of these fees and expenses is estimated to be approximately US$500,000.

In addition, because the Fund will indirectly own and operate physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course Operating Expenses relating to real estate, which expenses are customary for real estate related entities such as salaries and benefits for on-site employees, insurance, utilities, repairs and maintenance, advertising and general and administrative expenses. Certain of the Operating Expenses will be payable to the Manager in connection with its management of the Fund.

See "Description of the Activities of the Fund – Operating Expenses of the Fund".

GLOSSARY OF TERMS

Certain terms and abbreviations used in this Prospectus are defined herein:

"**Acquisition Fee**" means a fee payable to the Manager by the U.S. REITs pursuant to the Management Agreement in consideration for the Manager providing financing and other services to the U.S. REITs, as described in "The Manager and the Management Agreement – The Management Agreement";

"**Affiliate**" means an affiliate as defined under National Instrument 45-106 – *Prospectus Exemptions*, as replaced or amended from time to time (including any successor rule or policy thereto), subject to the terms "person" and "issuer" in such instrument being ascribed the same meaning as the term "Person" herein;

"**AFFO**" has the meaning set out under "Non-IFRS Measures";

"**Agency Agreement**" means an agreement made as of October 12, 2016 among the Fund, the Manager and the Agents;

"**Agents**" means, collectively, the Lead Agent, Scotia Capital Inc., BMO Nesbitt Burns Inc., GMP Securities L.P., National Bank Financial Inc., Raymond James Ltd., TD Securities Inc., Canaccord Genuity Corp. and Desjardins Securities Inc.;

"**Agents' Fee**" means a fee payable by the Fund equal to C$0.525 (5.25%) per Class A Unit, Class D Unit and Class H Unit, C$0.225 (2.25%) per Class F Unit and US$0.525 (5.25%) per Class E Unit and Class U Unit. For greater certainty, the Agents' Fee for the Class A Units, Class D Units, Class E Units, Class H Units and Class U Units includes a selling concession of 3%;

"**Aggregate Class A Interest**" is equal to (i) the sum of (A) the aggregate gross proceeds received by the Fund for the issuance of the Class A Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents' Fee payable in respect of the Class A Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (B) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class A Units pursuant to the Reorganization (calculated in U.S. dollars based on the Effective Exchange Rate), divided by (ii) the number of Class A Units issued pursuant to the Offering and the Reorganization, multiplied by (iii) the number of Class A Units outstanding at the time the Aggregate Class A Interest is being calculated;

"**Aggregate Class C Interest**" is equal to (i) the sum of (A) the aggregate gross proceeds received by the Fund for the issuance of the Class C Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (B) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class C Units pursuant to the Reorganization (calculated in U.S. dollars based on the Effective Exchange Rate), divided by (ii) the number of Class C Units issued pursuant to the Offering and the Reorganization, multiplied by (iii) the number of Class C Units outstanding at the time the Aggregate Class C Interest is being calculated;

"**Aggregate Class D Interest**" is equal to (i) the sum of (A) the aggregate gross proceeds received by the Fund for the issuance of the Class D Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents' Fee payable in respect of the Class D Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (B) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class D Units pursuant to the Reorganization (calculated in U.S. dollars based on the Effective Exchange Rate), divided by (ii) the number of Class D Units issued pursuant to the Offering and the Reorganization, multiplied by (iii) the number of Class D Units outstanding at the time the Aggregate Class D Interest is being calculated;

"**Aggregate Class E Interest**" is equal to (i) the sum of (A) the aggregate gross proceeds received by the Fund for the issuance of Class E Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class E Units, and (B) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class E Units pursuant to the Reorganization, divided by (ii) the number of Class E Units issued pursuant to the Offering and the Reorganization, multiplied by (iii) the number of Class E Units outstanding at the time the Aggregate Class E Interest is being calculated;

“**Aggregate Class F Interest**” is equal to (i) the sum of (A) the aggregate gross proceeds received by the Fund for the issuance of the Class F Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents’ Fee payable in respect of the Class F Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (B) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class F Units pursuant to the Reorganization (calculated in U.S. dollars based on the Effective Exchange Rate), divided by (ii) the number of Class F Units issued pursuant to the Offering and the Reorganization, multiplied by (iii) the number of Class F Units outstanding at the time the Aggregate Class F Interest is being calculated;

“**Aggregate Class H Interest**” is equal to (i) the sum of (A) the aggregate gross proceeds received by the Fund for the issuance of the Class H Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents’ Fee payable in respect of the Class H Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (B) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class H Units pursuant to the Reorganization (calculated in U.S. dollars based on the Effective Exchange Rate), divided by (ii) the number of Class H Units issued pursuant to the Offering and the Reorganization, multiplied by (iii) the number of Class H Units outstanding at the time the Aggregate Class H Interest is being calculated;

“**Aggregate Class U Interest**” is equal to (i) the sum of (A) the aggregate gross proceeds received by the Fund for the issuance of Class U Units pursuant to the Offering less the aggregate Agents’ Fee payable in respect of the Class U Units, and (B) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class U Units pursuant to the Reorganization, divided by (ii) the number of Class U Units issued pursuant to the Offering and the Reorganization, multiplied by (iii) the number of Class U Units outstanding at the time the Aggregate Class U Interest is being calculated;

“**Aggregate Units Interest**” means, at any time, the sum of (i) the Aggregate Class A Interest, (ii) the Aggregate Class C Interest, (iii) the Aggregate Class D Interest, (iv) the Aggregate Class E Interest, (v) the Aggregate Class F Interest, (vi) the Aggregate Class H Interest and (vii) the Aggregate Class U Interest, at such time;

“**Alliance**” means Alliance Residential Company;

“**Applicable Laws**” means, in respect of any Person, all laws, statutes, regulations, statutory rules, principles of common law or equity, orders and terms and conditions of any grant of approval, permission, authority or license of any governmental authority applicable to such Person or its business, undertaking and property having jurisdiction over the Person or its business, undertaking or property, in each case as amended from time to time;

“**Appraisals**” means the independent appraisals of the fair market value of each of the Properties comprising the Existing Portfolio and the New Portfolio prepared by the Appraiser;

“**Appraiser**” means BBG, Inc.;

“**Asset Management Fee**” means an annual fee payable to the Manager by the Fund and the U.S. REITs in accordance with the terms of the Management Agreement, in consideration of the Manager providing management services to the Fund and the U.S. REITs, as described in “The Manager and the Management Agreement – The Management Agreement”;

“**ASTM Practice E1527-05**” means American Society for Testing and Materials Standard Practice E1527-05

“**ASTM Practice E1527-13**” means American Society for Testing and Materials Standard Practice E1527-13**;**

“**BCA Reports**” means the building condition assessment reports for each Property comprising the Existing Portfolio and the New Portfolio;

“**Bid Units**” has the meaning set out under “Description of the Securities Distributed – Units – Coattail Provisions”;

“**Board**” means the board of directors of the General Partner;

"**Boardwalk Exchange Ratio**" means, assuming an Effective Exchange Rate of C$1.325 to US$1.00, 215,670 Class C Units issued in exchange for all of the units of Boardwalk Acquisition Partnership at an issue price of $10.00 per Class C Unit;

"**Boardwalk Med Center**" means the Property known as Boardwalk Med Center which is held by Boardwalk Acquisition LLC, a limited liability company formed under the laws of Delaware, which prior to the Reorganization was indirectly owned as to 80% by Campar and 20% by an entity formerly known as Boardwalk Acquisition Partnership, an entity owned principally by senior management of the Manager;

"**Business Day**" means any day which is not a Saturday, Sunday or statutory holiday in the Province of Ontario or any state in which any of the Properties are located;

"**Campar**" means Campar Capital Corporation, a "capital pool company" which as its "qualifying transaction" (as both terms are defined in Exchange Policy 2.4 – *Capital Pool Companies*) acquired an indirect 80% interest in Boardwalk Med Center;

"**Campar Equity Value**" means an amount, in U.S. dollars, equal to (i) the appraised value of Campar's percentage interest in the property indirectly owned by Campar, plus (ii) the cash on hand and net working capital available to Campar (excluding any deferred tax liability) immediately prior to the effective date of the Reorganization, less the aggregate of (iii) the total outstanding debt incurred by Campar and its percentage interest of the debt incurred by its non-wholly-owned subsidiary entities, being US$5,734,656, to be converted into Canadian dollars based on the Effective Exchange Rate;

"**Campar Exchange Ratio**" means the Value per Share divided by $10.00, which assuming an Effective Exchange Rate of C$1.325 to US$1.00, would equal 0.0138164 Class A or Class C Units for each Campar share;

"**Canadian Dollar Units**" means the Class A Units, Class C Units, Class D Units, Class F Units and Class H Units;

"**Capitalization Rate**" has the meaning set out under "Non-IFRS Measures";

"**Carried Interest**" means, collectively, the Manager's and the President of the Fund's interests as holders of Class B partnership units of SIP in the distributions therefrom, as described under " Starlight Investments Partnership – Distributions";

"**Cash Flow**" means, for any Distribution Period:

(a) the sum of all cash amounts received by the Fund for or in respect of such Distribution Period, including amounts received as a limited partner holding, directly or indirectly, Investment LPs Units pursuant to the terms of the applicable Investment LPs Agreement, limited partnership units of the Existing Starlight Funds pursuant to the terms of the respective limited partnership agreements of the Existing Starlight Funds, dividends or other distributions received on the shares of the Subsidiary Canadian Corporations, and all other income, interest, distributions, dividends, proceeds from the investment in Investment LPs Units, Subsidiary Canadian Corporations and limited partnership units of the Existing Starlight Funds (other than by way of security interest), returns of capital and repayments of indebtedness, as well as all amounts received by the Fund in any prior Distribution Period to the extent not previously distributed; less

(b) all costs and expenses of the Fund (including the Travesia Carried Interest) that, in the opinion of the Board, may reasonably be considered to have accrued and become owing in respect of, or which relate to, such Distribution Period or a prior Distribution Period if not accrued in such prior period; less

(c) any interest expense incurred by the Fund between distributions,

provided that any funds borrowed by the Fund will not be included in the calculations of Cash Flow in respect of any Distribution Period;

"**CBCA**" means the *Canada Business Corporations Act*, as amended from time to time;

"**CDS**" means CDS Clearing and Depository Services Inc. and its successors;

"**Charter**" has the meaning set out under "Description of the Securities Distributed – The U.S. REITs – General";

"**City North Acquisition LLC**" means City North Acquisition LLC, a Delaware limited liability company;

"**Claritas**" means Claritas, Inc.;

"**Class A Unit Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Class A Units pursuant to the Offering less aggregate Unit Class Expenses allocable to, but not deducted from distributions paid or payable on, Class A Units since inception of the Fund to the time of exchange of the Class A Unit and less the aggregate Agents' Fee payable in respect of the Class A Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class A Units pursuant to the Reorganization, divided by (B) the aggregate of the number of Class A Units issued pursuant to the Offering and the number of Class A Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of Class D Units pursuant to the Offering less aggregate Unit Class Expenses allocable to, but not deducted from distributions paid or payable on, Class D Units since inception of the Fund to the time of exchange of the Class A Unit and less the aggregate Agents' Fee payable in respect of the Class D Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into Class D Units pursuant to the Reorganization, divided by (B) the number of Class D Units issued pursuant to the Offering and Reorganization;

"**Class A Units**" means the units of beneficial limited partnership interest in the Fund, designated as "Class A Units";

"**Class C Hold Period**" means a period of four months after the Closing Date during which the Class C Units issued pursuant to the Offering may not be sold;

"**Class C Unit Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Class C Units pursuant to the Offering and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class C Units pursuant to the Reorganization, divided by (B) the aggregate of the number of Class C Units issued pursuant to the Offering following the cancellation of the initial Class C Unit and the number of Class C Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of Class A Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class A Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into Class A Units pursuant to the Reorganization, divided by (B) the number of Class A Units issued pursuant to the Offering and the Reorganization;

"**Class C Units**" means the units of beneficial limited partnership interest in the Fund, designated as "Class C Units";

"**Class D Unit Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Class D Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class D Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class D Units pursuant to the Reorganization, divided by (B) the aggregate of the number of Class D Units issued pursuant to the Offering and the number of Class D Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of Class A Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class A Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into Class A Units pursuant to the Reorganization, divided by (B) the number of Class A Units issued pursuant to the Offering and the Reorganization;

"**Class D Units**" means the units of beneficial limited partnership interest in the Fund, designated as "Class D Units";

"**Class E Unit Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Class E Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class E Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class E Units pursuant to the Reorganization, divided by (B) the aggregate of the number of Class E Units issued pursuant to the Offering and the number of Class E Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of Class U Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class U Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into Class U Units pursuant to the Reorganization, divided by (B) the number of Class U Units issued pursuant to the Offering and the Reorganization;

"**Class E Units**" means the units of beneficial limited partnership interest in the Fund, designated as "Class E Units";

"**Class F Unit Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Class F Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class F Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class F Units pursuant to the Reorganization, divided by (B) the aggregate of the number of Class F Units issued pursuant to the Offering and the number of Class F Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of Class A Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class A Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into Class A Units pursuant to the Reorganization, divided by (B) the number of Class A Units issued pursuant to the Offering and the Reorganization;

"**Class F Units**" means the units of beneficial limited partnership interest in the Fund, designated as "Class F Units";

"**Class H Unit Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Class H Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class H Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class H Units pursuant to the Reorganization, divided by (B) the aggregate of the number of Class H Units issued pursuant to the Offering and the number of Class H Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of Class A Units pursuant to the Offering less the aggregate Agents' Fee payable in respect of the Class A Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into Class A Units pursuant to the Reorganization, divided by (B) the number of Class A Units issued pursuant to the Offering and the Reorganization, subject to an adjustment to reflect any remaining unallocated Unit Class Expenses per Class H Unit in respect of the Class H Unit Liquidation Hedge;

"**Class H Unit Liquidation Hedge**" has the meaning set out under "Description of the Securities Distributed – Units – Distribution on Termination of the Fund";

"**Class H Units**" means the units of beneficial limited partnership interest in the Fund, designated as "Class H Units";

"**Class Offer**" has the meaning set out under "Description of the Securities Distributed – Unit – Coattail Provisions";

"**Class U Unit Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Class U Units pursuant to the Offering less aggregate Unit Class Expenses allocable to, but not deducted from distributions paid or payable on, Class U Units since inception of the Fund to the time of exchange of the Class U Unit and less the aggregate Agents' Fee payable in respect of the Class U Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Class U Units pursuant to the Reorganization, divided by (B) the aggregate of the number of Class U Units issued pursuant to the Offering and the number of Class U Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of Class E Units pursuant to the Offering less aggregate Unit Class Expenses allocable to, but not deducted from distributions paid or payable on, Class E Units since inception of the Fund to the time of exchange of the Class U Unit and less the aggregate Agents' Fee payable in respect of the Class E Units and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into Class E Units pursuant to the Reorganization, divided by (B) the number of Class E Units issued pursuant to the Offering and Reorganization;

"**Class U Units**" means the units of beneficial limited partnership interest in the Fund, designated as "Class U Units";

"**Closing Date**" means the closing date of the Offering which is expected to be on or about October 17, 2016 or such later date as the Fund and the Agents may agree, but in any event not later than December 15, 2016;

"**Coattail Exchange Rate**" is equal to (i) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the Coattail Units pursuant to the Offering (if the Coattail Units are Class A Units, calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents' Fee payable in respect of the Coattail Units (if the Coattail Units are Class A Units calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (y) the aggregate subscription amount deemed received by the Fund for the issuance of and exchange into the Coattail Units pursuant to the Reorganization (if the Coattail Units are Class A Units, calculated in U.S. dollars based on the Effective Exchange Rate), (if the Coattail Units are Class A Units calculated in U.S. dollars based on the Effective Exchange Rate) divided by (B) the number of Coattail Units issued pursuant to the Offering and the number of Coattail Units issued pursuant to the Reorganization, divided by (ii) (A) the sum of (x) the aggregate gross proceeds received by the Fund for the issuance of the applicable class of Bid Units pursuant to the Offering (if the Bid Units are Class C Units, Class D Units, Class F Units or Class H Units calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) less the aggregate Agents' Fee payable in respect of the Bid Units and (y) the aggregate subscription amount deemed receive by the Fund for the issuance of an exchange into the applicable class of Bid Units pursuant to the Reorganization (if the Bid Units are Class C Units, Class D Units, Class F Units or Class H Units calculated in U.S. dollars based on the Effective Exchange Rate) (if the Coattail Units are Class A Units calculated in U.S. dollars based on the Effective Exchange Rate), divided by (B) the number of the applicable class of Bid Units issued pursuant to the Offering or the Reorganization;

"**Coattail Units**" has the meaning set out under "Description of the Securities Distributed – Units – Coattail Provisions";

"**Code**" means the United States Internal Revenue Code of 1986, as amended from time to time;

"**Conversion End Date**" has the meaning set out under "Description of the Securities Distributed – Units – Coattail Provisions";

"**Convertible Units**" means the Class A Units, Class U Units, Class C Units, Class D Units, Class E Units, Class F Units and Class H Units;

"**Coolray Field**" means the Property known as The Views at Coolray Field, located in Lawrenceville (Atlanta), Georgia;

"**Coolray Field Acquisition LLC**" means Coolray Field Acquisition LLC, a Delaware limited liability company;

"**Coolray Field Purchase Agreement**" has the meaning set out under "Description of the Activities of the Fund – The New Portfolio – Purchase Agreements – Coolray Field Purchase Agreement";

"**Corresponding Class**" means: (a) in the case of a Fund1 class A limited partnership unit, a Fund2 class A limited partnership unit, a Fund3 class A limited partnership unit or a Fund4 class A limited partnership unit, a Class A Unit; (b) in the case of a Fund1 class U limited partnership unit, a Fund2 class U limited partnership unit, a Fund3 class U limited partnership unit or a Fund4 class U limited partnership unit, a Class U Unit; (c) in the case of a Fund1 class I limited partnership unit, a Fund2 class D limited partnership unit, a Fund3 class D limited partnership unit or a Fund4 class D limited partnership unit, a Class D Unit; (d) in the case of a Fund1 class F limited partnership unit, a Fund2 class F limited partnership unit, a Fund3 class F limited partnership unit or a Fund4 class F limited partnership unit, a Class F Unit; (e) in the case of a Fund1 class C limited partnership unit, a Fund2 class C limited partnership unit, a Fund3 class C limited partnership unit or a Fund4 class C limited partnership unit, a Class C Unit; (f) in the case of a Fund4 class E limited partnership unit, a Class E Unit; and (g) in the case of a Fund4 class H limited partnership unit, a Class H Unit;

"**Cost Approach**" has the meaning set out under "Description of the Activities of the Fund – The New Portfolio – Independent Appraisals of the Existing Portfolio";

"**CRA**" means the Canada Revenue Agency;

"**Directors**" means the directors of the General Partner;

"**Disposition**" means the direct or indirect sale, assignment or other transfer, when completed, of a Property, in whole or in part, and includes any sale, assignment or other transfer to the Manager or to any Person with an ownership interest in the Manager or to any Person in respect of which the Manager or any such Person has an ownership or financial interest provided that the Manager has disclosed such interest to the Fund in writing prior to the commencement of the negotiation of the sale price for such Disposition. "Disposition" does not include any sale, assignment or other transfer to any Subsidiary of the Fund and "**Dispose**" and "**Disposed**" have corresponding meanings;

"**Disposition Transaction**" means any amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund, or similar transaction involving the Fund or a Subsidiary of the Fund (other than in connection with an internal reorganization, an initial public offering of all or substantially all of such properties, or a transaction with the Manager or any of its affiliates as the purchaser), whether in one transaction or series of transactions, as described in "The Manager and the Management Agreement – The Management Agreement";

"**Distributable Cash**" means, for any period, an amount equal to the aggregate of (i) all dividends and returns of capital (including redemption proceeds) on U.S. REITs Common Stock, U.S. REITs ROC Shares and Series C U.S. REIT 5 Preferred Stock., as and when declared, out of the Distributable U.S. REIT Assets, and (ii) interest and repayments of principal on U.S. REITs Notes (if any), in each case, received by each respective Holding LP from the respective U.S. REIT, after payment of all current obligations of such Holding LP;

"**Distributable Cash Flow**" means, for any Distribution Period, an amount equal to the Cash Flow for such Distribution Period, less any amount that the General Partner may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of each respective Existing Starlight Fund, Investment LP, Investment GP or the Fund, that have been or are reasonably expected to be incurred in the activities and operations of each respective Existing Starlight Fund, Investment LP or the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the Cash Flow) and less such reserves or amounts as are, in the opinion of the General Partner, necessary or desirable;

"**Distributable U.S. REIT Assets**" means assets of each U.S. REIT properly available for the payment of dividends and returns of capital, including all cash flow from operations of the Properties in a period after payment of all current obligations relating to the Properties, including, without limitation, all current principal and interest payments under the Mortgage Loans and U.S. REITs Notes (if any) after the creation of reasonable working capital and capital improvement reserves as determined by the Manager, payment of the portion of the Asset Management Fee payable by the U.S. REITs and the Acquisition Fee to the Manager and payment of the fees payable to the property managers;

"**Distribution Period**" means each month of each calendar year expected to commence on closing of the Offering with payment expected in accordance with the Fund LP Agreement;

"**Effective Exchange Rate**" means the simple average of the noon rate of exchange posted by the Bank of Canada for conversion of U.S. dollars into Canadian dollars for the three business day period ending on the third business day prior to the effective date of the Reorganization, which is anticipated to be October 14, 2016;

"**Entity**" means any one of the Fund, each Existing Starlight Fund, each Investment LP, each Holding LP, each Subsidiary Canadian Corporation or each U.S. REIT and "**Entities**" means two or more of them;

"**Exchange**" means the TSX Venture Exchange;

"**Existing Portfolio**" means the existing portfolio comprising an aggregate of 5,882 multi-family residential apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas, that are indirectly owned by the Existing Starlight Funds and Campar;

"**Existing Properties**" means the Properties comprising the Existing Portfolio;

"**Existing Starlight Funds GPs**" means, collectively, Starlight U.S. Multi-Family Core GP, Inc., Starlight U.S. Multi-Family (No. 2) Core GP, Inc., Starlight U.S. Multi-Family (No. 3) Core GP, Inc. and Starlight U.S. Multi-Family (No. 4) Core GP, Inc.;

"**Existing Starlight Funds**" means, collectively, Fund1, Fund2, Fund3 and Fund4;

"**Existing Starlight Funds Carried Interests**" means collectively, the Fund1 Carried Interest, the Fund2 Carried Interest, the Fund3 Carried Interest, the Fund4 Carried Interest and the Travesia Carried Interest;

"**FFO**" has the meaning set out under "Non-IFRS Measures";

"**Final Prospectus**" means the Final Prospectus to be filed by the Fund with the securities commissions or other securities regulatory authorities in each of the Provinces of Canada;

"**Fund**" means Starlight U.S. Multi-Family (No. 5) Core Fund, a "closed-end" limited partnership governed by the laws of Ontario established on August 26, 2016 pursuant to the Fund LP Agreement, and, where the context requires, includes its Subsidiaries;

"**Fund Exchange Ratio**" means, for a particular class of units of each Existing Starlight Fund, the Value per Existing Unit for such class divided by the issue price of the Corresponding Class of Units (being US$10.00 in the case of Class E Units and Class U Units and $10.00 in the case of all other classes), which assuming an Effective Exchange rate of C$1.325 to US$1.00, would result in the following exchange ratios:

Fund	Fund1		Fund2		Fund3		Fund4	
Class	Class	Ratio	Class	Ratio	Class	Ratio	Class	Ratio
A	A	2.4187x	A	2.4615x	A	1.7804x	A	1.3532x
C	C	2.5515x	C	2.6191x	C	1.9010x	C	1.4404x
F	F	2.4941x	F	2.5558x	F	1.8545x	F	1.3788x
D	I	2.4175x	D	2.4697x	D	1.7924x	D	1.3591x
U	U	1.8324x	U	1.9081x	U	1.4074x	U	1.2801x
H							H	1.3334x
E							E	1.2873x

"**Fund LP Agreement**" means the agreement establishing the Fund made as of August 26, 2016, as it may be amended and restated from time to time, among the General Partner and all persons who become Unitholders as provided therein;

"**Fund Portfolio**" means, collectively, the Existing Portfolio and the New Portfolio;

"**Fund Property**" means all of the property and assets of the Fund;

"**Fund Carried Interest Values**" means, for each Existing Starlight Fund, an amount equal to the aggregate of (i) the amount, in U.S. dollars, representing the fair market value, as determined by the parties to the Reorganization Agreement, of the general partnership interest in the applicable Holding LPs held by the applicable Holding GPs calculated based on the appraised value of such Holding LPs percentage interest in the properties indirectly owned by such Holing LPs and the terms and conditions of the partnership agreement governing such Holding LP and (ii) in the case of Fund2, the amount, in U.S. dollars, representing the fair market value of SIP's rights under the Travesia Carried Interest Agreement, being US$39,274,000, converted into Canadian dollars based on the Effective Exchange Rate, without deduction for any portion of the deferred taxes of each Existing Starlight Fund and their respective Subsidiaries;

"**Fund Value**" means, for each Existing Starlight Fund, an amount, in U.S. dollars, equal to (i) the aggregate appraised value of such Existing Starlight Fund's percentage interest in the properties indirectly owned by such Existing Starlight Fund, plus (ii) the cash on hand and net working capital available to such Existing Starlight Fund and its subsidiary entities (based on such Existing Starlight Fund's proportionate interest in subsidiary entities that are not wholly-owned and excluding any deferred tax liability) immediately prior to the effective date of the Reorganization, less the aggregate of (iii) the total outstanding debt incurred by such Existing Starlight Fund and its subsidiary entities (based on such Existing Starlight Fund's proportionate interest in subsidiary entities that are not wholly-owned), and (iv) such Existing Starlight Fund's *pro rata* share of the costs of the Reorganization and all transactions related thereto, being (A) US$103,609,938 for Fund1, (B) US$74,540,625 for Fund2, (C) US$79,786,693 for Fund3, and (D) US$72,738,065 for Fund4, in each case converted into Canadian dollars based on the Effective Exchange Rate;

"**Fund1**" means Starlight U.S. Multi-Family Core Fund;

"**Fund1 Carried Interest**" means the "Carried Interest" of Starlight U.S. Multi-Family Core Holding (GP) L.P. as provided for in the limited partnership agreement governing Starlight U.S. Multi-Family Core Holding L.P.;

"**Fund2**" means Starlight U.S. Multi-Family (No. 2) Core Fund;

"**Fund2 Carried Interest**" means the "Carried Interest" of Starlight U.S. Multi-Family (No. 2) Core Holding (GP) L.P. as provided for in the limited partnership agreement governing Starlight U.S. Multi-Family (No. 2) Core Holding L.P.;

"**Fund3**" means Starlight U.S. Multi-Family (No. 3) Core Fund;

"**Fund3 Carried Interest**" means the "Carried Interest" of Starlight U.S. Multi-Family (No. 3) Core Holding (GP) L.P. as provided for in the limited partnership agreement governing Starlight U.S. Multi-Family (No. 3) Core Holding L.P.;

"**Fund4**" means Starlight U.S. Multi-Family (No. 4) Core Fund;

"**Fund4 Carried Interest**" means the "Carried Interest" of Starlight U.S. Multi-Family (No. 4) Core Holding (GP) L.P. as provided for in the limited partnership agreement governing Starlight U.S. Multi-Family (No. 4) Core Holding L.P.;

"**GAAP**" means Canadian generally accepted accounting principles for publicly accountable enterprises as defined by the Accounting Standards Board of The Canadian Institute of Chartered Accountants, as amended from time to time, which is IFRS;

"**General Partner**" means Starlight U.S. Multi-Family (No. 5) Core GP, Inc., a corporation incorporated under the laws of Alberta, and the general partner of the Fund;

"**Giles**" means Giles Street Owner LLC, the vendor of South Blvd Apartments;

"**Green Street Advisors**" means Green Street Advisors;

"**Greystar**" means Greystar Real Estate Partners;

"**Gross Book Value**" has the meaning set out under "Non-IFRS Measures";

"**Gross Subscription Proceeds**" means the gross proceeds (in U.S. dollars) received by the Fund from (i) the issuance of the Canadian Dollar Units pursuant to the Offering (calculated in U.S. dollars based on the Canadian dollar/U.S. dollar spot exchange rate available to the Fund on the Closing Date), and (ii) the issuance of the Class E Units and Class U Units pursuant to the Offering;

"**Guarantee Fee**" means a fee payable to the Manager by the Fund and each U.S. REIT pursuant to the Management Agreement in consideration for the Manager providing, or causing to provide, a financing guarantee required by the lenders in connection with the amount borrowed by the Fund or its Subsidiaries to indirectly acquire an interest in the Properties, as described in "The Manager and the Management Agreement – The Management Agreement";

"**Holding GP5**" means Starlight U.S. Multi-Family (No. 5) Core Holding (GP) L.P., a Delaware limited partnership that will be established pursuant to the laws of Delaware, and the general partner of Holding LP5;

"**Holding GPs**" means, collectively, Starlight U.S. Multi-Family Core Holding (GP) L.P., Starlight U.S. Multi-Family (No. 2) Core Holding (GP) L.P., Starlight U.S. Multi-Family (No. 3) Core Holding (GP) L.P., Starlight U.S. Multi-Family (No. 4) Core Holding (GP) L.P. and Holding GP5.;

"**Holding LP5**" means Starlight U.S. Multi-Family (No. 5) Core Holding L.P., a Delaware limited partnership that will be established by Investment LP5 and Holding GP5 pursuant to the laws of Delaware and governed by its Holding LPs Agreement;

"**Holding LP5 Units**" means the limited partnership units of Holding LP5;

"**Holding LPs**" means, collectively, Starlight U.S. Multi-Family Core Holding L.P., Starlight U.S. Multi-Family (No. 2) Core Holding L.P., Starlight U.S. Multi-Family (No. 3) Core Holding L.P., Starlight U.S. Multi-Family (No. 4) Core Holding L.P., and Holding LP5,

"**Holding LPs Agreements**" means the agreements that govern the Holding LPs which are made between the Investment LPs and Holding GPs and all persons who become holders of Holding LPs Units as to be provided therein;

"**Holding LPs Units**" means the limited partnership units of the Holding LPs;

"**IFRS**" means International Financial Reporting Standards;

"**Income Capitalization Approach**" has the meaning set out under "Description of the Activities of the Fund – The New Portfolio – Independent Appraisals of the Existing Portfolio";

"**Indebtedness**" has the meaning set out under "Non-IFRS Measures";

"**Indebtedness Coverage Ratio**" has the meaning set out under "Non-IFRS Measures";

"**Interest Coverage Ratio**" has the meaning set out under "Non-IFRS Measures";

"**Investable Funds**" means the sum of (i) the Net Subscription Proceeds (including the proceeds of any concurrent private placement (ii) any remaining net proceeds from prior offerings dispositions or mortgage loans of the Existing Starlight Funds, (iii) the net proceeds from any Disposition and (iv) the net proceeds received from any Mortgage Loans;

"**Investment GP5**" means Boardwalk Acquisition GP Inc., a corporation incorporated under the laws of Ontario which will change its name to Starlight U.S. Multi-Family (No. 5) Investment GP, Inc. in connection with the Reorganization, and the general partner of Investment LP5;

"**Investment GPs**" means, collectively, Starlight U.S. Multi-Family Investment GP, Inc., Starlight U.S. Multi-Family (No. 2) Core Investment GP, Inc., Starlight U.S. Multi-Family (No. 3) Core Investment GP, Inc., Starlight U.S. Multi-Family (No. 4) Core Investment GP, Inc. and Investment GP5;

"**Investment LP5**" means Boardwalk Acquisition Partnership, an Ontario limited partnership formed on July 27, 2016 which will change its name to Starlight U.S. Multi-Family (No. 5) Core Investment L.P. in connection with the Reorganization, upon completion of which the Fund will be the sole limited partner and Investment GP 5 will be the general partner;

"**Investment LP5 Units**" means limited partnership units of Investment LP5;

"**Investment LPs**" means, collectively, Starlight U.S. Multi-Family Core Investment L.P., Starlight U.S. Multi-Family (No. 2) Core Investment L.P., Starlight U.S. Multi-Family (No. 3) Core Investment L.P., Starlight U.S. Multi-Family (No. 4) Core Investment L.P. and Investment LP5;

"**Investment LPs Agreements**" means the agreements that govern the Investment LPs which are made between the Fund and the Investment GPs and all persons who become holders of Investment LPs Units as to be provided therein;

"**Investment LPs Units**" means limited partnership units of the Investment LPs;

"**Investment Restrictions**" means the investment restrictions of the Fund, as more particularly described under "Investment Restrictions and Operating Policies – Investment Restrictions";

"**Investors Capital Return Base**" means (i) in respect of a Unit of each class of the Canadian Dollar Units, (A) the sum of (I) the aggregate gross amount of all cash subscription proceeds received by the Fund for the issuance of the subject class of Canadian Dollar Units pursuant to the Offering (in Canadian dollars) less the aggregate Agents' Fee payable, if any, in respect of the subject class of Canadian Dollar Units (in Canadian dollars) and (II) the aggregate gross subscription amount deemed to have been received by the Fund upon the issuance of the subject class of Canadian Dollar Units pursuant to the Reorganization (in Canadian dollars), divided by (B) the number of subject class of Canadian Dollar Units issued pursuant to the Offering and the Reorganization and (ii) in respect of a Class U Unit or a Class E Unit, (A) the sum of (I) the aggregate gross amount of all cash subscription proceeds received by the Fund for the issuance of the subject class of Units pursuant to the Offering (in U.S. dollars) less the aggregate Agents' Fee payable, if any, in respect of the subject class of Units (in U.S. dollars) and (II) the aggregate gross subscription amount deemed to have been received by the Fund upon the issuance of the subject class of Units pursuant to the Reorganization (in U.S. dollars), divided by (B) the number of subject class of Units issued pursuant to the Offering and the Reorganization;

"**IRS**" means the U.S. Internal Revenue Service;

"**Lead Agent**" means CIBC World Markets Inc.;

"**Lead Investors**" means institutional investors committed to subscribing for Class C Units, on a lead order basis;

"**LIBOR**" means the London Interbank Offered Rate;

"**Lower-Tier Fund LP Agreements**" means the limited partnership agreements establishing and governing Fund1, Fund2, Fund3 and Fund4, in each case as amended or amended and restated from time to time;

"**LP Agreements**" means the Fund LP Agreement and the partnership agreements establishing and governing each of the Subsidiary Partnership Entities;

"**Management Agreement**" means an agreement to be entered into between the Fund and each U.S. REIT and the Manager pursuant to which the Manager will provide certain services relating to the Properties;

"**Manager**" means Starlight Investments Ltd., an Ontario corporation, or a Subsidiary thereof, and the manager of the Fund and each of the U.S. REITs pursuant to the Management Agreement;

"**Marcus & Millichap**" means Marcus & Millichap Real Estate Investment Services;

"**Maximum Offering**" means the offering of a maximum of US$200,000,000 of Units, which amount shall be reduced by the aggregate subscription amount for any Class C Units sold on a concurrent private placement basis at the discretion of the Fund to the principal of the Manager, certain other investors known to the Manager, and Lead Investors, if any, and, except where the context requires otherwise, assumes that (i) the Canadian dollar equivalent of US$78,000,000 of Class A Units, US$5,000,000 of Class C Units, US$39,000,000 of Class D Units, US$25,350,000 of Class F Units and US$7,800,000 of Class H Units, and (ii) US$19,500,000 of Class U Units and US$25,350,000 of Class E Units are issued pursuant to this Prospectus;

"**MD&A**" means management's discussion and analysis;

"**MI 61-101**" means Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions* as replaced or amended from time to time;

"**Minimum Offering**" means the offering of a minimum of US$26,500,000 of Units, which amount shall be reduced by the aggregate subscription amount for any Class C Units sold on a concurrent private placement basis at the discretion of the Fund to the principal of the Manager, certain other investors known to the Manager, and Lead Investors, if any, and, except where the context requires otherwise, assumes that (i) the Canadian dollar equivalent of US$9,540,000 of Class A Units, US$2,650,000 of Class C Units, US$4,770,000 of Class D Units, US$3,100,500 of Class F Units and US$954,000 of Class H Units, and (ii) US$2,385,000 of Class U Units and US$3,100,500 of Class E Units are issued pursuant to this Prospectus;

"**Minimum Return**" means (i) in respect of a Unit of each class of the Canadian Dollar Units, (A) an amount equal to the sum of (I) the Investors Capital Return Base for a Unit of the subject class of Canadian Dollar Units (in Canadian dollars) and (II) a return of 6.5% per annum (in Canadian dollars) on the Investors Capital Return Base for a Unit of the subject class of Canadian Dollar Units (in Canadian dollars) calculated on a cumulative basis from the effective date of the Reorganization to the date of calculation of the Minimum Return and (ii) in respect of a Class U Unit or a Class E Unit, (A) an amount equal to the sum of (I) the Investors Capital Return Base for a Unit of the subject class of Units (in U.S. dollars) and (II) a return of 6.5% per annum (in U.S. dollars) on the Investors Capital Return Base for a Unit of the subject class of Units (in U.S. dollars) calculated on a cumulative basis from the effective date of the Reorganization to the date of calculation of the Minimum Return, determined in each case without reference to any adjustments to the distributions payable to a particular Unitholder by the Fund as a consequence of any U.S. federal, state and/or local income and/or withholding tax or Canadian withholding tax borne by the Fund or any Subsidiary of the Fund which is attributable directly or indirectly to such Unitholder;

"**Minimum Return Support Amount**" has the meaning set out under "Description of the Securities Distributed – Starlight Investments Partnership – Distributions";

"**Mortgage Loans**" means one or more mortgages, charges, pledges, hypothecs, liens, security interests or other encumbrances of any kind or nature whatsoever of the Properties, granted or to be granted by a U.S. REIT or Travesia Acquisition LP (or, if a Property is held by a Subsidiary or nominee entity on behalf of a U.S. REIT or Travesia Acquisition LP, by such entity) to one or more lenders, the proceeds of which were or will be used to finance the purchase, ownership and leasing of such Property;

"**Net Equity Value**" means, for each Existing Starlight Fund, the Fund Value for such Existing Starlight Fund less the Fund Carried Interest Value for such Existing Starlight Fund;

"**Net Subscription Proceeds**" means the net proceeds (in U.S. dollars) received by the Fund from (a) the issuance of the Canadian Dollar Units pursuant to the Offering (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date) and (b) the issuance of Class U Units and Class E Units pursuant to the Offering, minus (c) the Total Agents' Fee;

"**New Properties**" means the Sunrise Ranch, South Blvd Apartments and Coolray Field, interests in which will be indirectly acquired by the Fund following the completion of the Offering;

"**New Portfolio**" means the portfolio comprised of the New Properties;

"**NI 41-101**" means National Instrument 41-101 – *General Prospectus Requirements*;

"**NI 51-102**" means National instrument 51-102 – *Continuous Disclosure Obligations*;

"**Nielsen**" means the Nielsen Company;

"**NOI**" has the meaning set out under "Non-IFRS Measures";

"**Offering**" means the offering of up to a minimum of US$26,500,000 of Units and a maximum of US$200,000,000 of Units;

"**Offering Price**" means C$10.00 per Class A Unit, Class D Unit, Class F Unit, Class H Unit and Class C Unit, and US$10.00 per Class E Unit and Class U Unit;

"**Operating Expenses**" means all amounts paid or payable on account of expenses in the operation of and/or leasing of the Properties;

"**Operating Policies**" means the operating policies of the Fund, as more particularly described under "Investment Restrictions and Operating Policies – Operating Policies";

"**Ordinary Resolution**" means a resolution of the unitholders, limited partners or shareholders of an Entity, as the case may be, approved by not less than 50% of the votes cast by those persons who vote in person or by proxy at a duly convened meeting of the respective Entity, or a written resolution signed by the unitholders, limited partners or shareholders of an Entity, entitled, in the aggregate, to not less than 50% of the aggregate number of votes of those persons;

"**Original Purchasers**" has the meaning set out under "Purchasers' Statutory and Other Contractual Rights".

"**Person**" includes any individual, firm, partnership, limited partnership, limited liability partnership, joint venture, venture capital fund, limited liability company, unlimited liability company, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, trust, unincorporated association or organization, governmental authority, syndicate or other entity, whether or not having legal status, however designated or constituted;

"**Pinnacle**" means Pinnacle Family of Companies;

"**Plans**" means RRSPs, RESPs, TFSAs, RRIFs, registered disability savings plans and deferred profit sharing plans, as those phrases are defined in the Tax Act, and "**Plan**" means any of them;

"**Primary Markets**" means the primary markets in which the Fund seeks to directly or indirectly acquire properties, being the States of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas;

"**Properties**" means the lands and premises located in the U.S. or interests therein purchased, owned and leased, or to be purchased, owned and leased, by the U.S. REITs or their Affiliates, including the Existing Portfolio and New Portfolio, and "**Property**" means one of the Properties;

"**Proportionate Class A Interest**" is equal to the Aggregate Class A Interest, divided by the Aggregate Units Interest;

"**Proportionate Class C Interest**" is equal to the Aggregate Class C Interest, divided by the Aggregate Units Interest;

"**Proportionate Class D Interest**" is equal to the Aggregate Class D Interest, divided by the Aggregate Units Interest;

"**Proportionate Class E Interest**" is equal to the Aggregate Class E Interest, divided by the Aggregate Units Interest;

"**Proportionate Class F Interest**" is equal to the Aggregate Class F Interest, divided by the Aggregate Units Interest;

"**Proportionate Class H Interest**" is equal to the Aggregate Class H Interest, divided by the Aggregate Units Interest;

"**Proportionate Class U Interest**" is equal to the Aggregate Class U Interest, divided by the Aggregate Units Interest;

"**Prospectus**" means this prospectus and any amendments hereto;

"**Purchaser**" means a purchaser of Units;

"**REIT**" has the meaning set out under "Description of the Securities Distributed – The U.S. REITs – Restrictions on Ownership and Transfer";

"**Related Party**" means, with respect to any person, a person who is a "related party" as that term is defined in MI 61-101;

"**Reorganization**" means all of the transactions contemplated pursuant to the Reorganization Agreement;

"**Reorganization Agreement**" means the arrangement agreement made as of September 6, 2016 among the Fund, the General Partner, the Existing Starlight Funds, the Existing Starlight Funds GPs, Campar, D.D. Acquisitions Partnership and the Manager, pursuant to which, among other things, the Fund will acquire (i) all of the outstanding shares of the general partners of Fund1, Fund2, Fund3 and Fund4, (ii) all of the outstanding shares of Campar based on the Campar Exchange Ratio, (iii) all of the outstanding limited partnership units of Investment LP5 based on the Boardwalk Exchange Ratio, (iv) all of the outstanding securities of Fund1, Fund2, Fund3 and Fund4 based on the Fund Exchange Ratio, and (v) the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest, Fund4 Carried Interest and Travesia Carried Interest in consideration for approximately 3,903,148 Class C Units to Daniel Drimmer, the principal of the Manager, and 1,301,049 Class C Units to Evan Kirsh, the President of the Fund, in each case assuming an Effective Exchange Rate of C$1.325 to US$1.00;

"**RESPs**" means registered education savings plans as defined in the Tax Act;

"**ROC Share Redemption Amount**" means the redemption amount of a U.S. REITs ROC Share fixed at a stated U.S. dollar value, payable in cash on the redemption date (or if earlier, the date of the applicable U.S. REIT's liquidation, dissolution or winding-up or the date that the applicable U.S. REITs ROC Shares have been redeemed in full);

"**RRIFs**" means registered retirement income funds as defined in the Tax Act;

"**RRSPs**" means registered retirement savings plans as defined in the Tax Act;

"**Sales Comparison Approach**" has the meaning set out under "Description of the Activities of the Fund – The New Portfolio – Independent Appraisals of the Existing Portfolio";

"**Sample Target Property**" has the meaning set out under "Description of the Securities Distributed – Units – Distributions";

"**Securities Act**" means the *Securities Act* (Ontario), and the regulations thereunder, as amended from time to time;

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval at www.sedar.com;

"**Series A U.S. REITs Preferred Stock**" has the meaning set out under "Description of the Securities Distributed – The U.S. REITs – Series A U.S. REIT Preferred Stock";

"**Series C U.S. REITs Preferred Stock**" has the meaning set out under "Description of the Securities Distributed – The U.S. REITs – Series C U.S. REIT5 Preferred Stock";

"**Service Fee**" means an annual service fee equal to 0.5% of the gross subscription proceeds received or deemed to have been received for all outstanding Class A Units and/or Class U Units that will be paid to registered dealers by the Manager based on the number of Class A Units and/or Class U Units held by clients of such registered dealers at the end of the relevant quarter (calculated and paid at the end of each calendar quarter commencing on December 31, 2016);

"**SIFT Rules**" means the provisions of the Tax Act applicable to SIFT trusts, SIFT partnerships and their unitholders, as applicable;

"**SIP**" means Starlight Investments Partnership, a partnership established under the laws of Ontario;

"**SIP Agreement**" means the partnership agreement establishing and governing SIP, as amended or amended and restated from time to time;

"**SIP GPco**" means Starlight Investments Partnership GP, Inc., a corporation incorporated under the laws of Ontario;

"**South Blvd Acquisition LLC**" means South Blvd Acquisition LLC, a Delaware limited liability company;

"**South Blvd Apartments**" means the Property known as South Blvd Apartments, located in Las Vegas, Nevada;

"**South Blvd Apartments Purchase Agreement**" has the meaning set out under "Description of the Activities of the Fund – The New Portfolio – Purchase Agreements – South Blvd Apartments Purchase Agreement";

"**Special Resolution**" means a resolution of the unitholders, limited partners or shareholders of an Entity, as the case may be, approved by not less than $66^{2}/_{3}$% of the votes cast by those persons who vote in person or by proxy at a duly convened meeting of the respective Entity, or a written resolution signed by the unitholders, limited partners or shareholders of an Entity, entitled, in the aggregate, to not less than $66^{2}/_{3}$% of the aggregate number of votes of those persons;

"**Starlight Investments Acquisition No. 2 Partnership**" means Starlight Investments Acquisition No. 2 Partnership, a partnership formed under the laws of the province of Ontario;

"**Subsidiary**" includes, with respect to any Person, an entity controlled, directly or indirectly, by such Person and, in respect of the Fund, shall include the Existing Starlight Funds, the Investment LPs, the Holding LPs, the U.S. REITs and any special purpose vehicle controlled by any of the U.S. REITs and "**Subsidiaries**" means any two or more of them;

"**Subsidiary Canadian Corporations**" means Travesia ULC and Campar;

"**Subsidiary Partnership Entities**" means Fund1, Fund2, Fund3, Fund4, the Investment LPs, the Holding LPs, the Holding GPs, Starlight Investments Acquisition No. 2 Partnership, Travesia Multi-Family Holding LP, Travesia Acquisition LP and SIP;

"**Sunrise**" means Round Rock Sunrise Settlers LLC, the vendor of Sunrise Ranch;

"**Sunrise Ranch**" means the Property known as City North at Sunrise Ranch, located in Austin, Texas;

"**Sunrise Ranch Purchase Agreement**" has the meaning set out under "Description of the Activities of the Fund – The New Portfolio – Purchase Agreements – Sunrise Ranch Purchase Agreement";

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended from time to time;

"**Tax Certificate**" has the meaning set out under "Certain Canadian Federal Income Tax Considerations";

"**Term**" means the term of the Fund, which is targeted to be three years;

"**TFSAs**" means tax-free savings accounts as defined in the Tax Act;

"**Total Agents' Fee**" means the sum of (i) the aggregate Agents' Fee payable in respect of the Class A Units, Class D Units, Class F Units and Class H Units (calculated in U.S. dollars based on the U.S. dollar/Canadian dollar spot exchange rate available to the Fund on the Closing Date), and (ii) the aggregate Agents' Fee payable in respect of the Class E Units and Class U Units;

"**Trade-Mark Licence Agreement**" means the trade-mark licence agreement between the Manager and the Fund pursuant to which the Manager will grant to the Fund a non-exclusive, royalty-free licence to, among other things, use the "STARLIGHT U.S. MULTI-FAMILY" and "STARLIGHT U.S. MULTI-FAMILY & Design" trade-marks in Canada and the U.S. for the purpose of conducting its activities as provided for by the Fund LP Agreement;

“**Travesia Acquisition LP**” means Travesia Acquisition LP, a limited partnership formed under the laws of Delaware;

“**Travesia Carried Interest**” has the meaning ascribed thereto in “Corporate Structure”;

“**Travesia Carried Interest Agreement**” means that certain supplemental carried interest agreement between Fund2 and the Manager dated March 2, 2015, which was assigned by the Manager to SIP prior to the effective time of the Reorganization;

“**Travesia Multi-Family Holding LP**” means Travesia Multi-Family Holding LP, a limited partnership formed under the laws of Delaware;

“**Treaty**” means the *Canada-United States Convention with Respect to Taxes on Income and on Capital*;

“**ULC GP**” means Starlight U.S. Multi-Family (No. 5) Core Holding (GP) ULC, the general partner of the Holding GPs;

“**Unit Class Expenses**” means the expenses of the Fund allocable to a specific class of Units. Specifically: for Class A Units and Class U Units, these Unit Class Expenses include a portion of the Asset Management Fee equal to the Service Fee in respect of Class A Units and Class U Units; and for the Class H Units, these Unit Class Expenses include the cost to purchase derivatives in connection with the Class H Unit Liquidation Hedge;

“**Unitholder**” means a holder of record of any Units;

“**Units**” means the Class A Units, Class U Units, Class D Units, Class E Units, Class F Units, Class H Units and Class C Units, collectively;

“**U.S.**” means the United States of America;

“**USPAP**” means the Uniform Standards of Professional Appraisal Practice under the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute;

“**U.S. REIT5**” means Starlight U.S. Multi-Family (No. 5) Core REIT Inc., a Maryland corporation;

“**U.S. REIT5 Common Stock**” means the common stock, US$0.01 par value per share, of U.S. REIT5;

“**U.S. REIT5 Notes**” means the subordinated unsecured promissory notes that may be issued by U.S. REIT5 to Holding LP5;

“**U.S. REIT5 ROC Shares**” means shares in the capital of U.S. REIT5 which are designated within such capital as Series B Cumulative Voting Preferred Shares;

“**U.S. REITs**” means, collectively, Starlight U.S. Multi-Family Core REIT Inc., Starlight U.S. Multi-Family (No. 2) Core REIT Inc., Starlight U.S. Multi-Family (No. 3) Core REIT Inc., Starlight U.S. Multi-Family (No. 4) Core REIT Inc. and U.S. REIT5;

“**U.S. REITs Common Stock**” means the common stock, US$0.01 par value per share of the U.S. REITs;

“**U.S. REITs Notes**” means the subordinated unsecured promissory notes that may be issued by the U.S. REITs to the applicable Holding LPs;

“**U.S. REITs Preferred Stock**” has the meaning set out under “Description of the Securities Distributed – The U.S. REITs – General”;

“**U.S. REITs ROC Shares**” means shares in the capital of the U.S. REITs which are designated within such capital as Series B Cumulative Voting Preferred Shares;

“**U.S. Securities Act**” means the United States *Securities Act of 1933*, as it may be amended from time to time; and

“**Value per Class**” means for each class of units for a particular Existing Starlight Fund, the Net Equity Value of such Existing Starlight Fund allocable to such class, calculated on the basis of the corresponding "proportionate class interest" definition set out in the applicable limited partnership agreements of each Existing Starlight Fund, provided that in the case of class E limited partnership units of Fund4 and class U units of any Existing Starlight Fund, the Value per Class shall be converted into U.S. dollars using the Effective Exchange Rate;

"**Value per Existing Unit**" means, for each unit of a particular class of each Existing Starlight Fund, the applicable Value per Class divided by the total number of issued and outstanding units of such class at the effective time of the Reorganization;

"**Value per Share**" means the Campar Equity Value divided by the total number of issued and outstanding shares of Campar on the effective date of the Reorganization;

"**Views**" means Views at Gwinnett Stadium LP, the vendor of Coolray Field.

1. CORPORATE STRUCTURE

1.1 Name and Formation

The Fund

The Fund is a "closed-end" limited partnership, sponsored and asset managed by the Manager. The Fund is governed by the laws of Ontario and was established pursuant to the Fund LP Agreement. The Board of the General Partner is comprised of Daniel Drimmer, Graham Rosenberg and Harry Rosenbaum. The Existing Starlight Funds will operate as wholly-owned subsidiaries of the Fund.

The head and registered office of the Fund is 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario, M8X 2X3.

The Fund was established in connection with the implementation of the Reorganization announced on September 6, 2016. Pursuant to the Reorganization prior to Closing of the Offering, among other things: the Fund acquired all of (a) the outstanding securities of the general partners of the Existing Starlight Funds, (b) the outstanding shares of Campar, (c) the outstanding limited partnership units of Investment LP5, (d) the outstanding securities of the Existing Starlight Funds; and (e) partnership interests in SIP, the indirect owner of the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest and Fund4 Carried Interest and the direct owner of the Travesia Carried Interest. As a result of the Reorganization, prior to Closing of the Offering the Fund will have issued approximately 18,230,428 Class A Units, 2,582,853 Class U Units, 6,131,333 Class D Units, 1,047,476 Class E Units, 2,121,072 Class F Units, 344,553 Class H Units and 13,162,407 Class C Units to the former securityholders of the Existing Starlight Funds and Campar, the former holders of units of Boardwalk Acquisition Partnership and the former indirect holders of the "Carried Interests" in the Existing Starlight Funds, assuming an Effective Exchange Rate of C$1.325 to US$1.00, resulting in the Fund being the indirect owner of a property portfolio comprising of an aggregate of 5,882 multi-family residential apartment suites in 20 properties located in the States of Florida, Georgia, Nevada, North Carolina and Texas. See "Description of the Activities of the Fund – The Existing Portfolio". The SIP partnership interests were acquired in consideration for 5,204,197 Class C Units, which represent approximately 12.0% of the limited partnership interests in the Fund prior to Closing of the Offering, the number of which was determined based on the aggregate fair market value of the Existing Starlight Funds Carried Interests being US$39,274,000.

The Existing Starlight Funds

Each of the Existing Starlight Funds operates as a wholly-owned subsidiary of the Fund. The Existing Starlight Funds are limited partnerships formed pursuant to and governed by the laws of Ontario. The general partner of each Existing Starlight Fund is the corresponding Existing Starlight Funds GP, in each case, a corporation existing under the laws of Alberta. All of the issued and outstanding shares of the Existing Starlight Funds GPs are owned by the Fund. The Properties comprising the Existing Portfolio, excluding Boardwalk Med Center, are indirectly owned by each of the Existing Starlight Funds as detailed below.

Fund1

Fund1 is a wholly-owned subsidiary of the Fund, which exists and operates as a limited partnership. Fund1's structure includes an Investment LP, Holding LP and U.S. REIT that are substantially similar to Investment LP5, Holding LP5 and U.S. REIT5. Fund1 indirectly holds interests in the Properties known as Villages of Towne Lake, Falls at Copper Lake, Greenhaven Apartments, Marquee Station, Falls at Eagle Creek, Soho Parkway Apartments, The Villages at Sunset Ridge, Belle Haven Apartments and Sorelle Apartments. For more information see "Description of the Activities of the Fund – The Properties."

Fund2

Fund2 is a wholly-owned subsidiary of the Fund, which exists and operates as a limited partnership. Fund2's structure includes an Investment LP, Holding LP and U.S. REIT that are substantially similar to Investment LP5, Holding LP5 and U.S. REIT5. Fund2 indirectly holds interests in the Properties known as Palm Valley Apartments, Travesia Apartments, Falls at Eagle Creek and Soho Parkway Apartments. For more information see "Description of the Activities of the Fund – The Properties."

The structure of Fund2 is different from the organizational structure of the other Existing Starlight Funds in that Travesia Apartments, a Property included as part of the Existing Portfolio, is indirectly owned by Fund2 through Travesia ULC, which is the sole limited partner of Starlight Investments Acquisition (No. 2) Partnership, a limited partnership formed pursuant to and governed by the laws of Ontario, and not through any of the Investment LPs, Holding LPs and U.S. REITs. Starlight Investments Acquisition (No. 2) Partnership's ownership interest in Travesia Apartments is indirectly held through its interest in Travesia Multi-Family Holding Limited Partnership, a limited partnership formed pursuant to and governed by the laws of Delaware, which in turn owns Travesia Acquisition Limited Partnership, a limited partnership formed pursuant to and governed by the laws of Delaware, being the entity that owns Travesia Apartments. The Carried Interest in respect of Travesia Apartments is provided for by contract between SIP and Fund2 which provides for economic terms substantially similar to the Fund2 Carried Interest (the "**Travesia Carried Interest**").

Fund3

Fund3 is a wholly-owned subsidiary of the Fund, which exists and operates as a limited partnership. Fund3's structure includes an Investment LP, Holding LP and U.S. REIT that are substantially similar to Investment LP5, Holding LP5 and U.S. REIT5. Fund3 indirectly holds interests in the Properties known as The Allure, Residences at Cinco Ranch, Yorktown Crossing, The Reserve at Jones Road, The Villages at Sunset Ridge, Belle Haven Apartments and Sorelle Apartments. For more information see "Description of the Activities of the Fund – The Properties."

Fund4

Fund4 is a wholly-owned subsidiary of the Fund, which exists and operates as a limited partnership. Fund4's structure includes an Investment LP, Holding LP and U.S. REIT that are substantially similar to Investment LP5, Holding LP5 and U.S. REIT5. Fund4 indirectly holds interests in the Properties known as Verano Apartments, Altis at Grand Cypress, Pure Living and The Reserves at Alafaya. For more information see "Description of the Activities of the Fund – The Properties."

The Investment LPs

The Investment LPs are limited partnerships formed pursuant to and governed by the laws of Ontario. Each Investment LP has made or will make an election pursuant to the Code to be classified as a corporation for U.S. federal income tax purposes effective on the date of its formation. The general partner of each Investment LP is the corresponding Investment GP, in each case, a corporation incorporated pursuant to the laws of Ontario. All of the issued and outstanding shares of the Investment GP5 are owned by the Fund and all of the issued and outstanding shares of the other Investment GPs are owned by the Existing Starlight Funds.

SIP

SIP is a partnership formed pursuant to and governed by the laws of Ontario. All of the outstanding units of SIP are owned directly or indirectly by the Fund, SIP GPco, the Manager and the President of the Fund. SIP indirectly owns all of the Carried Interests and directly owns the Travesia Carried Interest. For more information see " – The Holding LPs" below.

The Holding LPs

The Holding LPs are limited partnerships formed pursuant to and governed by the laws of Delaware. The general partner of each Holding LP is the corresponding Holding GP, a limited partnership formed pursuant to and governed by the laws of Delaware. The general partner of each Holding GP is ULC GP, an unlimited liability corporation formed pursuant to and governed by the laws of Alberta. All of the issued and outstanding limited partnership units of the Holding GPs and all of the outstanding shares of ULC GP are owned by SIP.

The Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest and Fund4 Carried Interest are provided for in the Holding LPs Agreements. As part of the Reorganization the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest, Fund4 Carried Interest and Travesia Carried Interest were indirectly transferred to the Fund by entities controlled by Daniel Drimmer (one of which holds 25% of the equity interests in the holder of these interests in trust for Evan Kirsh) in consideration for Class C Units and each of Starlight Investments and Evan Kirsh subscribed for general partner interests in SIP (the entity which directly or indirectly owns all of the Existing Starlight Funds Carried Interests) which represents the carried interest in the Fund. As a result of such transactions, the Carried Interests and the Travesia Carried

Interest in relation to the Existing Starlight Funds has been reset based on the appraised value of the Existing Properties at the time of the Reorganization and will accrue on the same terms going forward.

In connection with the Reorganization, the terms of SIP's partnership agreement have been amended to reflect the Carried Interest as described immediately above.

The U.S. REITs

The U.S. REITs are Maryland corporations. Each U.S. REIT has or intends to take the necessary steps to qualify as a real estate investment trust pursuant to the Code.

The U.S. REITs were established, among other things, for the purposes of acquiring, owning and operating the Properties (other than the Travesia Apartments). In order to accommodate the expected requirements of lenders and to segregate any risks of ownership between Properties, the U.S. REITs have or intend to have each of the Properties owned by a separate underlying limited partnership, limited liability company or other Subsidiary.

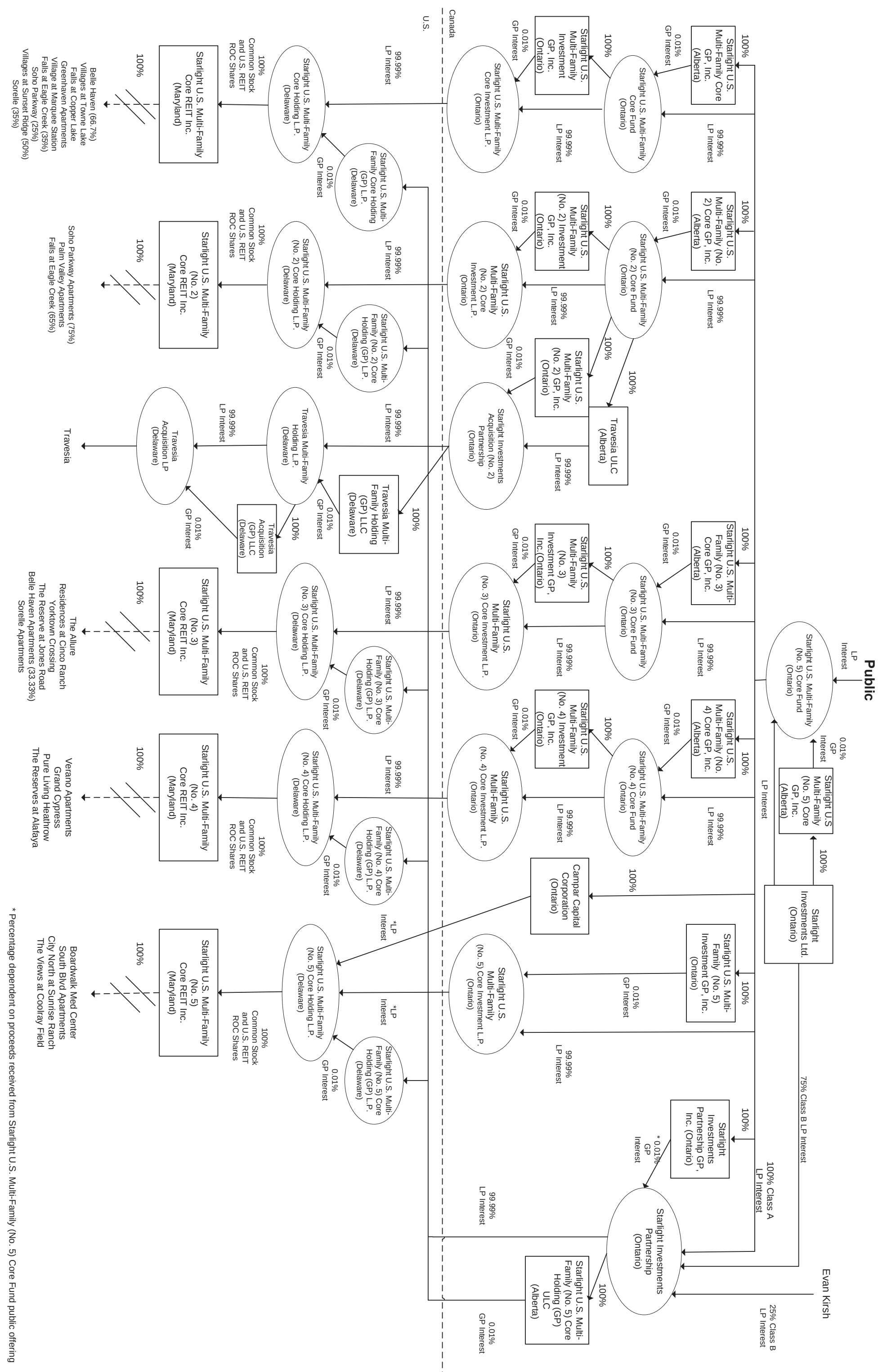
Following closing of the Offering, the Reorganization and acquisition of the New Properties, the Existing Portfolio and the New Portfolio will be indirectly owned by the U.S. REITs.

Campar

Campar is a wholly-owned subsidiary of the Fund and was incorporated in Ontario. Campar acquired an 80% interest in Boardwalk Med Center from independent third-party vendors prior to the Reorganization. Pursuant to the Reorganization, Campar was acquired by the Fund and Campar's indirect 80% interest in Boardwalk Med Center was transferred directly and indirectly to Holding LP5.

1.2 Inter-corporate Relationships

The following chart sets forth the relationships among the Fund, the Existing Starlight Funds, the Investment LPs, the Holding LPs, the U.S. REITs and the Manager (and certain related entities) following completion of the Offering:



2. INVESTMENT STRATEGY

The Fund was established for the primary purpose of investing indirectly in recently constructed, stabilized, Class "A", core income-producing rental properties in the U.S. multi-family real estate market. The Manager believes that the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long term returns when compared to other real estate asset classes. The Manager believes that the Existing Portfolio benefits from being located in in strong submarkets with favourable demographics, and expects that the Existing Portfolio will have excellent prospects for rental growth going forward. The Properties will also benefit from the Manager's active asset management to enhance rental income and reduce expenses going forward. See "– Investment Strategy – Value Realization Through Strategic Dispositions".

2.1 Investment Objectives

The Fund's investment objectives are to:

(a) indirectly acquire, own, and operate a portfolio comprised of recently constructed, stabilized, Class "A", income-producing multi-family real estate properties in the Primary Markets;

(b) make stable monthly cash distributions; and

(c) enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately directly or indirectly disposing of its interests in the assets at a gain by the end of the Term.

The Fund will target an annual pre-tax distribution yield of 6.5% (based on the original subscription price under the Offering and calculated in the currency of the Units held) across all Unit classes and aim to realize a targeted 12% pre-tax, investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund's interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses and any unhedged exposure to Canadian/U.S. dollar exchange rates. In the case of the Class H Units, the targeted annual pre-tax distribution yield of 6.5% is to be reduced by the cost of the Class H Unit Liquidation Hedge which is expected to result in a targeted annual pre-tax distribution yield of 3.5%, with any additional costs in respect of such hedge to be accounted for upon termination or liquidation of the Fund. See "Risk Factors" and "Description of the Securities Distributed – Units – Distributions". An annual pre-tax distribution yield of 6.5% would represent an expected AFFO payout ratio of approximately 83.2% in the first year, assuming the Minimum Offering is achieved, exchange rates remain constant and based on the applicable Agents' Fee and costs of the Offering. The Fund will seek to achieve its investment objectives by focusing on mature, stabilized assets in primary markets exhibiting favourable population and demographic characteristics.

2.2 Investment Strategy

In order to meet its investment objectives, the Fund's investment strategy will be as follows:

Core Acquisition of U.S. Multi-Family Real Estate

(a) Identify additional acquisition opportunities in the U.S. multi-family residential market by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off-market" opportunities.

(b) Target multi-family assets that are:

(i) constructed in 2008 or later, Class "A", stabilized properties with the potential to benefit from active management;

(ii) located in the Primary Markets, each with favourable demographics and fundamentals;

(iii) located in mature areas with barriers to new development; and

(iv) stabilized, with the potential to benefit from an active asset management strategy.

(c) Complete a comprehensive due diligence program, including cash flow and return modeling, operating expense reviews, and third-party reports including market studies, structural and environmental assessments and appraisals.

(d) Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.

(e) Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors. See "– Potential Co-Investments" below.

Asset Value Enhancement Through Active Asset Management Strategy

(a) Acquire primarily from merchant builders and private equity funds (not operators).

(b) Prepare a property-specific asset management plan to improve NOI margins by:

  (i) increasing rental rates through rental rate mapping and the use of yield management software;

  (ii) identifying and realizing upon ancillary income opportunities;

  (iii) reducing Operating Expenses; and

  (iv) utilizing reputable best-in-class U.S.-based property managers.

(c) Perform targeted, discrete capital expenditures in order to increase asking rental rates.

(d) Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.

(e) Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).

(f) Reduce operating expenses such as staffing, maintenance contracts, advertising and insurance through economies of scale.

(g) Perform selective, discrete in-suite, capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas

The Manager will target acquisitions in the Primary Markets, where markets feature:

(a) compelling population, economic and employment growth rates;

(b) 'landlord friendly' legal environments; and

(c) comfortable climates and quality of life.

The Fund expects to indirectly acquire properties primarily in the Primary Markets and the Manager believes that each of these states exhibits the characteristics above.

Value Realization Through Strategic Dispositions

(a) Asset value increases are expected by the Manager to be realized through a combination of NOI growth, Capitalization Rate compression and currency appreciation.

(b) The Manager, on behalf of the Fund, will execute dispositions throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.

(c) The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds on a tax efficient basis. In addition, the Manager may also consider a recapitalization or conversion to a new publicly listed vehicle.

The Manager, on behalf of the Fund, may also consider reducing its exposure in any one of the Primary Markets by disposing of certain Properties during the Term and by replacing such Properties with new Properties in the Primary Markets having greater potential NOI growth and value while achieving further geographical diversification of the Fund's overall portfolio and achieving a more balanced distribution of Properties within the Primary Markets.

Strategic U.S. Market and Asset Class Focus

The Manager believes that:

(a) multi-family fundamentals are strong, featuring both declining vacancy rates and appealing rental growth rates due to a reduction in home ownership and strong employment growth;

(b) positive demographic trends increasingly support strong demand for rental accommodation, while the U.S. housing market has shifted away from home ownership in favour of rental housing, which should enhance the sector's performance;

(c) younger Americans prefer to rent rather than own as it provides flexibility to relocate elsewhere in the U.S. and the quality of rental accommodations and amenities are in some cases superior to what would be found in a new home, without the requirement for a down payment;

(d) new supply of multi-family product remains below historical levels;

(e) attractive mortgage debt financing rates create positive leverage;

(f) multi-family real estate provides strong, risk-adjusted long term returns compared to other real estate asset classes; and

(g) private investors and other investment funds have focused more on older, Class "B" and "C" value add assets, which has created an opportunity for recently constructed, stabilized, Class "A" assets.

The Manager will provide the Fund with the platform necessary to capitalize on this opportunity, offering its experience, expertise, and the benefit of its established network of industry contacts. The Manager believes that the multi-family real estate sector in the U.S. currently provides an opportunity to acquire multi-family properties at favourable pricing. The Manager believes that, since recovering from the global financial crisis, real estate investment trusts and institutional investors have focused their attention on trophy assets that have lower perceived risk, higher liquidity, and more favourable lending characteristics. Consequently, the Manager believes that there exists a substantial inventory of recently constructed, stabilized, Class "A", income-generating, multi-family properties that it can source on an "on" and "off" market basis at attractive pricing.

Capital growth will be pursued by the Manager through value-added enhancements to the Properties and organic growth in suite rental rates. Additionally, the Manager expects that the low interest rate environment and investors' demand for yield will lead to an increase in demand for income-producing real estate and, ultimately, an overall reduction in Capitalization Rates.

Financing Strategy

The Fund's financing strategy is to access short term financing at comparatively low interest rates, and maintain flexibility by not locking in for longer terms. The Fund is differentiated by its targeted three-year time horizon, and the goal is to align the term of debt to the investment holding period. As part of this strategy, the intent is to offer the portfolio unencumbered by any mortgages at the end of the holding period to prospective buyers.

The U.S. Economy

The Manager believes that the trends in U.S. economy will continue to support the economic growth experienced in the last seven years, despite the length of the current cycle. The labour market, consumer spending and credit available to businesses all remain positive factors capable of supporting further economic expansion and counterbalancing other areas of uncertainty. According to Marcus & Millichap, job gains have averaged nearly 200,000 per month over the past year and approximately 2.1 million jobs are forecast to be created in 2016 in the U.S. After peaking at 17.1% during the height of the financial crisis, underemployment has settled at approximately 10% through the first half of 2016. An improving wage outlook is helping to support consumer spending on a wide range of goods and services. A sense of security among consumers is exemplified by the resurgence of big-ticket purchases such as automobiles. With healthy bank balance sheets, availability of credit and other financing alternatives is helping businesses access funds for expansion purposes and other capital projects. Gross domestic product is forecast to grow at approximately 2% in 2016 due in part to the continued integration of Millennials in the workforce and greater consumer spending by retiring baby boomers.

Despite signs of continued improvement in the U.S. economy the U.S. Federal Reserve held rates steady in July. According to CIBC World Markets Inc., a rate increase is not expected until December of 2016.

The U.S. Multi-Family Real Estate Sector

The Manager believes that the outlook for the multi-family market remains positive, owing to the strong demand for rental housing as continued job growth sustains household formation. The Manager believes that robust demographic and economic trends continue to support the multi-family residential market, including: the propensity to rent rather than buy for those aged 20 to 34 years, sustained job growth, a continued shift away from homeownership, and a growing diversity in household composition.

Since falling materially from the peak of 11.1% in the third quarter of 2009, national rental vacancy rates have now reached new lows at 3.8%. From a vacancy perspective, the market is the healthiest it has been in over ten years; prices have climbed back to pre-recession levels and currently sit at a level exceeding late-2007 prices according to the MIT Center for Real Estate. This positive momentum demonstrates the opportunity that the Manager has identified to strategically acquire recently-constructed, well-located, stabilized assets in a market environment poised to see further price increases.

U.S. Multi-Family Occupancy Rates

Source: MPF Research

The Manager believes there is significant pent-up demand for apartments with over 30% of young adults (18 – 34) living with parents expected to provide a strong tailwind for multi-family product. Household formations have steadily declined with the median age of marriage at an all-time high and the percentage of families with children at an all-time low. The growing amount of student debt is also limiting the ability and willingness of potential first-time home buyers to secure a mortgage.

Investment Rationale

The Manager believes that:

- the multi-family real estate sector presents a compelling investment opportunity and provides competitive, long term returns compared to other real estate asset classes;
- the multi-family real estate sector's robust performance and historically high occupancy rate have been driven by strong demand for rental accommodation, coupled with lower than historical new supply;
- a shift away from home ownership and positive demographic trends will enhance the sector's performance; and
- in today's low interest rate and volatile global market environment, an investment in income-producing, multi-family real estate compares favourably to other asset classes.

The Manager believes that, since recovering from the global financial crisis, real estate investment trusts and institutional investors have focused their attention on trophy assets that have lower perceived risk, higher liquidity and more favourable lending characteristics. The Manager believes that there exists a substantial inventory of recently constructed, stabilized, Class "A", income-generating, multi-family properties that it can source on an "on" and "off" market basis at attractive pricing.

Capital growth will be pursued by the Manager through value-added enhancements to the New Properties and organic growth in suite rental rates. Additionally, the Manager expects a low interest rate environment and that investors' demand for yield will lead to an increase in demand for income-producing real estate and, ultimately, an overall reduction in capitalization rates.

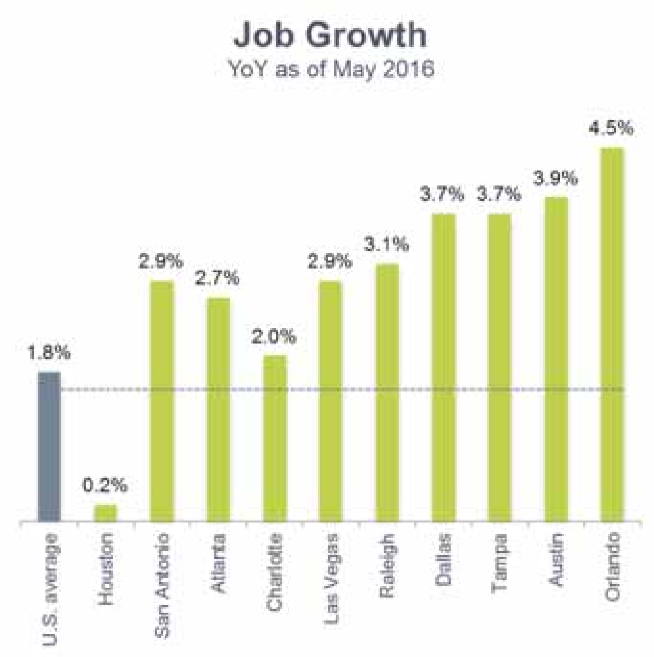
Investment Highlights

Optimal U.S. Submarkets – The Manager believes that Las Vegas, Atlanta and Austin exhibit optimal characteristics for targeted, core multi-family investments and are supported by strong fundamentals.

Las Vegas is the most populous city in the state of Nevada and the 29th-most populous city in the United States, with a population in the Las Vegas Metropolitan area of approximately 2.1 million people. Often referred to as the 'Entertainment Capital of the World', Las Vegas is an internationally renowned major resort city known primarily for gambling, shopping, fine dining, and nightlife and is the leading financial, commercial and cultural center for Southern Nevada. Today, Las Vegas is one of the top tourist destinations in the world and attracts approximately 41 million tourists annually. Las Vegas is also one of the top places for business conventions and meetings, hosting over 21,000 conventions and 5.9 million convention delegates in 2015. Some of Las Vegas' major employers include MGM Resorts International, Clark County School District, Caesars Entertainment, Nellis & Creech AFB, Wynn Resorts and Stations Casinos. Las Vegas currently has an unemployment rate of 6.9%, 0.2% below the rate experienced a year prior.

The Atlanta metropolitan area is home to approximately 5.5 million people and is the ninth largest metropolitan area in the United States. Atlanta has a diverse economic base made up of companies operating in the logistics, professional and business services, media operations and information technology industries. Job growth in the Atlanta metropolitan area was 2.7% in June 2016, reflecting over 69,000 jobs added during a 12-month period and was well above the national average of 1.8%. As the primary transportation hub to the Southeastern United States, Atlanta's Harstfield-Jackson Atlanta International Airport accommodates approximately 260,000 passengers daily and is the busiest airport in the world. Key employers in the Atlanta metropolitan area include The Coca-Cola Company, The Home Depot, Delta Air Lines, AT&T Mobility, UPS and Newell-Rubbermaid. Atlanta currently has an unemployment rate of 5.3%, in line with the state average 5.1%.

Austin is the capital of the state of Texas and is the fourth most populated city in the state. As one of the fasting growing cities in the Unites States, Austin has a population of approximately 932,000. Considered to be a major hub for high tech companies, major corporations and companies such as Apple, Dell, 3M, IBM and Hewlett-Packard all have significant operations within the Austin metropolitan area. Austin is also emerging as a hub for pharmaceutical and biotechnologies companies. Unemployment in Austin currently sits at 3.3%, below the state average of 4.5%.



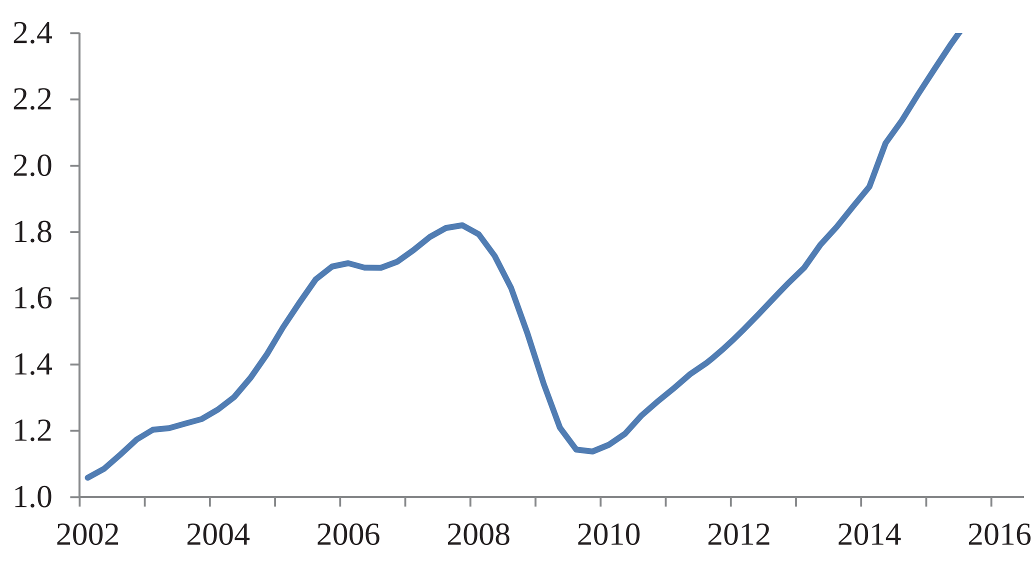
Source: U.S. Bureau of Labor Statistics

Source: The Nielsen Company

Optimal U.S. Market Conditions – The Manager believes that the U.S. multi-family real estate market exhibits conditions that are optimal for a targeted, core investment program. While the U.S. economy experiences strong growth, the Manager believes that asset pricing will remain attractive. Moreover, according to Marcus & Millichap, multi-family real estate sector fundamentals are strong, owing to a shift away from home ownership and positive demographic trends supporting rental accommodation.

Since the significant decline in apartment prices in 2007, prices have recovered across the U.S. and the market outlook remains positive. The Manager is of the view that a convergence of demographic and market factors will continue to support this sector's recovery and that now is an opportune time to invest in this asset class.

U.S. Apartment Price Index

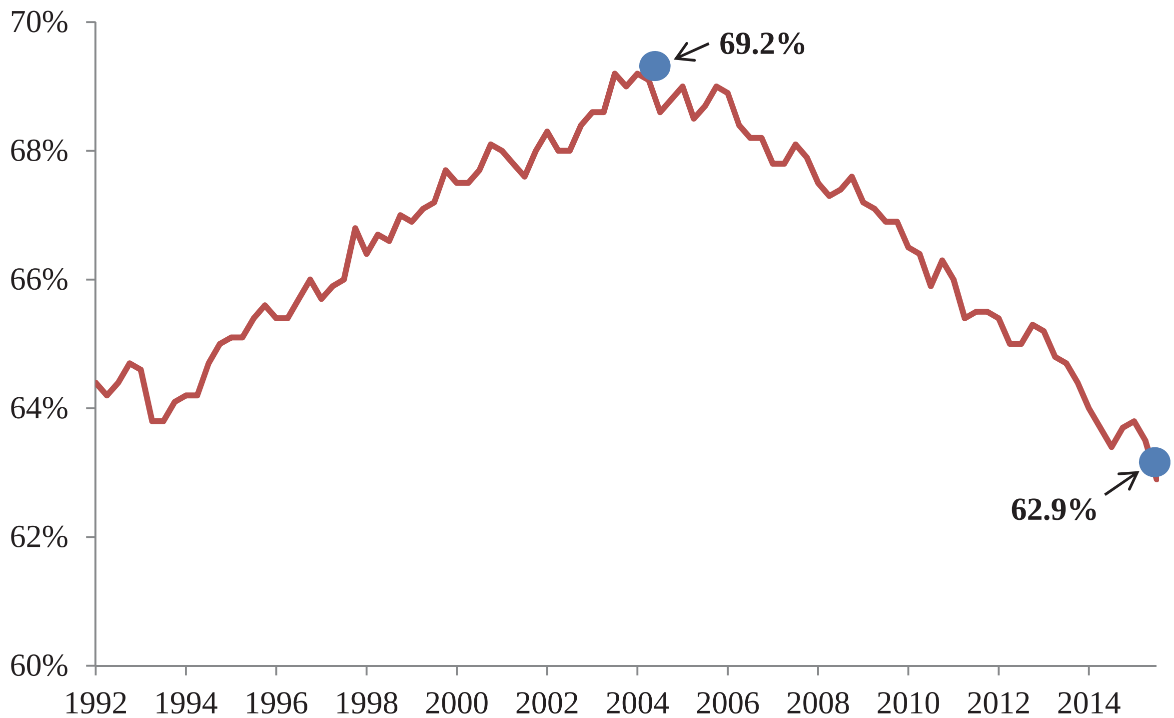


Source: MIT Center for Real Estate

Favourable Demographic Trends – According to Green Street Advisors, the U.S. multi-family real estate market is currently supported by a larger-than-normal cohort of Americans entering the 18 to 34 year old age bracket, representing the prime renting years of many Americans. The prime renter demographic – those under 35 years old (Millennial subset) – is projected to grow at a rate above the broader population over the next decade, representing a strong tailwind for apartment demand. The population of Millennials in the U.S. is projected to surpass 75 million by 2020. Those aged 25 to 29 have a 68% propensity to rent, while those 30 to 34 display a 54% propensity to rent. In addition, the Manager believes that job growth disparity across the U.S. has caused many Americans to migrate to high-growth markets, including many communities in the Primary Markets.

According to the U.S. Census Bureau, Housing Vacancies and Home Ownership, since its peak in 2004, the U.S. home ownership rate has fallen from approximately 69.2% to its recent level of approximately 62.9% as at June 30, 2016, an all-time low, creating an increased renter pool of over 18 million people. The Manager is of the view that events in 2008 surrounding aggressive mortgage lending and the ensuing collapse of the U.S. asset-backed securities market created a relatively negative bias toward home ownership, while the proliferation of attractive, cost-effective rental communities, close to workplaces have increased demand for multi-family suite rentals.

U.S. Home Ownership Rate

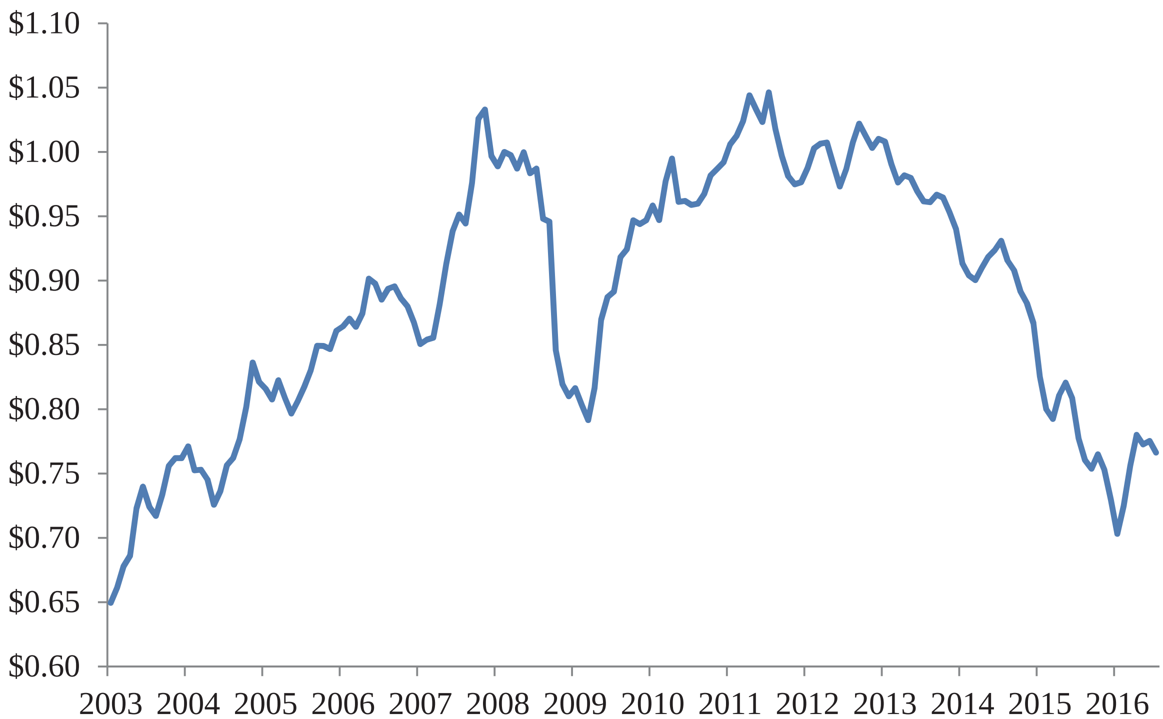


Source: U.S. Census Bureau

Defensive Nature of Multi-Family Sector – The Manager believes that the multi-family real estate sector provides investors with favourable sector and industry characteristics in comparison to other asset classes. With a historically low vacancy rate compared to the office and retail asset classes, multi-family real estate investments have exhibited robust performance that has been driven by strong demand and limited new supply. Moreover, according to Investment Property Databank, multi-family real estate investments have provided some of the most attractive returns over the past 20 years, among the major income-producing real estate asset classes.

Favourable Foreign Exchange Exposure – After trading close to or above par with the U.S. dollar due to high commodity prices and a relatively sound Canadian financial system, the Canadian dollar has recently lost ground to the U.S. dollar, which the Manager believes is at least partially attributable to improved growth prospects in the U.S. In prior decades, the Canadian dollar has typically traded significantly below the U.S. dollar; in January 2016, the Canadian dollar reached its lowest value since 2003. The average retail investor in Canada has been historically limited to the stock market for U.S. exposure and recent capital markets volatility has rendered this option potentially less desirable. The Manager believes that an investment in Units will allow retail investors to take advantage of opportunities in the U.S. multi-family real estate market, while (other than in the case of Class E Units and Class U Units) also providing exposure to the U.S. dollar.

CAD/USD Exchange Rate



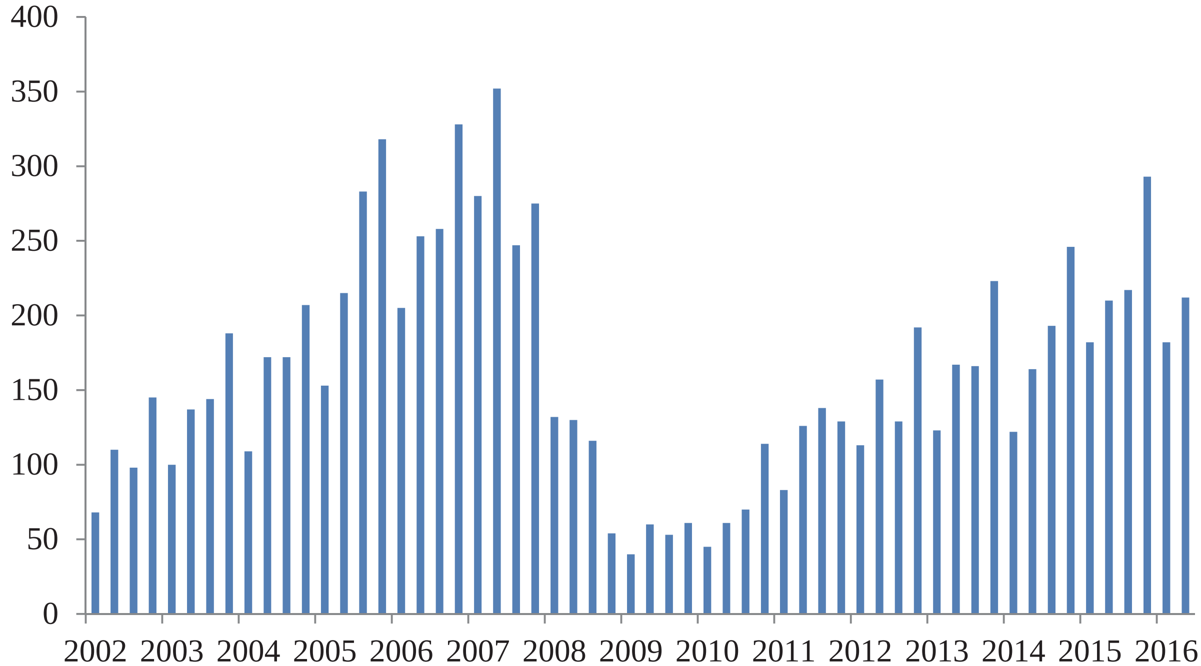
Source: Bank of Canada

While there is some variation amongst the "Big Five" Canadian banks, the average forecast anticipates an exchange rate of Cdn$1.30 to C$1.34 in the fourth quarter of 2016.

Canadian Bank Q4 2016 Canadian Dollar Forecasts *(CAD to 1 USD)*

"Big Five" Canadian Banks

Commercial/Multi-Family Mortgage Bankers Originations Index(1)



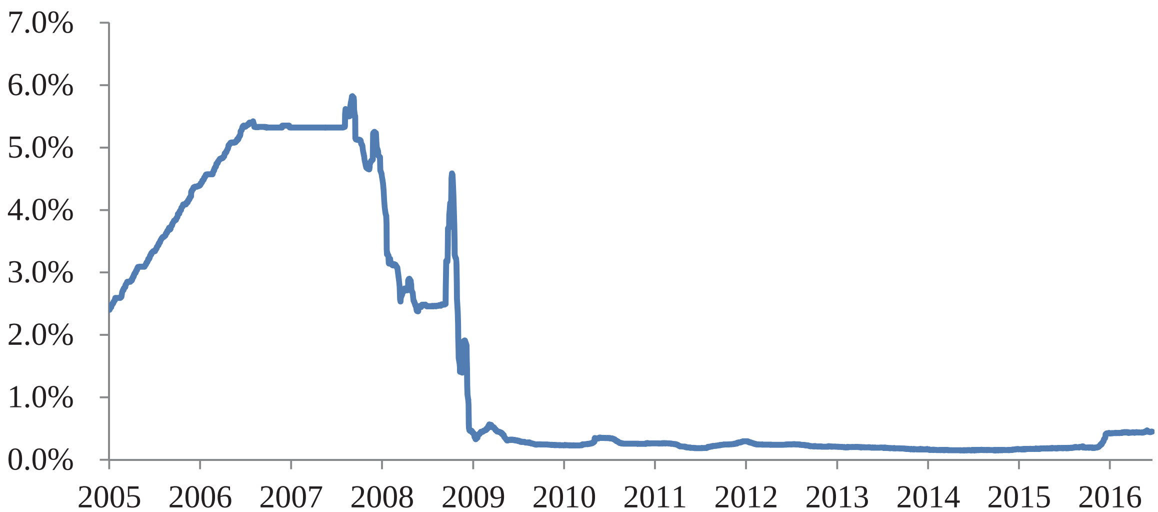
(1) 2001 quarterly average = 100.

Source: Mortgage Bankers Association of America

Attractive Mortgage Debt Financing Rates – Interest rates on mortgage debt have continued to decline and remain well below historical levels, providing strong, positive leverage and enhancing levered returns for property owners that are able to obtain financing. Historical average one month LIBOR rates are shown on the graph below. Current mortgage rates are in the 2% to 3% range.

Key Mortgage Lending Benchmark Historical

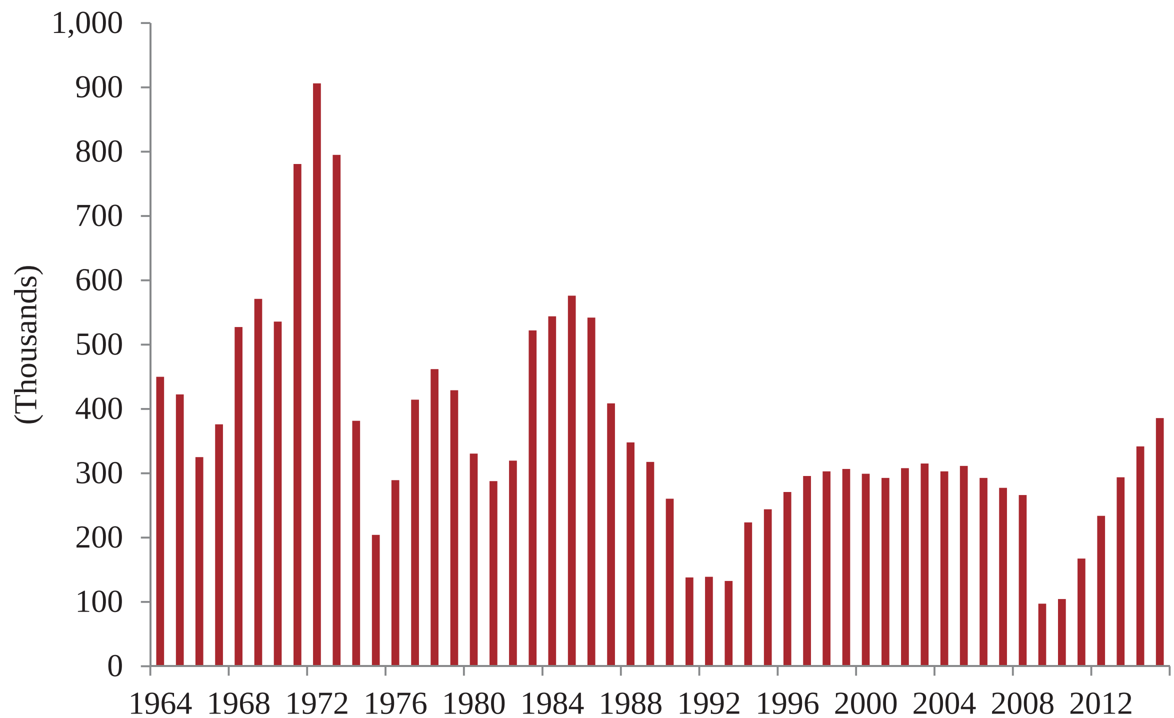
One Month LIBOR Rates



Source: Federal Reserve Economic Data

Constraints on Development – According to the U.S. Census Bureau, new residential construction, multi-family housing starts are still below historical levels, albeit recovering, since declining substantially in 2009. The Manager believes that now is an opportune time for landlords to target higher rents and improve NOI margins amid lower supply and increased demand for the existing supply, just as housing starts and supply begins to pick up.

U.S. Multi-Family(1) Housing Starts



(1) Buildings with five or more suites.

Source: U.S. Census Bureau

2.3 Potential Co-Investments

The Manager has extensive experience in the multi-family real estate sector, including in the U.S. During the past ten years, the principal of the Manager, Daniel Drimmer, acquired, operated and sold in excess of 85,000 multi-family suites. Throughout this period, the Manager has developed a broad network of, and has maintained ongoing relationships with, numerous sophisticated investors in the multi-family real estate sector (including, in particular, real estate investment trusts and pension funds). The Manager may leverage its network and ongoing relationships with such investors by exploring, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors. Such co-investment opportunities may allow the Fund to participate in the acquisition of larger portfolios than it would otherwise be able to acquire acting as a sole purchaser. As such, the Fund has been structured to facilitate co-investments by one or more co-investors, provided the Fund retains voting control of the Existing Starlight Funds, Investment LP5, Campar, Holding LP5 and U.S. REIT5. Notwithstanding the foregoing, the Fund may not control some or all of the decision making with respect to the Properties that are the subject of a co-investment. Should the Fund determine that it is in the best interests of the Fund to acquire any Property with a co-investor, conflicts of interest could arise between the Fund and such co-investor, including with respect to the sale of such Property. See "Risk Factors – Risks Related to the Fund – Co-Investment/Joint Ventures".

3. INVESTMENT RESTRICTIONS AND OPERATING POLICIES

Investment Restrictions

The Fund LP Agreement provides certain restrictions on investments that may be made directly or indirectly by the Fund. In addition, each Existing Starlight Fund is governed by its respective limited partnership agreement. The limited partnership agreements of the Existing Starlight Funds and the Fund LP Agreement are intended to match, and to the extent there is an inconsistency between the Fund LP Agreement and a limited partnership agreement of an Existing Starlight Fund, the Fund LP Agreement will govern and the Existing Starlight Fund will be subject to the same restrictions as the Fund LP Agreement.

The assets of the Fund may be invested only in accordance with the following restrictions:

(a) the Fund may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in multi-family real estate properties located in the U.S. and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other Investment Restrictions of the Fund, provided that the Fund may invest up to 25% of the Investable Funds in real properties which do not comply with the foregoing;

(b) notwithstanding anything else contained in the Fund LP Agreement, the Fund will not make any investment, take any action or omit to take any action that would result in the Class A Units and/or Class U Units not being a "qualified investment" for trusts governed by Plans for the purposes of the Tax Act;

(c) neither the appraised value nor the purchase price of the interest of the Fund in any single Property shall exceed US$75 million unless approved by the General Partner;

(d) except for temporary investments held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of the U.S. or a state of the U.S., short-term government debt securities or money market instruments maturing prior to one year from the date of issue and except as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, the Fund may not hold securities of a person other than to the extent such securities would constitute an investment in real property (as determined by the General Partner);

(e) the Fund shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;

(f) the Fund shall not invest in raw land for development, except for the purpose of the renovation or expansion of existing Properties;

(g) the Fund may invest in mortgages (including participating or convertible mortgages) and similar instruments where: (i) the General Partner has approved such investment, (ii) the real property which is security therefor is income-producing real property which otherwise meets the Investment Restrictions, (iii) the aggregate book value of the investments of the Fund in mortgages, after giving effect to the proposed investment, will not exceed 25% of the Investable Funds, (iv) such investments are not entered into for speculative purposes, and (v) the General Partner believes that such investments will provide the Fund with the opportunity to acquire the Property underlying such investment within one year from the date such investment is made;

(h) notwithstanding any other provisions of the Fund LP Agreement, the Fund shall not take any action, or acquire, retain or hold any investment in any entity or other property that would result in the Fund or any of the Subsidiary Partnership Entities being a "SIFT partnership" as defined in the Tax Act and, without limiting the generality of the foregoing, the Fund shall not at any time hold any "non-portfolio property" as defined in subsection 122.1(1) of the Tax Act;

(i) the Fund shall not invest more than 10% of the Investable Funds in securities of a publicly traded entity; and

(j) notwithstanding any other provisions of the Fund LP Agreement, the Fund shall cause each of the U.S. REITs to only make investments and adopt Operating Policies and undertake activities that will allow the U.S. REITs to meet all requisite organizational, operational, income, asset and distribution requirements for each U.S. REIT to qualify as a REIT under the Code.

Operating Policies

The Fund LP Agreement provides that the operations and affairs of the Fund, each of the Investment LPs, Holding LPs, U.S. REITs and other Fund Subsidiaries are to be conducted in accordance with the following policies:

(a) the Fund shall not purchase, sell, market or trade in currency or interest rate futures contracts other than for hedging purposes where, for the purposes hereof, the term "hedging" has the meaning ascribed thereto by National Instrument 81-102 – *Investment Funds* adopted by the Canadian Securities Administrators, as replaced or amended from time to time;

(b) the Fund may only engage in construction or development of real property to maintain its real properties in good repair or to improve the income-producing potential of properties in which the Fund has an interest;

(c) title to each real property shall be held by and registered in the name of any of the U.S. REITs, a corporation, a partnership or other entity wholly-owned, directly or indirectly, by the Fund or any of the U.S. REITs or jointly-owned, directly or indirectly, by the Fund or any of the U.S. REITs, with joint venturers or in such other manner which, in the opinion of the General Partner, is commercially reasonable;

(d) the Fund shall not incur or assume any indebtedness if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the Fund would be more than 75% of the Investable Funds provided that, if approved by the General Partner, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this paragraph (d);

(e) the Fund shall obtain and maintain at all times property insurance coverage in respect of potential liabilities of the Fund and the accidental loss of value of the assets of the Fund from risks, in amounts, with such insurers, and on such terms as the General Partner considers appropriate, taking into account all relevant factors including the practice of owners of comparable properties;

(f) the Fund shall obtain a Phase I environmental site assessment of each real property to be acquired by it and, if the Phase I environmental site assessment report recommends that a further environmental site assessment be conducted, the Fund shall conduct such further environmental site assessments, in each case by an independent and experienced environmental consultant; as a condition to any acquisition such assessments shall be satisfactory to the General Partner;

(g) the Fund shall obtain a property condition assessment of each real property that it intends to acquire; and

(h) the Fund shall obtain an independent appraisal of each property, or an independent valuation of a portfolio of properties, that it intends to acquire.

For the purpose of the foregoing Investment Restrictions and Operating Policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the Fund, including the U.S. REITs, will be deemed to be those of the Fund and they will be accounted for in accordance with the methods prescribed by IFRS, except in the case of the Investment Restrictions described in (b), (h) and (j) above to the extent that such treatment would be inconsistent with the relevant requirements or interpretation of the Tax Act or the Code. In addition, any references in the foregoing Investment Restrictions and Operating Policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Amendments to Investment Restrictions and Operating Policies

Pursuant to the Fund LP Agreement, all of the Investment Restrictions and the Operating Policy contained in paragraph (d) set out under the heading "Operating Policies" may be amended only by Special Resolution. The remaining Operating Policies may be amended by Ordinary Resolution. Notwithstanding the foregoing, the Board may, without the approval of or notice to Unitholders, amend the Fund LP Agreement for certain limited purposes specified therein. See "Description of the Securities Distributed – Units – Amendments to the Fund LP Agreement".

Notwithstanding the foregoing paragraph, if at any time a government or regulatory authority having jurisdiction over the Fund or any property owned directly or indirectly by the Fund shall enact any law, regulation or requirement which is in conflict with any Investment Restriction or Operating Policy of the Fund then in force (other than subparagraph (b) of the “Investment Restrictions”), such Investment Restriction or Operating Policy in conflict shall, if the Board, on the advice of legal counsel to the Fund, so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict and any such resolution of the Board shall not require the prior approval of Unitholders.

4. DESCRIPTION OF THE ACTIVITIES OF THE FUND

An investment in Units will be an indirect investment in the acquisition, ownership and leasing of the Properties and the Minimum Return and other returns on and of capital payable to the Existing Starlight Funds, Investment LP5 and SIP that will also ultimately be available for distribution to Unitholders after payment of all Fund expenses (including taxes and any shortfall payments required to be made to SIP in accordance with the SIP Agreement).

4.1 Activities of the Fund

The Fund was established on August 26, 2016 for the purpose of investing indirectly in a portfolio of recently constructed, stabilized, Class “A”, income-producing rental properties in the U.S. multi-family real estate market. The Manager believes that the multi-family real estate sector presents a compelling investment opportunity and provides competitive long term returns compared to other real estate asset classes and that, in particular, the multi-family real estate sector in the U.S. currently presents the Manager with the opportunity to acquire mature multi-family properties at favourable pricing. The Fund’s principal undertaking will be to issue Units and to acquire, own and operate the Properties indirectly through the U.S. REITs. The Fund has a prior operating history through each of the Existing Starlight Funds, but not a history of operating on a consolidated basis. The Fund’s ultimate objective, through the U.S. REITs, is to enhance operating income and property values and ultimately dispose of its assets, including its interest in any of its Subsidiaries, at a gain by the end of the Term.

The Term of the Fund is targeted to be three years, subject to earlier termination as described below. The Term may also be extended (including following the exercise of the two one-year extensions by the General Partner) by Special Resolution of the Unitholders, subject to approval by the General Partner. Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and terminated as soon as practicable following the direct or indirect disposition of all of the assets of the Fund.

4.2 Trademarks

At the completion of the Reorganization, the Manager will grant to the Fund a non-exclusive royalty-free licence to, among other things, use the “STARLIGHT U.S. MULTI-FAMILY” and “STARLIGHT U.S. MULTI-FAMILY & Design” trade-marks in Canada and the U.S. for the purpose of conducting its activities as provided for by the Fund LP Agreement and on such other terms to be set out in the Trade-Mark Licence Agreement. The Manager may terminate the Trade-Mark Licence Agreement in accordance with the termination provisions set out therein, including: (i) in the event of a material breach of the Trade-Mark Licence Agreement by the Fund that remains uncured for 60 days following notice from the Manager; (ii) upon the discontinuance by the Fund of its operations for a continuous period of three months which are not restarted within 30 days following written notice from the Manager; (iii) in the event that the Fund becomes bankrupt or makes an assignment for the benefit of creditors, or if all or any part of its business is placed in the hands of a receiver or trustee, or if the Fund seeks the benefit of any statute for the protection of creditors or fails for reason of impecuniosity to meet its debts as they become due; (iv) in the event that the Management Agreement is terminated; or (v) upon the dissolution or winding-up of the Fund.

4.3 Business of Investment LPs, Holding LPs and U.S. REITs

Each Investment LP was established for the purposes of issuing Investment LPs Units and investing in Holding LPs Units other than Investment LP5 which was initially established for the purposes of acquiring a partial interest in Boardwalk Med Center. Each Holding LP was established for the purposes of issuing Holding LPs Units and investing in U.S. REITs Common Stock, U.S. REITs ROC Shares and U.S. REITs Notes. Each U.S. REIT was incorporated for the purposes of owning and leasing a portfolio of income-producing rental properties in the U.S. multi-family real estate market. Each of the Properties in the Existing Portfolio and the New Portfolio may be owned by a separate underlying limited partnership or other Subsidiary entity established and owned by a U.S. REIT except for Travesia Apartments which is indirectly owned by Fund2 through its interest in Starlight Investments Acquisition (No. 2) Partnership. See “Corporate Structure – Inter-corporate Relationships”.

4.4 The Properties

Pursuant to the Reorganization, the Fund indirectly acquired a property portfolio comprising an aggregate of 5,882 multi-family residential apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas. See "– The Existing Portfolio" below.

The Fund will use US$49,657,901, including Gross Subscription Proceeds up to US$49,657,901, to subscribe for Investment LP5 Units to fund the indirect acquisition of the New Portfolio. Investment LP5 will invest the proceeds from the issuance of such Investment LP5 Units in Holding LP5 Units. Holding LP5 will use the proceeds from the issuance of such Holding LP5 Units to acquire U.S. REIT5 Common Stock and U.S. REIT5 ROC Shares. Holding LP5 may also acquire U.S. REIT5 Notes. U.S. REIT5 will use the proceeds from the issuance of U.S. REIT5 Common Stock, U.S. REIT5 ROC Shares and U.S. REIT5 Notes (if any) to directly or indirectly acquire the New Portfolio. See "– The New Portfolio" below. See "Description of the Activities of The Fund – The New Portfolio" and "Investment Strategy".

In the event that the Gross Subscription Proceeds from the Offering are less than US$49,657,901, the Fund has access to a credit facility in the amount of up to US$25,000,000 which will only be drawn upon on the Closing Date in an amount equal to the difference between the Gross Subscription Proceeds and US$49,657,901. In the event that the Gross Subscription Proceeds exceed the Minimum Offering, the Net Subscription Proceeds will be fully deployed up to the amount required to purchase the New Portfolio, therefore reducing the amount required to be drawn under the Fund's credit facility to complete the acquisition of the New Portfolio.

In addition, following the Offering, the Fund intends, on recommendation from the Manager, to invest (directly or indirectly through a Subsidiary) its unallocated Investable Funds (directly or indirectly through one or more Subsidiaries) in income-producing rental properties in the U.S. multi-family real estate market.

The Manager intends to manage the Properties with the view to preserving capital and providing monthly cash returns. The Manager will focus on Properties that were constructed in 2008 or later, Class "A", stabilized properties with the potential to benefit from active management; located in the Primary Markets, with favourable demographics and fundamentals; located in mature areas at below replacement values with barriers to new development; and with the potential to benefit from an active asset management strategy.

The Fund's investment objectives are to indirectly acquire, own, and operate a portfolio comprised of recently constructed, stabilized, Class "A", income-producing multi-family real estate properties in the Primary Markets; make stable monthly cash distributions; and enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately directly or indirectly disposing of its interests in the assets at a gain by the end of the Term.

The Fund will provide disclosure for each of the Properties in which it owns an interest in the Fund's interim and annual management discussion & analysis. The Fund anticipates such information will include, for each Property, details on the location, size, age, suite distribution, occupancy, purchase price and purchase date. Disclosure will also include any material capital expenditures intended to be made on the Property and a summary of the results of any third-party appraisal. The Fund will cause the U.S. REITs to obtain or update independent third-party property appraisals on an annual basis and will report to Unitholders an adjusted aggregate appraised value of the Fund's assets on a per Unit and class by class basis.

To the extent that the acquisition of a Property constitutes a "material change" or "significant acquisition" under NI 51-102, the Fund will file a press release, material change report and/or business acquisition report, as applicable, for the acquisition containing the required disclosure.

4.5 Management and Leasing of the Properties

The Manager believes that maximizing revenue and careful scrutiny of capital expenditures is the key to driving value when investing in real estate. The Manager intends to enhance the value of the Properties through an active asset management strategy, which includes property-specific business plans to improve NOI. Such asset management plans will focus on increasing rental rates through the use of yield management software, increasing ancillary revenue, reducing Operating Expenses and utilizing U.S.-based third party property managers. The Manager believes that active management of leasing is key to driving revenue as it allows the Manager to be intimately aware of resident needs. This allows the Manager to anticipate future revenue opportunities and mitigate potential leasing risks. The Manager intends to enhance assets with targeted, discrete capital expenditures to increase asking rental rates and to improve resident relationships and increase resident retention through customer service initiatives and new service offerings. The Manager believes that it is aligned, through the investment in the Fund by its Affiliate, to ensure that capital will not be spent unnecessarily and only where it is beneficial to the long-term value of the investment.

In order to allow the Manager to focus on value creation opportunities that will have the most significant impact on investor returns, the Manager will engage reputable, U.S.-based third party property managers for the ongoing day-to-day management of the Properties. The Manager intends to structure third party property management agreements such that the applicable property manager will be rewarded for increases in the operating income achieved through the management of a Property, thereby aligning the interests of the applicable property manager with that of the Fund. The Manager expects that the fees payable to third party property managers will include a property management fee between 2.5% and 3% of the gross revenue from the managed Properties and a market capital expenditure fee for capital expenditures relating to construction, renovations or deferred maintenance. For capital projects, the Manager may, in its discretion, undertake the capital expenditures and receive a capital expenditure fee commensurate with the capital expenditure fee payable to a third party property manager.

The Manager may decide that it is in the best interest of the U.S. REITs to manage the Properties directly in which case the property management fee to be paid to the Manager or an Affiliate of the Manager would be comparable to, and competitive with, the fees charged by arm's length property managers for management of properties of a like kind. In such circumstances, the Manager expects that it would employ local employees to assist in its property management duties based on local market capabilities and experience.

4.6 Operating Expenses of the Fund

Pursuant to the Management Agreement, the Fund and the U.S. REITs will collectively pay for all ordinary expenses incurred in connection with their operation and administration. It is expected that these expenses will include, without limitation: mailing and printing expenses for periodic reports to Unitholders and other Unitholder communications; any reasonable out-of-pocket expenses incurred by the Manager or its agents and paid to third parties in connection with their on-going obligations to the Fund; regulatory filing fees; administrative expenses and costs incurred in connection with the continuous public filing requirements of the Fund; investor relations; costs and expenses arising as a result of complying with all Applicable Laws; regulations and policies; insurance expenses; extraordinary expenses the Fund may incur; and any expenditures incurred upon the termination of the Fund. Such expenses will also include expenses of any action, suit or other proceedings in which or in relation to which the Manager (and any of its officers, directors, employees consultants or agents) or the Directors or the executive officers of the Fund are entitled to an indemnity from the Fund. The aggregate annual amount of these fees and expenses is estimated to be approximately US$500,000.

In addition, because the Fund will indirectly own and operate physical real estate assets, the Fund will be indirectly responsible for the payment of ordinary course Operating Expenses relating to real estate, which expenses are customary for real estate related entities such as salaries and benefits for on-site employees, insurance, utilities, repairs and maintenance, advertising and general and administrative expenses. Certain of the Operating Expenses will be payable to the Manager in connection with its management of the Fund.

4.7 The Existing Portfolio

Overview

Pursuant to the Reorganization, the Fund indirectly acquired a portfolio comprising an aggregate of 5,882 multi-family residential apartment suites in 20 properties (the "**Existing Portfolio**"). The Properties comprising the Existing Portfolio are located in the States of Florida, Georgia, North Carolina and Texas in the markets of Orlando, Tampa, Atlanta, Charlotte, Raleigh, Houston, Dallas, Austin and San Antonio, respectively. The Manager believes the Properties comprising the Existing Portfolio are in desirable geographic locations, well-tenanted and indicative of the types of properties that the Fund intends to continue to cause the U.S. REITs to acquire as part of its business strategy. The following table highlights certain information about the Existing Properties:

Property	Year Completed	Fund Ownership Interest	Total Suites	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (Acres)	Purchase Price (US$)	Purchase Price Per Suite (US$)	Purchase Price Per Sq. Ft. (US$)	Average Occupancy(1)	Average Monthly In Place Rent Per Sq. Ft.(2) (US$)	Average Monthly In Place Rent Per Suite(2) (US$)
Falls at Copper Lake	2008	100%	374	375,396	1,004	18.179	$60,300,000	$161,230	$161	94.39%	$1.19	$1,197
Villages at Towne Lake	2008	100%	126	123,140	977	14.529	$19,100,000	$151,587	$155	96.83%	$1.35	$1,318
Greenhaven Apartments	2009	100%	216	191,540	887	11.24	$32,300,000	$149,537	$169	94.91%	$1.26	$1,121
Falls at Eagle Creek	2009	100%	412	380,756	924	22.13	$56,600,000	$137,379	$149	89.56%	$1.23	$1,127
Soho Parkway Apartments	2008	100%	379	364,383	961	15.04	$56,300,000	$148,549	$155	94.46%	$1.11	$1,066
The Villages at Sunset Ridge	2013	100%	257	235,465	916	11.45	$31,200,000	$121,401	$133	90.66%	$1.17	$1,077
Belle Haven Apartments	2014	100%	176	193,204	1,098	12.89	$29,100,000	$165,341	$151	90.34%	$1.00	$1,101
Sorelle Apartments	2009	100%	401	352,347	879	5.09	$75,800,000	$189,027	$215	94.01%	$1.49	$1,304
Marquee Station	2013/2014	100%	265	263,940	996	17.69	$45,600,000	$172,075	$173	95.09%	$1.13	$1,129
Palm Valley Apartments	2009	100%	340	330,300	971	18.6	$50,200,000	$147,647	$152	92.94%	$1.13	$1,099
Travesia Apartments	2008	100%	396	343,332	867	19.4	$60,700,000	$153,283	$177	97.22%	$1.27	$1,106
The Allure	2012	100%	334	329,104	985	19.97	$59,300,000	$177,545	$180	94.31%	$1.27	$1,248
Residences at Cinco Ranch	2009	100%	300	287,502	958	16.34	$38,200,000	$127,333	$133	93.00%	$1.15	$1,099
Yorktown Crossing	2009	100%	312	278,292	892	12.18	$38,500,000	$123,397	$138	92.95%	$1.23	$1,094
The Reserve at Jones Road	2013	100%	114	104,961	921	4.225	$15,600,000	$136,842	$149	89.47%	$1.23	$1,118
Altis at Grand Cypress	2013/2014	100%	304	303,426	998	62.11	$56,900,000	$187,171	$188	95.72%	$1.25	$1,256
Verano Apartments	2008	100%	384	390,936	1,018	21.94	$59,000,000	$153,646	$151	93.23%	$1.09	$1,113
Pure Living	2009	100%	252	307,230	1,219	28.53	$50,500,000	$200,397	$164	91.27%	$1.15	$1,404
The Reserves at Alafaya	2014	100%	264	278,124	1,054	46.26	$47,200,000	$178,788	$170	94.70%	$1.21	$1,281
Boardwalk Med Center	2011/2014	100%	276	241,236	874	11.91	$38,100,000	$138,043	$158	97.10%	$1.25	$1,092
Total			**5,882**	**5,674,614**	**965**	**389.703**	**$920,500,000**	**$156,494**	**$162**	**93.71%**	**$1.21**	**$1,168**

Notes:

(1) As at August 8, 2016 for each Existing Property, excluding Boardwalk Med Center which is as of July 7, 2016.

(2) Based on units occupied or leased, net of concessions as at August 8, 2016, excluding Boardwalk Med Center which is as of July 7, 2016.

The Houston Metropolitan Area

The Houston/Woodlands/Sugar Land MSA is the second largest MSA in Texas, and the 6th-largest MSA in the United States. According to the U.S. Bureau of Labor Statistics, Houston's job growth has been in decline, with current growth being created in the service industries. Houston's economy is well diversified across six major industries.

According to the U.S. Bureau of Labor Statistics, Houston is estimated to have gained 5,100 jobs from May 2015 to May 2016, which translates to a 0.2% increase over the previous year's total employment. Growth in education/health services, leisure/hospitality, and government services drove job creation.

The Houston Metropolitan Apartment Market

Houston's economy has been stressed by the energy slowdown, which has slowed Houston's apartment market. MPF expects job growth to show modest gains in the near future, and uncertainty regarding the price of oil and gas is a concern moving forward. However, the impact of this on the apartment market is not expected to last long-term, and short-term impacts include longer lease-up cycles, and downward pressure on rent growth. Revenue growth in Houston will slow somewhat over the next year, but is expected to recover.

According to MPF Research, the Houston apartment market consists of 635,507 apartment suites. Occupancy was 93.1% at the end of the second quarter of 2016 with newer apartment suites (built after 2000) having an occupancy of 93.1%. Year over year rent growth was 1.1%. MPF Research expects Houston's overall occupancy to drop slightly to 92.3% during the next year, with annual rent growth of 1.8%.

Bear Creek (Falls at Copper Lake and Yorktown Crossing)

The Bear Creek neighbourhood in Houston has an upper middle income demographic profile with a median household income of US$68,131 and an average household income of US$90,077 according to The Nielson Company (within a three-mile radius of the properties). According to Nielsen, the population within the three-mile radius is expected to grow by 1.8% per year over the next five years.

In Q2 2016, the Bear Creek multi-family rental market was severely impacted by the energy slowdown, with a rent decline of 1.6%. Occupancy for the Bear Creek sub market was 93.4% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 90.5%. MPF Research projects that occupancy for the submarket will remain steady at 93.2% for the upcoming year.

Friendswood/Pearland (Villages of Towne Lake)

The Friendswood/Pearland neighbourhood in Houston has an upper income demographic profile with a median household income of US$87,557 and an average household income of US$101,702 according to The Nielson Company (within a three-mile radius of the property). According to Nielsen, the population within the three-mile radius is expected to grow by 1.7% per year over the next five years.

In Q2 2016, the Friendswood/Pearland multi-family rental market experienced average rent growth; an overall rent increase of 2.5%. Occupancy for the Friendswood/Pearland sub market was 95.3% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 94.4%. MPF Research projects that occupancy for the submarket will drop slightly to 93.9% over the upcoming year.

Humble/Kingwood (Falls at Eagle Creek and The Villages at Sunset Ridge)

The Humble/Kingwood neighbourhood in Houston has an upper-middle income demographic profile with a median household income of US$70,554 and an average household income of US$94,184 according to Claritas. According to Claritas, the population is expected to grow by 3.15% per year over the next five years.

In Q2 2016, the Humble/Kingwood multi-family rental market experienced slight rent growth; an overall rent increase of 0.3%. Occupancy for the Humble/Kingwood sub market was 95.1% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 96.9%. MPF Research projects that occupancy for the submarket will drop to 92.7% over the upcoming year.

Rosenberg/Richmond (Residences at Cinco Ranch)

The Rosenberg/Richmond neighbourhood in Houston has an upper income demographic profile with a median household income of US$121,442 and an average household income of US$154,071 according to The Nielson Company (within a three-mile radius of the property). According to Nielsen, the population within the three-mile radius is expected to grow by 3.0% per year over the next five years.

In Q2 2016, the Rosenberg/Richmond multi-family rental market experienced average rent growth; an overall rent increase of 3.0%. Occupancy for the Rosenberg/Richmond sub market was 92.3% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 89.8%. MPF Research projects that occupancy for the submarket will increase slightly to 93.0% over the upcoming year.

Champions West (The Reserve at Jones Road)

The Champions West neighbourhood in Houston has a middle income demographic profile with a median household income of US$66,658 and an average household income of US$85,648 according to The Nielson Company (within a three-mile radius of the property). According to Nielsen, the population within the three-mile radius is expected to grow by 1.77% per year over the next five years.

In Q2 2016, the Champions West multi-family rental market experienced slight rent growth; an overall rent increase of 0.1%. Occupancy for the Champions West sub market was 94.5% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 95.0%. MPF Research projects that occupancy for the submarket will drop slightly to 93.0% over the upcoming year.

The Dallas/Fort Worth Metropolitan Area

The Dallas/Fort Worth MSA is the largest MSA in Texas, and the 4th-largest MSA in the United States. According to the U.S. Bureau of Labor Statistics, Dallas continues to have strong job growth, stemming from a large increase of jobs in the service industries. Dallas' economy has been steadily growing over the last five quarters, and is well diversified across six major industries.

According to the U.S. Bureau of Labor Statistics, Dallas is estimated to have gained 125,300 jobs from May 2015 to May 2016, which translates to a 3.7% increase over the previous year's total employment. Constant growth from trade/transportation/utilities, financial activities, professional/business services, education/health services, leisure/hospitality services, and government drove job creation.

The Dallas/Fort Worth Metropolitan Apartment Market

Structural demand drivers are strong in the Dallas/Fort Worth apartment market, as the robust and diverse economy continues to fuel the market. The high levels of job growth have created extreme levels of demand that have significantly outpaced supply. Occupancy rates remain around 15-year high levels, and rent growth remains among 20-year high levels. MPF predicts that demand will remain strong, and that occupancy should remain high even with an increase in rents.

According to MPF Research, the Dallas apartment market consists of 715,224 apartment suites. Occupancy was at a five-year high of 95.5% at the end of the second quarter of 2016 with newer apartment suites (built after 2000) having an occupancy of 94.6%. Year over year rent growth was 6.2%. MPF Research expects Austin's overall occupancy to stay steady at 95.1% during the next year with annual rent growth of 4.0%.

Allen/McKinney (Greenhaven Apartments and Soho Parkway Apartments)

The Allen/McKiney neighbourhood in Dallas has an upper income demographic profile with a median household income of US$104,455 and an average household income of US$121,024 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 2.63% per year over the next five years.

In Q2 2016, the Allen/McKinney multi-family rental market experienced strong rent growth with an overall rent increase of 4.8%. Occupancy for the Allen/McKinney submarket was 94.4% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 93.6%. MPF Research projects that occupancy for the submarket will increase slightly to 94.6% over the upcoming year.

The Austin Metropolitan Area

The Austin-Round Rock MSA is the fourth largest MSA in Texas, and the 32nd-largest MSA in the United States. According to the U.S. Bureau of Labor Statistics, Austin continues to have strong job growth, stemming from a large increase of jobs in the service industries. Austin's economy has been steadily growing over the last five quarters, and is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Austin is estimated to have gained 37,300 jobs from May 2015 to May 2016, which translates to a 3.9% increase over the previous year's total employment. Constant growth from the mining/logging/construction industry, trade/transportation/utilities, professional/business services, education/health services, and leisure/hospitality services drove job creation.

The Austin Metropolitan Apartment Market

A robust local economy and prime demographics have resulted in strong demand drivers for the Austin apartments market. Over the past two years, demand has been stronger than anticipated, which has helped to grow the apartment base. This large growth has been accompanied by strong occupancy levels, which leads to optimism now that the supply growth has begun to slow. According to MPF, Austin's demand divers are strong enough to keep pace with huge supply volumes, which create a bright outlook for the market.

According to MPF Research, the Austin apartment market consists of 219,942 apartment suites. Occupancy was 95.7% at the end of the second quarter of 2016 with newer apartment suites (built after 2000) having an occupancy of 95.1%. Year over year rent growth was 4.5%. MPF Research expects Austin's overall occupancy to stay steady at 95.6% during the next year with annual rent growth of 4.2%.

Round Rock/Georgetown (Palm Valley Apartments, City North at Sunrise Ranch)

The Round Rock/Georgetown neighbourhood in Austin has a middle income demographic profile with a median household income of US$45,127 and an average household income of US$59,885 according to Claritas (within a five-mile radius of the properties). According to Claritas, the population within the five-mile radius is expected to grow by 2.14% per year over the next five years.

In Q2 2016, the Round Rock/Georgetown multi-family rental market experienced strong rent growth; an overall rent increase of 5.5%. Occupancy for the Round Rock/Georgetown sub market was 96.1% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 95.4%. MPF Research projects that occupancy for the submarket will remain strong at 96.2% over the upcoming year.

Pflugerville/Wells Branch (Travesia Apartments)

The Pflugerville/Wells Branch neighbourhood in Austin has a middle income demographic profile with a median household income of US$45,127 and an average household income of US$59,885 according to Claritas (within a five-mile radius of the properties). According to Claritas, the population within the five-mile radius is expected to grow by 1.97% per year over the next five years.

In Q2 2016, the Pflugerville/Wells Branch multi-family rental market experienced strong rent growth with an overall rent increase of 7.0%. Occupancy for the Pflugerville/Wells Branch submarket was 94.9% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 94.7%. MPF Research projects that occupancy for the submarket will increase slightly to 95.2% over the upcoming year.

Cedar Park (The Allure)

The Cedar Park neighbourhood in Austin has a middle income demographic profile with a median household income of US$45.127 and an average household income of US$59,885 according to Claritas (within a five-mile radius of the property). According to Claritas, the population within the five-mile radius is expected to grow by 2.20% per year over the next five years.

In Q2 2016, the Cedar Park multi-family rental market experienced a five-year high in rent growth; an overall rent increase of 7.2%. Occupancy for the Cedar Park submarket was 95.0% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 95.3%. MPF Research projects that occupancy for the submarket will increase slightly to 95.6% over the upcoming year.

The San Antonio Metropolitan Area

The San Antonio/New Braunfels MSA is the third largest MSA in Texas, and the 31st-largest MSA in the U.S. According to MPF research, San Antonio's job growth has begun to stabilize, with continuous growth in the service industries. San Antonio's economy is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, San Antonio is estimated to have gained 28,400 jobs from May 2015 to May 2016, which translates to a 2.9% increase over the previous year's total employment. Constant growth from the trade/transportation/utilities, education/health services, leisure/hospitality services, and government drove job creation.

The San Antonio Metropolitan Apartment Market

San Antonio's economic progress and population growth have led to remarkable levels of consistency within the San Antonio apartment market. Apartment demand remains solid and responsive to new supply, with newer product driving absorption and occupancy rates. MPF predicts that San Antonio will continue to remain consistent over the next couple of years, with occupancy levels around 93% and rent growth between 3-4%.

According to MPF Research, the San Antonio apartment market consists of 182,152 apartment units. Occupancy was 93.7% at the end of the second quarter of 2016 with newer apartment units (built after 2000) having an occupancy of 93.1%. Year over year rent growth was 2.8%. MPF Research expects San Antonio's overall occupancy to stay steady at 93.6% during the next year with annual rent growth of 2.6%.

Medical Center (Boardwalk Med Center)

The Medical Center neighbourhood in San Antonio has an upper middle class income demographic profile with a median household income of US$50,789 and an average household income of US$64,989 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the five-mile radius is expected to grow by 1.33% per year over the next five years.

In 2016, the Medical Center multi-family rental market experienced strong rent growth; an overall rent increase of 6.3%. Occupancy for the Medical Center sub market was 93.7% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 94.4%. No new multi-family properties have been completed in the last four quarters, and MPF has projected occupancy to stay consistent at 93.2%.

The Orlando Metropolitan Area

The Orlando/Kissimmee/Sanford MSA is the third largest MSA in Florida, and the 22nd-largest MSA in the United States. According to MPF research, Orlando's job growth has continued to be strong, with continuous growth in the service industries. Orlando's economy is diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Orlando is estimated to have gained 48,200 jobs from May 2015 to May 2016, which translates to a 4.2% increase over the previous year's total employment. Constant growth from the mining/logging/construction industry, trade/transportation/utilities industry, professional/business services, education/health services, and leisure/hospitality services drove job creation.

The Orlando Metropolitan Apartment Market

Strong economic growth and favourable demographic characteristics create a bright outlook for Orlando's apartment market. Orlando continues to attract Millennials, which is a key renter demographic. The metro has maintained strong year-over-year rent growth; approximately 6-7% in each of the last five quarters. Strong demand has restored occupancy rates, and generated strong rent growth. MPF's outlook for the future is bright, as they expect Orlando to maintain 3-4% rent growth over the next few years.

According to MPF Research, the Orlando apartment market consists of 212,827 apartment units. Occupancy was at a five-year high of 96.7% at the end of the second quarter of 2016 with newer apartment units (built after 2000) having an occupancy of 96.0%. Year over year rent growth was 5.7%. MPF Research expects Orlando's overall occupancy to stay strong at 95.5% during the next year with annual rent growth of 3.4%.

Kissimmee/Osceola County (Verano Apartments)

The Kissimmee/Osceola neighbourhood in Orlando has a middle income demographic profile with a median household income of US$41,372 and an average household income of US$51,383 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 1.85% per year over the next five years.

In Q2 2016, the Kissimmee/Osceola multi-family rental market experienced strong rent growth with an overall rent increase of 2.4%. Occupancy for the Kissimmee/Osceola submarket was 97.6% in Q2 2016 according to MPF Research; occupancy for properties that were constructed in 2000 or after was identical. MPF Research projects that occupancy for the submarket will remain steady at 96.8% over the upcoming year.

Sanford/Lake Mary (Pure Living)

The Sanford/Lake Mary neighbourhood in Orlando has an upper-middle income demographic profile with a median household income of US$71,620 and an average household income of US$96,751 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 1.85% per year over the next five years.

In Q2 2016, the Sanford/Lake Mary multi-family rental market experienced strong rent growth with an overall rent increase of 5.5%. Occupancy for the Sanford/Lake Mary submarket was 96.2% in Q2 2016 according to MPF Research; occupancy for properties that were constructed in 2000 or after was 95.6%. MPF Research projects that occupancy for the submarket will drop slightly to 94.6% for the upcoming year.

East Orange County (The Reserves at Alafaya)

The East Orange neighbourhood in Orlando has an upper-middle income demographic profile with a median household income of US$64,960 and an average household income of US$83,077 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 2.29% per year over the next five years.

In Q2 2016, the East Orange multi-family rental market experienced strong rent growth with an overall rent increase of 3.4%. Occupancy for the East Orange submarket was 95.4% in Q2 2016 according to MPF Research; occupancy for properties that were constructed in 2000 or after was 95.6%. MPF Research projects that occupancy for the submarket will remain consistent at 95.0% for the upcoming year.

The Tampa Bay Metropolitan Area

The Tampa/St. Petersburg/Clearwater MSA is the second largest MSA in Florida, and the 21st-largest MSA in the United States. According to MPF research, Tampa's job growth has been increasing, with continuous growth in the service industries. Tampa's economy is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Tampa is estimated to have gained 46,100 jobs from May 2015 to May 2016, which translates to a 3.7% increase over the previous year's total employment. Constant growth from the professional/business services industry, education/health services, and leisure/hospitality services drove job creation.

The Tampa Bay Metropolitan Apartment Market

Job creation has reached a solid pace over the past year, which has led to strong levels of demand for new product. A recent increase in new deliveries has been met with strong demand, causing occupancy to reach decade-high levels. Momentum is currently being generated, resulting in improvements in both occupancy and rent growth.

According to MPF Research, the Tampa apartment market consists of 239,649 apartment units. Occupancy was 96.4% at the end of the second quarter of 2016 with newer apartment units (built after 2000) having an occupancy of 96.3%. Year over year rent growth was 5.9%. MPF Research expects Tampa's overall occupancy to stay steady at 95.7% during the next year with annual rent growth of 3.6%.

New Tampa/East Pasco County (Altis at Grand Cypress)

The New Tampa/East Pasco neighbourhood in Tampa has an upper-middle income demographic profile with a median household income of US$70,562 and an average household income of US$89,042 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 1.62% per year over the next five years.

In Q2 2016, the New Tampa/East Pasco multi-family rental market experienced strong rent growth with an overall rent increase of 5.7%. Occupancy for the New Tampa/East Pasco submarket was 96.7% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 96.5%. MPF Research projects that occupancy for the submarket will decrease slightly to 95.5% over the upcoming year.

The Charlotte Metropolitan Area

The Charlotte/Concord/Gastonia MSA is the largest MSA in North Carolina, and the 25^{th}-largest MSA in the United States. According to the U.S. Bureau of Labor Statistics, Charlotte continues to have strong job growth, stemming from a large increase of jobs in the service industries. Charlotte's economy has been steadily growing over the last five quarters, and is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Charlotte is estimated to have gained 22,200 jobs from May 2015 to May 2016, which translates to a 2.0% increase over the previous year's total employment. Constant growth from the mining/logging/construction industry, financial activities, professional/business services, and leisure/hospitality services drove job creation.

The Charlotte Metropolitan Apartment Market

Strong population and employment growth have given a lift to an apartment market that ranks among the top in the nation. The current supply wave has gone into submarkets with strong demand drivers, and has been met with strong occupancy and healthy annual rent growth over the past six quarters. MPF's outlook remains bright, as occupancy is expected to stabilize at 95.0%, with healthy rent growths over the next few years.

According to MPF Research, the Charlotte apartment market consists of 157,999 apartment units. Occupancy was 96.1% at the end of the second quarter of 2016 with newer apartment units (built after 2000) having an occupancy of 95.8%. Year over year rent growth was 4.8%. MPF Research expects Raleigh's overall occupancy to decline slightly to 94.6% during the next year with annual rent growth of 3.9%.

UNC Charlotte (Belle Haven Apartments)

The UNC Charlotte neighbourhood in Charlotte has a middle income demographic profile with a median household income of US$43,584 and an average household income of US$55,803 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 1.80% per year over the next five years.

In Q2 2016, the UNC Charlotte multi-family rental market experienced strong rent growth with an overall rent increase of 4.1%. Occupancy for the UNC Charlotte submarket was 95.1% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 94.6%. MPF Research projects that occupancy for the submarket will stay steady at 94.4% over the upcoming year.

The Raleigh/Durham Metropolitan Area

The Raleigh/Durham MSA is the second largest MSA in North Carolina, and the 45th-largest MSA in the United States. According to MPF research, Raleigh's job growth has been steady, with continuous growth in the service industries. Raleigh's economy is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Raleigh is estimated to have gained 19,100 jobs from May 2015 to May 2016, which translates to a 3.3% increase over the previous year's total employment. Constant growth from the trade/transportation/utilities industry, professional/business services, education/health services, and leisure/hospitality services drove job creation.

The Raleigh/Durham Metropolitan Apartment Market

The Raleigh/Durham metro has a stellar combination of a strong economy and ideal demographics that support their apartment market. Although supply levels are projected to increase in the near term, healthy long-term demand drivers should allow the market to absorb the supply. Occupancy is projected to remain at 95%, with consistent rent growth between 3-4%.

Given that the metro is currently a magnet for higher-wage workers between the ages of 20-34, which are historically a driver of long-term employment growth, these projections are on the conservative end.

According to MPF Research, the Raleigh/Durham apartment market consists of 146,678 apartment units. Occupancy was 94.9% at the end of the second quarter of 2016 with newer apartment units (built after 2000) having an occupancy of 94.5%. Year over year rent growth was 4.4%. MPF Research expects Raleigh's overall occupancy to stay steady at 95.3% during the next year with annual rent growth of 3.4%.

South Cary/Apex (Marquee Station)

The South Cary/Apex neighbourhood in Raleigh has an upper-middle income demographic profile with a median household income of US$75,243 and an average household income of US$88,332 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 2.13% per year over the next five years.

In Q2 2016, the South Cary/Apex multi-family rental market experienced strong rent growth with an overall rent increase of 3.5%. Occupancy for the South Cary/Apex submarket was 93.6% in Q2 2016 according to MPF Research; occupancy for properties that were constructed in 2000 or after was 93.0%. MPF Research projects that occupancy for the submarket will increase to 95.4% for the upcoming year.

The Atlanta Metropolitan Area

The Atlanta-Sandy Springs-Roswell MSA is the largest MSA in Georgia, and the ninth-largest MSA in the United States. According to the U.S. Bureau of Labor Statistics, Atlanta continues to have strong job growth, stemming from a large increase of jobs in the service industries. Atlanta's economy has been steadily growing over the last five quarters, and is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Atlanta is estimated to have gained 76,600 jobs from May 2015 to May 2016, which translates to a 3.0% increase over the previous year's total employment. Constant growth from the trade/transportation/utilities, professional/business services, and leisure/hospitality services drove job creation.

The Atlanta Metropolitan Apartment Market

Strong job growth has increased demand for rental housing, which has resulted in apartment occupancy levels and rent growth levels to be well above historical norms. Due to the burn off of excess single-family housing, this demand has led to an incoming increase in supply in certain submarkets. According to MPF research, top-tier submarkets will continue to do extremely well, so long as supply in the submarkets remains manageable. Atlanta's outlook is bright; MPF expects rent growth between 3-4%, and occupancy levels at 94-95%.

According to MPF Research, the Atlanta apartment market consists of 468,122 apartment units. Occupancy was 94.8% at the end of the second quarter of 2016 with newer apartment units (built after 2000) having an occupancy of 94.8%. Year over year rent growth was 6%. MPF Research expects Atlanta's overall occupancy to stay steady at 94.4% during the next year with annual rent growth of 3.4%.

Northeast Atlanta (Sorelle Apartments)

The Northeast Atlanta neighbourhood in Atlanta has an upper-middle income demographic profile with a median household income of US$70,764 and an average household income of US$112,769 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 1.44% per year over the next five years.

In Q2 2016, the Northeast Atlanta multi-family rental market experienced strong levels of rent growth, with an overall increase of 3.1%. Occupancy for the Northeast Atlanta submarket in Q2 2016 was 95.6% according to MPF Research; however, occupancy for properties that were constructed in 2000 or later was 95.8%. MPF expects the submarket to maintain its strong levels of occupancy, projecting it to be 95.6% over a one-year forecast.

Residential Tenancy Legislation

The State of Florida has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund’s ability to raise rental rates at its properties located in Florida. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of Florida guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future. The State of Georgia has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund’s ability to raise rental rates at its properties located in Georgia. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of Georgia guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations, or guidelines will not be enacted or promulgated in the future. The State of North Carolina has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund’s ability to raise rental rates at its properties located in North Carolina. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of North Carolina guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations, or guidelines will not be enacted or promulgated in the future. The State of Texas has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund’s ability to raise rental rates at its properties located in Texas. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of Texas guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future.

Description of the Existing Portfolio

Falls at Copper Lake

Falls at Copper Lake was completed in 2008 and is located approximately 36 kilometres north-west of downtown Houston at 9140 Hwy 6 N, Houston, Texas. The site is in a small suburb of Houston. Built on a 18.179 acre property, Falls at Copper Lake is comprised of 374 apartment suites in 29 two and three-storey buildings and a central clubhouse located as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	740 to 943	182
2 Bedrooms	999 to 1,225	144
3 Bedrooms	1,234 to 1,426	48
Average/Total	**1,004**	**374**

The 374 total units that comprise the Property are constructed on a gross building area of 387,245 square feet. Units consist of one, two and three bedroom suites. The Property contains 727 total parking spaces including 361 open spaces, 318 attached garages, and 48 detached garages.

The complex includes a man-made lake as well as an outdoor swimming pool with a hot tub. Additional amenities designed to attract and retain tenants include a fitness centre, a theatre room, a business centre, private balconies, decks or patios, walk-in closets, granite countertops, dishwashers and alarm systems.

As of August 8, 2016, Falls at Copper Lake was 94.39% occupied and produced an average monthly rent in the amount of US$1.19 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Falls at Copper Lake is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

Villages of Towne Lake

Towne Lake is a senior's apartment community (55+) with an average resident age of 75 years old. The Property was built in 2008 and is located approximately 32 kilometers southeast of downtown Houston at 4055 Village Drive in Pearland, Texas. It is comprised of 126 apartment suites in 21 single storey buildings on a 14.529 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	774 to 860	60
2 Bedrooms	975 to 1,200	66
Average/Total	**977**	**126**

The 126 total suites that comprise the Property are constructed on a gross building area of 125,603 square feet. Suites range in size from one bedroom to two bedrooms. The Property contains a total of 254 parking spaces, including 126 carports and reserved handicap spaces.

The Property amenities include a swimming pool, a nine acre stocked lake, covered parking, community gardens, a bocce ball court, an outdoor living space with fireplace and grill, business, hobby and fitness centres, and a resident activity lounge.

As of August 8, 2016, Towne Lake is 96.83% occupied and produces an average monthly rent in the amount of US$1.35 per square foot based on the monthly in-place rent of all occupied suites.

Towne Lake is currently managed by Pinnacle, the third largest multi-family third party property manager in the U.S. with approximately 132,000 suites under management as of July 2016.

Greenhaven Apartments

Greenhaven Apartments was completed in 2009 and is located approximately 55 kilometres north of downtown Dallas at 8690 Virginia Parkway, McKinney, Texas. The site is in a small suburb of Dallas. Built on an 11.24 acre property, Greenhaven Apartments is a 216 suite, garden style, Class "A", apartment complex 10 two and three-storey buildings and a central clubhouse located as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	675 to 758	124
2 Bedrooms	1,051 to 1,144	84
3 Bedrooms	1,362	8
Average/Total	**887**	**216**

The 216 total suites that comprise the Property are constructed on a gross building area of 201,902 square feet. Units consist of one, two and three bedroom suites. The Property contains 395 total parking spaces including 167 open spaces, 44 detached garages, and 171 covered spaces.

Amenities at Greenhaven Apartments include a central clubhouse with a 24-hour state-of-the-art fitness centre, a resident lounge with a large screen television and java bar, an executive business centre and a club room with a billiard table. Outdoor amenities include an expansive resort style pool with surrounding sundeck, landscaped courtyards with barbeque picnic areas and a 2,000 square foot enclosed pet park. Greenhaven Apartments also has Wi-Fi high speed internet access throughout the Property.

As of August 8, 2016, Greenhaven Apartments was 94.91% occupied and produced an average monthly rent in the amount of US$1.26 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Greenhaven Apartments is currently managed by Pinnacle, the third largest multi-family third party property manager in the U.S. with approximately 132,000 suites under management as of July 2016.

Falls at Eagle Creek

Falls at Eagle Creek was constructed in 2009 and is located 26 kilometers northeast of downtown Houston and 16 kilometers southeast of George Bush Intercontinental Airport at 9702 N. Sam Houston Parkway East, Humble, Texas. The site is in a rapidly growing suburb. It is comprised of 412 apartment suites in 18 three-storey, walk-up buildings and a central clubhouse on a 22.13 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	758 to 842	292
2 Bedrooms	1,177 to 1,341	120
Average/Total	**924**	**412**

The 412 total suites that comprise the Property are constructed on a gross building area of 386,974 square feet. Units consist of one and two bedroom suites. The Property contains 655 total parking spaces, including 535 open spaces and 120 garage spaces.

The complex has a central clubhouse that contains numerous modern amenities. There is a media room with a flat screen TV, a business centre with Wi-Fi access, a demonstration cooking area, internet café, fitness centre (including free weights, resistance machines, circuit training and cardio equipment), billiard and shuffle board entertainment areas and two outdoor swimming pools with a covered barbeque area, patio seating, and a covered patio with a fireplace. The suites have efficient layouts and contain modern features including crown molding, faux granite counter tops and 9-foot ceilings.

As of August 8, 2016, Falls at Eagle Creek was 89.56% occupied and produced an average monthly rent in the amount of US$1.23 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Falls at Eagle Creek is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

Soho Parkway Apartments

Soho Parkway Apartments is a 379 suite garden style Class “A” apartment complex built in 2008. The Property is located approximately 55 kilometres north of downtown Dallas at 6653 McKinney Ranch Parkway in McKinney, Texas, a rapidly growing area of North Dallas. Soho Parkway Apartments consists of 16, three storey walk-up buildings and a central clubhouse on a 15.04 acre site and is comprised of one, two and three bedroom suites as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	747 to 851	199
2 Bedrooms	1,098 to 1,189	168
3 Bedrooms	1,501	12
Average/Total	**966**	**379**

The 379 total suites that comprise the Property are constructed on a gross building area of 369,894 square feet. Units consist of one, two and three bedroom suites. The Property contains 652 total parking spaces, including 124 attached garages and 46 detached garages.

Amenities at Soho Parkway Apartments include a central clubhouse with a 24-hour state-of-the-art fitness centre, a resident lounge with a large screen television and an executive business centre. Outdoor amenities include a resort style pool with barbeque picnic areas. Soho Parkway Apartments also has Wi-Fi high speed internet access throughout the Property.

As of August 8, 2016, Soho Parkway Apartments was 94.46% occupied and produced an average monthly rent in the amount of US$1.11per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Soho Parkway Apartments is currently managed by Pinnacle, the third largest multi-family third party property manager in the U.S. with approximately 132,000 suites under management as of July 2016.

The Villages at Sunset Ridge

The Villages at Sunset Ridge is a Class "A", garden-style apartment community located in Humble, Texas; approximately 31 kilometers northeast of downtown Houston at 14807 Woodland Hills Drive. The community consists of 257 apartment suites and was completed in 2013. It is comprised of nine three-storey apartment buildings with a central clubhouse on 11.45 acres of land as follows:

Suite Type	**Sq. Ft.**	**Number of Suites**
1 Bedroom	639 to 880	147
2 Bedrooms	915 to 1,365	92
3 Bedrooms	1,336	18
Average/Total	**916**	**257**

The 257 total suites that comprise the Property are constructed on a gross building area of 240,601 square feet. Units consist of one, two and three bedroom suites. The Property contains 596 total parking spaces, including 510 open surface spaces, 30 carport spaces, and 56 garage spaces.

Property amenities include an outdoor swimming pool, fitness centre, business centre, games room with a billiards table and a dog park. Unit finishes include faux wood flooring and faux granite counter tops and black on black appliances.

As of August 8, 2016, The Villages at Sunset Ridge was 90.66% occupied and produced an average monthly rent in the amount of US$1.17 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

The Villages at Sunset Ridge is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

Belle Haven Apartments

Belle Haven Apartments was constructed in 2014 and is located 13 kilometers northeast of downtown Charlotte at 9005 Post Canyon Lane, Charlotte, North Carolina. Belle Haven Apartments consists of seven, three-storey walk-up buildings on a 12.89 acre site comprised as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	866	48
2 Bedrooms	1,112 to 1,213	100
3 Bedrooms	1,271	28
Average/Total	**1098**	**176**

The 176 total suites that comprise the Property are constructed on a gross building area of 198,898 square feet. Units consist of one, two and three bedroom suites. The Property contains 285 total parking spaces, including 234 surface spaces and 51 garage spaces.

Amenities at Belle Haven Apartments include a central clubhouse containing a state-of-the-art fitness centre with yoga studio, a sports and entertainment lounge, a games room and a business centre. Exterior features include a swimming pool with water trellis, barbeque grills, a dog park with a pet washing station and a car care centre.

As of August 8, 2016, Belle Haven Apartments was 90.34% occupied and produced an average monthly rent in the amount of US$1.00 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Belle Haven Apartments is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

Sorelle Apartments

Sorelle Apartments is a 401 suite, mid-rise, Class “A”, apartment complex completed in 2009 and located in an upscale neighborhood 11 km northeast of downtown Atlanta at 2399 Parkland Drive, Atlanta, Georgia. Sorelle Apartments consists of a four to five-storey mid-rise building on a 5.09 acre site comprised of:

Suite Type	**Sq. Ft.**	**Number of Suites**
Studio	578	22
1 Bedrooms	624 to 881	216
2 Bedrooms	953 to 1,295	163
Average/Total	**879**	**401**

The 401 total suites that comprise the Property are constructed on a gross building area of 505,054 square feet. Units consist of studio, one and two bedroom suites. The Property contains 610 total parking spaces.

Amenities at Sorelle Apartments include a state-of-the-art fitness facility, an internet café and billiards table, and a business centre. Exterior amenities include a gated, six-level parking garage with direct floor access, a saltwater swimming pool and sundeck, a social courtyard with a fire pit, and an on-site dog park.

As of August 8, 2016, Sorelle Apartments was 94.01% occupied and produced an average monthly rent in the amount of US$1.49 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Sorelle Apartments is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

Marquee Station

The Village at Marquee Station was constructed in 2013 and is located 25 kilometers northeast of downtown Raleigh at 2110 Cinema Drive, Fuquay-Varina, North Carolina. Marquee Station consists of 12, three-storey walk-up buildings and a central clubhouse on an eighteen acre site comprised of one, two and three bedroom suites:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	745 to 806	80
2 Bedrooms	1,038 to 1,096	149
3 Bedrooms	1,245	36
Average/Total	**996**	**265**

The 265 total suites that comprise the Property are constructed on a gross building area of 290,252 square feet. The Property contains 607 total parking spaces, including 531 open spaces and 68 garage spaces.

Indoor amenities at Marquee Station include a designer clubhouse with a 24-hour business hub, a billiards room, a pet grooming salon, a fully-equipped fitness centre with a cardio room, and an interactive gaming lounge and media studio. Exterior features include a saltwater pool with a cabana and poolside trellis area, an onsite car care centre, and an entertainment area with natural gas grills.

As of August 8, 2016, Marquee Station was 95.09% occupied and produced an average monthly rent in the amount of US$1.13 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Marquee Station is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

Palm Valley Apartments

Palm Valley Apartments was built in 2009 and is located approximately 31 kilometres north of downtown Austin at 1301 North A.W. Grimes Boulevard, in Round Rock, Texas. It is comprised of 340 apartment suites in 17 three storey, garden style buildings on an 18.6 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	731 to 892	204
2 Bedrooms	1,101 to 1,237	116
3 Bedrooms	1,409	20
Average/Total	**971**	**340**

The 340 total suites that comprise the Property are constructed on a gross building area of 334,857 square feet. Units range in size from one bedroom to three bedrooms. The Property contains 482 surface parking spaces, 74 attached garages, 16 detached garages, 50 covered spaces and 48 tandem spaces for a total of 670 parking spaces.

Property amenities include a resort style swimming pool with a sun deck, cabana with outdoor grilling station, outdoor fireside lounge, sand volleyball courts, a private nature trail for walking and jogging and a spacious clubhouse complete with a state-of-the-art, 24 hour fitness centre, tech/business centre, game room with billiards table and an internet lounge and café. Apartment suites feature 9-foot ceilings with sleek interior features that include crown molding, track lighting and vinyl hard wood or ceramic tile flooring in wet areas. Gourmet kitchens come with brushed nickel hardware, black on black appliances, ceramic backsplash and maple cabinetry.

As of August 8, 2016, Palm Valley Apartments was 92.94% occupied and produced an average monthly rent in the amount of US$1.13 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Palm Valley Apartments is currently managed by Alliance. Alliance is the 7th largest third-party multi-residential property management company in the United States, managing over 82,000 apartment suites. They are currently managing eight communities comprising 3,184 suites for Starlight U.S. Multi-Family in Austin, Houston and Phoenix.

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Travesia Apartments

Travesia Apartments is a 396 suite, garden style, Class "A", apartment complex built in 2008 and located at 3701 Quick Hill Road, Austin, Texas, approximately 24 kilometres north of the Austin central business district. Bordering the Northwest Austin and Round Rock-Georgetown submarkets, Travesia Apartments is situated on a 19.4 acre site and comprised of one, two and three bedroom suites in 18, three storey walk-up buildings in close proximity to a central clubhouse.

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	627 to 783	228
2 Bedrooms	923 to 1,153	144
3 Bedrooms	1,347 to 1,365	24
Average/Total	**869**	**396**

The 396 total suites that comprise the Property are constructed on a gross building area of 349,905 square feet. Units consist of one, two and three bedroom suites. The Property contains 663 total parking spaces, including 80 carport spaces, and 66 detached garage spaces.

Property amenities include a large clubhouse with great room and adjoining kitchen/coffee bar, fitness centre, private conference room and executive business centre, Wi-Fi in club and pool areas, an expansive courtyard area with resort style pool and fountain features, grilling/BBQ areas with shade structures and outdoor fireplace, meandering walkways and large fenced dog park.

As of August 8, 2016, Travesia Apartments was 97.22% occupied and produced an average monthly rent in the amount of US$1.27 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Travesia Apartments is currently managed by Alliance. Alliance is the 7th largest third-party multi-residential property management company in the United States, managing over 82,000 apartment suites. They are currently managing eight communities comprising 3,184 suites for Starlight U.S. Multi-Family in Austin, Houston and Phoenix.

The Allure

The Allure was completed in 2013 and is located approximately 32 kilometres northwest of downtown Austin at 701 North Vista Ridge, Cedar Park, Texas. The site is in a rapidly growing suburb of Austin. It is comprised of 334 apartment suites in 22 three-storey buildings, including walk-up and two-storey townhouse suites, and a central clubhouse located on a 19.97 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	590 to 853	153
2 Bedrooms	1,002 to 1,125	133
3 Bedrooms	1,280 to 1,555	48
Average/Total	**985**	**334**

The 334 total suites that comprise the Property are constructed on a gross building area of 335,453 square feet. Units consist of one, two and three bedrooms. The Property contains 605 total parking spaces including 370 open spaces, 109 carports and 126 garage spaces.

The complex has a central clubhouse that contains numerous modern amenities including a resort style swimming pool with a sun deck and outdoor grilling station and a clubhouse with a fitness centre, tech/business centre and an internet lounge and cafe. Unit features consist of 9 foot ceilings and modern interior finishes such as faux wood flooring, brushed nickel hardware and stainless steel appliances (there are three different finish packages in the various apartment suites).

As of August 8, 2016, The Allure was 94.31% occupied and produced an average monthly rent in the amount of US$1.27 per square foot based on the monthly in-place rent of all occupied suites.

The Allure is currently managed by Alliance. Alliance is the 7th largest third-party multi-residential property management company in the United States, managing over 82,000 apartment suites. They are currently managing eight communities comprising 3,184 suites for Starlight U.S. Multi-Family in Austin, Houston and Phoenix.

Residences at Cinco Ranch

Residences at Cinco Ranch is a Class "A", garden-style apartment community located in rapidly expanding Katy submarket in west Houston, Texas. The community consists of 300 apartment suites and was completed in 2009. It is comprised of 13 three-storey and one two-storey apartment buildings with a central clubhouse on a 16.34 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	692 to 814	134
2 Bedrooms	993 to 1,202	134
3 Bedrooms	1,204 to 1,209	32
Average/Total	**958**	**300**

The 300 total suites that comprise the Property are constructed on a gross building area of 291,895 square feet. Units consist of one, two and three bedroom suites. The Property contains 465 total parking spaces, including 277 open spaces, 104 carport spaces, and 84 garage spaces.

Property amenities include a resort style swimming pool fitness centre, picnic area with barbeque and business and conference centre. Unit finishes include granite counter tops in kitchens and bathrooms, crown molding and 9 foot ceilings.

As of August 8, 2016, Residences at Cinco Ranch was 93.00% occupied and produced an average monthly rent in the amount of US$1.15 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

Residences at Cinco Ranch is currently managed by Alliance. Alliance is the 7th largest third-party multi-residential property management company in the United States, managing over 82,000 apartment suites. They are currently managing eight communities comprising 3,184 suites for Starlight U.S. Multi-Family in Austin, Houston and Phoenix.

Yorktown Crossing

Yorktown Crossing is a 312 suite, garden style, Class "A", apartment complex, completed in 2009 and located in a rapidly growing area northwest of downtown Houston at 15903 Yorktown Crossing Parkway, Houston, Texas. It consists of 13 three storey walk-up buildings on a 12.18 acre site comprised of one and two bedroom suites as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	716 to 877	204
2 Bedrooms	1,053 to 1,262	108
Average/Total	**892**	**312**

The 312 total suites that comprise the Property are constructed on a gross building area of 292,466 square feet. The Property contains 500 total parking spaces.

Amenities at Yorktown Crossing include a central clubhouse with a 24-hour fitness centre, a media room with large screen TV and an executive business centre. Outdoor amenities include a resort style pool, fireplace, barbeque grilling area and putting green. The property has Wi-Fi high speed internet access in all common areas.

As of August 8, 2016, Yorktown Crossing was 92.95% occupied and produced an average monthly rent in the amount of US$1.23 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

On August 17, 2016 a fire occurred at Yorktown Crossing. The fire was caused by a lightning strike. One of the 13 buildings comprising 24 rental apartment units at the Property was impacted. The Fund is fully insured for the damage to the property and any associated rental loss. Management is in the process of determining the financial impact, if any, of this event.

Yorktown Crossing is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

The Reserve at Jones Road

The Reserve at Jones Road is a Class "A" apartment complex located 41 kilometres north-west of downtown Houston at 11925 Jones Rd, Houston, Texas. The community consists of 114 apartment suites and was completed in 2013. It is comprised of four, three storey apartment buildings with a central clubhouse on a 4.225 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	762 to 831	66
2 Bedrooms	1,126	48
Average/Total	**921**	**114**

The 114 total suites that comprise the Property are constructed on a gross building area of 108,415 square feet. Units consist of one and two bedroom suites. The Property contains 207 total parking spaces, including 185 open surface spaces and 22 detached garage spaces.

Amenities at The Reserve at Jones Road include a central clubhouse with a 24-hour fitness centre and an executive business centre. Outdoor amenities also include a salt water lagoon pool, cabana with gas grill, picnic area and dog park. The property has Wi-Fi high speed internet access in all common areas.

As of August 8, 2016, The Reserve at Jones Road was 89.47% occupied and produced an average monthly rent in the amount of US$1.23 per square foot, excluding one-time concessions, based on the monthly in-place rent of all occupied suites.

The Reserve at Jones Road is currently managed by Greystar, the largest third-party multi-family, property manager in the U.S. with local market expertise and experience in developing and managing over 400,000 residences.

Altis at Grand Cypress

Altis at Grand Cypress is a property located 31 kilometres north of downtown Tampa at 1901 Cypress Preserve Drive, Lutz, Florida in a rapidly growing suburb of Tampa. The property was completed in 2014, and is comprised of 304 apartment suites in 20 two-storey buildings and a central clubhouse located on a 62.11 acre site ranging in size from one bedroom to three bedrooms as follows:

Suite Type	**Sq. Ft.**	**Number of Suites**
1 Bedroom	720 to 791	88
2 Bedrooms	992 to 1,093	176
3 Bedrooms	1,295 to 1,334	40
Average/Total	**998**	**304**

The 304 total suites that comprise the Property are constructed on a gross building area of 323,511 square feet. Units consist of one, two and three bedroom suites. The Property contains 551 total parking spaces including 48 attached direct access garages and 30 detached garages.

The complex has a central clubhouse that contains numerous modern amenities including a state-of-the-art 24 hour fitness and aerobic centre, media room, cyber café, children's game room and business centre. The property has a resort-style swimming pool with beach entry, outdoor sports bar with entertainment area, grilling area, car care centre, fully equipped children's playground and beautiful forested wetlands, lake and lush green areas. Units feature modern interior finishes such as stainless steel and black appliances, granite countertops, upgraded lighting and designer wood cabinets with brushed nickel hardware.

As of August 8, 2016, Altis at Grand Cypress was 95.72% occupied and produced an average monthly rent in the amount of US$1.25 per square foot based on the monthly in-place rent of all occupied suites.

Altis at Grand Cypress is currently managed by Altman Property Management, a large, third-party, multi-family, property manager in the U.S. with local market expertise and experience with over 24,000 multi-family suites under management.

Verano Apartments

Verano Apartments was completed in 2008, is the newest development in the sub-market and is located approximately 37 kilometres south of downtown Orlando at 2200 Villa Verano Way, Kissimmee, Florida. The site is in a rapidly growing suburb of Orlando. The Property is comprised of 384 suites in 18 predominantly three-story apartment buildings on a 21.94 acre site ranging in size from one bedroom to three bedrooms as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	748 to 823	144
2 Bedrooms	1,092 to 1,198	192
3 Bedrooms	1,261	48
Average/Total	**1,018**	**384**

The 384 total suites that comprise the Property are constructed on a gross building area of 396,469 square feet. Units consist of one, two and three bedroom suites. The Property contains 696 total parking spaces including 28 handicap-accessible spaces and 44 carports.

The complex has a central clubhouse that contains numerous modern amenities including a resort-style swimming pool with sundeck overlooking a pond as well as a gourmet outdoor kitchen and car care centre. The property has a state-of-the-art fitness centre, child room with expansive playground, dog park and business centre. Units feature modern interior finishes such as black appliances, electric glass top range/oven, granite bar countertops, upgraded lighting and garden-style tubs.

As of August 8, 2016, Verano Apartments was 93.23% occupied and produced an average monthly rent in the amount of US$1.09 per square foot based on the monthly in-place rent of all occupied suites.

Verano Apartments is currently managed by Pinnacle, the third largest multi-family third party property manager in the U.S. with approximately 132,000 suites under management as of July 2016.

Pure Living

Pure Living is a Class "A", garden-style apartment community located 29 kilometres north of downtown Orlando at 740 Savory Place, Heathrow, Florida. The community consists of 252 apartment suites and was completed in 2009. It is comprised of 13, two and three storey apartment buildings with a central clubhouse and guardhouse on a 28.53 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	680 to 1,345	128
2 Bedrooms	1,235 to 2,320	90
3 Bedrooms	1,420 to 2,270	34
Average/Total	**1,219**	**252**

The 252 total suites that comprise the Property are constructed on a gross building area of 327,200 square feet. Units consist of one, two and three bedroom suites. The Property contains 593 total parking spaces, including 42 detached garages, 15 handicap spaces, 14 two car attached garages and 116 attached one car garages.

Outdoor amenities at Pure Living include a zero edge pool and infinity edge champagne spa, poolside cabanas, locker room with showers and steam room. In addition there is a summer kitchen and barbeque area, sand volleyball court, putting green, dog park and playground. The property has a large clubhouse, a state-of-the-art fitness centre, business centre with conference room and a separate rooftop party room. Apartment suites feature modern interior finishes such as stainless steel appliances, granite countertops, kitchen islands, goose-neck faucet, upgraded lighting, rainfall shower heads and hardwood floors in select suites.

As of August 8, 2016, Pure Living was 91.27% occupied and produced an average monthly rent in the amount of US$1.15 per square foot based on the monthly in-place rent of all occupied suites.

Pure Living is currently managed by Pinnacle, the third largest multi-family third party property manager in the U.S. with approximately 132,000 suites under management as of July 2016.

The Reserves at Alafaya

The Reserves at Alafaya is a 264 suite, garden style, Class "A", apartment complex completed in 2014 and located at 3715 Alafaya Heights Road in Orlando, Florida. The Reserves at Alafaya consists of nine, three-storey walk-up buildings on a 46.26 acre site comprised of one, two and three bedroom suites as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	750 to 955	93
2 Bedrooms	1,119 to 2,184	135
3 Bedrooms	1,366	36
Average/Total	**1,054**	**264**

The 264 total suites that comprise the Property are constructed on a gross building area of 298,124 square feet. Units consist of one, two and three bedroom suites. The Property contains 522 total parking spaces, including 24 garage spaces.

Indoor amenities at The Reserves at Alafaya include a large central clubhouse, state-of-the-art fitness centre, internet café, business centre, conference room and billiards room. Outdoor amenities include barbecue grilling areas, a resort style pool, a large covered lanai with outdoor seating featuring Wi-Fi and surround sound, a fire pit, a dog park and walking trails.

As of August 8, 2016, The Reserves at Alafaya was 94.70% occupied and produced an average monthly rent in the amount of US$1.21 per square foot based on the monthly in-place rent of all occupied suites.

The Reserves at Alafaya is currently managed by Pinnacle, the third largest multi-family third party property manager in the U.S. with approximately 132,000 suites under management as of July 2016.

Boardwalk Med Center

Boardwalk Med Center, is a property located 22 kilometres north-west of downtown San Antonio at 7838 Huebner Road, San Antonio, Texas in a rapidly growing suburb of San Antonio. Boardwalk Med Center is comprised of 276 apartment suites in 14 three-storey buildings ranging in size from one bedroom to two bedrooms and a central clubhouse located on an approximately 11.91 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	634 to 787	156
2 Bedrooms	1,029 to 1,126	120
Average/Total	**874**	**276**

Boardwalk Med Center was constructed in two phases, Phase I having been completed in 2011 comprising 192 suites and Phase II having been completed in 2014 comprising 84 suites. The 276 total suites that comprise Boardwalk Med Center are constructed on a gross building area of 264,276 square feet. Units consist of one and two bedroom suites. Boardwalk Med Center contains 434 total parking spaces of which 115 are covered.

Boardwalk Med Center outdoor amenities include a resort-style pool with a large sundeck, an outdoor fire pit, an onsite car care centre, and a dog park. Indoor amenities include a resident lounge with multiple televisions, a business centre and a state-of-the-art fitness studio, as well as 24 storage units. Phase I suites feature black appliances, while Phase II suites feature stainless steel appliances, tile backsplashes, large farm house kitchen sinks, plank flooring throughout the common areas, and large shower heads. Both suites feature dark wood cabinetry, granite countertops, built-in computer desks and in-suite washers and dryers.

As of July 7, 2016, Boardwalk Med Center was 97.10% occupied and produced an average monthly rent in the amount of US$1.25 per square foot based on the monthly in-place rent of all occupied suites.

Boardwalk Med Center is expected to be managed by Alliance. Alliance is the 7th largest third-party multi-residential property management company in the United States, managing over 82,000 apartment suites. They are currently managing eight communities comprising 3,184 suites for Starlight U.S. Multi-Family in Austin, Houston and Phoenix.

Financing of the Existing Portfolio

The Existing Portfolio is expected to have an aggregate of US$594,427,891 Mortgage Loans outstanding at closing of the Offering. Based on the current LIBOR rate as at August 15, 2016, the weighted average interest rate on all Existing Portfolio debt is expected to be 3.04%. The loan to value ratio for the Existing Properties is expected to be approximately 64.6%. The below table summarizes the Mortgage Loans expected to be outstanding on the Existing Portfolio as at October 17, 2016:

Mortgage Loans

	Loan Amount (US$)	Interest Rate (%)	Interest Amount (US$)	Term	Maturity Date	Interest
Falls at Copper Lake	23,069,259	3.84	885,860	5 Years	April 2017	Fixed
Falls at Copper Lake	4,300,102	3.92	168,564	3 Years	April 2017	Fixed
Villages at Towne Lake	8,697,741	4.02	349,649	10 Years	Nov 2022	Fixed
Greenhaven Apartments	19,700,000	2.47	486,590	7 Years	Nov 2021	Libor + 197 bp's
Village at Marquee Station	26,975,000	2.25	606,938	9 Months	Nov 2016	Libor + 175 bp's
Village at Marquee Station	3,381,250	9.25	312,766	9 Months	Nov 2016	Fixed
Falls at Eagle Creek	34,350,000	2.44	748,830	7 Years	Nov 2021	Libor + 194 bp's
Soho Parkway Apartments	33,900,000	2.46	833,940	7 Years	June 2022	Libor + 196 bp's
The Villages at Sunset Ridge	21,695,000	2.48	538,036	10 Years	July 2025	Libor + 198 bp's
Belle Haven Apartments	17,839,832	2.50	445,996	3 Years	Feb 2018	Libor + 200 bp's
Belle Haven Apartments	2,465,000	9.25	228,013	3 Years	Feb 2018	Fixed
Sorelle Apartments	44,651,073	2.50	1,116,277	3 Years	Feb 2018	Libor + 200 bp's
Sorelle Apartments	19,730,000	9.25	1,825,025	3 Years	Feb 2018	Fixed
Palm Valley Apartments	31,575,000	2.34	738,855	10 Years	Mar 2025	Libor + 184 bp's
Travesia Apartments	36,000,000	2.25	810,000	2 Years	Apr 2018	Libor + 175 bp's
The Allure	36,909,000	2.48	915,343	10 Years	July 2025	Libor + 198 bp's
Residences at Cinco Ranch	23,900,000	2.50	597,500	3 Years	July 2017	Libor + 200 bp's
Yorktown Crossing	24,000,000	2.50	600,000	3 Years	Aug 2017	Libor + 200 bp's
The Reserve at Jones Road	9,200,000	2.50	230,000	3 Years	Nov 2017	Libor + 200 bp's
Verano Apartments	38,000,000	3.06	1,162,800	7 Years	Jan 2023	Libor + 256 bp's
Altis at Grand Cypress	37,600,000	2.75	1,034,000	7 Years	Jan 2023	Libor + 225 bp's
Pure Living	30,315,764	2.50	757,894	3 Years	May 2018	Libor + 200 bp's
Pure Living	3,200,000	9.25	296,000	3 Years	May 2018	Fixed
The Reserves at Alafaya	28,936,370	2.50	723,409	3 Years	July 2018	Libor + 200 bp's
The Reserves at Alafaya	3,800,000	9.25	351,500	3 Years	July 2018	Fixed
Boardwalk Med Center	23,237,500	2.25	522,844	3 Years	July 2018	Libor + 200 bp's
Boardwalk Med Center	7,000,000	9.25	647,500	3 Years	July 2018	Fixed
Total	**594,427,891**		**17,934,127**			

Building Condition Assessments

Building condition assessment reports ("**BCA Reports**") were prepared for each Existing Property by an independent consulting service for the purposes of ascertaining the overall condition of such Existing Property and the continued operation thereof, recommending any repairs or corrective actions and verifying compliance with governing legislation. The below table summarizes the expenditures recommended in the BCA Reports:

Existing Properties
Capital Needs Estimate (US$)

	Year 1	2	3	4	5	Total
Falls at Copper Lake	$59,150	$59,150	$264,150	$75,500	$66,440	**$524,390**
Villages at Towne Lake	$99,900	$19,650	$19,650	$19,650	$19,650	**$178,500**
Greenhaven Apartments	$21,225	$31,131	$23,975	$27,375	$27,375	**$131,081**
Falls at Eagle Creek	$44,854	$44,650	$45,950	$52,350	$52,350	**$240,154**
Soho Parkway Apartments	$103,650	$74,650	$124,650	$74,650	$78,830	**$456,430**
The Villages at Sunset Ridge	$48,135	$44,775	$49,275	$44,775	$44,775	**$231,735**
Belle Haven Apartments	$34,550	$34,550	$58,000	$34,550	$34,550	**$196,200**
Sorelle Apartments	$77,620	$256,550	$72,050	$72,050	$72,050	**$550,320**
Marquee Station	$35,000	$73,310	$35,000	$40,000	$40,000	**$223,310**
Palm Valley Apartments	$52,625	$202,625	$91,005	$52,625	$52,625	**$451,505**
Travesia Apartments	$71,865	$69,675	$65,675	$65,675	$65,675	**$338,565**
The Allure	$54,690	$51,200	$55,200	$96,200	$51,200	**$308,490**
Residences at Cinco Ranch	$53,425	$155,175	$53,425	$58,150	$61,980	**$382,155**
Yorktown Crossing	$57,610	$189,450	$52,700	$57,100	$57,100	**$413,960**
The Reserve at Jones Road	$17,600	$22,120	$20,100	$20,100	$20,100	**$100,020**
Altis at Grand Cypress	$48,650	$81,700	$48,650	$48,650	$48,650	**$276,300**
Verano Apartments	$234,350	$67,000	$67,000	$67,000	$89,560	**$524,910**
Pure Living	$38,050	$211,670	$38,050	$38,050	$38,050	**$363,870**
The Reserves at Alafaya	$40,925	$61,045	$41,175	$41,175	$41,175	**$225,495**
Boardwalk Med Center	$48,100	$48,100	$173,100	$67,410	$47,600	**$384,310**
Total	**$1,241,974**	**$1,798,176**	**$1,398,780**	**$1,053,035**	**$1,009,735**	**$6,501,700**

Falls at Copper Lake

The BCA Report for Falls at Copper Lake was completed on January 15, 2013. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$524,390 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately five years old and in good condition, with no damages to shingles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Villages at Towne Lake

The BCA Report for Villages at Towne Lake was completed on January 17, 2013. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$178,500 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately five years old and in good condition, with no damages to shingles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Greenhaven Apartments

The BCA Report for Greenhaven Apartments was completed on September 9, 2014. The report states that the property is in good overall condition, and does not require any immediate repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$131,081 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be in good overall condition. No signs of water intrusion were observed. Exterior walls may require maintenance like applying new caulking and sealants, cleaning and painting. The building foundations are stated to be in good condition.

Falls at Eagle Creek

The BCA Report for Falls at Eagle Creek was completed on September 9, 2014. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$240,154 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be in good condition, with no damages to shingles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls were in generally good condition, although additional maintenance like cleaning exterior surfaces, and applying new caulking and sealants as needed was recommended. Inspections of building foundations showed no signs of unusual or significant displacement or distress.

Soho Parkway Apartments

The BCA Report for Soho Parkway Apartments was completed on January 24, 2014. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$456,430 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately six years old and in good condition, with no damages to shingles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

The Villages at Sunset Ridge

The BCA Report for The Villages at Sunset Ridge was completed on January 31, 2014. The report states that the property is in good overall condition and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$231,735 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. At the time of the report, the roofs were reported to be approximately one year old and in good condition, with no damages to shingles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Belle Haven Apartments

The BCA Report for Belle Haven Apartments was completed on January 5, 2015. The report states that the property is in excellent overall condition, and does not require any immediate repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$196,200 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be in excellent condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks. The building foundations were stated to be in excellent condition.

Sorelle Apartments

The BCA Report for Sorelle Apartments was completed on July 24, 2015. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$550,320 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be in good condition, with no active roof leaks. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Marquee Station

The BCA Report for Marquee Station was completed on December 21, 2015. The report states that the property is in excellent overall condition, and does not require any immediate repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$223,310 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. The roofs were reported to be approximately one to two years old and in good condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks. The building foundations are stated to be in good condition.

Palm Valley Apartments

The BCA Report for Palm Valley Apartments was completed on September 10, 2013. The report states that the Property is in good overall condition and no large scale, significant areas of the Property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$451,505 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. At the time of the report, the roofs were reported to be approximately four years old and in good condition, with no damages to shingles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Travesia Apartments

The BCA Report for Travesia Apartments was completed on December 3, 2014. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$338,565 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately six years old and in good condition, with no damages to shingles, tiles or guttering requiring priority repairs, and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

The Allure

The BCA Report for The Allure was completed on March 24, 2014. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$308,490 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately one year old and in good condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and the building foundations are stated to be in excellent condition.

Residences at Cinco Ranch

The BCA Report for Residences at Cinco Ranch was completed on May 12, 2014. The report states that the property is in fair to good overall condition. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$382,155 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. At the time of the report, the roofs were reported to be approximately five years old and in good condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks. The building foundations are stated to be in good condition.

Yorktown Crossing

The BCA Report for Yorktown Crossing was completed on July 28, 2014. The report states that the property is in fair to good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$413,960 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately five years old and in good condition, with no active roof leaks observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

The Reserve at Jones Road

The BCA Report for The Reserve at Jones Road was completed on October 2, 2014. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$100,020 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately one year old and in good condition, with no active roof leaks observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and the building foundations were stated to be in good condition.

Altis at Grand Cypress

The BCA Report for Altis at Grand Cypress was completed on November 26, 2014. The report states that the property is in excellent overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$276,300 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. At the time of the report, the roofs were reported to be approximately one year old and in excellent condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and the building foundations are stated to be in excellent condition.

Verano Apartments

The BCA Report for Verano Apartments was completed on October 29, 2014. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$524,910 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately six years old and in good condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and the building foundations are stated to be in good condition.

Pure Living

The BCA Report for Pure Living was completed on November 12, 2014. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$363,870 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately five years old and in good condition and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and the building foundations are stated to be in good condition.

The Reserves at Alafaya

The BCA Report for The Reserves at Alafaya was completed on April 30, 2015. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$225,495 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. At the time of the report, the roofs were reported to be approximately one to two years old and in good condition, with no missing or damaged areas and no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Boardwalk Med Center

The BCA Report for Boardwalk Med Center was completed on July 18, 2016. The report states that the property is in good overall condition, and no large scale, significant areas of the property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$384,310 over the next five years, as summarized in the table above.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the property. The roofs were reported to be approximately five years old and in good condition, with no active roof leaks were observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Environmental Site Assessments

Each of the Existing Properties has been the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant. The reports for the Existing Properties were issued between September 10, 2013 and July 21, 2016. The purpose of these Phase I environmental site assessment reports was to identify any recognized environmental conditions associated with the Existing Properties. The reports for the Existing Properties were prepared in general accordance with the guidelines set forth in the American Society for Testing and Materials Standard Practice E1527-13 (“**ASTM Practice E1527-13**”) and American Society for Testing and Materials Standard Practice E1527-05 (“**ASTM Practice E1527-05**”).

Each report indicated that, in accordance with ASTM Practice E1527-13 or ASTM Practice E1527-05, as applicable, there is no evidence of recognized environmental conditions or historical recognized environmental conditions associated with any of the Existing Properties. In addition, certain of the reports also indicated that there is no evidence of controlled recognized environmental conditions and no *de minimis* conditions associated with the applicable Properties that comprise the Existing Portfolio. The reports state that no further environmental studies are recommended on any of the Existing Properties at this time.

The Manager is not aware of any non-compliance with environmental laws at any of the Existing Properties that would have a material adverse effect on the Fund. The Manager is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Existing Properties that would materially adversely affect the Fund or the values of the Existing Properties, taken as a whole, as determined pursuant to the Appraisals discussed below. All of the Existing Properties have operation and maintenance plans and programs to deal with any potential asbestos or mold issues.

Independent Appraisals of the Existing Properties

The Manager retained BBG, Inc. (the "**Appraiser**") to provide an independent appraisal of the fair market value of each of the Existing Properties. The Appraisals were completed between May 12, 2016 and August 3, 2016. A copy of each Appraisal is available on SEDAR at www.sedar.com.

The Appraisals were prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the USPAP adopted by the Appraisal Standards Board of the Appraisal Foundation (United States). The current economic definition of "market value" agreed upon by various agencies that regulate federal financial institutions in the U.S. and as used in the Appraisals is, "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". Implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. The Appraiser was not given any limiting instructions by the Manager.

Based on the Appraisals, the estimated market value of each Existing Property is as follows:

Property	Estimate Value (US$)
Falls at Copper Lake	$60,300,000
Villages at Towne Lake	$19,100,000
Greenhaven Apartments	$32,300,000
Falls at Eagle Creek	$56,600,000
Soho Parkway Apartments	$56,300,000
The Villages at Sunset Ridge	$31,200,000
Belle Haven Apartments	$29,100,000
Sorelle Apartments	$75,800,000
Marquee Station	$45,600,000
Palm Valley Apartments	$50,200,000
Travesia Apartments	$60,700,000
The Allure	$59,300,000
Residences at Cinco Ranch	$38,200,000
Yorktown Crossing	$38,500,000
The Reserve at Jones Road	$15,600,000
Altis at Grand Cypress	$56,900,000
Verano Apartments	$59,000,000
Pure Living	$50,500,000
The Reserves at Alafaya	$47,200,000
Boardwalk Med Center	$38,100,000
Total	**$920,500,000**

In valuing the Existing Properties (including the estimated market value of each Existing Property), the Sales Comparison Approach, the Income Capitalization Approach and the Cost Approach were utilized by the Appraiser. The cost approach is based on the premise that the value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements minus the amount of depreciation evident in the structures from all causes plus the value of the land and entrepreneurial profit. This approach to value is particularly useful for appraising new or nearly new improvements (the "**Cost Approach**"). The sales comparison approach is founded upon the principle of substitution that holds that the cost to acquire an equally desirable substitute property without undue delay ordinarily sets the upper limit of value. At any given time, prices paid for comparable properties are construed by many to reflect the value of the property appraised. The validity of a value indication derived by this approach is heavily dependent upon the availability of data on recent sales of properties similar in location, size, and utility to the appraised property (the "**Sales Comparison Approach**"). The income capitalization approach is based on the principle of anticipation that recognizes the present value of the future income benefits to be derived from ownership in a particular property. The Income Capitalization Approach is most applicable to properties that are bought and sold for investment purposes, and is considered very reliable when adequate income and expense data are available. Since income-producing real estate is most often purchased by investors, this approach is valid and is generally considered the most applicable when the property being appraised was designed for, or is easily capable of producing a rental income (the "**Income Capitalization Approach**").

The Appraiser visited each Existing Property to assess location and general physical characteristics and estimated the highest and best use for each property. In appraising each Existing Property, the Appraiser assumed that title to each property was clear and marketable and that there were no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value, each property was not affected by any hazardous materials that may be present on or near such property, construction components were in working condition and adequate for the buildings on each property and that each property was in full compliance with all applicable federal, state, and local environmental regulations and laws, unless as stated in the respective Appraisal. The Appraiser further assumed that all factual data furnished by the Manager, the Fund, the Fund's representative, or persons designated by the Manager or the Fund to supply such data was accurate and correct, unless otherwise specifically noted in the respective Appraisal.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while the Appraiser's internal forecasts of NOI for the Existing Properties are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

4.8 The New Portfolio

Overview

Following completion of the Offering, the Fund will indirectly acquire the New Portfolio, being a portfolio comprising an aggregate of 910 multi-family residential apartment suites in three properties located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively. The Manager believes the Properties are in desirable geographic locations, well-tenanted and indicative of the types of properties that the Fund intends to continue to cause the U.S. REITs to acquire as part of its business strategy.

The following table highlights certain information about the New Properties:

Property	Year Completed	Fund Ownership Interest	Total Suites	Rentable Area (Sq. Ft.)	Average Suite Size (Sq. Ft.)	Land Area (Acres)	Purchase Price (US$)	Purchase Price Per Suite (US$)	Purchase Price Per Sq. Ft. (US$)	Average Occupancy(1)	Asking Rent Per Sq. Ft. (US$)	Average Monthly In Place Rent Per Sq. Ft.(2) (US$)	Average Monthly In Place Rent Per Suite(2) (US$)
Sunrise Ranch	2009	100%	384	364,432	949	20.56	$52,200,000	$135,938	$143	92.96%	$1.18	$1.10	$1,046
South Blvd Apartments	2012	100%	320	333,576	1,042	14.25	$53,600,000	$167,500	$161	94.06%	$1.11	$1.04	$1,089
Coolray Field	2015	100%	206	169,455	823	2.51	$35,600,000(3)	$172,816	$210	92.72%	$1.63	$1.58	$1,292
Totals			**910**	**867,463**	**953**	**40.68**	**$141,400,000**	**$155,385**	**$163**	**93.29%**	**$1.24**	**$1.17**	**$1,117**

Notes:

(1) As at July 14, 2016 for Sunrise Ranch, July 18, 2016 for South Blvd Apartments, and August 9, 2016 for Coolray Field.

(2) Based on suites occupied or leased, net of concessions as at July 14, 2016 for Sunrise Ranch, July 18, 2016 for South Blvd Apartments, and August 9, 2016 for Coolray Field.

(3) Based on a closing date of October 20, 2016 for Coolray Field.

The New Properties have an aggregate Canadian equivalent Capitalization Rate of 5.39% based on the Manager's calculation of NOI.

Each of the three New Properties is a well-located and well-maintained apartment property with a wide array of amenities to attract and retain residents.

The Austin Metropolitan Area

The Austin-Round Rock MSA is the fourth largest MSA in Texas, and the 32nd-largest MSA in the United States. According to the U.S. Bureau of Labor Statistics, Austin continues to have strong job growth, stemming from a large increase of jobs in the service industries. Austin's economy has been steadily growing over the last five quarters, and is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Austin is estimated to have gained 37,300 jobs from May 2015 to May 2016, which translates to a 3.9% increase over the previous year's total employment. Constant growth from the mining/logging/construction industry, trade/transportation/utilities, professional/business services, education/health services, and leisure/hospitality services drove job creation.

The Austin Metropolitan Apartment Market

A robust local economy and prime demographics have resulted in strong demand drivers for the Austin apartments market. Over the past two years, demand has been stronger than anticipated, which has helped to grow the apartment base. This large growth has been accompanied by strong occupancy levels, which leads to optimism now that the supply growth has begun to slow. According to MPF, Austin's demand divers are strong enough to keep pace with huge supply volumes, which create a bright outlook for the market.

According to MPF Research, the Austin apartment market consists of 219,942 apartment suites. Occupancy was 95.7% at the end of the second quarter of 2016 with newer apartment suites (built after 2000) having an occupancy of 95.1%. Year over year rent growth was 4.5%. MPF Research expects Austin's overall occupancy to stay steady at 95.6% during the next year with annual rent growth of 4.2%.

Round Rock/Georgetown (City North at Sunrise Ranch)

The Round Rock/Georgetown neighbourhood in Austin has a middle income demographic profile with a median household income of US$66,404 and an average household income of US$79,199 according to Claritas. According to Claritas, the population is expected to grow by 2.13% per year over the next five years.

In Q2 2016, the Round Rock/Georgetown multi-family rental market experienced strong rent growth; an overall rent increase of 5.5%. Occupancy for the Round Rock/Georgetown sub market was 96.1% in Q2 2016 according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 95.4%. MPF Research projects that occupancy for the submarket will remain strong at 95.3% over the upcoming year.

The Las Vegas Metropolitan Area

The Las Vegas MSA is the largest MSA in Nevada, and the 33rd-largest MSA in the United States. According to MPF research, Las Vegas' job growth has stabilized, with continuous strong growth from the service industries. Las Vegas' economy is well diversified, with five significant industries.

According to the U.S. Bureau of Labor Statistics, Las Vegas is estimated to have gained 19,600 jobs from May 2015 to May 2016, which translates to a 2.1% increase over the previous year's total employment. Constant growth from the trade/transportation/utilities industry and education/health services drove job creation.

The Las Vegas Metropolitan Apartment Market

Las Vegas' housing market has continued to stabilize, as the metro's economy has strengthened. Demand levels have remained solid, which occupancy has recently hit a post-recession high. Improved demand stimulated rent growth, which reached a decade high in 2015. MPF predicts that Las Vegas will have solid growth over the next three years, which will further strengthen the apartment market. Las Vegas has continued to diversify its economy, and supply levels are expected to continue at a manageable rate, which puts Las Vegas in a strong position to move forward.

According to MPF Research, the Las Vegas apartment market consists of 208,222 apartment suites. Occupancy was 95.1% at the end of the second quarter of 2016 with newer apartment suites (built after 2000) having an occupancy percentage identical to the average. Year over year rent growth was 6.4%. MPF Research expects Las Vegas's overall occupancy to decrease slightly to 94.2% during the next year with annual rent growth of 5.1%.

South Las Vegas (South Blvd Apartments)

The South Las Vegas neighbourhood in Las Vegas has an upper-middle income demographic profile with a median household income of US$62,370 and an average household income of US$75,248 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 2.11% per year over the next five years.

In Q2 2016, the South Las Vegas multi-family rental market experienced a five-year high in rent growth with an overall rent increase of 7.4%. Occupancy for the South Las Vegas submarket was 96% according to MPF Research; however, occupancy for properties that were constructed in 2000 or after was 96.3%. MPF Research projects that occupancy for the submarket will remain steady at 95.6% over the upcoming year.

The Atlanta Metropolitan Area

The Atlanta-Sandy Springs-Roswell MSA is the largest MSA in Georgia, and the ninth-largest MSA in the United States. According to the U.S. Bureau of Labor Statistics, Atlanta continues to have strong job growth, stemming from a large increase of jobs in the service industries. Atlanta's economy has been steadily growing over the last five quarters, and is well diversified across five major industries.

According to the U.S. Bureau of Labor Statistics, Atlanta is estimated to have gained 76,600 jobs from May 2015 to May 2016, which translates to a 3% increase over the previous year's total employment. Constant growth from the trade/transportation/utilities, professional/business services, and leisure/hospitality services drove job creation.

The Atlanta Metropolitan Apartment Market

Strong job growth has increased demand for rental housing, which has resulted in apartment occupancy levels and rent growth levels to be well above historical norms. Due to the burn off of excess single-family housing, this demand has led to an incoming increase in supply in certain submarkets. According to MPF research, top-tier submarkets will continue to do extremely well, so long as supply in the submarkets remains manageable. Atlanta's outlook is bright; MPF expects rent growth between 3-4%, and occupancy levels at 94-95%.

According to MPF Research, the Atlanta apartment market consists of 468,122 apartment suites. Occupancy was 94.8% at the end of the second quarter of 2016 with newer apartment suites (built after 2000) having an occupancy of 94.8%. Year over year rent growth was 6%. MPF Research expects Atlanta's overall occupancy to stay steady at 94.4% during the next year with annual rent growth of 3.4%.

Northeast Gwinnett (The Views at Coolray Field)

The Northeast Gwinnett neighbourhood in Atlanta has an upper-middle income demographic profile with a median household income of US$72,125 and an average household income of US$85,907 according to Claritas (within a three-mile radius of the property). According to Claritas, the population within the three-mile radius is expected to grow by 1.90% per year over the next five years.

In Q2 2016, the Northeast Gwinnett multi-family rental market experienced very strong rental growth with an overall rent increase of 6.7%. Occupancy for the Northeast Gwinnett submarket in Q2 2016 was 94.8% according to MPF research; however, occupancy for properties that were constructed in 2000 or later was 95.1%. With only one new multi-family property being added to the submarket in 2017, MPF projects Northeast Gwinnett's occupancy to remain strong at 95.3% over the next year.

Residential Tenancy Legislation

The State of Texas has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its properties located in Texas. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of Texas guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future. The State of Georgia has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its properties located in Georgia. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of Georgia guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations, or guidelines will not be enacted or promulgated in the future. The State of Nevada has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its properties located in Nevada. While rental rates are generally not increased during the term of a lease (which typically ranges from six to 12 months), there are no current State of Nevada guidelines or regulations restricting the increase of rent payable by residential tenants after the lease term has expired. There can be no assurances, however, that such legislation, regulations or guidelines will not be enacted or promulgated in the future.

Description of the New Properties

Sunrise Ranch

Sunrise Ranch was completed in 2009, and is located approximately 36 kilometres north of downtown Austin at 2800 Sunrise Road, Round Rock, Texas. The site is in a rapidly growing suburb of Austin. The property is comprised of 384 suites in 19 predominantly three-story apartment buildings and a central clubhouse on a 20.6 acre site ranging in size from one bedroom to three bedrooms as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	786 to 844	240
2 Bedrooms	1,083 to 1,239	108
3 Bedrooms	1,336	36
Average/Total	**949**	**384**

The 384 total suites that comprise the Property are constructed on a gross building area of 368,628 square feet. Units consist of one, two and three bedroom suites. The Property contains 686 total parking spaces including 125 carports and 66 garages.

Property outdoor amenities include a resort-style pool with a large sundeck, an outdoor fire pit, an onsite car care centre, and a dog park. Indoor amenities include a resident lounge with multiple televisions, a business centre and a state-of-the-art fitness studio, as well as 24 storage units. Units feature GE Black appliances, faux-granite laminate counters, upgraded faucets with a vegetable sprayer, and shaker-style maple cabinetry. All master baths have oval soaking tubs with ceramic tile surrounds. Each suite also features ceiling fans, full-size washer and dryers, 9’ ceilings, and spacious walk in closets. Select suites have sunrooms, gas fireplaces and faux-wood flooring.

As of July 14, 2016, Sunrise Ranch was 92.96% occupied and produced an average monthly rent in the amount of US$1.10 per square foot based on the monthly in-place rent of all occupied suites.

City at Sunrise Ranch is expected to be managed by Alliance. Alliance is the 7th largest third-party multi-residential property management company in the United States, managing 82,000 apartment suites. They are currently managing eight communities comprising 3,184 suites for the Starlight U.S. Multi-Family in Austin, Houston, and Phoenix.

South Blvd Apartments

South Blvd Apartments is a Class “A”, luxury rental community located 23 kilometres south of downtown Las Vegas at 10200 Giles Street, Las Vegas, Nevada. The community consists of 320 apartment suites and was completed in 2012. It is comprised of 29 two-storey apartment buildings with a central clubhouse on a 14.25 acre site as follows:

Suite Type	Sq. Ft.	Number of Suites
1 Bedroom	644 to 908	128
2 Bedrooms	1,084 to 1,197	160
3 Bedrooms	1,395	32
Average/Total	**1,042**	**320**

The 320 total suites that comprise the Property are constructed on a gross building area of 338,076 square feet. Units consist of one, two and three bedroom suites. The Property contains 534 total parking spaces, including 60 detached one car garages.

Property outdoor amenities include two resort-style swimming pools with cabanas, a sun bathing pool and an oversized spa, a tot-lot and designated pet areas and picnic areas. Indoor amenities include a 24-hour fitness centre, a movie theatre with stadium seating, an E-Lounge and executive business centre, and a complementary coffee café. The Property also has controlled access gates and an on-site car maintenance shop. Apartment suites feature private entries, 9-foot ceilings, stainless steel appliances, granite countertops in the kitchens and bathrooms, dark wood cabinetry and wood vinyl flooring. Additionally, all suites come with full-size washer and dryers, built-in microwaves and decorative 2-inch blinds. Select suites also have oval soaking bathtubs, dual bathroom vanities and private balconies.

As of July 18, 2016, South Blvd Apartments was 94.06% occupied and produced an average monthly rent in the amount of US$1.04 per square foot based on the monthly in-place rent of all occupied suites.

South Blvd Apartments will be managed by Alliance. Alliance is the 7th largest third-party multi-residential property management company in the United States, managing over 82,000 apartment suites. They are currently managing eight communities comprising 3,184 suites for Starlight U.S. Multi-Family in Austin, Houston and Phoenix.

Coolray Field

Coolray Field is a 206 suite, garden style, Class "A", apartment complex completed in 2015 and located approximately 55 kilometres north-east of downtown Atlanta at 755 Braves Avenue, Lawrenceville, (Atlanta), Georgia. Coolray Field consists of one five-storey apartment building on a 2.51 acre site comprised of studio, one, and two bedroom suites as follows:

Suite Type	**Sq. Ft.**	**Number of Suites**
Studio	640	8
1 Bedroom	676 to 732	126
2 Bedrooms	968 to 1,188	72
Average/Total	**823**	**206**

The 264 total suites that comprise the Property are constructed on a gross building area of 218,583 square feet. Units consist of studio, one and two bedroom suites The Property contains 319 total parking spaces, including 10 reserved spaces.

Backing directly onto right field of Coolray Field, the stadium that houses the Gwinnett Braves (the 'AAA' team of the Atlanta Braves), Coolray features undisrupted views of the baseball games from the upper and lower level lounges (the Skybox and Dugout, respectively) and from the resort-quality saltwater infinity pool and wet deck. The Skybox features an entertainment kitchen, a pool table, a poker table and a shuffleboard table, and the Dugout contains bar-seating and a business centre. The property also has a state-of-the-art fitness centre, Starbucks coffee lounge, wi-fi in common areas, and a spacious courtyard lounge featuring gas grills and fire wall. Units feature granite countertops, GE stainless steel appliances, oversized tubs, upgraded cabinetry, washer/dryer connections, pendant lighting, ceiling fans, faux-wood plank flooring, and balconies. Select suites also feature dramatic views of Coolray Field.

As of August 9, 2016, Coolray Field was 92.72% occupied and produced an average monthly rent in the amount of US$1.58 per square foot based on the monthly in-place rent of all occupied suites.

Coolray Field is expected to be managed by Pinnacle. Pinnacle is the third largest third-party multi-residential property management company in the United States, with close to 132,000 suites under management. They are currently managing seven communities comprising 2,065 suites for the Existing Starlight Funds in Houston, Dallas and Orlando.

Purchase Agreements

The Fund intends to indirectly acquire interests in the New Properties on the Closing Date or shortly thereafter for a purchase price of approximately US$141,400,000 pursuant to the applicable purchase agreements described below.

The following is a summary of certain material provisions of the Sunrise Ranch Purchase Agreement, South Blvd Apartments Purchase Agreement and Coolray Field Purchase Agreement. This summary does not purport to be complete and reference should be made to the agreements themselves, copies of which will be made available promptly and in any event within seven days after its execution on SEDAR at www.sedar.com.

Sunrise Ranch Purchase Agreement

Pursuant to the Sunrise Ranch purchase agreement dated as of July 29th, 2016, as may be amended from time to time, Starlight Investments Acquisition LLC, an Affiliate of the Manager, agreed to purchase Sunrise Ranch from Sunrise, an independent third-party vendor, for the purchase price of US$52,200,000 (the "**Sunrise Ranch Purchase Agreement**"). The Sunrise Ranch Purchase Agreement will be transferred to City North Acquisition LLC, an indirect subsidiary of U.S. REIT5 prior to closing thereof. Accordingly, the Fund will indirectly acquire a 100% interest in Sunrise Ranch from Sunrise, an independent third-party vendor. The Sunrise Ranch Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Sunrise in relation to, among other things, organization and authority; execution, delivery and performance; no violation of governing documents; no conflicts with contracts or any judgement, order or decree; no notice of threatened eminent domain or similar proceeding; no notice of violation of applicable building, fire or other safety laws, rules or regulations; no notice of litigation; accuracy of rent roll; and no other contract to sell and no grant of any right or option to purchase. A claim for a breach of a representation or warranty in the Sunrise Ranch Purchase Agreement must be brought within nine months of the closing date of the acquisition of Sunrise Ranch. The Sunrise Ranch Purchase Agreement provides that in no event shall the liability of Sunrise to City North Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. See "Risk Factors – Risks Related to the Fund – Limited Recourse Against Property Vendors".

Subject to the satisfaction or waiver of conditions precedent, the purchase of Sunrise Ranch is scheduled to close on October 31, 2016, following the exercise of a one-time right by City North Acquisition LLC to extend the closing date until October 31, 2016. Pursuant to the Sunrise Ranch Purchase Agreement, an initial deposit of US$500,000 was paid, with an additional deposit of US$500,000 being paid at waiver of due diligence. All deposits will be applied to the purchase price at closing.

South Blvd Apartments Purchase Agreement

Pursuant to the South Blvd Apartments purchase agreement dated as of July 20th, 2016, as may be amended from time to time, Starlight Investments Acquisition LLC, an Affiliate of the Manager, agreed to purchase South Blvd Apartments from Giles, an independent third-party vendor, for the purchase price of US$53,600,000 (the "**South Blvd Apartments Purchase Agreement**"). The South Blvd Apartments Purchase Agreement will be transferred to South Blvd Acquisition LLC, an Affiliate of U.S. REIT5, prior to closing thereof. Accordingly, the Fund will indirectly acquire a 100% interest in South Blvd Apartments from Giles, an independent third-party vendor. The South Blvd Apartments Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Giles in relation to, among other things, organization and authority; no violation of governing documents; no conflicts with contracts or any judgement, order or decree; no notice of threatened eminent domain or similar proceeding; no notice of violation of applicable building, fire or other safety laws, rules or regulations; no notice of litigation; accuracy of rent roll; and no other contract to sell and no grant of any right or option to purchase. The representations and warranties in the South Blvd Apartments Purchase Agreement will survive the closing date of the acquisition of South Blvd Apartments for nine months. The South Blvd Apartments Purchase Agreement provides that in no event shall liability of Giles to South Blvd Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. See "Risk Factors – Risks Related to the Fund – Limited Recourse Against Property Vendors".

Pursuant to the South Blvd Apartments Purchase Agreement, an initial deposit of US$150,000 was paid, with an additional deposit of US$500,000 paid at waiver of due diligence. Subject to the satisfaction or waiver of conditions precedent, the purchase of South Blvd Apartments was scheduled to close on August 29, 2016, however a one-time right to extend the closing until October 18, 2016 was exercised upon the payment of a second additional deposit of US$150,000. All deposits will be applied to the purchase price at closing.

Coolray Field Purchase Agreement

Pursuant to the Coolray Field purchase agreement dated as of August 18th, 2016, as may be amended from time to time, Starlight Investments Acquisition LLC, an Affiliate of the Manager, agreed to purchase Coolray Field from Views, an independent third-party vendor, for the purchase price of US$35,600,000 (the "**Coolray Field Purchase Agreement**"). The Coolray Field Purchase Agreement will be transferred to Coolray Field Acquisition LLC, an Affiliate of U.S. REIT5, prior to closing thereof. Accordingly, the Fund will indirectly acquire a 100% interest in Coolray Field from Views, an independent third-party vendor. The Coolray Field Purchase Agreement contains customary closing conditions, covenants and representations and warranties, including representations and warranties from Views in relation to, among other things, organization and authority; no violation of governing documents; no conflicts with contracts or any judgement, order or decree; no notice of threatened eminent domain or similar proceeding; no notice of violation of applicable building, fire or other safety laws, rules or regulations; no notice of violation of environmental laws; no notice of litigation; accuracy of rent roll; no bankruptcy; and no grant of any right or option to purchase. The representations and warranties in the Coolray Field Purchase Agreement will survive the closing date of the acquisition of Coolray Field for nine months. The Coolray Field Purchase Agreement provides that in no event shall the liability of Views to Coolray Field Acquisition LLC for any and all breaches of any representation or warranty exceed US$500,000. See "Risk Factors – Risks Related to the Fund – Limited Recourse Against Property Vendors".

Subject to the satisfaction or waiver of conditions precedent, the purchase of Coolray Field is scheduled to close on October 20, 2016 following the exercise by Coolray Field Acquisition LLC of a one-time right to extend the closing until October 20, 2016 upon an increase to the purchase price of US$100,000 to US$35,600,000. Pursuant to the Coolray Field Purchase Agreement, an initial deposit of US$150,000 was paid, with an additional deposit of US$600,000 paid at waiver of due diligence. All deposits will be applied to the purchase price at closing.

Financing of the New Portfolio

Based on the current LIBOR rate as at August 15, 2016, the weighted average interest rate on all New Portfolio debt is expected to be 2.39%. The expected loan to value ratio for the New Properties is expected to be approximately 66.11%.

Sunrise Ranch

U.S. REIT5 expects to finance a portion of the purchase price for Sunrise Ranch with a first Mortgage Loan on the Property. The loan is expected to have a three-year term with two, one-year extension options. The loan is expected to be interest only for the initial 3-year term of the loan. Interest will be payable on such loan at an annual rate of one month LIBOR + 2.00%. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the loan will be non-recourse to U.S. REIT5. As of the Closing Date, the principal amount of indebtedness due thereunder is expected to be US$35,496,000.

South Blvd Apartments

U.S. REIT5 expects to finance a portion of the purchase price for South Blvd Apartments with a first Mortgage Loan on the Property. The loan is expected to have a term of nine months with one, three month extension option. The loan is expected to be interest only for the initial nine month term of the loan. Interest will be payable on such loan at an annual rate of one month LIBOR + 1.75%. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the loan will be non-recourse to U.S. REIT5. As of the Closing Date, the principal amount of indebtedness due thereunder is expected to be US$34,840,000.

Coolray Field

U.S. REIT5 expects to finance a portion of the purchase price for Coolray Field with a first Mortgage Loan on the Property. The loan is expected to have a three-year term with two, one-year extension options. The loan is expected to be interest only for the initial three-year term of the loan. Interest will be payable on such loan at an annual rate of one month LIBOR + 1.90% but shall never be less than 2.15%. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the loan will be non-recourse to U.S. REIT5. As of the Closing Date, the principal amount of indebtedness due thereunder is expected to be US$23,075,000.

Building Condition Assessments

BCA Reports were prepared for each Property comprising the New Properties by an independent consulting service for the purposes of ascertaining the overall condition of such Properties and the continued operation thereof, recommending any repairs or corrective actions and verifying compliance with governing legislation. The below table summarizes the expenditures recommended in the BCA Reports.

New Properties
Capital Needs Estimate (US$)

	Year					
	1	**2**	**3**	**4**	**5**	**Total**
Sunrise Ranch	$57,200	$57,200	$96,900	$57,200	$56,700	**$325,200**
South Blvd Apartments	$52,250	$52,250	$73,430	$56,250	$52,250	**$286,430**
Coolray Field	$16,400	$16,400	$34,400	$16,400	$33,025	**$116,625**
Total	**$125,850**	**$125,850**	**$204,730**	**$129,850**	**$141,975**	**$728,255**

Sunrise Ranch

The BCA Report for Sunrise Ranch was completed on August 2, 2016. The report states that the Property is in fair to good overall condition, and requires US$251,500 of immediate repairs, such as repainting of exterior surfaces, minor repairs and resurfacing the swimming pool on the Property. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$325,200 over the next five years, as summarized in the table above. In addition to the amounts to be funded over the next year, US$470,000 will be funded up front for cosmetic upgrades and to rectify any immediate deferred maintenance, including the $251,500 of immediate repairs.

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. The roofs were reported to be approximately seven years old and in good condition, with no active roof leaks observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

South Blvd Apartments

The BCA Report for South Blvd Apartments was completed on July 15, 2016. The report states that the Property is in good overall condition, and no large scale, significant areas of the Property or buildings require immediate critical or priority repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$286,430 over the next five years, as summarized in the table above. In addition to the amounts to be funded over the next year, US$150,000 will be funded up front for cosmetic upgrades and to rectify any immediate deferred maintenance

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. The roofs were reported to be approximately four years old and in good condition, with no active rood leaks observed during interior inspections. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Coolray Field

The BCA Report for Coolray Field was completed on August 2, 2016. The report states that the Property is in good overall condition, and does not require any immediate repairs. The report recommends total capital expenditures (excluding inflation) in the amount of approximately US$116,625 over the next five years, as summarized in the table above. In addition to the amounts to be funded over the next year, US$75,000 will be funded up front for cosmetic upgrades and to rectify any immediate deferred maintenance

The report provided an assessment of the roof, walls and foundation, amongst others, of the buildings on the Property. The roof was reported to be approximately one years old and in good condition. Exterior walls showed no signs of settlement, cracking, or water leaks and inspections of building foundations showed no signs of serious settlement or other foundation-related concerns.

Environmental Site Assessments

Each of the Properties comprising the New Properties has been the subject of a Phase I environmental site assessment report prepared by an independent environmental consultant. The report for Sunrise Ranch was issued on August 2, 2016, the report for South Blvd Apartments was issued on July 15, 2016 and the report for Coolray Field was issued on August 1, 2016. The purpose of these Phase I environmental site assessment reports was to identify any recognized environmental conditions associated with the New Properties. The reports for Sunrise Ranch, South Blvd Apartments and Coolray Field were prepared in general accordance with the guidelines set forth in ASTM Practice E1527-13.

Each report indicated that, in accordance with ASTM Practice E1527-13, there is no evidence of recognized environmental conditions, historical recognized environmental conditions, controlled recognized environmental conditions or *de minimis* conditions associated with any of the Properties comprising the New Properties. The reports states that no further environmental studies are recommended on any of the Properties comprising the New Properties at this time.

The Manager is not aware of any non-compliance with environmental laws at any of the Properties comprising the New Properties that would have a material adverse effect on the Fund. The Manager is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of the Properties comprising the New Properties that would materially adversely affect the Fund or the values of the New Properties, taken as a whole, as determined pursuant to the Appraisals discussed below.

Independent Appraisals of the New Portfolio

The Manager retained the Appraiser to provide an independent appraisal of the fair market value of each of the Properties comprising the New Properties. The Appraisal in respect of Sunrise Ranch was completed on August 15, 2016, the Appraisal in respect of South Blvd Apartments was completed on August 12, 2016 and the Appraisal for Coolray Field was completed on August 15, 2016. A copy of each Appraisal is available on SEDAR at www.sedar.com.

The Appraisals were prepared in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute, which include the USPAP adopted by the Appraisal Standards Board of the Appraisal Foundation (United States). The current economic definition of "market value" agreed upon by various agencies that regulate federal financial institutions in the U.S. and as used in the Appraisals is, "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus". Implicit in this definition of market value is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (i) buyer and seller are typically motivated; (ii) both parties are well informed or well advised, and acting in what they consider their own best interests; (iii) a reasonable time is allowed for exposure in the open market; (iv) payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and (v) the price represents the normal consideration for the Property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. The Appraisers were not given any limiting instructions by the Manager.

Based on the Appraisals, the estimated market value of each Property comprising the New Properties is as follows:

Property	Estimate Value (US$)
Sunrise Ranch	$53,000,000
South Blvd Apartments	$56,500,000
Coolray Field	$36,600,000
Total	**$146,100,000**

Based on the agreed purchase price to be paid for the New Properties of US$141,400,000, the aggregate valuation by the Appraiser of US$146,100,000 is US$4,700,000 greater than the aggregate purchase price to be paid for such Properties.

In valuing the Properties (including the estimated market value of each Property) comprising the New Properties, the Sales Comparison Approach, the Income Capitalization Approach and the Cost Approach were utilized by the Appraiser. The cost approach is based on the premise that the value of a property can be indicated by the current cost to construct a reproduction or replacement for the improvements minus the amount of depreciation evident in the structures from all causes plus the value of the land and entrepreneurial profit. This approach to value is particularly useful for appraising new or nearly new improvements. The sales comparison approach is founded upon the principle of substitution that holds that the cost to acquire an equally desirable substitute property without undue delay ordinarily sets the upper limit of value. At any given time, prices paid for comparable properties are construed by many to reflect the value of the property appraised. The validity of a value indication derived by this approach is heavily dependent upon the availability of data on recent sales of properties similar in location, size, and utility to the appraised property. The income capitalization approach is based on the principle of anticipation that recognizes the present value of the future income benefits to be derived from ownership in a particular property. The Income Capitalization Approach is most applicable to properties that are bought and sold for investment purposes, and is considered very reliable when adequate income and expense data are available. Since income-producing real estate is most often purchased by investors, this approach is valid and is generally considered the most applicable when the property being appraised was designed for, or is easily capable of producing a rental income.

The Appraiser visited each Property comprising the New Properties to assess location and general physical characteristics and estimated the highest and best use for each Property. In appraising each Property comprising the New Properties, the Appraiser assumed that title to the Property was clear and marketable and that there were no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value, the Property was not affected by any hazardous materials that may be present on or near the Property, construction components were in working condition and adequate for the buildings on the Property and that the Property was in full compliance with all applicable federal, state, and local environmental regulations and laws, unless as stated in the respective Appraisal. The Appraiser further assumed that all factual data furnished by the Manager, the current Property owner, the owner's representative, or persons designated by the Manager or the owner to supply such data was accurate and correct, unless otherwise specifically noted in the respective Appraisal.

Caution should be exercised in the evaluation and use of appraisal results. An appraisal is an estimate of market value. It is not a precise measure of value but is based on a subjective comparison of related activity taking place in the real estate market. The Appraisals are based on various assumptions of future expectations and while the Appraiser's internal forecasts of NOI for the Properties comprising the New Properties are considered to be reasonable at the current time, some of the assumptions may not materialize or may differ materially from actual experience in the future.

5. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS

5.1 Sunrise Ranch Management's Discussion and Analysis

The following management's discussion and analysis ("**Sunrise Ranch MD&A**") of the financial results of City North at Sunrise Ranch ("**Sunrise Ranch**") dated September 7, 2016 for the interim period ended June 30, 2016 and June 30, 2015 (unaudited), together with the years ended December 31, 2015 and December 31, 2014, should be read in conjunction with the Sunrise Ranch unaudited financial statements and audited financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements".

Basis of Presentation

Sunrise Ranch's audited financial statements for the years ended December 31, 2015 and December 31, 2014 ("**Sunrise Ranch Audited Financial Statements")** and audited financial statements for the three and six months ended June 30, 2016 with comparisons to the three and six months ended June 30, 2015 (unaudited) have been prepared in accordance with IFRS. Unless otherwise stated, amounts expressed in this Sunrise Ranch MD&A are in thousands of U.S. dollars.

Business Overview, Property Profile and Strategy

Sunrise Ranch was completed in 2009, and is located approximately 36 kilometres north of downtown Austin at 2800 Sunrise Road, Round Rock, Texas. The site is in a rapidly growing suburb of Austin. The property is comprised of 384 suites in 19 predominantly three-story apartment buildings and a central clubhouse on a 20.6 acre site ranging in size from one bedroom to three bedrooms as follows:

Unit Type	**Sq. Ft.**	**Number of Suites**
1 Bedroom	786 to 844	240
2 Bedrooms	1,083 to 1,239	108
3 Bedrooms	1,336	36
Total	**949 average**	**384**

The 384 total suites that comprise Sunrise Ranch are constructed on a gross building area of 364,432 square feet. Suites consist of one, two and three bedroom suites. Sunrise Ranch contains a total of 686 parking spaces including 125 carports and 66 garages.

Sunrise Ranch's outdoor amenities include a resort-style pool with a large sundeck, an outdoor fire pit, an onsite car care centre, and a dog park. Indoor amenities include a resident lounge with multiple televisions, a business centre and a state-of-the-art fitness studio, as well as 24 storage units. Units feature GE Black appliances, faux-granite laminate counters, upgraded faucets with a vegetable sprayer, and shaker-style maple cabinetry. All master baths have oval soaking tubs with ceramic tile surrounds. Each unit also features ceiling fans, full-size washer and dryers, 9' ceilings, and spacious walk in closets. Select units have sunrooms, gas fireplaces and faux-wood flooring.

As of December 31, 2015, Sunrise Ranch was 93.0% occupied and produced an AMR equal to US$1.04 per square foot based on the monthly in-place rent of all occupied suites.

Sunrise Ranch is expected to be managed by Alliance. Alliance is the 7th largest third party multi-residential property management company in the United States, managing 82,000 apartment units. They are currently managing eight communities comprising 3,184 units for the Starlight U.S. Multi-Family in Austin, Houston, and Phoenix.

Interim Financial and Operational Highlights

(In thousands of U.S. dollars, except operational information)			As at June 30, 2016	As at June 30, 2015
Operational Information				
Total suites			384	384
Occupancy %			93.15%	92.44%
Weighted average in-place rent			$1,023	$978
Summary of Financial Information				
Gross Book Value (1)			$51,675	$42,204
Indebtedness (2)			$26,054	$26,594
Indebtedness to Gross Book Value (3)			50.42%	63.01%
Mortgage interest rate			3.42%	3.13%
Mortgage term to maturity			3.17 years	4.18 years

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Summary of Financial Information				
Revenue from property operations	$1,171	$1,105	$2,326	$2,187
NOI	$857	$813	$663	$617
Net income and comprehensive income	$3,866	$315	$5,384	$3,331

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs and includes note payable.

(3) Defined as Indebtedness divided by Gross Book Value.

Annual Financial and Operational Highlights

(In thousands of U.S dollars, except operational information)	As at December 31, 2015	As at December 31, 2014
Operational Information		
Total suites	384	384
Occupancy %	93.03%	93.17%
Weighted average in-place rent	$988	$958
Summary of Financial Information		
Gross Book Value (1)	$46,516	$39,112
Indebtedness (2)	$26,277	$26,822
Indebtedness to Gross Book Value (3)	56.49%	68.58%
Mortgage interest rate	3.19%	3.10%
Mortgage term to maturity	3.67 years	4.67 years
	As at December 31, 2015	**As at December 31, 2014**
Summary of Financial Information		
Revenue from property operations	$4,425	$4,308
NOI	$2,199	$2,164
Net income and comprehensive income	$8,742	$3,558

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs.

(3) Defined as Indebtedness divided by Gross Book Value.

Interim AMR and Occupancy

The following table contains the AMR and occupancy rate of Sunrise Ranch as at June 30, 2016 and June 30, 2015.

	June 30, 2016		June 30, 2015	
	AMR	**Occ. %**	**AMR**	**Occ. %**
Sunrise Ranch	$1,023	93.1%	$978	92.4%

As at June 30, 2016, AMR for Sunrise Ranch $1,023. AMR for Sunrise Ranch as at June 30, 2015 was $978. This represents an increase of $45 or 4.6% period over period.

As at June 30, 2016, Sunrise Ranch's occupancy was 93.1% compared with 92.4% as at June 30, 2015. The increase in AMR and occupancy is attributed to increased rental rates and strong demand in the Round Rock area.

Annual AMR and Occupancy

The following table contains the AMR and occupancy rate of Sunrise Ranch as at December 31, 2015 and as at December 31, 2014.

	December 31, 2015		December 31, 2014	
	AMR	**Occ. %**	**AMR**	**Occ. %**
Sunrise Ranch	$988	93.0%	$958	93.2%

As at December 31, 2015 and December 31, 2014, AMR was $988 and $958, respectively. This represents an increase of $30 or 3.12% as at December 31, 2015 compared to December 31, 2014.

Although occupancy levels can fluctuate during the year, demand has been strong in this market and occupancy levels have remained in the expected range which is typically well above 90% at approximately 93% on an annual basis.

Interim Financial Performance

Sunrise Ranch's financial performance for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 is summarized below:

(In thousands of U.S. dollars)	**Three months ended June 30, 2016**	**Three months ended June 30, 2015**	**Six months ended June 30, 2016**	**Six months ended June 30, 2015**
Revenue from property operations	$1,171	$1,105	$2,326	$2,187
Property operating expenses	314	292	1,663	1,570
Income before undernoted items	857	813	663	617
Finance costs	(245)	(231)	(488)	(459)
Fair value gain of investment property	3,262	(260)	5,225	3,186
Income taxes - current	(8)	(7)	(16)	(13)
Net income and other comprehensive income	$3,866	$315	$5,384	$3,331
Calculation of NOI				
Revenue from property operations	$1,171	$1,105	$2,326	$2,187
Operating expenses	314	292	1,663	1,570
NOI	$857	$813	$663	$617
NOI margin	73.2%	73.6%	28.5%	28.2%
Number of suites	384	384	384	384

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from late fees, damages/cleaning fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the six months ended June 30, 2016 was $2,326 compared with $2,187 for the six months ended June 30, 2015, representing an increase on $139 or 6.4%. Sunrise Ranch's occupancy as of June 30, 2016, improved to 93.1% compared to 92.4% as of June 30, 2015.

Revenue from property operations for the three months ended June 30, 2016 was $1,171 compared with $1,105 for the three months ended June 30, 2015. The increase of $66 or 6.0% is the result of increased rental rates which increased by 4.6% over the period.

Property operating expenses

Property operating expenses for the six months ended June 30, 2016 were $1,663 compared with $1,570 for the six months ended June 30, 2015. Sunrise Ranch's operating expenses as a percentage of property revenues for the six months ended June 30, 2016 was 71.5%, consistent with 71.8% for the six months ended June 30, 2015. These percentages for the six months ended June 30, 2016 and June 30, 2015 are significantly higher than the percentages for the three months ended June 30, 2016 and June 30, 2015 (as discussed below) due to the realty tax expense for the year being recorded in full during the three months ended March 30, 2016 and March 31, 2015.

Property operating expenses for the three months ended June 30, 2016 were $314 compared with $292 for the three months ended June 30, 2015. Sunrise Ranch's operating expenses as a percentage of property revenues for the three months ended June 30, 2016 were 26.8%, consistent with 26.4% for the three months ended June 30, 2015.

Sunrise Ranch has engaged a property management company to perform sales, administrative and maintenance functions related to the Properties. Fees associated with the property management agreement are based on 2.65% of gross collections of residential and miscellaneous income from the property. For the three and six months ended June 30, 2016 and June 30, 2015 property management fees in the amount of $33, $65, $30 and $64 respectively, were incurred pursuant to this property management agreement.

Finance Costs

Finance costs for the six months ended June 30, 2016 and the six months ended June 30, 2015 were $488 and $459, respectively. Finance costs include interest on mortgages payable of $448 and $419, respectively and amortization of financing costs of $40 and $40, respectively.

Finance costs for the three months ended June 30, 2016 and the three months ended June 30, 2015 were $245 and $231, respectively. Finance costs include interest on mortgages payable of $225 and $211, respectively and amortization of financing costs of $20 and $20, respectively.

Investment Property – Fair Value Adjustments

Sunrise Ranch has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Sunrise Ranch recorded a fair value adjustment of $5,225 for the six months ended June 30, 2016 and recorded a fair value adjustment of $3,186 for the six months ended June 30, 2015. The fair value adjustment recorded for the three months ended June 30, 2016 and for the three months ended June 30, 2015 was $3,262 and $(260), respectively.

The fair value adjustment for the three and six months ended June 30, 2016 and for the six months ended June 30, 2015 was driven by increased NOI and compressed capitalization rates. The fair value adjustment for the three months ended June 30, 2015 was driven by a slight decrease in NOI.

Net Operating Income

The NOI for the six months ended June 30, 2016 was $663 compared to $617 for the six months ended June 30, 2015, representing an increase of $46 or 7.5%. NOI margin for the six months ended June 30, 2016 was 28.5%, consistent with 28.2% for the six months ended June 30, 2015.

The NOI for the three months ended June 30, 2016 was $857 compared to $813 for the three months ended June 30, 2015, representing an increase of $44 or 5.4%. NOI margin for the three months ended June 30, 2016 was 73.2%, consistent with 73.6% for the three months ended June 30, 2015.

NOI margins for the three months ended June 30, 2016 and June 30, 2015 are significantly higher than the NOI margins for the six months ended June 30, 2016 and June 30, 2015 due to the realty tax expense for the year being recorded in full during the three months ended March 30, 2016 and March 31, 2015.

Annual Financial Performance

Sunrise Ranch's financial performance for the years ended December 31, 2015 and December 31, 2014 are summarized below:

(In thousands of dollars)	Year ended December 31, 2015	Year ended December 31, 2014
Revenue from property operations	$4,425	$4,308
Property operating expenses	2,226	2,144
Income before undernoted items	2,199	2,164
Finance costs	(925)	(929)
Fair value gain of investment property	7,494	2,347
Income taxes - current	(26)	(24)
Net income and other comprehensive income	$8,742	$3,558
Calculation of NOI		
Revenue from property operations	$4,425	$4,308
Operating expenses	2,226	2,144
NOI	$2,199	$2,164
NOI margin	49.7%	50.2%
Number of suites	384	384

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the years ended December 31, 2015 and December 31, 2014.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from late fees, damages/cleaning fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the year ended December 31, 2015 was $4,425 compared with $4,308 for the year ended December 31, 2014. This represents an increase of $117 or 2.7% in December 31, 2015 compared to December 31, 2014.

Property operating expenses

Property operating expenses for the year ended December 31, 2015 was $2,226 compared with $2,144 for the year ended December 31, 2014. This represents an increase of $82 or 3.8% when comparing the year ended December 31, 2015 to the year ended December 31, 2014. The increase in revenues (as discussed above) outweighed the increase in property operating expenses.

Sunrise Ranch has engaged a property management company to perform sales, administrative and maintenance functions related to the Property. Fees associated with the property management agreement are based on 2.75% of the gross collections of the property. Total property management fees for the years ended December 31, 2015 and December 31, 2014 were $126 and $126, respectively.

Finance Costs

Finance costs for the year ended December 31, 2015 were $925 compared with $929 for the year ended December 31, 2014. Finance costs include interest on mortgages payable of $846 and $850, respectively, and amortization of financing costs of $79 and $79, respectively, for the years ended December 31, 2015 and December 31, 2014.

Investment Property – Fair Value Adjustments

Sunrise Ranch has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Sunrise Ranch recorded a fair value adjustment of $7,494 for the year ended December 31, 2015 compared to a fair value adjustment of $2,347 for the year ended December 31.

Net Operating Income

Sunrise Ranch's NOI for the year ended December 31, 2015 of $2,199 was consistent with the NOI for the year ended December 31, 2014 of $2,164. The increase was $35 or 1.6% from 2014 to 2015. NOI margin for the year ended December 31, 2015 was 49.7% compared to 50.2% for the year ended December 31, 2014. The reduction in operating margin was the result of an increase realty tax expense.

Capital Investments

Sunrise Ranch is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain its productive capacity so as to sustain its rental income generating potential over its useful life. In accordance with IFRS, the property capitalizes all capital improvement expenditures which enhance the service potential of Sunrise Ranch and extend the useful life of the asset.

Liquidity and Capital Reserves

Cash flow from operating activities represents the primary source of liquidity to fund debt service, capital improvements and tenant inducements and leasing costs. Sunrise Ranch's cash flow from operating activities is dependent upon occupancy levels, rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Sunrise Ranch's net cash flow from operating activities and liquidity.

Sunrise Ranch expects to be able to meet all of its obligations as they become due.

Interim Cash Flows

The following table details the changes in cash for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by operating activities	$574	$666	$1,205	$1,166
Cash used in investing activities	(16)	-	(20)	-
Cash used in financing activities	(509)	(432)	(995)	(1,011)
Increase (decrease) in cash	49	234	190	155
Cash, beginning of period	457	179	316	258
Cash, end of period	$506	$413	$506	$413

Cash on hand as at June 30, 2016 was $506, compared to $413 as at June 30, 2015.

Cash provided by operating activities for the three and six months ended June 30, 2016 was $574 and $1,205, respectively. Cash provided by operating activities for the three and six months ended June 30, 2015 was $666 and $1,166, respectively.

Cash used in investing activities for the three and six months ended June 30, 2016 was $16 and $20, respectively, and related to additions to investment properties. Cash used in investing activities for both the three and six months ended June 30, 2015 was $nil.

Cash used in financing activities of $509 for the three months ended June 30, 2016 relates to financing costs paid of $227, distribution to the owners of Sunrise Ranch equal to $150 and principal loan payments of $132. Cash used in financing activities of $432 for the three months ended June 30, 2015 relates to financing costs paid of $142, distribution to the owners of Sunrise Ranch equal to $200 and principal loan payments of $90.

Cash used in financing activities of $995 for the six months ended June 30, 2016 relates to financing costs paid of $374, distribution to the owners of Sunrise Ranch equal to $398 and principal loan payments of $223. Cash used in financing activities of $1,011 for the six months ended June 30, 2015 relates to financing costs paid of $350, distribution to the owners of Sunrise Ranch equal to $433 and principal loan payments of $228.

Annual Cash Flows

The following table details the changes in cash for the years ended December 31, 2015 and December 31, 2014:

(In thousands of U.S. dollars)	Year ended December 31, 2015	Year ended December 31, 2014
Cash provided by operating activities	$2,166	$1,889
Cash used in investing activities	(4)	-
Cash used in financing activities	(2,104)	(2,078)
Increase (decrease) in cash	58	(189)
Cash, beginning of period	258	447
Cash, end of period	$316	$258

Cash on hand at December 31, 2015 was $316 compared with $258 as at December 31, 2014.

Cash provided by operating activities for the year ended December 31, 2015 was $2,166. Cash provided by operating activities for the year ended December 31, 2014 was $1,889. The sources of cash relate to the operation of the property.

Cash used in investing activities for the year ended December 31, 2015 was $4 due to capital additions in the year. Cash used in investing activities for the year ended December 31, 2014 was $nil.

The cash used in financing activities for the year ended December 31, 2015 was $2,104, due to financing costs paid of $846, distributions to owners of $714 and principal loan payments of $544. The cash used for financing activities for the year ended December 31, 2014 was $2,078, due to financing costs paid of $922, distributions to owners of $978 and principal loan payments of $178.

Interim Mortgages Payable

Sunrise Ranch is pledged as security for a mortgage entered into by Round Rock Sunrise Settlers, L.L.C., a Delaware limited liability company. As at June 30, 2016, Sunrise Ranch's mortgage payable balance was $26,054. Interest accrues at LIBOR + 2.95% per annum and the mortgage matures September 1, 2019.
Future principal payments on the mortgage payable are as follows:

(In thousands of U.S. dollars)	Mortgage principal payments
2016 - remainder of year	$277
2017	569
2018	589
2019	24,619
Total	$26,054

Annual Mortgages Payable

As at December 31, 2015, Sunrise Ranch's mortgage payable was $26,277. Interest accrues at LIBOR + 2.95% per annum and the mortgage matures September 1, 2019.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies are described in Note 2 to the Sunrise Ranch Audited Financial Statements.

Use of Estimates

The preparation of the Sunrise Ranch financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

The following significant areas use estimates and assumptions made by management in the preparation of the financial statements.

Investment Properties

Sunrise Ranch selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of Sunrise Ranch. The capitalization rate applied is reflective of the characteristics, location and market of Sunrise Ranch. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Sunrise Ranch determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to Sunrise Ranch and the cost can be measured reliably

Financial Instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in divisional equity. Sunrise Ranch derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Sunrise Ranch's deposits, tenant receivables and other receivables, restricted cash and cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. Sunrise Ranch has neither available-for-sale nor held-to-maturity instruments.
Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed combined financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Future Outlook

The objective of Sunrise Ranch is to generate stable and growing cash flow and to maximize Sunrise Ranch's value through active management. The Manager has estimated that the current rental rates for some of the suites within Sunrise Ranch are below market. Residential tenancy legislation in Texas currently does not restrict the ability of a landlord to increase rents to the same extent that similar laws are restrictive in certain Canadian provinces. The Manager estimates that there is an opportunity to increase the NOI over the short to medium term by raising market rental rates through the use of yield management software and by reducing operating expenses through more prudent management controls.

Subsequent Event

On July 29, 2016, the Owners signed a purchase and sale agreement to sell the Property to an affiliate of Starlight Investments Ltd. for a purchase price of $52,200. The sale is expected to close on or about October 31, 2016.

5.2 South Blvd Apartments Management's Discussion and Analysis

The following management's discussion and analysis ("**South Blvd MD&A**") of the financial results of South Blvd Apartments dated September 7, 2016 for the interim periods ended June 30, 2016 and 2015 (unaudited), together with the years ended December 31, 2015 and December 31, 2014, should be read in conjunction with the South Blvd Apartments unaudited financial statements and audited financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements".

Basis of Presentation

South Blvd Apartments' audited financial statements for the years ended December 31, 2015 and December 31, 2014 ("**South Blvd Apartments Audited Financial Statements")** and audited financial statements for the three and six months ended June 30, 2016 with comparisons to the three and six months ended June 30, 2015 (unaudited) have been prepared in accordance with IFRS. Unless otherwise stated, amounts expressed in this South Blvd MD&A are in thousands of U.S. dollars.

Business Overview, Property Profile and Strategy

South Blvd Apartments is a Class "A", luxury rental community located 23 kilometers south of downtown Las Vegas at 10200 Giles Street, Las Vegas, Nevada. The community consists of 320 apartment suites and was completed in 2012. It is comprised of 29 two-storey apartment buildings with a central clubhouse on a 14.25 acre site as follows:

Unit Type	Sq. Ft.	Number of Suites
1 Bedroom	644 to 908	128
2 Bedrooms	1,084 to 1,197	160
3 Bedrooms	1,395	32
Total	**1,042 average**	**320**

The 320 total suites that comprise South Blvd Apartments are constructed on a gross building area of 333,576 square feet. Suites consist of one, two and three bedrooms.

South Blvd Apartments has a central clubhouse that contains numerous modern amenities, including a resort-style swimming pool, state-of-the-art fitness center, outdoor fire pit, and gated dog park. The suites offer residents with top-of-the-line unit features including granite kitchen countertops, tile backsplashes, stainless steel appliances, dark stain cabinets, full-size washer and dryer and wood vinyl flooring.

As of December 31, 2015, South Blvd Apartments was 96% occupied and produced an AMR equal to US$1.30 per square foot based on the monthly in-place rent of all occupied suites.

South Blvd Apartments is currently managed by Alliance, the seventh largest multi-family property management companies in the U.S., managing over 82,000 apartment units.

Interim Financial and Operational Highlights

(In thousands of U.S. dollars, except operational information)			As at June 30, 2016	As at June 30, 2015
Operational Information				
Total suites			320	320
Occupancy %			93.9%	91.3%
Weighted average in-place rent			$1,086	$1,092
Summary of Financial Information				
Gross Book Value (1)			$53,600	$50,230
Indebtedness (2)			$26,250	$26,250
Indebtedness to Gross Book Value (3)			48.97%	52.26%
Mortgage interest rate			3.20%	3.20%
Mortgage term to maturity			2.51 years	3.51 years
	Three months ended June 30, 2016	**Three months ended June 30, 2015**	**Six months ended June 30, 2016**	**Six months ended June 30, 2015**
Summary of Financial Information				
Revenue from property operations	$1,051	$899	$2,083	$1,836
NOI	$798	$641	$1,265	$1,042
Net income and comprehensive income	$1,080	$1,508	$2,145	$3,060

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs and includes note payable.

(3) Defined as Indebtedness divided by Gross Book Value.

Annual Financial and Operational Highlights

(In thousands of U.S dollars, except operational information)	As at December 31, 2015	As at December 31, 2014
Operational Information		
Total suites	320	320
Occupancy %	92.5%	90.1%
Weighted average in-place rent	$1,088	$1,084
Summary of Financial Information		
Gross Book Value (1)	$52,358	$47,905
Indebtedness (2)	$26,250	$26,250
Indebtedness to Gross Book Value (3)	50.14%	54.80%
Mortgage interest rate	3.20%	3.20%
Mortgage term to maturity	3.01 years	4.01 years
	As at December 31, 2015	**As at December 31, 2014**
Summary of Financial Information		
Revenue from property operations	$3,892	$3,737
NOI	$2,515	$2,384
Net income and comprehensive income	$6,034	$6,765

Notes:
(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.
(2) "Indebtedness" excludes unamortized financing costs.
(3) Defined as Indebtedness divided by Gross Book Value.

Interim AMR and Occupancy

The following table contains the AMR and occupancy rate of South Blvd Apartments as at June 30, 2016 and June 30, 2015.

	June 30, 2016		June 30, 2015	
	AMR	Occ. %	AMR	Occ. %
South Boulevard Apartments	$1,086	93.9%	$1,092	91.3%

As at June 30, 2016, AMR for South Blvd Apartments' was $1,086. AMR for South Blvd Apartments as at June 30, 2015 was $1,092. AMR remained consist period over period.

As at June 30, 2016, South Blvd Apartments' occupancy was 93.1% compared with 91.3% as at June 30, 2015. The increase in occupancy is attributed to stabilized occupancy. Occupancy levels have remained in the expected range which is typically well above 90% at approximately 94% on an annual basis.

Annual AMR and Occupancy

The following table contains the AMR and occupancy rate of South Blvd Apartments as at December 31, 2015 and as at December 31, 2014.

	December 31, 2015		December 31, 2014	
	AMR	Occ. %	AMR	Occ. %
South Boulevard Apartments	$1,088	92.5%	$1,084	90.1%

As at December 31, 2015, and December 31, 2014 AMR was $1,088 and $1,084, respectively. AMR remained consistent year over year.

Although occupancy levels can fluctuate during the year, demand has been strong in this market and occupancy levels have remained in the expected range which is typically well above 90% at approximately 94% on an annual basis.

Interim Financial Performance

South Blvd Apartments' financial performance for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2014 is summarized below:

(In thousands of U.S. dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue from property operations	$1,051	$899	$2,083	$1,836
Property operating expenses	253	258	818	794
Income before undernoted items	798	641	1,265	1,042
Finance costs	(210)	(208)	(422)	(422)
Fair value gain of investment property	492	1,075	1,302	2,440
Net income and other comprehensive income	$1,080	$1,508	$2,145	$3,060
Calculation of NOI				
Revenue from property operations	$1,051	$899	$2,083	$1,836
Operating expenses	253	258	818	794
NOI	$798	$641	$1,265	$1,042
NOI margin	75.9%	71.3%	60.7%	56.8%
Number of suites	320	320	320	320

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from forfeited deposits, late fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the six months ended June 30, 2016 was $2,083 compared with $1,836 for the six months ended June 30, 2015. South Blvd Apartments' occupancy as of June 30, 2016, improved to 93.9% compared to 91.3% as of June 30, 2015.

Revenue from property operations for the three months ended June 30, 2016 was $1,051 compared with $899 for the three months ended June 30, 2015. The increase is the result of improving occupancy due to increasing demand.

Property operating expenses

Property operating expenses for the six months ended June 30, 2016 were $818 compared with $794 for the six months ended June 30, 2015. South Blvd Apartments' operating expenses as a percentage of property revenues for the six months ended June 30, 2016 was 39.3% compared with 43.2% for the six months ended June 30, 2015.

Property operating expenses for the three months ended June 30, 2016 were $253 compared with $258 for the three months ended June 30, 2015. South Blvd Apartments' operating expenses as a percentage of property revenues for the three months ended June 30, 2016 were 24.1% compared with 28.7% for the three months ended June 30, 2015, or an decrease of 4.6%. The decrease in expenses was the result of lower property operating expenses for the period ended June 30, 2016.

South Blvd Apartments has engaged a property management company to perform sales, administrative and maintenance functions related to the Properties. Fees associated with the property management agreement are based on 2.75% of gross collections of residential and miscellaneous income from the Properties. For the three and six months ended June 30, 2016 and June 30, 2015 property management fees in the amount of $27, $56, $25 and $50 respectively, were incurred pursuant to this property management agreement.

Finance Costs

Finance costs for the six months ended June 30, 2016 and the six months ended June 30, 2015 were $422 and $422, respectively. Finance costs include interest on mortgages payable of $420 and $420, respectively and amortization of financing costs of $2 and $2, respectively.

Finance costs for the three months ended June 30, 2016 and the three months ended June 30, 2015 were $210 and $208, respectively. Finance costs include interest on mortgages payable of $209 and $207, respectively and amortization of financing costs of $1 and $1, respectively.

Investment Property – Fair Value Adjustments

South Blvd Apartments has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, South Blvd Apartments recorded a fair value adjustment of 1,302 for the six months ended June 30, 2016 and recorded a fair value adjustment of $2,440 for the six months ended June 30, 2015. South Blvd Apartments recorded a fair value adjustment of $492 for the three months ended June 30, 2016 and recorded a fair value adjustment of $1,075 for the three months ended June 30, 2015.

The fair value adjustment for the three and six months ended June 30, 2016 and three and six months ended June 30, 2015 was all driven by increased NOI.

Net Operating Income

The NOI for the six months ended June 30, 2016 was $1,265 compared to $1,042 for the six months ended June 30, 2015 for an increase of $223 or 21.4%. NOI margin for the six months ended June 30, 2016 was 60.7% compared to 56.8% for the six months ended June 30, 2015. The higher margin was the result of an increase in operating revenues period over period, mainly attributed to increasing occupancy.

The NOI for the three months ended June 30, 2016 was $798 compared to $641 for the three months ended June 30, 2015 for an increase of $157 or 24.5%. NOI margin for the three months ended June 30, 2016 was 75.9% compared to 71.3% for the three months ended June 30, 2015. The increase in operating margin was the result of an increase in occupancy for the period ended June 30, 2016.

Annual Financial Performance

South Blvd Apartments' financial performance for the years ended December 31, 2015, and December 31, 2014 are summarized below:

(In thousands of dollars)	Year ended December 31, 2015	Year ended December 31, 2014
Revenue from property operations	$3,892	$3,737
Property operating expenses	1,377	1,353
Income before undernoted items	2,515	2,384
Finance costs	(844)	(844)
Fair value gain of investment property	4,363	5,225
Net income and other comprehensive income	$6,034	$6,765
Calculation of NOI		
Revenue from property operations	$3,892	$3,737
Operating expenses	1,377	1,353
NOI	$2,515	$2,384
NOI margin	64.6%	63.8%
Number of suites	320	320

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the years ended December 31, 2015, and December 31, 2014.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from forfeited deposits, late fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the year ended December 31, 2015 was $3,892 compared with $3,737 for the year ended December 31, 2014. This represents an increase of $155 or 4.1% in December 31, 2015, compared to December 31, 2014, driven by increased occupancy during the year ended December 31, 2015.

Property operating expenses

Property operating expenses for the year ended December 31, 2015 was $1,377 compared with $1,353 for the year ended December 31, 2014. This represents an increase of $24 or 1.8% when comparing the 2015 year to the 2014 year, however, the increase in revenues (as discussed above) outweighs the increase in property operating expenses which was driven by increased realty taxes during the year ended December 31, 2015.

South Blvd Apartments has engaged a property management company to perform sales, administrative and maintenance functions related to the Property. Fees associated with the property management agreement are based on 2.75% of the gross collections of the property. Total property management fees for the years ended December 31, 2015, and December 2014 were $104 and $104, respectively.

Finance Costs

Finance costs for the year ended December 31, 2015 were $844 compared with $844 for the year ended December 31, 2014. Finance costs include interest on mortgages payable of $840 and $840, respectively, and amortization of financing costs of $4 and $4, respectively, for the years ended December 31, 2015, and December 31, 2014.

Investment Property – Fair Value Adjustments

South Blvd Apartments has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, South Blvd Apartments recorded a fair value adjustment of $4,363 for the year ended December 31, 2015 compared to a fair value adjustment of $5,225 for the year ended December 31, 2014.

Net Operating Income

South Blvd Apartments' NOI for the year ended December 31, 2015 was $2,515 compared to $2,384 for the year ended December 31, 2014. The increase of $131 or 5.5% from 2014 to 2015 was predominantly due to increased occupancy during the year ended December 31, 2015. NOI margin for the year ended December 31, 2015 was 64.6% compared to 63.8% for the year ended December 31, 2014.

Capital Investments

South Blvd Apartments is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain its productive capacity so as to sustain its rental income generating potential over its useful life. In accordance with IFRS, the property capitalizes all capital improvement expenditures which enhance the service potential of South Blvd Apartments and extend the useful life of the asset.

Liquidity and Capital Reserves

Cash flow from operating activities represents the primary source of liquidity to fund debt service, capital improvements and tenant inducements and leasing costs. South Blvd Apartments' cash flow from operating activities is dependent upon occupancy levels, rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect South Blvd Apartments' net cash flow from operating activities and liquidity.

South Blvd Apartments expects to be able to meet all of its obligations as they become due.

Interim Cash Flows

The following table details the changes in cash for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015:

(In thousands of U.S. dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash from operating activities	$670	$601	$1,392	$1,167
Cash used in financing activities	(608)	(569)	(1,300)	(1,150)
Cash used in investing activities	(56)	(16)	(86)	(27)
Increase (decrease) in cash	6	16	6	(10)
Cash, beginning of period	235	230	235	256
Cash, end of period	$241	$246	$241	$246

Cash on hand at June 30, 2016 was $241. This compared to $246 at June 30, 2015.

Cash from operating activities for the six months ended June 30, 2016 was $1,392. Cash from operating activities for the six months ended June 30, 2013 was $1,167.

Cash used in financing activities of $1,300 for the six months ended June 30, 2016 relates to the distribution to the owners of South Blvd Apartments equal to $880 and financing costs paid of $420. Cash used in financing activities of $1,150 for the six months ended June 30, 2015 relates to distributions to the owners of South Blvd Apartments equal to $730 and financing costs paid of $420. Cash used in financing activities of $608 for the three months ended June 30, 2016 relates to the owner distribution of $398 and financing costs paid of $210. Cash used in financing activities of $569 for the three months ended June 30, 2015 relates to owner distributions of $359 and financing costs paid of $208.

The cash used in investing activities for the three and six months ended June 30, 2016 was $56 and $86, respectively. Cash used in investing activities for the three and six months ended June 30, 2015 was $16 and $27, respectively. Cash used in investing activities for the three and six months ended June 30, 2016 and June 30, 2015 related to additions to investment properties.

Annual Cash Flows

The following table details the changes in cash for the years ended December 31, 2015, and December 31, 2014:

(In thousands of U.S. dollars)	**Year ended December 31, 2015**	**Year ended December 31, 2014**
Cash from operating activities	$2,459	$2,496
Cash used in financing activities	(2,390)	(2,470)
Cash used in investing activities	(90)	(70)
Decrease in cash	(21)	(44)
Cash, beginning of period	256	300
Cash, end of period	$235	$256

Cash on hand at December 31, 2015 was $235 and $256 as at December 31, 2014.

Cash from operating activities for the year ended December 31, 2015 was $2,459, compared with $2,496 for the year ended December 31, 2014. The sources of cash relates to the operations of the two phases of the property.

The cash used in financing activities for the year ended December 31, 2015 was $2,390, due to owner distributions of $1,550 and financing costs paid of $840. The cash used in financing activities for the year ended December 31, 2014 was $2,470, due to owner distributions of $1,700 and financing costs paid of $770.

Cash used in investing activities for the years ended December 31, 2015 and December 31, 2014 was $90 and $70, respectively and related to capital additions in the year.

Interim Mortgage Payable

South Blvd Apartments is pledged as security for a mortgage entered into by the owner. As at June 30, 2016, South Blvd Apartments' mortgage payable was $26,250. Interest accrues at 3.20% per annum and the mortgage matures January 1, 2019.

The future principal payments on the mortgage payable are as follows:

	Mortgage principal payments
2016 – reminder of year	$ -
2017	-
2018	-
2019	26,250
Total	$ 26,250

Annual Mortgage Payable

As at December 31, 2015, South Blvd Apartments' mortgage payable was $26,250. Interest accrues at 3.20% per annum and the mortgage matures January 1, 2019.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies are described in Note 2 to the South Blvd Apartments Audited Financial Statements.

Use of Estimates

The preparation of the South Blvd Apartments financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

The following significant areas use estimates and assumptions made by management in the preparation of the financial statements.

Investment Properties

South Blvd Apartments selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of South Blvd Apartments. The capitalization rate applied is reflective of the characteristics, location and market of South Blvd Apartments. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. South Blvd Apartments determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to South Blvd Apartments and the cost can be measured reliably

Financial Instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in divisional equity. South Blvd Apartments derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

South Blvd Apartments' deposits, tenant receivables and other receivables, restricted cash and cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. South Blvd Apartments has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed combined financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Future Outlook

The objective of South Blvd Apartments is to generate stable and growing cash flow and to maximize South Blvd Apartments' value through active management. The Manager has estimated that the current rental rates for some of the suites within South Blvd Apartments are below market. Residential tenancy legislation in Nevada currently does not restrict the ability of a landlord to increase rents to the same extent that similar laws are restrictive in certain Canadian provinces. The Manager estimates that there is an opportunity to increase the NOI over the short to medium term by raising market rental rates through the use of yield management software and by reducing operating expenses through more prudent management controls.

Subsequent event

On August 5, 2016, the Owners signed a purchase and sale agreement to sell the properties to an affiliate of Starlight Investments Ltd for a purchase price of $53,600. The sale is expected to close on or about October 18, 2016.

5.3 Coolray Field Management's Discussion and Analysis

The following management's discussion and analysis ("**Coolray Field MD&A**") of the financial results of The Views at Coolray Field ("**Coolray Field**") dated September 7, 2016 for the interim periods ended June 30, 2016 and June 30, 2015 (unaudited), together with the period ended December 31, 2015, should be read in conjunction with the Coolray Field unaudited financial statements and audited financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements".

Basis of Presentation

Coolray Field's audited financial statements for the years ended December 31, 2015 ("**Coolray Field Audited Financial Statements")** and audited financial statements for the three and six months ended June 30, 2016 with comparisons to the three and six months ended June 30, 2015 (unaudited) have been prepared in accordance with IFRS. Unless otherwise stated, amounts expressed in this Coolray Field MD&A are in thousands of U.S. dollars.

Business Overview, Property Profile and Strategy

Coolray Field was completed in 2015, and is located approximately 56 kilometres northeast of downtown Atlanta at 755 Braves Avenue, Lawrenceville, Gwinnett County, Georgia. The site is in a rapidly growing suburb of Atlanta. The property is comprised of 206 suites in a five-story apartment building on a 2.51 acre site ranging in size from one bedroom to three bedrooms as follows:

Unit Type	Sq. Ft.	Number of Suites
1 Bedroom	640 to 700	85
2 Bedrooms	724 to 1,100	96
3 Bedrooms	1,188	25
Total	**823 average**	**206**

The 206 total suites that comprise Coolray Field are constructed on a gross building area of 174,455 square feet. Suites consist of one, two and three bedroom suites. Coolray Field contains a total of 319 parking spaces.

Coolray Field's amenities include a view of Coolray Field (Atlanta Braves AAA-affiliate), Skybox and Dugout, business centre, coffee bar, infinity pool courtyard lounge, storage and controlled access. Units feature views of Coolray Field, granite countertops, stainless steel appliances, washer/dryer, ceiling fan, and balconies.

From the beginning of operations, April 1, 2015, to December 31, 2015, Coolray Field was on average 36.5% occupied. As of December 31, 2015, Coolray Field was 75.7% occupied and produced an AMR equal to US$1.55 per square foot based on the monthly in-place rent of all occupied suites. The increase in the occupancy from April 1, 2015 to December 31, 2015 was due to the lease-up which occurred during this period.

Coolray Field is expected to be managed by Alliance. Alliance is the 7th largest third party multi-residential property management company in the United States, managing 82,000 apartment units. They are currently managing eight communities comprising 3,184 units for the Starlight U.S. Multi-Family in Austin, Houston, and Phoenix.

Interim Financial and Operational Highlights

(In thousands of U.S. dollars, except operational information)		As at June 30, 2016	As at June 30, 2015
Operational Information			
Total suites		206	206
Occupancy %		89.45%	6.32%
Weighted average in-place rent		$1,290	$1,329
Summary of Financial Information			
Gross Book Value (1)		$35,421	$28,393
Indebtedness (2)		$18,380	$15,471
Indebtedness to Gross Book Value (3)		51.89%	54.49%
Mortgage interest rate		2.89%	2.72%
Mortgage term to maturity		0.38 years	1.38 years
	Three months ended June 30, 2016	**Six months ended June 30, 2016**	**Three and six months ended June 30, 2016**
Summary of Financial Information			
Revenue from property operations	$739	$1,398	$58
NOI	$427	$363	($164)
Net income and comprehensive income	$1,255	$2,704	($78)

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs and includes note payable.

(3) Defined as Indebtedness divided by Gross Book Value.

Annual Financial and Operational Highlights

(In thousands of U.S dollars, except operational information)	As at December 31, 2015
Operational Information	
Total suites	206
Occupancy %	36.54%
Weighted average in-place rent	$1,283
Summary of Financial Information	
Gross Book Value (1)	$32,920
Indebtedness (2)	$18,355
Indebtedness to Gross Book Value (3)	55.76%
Mortgage interest rate	2.83%
Mortgage term to maturity	0.88 years
	Period ended December 31, 2015
Summary of Financial Information	
Revenue from property operations	$779
NOI	$34
Net income and comprehensive income	$265

Notes:
(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.
(2) "Indebtedness" excludes unamortized financing costs.
(3) Defined as Indebtedness divided by Gross Book Value.

Interim AMR and Occupancy

The following table contains the AMR and occupancy rate of Coolray Field as at June 30, 2016 and June 30, 2015.

	June 30, 2016		June 30, 2015	
	AMR	Occ. %	AMR	Occ. %
Coolray Field	$1,290	89.4%	$1,329	6.3%

As at June 30, 2016, AMR for Coolray Field $1,290. AMR for Coolray Field as at June 30, 2015 was $1,329. This represents a decrease of $39 or 2.9% period over period.

As at June 30, 2016, Coolray Field's occupancy was 89.4% compared with 6.3% as at June 30, 2015. The increase in the occupancy from April 1, 2015 to December 31, 2015 was due to the lease-up which occurred during this period. As at June 30, 2016, occupancy was stabilized at 93.2%.

Annual AMR and Occupancy

The following table contains the AMR and occupancy rate of Coolray Field as at December 31, 2015.

	December 31, 2015	
	AMR	Occ. %
Coolray Field	$1,283	36.5%

As at December 31, 2015 AMR was $1,283. This represents initial period of operations and thus no annual comparative exists. The occupancy rate of 36.5% represents the average occupancy for the period from April 1, 2015 to December 31, 2015. The occupancy at December 31, 2015 was 75.7%. The increase in the occupancy from April 1, 2015 to December 31, 2015 was due to the lease-up which occurred during this period.

Interim Financial Performance

Coolray Field's financial performance for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 is summarized below:

(In thousands of U.S. dollars)	Three months ended June 30, 2016	Six months ended June 30, 2016	Three and six months ended June 30, 2015
Revenue from property operations	$739	$1,398	$58
Property operating expenses	312	1,035	222
Income before undernoted items	427	363	(164)
Finance costs	(130)	(259)	(107)
Fair value gain of investment property	958	2,600	193
Net income and other comprehensive income	$1,255	$2,704	($78)
Calculation of NOI			
Revenue from property operations	$739	$1,398	$58
Operating expenses	312	1,035	222
NOI	$427	$363	($164)
NOI margin	57.8%	26.0%	-282.8%
Number of suites	206	206	206

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from late fees, damages/cleaning fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the six months ended June 30, 2016 was $1,398 compared with $58 for the six months ended June 30, 2015, representing an increase on $1,340 or 2,310%. Coolray Field's occupancy for the period ended June 30, 2016, improved to 89.4% compared to 6.3% as of June 30, 2015. The increase in the occupancy was due to the lease-up which occurred during this period.

Revenue from property operations for the three months ended June 30, 2016 was $739 compared with $58 for the three months ended June 30, 2015. The increase of $681 or 1,174% is the result of the lease-up which occurred during this period.

Property operating expenses

Property operating expenses for the six months ended June 30, 2016 were $1,035 compared with $222 for the six months ended June 30, 2015. Coolray Field's operating expenses as a percentage of property revenues for the six months ended June 30, 2016 was 74.1%, while for the six months ended June 30, 2015 they were 382.8%. The decrease is attributed to the operations commencing on April 1, 2015 and revenues for the initial period being significantly lower.

Property operating expenses for the three months ended June 30, 2016 were $312 compared with $222 for the three months ended June 30, 2015. Coolray Field's operating expenses as a percentage of property revenues for the three months ended

June 30, 2016 were stabilized at 42.2%, compared with 382.8% for the three months ended June 30, 2015.

Coolray Field has engaged a property management company to perform sales, administrative and maintenance functions related to the Properties. Fees associated with the property management agreement are based on 4.0% of gross collections of residential and miscellaneous income from the property. For the three and six months ended June 30, 2016 and June 30, 2015 property management fees in the amount of $30, $56, $20 and $20 respectively, were incurred pursuant to this property management agreement.

Finance Costs

Finance costs for the six months ended June 30, 2016 and the six months ended June 30, 2015 were $259 and $107, respectively. Finance costs include interest on mortgages payable of $229 and $92, respectively and amortization of financing costs of $30 and $15, respectively.

Finance costs for the three months ended June 30, 2016 and the three months ended June 30, 2015 were $130 and $107, respectively. Finance costs include interest on mortgages payable of $115 and $92, respectively and amortization of financing costs of $15 and $15, respectively.

Investment Property – Fair Value Adjustments

Coolray Field has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Coolray Field recorded a fair value adjustment of $2,600 for the six months ended June 30, 2016 and recorded a fair value adjustment of $193 for the six months ended June 30, 2015. The fair value adjustment recorded for the three months ended June 30, 2016 and for the three months ended June 30, 2015 was $958 and $193, respectively.

The fair value adjustment for the three and six months ended June 30, 2016 was driven by increased NOI and market valuation, respectively.

Net Operating Income

The NOI for the six months ended June 30, 2016 was $363 compared to -$164 for the six months ended June 30, 2015, representing an increase of $527. NOI margin for the six months ended June 30, 2016 was stabilized at 25.9%, while for the six months ended June 30, 2015 it was -284.5%.

The NOI for the three months ended June 30, 2016 was $427 compared to -$164 for the three months ended June 30, 2015, representing an increase of $591. NOI margin for the six months ended June 30, 2016 was 57.9%, while for the six months ended June 30, 2015 it was -282.8%.

The increases to the NOI margins for the three and six months ended June 30, 2016 are significantly higher than the NOI margins for the three and six months ended June 30, 2015 due to the lease-up which occurred during this period.

Annual Financial Performance

Coolray Field's financial performance for the period ended December 31, 2015 is summarized below:

(In thousands of dollars)	Period ended December 31, 2015
Revenue from property operations	$779
Property operating expenses	745
Income before undernoted items	34
Finance costs	(364)
Fair value gain of investment property	595
Income taxes - current	-
Net income and other comprehensive income	$265
Calculation of NOI	
Revenue from property operations	$779
Operating expenses	745
NOI	$34
NOI margin	4.4%
Number of suites	206

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the period ended December 31, 2015.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from late fees, damages/cleaning fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the period ended December 31, 2015 was $779. This represents initial period of operations and thus no annual comparative exists.

Property operating expenses

Property operating expenses for the period ended December 31, 2015 were $745. This represents initial period of operations and thus no annual comparative exists.

Coolray Field has engaged a property management company to perform sales, administrative and maintenance functions related to the Property. Fees associated with the property management agreement are based on 4.4% of the gross collections of the property. Total property management fees for the period ended December 31, 2015 were $66.

Finance Costs

Finance costs for the period ended December 31, 2015 were $364. Finance costs include interest on mortgages payable of $334 and amortization of financing costs of $30 for the period ended December 31, 2015.

Investment Property – Fair Value Adjustments

Coolray Field has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Coolray Field recorded a fair value adjustment of $595 for the period ended December 31, 2015.

Net Operating Income

Coolray Field's NOI for the year ended December 31, 2015 of $34. This represents initial period of operations and thus no annual comparative exists.

Capital Investments

Coolray Field is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain its productive capacity so as to sustain its rental income generating potential over its useful life. In accordance with IFRS, the property capitalizes all capital improvement expenditures which enhance the service potential of Coolray Field and extend the useful life of the asset.

Liquidity and Capital Reserves

Cash flow from operating activities represents the primary source of liquidity to fund debt service, capital improvements and tenant inducements and leasing costs. Coolray Field's cash flow from operating activities is dependent upon occupancy levels, rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Coolray Field's net cash flow from operating activities and liquidity.

Coolray Field expects to be able to meet all of its obligations as they become due.

Interim Cash Flows

The following table details the changes in cash for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015:

	Three months ended June 30, 2016	Six months ended June 30, 2016	Three and six months ended June 30, 2015
Cash provided by (used in) operating activities	$424	$547	($2,217)
Cash (used in) provided by investing activities	(3)	-	(2,701)
Cash used in financing activities	(389)	(529)	4,974
Increase in cash	32	18	56
Cash, beginning of period	287	301	84
Cash, end of period	$319	$319	$140

Cash on hand as at June 30, 2016 was $319, compared to $140 as at June 30, 2015.

Cash provided by operating activities for the three and six months ended June 30, 2016 was $424 and $547, respectively.

Cash used in operating activities for the three and six months ended June 30, 2015 was $2,217.
Cash used in investing activities for the three and six months ended June 30, 2016 was $3 and $nil, respectively, and related to additions to investment properties. Cash used in investing activities for both the three and six months ended June 30, 2015 was $2,701 and related to additions to investment properties.

Cash used in financing activities of $389 for the three months ended June 30, 2016 relates to financing costs paid of $138 and a distribution to the owners of Coolray Field equal to $251. Cash used in financing activities of $4,974 for the three months ended June 30, 2015 relates to a draw on the mortgage of $4,958 and financing costs paid of $80 offset by owner contributions of $96.

Cash used in financing activities of $529 for the six months ended June 30, 2016 relates to financing costs paid of $273, distribution to the owners of Coolray Field equal to $281 and offset by new mortgage proceeds of $25.

Annual Cash Flows

The following table details the changes in cash for the period ended December 31, 2015:

(In thousands of U.S. dollars)	**Period ended December 31, 2015**
Cash used in operating activities	($3,237)
Cash used in investing activities	(4,205)
Cash provided by financing activities	7,659
Increase in cash	217
Cash, beginning of period	84
Cash, end of period	$301

Cash on hand at December 31, 2015 was $301.

Cash used in operating activities for the period ended December 31, 2015 was $3,237. The sources of cash relate primarily to the payment of accounts payable.

Cash used in investing activities for the year ended December 31, 2015 was $4,205 due to capital additions in the period.
The cash used in financing activities for the year ended December 31, 2015 was $7,659, due to new mortgage financing of $7,932 and contributions from owners of $38, offset by financing costs paid of $311.

Interim Mortgages Payable

Coolray Field is pledged as security for a mortgage entered into by Views at Gwinnett Stadium, LP. The mortgages are in the form of a $1,541 interest-only loan ('Junior Loan') at a fixed 3.00% rate of interest and a $16,839 interest-only loan ('Senior Loan') at a rate of one-month LIBOR + 2.50%. As at June 30, 2016, Coolray Field's mortgage payable balance was $18,380 and the mortgages mature November 15, 2016.

Future principal payments on the mortgage payable are as follows:

(In thousands of U.S. dollars)	**Mortgage principal payments**
2016 - Maturity	$18,380

Annual Mortgages Payable

As at December 31, 2015, Coolray Field's mortgage payable was $18,355 with interest accruing as discussed above.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies are described in Note 2 to the Coolray Field Audited Financial Statements.

Use of Estimates

The preparation of the Coolray Field financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

The following significant areas use estimates and assumptions made by management in the preparation of the financial statements.

Investment Properties

Coolray Field selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of Coolray Field. The capitalization rate applied is reflective of the characteristics, location and market of Coolray Field. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Coolray Field determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to Coolray Field and the cost can be measured reliably

Financial Instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in divisional equity. Coolray Field derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Coolray Field's deposits, tenant receivables and other receivables, restricted cash and cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. Coolray Field has neither available-for-sale nor held-to-maturity instruments.
Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed combined financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Future Outlook

The objective of Coolray Field is to generate stable and growing cash flow and to maximize Coolray Field's value through active management. The property experienced a lease-up period from the commencement of operations, April 1, 2015, through June 30, 2016. Management expects that the results for the three month period ending June, 30, 2016 are stabilized and are indicative of the future performance of the property.

Subsequent Event

On August 18, 2016, the Owners signed purchase and sale agreements to sell the Property to an entity affiliated with Starlight Investments Ltd. for a purchase price of $35,600. The sale is expected to close on or about October 20, 2016.

6. FINANCIAL FORECAST

The following financial forecast relates to the combined forecasted results of the Fund Portfolio only and does not reflect any additional acquisitions of Properties by the Fund. The financial forecast was prepared by the General Partner on behalf of the Fund, using assumptions with an effective date of October 1, 2016 and was approved by the Board on October 12, 2016. Pursuant to applicable securities policies, the Fund will be required to update the forecast during the forecast period by identifying any material changes from the forecast resulting from events that have occurred since it was issued and by comparing such forecast with annual audited actual results and interim unaudited actual results for the periods covered. The results of this comparison will accompany the Fund's annual or interim MD&A for the relevant periods.

The forecast has been prepared in accordance with the rules surrounding the measurement, presentation and disclosure of financial forecasts as established by the Canadian Securities Administrators in Part 4A and 4B of NI 51-102. The forecast has been prepared using assumptions that reflect management's intended courses of action for the Fund for the periods covered, given management's judgment as to the most probable set of economic conditions. The forecast has been prepared after giving effect to the Reorganization and Offering and the other transactions contemplated in this Prospectus to be completed before or shortly after the closing of the Offering. The forecast assumes the Closing Date occurred on October 1, 2016.

The assumptions used in the preparation of a forecast, although considered reasonable by management at the time of preparation, may not materialize as forecast and unanticipated events and circumstances may occur subsequent to the date of the forecast. Accordingly, there is a significant risk that actual results achieved for the forecast period will vary from the forecast results and that such variations may be material. There is no representation that actual results achieved during the forecast period will be the same in whole or in part as those forecast. Important factors that could cause actual results to vary materially from the forecast include those disclosed under "Risk Factors". See also "Forward-Looking Statements".

The financial forecast which follows should be read in conjunction with the Fund's unaudited *pro forma* consolidated financial statements, the Fund's audited financial statements and the audited financial statements of the New Portfolio contained in this Prospectus. See "Index to Financial Statements".

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REPORT ON CONSOLIDATED FINANCIAL FORECAST

To the directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc. as general partner of Starlight U.S. Multi-Family (No. 5) Core Fund

The accompanying consolidated financial forecast of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund"), consisting of the consolidated statement of forecasted comprehensive income (loss) for each of the three-month periods ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017 and the twelve-month period ending September 30, 2017, has been prepared by management using assumptions with an effective date of October 1, 2016. We have examined the support provided by management for the assumptions, and the preparation and presentation of this consolidated financial forecast. Our examination was made in accordance with the applicable Auditing Guideline issued by the Chartered Professional Accountants of Canada. We have no responsibility to update this report for events and circumstances occurring after the date of our report.

In our opinion:

- as at the date of this report, the assumptions developed by management are suitably supported and consistent with the plans of the Fund, and provide a reasonable basis for the consolidated financial forecast;

- this consolidated financial forecast reflects such assumptions; and

- the consolidated financial forecast complies with the presentation and disclosure standards for future oriented financial information established in Part 4A and 4B of National Instrument 51-102, Continuous Disclosure Obligations.

Since this consolidated financial forecast is based on assumptions regarding future events, actual results will vary from the information presented and the variations may be material. Accordingly, we express no opinion as to whether this consolidated financial forecast will be achieved.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

October 12, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

CONSOLIDATED STATEMENT OF FORECASTED COMPREHENSIVE INCOME (LOSS)
(In thousands of U.S. dollars, except per unit amounts)

	Three month period ending (Forecast)				Twelve month period ending September 30, 2017 (Forecast)
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	
Revenue					
Revenue from property operations	$24,427	$24,775	$25,433	$25,687	$100,322
Operating expenses					
Property operating	6,385	6,231	6,422	6,662	25,700
Realty taxes	-	18,140	-	-	18,140
Income from operations	**18,042**	**404**	**19,011**	**19,025**	**56,482**
Distributions to Unitholders	6,362	6,362	6,362	6,362	25,448
Finance costs	5,417	5,390	5,481	5,488	21,776
Fund and trust expenses	8,024	1,286	1,286	1,286	11,882
Fair value adjustment of investment property	-	-	-	-	-
(Decrease) increase in net assets attributable to Unitholders before taxes	**(1,761)**	**(12,634)**	**5,882**	**5,889**	**(2,624)**
Current taxes	146	147	149	149	591
Deferred taxes	2,513	2,515	2,517	2,519	10,064
(Decrease) increase in net assets attributable to Unitholders	**$(4,420)**	**$(15,296)**	**$3,216**	**$3,221**	**$(13,279)**

See accompanying notes to consolidated statement of forecasted comprehensive income (loss).

NOTES TO CONSOLIDATED STATEMENT OF FORECASTED COMPREHENSIVE INCOME (LOSS)
(In thousands of U.S. dollars, except per unit amounts)

Three-month periods ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017 and twelve-month period ending September 30, 2017

1. Purpose of the consolidated financial forecast:

This consolidated financial forecast has been prepared by management of the General Partner on behalf of Starlight U.S. Multifamily (No.5) Core Fund (the "Fund") for use by prospective investors in their evaluation of potential investments in the Fund and may not be appropriate for any other purpose.

2. Basis of presentation of financial forecast:

The Fund is a recently created limited partnership formed under and governed by the laws of the Province of Ontario. The registered address of the Fund is located at 3280 Bloor Street West, Suite 1400, Toronto, Ontario, M8X 2X3. The term of the Fund is three years, with two one-year extensions at the option of the Manager.

The Fund was established for the primary purpose of investing indirectly in recently constructed, Class "A", core income producing rental properties in the U.S. multi-family real estate market. Under an agreement dated September 6, 2016, the Fund will, among other things, acquire all of the outstanding securities of the general partners of Starlight U.S. Multi-Family Core Fund ("Fund 1"), Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund 2"), Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund 3"), Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund 4") and all of the outstanding shares of Campar Capital Corporation (Campar). Fund 1, Fund 2, Fund 3, Fund 4 and the Fund shall be collectively referred to as the "Funds". The Funds and Campar indirectly own a portfolio of properties consisting of an aggregate of 5,882 multi-family residential apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas.

Following the effective date of the offering and the acquisition of the Funds and Campar the Fund will indirectly own an aggregate of 5,882 multi-family residential apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas (the "Existing Portfolio"). In addition, following the completion of the Offering, the Fund will indirectly acquire an aggregate of 910 multi-family residential apartment suites located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively (the "New Properties").

As a result of the closing of the Offering (assuming proceeds for forecast purposes of $49,658) and the acquisition of the New Portfolio, the subsidiary LPs, Campar and the U.S. REITs will operate as wholly owned subsidiaries of the Fund.

The consolidated financial forecast consists of the consolidated statement of forecasted comprehensive income (loss) of the Fund for the three-month periods ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017 and the twelve-month period ending September 30, 2017. The financial forecast has been prepared using assumptions with an effective date of October 1, 2016 and reflects the assumptions described in note 4.

The consolidated financial forecast has been prepared in compliance with parts 4A and 4B of National Instrument 51-102 - *Continuous Disclosure* obligations using assumptions that reflect the Fund's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The consolidated financial forecast will be compared with the reported results for the financial forecast periods and any significant differences will be disclosed. The actual results achieved during the financial forecast periods will vary from the forecasted results, and these variations may be material. Amounts are in thousands of U.S. dollars, unless otherwise stated.

The consolidated financial forecast has been authorized for issue by the General Partner on October 12, 2016.

3. Summary of significant accounting policies:

The consolidated financial forecast has been prepared in accordance with the significant accounting policies set out below. These policies are expected to be used to prepare the Fund's consolidated financial statements and are consistent with the recognition and measurement principles of International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board.

(a) Basis of consolidation*:*

The consolidated financial forecast comprises the financial forecasted amounts of the Fund and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting periods as the Fund using consistent accounting policies. All intercompany balances, transactions and unrealized gains and losses arising from intercompany transactions are eliminated on consolidation.

(b) Business combinations (continued)*:*

Business combinations are accounted for under the acquisition method under which all identifiable assets acquired and liabilities assumed are measured at fair value as of the acquisition date. Goodwill is the excess of the fair value of the consideration transferred over the net identifiable assets acquired. If the fair value of the net identifiable assets acquired exceeds the consideration transferred, a bargain purchase gain is recognized immediately in profit or loss. Transaction costs incurred in connection with the acquisition are expensed as incurred.

The General Partner must assess whether an acquisition of investment property should be accounted for as an asset acquisition or a business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgments as to whether the assets acquired and liabilities assumed constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business and whether the Fund obtained control of the business. All of the acquisitions of investment property included in the Forecast are expected to be asset acquisitions.

(c) Investment properties:

A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Subsequent capital expenditures are charged to investment properties only when it is probable that the future economic benefits of the expenditure will flow to the Fund and the cost can be measured reliably.

3. Summary of significant accounting policies (continued):

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, cable income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement. An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants.

(e) Foreign currency transactions:

The functional and presentation currency of the Fund and its Subsidiaries is the U.S. dollar.

Transactions in currencies other than the U.S. dollar are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in U.S. dollars at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in U.S. dollars translated at the exchange rate at the end of the reporting period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on translation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

(f) Levies:

Levies are outflows from the properties imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee (“IFRIC”) 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21, Levies, confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the time the obligation is crystallized, which is at the beginning of the fiscal year.

(g) Financial instruments:

Financial instruments are classified as one of the following: (i) ,fair value through profit and loss (“FVTPL”), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss.

3. Summary of significant accounting policies (continued):

(g) Financial instruments (continued):

Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard ("IAS") 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL. Other financial liabilities, including the Funds' Units, are recognized and measured at amortized cost.

The Fund's cash, restricted cash and accounts receivable have been designated as loans and receivables; and loans payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. The Fund has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

The Fund's net assets attributable to Unitholders have been designated as financial liabilities under IAS 32.

(h) Finance costs and distributions to Unitholders:

Finance costs comprise interest expense on borrowings and amortization of mortgage transaction costs. Finance costs associated with financial liabilities presented at amortized cost are recognized in net income using the effective interest method. Distributions to Unitholders are recognized into comprehensive income in the period in which they are declared.

(i) Income taxes:

(i) Canadian status:

The Funds are not subject to tax under Part I of the Tax Act. Each Unitholder of the Funds is required to include in computing the Unitholder's income for a particular taxation year the Unitholder's share of the income or loss of the Funds allocated to the Unitholder for its fiscal year ending in or on the Unitholder's taxation year-end, whether or not any of that income or loss is

3. Summary of significant accounting policies (continued):

(i) Income taxes (continued):

(i) Canadian status (continued):

distributed to the Unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.
The Funds believe that they will not hold any “non-portfolio property” and should not be SIFT partnerships and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Funds intend to continue to operate in such a manner so as they remain exempt from the SIFT Measures on a continuous basis in the future.

However, the Funds’ continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Funds become SIFT partnerships, they will be generally subject to income taxes at regular Canadian corporate rates on their taxable non-portfolio earnings, if any.

Canadian subsidiary corporations:

The Fund will from time to time own certain properties in whole or in part through subsidiaries which are subject to entity-level taxation under the Tax Act. The application of entity-level tax under the Tax Act to all or a portion of the income generated by such properties could impact the Fund’s ability to distribute the cash flow generated thereby to Unitholders. The Fund has estimated the entity-level income tax to be payable by the Canadian subsidiary corporations under the Tax Act to be $96 for each of the three months ended December 31, 2016, March 31, 2017, June 30, 2017, and September 30, 2017 and $384 for the twelve months ended September 30, 2017, taking into account foreign taxes expected to be payable by and foreign tax credits expected to be available to such corporations. See “U.S. Status.”

(ii) U.S. Status:

Current Taxes

The Funds are treated as partnerships for U.S. federal income tax purposes. As such, they are generally not subject to U.S. federal income tax under the Code. Furthermore, the U.S. REITs intend to timely make and maintain elections as real estate investment trusts under the Code. In order for the U.S. REITs to qualify, they must meet a number of organizational and operational requirements,

3. Summary of significant accounting policies (continued):

(i) Income taxes (continued):

(ii) U.S. Status (continued):

Current Taxes (continued)

including a requirement to make annual distributions to its Unitholders equal to a minimum of 90% of its taxable income, computed without regards to a dividends paid deduction and net capital gains.

The U.S. REITs generally will not be subject to U.S. federal income tax on their taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Funds intend to make the real estate investment trust elections for the U.S. REITs and believe the U.S. REITs' organization, ownership, method of operations, future assets and future income will enable the U.S. REITs to qualify as real estate investment trusts under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REITs.

The Funds intend to operate the U.S. REITs in such a manner so as to qualify as real estate investment trusts on a continuous basis in the future. However, actual qualification as a real estate investment trust will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REITs fail to qualify as real estate investment trusts in any taxable year, they will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REITs may not be able to requalify as real estate investment trusts for the four subsequent taxable years. Even if the U.S. REITs qualify for taxation as real estate investment trusts, the U.S. REITs may be subject to certain U.S. state and local taxes on their income and property, and to U.S. federal income and excise taxes on their undistributed taxable income and/or specified types of income in certain circumstances.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. For the three month periods ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, the provision for Texas Margin Tax was $51, $51, $52, and $53, respectively. For the twelve month period ending September 30, 2017 the tax provision was $207.

The U.S. REITs own the properties indirectly through Delaware limited liability companies which have elected to be taxed as partnerships for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes, other than the Texas Margin Tax.

The Investment LPs are treated as partnerships for Canadian tax purposes but will elect to be treated as corporations for U.S. federal income tax purposes. As such, the Investment LPs are generally subject to U.S. tax in respect of their allocable share of (i) capital gains distributions made by the U.S. REITs, (ii) gain upon a sale of the shares of U.S. REITs and (iii) distributions made by the U.S. REITs in excess of both their (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (b) the adjusted tax basis in the U.S. REITs' shares held by the Holding LPs. The Investment LPs are also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REITs received through the Holding LPs to the extent that the

3. Summary of significant accounting policies (continued):

(i) Income taxes (continued):

(ii) U.S. Status (continued):

Current Taxes (continued)

amount exceeds the current and/or accumulated earnings and profits of the U.S. REITs as determined under U.S. tax principles.

Taxes paid or considered to have been paid by Investment L.P.'s or SIP will be allocated pursuant to their limited partnership agreements and the Fund's allocated share will be allocated to Unitholders pursuant to the Fund limited partnership agreement. The availability of a foreign tax credit or foreign tax deduction in respect of foreign source income allocated to Unitholders by the Fund will be subject to the detailed rules contained in the Tax Act and each Unitholder's particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Foreign taxes paid or considered to have been paid by a subsidiary Canadian corporation will not be allocated to unitholders and, accordingly, no foreign tax credit or foreign tax deduction will be available to Unitholders in respect of such foreign taxes. While the subsidiary Canadian corporations will generally be themselves be entitled to claim foreign tax credits or foreign tax deductions in respect of such taxes, the maximum credit available to the subsidiary Canadian corporations will generally be limited to their Canadian tax otherwise payable in respect of the underlying U.S. source income. Accordingly, if the Canadian tax rate applicable to such income is less than the applicable foreign tax rate, double taxation may arise.

Deferred taxes

Deferred tax of the Funds is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(j) Critical judgments:

Accounting for acquisitions

The Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The

(In thousands of U.S. dollars, except per unit amounts)

3. Summary of significant accounting policies (continued):

Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

Other

Critical judgements and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows and discount rates.

4. Significant assumptions:

The assumptions used in the preparation of the Forecast, although considered reasonable by the Fund, require significant judgments to be made about future events, which may not materialize as forecasted. It is not possible to forecast unanticipated events and circumstances.

(a) The Offering:

The Forecast assumes that the Fund will raise gross proceeds of $49,658 pursuant to the Offering through the issuance of the Canadian dollar equivalent of $17,877 of Class A Units at C$10.00 per Unit, $4,469 of Class U Units at $10.00 per Unit, the Canadian dollar equivalent of $4,966 of Class C Units at C$10.00 per Unit and the Canadian dollar equivalent of $8,938 of Class D Units and the Canadian dollar equivalent of $5,810 of Class F and the Canadian dollar equivalent of $1,788 of Class H Units and $5,810 of Class E Units at $10.00 per Unit. Costs relating to the Offering, including agent fees which are forecast to be $2,172, along with offering costs of $745, are recorded as a reduction of net assets available to unitholders.

For purposes of the Forecast, it is assumed that the closing of the transactions contemplated by this Prospectus occur on or about October 1, 2016. However, the actual closing date may differ.

(i) New portfolio acquisitions:

The fair value of the net assets indirectly acquired by the Fund using the purchase method of accounting and assuming the acquisition occurred on October 1, 2016 is as follows:

Investment properties	$142,260
Tenant rental deposits	(191)
Net assets acquired for cash	$142,069
Consideration given by the Fund consists of the following:	
Cash	$142,069

The actual calculation and allocation of the purchase price for the New Properties outlined above will be based on the assets purchased and liabilities assumed on the effective date of the acquisitions and other information available at those dates. Accordingly, the actual amounts for each of these assets and liabilities will vary from the above amounts and the variation may be material.

(In thousands of U.S. dollars, except per unit amounts)

4. Significant assumptions (continued):

(ii) Debt:

The net assets of the Fund include:

- Assumed loans on the Existing Portfolio with an outstanding principal balance of $595,203. The loans bear interest at fixed and variable rates, with most loans bearing interest at the U.S. one-month LIBOR rate plus a percentage ranging from 1.65% to 2.56%. The weighted average interest rate of these loans is 2.93%.
- New financing of $93,411 on the New Portfolio, bearing interest at variable rates. Deferred financing costs are expected to be $572, and the weighted average interest rate of these loans is expected to be 2.44%.
- Pooled financing on five properties from the Existing Portfolio (Yorktown Crossing, Falls at Copper Lake, Marquee Station, Pure Living and Reserves at Alafaya) of $147,978 bearing interest at the one-month U.S. LIBOR rate. plus 2.3%. Deferred financing costs are expected to be $1,480..
- On the date of the Reorganization, the existing mezzanine loan on Sorelle with a balance of $9,787 will be refinanced for $19,730, for net proceeds of $10,019. This loan will be funded in Canadian dollars. Deferred financing costs are expected to be $197. The additional loan proceeds will bear interest at 9.25%.

(iii) Sources and uses of cash:

The Fund's sources and uses of cash after the completion of the Offering based on gross proceeds of $49,658, the Reorganization and the acquisition of the New Portfolio are as follows:

Sources:	
Proceeds from the Offering	$ 49,658
Cash assumed on plan of arrangement	8,041
Proceeds from new mortgage financing	93,411
Proceeds from Sorelle refinancing	10,019
Uses:	
Purchase of the New Portfolio	$ (142,069)
Offering costs	(745)
Agent fees (1)	(2,172)
Agent fees –Reorganization (2)	(4,412)
Other fees – Reorganization	(2,175)
Financing costs on pooled financing	(1,480)
Acquisition fee – Boardwalk Med Center	(286)
Financing costs on new financing and Sorelle refinancing	(769)
Excess cash in the Fund	$ 7,021

Notes:

1. Agent fees are commissions paid to the registered agents related to the Offering and are based on the raise of $49,658.

4. Significant assumptions (continued):

2. Agent fees – Reorganization are fees paid to lead agent based on 0.50% of the fair value of the investment properties in the Existing Portfolio.

(b) Foreign currency translation:

As the majority of the Fund's operations are in the United States, the exchange rate only impacts the initial amount raised which is $49,658 or the Canadian equivalent. The Fund and all of its subsidiaries do not have a significant amount of Canadian dollar denominated expenses.

(c) Rental revenue:

Forecasted revenue from investment properties is based on rents from existing leases, as well as expected changes in revenue from the lease-up of units that are vacant or due to become vacant due to lease expiration. Lease terms are normally for one year.

Rents for retained tenants are calculated by increasing in-place rents to expected market rates upon lease expiry. The Forecast assumes an average of 3.23% rental growth for all properties over the first twelve months. The physical occupancy rate during the forecast period is assumed to be 93.81%. The Forecast also reflects historical levels of miscellaneous income.

Existing tenants are assumed to fulfill their current contractual lease obligations and remain in occupancy and pay rent for the term of their leases. Upon the expiry of their leases, approximately 50% of existing tenants are assumed to be retained based on a historical retention factor.

(d) Operating costs:

Operating costs have been forecasted with reference to the operating plans and budgets for the Existing Portfolio. The Forecast reflects historical data, anticipated changes, adjusted for changes in costs due to inflation and other market trends. The major components of operating costs consist of realty taxes, utilities, repairs and maintenance, insurance and salaries.

(In thousands of U.S. dollars, except per unit amounts)

4. Significant assumptions (continued):

(e) Finance costs and distributions to Unitholders :

Finance costs will include interest expense on loans payable and amortization associated with financing fees and consist of:

	Three month period ending (Forecast)				Twelve month period ending September 30, 2017 (Forecast)
	December 31, 2016	March 31, 2017	June 30, 2017	Septembe r 30, 2017	
Interest expense	4,947	4,929	5,014	5,018	19,908
Amortization of mortgage transaction costs	470	461	467	470	1,868
Finance costs	5,417	5,390	5,481	5,488	21,776

Distributions to Unitholders have been estimated based on the size of the Offering proceeds of $49,958, an allocation of Units based on historical raises from the reorganized Funds and a distribution yield of 6.5% annually for all Classes of Units, based on the initial currency they were acquired in, with an exception for Class H Units which are expected to yield 3.5% based on the initial currency they were acquired in. The distributions to Unitholders has been estimated using an exchange rate of 1.30 C$ to 1.00 US$ for the entire twelve month period ended September 30, 2017.

(f) Fund and trust expenses:

Fund and trust expenses are forecasted based on the General Partner's best estimates with reference to the Fund's plans and budgets and relate to the day-to-day administration of the Fund. The expenses will include legal and audit fees, trustee fees, investor relations and reporting costs, transfer agent fees, directors and officer's insurance costs, and the Asset Management Fee and Service Fee. The Service Fees are commissions paid to registered dealers based on the number of Class A Units and/or Class U Units held by clients of such registered dealers at the end of the relevant quarter, paid in arrears and calculated based on 0.50% of the gross subscription proceeds received or deemed to have been received.

For purposes of calculating the Service Fee, it has been assumed that 19.7 million Class A Units and 3.0 million Class U Units, or a total of $178,569, will be held by clients of registered dealers that qualify for the Service Fee and therefore, an annual Service Fee has been assumed of $893. Fund and trust expenses for the three months ended December 31, 2016 include $6,587 of costs associated with the reorganization.

(g) Acquisitions and dispositions of investment properties:

This Forecast does not reflect any potential sales of the Existing Properties or acquisitions of multi-family residential properties other than the acquisitions discussed in note 4(a). However, it is contemplated that the Fund may make purchases and may have sales of properties during the Forecast period which will only be undertaken on a basis considered by the Fund to be advantageous to the Fund.

4. Significant assumptions (continued):

(h) Fair value change in investment properties:

The Fund has applied the fair value model to account for investment properties, requiring the fair value of the properties to be determined at each reporting period. For financial reporting purposes, fair values are impacted by many variables, such as local and global economic conditions that are by their nature not susceptible to forecasting. Accordingly, the Forecast does not reflect any changes in fair values of the investment properties. For illustrative purposes, assuming all other variables remain constant, a 25-basis point decrease in the overall capitalization rate of the investment properties would result in a fair value increase of approximately $52,027. A 25-basis point increase in the overall capitalization rate of the investment properties would result in a fair value decrease of approximately $47,391.

(i) Income taxes:

The Funds intend to meet the real estate investment trust requirements under the Code, to not be SIFT partnerships pursuant to the Tax Act and to make the necessary distributions to not be subject to Canadian or U.S. federal income tax. Accordingly, in the consolidated financial forecast, the Fund has not recorded a provision for current income taxes or deferred income taxes in respect of the assets, liabilities and earnings of the Fund. This exemption does not extend to corporate subsidiaries of the Fund that are subject to income tax. As a result, deferred income taxes of $2,513, $2,515, $2,517 and $2,519 have been recorded in the Forecast for the three month periods ending December 31, 2016, March 31, 2017, June 30, 2017 and September 30, 2017, respectively, and $10,064 for the twelve month period ending September 30, 2017.

(j) Other matters:

No significant changes in economic conditions and government legislation with respect to taxes, including real estate taxes, other than announced changes, are anticipated during the Forecast period.

5. Related party transactions:

The consolidated financial forecast includes the following transactions with the Manager in fund and trust expenses:

(a) Asset Management Fees:

Asset management fees of $3,716 will be paid to the Manager pursuant to the Management Agreement, establishing fees at 0.35% of the fair value of the properties in the Existing Portfolio and 0.35% of the purchase price of the properties in the New Portfolio as defined in the agreement.

(b) Acquisition Fee:

In consideration for providing financing and other services in connection with the acquisition of the New Portfolio, the U.S. REIT5 will pay the Manager an Acquisition Fee of $1,310 upon the completion of the purchase of the New Portfolio. The acquisition fee is included in the consideration paid for the New Properties (note 4(a)(i)).

5 Related party transactions (continued):

(c) Disposition Fee:

If there occurs any amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund, or similar transaction involving the Fund or a Subsidiary of the Fund (other than in connection with an internal reorganization, an initial public offering of all or substantially all of such properties, or a transaction with the Manager or any of its affiliates as the purchaser), whether in one transaction or series of transactions (collectively, the “Disposition Transaction”), the Fund will pay the Manager a disposition fee, in cash, equal to 0.50% of the value of such Disposition Transaction up to a maximum of $5,500, provided that no such disposition fee is payable unless the value of such Disposition Transaction is greater than the aggregate appraised value, at the time of acquisition by the Fund, of the Existing Portfolio and the New Portfolio, converted into Canadian dollars using the Effective Exchange Rate. The Fund is not expecting to undertake any Disposition Transactions during the forecast period.

(d) Guarantee Fee:

In the event that the Manager or any of its affiliates is required by the lenders to provide a financing guarantee in connection with the amount borrowed by the Fund or its Subsidiaries to indirectly acquire an interest in the Properties, the Fund and each U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its Subsidiaries in connection with the financing of the Fund’s interests in Properties (“Guarantee Fee”), which Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the first day of each month. The Manager and its affiliates are not expected to provide a guarantee to lenders during the Forecast period.

(e) Carried Interest:

The Manager and President of the Fund as holders of the Class B partnership units of SIP, are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all Units of the Fund of a particular class if all SIP Distributable Cash in excess of amounts payable to SIP GPco were paid to the Fund and distributed, together with all distributions received by the Fund from its other Subsidiaries (but net of any amounts required to provide for expenses), to Unitholders of the Fund in accordance with the Fund LP Agreement, exceeds (ii) the aggregate Minimum Return in respect of such class of Units of the Fund (the calculation of which, for greater clarity includes the amount of the Investors Capital Return Base), each such excess, if any, to be calculated in U.S. dollars and, in the case of Canadian Dollar Units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from SIP to the Fund. 75% of such amount will be payable by SIP to the Fund, as holder of class A partnership units of SIP, for distribution to Unitholders.

5 Related party transactions (continued):

(e) Carried Interest (continued):

In the event that the Unitholders do not receive the Minimum Return, each of D.D. Acquisitions Partnership, the Manager and the President of the Fund will be required to pay to the Fund their pro rata share (based on their pre-Reorganization ownership of SIP) of an amount representing such deficiency, up to 20% of the deemed value at the time of issuance of the Class C Units, which such Class C Units shall be pledged as security therefore, received in consideration for the transfer by such persons of their respective interests in SIP (being the direct or indirect holder of the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest, Fund4 Carried Interest and Travesia Carried Interest) to the Fund (net of any taxes payable on the realization of any Unit to fund such deficiency).

(f) Commitments and Contingencies:

In connection with the Offering, the Fund has agreed to indemnify the Agents against certain liabilities, including liabilities under Applicable Law, or to contribute to payments the Agents may be required to make in respect of those liabilities. The Fund has agreed to indemnify, in certain circumstances, the unitholders and the directors of the General Partner of the Fund’s subsidiaries.

FORECASTED NON-IFRS RECONCILIATION

(In thousands of U.S. dollars, except per Unit amounts)

The following table reconciles forecast net income and comprehensive income for FFO, AFFO and NOI. See "Non-IFRS Measures". These reconciliations do not form part of the consolidated statement of forecasted comprehensive income (loss).

	Three month period ended (Forecast)				
	December 31, 2016	**March 31, 2017**	**June 30, 2017**	**September 30, 2017**	**Twelve month period ending September 30, 2017 (Forecast)**
Net income (loss) and comprehensive income (loss)	$ (4,420)	$ (15,296)	$ 3,216	$ 3,221	$ (13,279)
Add/(Less):					
Deferred taxes	2,513	2,515	2,517	2,519	10,064
IFRIC 21 adjustment for realty taxes	(4,318)	13,605	(4,535)	(4,535)	217
Distributions to Unitholders	6,362	6,362	6,362	6,362	25,448
Fair value adjustment on investment property	-	-	-	-	-
FFO	137	7,186	7,560	7,567	22,450
Add/(Less):					
Amortization of mortgage transaction costs	470	461	467	470	1,868
Current taxes - U.S. withholding taxes	96	96	96	96	384
Trailer fees related to Class A and/or Class U units	232	232	232	232	928
One-time Reorganization costs	6,587	-	-	-	6,587
Capital expenditure reserve	(551)	(551)	(551)	(551)	(2,204)
AFFO	$ 6,971	$ 7,423	$ 7,805	$ 7,814	$ 30,013
Assumed distribution	$ 6,362	$ 6,362	$ 6,362	$ 6,362	$ 25,448
FFO payout ratio	4640.0%	88.5%	84.1%	84.1%	113.4%
AFFO payout ratio	91.3%	85.7%	81.5%	81.4%	84.8%
Portfolio Occupancy	92.9%	93.1%	94.5%	94.8%	93.8%

7. USE OF PROCEEDS

Following the completion of the Offering, the Fund intends to indirectly acquire interests in the New Portfolio using the Investable Funds.

Assuming that the Minimum Offering is sold, the Gross Subscription Proceeds will be US$26,500,000 (net proceeds of approximately US$25,340,890) and assuming that the Maximum Offering is sold, the Gross Subscription Proceeds will be US$200,000,000 (net proceeds of approximately US$190,523,000). Funds remaining following the indirect acquisition of the New Portfolio may be used to repay existing indebtedness of the Fund or its Subsidiaries, acquire additional Properties or otherwise used by the Fund to acquire units of any of the Investment LPs. The Fund may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and making distributions to Unitholders. The Manager is targeting deployment of the unallocated portion of the Net Subscription Proceeds (after completion of the acquisition of the New Portfolio) to fund the acquisition of one or more additional Properties within nine months following the Closing Date.

Investment LP5 will invest the proceeds from the issuance of Investment LP5 Units to the Fund to acquire Holding LP5 Units. Holding LP5 will invest the proceeds from such issuance to acquire U.S. REIT5 Common Stock and U.S. REIT5 ROC Shares. Holding LP5 may also acquire U.S. REIT5 Notes. U.S. REIT5 will use the proceeds from the issuance of U.S. REIT5 Common Stock, U.S. REIT5 ROC Shares and U.S. REIT5 Notes (if any) to directly or indirectly acquire, from time to time, one or more additional Properties. The New Portfolio will be acquired indirectly by the Fund through its investment in Investment LP5 with the Investable Funds flowing down to U.S. REIT5. As a result, an investment in Units will be an indirect investment in the acquisition, ownership and operation of the Fund Portfolio (including the New Portfolio), and the returns on and of capital payable in respect of U.S. REITs Common Stock and U.S. REITs ROC Shares and any interest and repayment of principal on U.S. REITs Notes will ultimately flow through to Unitholders after payment of Fund expenses, including taxes and any shortfall payments required to be made to SIP in accordance with the SIP Agreement (and, where applicable, any other Persons having a direct or indirect interest in such amounts, including Starlight and Mr. Kirsh through their respective partnership interests in SIP. See "Corporate Structure – Name and Formation – SIP").

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. Pending its investment in the acquisition of Properties, the unallocated portion of the Net Subscription Proceeds and other funds not fully invested in the Properties from time to time will be held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of the U.S. or a state of the U.S., short-term government debt securities or money market instruments maturing prior to one year from the date of issue and otherwise as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, under the supervision of the General Partner and the Manager. Further, the Fund may, in the interim, use the unallocated portion of such net proceeds to repay indebtedness incurred on the acquisition and/or ownership of the Properties comprising the Existing Portfolio.

Following the Offering, the Fund intends, on recommendation from the Manager, to invest (directly or indirectly through a Subsidiary) its unallocated Investable Funds (directly or indirectly through one or more Subsidiaries) in income-producing rental properties in the U.S. multi-family real estate properties in the Primary Markets in accordance with the Fund's stated investment objectives. See "Investment Strategy – Investment Objectives". In the meantime, funds remaining following the indirect acquisition of the New Portfolio may be used to repay existing indebtedness of the Fund or its Subsidiaries, acquire additional Properties or otherwise used by the Fund to acquire units of any of the Investment LPs. The Fund may also temporarily hold cash and investments for the purposes of paying its expenses and liabilities and making distributions to Unitholders.

The following table shows the intended use by U.S. REIT5 of the gross proceeds from the issuance of Units and from the Mortgage Loans in the case of the completion of the Minimum Offering and the Maximum Offering.

(US$)	Assuming Minimum Offering	Assuming Maximum Offering
Sources of Funds		
Proceeds from issuance of Units	26,500,000	200,000,000
Credit Facility (1)	25,000,000	0
Mortgage Loans (2)	93,411,000	330,661,000
Total Sources of Funds:	**144,911,000**	**530,661,000**
Uses of Funds		
Agents' Fee	1,159,110	9,477,000
Estimated expenses of this Offering (legal, accounting and audit, tax advice, printing, travel, securities filings) (3)	397,500	3,000,000
Purchase Price of the New Portfolio (4)		
• Sunrise Ranch	52,200,000	52,200,000
• South Blvd Apartments	53,600,000	53,600,000
• Coolray Field	35,600,000	35,600,000
Real Estate Closing Costs (4)	973,901	4,623,901
Additional Properties	0	365,000,000
Capital Expenditures	695,000	2,520,000
Unallocated working capital	285,489	4,640,099
Total Use of Funds:	**144,911,000**	**530,661,000**

Notes:

(1) The Canadian chartered bank affiliate of the Lead Agent has provided a credit facility in the amount of up to US$25,000,000 to the Fund. Such facility will only be drawn upon in the event that the Gross Subscription Proceeds from the Offering are less than US$49,657,901, in which case, such facility will be drawn on the Closing Date in an amount equal to the difference between the Gross Subscription Proceeds and US$49,657,901.

(2) U.S. REIT5 intends to finance a part of the purchase price for the New Properties by way of the indirect assumption of Mortgage Loans from third party lenders. Assuming the Minimum Offering is raised, the Mortgage Loans will consist of assumed Mortgage Loans. In the case of the Maximum Offering, Mortgage Loans will consist of assumed Mortgage Loans and Mortgage Loans in respect of subsequently acquired additional Properties.

(3) The estimated expenses of the Offering are assumed to equal 1.5% of the Gross Subscription Proceeds.

(4) Before closing adjustments.

For more details on the acquisition of the New Portfolio, and the debt financing to be assumed or incurred by the Fund in connection with such acquisition. See "Description of the Activities of the Fund – The New Portfolio".

The Manager is targeting deployment of the unallocated portion of the Net Subscription Proceeds (after completion of the acquisition of the New Portfolio) to fund the acquisition of one or more additional Properties within nine months following the Closing Date.

The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. Pending its investment in the acquisition of Properties, the unallocated portion of the Net Subscription Proceeds and other funds not fully invested in the Properties from time to time will be held in cash, deposits with a Canadian chartered bank or trust company registered under the laws of a province of Canada, deposits with a savings institution, trust company, credit union or similar financial institution that is organized or chartered under the laws of the U.S. or a state of the U.S., short-term government debt securities or money market instruments maturing prior to one year from the date of issue and otherwise as permitted pursuant to the Investment Restrictions and Operating Policies of the Fund, under the supervision of the General Partner and the Manager. Further, the Fund may, in the interim, use the unallocated portion of such net proceeds to repay indebtedness incurred on the acquisition and/or ownership of the Properties comprising the Existing Portfolio.

8. DESCRIPTION OF THE SECURITIES DISTRIBUTED

The Fund is offering a maximum of US$200,000,000 of Units, at a purchase price of C$10.00 per Class A Unit, Class D Unit, Class F Unit, Class H Unit and Class C Unit, and US$10.00 per Class E Unit and Class U Unit.

8.1 Units

The rights and obligations of the Unitholders are governed by the Fund LP Agreement. The following is a summary of certain material provisions of the Fund LP Agreement. This summary does not purport to be complete and reference should be made to the Fund LP Agreement itself, a copy of which is available from the Fund during the period of distribution of the Units and will be available following the Closing Date on SEDAR at www.sedar.com. In addition, each Existing Starlight Fund is governed by its respective limited partnership agreement, which is substantially similar to the Fund LP Agreement described below.

Capitalized terms in this summary which are not defined in this Prospectus are defined in the Fund LP Agreement.

Units

The limited partnership interests in the Fund are divided into seven classes of Units, Class A Units, Class U Units, Class D Units, Class E Units, Class F Units, Class H Units and Class C Units. The Fund is authorized to issue an unlimited number of Units of each class.

The Class A Units are denominated in Canadian dollars and are designed for unitholders wishing to receive distributions in Canadian dollars. The Class U Units are denominated in U.S. dollars and are designed for unitholders wishing to receive distributions in U.S. dollars.

The Class A Units are convertible into Class D Units in accordance with the Fund LP Agreement and the Class D Units, Class F Units, Class C Units and Class H Units are denominated in Canadian dollars and are convertible into Class A Units in accordance with the Fund LP Agreement (see "– Conversion of Units" below). The Class D Units, Class F Units, Class C Units and Class H Units differ from Class A Units in that (i) they will not be listed on the Exchange, and (ii) in the case of the Class H Units, are entitled to the benefits, if any, of the Class H Unit Liquidation Hedge.

The Class U Units are convertible into Class E Units in accordance with the Fund LP Agreement and the Class E Units are denominated in U.S. dollars and are convertible into Class U Units in accordance with the Fund LP Agreement (see "– Conversion of Units" below). The Class E Units differ from the Class U Units in that Class E Units will not be listed on the Exchange.

Each Unit entitles the holder to the same rights and obligations and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units, subject to (i) the proportionate entitlement of each holder of Class A Units, Class U Units, Class D Units, Class E Units, Class F Units, Class H Units and Class C Units to participate in distributions made by the Fund and to receive proceeds upon termination of the Fund, based on such holder's share of the Proportionate Class A Interest, Proportionate Class U Interest, Proportionate Class D Interest, Proportionate Class E Interest, Proportionate Class F Interest, Proportionate Class H Interest and Proportionate Class C Interest, respectively (subject in each case to adjustment to reflect the Unit Class Expenses allocable to each respective class and to account for any U.S. withholding tax required to be borne by each Investment LP or SIP or required to be deducted from dividends paid by the Subsidiary Canadian Corporations which is attributable to particular holders) and (ii) a proportionate allocation of income or loss of the Fund in accordance with the terms of the Fund LP Agreement.

On termination or liquidation of the Fund, each Unitholder of record is entitled to receive on a proportionate basis based on such holder's share of the Proportionate Class A Interest, Proportionate Class U Interest, Proportionate Class D Interest, Proportionate Class E Interest, Proportionate Class F Interest, Proportionate Class H Interest and Proportionate Class C Interest, respectively, (subject in each case to adjustment to reflect the Unit Class Expenses allocable to each respective class and to account for any U.S. withholding tax required to be borne by each Investment LP or SIP or required to be deducted from dividends paid by the Subsidiary Canadian Corporations which is attributable to particular holders) all of the assets of the Fund remaining after payment of or provisions made for all debts, liabilities and liquidation expenses of the Fund.

Conversion of Units

Holders of Convertible Units, other than Class A Units, Class U Units and Class E Units, may convert their Convertible Units into Class A Units in accordance with the Fund LP Agreement. Holders of Class A Units may convert such Units into Class D Units in accordance with the Fund LP Agreement. Holders of Class U Units may convert such Units into Class E Units in accordance with the Fund LP Agreement. Holders of Class E Units may convert such Units into Class U Units in accordance with the Fund LP Agreement. Convertible Units may be converted at any time by delivering a notice and surrendering such Convertible Units to the Fund, provided that the Class C Units may only be converted after the end of the Class C Hold Period and the Class A Units and Class U Units may only be converted after the Closing Date. For each Class A Unit so converted, a holder will receive that number of Class D Units equal to the Class A Unit Exchange Rate. For each Class U Unit so converted, a holder will receive that number of Class E Units equal to the Class U Unit Exchange Rate. For each Class C Unit so converted, a holder will receive that number of Class A Units equal to the Class C Unit Exchange Rate. For each Class D Unit so converted, a holder will receive that number of Class A Units equal to the Class D Unit Exchange Rate. For each Class E Unit so converted, a holder will receive that number of Class U Units equal to the Class E Unit Exchange Rate. For each Class F Unit so converted, a holder will receive that number of Class A Units equal to the Class F Unit Exchange Rate. For each Class H Unit so converted, a holder will receive that number of Class A Units equal to the Class H Unit Exchange Rate. No fractions of Class A Units, Class U Units, Class D Units or Class E Units, as applicable, will be issued upon conversion of Convertible Units. Any fractional amounts will be rounded down to the nearest whole number of Class A Units, Class U Units, Class D Units or Class E Units, as applicable.

Holders of Class A Units or Class U Units who hold such Units through Plans should consult with their own tax advisors before converting such Units into Class D Units or Class E Units. See "Eligibility for Investment".

Coattail Provisions

If prior to the end of the Term a "formal take-over bid", as defined in the Securities Act, is made for Units of a class other than the Class A Units or Class U Units (a "**Class Offer**") and the Class Offer does not include a concurrent identical take-over bid for the Class A Units and Class U Units (the "**Coattail Units**"), including in terms of price for the Coattail Units, then the Fund shall by press release provide written notice to the holders of the Coattail Units that the Class Offer has been made and of the right of such holders to convert all or a part of their Coattail Units into the class of Units that are subject to the Class Offer (the "**Bid Units**") and tender such Bid Units to the Class Offer. Such Coattail Units may, in such circumstances, be converted at any time prior to the Business Day that is five Business Days prior to the expiry of the Class Offer (the "**Conversion End Date**") by delivering a notice to the Fund and surrendering such Units by 5:00 p.m. on the Conversion End Date. Any such Coattail Units so delivered shall be converted into Bid Units and tendered on behalf of the Unitholder to the Class Offer. In connection with such conversion and tender by any such Unitholder, the Unitholder shall complete and execute any and all such documentation as the Fund shall require or consider necessary to give effect to this provision. For each Coattail Unit so converted, a holder will receive a number of Bid Units equal to the Coattail Exchange Rate as of the Conversion End Date, provided that, to the extent that such Bid Units are not acquired pursuant to the Class Offer, such Bid Units shall be reconverted into that number of Coattail Units that they were prior to the conversion. Fractional Bid Units will not be issued and the number of Bid Units issuable under this provision to a Unitholder will be rounded down to the nearest whole Bid Unit.

Limited Liability

The Fund was formed in order for Unitholders to benefit from liability limited to the extent of their capital contributions to the Fund together with their *pro rata* share of the undistributed income of the Fund. Unitholders may lose the protection of limited liability by taking part in the control of the business of the Fund and may be liable to third parties as a result of false or misleading statements in the public filings made pursuant to the *Limited Partnerships Act* (Ontario).

The General Partner will indemnify the Unitholders against any costs, damages, liability or loss incurred by a Unitholder that result from such Unitholder not having limited liability directly as a result of any breach by the General Partner of its duties or standard of care under the Fund LP Agreement, except where the lack or loss of limited liability is caused by the action or omission of such Unitholder. However, the General Partner has nominal assets. Consequently, it is unlikely that the General Partner will have sufficient assets to satisfy any claims pursuant to this indemnity.

In all cases other than the possible loss of limited liability, no Unitholder will be obligated to pay any additional assessment on or with respect to the Units held or purchased by him; however, the Unitholders and the General Partner may be bound to return to the Fund such part of any amount distributed to them as may be necessary to restore the capital of the

Fund to its existing amount before such distribution if, as a result of such distribution, the capital of the Fund is reduced and the Fund is unable to pay its debts as they become due.

Distributions

The Fund will target an annual pre-tax distribution yield of 6.5% (based on the original subscription price under the Offering and calculated in the currency of the Units held) across all Unit classes and aim to realize a targeted 12% pre-tax, investor internal rate of return across all Unit classes upon disposition (directly or indirectly) of the Fund's interests in its assets at or before the end of the targeted three-year investment horizon, although each of these figures will necessarily vary as between classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses and any unhedged exposure to Canadian/U.S. dollar exchange rates. See "Risk Factors". An annual pre-tax distribution yield of 6.5% would represent an expected AFFO payout ratio of approximately 83.2% in the first year, assuming the Minimum Offering is achieved, exchange rates remain constant and based on the applicable Agents' Fee and costs of the Offering.

The achievement of the 12% pre-tax, investor internal rate of return is based on the following assumptions (and on average, the Properties comprising the Existing Portfolio have generally satisfied, and the Properties comprising the New Portfolio are expected to generally satisfy, the following assumptions):

(a) a typical property (a "**Sample Target Property**") is acquired for approximately, on-average, US$50 million with a 5.50% Capitalization Rate (Canadian equivalent);

(b) the acquisitions of the Sample Target Properties are partially financed by way of Mortgage Loans in an aggregate amount equal to, on average, approximately 65.0% of each Sample Target Property's value and at an average interest rate of approximately 2.5%;

(c) real estate closing costs in respect of each Sample Target Property are 1.0% of the purchase price; annual interest payments, capital expenditures and general and administrative expenses and asset management fees in respect of each Sample Target Property are equal to 2.5% of the purchase price; and

(d) capital appreciation of 4.3% (after all fees and Carried Interest payments) in respect of each Sample Target Property (which is to be realized from approximately 4.0% NOI growth).

Accordingly, the pre-tax, investor rate of return from the Sample Target Property (determined without reference to foreign exchange rate fluctuations in the case of Canadian Dollar Units) would be comprised of approximately 7.7% from ongoing cash (6.5% of which would be distributed to Unitholders as a result of payment in respect of the Minimum Return by SIP to the Fund, and a further 1.2% of which is distributed to the Fund for distribution to the Unitholders following the payment of Carried Interest by SIP) and 4.3% from capital appreciation. In addition, further upside may be realized through achieving a portfolio premium upon the direct or indirect disposition of the Fund's interest in the Sample Target Property, above target NOI growth, Capitalization Rate compression and (in the case of the Canadian Dollar Units) U.S. dollar appreciation against the Canadian dollar. To date, 67% of the appraisal gains in respect of the Existing Starlight Funds have resulted from annualized NOI growth of approximately 5.7%.

The *pro rata* monthly distribution on the Units will commence following the end of the Fund's first calendar month after the Closing Date. The initial distribution is expected to be paid on November 15, 2016 to Unitholders of record on October 31, 2016 and the distribution amount per Unit will be determined in accordance with the Fund LP Agreement. The initial distribution will reflect the Distributable Cash generated by the Existing Portfolio and otherwise available to the Fund for the period from the effective date of the Reorganization to October 31, 2016. Thereafter, the Fund intends to declare monthly cash distributions no later than seven Business Days (as defined herein) prior to the end of each month, payable within 15 days following the end of the month (or the next Business Day if not a Business Day) in which the distribution is declared to Unitholders as at month-end. See "Risk Factors".

In the event that any day on which any distribution amount is to be determined is not a Business Day, then such amount shall be determined on the next succeeding day that is a Business Day.

The Fund will initially own all of the issued and outstanding units of the Existing Starlight Funds, all of the issued and outstanding Investment LP5 Units, all of the shares of Campar and the Class A partnership interests in SIP. The Existing Starlight Funds will own all of the issued and outstanding units of the Investment LPs, other than Investment LP5. The Investment LPs will initially own all of the issued and outstanding limited partnership interests of the Holding LPs, except in the case of Holding LP5, of which all of the issued and outstanding limited partnership interests are owned by Investment LP5 and Campar. The Holding LPs will initially own all of the issued and outstanding U.S. REITs Common Stock and U.S. REITs ROC Shares and may also own U.S. REITs Notes. Holding LP5 will, following the Reorganization, own all of the issued and outstanding Series C U.S. REIT 5 Preferred Stock. The Property known as Travesia Apartments is indirectly owned by the Fund through Fund2 and Travesia ULC (see "Description of the Securities Distributed – Ownership Structure of Travesia Apartments" for the applicable ownership structure).

If the General Partner determines that it is in the best interests of the Fund (i) to make a co-investment with a Canadian real estate investment trust, such a co-investor would be expected to subscribe for Investment LPs Units and be entitled to receive distributions on the same terms as the Fund described above, based on its proportionate investment in Investment LPs, and (ii) to make a co-investment with a Canadian pension fund, such a co-investor would be expected to subscribe for or purchase U.S. REITs Common Stock, U.S. REITs ROC Shares and U.S. REITs Notes (to the extent U.S. REITs Notes may be issued to the applicable Holding LP) and be entitled to receive dividends, returns of capital and interest payments and repayments of principal as described above, based on its proportionate investment in the U.S. REITs and principal amount of U.S. REITs Notes purchased. Ultimately, it is expected that any co-investor will seek to structure their investment in a tax efficient manner, which could result in a different approach from those described above.

Each of the Investment LPs and SIP has elected, or will elect, to be classified as a corporation for U.S. federal income tax purposes. Accordingly, each Investment LP and SIP will be subject to applicable U.S. income and withholding taxes. The Investment LPs and SIP will satisfy their U.S. tax liability, or make sufficient reserves for its applicable U.S. taxes, prior to making distributions to the applicable Existing Starlight Fund or the Fund (and, in the case of SIP, the holders of the class B partnership units of SIP), as the case may be. The Fund will then distribute the Distributable Cash Flow (including distributions received from the Existing Starlight Funds) to the Unitholders, based, initially, on the proportionate interest of the Net Subscription Proceeds attributable to each class of Units, as described below. A Canadian resident Unitholder (other than a Plan) generally will be entitled to a credit in respect of its share of the U.S. taxes paid by the Investment LPs or SIP in computing its Canadian taxable income to the extent permitted by the detailed rules in the Tax Act. See "Certain Canadian Federal Income Tax Considerations", "Certain U.S. Federal Income Tax Considerations", "Risk Factors – Risk Factors Relating to The Fund's Canadian Tax Status" and "Risk Factors – Risk Factors Relating to The Fund's U.S. Tax Status".

Dividends paid by the Subsidiary Canadian Corporations will be subject to Canadian withholding tax to the extent attributable to Unitholders who are non-residents of Canada for purposes of the Tax Act. The net amount of such dividends received by the Fund (either directly or through Fund 2) will be included in calculating Distributable Cash Flow of the Fund. See "Risk Factors – Risk Factors Relating to the Funds Canadian Tax Status – Canadian withholding tax on dividends paid by Subsidiary Canadian Corporations".

The Manager intends to monitor the exchange rate between the Canadian dollar and U.S. dollar and may acquire derivative instruments to hedge, in whole or in part, its foreign currency risk in respect of the U.S. dollar amounts the Fund will be required to convert into Canadian dollars to pay expected distributions on the Canadian Dollar Units. Such derivative instruments would be intended to provide the holders of Canadian Dollar Units with some protection against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and each date of declaration in respect of any distributions on the Canadian Dollar Units. There can be no assurance that the exercise date and notional amount underlying such derivative instruments would match the date of declaration, or the amount, of the distribution on any Canadian Dollar Units. The costs of any such derivative instruments would be allocated proportionately to each class of Canadian Dollar Units as a Unit Class Expense.

The Fund may also enter into derivative transactions to hedge, in whole or in part, its foreign currency risk and interest rate risk or for any other purpose, including payment of expenses or transactions with the Manager, at no cost to the Fund, intended to ensure that holders of U.S. dollar denominated units of the Fund (being the Class U Units and the Class E Units) are not exposed to fluctuations in the Canadian dollar relative to the U.S. dollar as a consequence of the Fund's structure, provided that the Manager determines that it would be in the best interests of the Fund and its Unitholders to do so.

The amount of the distributions payable in respect of each Unit will differ and be allocated based on, initially, the proportionate interest of the Net Subscription Proceeds attributable to each class and determined, from time to time, following payment to the General Partner of an amount equal to 0.01% of the Distributable Cash Flow, as follows:

(a) the product of the Proportionate Class A Interest and the balance of the Distributable Cash Flow remaining following payment of the General Partner's 0.01% of Distributable Cash Flow (the "**Distributable Cash**

Flow Balance") shall be distributed to the Class A Unitholders, *pro rata* in accordance with their respective proportionate shares;

(b) the product of the Proportionate Class C Interest and the Distributable Cash Flow Balance shall be distributed to the Class C Unitholders, *pro rata* in accordance with their respective proportionate shares;

(c) the product of the Proportionate Class D Interest and the Distributable Cash Flow Balance shall be distributed to the Class D Unitholders, *pro rata* in accordance with their respective proportionate shares;

(d) the product of the Proportionate Class E Interest and the Distributable Cash Flow Balance shall be distributed to the Class E Unitholders, *pro rata* in accordance with their respective proportionate shares;

(e) the product of the Proportionate Class F Interest and the Distributable Cash Flow Balance shall be distributed to the Class F Unitholders, *pro rata* in accordance with their respective proportionate shares;

(f) the product of the Proportionate Class H Interest and the Distributable Cash Flow Balance shall be distributed to the Class H Unitholders, *pro rata* in accordance with their respective proportionate shares; and

(g) the product of the Proportionate Class U Interest and the Distributable Cash Flow Balance shall be distributed to the Class U Unitholders, *pro rata* in accordance with their respective proportionate shares,

in each case adjusted to reflect the Unit Class Expenses allocable to each respective class and to account for (i) the amount of any U.S. withholding tax required to be borne by each Investment LP or SIP which is attributable to particular Unitholders and (ii) the amount of any Canadian withholding tax required to be deducted from dividends paid by the Subsidiary Canadian Corporations as a consequence of a share of such dividends being allocated to particular Unitholders who are non-residents of Canada for purposes of the Tax Act. For greater certainty, any downward adjustment to the proportion of Distributable Cash Flow payable to holders of a particular class of Units in respect of withholding tax borne by each Investment LP or SIP or required to be deducted from dividends paid by a Subsidiary Canadian Corporation which is attributable to a particular Unitholder shall be borne in its entirety by such Unitholder and shall not reduce the distributions payable to other holders of Units of such particular class. The General Partner shall use reasonable efforts to cause to be reported to each Unitholder on an annual basis the amount of such withholding which is attributable to such Unitholder.

The ability of the Fund to make cash distributions on the Units and the actual amount distributed will depend on the ability of the Fund to indirectly acquire the Properties as well as the ongoing operations of the Properties, and will be subject to various factors including those referenced in the "Risk Factors" section of this Prospectus. The aggregate Minimum Return (determined on a per Unit basis, and calculated, for greater clarity, including the amount of the Investors Capital Return Base) receivable by the Fund for distribution to the Unitholders, including, for greater certainty, on termination of the Fund, after payment of all Fund expenses, (i) is based on a 6.5% per annum return on the net subscription proceeds received, or deemed to have been received, by the Fund from the issuance of each Unit, (ii) is calculated in the currency of issuance of each such Unit, and (iii) is a preferred return, payable to the Fund for distribution to the Unitholders prior to payment of any amounts pursuant to the Carried Interest, but (iv) is not guaranteed and may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and the anticipated return on investment is based upon many performance assumptions.

The Fund has access to a credit facility in the amount of up to US$25,000,000. Such facility will only be drawn upon in the event that the Gross Subscription Proceeds from the Offering are less than US$49,657,901, in which case, such facility will be drawn on the Closing Date in an amount equal to the difference between the Gross Subscription Proceeds and US$49,657,901. In the event that the Gross Subscription Proceeds exceed the Minimum Offering, the Net Subscription Proceeds will be fully deployed up to the amount required to purchase the New Portfolio, therefore reducing the amount required to be drawn under the Fund's credit facility to complete the acquisition of the New Portfolio. The Gross Subscription Proceeds which exceed US$49,657,901 are not expected to have an impact on Distributable Cash Flow and, accordingly, until such excess funds are deployed by the Fund to indirectly acquire interests in income-producing properties, the annualized pre-tax distribution yield per Unit can be expected to be less than the targeted yield per Unit (see "Risk Factors").

Allocation of Income and Losses

Where distributions are paid by the Fund in respect of a fiscal year, the net income, and the income for income tax purposes, of the Fund in respect of that fiscal year shall be allocated among the General Partner and all Unitholders that were Unitholders at any time in the fiscal year on the following basis:

(a) first, to the General Partner, 0.01% of the net income, and income for income tax purposes, of the Fund; and

(b) as to the balance, to each Unitholder an amount equal to the balance multiplied by a fraction, the numerator of which is the sum of the distributions which would have been received by the Unitholder in respect of the fiscal year and the denominator of which is the total distributions which would have been made by the Fund to Unitholders in respect of the fiscal year, determined in each case without reference to (i) any U.S. withholding tax borne by each Investment LP or SIP in respect of distributions by each U.S. REIT or Holding LP or (ii) any Canadian withholding tax withheld from dividends paid by the Subsidiary Canadian Corporations to the Fund or its Subsidiaries.

Where no distributions are paid by the Fund in respect of a fiscal year, the net income and income for income tax purposes, of the Fund in respect of that fiscal year shall be allocated among the General Partner and the Unitholders on the following basis:

(a) first, to the General Partner, 0.01% of the net income, and income for income tax purposes, of the Fund; and

(b) as to the balance, to the Unitholders that were Unitholders at the end of each month ending in such fiscal year, such portion of the balance determined based on the proportionate interest of each class of Units (subject to such adjustments as may be required to reflect the Unit Class Expenses allocable to each respective class and the impact, if any, of the Class H Unit Liquidation Hedge) and within each class *pro rata* based on the number of Units held, divided by 12.

There shall be allocated among Unitholders that were Unitholders at the end of each month ending in such fiscal year such portion of the net losses and losses for income tax purposes, of the Fund in respect of that fiscal year determined based on the proportionate interest of each class of Units (subject to such adjustments as may be required to reflect the Unit Class Expenses allocable to each respective class and the impact, if any, of the Class H Unit Liquidation Hedge) and within each class *pro rata* based on the number of Units held, divided by 12.

The General Partner, in its reasonable discretion and from time to time, may modify the manner in which net income, income for income tax purposes, net loss and loss for income tax purposes are allocated to or among the Unitholders in order that in the reasonable judgment of the General Partner, and in its sole discretion, such allocations will reasonably reflect the purposes of the Fund LP Agreement and the intention of the parties. The General Partner shall have the discretion, but not the obligation, acting in good faith, to allocate net income, income for income tax purposes, net loss and loss for income tax purposes of the Fund amongst classes of Units on a basis which ensures a fair allocation among Unitholders after taking into consideration any matters that may be relevant.

Distribution on Termination of the Fund

On the termination of the Fund, to occur at the expiry of the Term or upon the disposition of the Fund's final asset, the proceeds shall be distributed in the following order:

(a) to pay any costs involved in the sale of the assets of the Fund and to pay all amounts required to discharge any mortgages or encumbrances registered against the assets, to pay all unpaid expenses which are required to be paid under the Fund LP Agreement and all expenses incurred in the winding-up of the Fund, to pay all of the liabilities of the Fund and to establish reserves as the General Partner considers necessary for the contingent liabilities of the Fund; and

(b) to Unitholders on a proportionate basis based upon the Proportionate Class A Interest, Proportionate Class U Interest, Proportionate Class D Interest, Proportionate Class E Interest, Proportionate Class F Interest, Proportionate Class H Interest, and Proportionate Class C Interest, respectively, and within each class *pro rata* based upon the number of Units held, subject to adjustments to reflect the Unit Class

Expenses allocable to each respective class and to account for any U.S. withholding tax required to be borne by each Investment LP and any Canadian withholding tax or dividends paid by the Subsidiary Canadian Corporations which is attributable to particular Unitholders, to reflect the impact, if any, of the Class H Unit Liquidation Hedge, and to reflect the impact of any applicable remaining unallocated Unit Class Expenses .

Such distribution may be made in cash or in kind or partly in each, all as the General Partner in its sole discretion may determine.

Upon closing of the Offering, the Fund intends to acquire derivative instruments to hedge its foreign currency risk in respect of the issuance of the Class H Units pursuant to the Offering and the Reorganization. In particular, the Fund intends to purchase U.S. dollar put options and/or Canadian dollar call options, pursuant to which the Fund will have the option, but not the obligation, to sell an amount of U.S. dollars and buy an amount of Canadian dollars at the end of the Fund's targeted three year investment horizon, at the inverse of the Canadian/U.S. dollar exchange rate at which the Fund was able to convert the Canadian dollar net proceeds received from the issuance of the Class H Units pursuant to the Offering on the Closing Date to U.S. dollars, and the aggregate reference notional amount for such options will be equal to the net proceeds received by the Fund from the issuance of the Class H Units pursuant to the Offering (the "**Class H Unit Liquidation Hedge**"). The Class H Unit Liquidation Hedge is intended to provide holders of Class H Units with some protection against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and the target date for termination and liquidation of the Fund. Holders of Canadian Dollar Units other than the Class H Units will have unhedged exposure in respect of their original investment. If the Term exceeds the Fund's targeted three-year investment horizon, the Fund intends, to the extent economical, to purchase additional options to continue the Class H Unit Liquidation Hedge for the remainder of the Term. In the event such options are not available on an economical basis or the Manager determines, at its sole discretion, that the continuation of the Class H Unit Liquidation is no longer in the best interests of holders of Class H Units, the Manager may discontinue the Class H Unit Liquidation Hedge, in which case holders of Class H Units will thereafter have unhedged exposure to Canadian/U.S. dollar exchange rates.

The Class H Unit Exchange Rate may be adjusted to reflect any remaining unallocated Unit Class Expenses per Class H Unit in respect of the Class H Unit Liquidation Hedge. The cost of the Class H Unit Liquidation Hedge will be allocated exclusively to the Class H Units as a Unit Class Expense.

If the spot currency exchange rate at expiry of any of the foregoing options is below the strike price, the Fund will exercise the option and sell U.S. dollars and buy Canadian dollars at the strike price. Otherwise, the option will expire worthless and the Fund will convert the applicable amount of U.S. dollars to Canadian dollars at the prevailing spot rate in the market. The options are expected to be European style and are only exercisable at expiry. The premium for the purchase of the options will be paid via a pre-agreed payment schedule. The options are considered over the counter derivatives and may be sold at market rates at any time prior to their expiry if the Fund should terminate prior to its targeted three-year investment horizon. Upon exercising the options at their expiry, the Fund at its discretion, will be entitled to receive a net cash settlement instead of exchanging the reference notional amounts in each currency.

Holders of Canadian Dollar Units other than the Class H Units will have unhedged exposure in respect of any returns of capital made at the end of the Term.

Transfer of Units

The General Partner shall use all reasonable efforts to obtain and maintain a listing for the Class A Units and Class U Units on one or more stock exchanges in Canada. Units are fully transferable in accordance with Applicable Laws at the expense of the transferee and, except as set forth in the Fund LP Agreement, the General Partner shall not impose any restriction on the transfer of Units by any Unitholder except with the consent of such Unitholder. A Unit is not, however, transferable in part. A transferee of a Unit will become a limited partner of the Fund and shall be subject to the obligations and entitled to the rights of Unitholders under the Fund LP Agreement on the date on which the General Partner amends the Fund's record of Unitholders to reflect that the transferee is a Unitholder or at such time as the General Partner, in its sole discretion, recognizes the transferee as a Unitholder.

A Unitholder may transfer all or part of his Units by delivering to the General Partner a form of transfer, acceptable to the General Partner, duly executed by the Unitholder, as transferor. The transferee, by accepting the transfer, shall be deemed to have agreed to be bound by the Fund LP Agreement as a Unitholder as if the transferee had personally executed the Fund LP Agreement, and, without in any way limiting the foregoing, shall be deemed to have given the representations, warranties and covenants set out in the Fund LP Agreement.

The ability of a beneficial owner of an interest in a Unit to pledge the Unit or otherwise take action with respect to such holder's interest in a Unit (other than through a participant) may be limited due to the lack of a physical certificate.

Meetings of Unitholders and Resolutions

The General Partner may, at any time, convene a meeting of the Unitholders and will be required to convene a meeting on receipt of a request in writing of a Unitholder or Unitholders holding, in aggregate, 5% or more of the Units then outstanding.

A meeting of holders of a class of Units may be called by the General Partner if the nature of the business to be transacted at the meeting is only relevant to the Unitholders of that class of Units. A meeting of holders of a class of Units shall be called by the General Partner upon written request of a Unitholder or Unitholders of the class holding, in aggregate, 5% or more of the Units of the class then outstanding, which requisition must specify the purpose or purposes for which such meeting is to be called.

Any matter to be considered at a meeting of Unitholders, other than certain matters requiring the approval of Unitholders by Special Resolution, will require the approval of Unitholders by an Ordinary Resolution. A quorum for a meeting convened to consider such a matter will consist of two or more Unitholders or any class of Unitholders present in person or by proxy and representing not less than 10% of the Units or class of Units, as the case may be. If a quorum is not present at a meeting within 30 minutes after the time fixed for the meeting, the meeting, if convened pursuant to a request of Unitholders, will be cancelled, but otherwise will be adjourned to such day, being not less than 10 days later, and to such place and time as may be selected by the chairperson of the meeting. The Unitholders present at any adjourned meeting will constitute a quorum.

Each Unitholder is entitled to one vote per Unit held and votes of Unitholders will be conducted with holders of Class A Units, Class U Units, Class D Units, Class E Units, Class F Units, Class H Units and Class C Units voting together as a single class. Notwithstanding the foregoing, if the General Partner determines that the nature of the business to be transacted at a meeting affects Unitholders of one class of Units in a manner materially different from its effect on Unitholders of another class of Units, the Units of such affected class will be voted separately as a class.

The following matters require approval by Ordinary Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Ordinary Resolution:

(a) matters relating to the administration of the Fund for which the approval of the Unitholders is required by applicable securities laws, regulations, rules or policies or the rules or policies of any applicable stock exchange in effect from time to time, and such policies, laws or regulations do not require approval by Special Resolution;

(b) subject to the requirements for a Special Resolution, any matter or thing stated in the Fund LP Agreement to be required to be consented to or approved by the Unitholders; and

(c) any matter which the General Partner considers appropriate to present to the Unitholders for their confirmation or approval.

Any amendment to the Fund LP Agreement for the following purposes requires approval by Special Resolution and shall be deemed approved, consented to or confirmed, as the case may be, upon the adoption of such Special Resolution:

(a) matters relating to the administration of the Fund for which the approval of the Unitholders is required by Special Resolution by applicable securities laws, regulations, rules or policies or the rules or policies of any applicable stock exchange in effect from time to time;

(b) changes to the Investment Restrictions and the Operating Policy contained in paragraph (d) set out under the heading "Operating Policies";

(c) a reduction in the amount payable on any outstanding Units upon termination of the Fund;

(d) any extension of the Term of the Fund;

(e) any change to the General Partner; and

(f) the alteration or elimination of any voting rights pertaining to any outstanding Units.

Notwithstanding the above or any other provision herein, no confirmation, consent or approval shall be sought or have any effect and no Unitholders shall be permitted to effect, confirm, consent to or approve, in any manner whatsoever, where the same increases the obligations of or reduces the compensation payable to or protection provided to the General Partner, except with the prior written consent of the General Partner.

In the event of any proposed transaction with a Related Party of the Fund, the Fund shall comply with the applicable provisions of MI 61-101.

Amendments to the Fund LP Agreement

The General Partner may, without the approval of or notice to Unitholders, amend the Fund LP Agreement for certain limited purposes specified therein, including to:

(a) remove any conflicts or other inconsistencies which may exist between any terms of the Fund LP Agreement and any provisions of any law or regulation applicable to or affecting the Fund;

(b) provide, in the opinion of the General Partner, additional protection for the Unitholders or obtain, preserve or clarify the provision of desirable tax treatment to Unitholders;

(c) make amendments which, in the opinion of the General Partner, based on the advice of its counsel or auditors (as the case may be), are necessary or desirable in the interests of the Unitholders as a result of changes in taxation laws or accounting rules or in their interpretation or administration;

(d) remove conflicts or inconsistencies between the disclosure in this Prospectus and in the Fund LP Agreement that, in the opinion of the General Partner, based on the advice of counsel, are necessary or desirable in order to make the Fund LP Agreement consistent with this Prospectus;

(e) make any change or correction in the Fund LP Agreement which is of a typographical nature or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission, mistake or manifest error contained therein;

(f) bring the Fund LP Agreement into conformity with Applicable Laws, including the rules and policies of Canadian securities regulators or with current practice within the securities industry provided that any such amendment does not adversely affect the rights, privileges or interests of Unitholders; or

(g) make amendments as are required to undertake an internal reorganization involving the sale, lease, exchange or other transfer of the Fund as a result of which, based on the advice of counsel, the Fund has substantially the same interest, whether direct or indirect, in Fund Property that it had prior to the reorganization and includes an amalgamation, arrangement or merger of the Fund and its Affiliates with any entities provided that in the opinion of the General Partner, based on the advice of counsel, the rights of Unitholders are not prejudiced thereby.

Except for changes to the Fund LP Agreement which require the approval of Unitholders or changes described above which do not require approval of or prior notice to Unitholders, the Fund LP Agreement may be amended from time to time by the General Partner upon prior written notice to Unitholders. Any such amendment of the Fund LP Agreement will be described in the Fund's next quarterly MD&A.

Termination of the Fund LP Agreement

The Term of the Fund is targeted to be three years, subject to earlier termination as described below. The Term may also be extended (including following the exercise of the two one-year extensions by the General Partner) by Special Resolution of the Unitholders, subject to approval by the General Partner.

Notwithstanding the Term of the Fund outlined above, the Fund will be wound down and terminated as soon as practicable following the direct or indirect disposition of all of the assets of the Fund.

Information and Reports

The Fund will send to Unitholders such financial statements (including quarterly and annual financial statements) and other reports as are from time to time required by the Fund LP Agreement and by Applicable Laws. In addition, on or before March 31 of each calendar year, the Fund will forward to Unitholders tax reporting information in such manner as will enable such person to report the income tax consequences of investment in Units in the Unitholder's annual Canadian income tax return.

As a "venture issuer" under Applicable Laws, the Fund will be required to file, in addition to applicable news releases: (i) audited annual financial statements, related MD&A, and the applicable annual certificate for each of the Chief Executive Officer and Chief Financial Officer under National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("**NI 52-109**"), each within 120 days after the end of the Fund's financial year-end, (ii) interim financial reports, related MD&A and the applicable interim certificate for each of the Chief Executive Officer and Chief Financial Officer under NI 52-109, each within 60 days after the end of each of the Fund's first three quarterly periods of its financial year, (iii) material change reports, as soon as possible, and in any event within ten days of the date on which the change occurs, in accordance with Part 7 of NI 51-102, and (iv) business acquisition reports, in accordance with Part 8 of NI 51-102. As a venture issuer, the Fund will not be required to file an annual information form and the Fund does not currently intend to do so voluntarily. The Fund LP Agreement does not require the Fund to, and the Fund does not intend to, call and hold annual general meetings of Unitholders and, accordingly, the Fund does not expect to annually file and send Unitholders a management information circular.

Powers and Responsibilities of the General Partner

The General Partner has exclusive authority to manage the operations and affairs of the Fund, to make all decisions regarding the business of the Fund and to bind the Fund. The powers, authorities and responsibilities of the General Partner are limited to those expressly set forth in the Fund LP Agreement. The General Partner is responsible for managing the business and administration of the Fund and the conduct of the affairs of the Fund, including:

(a) holding Fund Property in safekeeping; retaining moneys, securities, property, assets or investments; investing moneys from time to time forming part of Fund Property;

(b) ensuring that the Net Subscription Proceeds are, directly or indirectly, invested in Investment LPs Units, Holding LPs Units, U.S. REITs Common Stock, U.S. REITs ROC Shares and U.S. REITs Notes (if any), and entering into the Class H Unit Liquidation Hedge, each as described herein;

(c) borrowing money as necessary to pay distributions to Unitholders, and encumbering Fund Property in respect thereof;

(d) lending money or other Fund Property, whether secured or unsecured;

(e) paying properly incurred expenses out of Fund Property;

(f) depositing moneys from time to time forming part of Fund Property in accounts;

(g) possessing and exercising rights, powers and privileges pertaining to ownership of or interest in Fund Property;

(h) holding legal title to Fund Property;

(i) approving the application for the listing on any stock exchange of any Units or other securities of the Fund, and doing all things which in the opinion of the General Partner may be necessary or desirable to effect or maintain such listing or listings;

(j) reinvesting income and gains of the Fund and taking other actions besides the mere protection and preservation of Fund Property;

(k) ensuring compliance with Applicable Laws;

(l) preparing and filing or causing to be prepared and filed all requisite returns, reports and filings;

(m) providing all requisite office accommodation and associated facilities;

(n) providing or causing to be provided to the Fund all other administrative and other services and facilities required by the Fund, including property appraisal services; and maintaining or causing to be maintained complete records of all transactions in respect of Fund Property;

(o) prescribing any instrument provided for or contemplated by the Fund LP Agreement;

(p) remitting distributions to Unitholders;

(q) appointing the auditors of and registrar and transfer agent for the Fund; and

(r) except as prohibited by law, delegating from time to time to the Fund's employees, consultants, agents and other persons including the Manager, the doing of such things and the exercise of such powers as the General Partner may from time to time deem expedient, so long as any such delegation does not relieve the General Partner of any of its liability, is not inconsistent with any of the provisions of the Fund LP Agreement and subject at all times to the general control and supervision of the Board as provided for therein,

all subject to the terms and conditions set out in the Fund LP Agreement. The Fund LP Agreement provides that the General Partner shall use reasonable best efforts to ensure that the Fund is not and does not become a "SIFT partnership" (within the meaning of the Tax Act) at any time in any fiscal year. In this regard, but without limiting the foregoing, the General Partner shall have the right, in its sole discretion, to refuse to make or retain any investment which would result in the Fund being a SIFT partnership or subject the Fund to the tax on SIFT partnerships under Part IX.1 of the Tax Act, to refuse to permit any person or entity to acquire or keep units of the Fund, or to become or remain a limited partner of the Fund if, in the view of the General Partner, based if necessary on the advice of counsel, the Fund would as a result be or become a SIFT partnership, or to refuse to consent to any transfer or assignment of interests in the Fund if such transfer or assignment would result in the Fund becoming a SIFT partnership. The Fund LP Agreement provides that the General Partner may engage or employ persons in connection with the Fund and pay to them compensation out of Fund Property and may delegate its powers, authorities and duties. Pursuant to the Management Agreement, the Manager will be responsible for providing management and administration services to the Fund and will fulfill the responsibilities listed above, subject to the oversight of the General Partner.

The Fund LP Agreement provides that the General Partner, the Directors and the executive officers of the General Partner will be indemnified out of Fund Property against all losses, claims, damages, liabilities, expenses, judgments and other amounts in respect of any civil, criminal or administrative claim, action or proceeding by reason of such person's status as the General Partner, a Director or an officer of the General Partner. However, any such party will not be indemnified for amounts that result from his or her failure to act honestly and in good faith with a view to the best interests of the Fund, or as a result of his or her failure to exercise that degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, or, in the case of a civil, criminal or administrative action or proceeding that is enforced by a monetary penalty, where such party did not have reasonable grounds for believing that his or her conduct was lawful.

Each of the Directors are required to exercise their powers and discharge their duties honestly, in good faith and in the best interests of the Fund and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Conflicts of Interest

A Director who directly or indirectly has a material interest in a material contract or transaction or proposed material contract or transaction with the Fund, or an Affiliate of the Fund, must disclose in writing to the Fund the nature and extent of such interest forthwith after becoming aware of the material contract or transaction or proposed material contract or transaction. Such Director must not vote on any resolution to approve the material contract or transaction, unless the material contract or transaction is one relating primarily to his or her remuneration as a Director or one for indemnity or insurance.

Where a Director fails to disclose his or her interest in a material contract or transaction, any Director or any Unitholder, in addition to exercising any other rights or remedies in connection with such failure exercisable at law or in equity, may apply to a court for an order setting aside the material contract or transaction and directing that the Director account to the Fund for any profit or gain realized, provided that if the Director acted honestly and in good faith, he or she will not be accountable to the Fund or to the Unitholders for any profit or gain realized from such material contract or transaction, and such material contract or transaction will not be void or voidable and may not be set aside, if: (i) the material contract or transaction was reasonable and fair to the Fund at the time it was approved; (ii) the material contract or transaction is confirmed or approved at a meeting of the Unitholders duly called for that purpose; and (iii) the nature and extent of the Director's interest in such contract or transaction is disclosed in reasonable detail in the notice calling the meeting of the Unitholders.

All decisions of the Board will require the approval of a majority of the Directors present in person or by phone at a meeting of the Board.

In connection with any transaction involving the Fund, the General Partner shall have the authority to retain external legal counsel, consultants or other advisors to assist it in negotiating and completing such transaction without consulting or obtaining the approval of any officer of the Fund.

The foregoing is a summary only of certain of the material provisions of the Fund LP Agreement. For a complete understanding of all of the provisions of the Fund LP Agreement, reference should be made to the Fund LP Agreement itself, a copy of which is available from the Fund.

8.2 Existing Starlight Funds

The rights and obligations of the Fund as holder of all of the issued outstanding limited partnership units of the Existing Starlight Funds are governed by the limited partnership agreements of the Existing Starlight Funds, copies of which are available from the Fund during the period of distribution of the Units.

The limited partnership agreements of the Existing Starlight Funds are substantially the same as the Fund LP Agreement, as described in this Prospectus.

8.3 The Investment LPs

The following is a summary only of certain of the material provisions that are contained in the Investment LPs Agreements.

The rights and obligations of the Investment GPs and the parties holding Investment LPs Units are governed by the Investment LPs Agreements, in each case among the corresponding Investment GP, an Existing Starlight Fund as limited partner and all persons who subsequently become limited partners of the Investment LP, except in the case of Investment LP5, which is governed by an Investment LPs Agreement among the corresponding Investment GP, the Fund as limited partner and all persons who subsequently become limited partners of the Investment LP. If the General Partner determines that it is in the best interests of the Fund to make a co-investment with another investor such as a Canadian real estate investment trust, such a co-investor would be expected to subscribe for Investment LPs Units or another class of limited partnership units of one of the Investment LPs with substantially similar, but not superior, rights and privileges as Investment LPs Units.

Capital in Investment LPs

The capital of each Investment LPs consists of an unlimited number of Investment LPs Units and the interest held by the applicable Investment GP, as general partner.

Allocation of Net Income and Net Losses

Net income, and (where permitted by Applicable Law) the income for income tax purposes, of each Investment LP will be allocated among the applicable Investment GP and holders of Investment LPs Units on the following basis:

(a) first, 0.01% of net income and (where permitted by Applicable Law) the income for income tax purposes, will be allocated to the Investment GP; and

(b) second, the balance will be allocated to the holders of Investment LPs Units.

Net losses and (where permitted by Applicable Law) losses for income tax purposes of the Investment LPs will be allocated to the holders of Investment LPs Units.

For the avoidance of doubt, allocations of income and loss of an Investment LP will be made on a consistent basis for Canadian and U.S. federal income tax purposes.

Cash Flow Distributions

To the extent cash flow permits, each Investment LP will pay and distribute in each year an amount equal to all cash flow from its investment in Holding LPs Units in that year after payment of all current obligations of the Investment LP. Cash flow will be distributed on a monthly basis as follows:

(a) 0.01% to the applicable Investment GP; and

(b) 99.99% to the holders of Investment LPs Units.

Notwithstanding the above, an Investment GP may in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of an Investment LP, the assets of the Investment LP will be liquidated and the proceeds thereof will be distributed as follows:

(a) first, to pay all unpaid expenses which are required to be paid under the Investment LPs Agreement and all expenses incurred in the winding-up of the Investment LP;

(b) second, to pay all of the liabilities of the Investment LP, including any loans or advances made by its limited partners and any amounts owing to the Investment GP in respect of costs and expenses owing to it as general partner;

(c) third, to establish such reserves as the Investment GP as general partner considers necessary; and

(d) fourth, 0.01% of the balance to the Investment GP and 99.99% of the balance to the holders of Investment LPs Units.

Alternatively, the holders of Investment LPs Units may approve by Special Resolution distributions of all assets of the Investment LP *in specie*, in which event the Investment GP and each holder of Investment LPs Units shall, subject to the provisions of the Investment LPs Agreement, be entitled to receive an undivided interest in each and every asset of the Investment LP in accordance with such limited partner's proportionate interest in the Investment LP as of the date of dissolution or sale.

Additional Capital Contributions

No limited partner of an Investment LP will be required to make additional capital contributions to the Investment LP over and above the purchase price paid for such limited partner's units.

Management of Investment LPs

Each Investment GP, as general partner of the corresponding Investment LP, has continuing exclusive authority over the management of the Investment LP, the conduct of its affairs, and the management and disposition of the property of the Investment LP, except for certain limited matters being subject to votes of the holders of Investment LPs Units. The Investment GPs do not have any rights to vote.

Removal of Investment GPs

Holders of Investment LPs Units may, by Special Resolution and upon 60 days' written notice to the applicable Investment GP, remove the Investment GP as general partner of the applicable Investment LP without cause, and may immediately remove the Investment GP for cause, if such cause is not remedied after reasonable notice from the holders of

Investment LPs Units. In either such case, the holders of Investment LPs Units will appoint, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the Investment LPs Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Investment LP after the appointment of the new general partner.

Voting

Each Investment LPs Unit of an Investment LP has attached to it the right to exercise one vote at meetings of the Investment LP. Certain powers, relating generally to the existence and fundamental powers of the Investment LP, are specified in the Investment LPs Agreement and are exercisable by way of an Ordinary Resolution passed by holders of Investment LPs Units.

8.4 Ownership Structure of Travesia Apartments

The structure of Fund2 is different from the organizational structure of the other Existing Starlight Funds in that Travesia Apartments, a Property included as part of the Existing Portfolio, is indirectly owned by Fund2 through Travesia ULC and Starlight Investments Acquisition (No. 2) Partnership, a limited partnership formed pursuant to and governed by the laws of Ontario, and not through any of the Investment LPs, Holding LPs and U.S. REITs. Starlight Investments Acquisition (No. 2) Partnership's ownership interest in Travesia Apartments is indirectly held through its interest in Travesia Multi-Family Holding Limited Partnership, a limited partnership formed pursuant to and governed by the laws of Delaware, which in turn owns Travesia Acquisition Limited Partnership, a limited partnership formed pursuant to and governed by the laws of Delaware, being the entity that owns Travesia Apartments. The Travesia Carried Interest is provided for by contract between SIP and Fund2 which provides for economic terms substantially similar to the Carried Interest for Fund2.

8.5 Starlight Investments Partnership

The following is a summary only of certain of the material provisions that are contained in the SIP Agreement.

The rights and obligations of each holder of units of SIP are governed by the amended and restated partnership agreement of SIP among the Fund, SIP GPco, the Manager and the President of the Fund.

Interests in SIP

The interests in SIP are represented by three classes of partnership units: general partnership units, class A partnership units and class B partnership units. All of the general partnership units are owned by SIP GPco, all of the class A partnership units are owned by the Fund. 75% of the class B partnership units are owned by the Manager and 25% of the class B partnership units are owned by the President of the Fund. The holders of SIP units will have unlimited liability to third parties for the debts, liabilities and obligations of SIP, unless the holder of such debt or obligation otherwise agree.

Distributions

To the extent cash flow permits, SIP will pay and distribute an amount equal to all distributions received from its investment in the Holding GPs after payment of all current obligations of SIP ("**SIP Distributable Cash**"). Such amounts will be distributed as follows:

(a) First, to SIP GPco as holder of the general partnership units, an amount equal to 0.1% of the SIP Distributable Cash;

(b) Second, as to the balance:

  (i) 100% to the Fund as holder of class A partnership units, less any amount payable to the Manager and the President of the Fund as holders of class B partnership units in accordance with paragraph (ii) below; and

  (ii) to the Manager and President of the Fund as holders of the class B partnership units 25% of the total of all amounts each of which is the amount, if any, by which

(A) the aggregate amount of distributions which would have been paid on all Units of the Fund of a particular class if all SIP Distributable Cash in excess of amounts payable to SIP GPco pursuant to paragraph (a) above were paid to the Fund and distributed, together with all distributions received by the Fund from its other Subsidiaries but net of any amounts required to provide for expenses, to Unitholders of the Fund in accordance with the Fund LP Agreement, exceeds

(B) the aggregate Minimum Return in respect of such class of Units of the Fund (the calculation of which, for greater clarity includes the amount of the Investors Capital Return Base),

each such excess, if any, to be calculated in U.S. dollars and, in the case of Canadian Dollar Units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from SIP to the Fund,

provided that such distributions shall be subject to such adjustments as may be required to account for any U.S. federal, state and/or local income and/or withholding tax or Canadian withholding tax borne by the Fund or any Fund Subsidiary (including the Investment LPs and SIP) which is attributable directly or indirectly to the unitholders thereof.

In the event that the Unitholders do not receive the Minimum Return, each of D.D. Acquisitions Partnership, the Manager and the President of the Fund will be required to pay to the Fund their *pro rata* share (based on their pre-Reorganization ownership of SIP) of an amount representing such deficiency, up to 20% of the deemed value at the time of issuance of the Class C Units received in consideration for the transfer by such persons of their respective interests in SIP (being the direct or indirect holder of the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest, Fund4 Carried Interest and Travesia Carried Interest) to the Fund (net of any taxes payable on the realization of any Unit to fund such deficiency) (the "**Minimum Return Support Amount**"), which such Class C Units shall be pledged as security therefore.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of SIP, the assets of SIP will be liquidated and the proceeds thereof will be distributed as follows:

(a) first, to pay all unpaid expenses which are required to be paid under the SIP Agreement and all expenses incurred in the winding-up of SIP;

(b) second, to pay all of the liabilities of SIP;

(c) third, to pay to SIP GPco, as holder of the general partnership units, any unpaid portion of the distribution noted in (a) under "Distributions";

(d) fourth, to pay to the Fund, as holder of the class A partnership units, any unpaid portion of the distributions noted in (b)(i) under "Distributions"; and

(e) fifth, to pay to the Fund as holder of the class A partnership units and to the Manager and the President of the Fund as holders of the class B partnership units any unpaid portion of the distributions noted in (b)(ii) under "Distributions",

subject in the case of (c) through (e) to such adjustments as may be required to account for withholding tax borne by any Fund Subsidiary which is attributable to the recipients of such distributions.

Additional Capital Contributions

No holder of any class of SIP units is required to make additional capital contributions to SIP over and above the purchase price paid for such holder's SIP units, except that in the event that the aggregate distributions otherwise payable to the Manager and the President of the Fund on the class B partnership units is less than the amount of such distributions that would have been payable if all distributions received by the Fund from the other Fund Subsidiaries had been received by SIP and distributed in accordance with the foregoing, the Fund shall be required to make a contribution to the capital of SIP equal to the amount of such shortfall, and the shortfall shall be distributed to the Manager and the President of the Fund as distribution on the class B partnership units.

A new partner may be admitted only upon the written consent of all holders of SIP units.

8.6 The Holding LPs

The following is a summary only of certain of the material provisions that are contained in the Holding LPs Agreements.

The rights and obligations of each Holding GP and holders of Holding LPs Units are governed by the limited partnership agreement establishing the Holding LP among the applicable Holding GP, Investment LP as the initial limited partner and all persons who subsequently become limited partners of the Holding LP. All of the issued and outstanding limited partnership interests of Holding LP5 are owned by Investment LP5 and Campar and all of the issued and outstanding limited partnership interests of the other Holding LPs are owned by the applicable Investment LPs of the Existing Starlight Funds.

Capital in Holding LPs

The capital of each Holding LP consists of an unlimited number of Holding LPs Units, plus the interest held by a Holding GP as general partner.

Distributions

To the extent cash flow permits, each Holding LP will pay and distribute an amount equal to all dividends and returns of capital from its investment in U.S. REITs Common Stock, U.S. REITs ROC Shares and Series C U.S. REIT 5 Preferred Stock, respectively, and all interest and repayments of principal received on U.S. REITs Notes (if any) in that year after payment of all current obligations of such Holding LP ("**Distributable Cash**") in accordance with the terms of the Holdings LPs Agreements.

Each Holding GP may however in its sole and unfettered discretion elect to not distribute cash flow in any period or to reduce the amount of any distribution of cash flow in whole or in part.

Allocation of Income and Losses for Tax and Accounting Purposes

For tax and accounting purposes, losses for each fiscal year of a Holding LP will be allocated to the holders of Holding LPs Units. For tax and accounting purposes, net income for each fiscal year of the Holding LP will be allocated to the holders of Holding LPs Units and the applicable Holding GP, as general partner of the Holding LP, in the same manner and in the same priorities in which income received from the applicable U.S. REIT is ultimately distributed to such partners (excluding returns of capital and repayments of loans), provided for greater certainty that to the extent possible, the amount of income allocated to the Holding GP as general partner of the Holding LP for each fiscal year is intended to be equal to the amount of the distributions, if any, paid to the Holding GP for such fiscal year; subject to adjustments for prior loss allocations and such other adjustments as necessary to be made on a cumulative basis and subject to adjustments necessary to meet the U.S. federal income tax standards, provided for the avoidance of doubt, that allocations of income and loss will be made on a consistent basis for Canadian and U.S. federal income tax purposes.

Distributions upon Wind-up, etc.

Upon the liquidation, dissolution or wind-up of a Holding LP, the assets of the Holding LP will be liquidated and the proceeds thereof will be distributed in accordance with the terms of the Holding LPs Agreements.

Additional Capital Contributions

No limited partner is required to make additional capital contributions to a Holding LP over and above the purchase price paid for such limited partner's Holding LPs Units.

Management of Holding LPs

Each Holding GP, as general partner, has continuing exclusive authority over the management of the applicable Holding LP, the conduct of its affairs, and the management and disposition of the property of the Holding LP, except for certain limited matters being subject to votes of the holders of Holding LPs Units. The Holding GPs do not have any rights to vote.

Removal of Holding GPs

Holders of Holding LPs Units may, by Special Resolution and upon 60 days' written notice to the applicable Holding GP, remove the Holding GP as general partner of the applicable Holding LP without cause, and may immediately remove the Holding GP for cause, if such cause is not remedied after reasonable notice from the holders of Holding LPs Units. In either such case, the holders of Holding LPs Units will appoint, concurrently with the removal, a replacement general partner to assume all of the responsibilities and obligations of the removed general partner, and the removed general partner will be released of its liabilities under the Holding LPs Agreement and indemnified for any damages and expenses with respect to events which occur in relation to the Holding LP after the appointment of the new general partner.

Voting

Each Holding LPs Unit of a Holding LP has attached to it the right to exercise one vote at meetings of the Holding LP. Certain powers, relating generally to the existence and fundamental powers of the Holding LPs, are specified in the Holding LPs Agreements and are exercisable by way of an Ordinary Resolution passed by holders of Holding LPs Units.

8.7 The U.S. REITs

The following is a summary of the charter of each U.S. REIT, as supplemented (each, a "Charter" and, collectively, the "Charters").

General

The Charter for each U.S. REIT provides that the U.S. REIT may issue up to 10,000,125 shares of stock, par value US$0.01 per share, of which (i) 3,000,000 shares are classified as common stock (with respect to each U.S. REIT, the "**U.S. REIT Common Stock**"); and (ii) 7,000,125 shares are classified as preferred stock (with respect to each REIT, the "**U.S. REIT Preferred Stock**"). Each Charter authorizes the applicable U.S. REIT's board of directors, with the approval of a majority of the entire board of directors and without any action on the part of stockholders, to amend the Charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series.

U.S. REIT Common Stock

Subject to the preferential rights of any other class or series of capital stock, including the Series A U.S. REITs' Preferred Stock, the U.S. REITs' ROC Shares, and in the case of U.S. REIT5, the Series C U.S. REIT5 Preferred Stock, and to the provisions of the applicable Charter regarding the restrictions on ownership and transfer of stock of the U.S. REITs, the Holdings LPs, as holders of shares of U.S. REIT Common Stock, are entitled to receive dividends on such stock when, as and if authorized by the board of directors of the applicable U.S. REIT out of assets legally available therefor and declared by the U.S. REIT and to share ratably in the assets of the U.S. REIT legally available for distribution to stockholders in the event of liquidation, dissolution or winding up, after payment of or adequate provision for all known debts and liabilities of the U.S. REIT.

Holders of shares of U.S. REIT Common Stock have no redemption, sinking fund, conversion, preemptive or appraisal rights with respect to their shares of U.S. REIT Common Stock.

Subject to the provisions of the applicable Charter regarding the restrictions on ownership and transfer of stock, each outstanding share of U.S. REIT Common Stock entitles the holder to one vote on all matters submitted to a vote of stockholders, including the election of directors. There is no cumulative voting in the election of directors, and directors are elected by a plurality of the votes cast in the election of directors, including votes cast by holders of the applicable U.S. REIT's ROC shares, as discussed below under "U.S. REIT ROC Shares – Voting". Consequently, at each annual meeting of stockholders of a U. S. REIT, the applicable Holdings LP, as the holder of all of the outstanding shares of the applicable U.S. REIT's Common Stock, can elect all of the directors then standing for election.

U.S. REIT Preferred Stock

The board of directors of each U.S. REIT may authorize the issuance of U.S. REIT Preferred Stock in one or more classes or series and may determine, with respect to any such class or series, the rights, preferences, privileges and restrictions of U.S. REIT Preferred Stock of that class or series, including: (i) distribution rights; (ii) conversion rights; (iii) voting rights; (iv) redemption rights and terms of redemptions; and (v) liquidation preferences.

Series A U.S. REIT Preferred Stock

To assist each of the U.S. REITs in qualifying as a real estate investment trust (a "**REIT**") under the Code for U.S. tax purposes, each U.S. REIT has authorized, and each of the U.S. REITs for Funds 1 to 4 have issued, shares of 12.5% Series A Cumulative Non-Voting Preferred Shares (with respect to each U.S. REIT, the "**Series A U.S. REIT Preferred Stock**"). Similarly, U.S. REIT5 expects to issue up to 125 shares of Series A U.S. REIT Preferred Stock (the "**Series A U.S. REIT5 Preferred Stock**") at US$1,000 per share, with a liquidation preference of US$1,000 per share, or up to US$125,000 in the aggregate. The U.S. REITs for Funds 1 to 4 have already previously issued their respective Series A U.S. REIT Preferred Stock, the terms of which are substantially the same as the terms for U.S. REIT5's Series A U.S. REIT5 Preferred Stock. The following is a summary of the terms of the Series A U.S. REITs' Preferred Stock (which are substantially the same as the terms for the Series A U.S. REIT5 Preferred Stock), although the actual terms of the Series A U.S. REIT5 Preferred Stock could vary from those described below.

Priority. The holders of the Series A U.S. REIT Preferred Stock are entitled to a liquidation preference of US$1,000 per share (the "**Liquidation Preference**"). With respect to distributions, including the distribution of the applicable U.S. REIT's assets upon dissolution, liquidation or winding up, shares of the Series A U.S. REIT Preferred Stock are senior to all other classes and series of capital stock of the U.S. REIT, to the extent of the aggregate Liquidation Preference and all accrued but unpaid dividends and the redemption premium on the Series A U.S. REIT Preferred Stock as described below, if applicable (in the aggregate, the "**Liquidation Value**").

Dividends. Dividends on the Series A U.S. REIT Preferred Stock accrue on a daily basis at the rate of 12.5% per annum of the sum of the Liquidation Preference, plus all accumulated and unpaid dividends, from and including the date of first issuance of the applicable Series A U.S. REIT Preferred Stock. Dividends on the Series A U.S. REIT Preferred Stock are payable semi-annually in arrears on or before January 31 and July 31 of each year. All dividends payable on the Series A U.S. REIT Preferred Stock for any partial period will be computed on the basis of a 360-day year consisting of 12 30-day months. Dividends accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the applicable U.S. REIT legally available for the payment of dividends. Except as otherwise provided herein, such dividends are cumulative such that all accrued and unpaid dividends for all past dividend periods shall be fully paid or declared with funds irrevocably set apart before any dividend, distribution or payment may be made to holders of any other class of the U.S. REIT's stock.

Voting. With certain exceptions, the holders of Series A U.S. REIT Preferred Stock are not entitled to vote on any matter submitted to stockholders, including the election of directors. Approval of the holders of a majority of the outstanding Series A U.S. REIT Preferred Stock, voting as a separate class, is required for (i) authorization or issuance of any equity security of the applicable U.S. REIT senior to or on a parity with the Series A U.S. REIT Preferred Stock, (ii) any amendment to the applicable U.S. REIT's Charter which has a material adverse effect on the rights and preferences of the Series A U.S. REIT Preferred Stock or which increases the number of authorized or issued Series A U.S. REIT Preferred Stock or (iii) any reclassification of the Series A U.S. REIT Preferred Stock.

Redemption. The outstanding shares of Series A U.S. REIT Preferred Stock are subject to redemption by the applicable U.S. REIT, in whole or in part, at any time, on a date selected for redemption by the U.S. REIT (the "**Redemption Date**"). If a U.S. REIT elects to cause the redemption of its Series A U.S. REIT Preferred Stock, each share of Series A U.S. REIT Preferred Stock selected for redemption will be redeemed for a price, payable in cash on the Redemption Date, equal to US$1,000 per share plus all accrued and unpaid dividends thereon to and including the Redemption Date, plus a redemption premium per share as follows: (i) before the end of the second full calendar year after the date of original issuance, US$100; and (ii) thereafter, no redemption premium.

Unless full cumulative dividends on all outstanding shares of Series A U.S. REIT Preferred Stock have been, or contemporaneously are, declared and paid or set apart for payment for all past dividend periods, the applicable U.S. REIT may not redeem fewer than all of the outstanding shares of Series A U.S. REIT Preferred Stock or, generally, redeem or repurchase capital stock of the U.S. REIT that rank junior to the Series A U.S. REIT Preferred Stock.

Liquidation. In the event of any dissolution, liquidation or winding up of the applicable U.S. REIT, the holders of the Series A U.S. REIT Preferred Stock will be entitled to receive pro rata in cash out of the assets of the U.S. REIT legally available therefor, before any distribution of the assets may be made to the holders of U.S. REIT Common Stock, an amount equal to the Liquidation Value. If the assets of the U.S. REIT legally available for distribution to its stockholders are insufficient to pay the full amount of the Liquidation Value to which the holders of outstanding Series A U.S. REIT Preferred Stock are entitled, such assets will be distributed ratably among the holders of the outstanding Series A U.S. REIT Preferred Stock on the basis of the number of shares of Series A U.S. REIT Preferred Stock owned by each holder. Upon the provision of notice of the effective date of any dissolution, liquidation or winding up of the U.S. REIT and the payment of the Liquidation Value, the holders of the Series A U.S. REIT Preferred Stock have no other rights or claims to any of the remaining assets of the U.S. REIT.

No Conversion. The Series A U.S. REIT Preferred Stock is not convertible into or exchangeable for any other property or securities of any of the U.S. REITs.

U.S. REIT ROC Shares

It is expected that, in addition to the Series A U.S. REIT5 Preferred Stock, U.S. REIT5 will issue 5% Series B Cumulative Voting Preferred Stock (the "**U.S. REIT5 ROC Shares**") that will be subject to the following expected terms and provisions, although the actual terms of U.S. REIT5 ROC Shares could vary from those described below. The U.S. REITs for Funds 1 to 4 have already previously issued their respective 5% Series B Cumulative Voting Preferred Stock (with respect to each U.S. REIT, the "**U.S. REIT ROC Shares**") to their applicable Holding LP, the terms of which are substantially the same as the anticipated terms for the U.S. REIT5 ROC Shares.

Priority. The applicable Holding LP of each U.S. REIT, as the holder of the U.S. REIT ROC Shares, is entitled to a liquidation preference of US$1,000 per share (the "**ROC Liquidation Preference**"). With respect to distributions, including the distribution of the applicable U.S. REIT assets upon dissolution, liquidation or winding up, the U.S. REIT ROC Shares rank junior to the Series A U.S. REIT Preferred Stock and senior to all other classes or series of shares of the U.S. REIT, including U.S. REIT Common Stock, to the extent of the aggregate ROC Liquidation Preference and all accrued but unpaid dividends (in the aggregate, the "**ROC Liquidation Value**"). With respect to U.S. REIT5, it is expected that the U.S. REIT5 ROC Shares will rank on a parity with the Series C U.S. REIT5 Preferred Stock (defined below) with respect to distributions.

Dividends. Dividends on the U.S. REIT ROC Shares accrue on a daily basis at the rate of 5% per annum of the sum of the ROC Liquidation Preference, plus all accumulated and unpaid dividends, from and including the date of first issuance of the U.S. REIT ROC Shares. All dividends payable on the U.S. REIT ROC Shares will be computed on the basis of a 360-day year consisting of 12 30-day months. Dividends accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of the applicable U.S. REIT legally available for the payment of dividends. Accumulated dividends are payable at the discretion of the board of directors of the applicable U.S. REIT but all unpaid accumulated dividends must be paid no later than the earlier of the redemption date or the time of full and final redemption of U.S. REIT ROC Shares for such U.S. REIT. U.S. REIT ROC Shares for any particular U.S. REIT are subordinated to the Series A U.S. REIT Preferred Stock for such U.S. REIT with respect to payment of dividends, and, with respect to U.S. REIT5, are on parity with the Series C U.S. REIT5 Preferred Stock. Dividends on U.S. REIT Common Stock for any particular U.S. REIT may be paid in priority to a redemption of U.S. REIT ROC Shares or the payment of accumulated dividends on U.S. REIT ROC Shares for such U.S. REIT, provided that the board of directors of the applicable U.S. REIT has determined that the payment of such dividends on U.S. REIT Common Stock would not impair the U.S. REIT's ability to pay the ROC Share Redemption Amount, as defined below.

Voting. The applicable Holding LP of each U.S. REIT, as the holder of the U.S. REIT ROC Shares, is entitled to a vote at any annual or special general meeting of the stockholders of the applicable U.S. REIT. All votes in the aggregate for all outstanding U.S. REIT ROC Shares for the applicable U.S. REIT shall represent 10% of the total voting power of all classes of stock of the applicable U.S. REIT that are entitled to vote, except with respect to matters in which holders of the applicable Series A U.S. REIT Preferred Stock are entitled to vote separately as a class.

Redemption. The outstanding U.S. REIT ROC Shares are subject to redemption by the applicable U.S. REIT, in whole or in part, at any time, on a date selected for redemption by the U.S. REIT (the "**ROC Shares Redemption Date**"). If the U.S. REIT elects to cause the redemption of the U.S. REIT ROC Shares, each share of U.S. REIT ROC Shares selected for redemption will be redeemed for a price, payable in cash on the ROC Shares Redemption Date, equal to US$1,000 per share, which is equal to the amount of the capital contributed to the U.S. REIT for the issuance of such U.S. REIT ROC

Shares, plus all accrued and unpaid dividends thereon to and including the ROC Shares Redemption Date (such sum, the "**ROC Share Redemption Amount**").

Unless full cumulative dividends on all outstanding shares of U.S. REIT ROC Shares, and, in the case of U.S. REIT5, all outstanding shares of the Series C U.S. REIT5 Preferred Stock, have been, or contemporaneously are, declared and paid or set apart for payment, the applicable U.S. REIT may not redeem any outstanding U.S. REIT ROC Shares or, generally, redeem or repurchase capital stock of the U.S. REIT that rank junior to the U.S. REIT ROC Shares, or, in the case of U.S. REIT5, the Series C U.S. REIT5 Preferred Stock.

Liquidation. Upon the liquidation, dissolution or winding-up of the applicable U.S. REIT, The applicable Holding LP of each U.S. REIT, as the holder of the U.S. REIT ROC Shares, is entitled to the ROC Liquidation Value in priority to any payment to the holders of U.S. REIT Common Stock but any such payment with respect to U.S. REIT ROC Shares are subordinate to all amounts owing to the holders of the Series A U.S. REIT Preferred Stock.

No Conversion. U.S. REIT ROC Shares are not convertible into shares of any other class or series of stock of any of the U.S. REITs.

Series C U.S. REIT5 Preferred Stock

In addition to the Series A U.S. REIT5 Preferred Stock and the U.S. REIT5 ROC Shares, U.S. REIT5 expects that 5% Series C Cumulative Non-Voting Preferred Stock (the "**Series C U.S. REIT5 Preferred Stock**") will be issued and, following the Reorganization, will be held by Holding LP5. The Series C U.S. REIT5 Preferred Stock are expected to be subject to the following terms and provisions, although the actual terms of Series C U.S. REIT5 Preferred Stock could vary from those described below. The U.S. REITs for Funds 1 to 4 did not issue a similar series of stock.

Priority. The holders of the Series C U.S. REIT5 Preferred Stock are entitled to a liquidation preference of US$1,000 per share (the "**Series C Liquidation Preference**"). With respect to distributions, including the distribution of U.S. REIT5 assets upon dissolution, liquidation or winding up, the Series C U.S. REIT5 Preferred Stock rank junior to the Series A U.S. REIT5 Preferred Stock, are on parity with the U.S. REIT5 ROC Shares, and rank senior to all other classes or series of shares of U.S. REIT5, to the extent of the aggregate Series C Liquidation Preference and all accrued but unpaid dividends (in the aggregate, the "**Series C Liquidation Value**").

Dividends. Dividends on the Series C U.S. REIT5 Preferred Stock accrue on a daily basis at the rate of 5% per annum of the sum of the Series C Liquidation Preference, plus all accumulated and unpaid dividends, from and including the day immediately following the date of first issuance of the Series C U.S. REIT5 Preferred Stock. All dividends payable on the Series C U.S. REIT5 Preferred Stock will be computed on the basis of a 360-day year consisting of 12 30-day months. Dividends accrue whether or not they have been declared and whether or not there are profits, surplus or other funds of U.S. REIT5 legally available for the payment of dividends. Accumulated dividends are payable at the discretion of the board of directors of U.S. REIT5. Shares of the Series C U.S. REIT5 Preferred Stock are subordinated to the Series A U.S. REIT5 Preferred Stock and on parity with the U.S. REIT5 ROC Shares, with respect to payment of dividends. Dividends on U.S. REIT5 Common Stock may be paid in priority to the payment of accumulated dividends of Series C U.S. REIT5 Preferred Stock, provided that the board of directors of U.S. REIT5 has determined that the payment of such dividends on U.S. REIT5 Common Stock would not impair U.S. REIT5's ability to pay all accumulated and unpaid dividends with respect to the outstanding shares of the Series C U.S. REIT5 Preferred Stock.

Voting. With certain exceptions, the holders of the Series C U.S. REIT5 Preferred Stock are not entitled to vote on any matter submitted to stockholders, including the election of directors. Approval of the holders of a majority of the outstanding shares of the Series C U.S. REIT5 Preferred Stock, voting as a separate class, is required for (i) authorization or issuance of any equity security of U.S. REIT5 senior to or on a parity with the Series C U.S. REIT5 Preferred Stock, other than the Series A U.S. REIT5 Preferred Stock and the U.S. REIT5 ROC Shares, (ii) any amendment to U.S. REIT5's Charter which has a material adverse effect on the rights and preferences of the Series C U.S. REIT5 Preferred Stock or (iii) any reclassification of the Series C U.S. REIT5 Preferred Stock.

Redemption. The Series C U.S. REIT5 Preferred Stock are not redeemable at the option of the holders or U.S. REIT5 and, in particualr, rank junior to the Series A U.S. REIT5 Preferred Stock and the U.S. REIT5 ROC Shares with respect to redemptions.

Liquidation. Upon the liquidation, dissolution or winding-up of U.S. REIT5, the holders of the Series C U.S. REIT5 Preferred Stock are entitled to the Series C Liquidation Value in priority to any payment to the holders of U.S. REIT5

Common Stock, but any such payment with respect to the Series C U.S. REIT5 Preferred Stock is in parity with the U.S REIT5 ROC Shares and subordinate to all amounts owing to the holders of the Series A U.S. REIT5 Preferred Stock.

No Conversion. Series C U.S. REIT5 Preferred Stock are not convertible into shares of any other class or series of stock of any of the U.S. REITs.

Power to Reclassify and Issue Stock

The board of directors of each U.S. REIT may classify any unissued shares of the applicable U.S. REIT's Preferred Stock, and reclassify any unissued shares of the applicable U.S. REIT's Common Stock or any previously classified but unissued shares of the applicable U.S. REIT's Preferred Stock into other classes or series of stock, including one or more classes or series of stock that have priority over U.S. REIT Common Stock with respect to voting rights or distributions or upon liquidation, and authorize the applicable U.S. REIT to issue the newly classified shares. Prior to the issuance of shares of each class or series of stock, the board of directors of the applicable U.S. REIT is required by the *Maryland General Corporation Law* and the applicable Charter to establish, subject to the provisions of the Charter regarding the restrictions on ownership and transfer of the U.S. REIT's stock, the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends or other distributions, qualifications or terms or conditions of redemption for each such class or series of stock. These actions can be taken without stockholder approval, unless stockholder approval is required by applicable law or the terms of any other class or series of stock.

Power to Increase or Decrease Authorized Stock and Issue Additional Shares of Common and U.S. REITs Preferred Stock

Each of the Charters authorize each U.S. REIT's board of directors, with the approval of a majority of the entire board of directors, to amend such Charter to increase or decrease the aggregate number of authorized shares of stock or the number of authorized shares of stock of any class or series without stockholder approval. The additional classes or series, as well as the additional shares of stock, are available for issuance without further action by stockholders, unless such action is required by applicable law or the terms of any other class or series of stock.

Restrictions on Ownership and Transfer

In order to qualify as a REIT under the Code, shares of each U.S. REIT's stock, including U.S. REIT5, must be beneficially owned by 100 or more persons during at least 335 days of a taxable year of 12 months (other than the first year for which an election to be a REIT has been made) or during a proportionate part of a shorter taxable year. Also, not more than 50% of the value of the outstanding shares of capital stock of each U.S. REIT, including U.S. REIT5, may be owned, directly or indirectly, by five or fewer individuals (as defined in the Code to include certain entities) during the last half of a taxable year (other than the first year for which an election to be a REIT has been made).

To assist each of the U.S. REITs in qualifying as a REIT, the Charters, subject to certain exceptions, contain restrictions on the number of shares of stock that a person may own. The Charters provide that, subject to certain exceptions, no person may beneficially or constructively own more than 9.8% in value or in number of shares, whichever is more restrictive, of the outstanding shares of any class or series of the U.S. REIT's capital stock. Each Holding LP is excepted from such limitation with respect to the applicable U.S. REIT in which such Holding LP owns shares.

The Charters also prohibits any person from:

(a) beneficially owning shares of capital stock to the extent that such beneficial ownership would result in the U.S. REIT being "closely held" within the meaning of Section 856(h) of the Code (without regard to whether the ownership interest is held during the last half of the taxable year);

(b) after the date on which the U.S. REIT first has 100 stockholders, transferring shares of capital stock to the extent that such transfer would result in the U.S. REIT's shares of capital stock being beneficially owned by fewer than 100 persons (determined under the principles of Section 856(a)(5) of the Code); or

(c) beneficially or constructively owning or transferring shares of capital stock if such beneficial or constructive ownership or transfer would otherwise cause the U.S. REIT to fail to qualify as a REIT under the Code.

The foregoing restrictions on transferability and ownership will not apply to a particular U.S. REIT if the board of directors of the U.S. REIT determines that it is no longer in the best interests of the U.S. REIT to attempt to qualify, or to continue to qualify, as a REIT.

Each U.S. REIT's board of directors, in its sole discretion, may prospectively or retroactively exempt a person from certain of the ownership limits described above and may establish or increase an excepted holder percentage limit for that person. The person seeking an exemption must provide to the board of directors any representations, covenants and undertakings that the board of directors may deem appropriate in order to conclude that granting the exemption will not cause the applicable U.S. REIT to lose its status as a REIT. The board of directors may not grant an exemption to any person if that exemption would result in the U.S. REIT failing to qualify as a REIT. The board of directors may require a ruling from the IRS or an opinion of counsel, in either case in form and substance satisfactory to the board of directors, in its sole discretion, in order to determine that granting an exemption will not cause the U.S. REIT to fail to qualify as a REIT.

Any attempted transfer of shares of capital stock which, if effective, would violate any of the restrictions described above will result in the number of shares of capital stock causing the violation (rounded up to the nearest whole share) to be automatically transferred to a trust for the exclusive benefit of one or more charitable beneficiaries, except that any transfer that results in the violation of the restriction relating to shares of capital stock being beneficially owned by fewer than 100 persons will be void ab initio. In either case, the proposed transferee will not acquire any rights in those shares. The trustee shall be appointed by the applicable U.S. REIT and shall not be affiliated with the U.S. REIT or a person whose ownership of the shares transferred to the trust described above would violate the restrictions described above. The charitable beneficiary shall be one or more non-profit organizations designated by the applicable U.S. REIT. The automatic transfer will be deemed to be effective as of the close of business on the business day prior to the date of the purported transfer or other event that results in the transfer to the trust. Shares held in the trust will be issued and outstanding shares. The proposed transferee will not benefit economically from ownership of any shares held in the trust, will have no rights to dividends or other distributions and will have no rights to vote or other rights attributable to the shares held in the trust. The trustee of the trust will have all voting rights and rights to dividends or other distributions with respect to shares held in the trust. These rights will be exercised for the exclusive benefit of the charitable beneficiary. Any dividend or other distribution paid prior to the applicable U.S. REIT's discovery that shares have been transferred to the trust will be paid by the recipient to the trustee upon demand. Any dividend or other distribution authorized but unpaid will be paid when due to the trustee. Any dividend or other distribution paid to the trustee will be held in trust for the charitable beneficiary. Subject to Maryland law, the trustee will have the authority (i) to rescind as void any vote cast by the proposed transferee prior to discovery that the shares have been transferred to the trust and (ii) to recast the vote in accordance with the desires of the trustee acting for the benefit of the charitable beneficiary. However, if the U.S. REIT has already taken irreversible corporate action, then the trustee will not have the authority to rescind and recast the vote.

Within 20 days of receiving notice from the applicable U.S. REIT that shares of its stock have been transferred to the trust, the trustee will sell the shares to a person, designated by the trustee, whose ownership of the shares will not violate the above ownership and transfer limitations. Upon the sale, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee and to the charitable beneficiary. The proposed transferee will receive the lesser of (i) the price paid by the proposed transferee for the shares or, if the proposed transferee did not give value for the shares in connection with the event causing the shares to be held in the trust (e.g., a gift, devise or other similar transaction), the market price (as defined in the Charter) of the shares on the day of the event causing the shares to be held in the trust and (ii) the price per share received by the trustee (net of any commission and other expenses of sale) from the sale or other disposition of the shares. The trustee may reduce the amount payable to the proposed transferee by the amount of dividends or other distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. Any net sale proceeds in excess of the amount payable to the proposed transferee will be paid immediately to the charitable beneficiary. If, prior to the U.S. REIT's discovery that its shares have been transferred to the trust, the shares are sold by the proposed transferee, then (i) the shares shall be deemed to have been sold on behalf of the trust and (ii) to the extent that the proposed transferee received an amount for the shares that exceeds the amount he or she was entitled to receive, the excess shall be paid to the trustee upon demand.

In addition, shares of stock held in the trust will be deemed to have been offered for sale to the applicable U.S. REIT, or its designee, at a price per share equal to the lesser of (i) the price per share in the transaction that resulted in the transfer to the trust (or, in the case of a devise or gift, the market price at the time of the devise or gift) and (ii) the market price on the date the U.S. REIT, or its designee, accepts the offer, which, in either case the U.S. REIT may reduce by the amount of dividends and distributions paid to the proposed transferee and owed by the proposed transferee to the trustee. The U.S. REIT will have the right to accept the offer until the trustee has sold the shares. Upon a sale to the U.S. REIT, the interest of the charitable beneficiary in the shares sold will terminate and the trustee will distribute the net proceeds of the sale to the proposed transferee.

If a transfer to a charitable trust, as described above, would be ineffective for any reason to prevent a violation of a restriction, the transfer that would have resulted in a violation will be void *ab initio*, and the proposed transferee shall acquire no rights in those shares.

Any certificate representing shares of a U.S. REIT's capital stock, and any notices delivered in lieu of certificates with respect to the issuance or transfer of uncertificated shares, will bear a legend referring to the restrictions described above.

Any person who acquires or attempts or intends to acquire beneficial or constructive ownership of shares of a U.S. REIT's capital stock that will or may violate any of the foregoing restrictions on transferability and ownership, or any person who would have owned shares of capital stock that resulted in a transfer of shares to a charitable trust, is required to give written notice immediately to the applicable U.S. REIT, or in the case of a proposed or attempted transaction, to give at least 15 days' prior written notice to the applicable U.S. REIT, and provide the U.S. REIT with such other information as it may request in order to determine the effect of the transfer on its status as a REIT.

Every owner of more than 5% (or any lower percentage as required by the Code or the regulations promulgated thereunder) in number or value of the outstanding shares of a U.S. REIT's capital stock, within 30 days after the end of each taxable year, is required to give the U.S. REIT written notice, stating his or her name and address, the number of shares of each class and series of shares of capital stock that he or she beneficially owns and a description of the manner in which the shares are held. Each of these owners must provide the U.S. REIT with such additional information that it may request in order to determine the effect, if any, of such person's beneficial ownership on the U.S. REIT's status as a REIT and to ensure compliance with the ownership limits described above. In addition, each stockholder of a U.S. REIT is required to provide the U.S. REIT with information that the U.S. REIT may request in good faith in order to determine the U.S. REIT's status as a REIT and to comply with the requirements of any taxing authority or governmental authority or to determine the U.S. REIT's compliance with such requirements and to ensure compliance with the ownership limits described above.

Joint Ventures and Other Ownership Structures

U.S. REIT5 may invest a portion of the net proceeds from the issuance of U.S. REIT5 Common Stock, U.S. REIT5 ROC Shares and U.S. REIT5 Notes (if any) in joint ventures, partnerships, or other similar investment vehicles, through which U.S. REIT5 may join with a third-party investor which has a combination of investment capital, property interests, local knowledge or experience in the marketplace in which a Property is located, in order to broaden the number of Properties, subject to the Fund LP Agreement, in which the U.S. REIT has an interest.

9. CAPITALIZATION

9.1 *Pro Forma* Capitalization

The following table sets forth the *pro forma* consolidated capitalization of the Fund as at August 26, 2016 and as at June 30, 2016 after giving effect to the Maximum Offering and the acquisition of the New Portfolio. The table should be read in conjunction with the Fund's *pro forma* consolidated financial statements and notes thereto contained in this Prospectus.

	As at August 26, 2016	As at June 30, 2016 after giving effect to the Maximum Offering, the Reorganization and the Acquisition of the New Portfolio
Partnership Interests – Offering – (Authorized – unlimited)	US$20[1]	US$190,349,269
Partnership Interests – Reorganization – (Authorized – unlimited)		US$264,392,000
Indebtedness		
– Assumed Mortgages [2]	US$0	US$594,955,000
– Other Mortgage Loans [3]	US$0	US$93,411,000
Total Capitalization	US$20	US$1,143,107,269

Notes:

(1) The Fund was established on August 26, 2016. Each of an Affiliate of the Manager and the General Partner contributed US$10 in capital.
(2) The Assumed Mortgages represent Mortgage Loans relating to the Existing Portfolio and refinancing of Sorelle.
(3) Includes new Mortgage Loans relating to the New Portfolio.

9.2 Long-Term Debt

The Fund does not have any earnings to date, and does not currently have any outstanding long-term debt. Upon acquisition of the New Properties and Existing Properties, the Fund will indirectly assume Mortgage Loans in the amount of approximately US$594,427,891. Lenders for the Mortgage Loans are expected to be U.S.-based banks, life insurance companies and pension funds unrelated to the Manager.

The Manager believes the current U.S. multi-family rental property debt financing market offers debt financing at attractive interest rates that the Manager intends to utilize in order to seek an increased return on equity. The Manager will target an overall loan-to-value ratio of the Mortgage Loans between 60% to 70% of the asset value of the Properties as a whole, plus the amount of any property improvement reserve account approved by the lenders. However, the Manager, having regard to all of the circumstances including the potential value of the Properties identified for investment, may cause the overall loan-to-value ratio of the Mortgage Loans to exceed this threshold. Notwithstanding the foregoing, the Fund LP Agreement limits total indebtedness of the Fund to no more than 75% of the Investable Funds (or, at the discretion of the General Partner, the appraised value of the Properties). Such non-recourse loans will generally be for terms of three to ten years, with fixed interest rates calculated with reference to the interest rate on a government bond with a similar term, plus an amount determined in accordance with market factors or floating rates calculated based on a spread over LIBOR. The Mortgage Loans will be secured by mortgages registered on the Properties in respect of which the loans were advanced.

10. PRIOR SALES

There have been no prior sales of securities of the Fund other than as disclosed herein in respect of the Reorganization, other than the general partner interest issued to the General Partner.

11. PRINCIPAL SECURITY HOLDERS

After giving effect to the Offering and the Reorganization, to the best of the knowledge of the General Partner, no persons will own, directly or indirectly, or exercise control or direction over Units carrying at least 10% of the votes attached to the issued and outstanding Class A Units or Class U Units. On closing of the Offering, the principal of the Manager will initially beneficially own, or have control or direction over, 343,104 Class A Units, 4,780 Class U Units and 9,480,036 Class C Units (being 20.9% of the aggregate Units then outstanding) assuming the Minimum Offering is achieved or 343,104 Class A Units, 4,780 Class U Units and 9,628,884 Class C Units (being 14.5% of the aggregate Units then outstanding) assuming the Maximum Offering is achieved, and, in each case, assuming a Canadian to U.S. dollar exchange rate of C$1.325 to US$1.00 as at the Closing Date and that the exchange ratios are as described in the definition of Fund Exchange Ratio. See "Promoter".

12. DIRECTORS AND OFFICERS

12.1 Name, Address, Occupation and Security Holdings

The following table sets forth certain information regarding each of the individuals who will be Directors and/or acting in the capacity of executive officers of the Fund as at the Closing Date (currently, Daniel Drimmer, Martin Liddell and David Hanick are directors of the General Partner).

Name, Age, and Municipality of Residence	Position(s) Held with Fund/General Partner	Principal Occupation
Daniel Drimmer[2] .... Age: 44 Toronto, Ontario, Canada	Director and Chief Executive of the General Partner and Chief Executive Officer of the Fund	President and Chief Executive Officer of the Manager
Graham Rosenberg[2] .... Age: 53 Toronto, Ontario, Canada	Independent Director of the General Partner	Co-Chief Executive Officer and President of Dental Corporation of Canada Inc.
Harry Rosenbaum[2] .... Age: 67 Toronto, Ontario, Canada	Independent Director of the General Partner	Partner and Director of Ashton Woods Homes

Martin Liddell Age: 46 Toronto, Ontario, Canada	Chief Financial Officer of the General Partner and the Fund	Chief Financial Officer of Starlight U.S. Multi-Family, Chief Financial Officer of Fund1, Chief Financial Officer of Fund2, Chief Financial Officer of Fund3 and Chief Financial Officer of Fund4
Evan Kirsh Age: 49 Toronto, Ontario, Canada	President of the Fund	President Starlight U.S. Multi-Family, President of Fund1, President of Fund2, President of Fund3 and President of Fund4
David Hanick Age: 42 Toronto, Ontario, Canada	Corporate Secretary of the General Partner and the Fund	Vice President Corporate Development and General Counsel of the Manager, Corporate Secretary of Fund1, Corporate Secretary of Fund2, Corporate Secretary of Fund3 and Corporate Secretary of Fund4

Notes:

(1) The individuals acting in the capacity of the Fund's executive officers are not employed by the Fund or any of its Subsidiaries, but rather are employees of or consultants to the Manager and provide services to the Fund and its Subsidiaries, on behalf of the Manager, pursuant to the Management Agreement.
(2) To be a member of the audit committee.

The General Partner believes that the individuals noted above as being Directors of the General Partner who do not currently hold such positions will not have any liability for the contents of this Prospectus in such capacities under applicable Canadian securities laws.

Personal Profiles

Set out below is a biography of each of the Directors and officers of the Fund and the General Partner, as applicable, for the past five years or more. The Directors and officers of the Fund have significant experience in multi-family real estate in Canada and the U.S.

Daniel Drimmer – Director and Chief Executive Officer of the General Partner and Chief Executive Officer of the Fund

Daniel Drimmer is the founder, President and Chief Executive Officer of Starlight, a Canadian real estate asset management company focused on the acquisition, ownership and management of commercial and residential properties across Canada and the U.S., with a portfolio of approximately 33,000 residential rental suites and over 2,500,000 square feet in commercial properties. Mr. Drimmer is also a director and Chief Executive Officer of each of the Existing Starlight Funds, a member of the Board of Trustees of TSX-listed Northview Apartment REIT, and is a member of the Board of Directors of the Mortgage Company of Canada Inc. In addition to the formation of Starlight, Mr. Drimmer is the founder, President, CEO and Chairman of the Board of TSX-listed True North Commercial REIT and the formerly TSX-listed True North Apartment REIT. Mr. Drimmer was TSX-listed TransGlobe Apartment REIT's creator and sponsor from May 2010 to August 2011. Over the last seven years, Mr. Drimmer has completed more than $15 billion worth of acquisition and financing transactions in residential and commercial real estate. Mr. Drimmer obtained a Bachelor of Arts degree from the University of Western Ontario, and both a Master of Business Administration and a Master's degree in Contemporary European Policy Making from European University in Geneva, Switzerland.

Martin Liddell – Chief Financial Officer of the General Partner and the Fund

Martin Liddell joined Starlight Investments Ltd. in January 2012 and is currently the Chief Financial Officer of Starlight U.S. Multi-Family as well as the Chief Financial Officer of each of the Existing Starlight Funds. From 2012 to 2015, Mr. Liddell was the Chief Financial Officer of True North Apartment REIT. Prior to joining Starlight, Mr. Liddell was the Executive Vice-President and Chief Financial Officer of Leisureworld Senior Care Corporation from 2006 until 2011 where he played a critical role in the March 2010 initial public offering. Previously, Mr. Liddell held the position of Chief Financial Officer of NBS Technologies Inc. Between 2000 and 2005, Mr. Liddell served in a variety of increasingly senior corporate development and financial management roles at Tyco International Ltd., and prior to that from 1995 to 2000, provided strategic corporate finance and mergers and acquisitions advice to clients at KPMG LLP in the United Kingdom and Europe. Mr. Liddell holds a Bachelor of Arts (Honours) in accounting and finance from Liverpool John Moores University, United Kingdom, and received his Chartered Accountant designation in 1995. Mr. Liddell is a member of the Institute of Chartered Accountants in England and Wales.

Evan Kirsh – President of the Fund

Evan Kirsh has more than 25 years of real estate experience with the last 17 years of his career having been dedicated exclusively to the multi-family housing industry. Mr. Kirsh's experience includes executive positions with Revera Inc., GWL Realty Advisors and MetCap Living Inc. as well as positions with Brazos Advisors, Citibank Canada and Manulife Real Estate (the global real estate arm of Manulife Financial Corporation). During his tenure with these companies, Mr. Kirsh has been involved in the asset management and operation of over $7.5 billion of multi-suite housing assets as well as the acquisition or disposition of approximately 23,000 multi-suite housing suites comprising a total value of more than $2 billion. Mr. Kirsh is currently the President of each of the Existing Starlight Funds. Evan holds a Bachelor of Arts in Honours Business Administration and a Master of Business Administration from the University of Western Ontario.

David Hanick – Corporate Secretary of the General Partner and the Fund

David Hanick joined Starlight Investments Ltd. in November 2012. Prior to joining Starlight, Mr. Hanick was a corporate partner in the Toronto office of Osler, Hoskin & Harcourt LLP where he focused on public and private mergers and acquisitions as well as capital markets transactions acting for issuers, underwriters and private equity firms in various sectors including the real estate sector. Mr. Hanick has more than 15 years of legal, capital markets, mergers and acquisitions, and corporate governance expertise, and has participated in transactions totaling more than $22 billion. Mr. Hanick is currently the Corporate Secretary of each of the Existing Starlight Funds. Mr. Hanick is a member of the Law Society of Upper Canada and holds a joint Masters of Business Administration from the Schulich School of Business and Bachelor of Laws from Osgoode Hall Law School.

Graham Rosenberg – Independent Director of the General Partner

Graham Rosenberg is the Co-Chief Executive Officer and President of Dental Corporation of Canada Inc., a company that he founded in 2011 to acquire and partner with dental practices across Canada. Mr. Rosenberg is also a member of the Board of Trustees of TSX-listed Northview Apartment REIT and a member of the audit committee. Prior to founding Dental Corporation of Canada Inc., Mr. Rosenberg founded and is the President of BCM Bancorp Inc., a boutique merchant bank providing mid-market North American companies with strategic and financial resources to accelerate growth and maximize value. Previously, Mr. Rosenberg was a Managing Director of MDC Partners Inc., a marketing and communications firm listed on the TSX and NASDAQ, from 2003 to 2009, holding various senior executive positions within the firm, and a former trustee and audit committee member of TransGlobe Apartment REIT. Prior to that, Mr. Rosenberg spent eight years as a Managing Partner at Clairvest Group Inc., a TSX-listed merchant bank. Mr. Rosenberg is qualified as a Chartered Professional Accountant.

Harry Rosenbaum – Independent Director of the General Partner

Harry Rosenbaum is a founding principal of the Great Gulf Group of Companies, one of North America's premier real estate conglomerates. He has been instrumental in manifesting such iconic projects as One Bloor East, Toronto, Ontario. Mr. Rosenbaum is a principal of Ashton Woods Homes, one of the largest private homebuilders in the United States and is currently a director of each of the Existing Starlight Funds. Prior to the creation of Great Gulf Group in 1983, Mr. Rosenbaum practiced commercial and real estate law at a Toronto law firm. Mr. Rosenbaum is active as a board member of various charitable organizations including the ACL (Advocates for Civil Liberties) and Sunnybrook Hospital Foundation. Mr. Rosenbaum attended Osgoode Hall Law School, graduating in 1974. He also holds a degree in Economics from York University, completed in 1971.

Immediately after the Closing Date, the Directors and executive officers of the Fund, as a group, will beneficially own, directly or indirectly, or exercise control or direction over approximately 11,273,453 Units, representing a voting interest in the Fund of approximately 16.9%, assuming the completion of the Maximum Offering.

12.2 Insurance Coverage for Directors and Officers and Indemnification

The Fund and its Subsidiaries will obtain or cause to be obtained a policy or policies of insurance for the Directors and officers of each of the Fund and each corporate Subsidiary. Under such policy or policies, each Entity will have reimbursement coverage to the extent that it has indemnified the Directors and officers. The policy or policies will include securities claims coverage, insuring against any legal obligation to pay on account of any securities claims brought against the Fund and its Subsidiaries, and their Directors and officers. In addition, the Fund and its Subsidiaries will each indemnify its Directors and officers from and against liability and costs in respect of any action or suit brought against them in connection with the execution of their duties of office.

12.3 Corporate Cease Trade Orders or Bankruptcies, Penalties or Sanctions

No current Director or executive officer of the Fund is, or within the ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company that (i) was subject to a cease trade order or similar order or an order that denied the company access to any exemption under securities legislation, in each case in effect for a period of more than 30 consecutive days, that was issued while that person was acting in the capacity of a director, chief executive officer or chief financial officer of that company, or (ii) was subject to such an order that was issued after that person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the person was acting in that capacity.

No current Director or executive officer of the Fund is, or within the ten years prior to the date hereof has been, a director or executive officer of any company that, while that person was acting in that capacity or within a year of ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets. In addition, no current Director or executive officer of the Fund has, within the ten years prior to the date hereof become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the current Director or executive officer.

No current Director or executive officer of the Fund has: i) been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or ii) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

13. THE MANAGER AND THE MANAGEMENT AGREEMENT

13.1 The Manager

The Fund will be managed by the Manager, a company incorporated under the laws of Ontario, which will be engaged by The Fund in the identification, acquisition, ownership, operation and disposition of income-producing multi-family real estate properties. Led by a team of industry veterans with a record of creating long-term investor value, the Manager is an experienced multi-family real estate owner and asset manager. The Manager’s principal, Daniel Drimmer, has over 18 years of experience identifying undervalued properties in the multi-family real estate sector, acquiring such properties and realizing value through individual asset or portfolio sales. As a result of the Manager’s reputation for transacting and its prior experience in the U.S. multi-family sector (gained through, in particular, the deployment and management of the Existing Starlight Funds), the Manager has an established network in the U.S. from which to source future acquisitions.

The Manager currently owns and/or asset manages approximately C$6.4 billion in assets in Canada and the U.S., with approximately 400 properties across Canada and the U.S., including approximately 33,000 apartment suites (of which approximately 8,700 suites are located in the United States in Texas (approximately 5,180 suites), Florida (approximately 1,200 suites), North Carolina (approximately 760 suites), Arizona (approximately 630 suites), Georgia (approximately 400 suites), Tennessee (approximately 300 suites), and Colorado (approximately 230 suites)), and approximately 2,500,000 square feet of commercial space through various entities, including its partnership with three institutional investors. With investments in over 27 communities, the Manager has a demonstrated ability to identify opportunities for superior returns in the Atlanta, Austin, Charlotte, Dallas, Denver, Houston, Nashville, Orlando, Phoenix, Raleigh, and Tampa metropolitan areas with external property managers and provides asset management services to Northview Apartment REIT (TSX: NVU.UN), True North Commercial REIT (TSX: TNT.UN), Fund1 (TSX-V: UMF.A and UMF.U), Fund2 (TSX-V: SUD.A and SUD.U), Fund3 (TSX-V: SUS.A and SUS.U) and Fund4 (TSX-V: SUF.A and SUF.U). The Manager believes it has been among North America's most active real estate investors since its inception in 1995 and employs approximately 110 professionals.

During the past ten years, the principal of the Manager, Daniel Drimmer, acquired, operated and sold in excess of 85,000 multi-family suites. Also during this time period, the Manager has established a reputation for identifying acquisitions and driving value through a hands-on asset management approach. The Manager is owned by Daniel Drimmer (see the biography of Mr. Drimmer under "Directors and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles").

Combined Results of the Existing Starlight Funds

Historical performance of each of the Existing Starlight Funds, and on a combined basis, is shown for illustrative purposes only and does not guarantee the future performance of any particular investment or the Fund, which will vary. See "The Manager and the Management Agreement". **Investors should also review the financial statements included in this Prospectus for each of the Existing Starlight Funds and Campar (see "Index to Financial Statements").**

Combined operating results for the Existing Starlight Funds for the six months ended June 30, 2016 and as at June 30, 2016 included:

(a) Overall NOI margin of approximately 55.8%.

(b) Weighted average occupancy of approximately 93.5%.

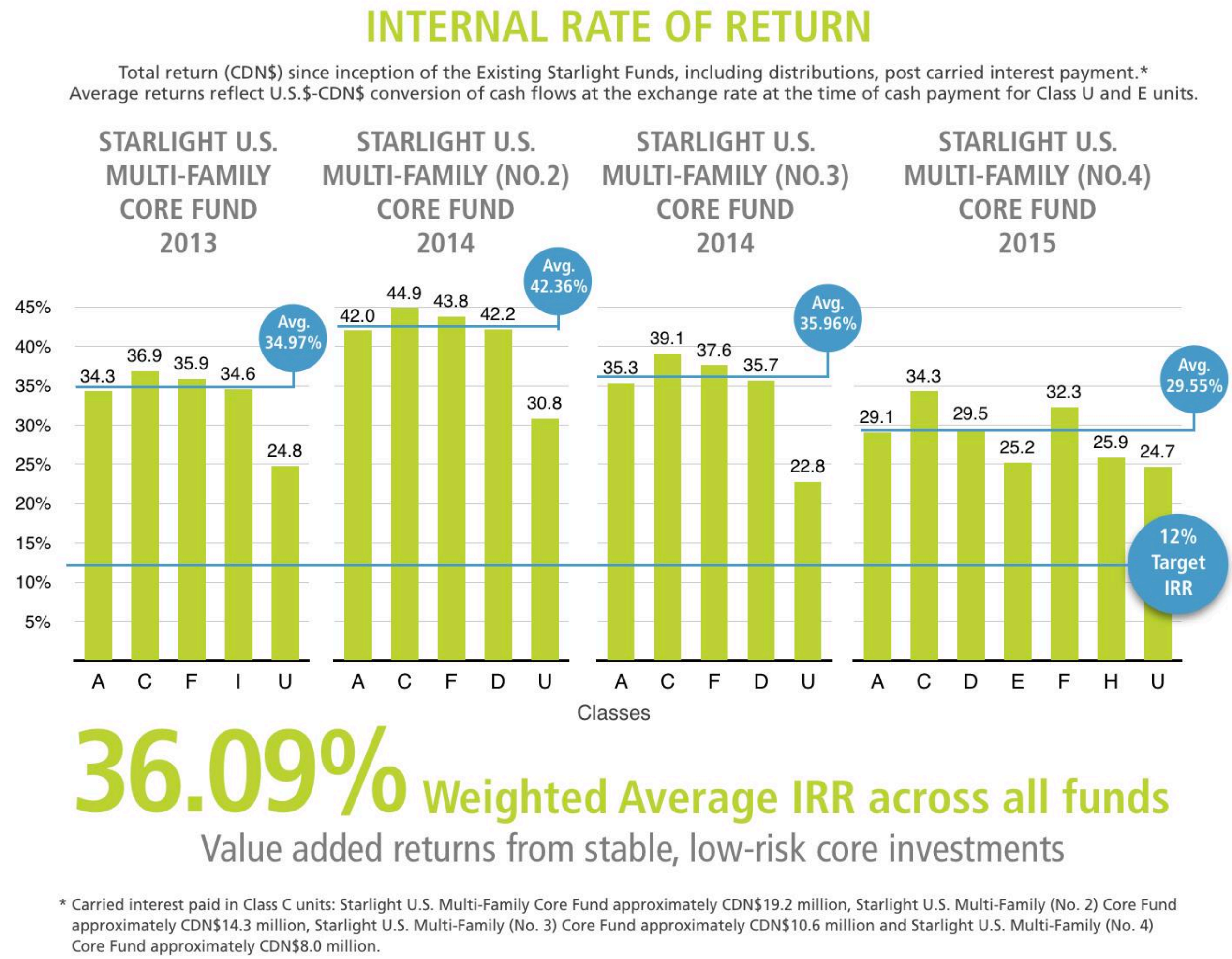
(c) AFFO payout ratio of approximately 50.9%.

(d) Leverage of approximately 62.9% of Gross Book Value.

(e) Interest Coverage Ratio for the period of 2.46x and Indebtedness Coverage Ratio of 2.33x.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016, 2016 to appraise the portfolios of each Existing Starlight Fund. The combined appraised value of the Existing Starlight Funds' portfolio was in aggregate US$882,400,000, which amount exceeds the aggregate purchase price of such properties by US$165,030,500 or 23%. This increase in appraised value was due to NOI growth and Capitalization Rate compression and reflects underlying fundamentals and market conditions as well as the Manager's active asset management strategy. There can be no assurance that the performance of the Fund will equal or exceed the past performance of the Existing Starlight Funds. Past performance does not guarantee future results.

The Manager intends to continue executing its proven investment and asset management strategy to deliver superior returns for the Fund, deriving stable returns from attractive assets in target markets that exhibit favourable fundamentals. Investors in the Existing Starlight Funds have benefitted from this approach:



Fund1

The Manager, as promoter, closed its first offering on April 18, 2013 through Fund1 and raised approximately US$47.2 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$145.1 million of apartment product, and purchased interests in 1,764 apartment suites in Houston and Dallas, Texas. Including subsequently acquired Properties in North Carolina and Georgia, Fund1 now holds interests in nine properties in a portfolio of 2,606 suites. Property managers engaged on the portfolio of Fund1 include Greystar and Pinnacle, two of the largest and most well-respected apartment managers in the U.S. with approximately 395,000 and 132,000 multi-family suites under management, respectively.

Property	**Location**	**# of Suites**	**Purchase Price Per Suite**	**Purchase Price Per Square Foot**
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	US$108,489	US$108
Villages of Towne Lake	4055 Village Drive, McKinney, Texas	126	US$115,079	US$118
Greenhaven Apartments	8690 Virginia Parkway, McKinney, Texas	216	US$108,796	US$123
Falls at Eagle Creek (35% Interest)[1]	9702 N. Sam Houston Highway, Humble, Texas	412	US$99,515	US$108
Soho Parkway (25% Interest)[1]	6653 McKinney Ranch Parkway, McKinney, Texas	379	US$108,971	US$113

Property	Location	# of Suites	Purchase Price Per Suite	Purchase Price Per Square Foot
The Villages at Sunset Ridge (50% Interest)[2]	14807 Woodland Hills Dr, Humble, Texas	257	US$95,720	US$104
Belle Haven Apartments (66.67% Interest)[2]	9005 Post Canyon Lane, Charlotte, North Carolina	176	US$150,000	US$137
Sorelle Apartments (35% Interest)[2]	2399 Parkland Drive, Atlanta, Georgia	401	US$163,342	US$186
Marquee Station	2110 Cinema Drive, Fuquay Varina, North Carolina	265	US$156,604	US$157
TOTAL/AVERAGE		**2,606**	**US$122,362**	**US$129**

Notes:

(1) The remaining interest in the property is owned by Fund2.
(2) The remaining interest in the property is owned by Fund3.

Operating results for Fund1 for the period April 23, 2013 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 56.9% and annualized rental growth of 4.8%.

(b) Weighted average occupancy of Fund1's properties for the second quarter of 2016 of 93.2%.

(c) AFFO payout ratio for the second quarter of 2016 of 44.4%.

(d) Leverage of 59.5% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 2.4x and Indebtedness Coverage Ratio of 2.0x.

(f) Weighted average interest rate on mortgages of 2.77% and weighted average term to maturity of approximately 3.23 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 34.3%.

As at June 30, 2016, the U.S. dollar has appreciated 26.1% against the Canadian dollar since the close of the Fund1 offering.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016, 2016 to appraise Fund1's portfolio. The appraised value of the portfolio was in aggregate US$252,715,970, which amount exceeds the aggregate purchase price of such properties by US$55,140,970 or 27.9%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy

Fund2

The Manager, as promoter, closed its second offering on November 15, 2013 through Fund2 and raised approximately US$32.7 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within five months of the closing of the offering, comprising US$94.6 million of apartment product, and purchased interests in 1,131 apartment suites in Houston, Austin and Dallas, Texas. Fund2 holds interests in a portfolio of 1,527 suites. Property managers engaged on the portfolio of Fund2 include Greystar, Pinnacle and Alliance, three of the largest and most well-respected apartment managers in the U.S. with approximately 395,000, 132,000 and 82,000 multi-family suites under management, respectively.

Property	Location	# of Suites	Purchase Price Per Suite	Purchase Price Per Square Foot
Palm Valley Apartments	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	US$107,206	US$110
Falls at Eagle Creek (65% Interest)	9702 N. Sam Houston Highway, Humble, Texas	412	US$101,286	US$110
Soho Parkway (75% Interest)	6653 McKinney Ranch Parkway in McKinney, Texas	379	US$108,971	US$113
Travesia Apartments	3701 Quick Hill Road, Austin, Williamson County, Texas	396	US$127,778	US$147
TOTAL/AVERAGE		**1,527**	**US$111,382**	**US$120**

Note:

(1) The remaining interest in the property is owned by Fund1.

Operating results for Fund2 for the period November 18, 2013 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 55.5% and annualized rental growth of 5.4%.

(b) Weighted average occupancy of Fund2's properties for the second quarter of 2016 of 94.9%.

(c) AFFO payout ratio for the second quarter of 2016 of 34.2%.

(d) Leverage of 60.7% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 3.1x and Indebtedness Coverage Ratio of 3.1x.

(f) Weighted average interest rate on mortgages of 2.33% and weighted average term to maturity of approximately 5.29 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 42.0%.

As at June 30, 2016, the U.S. dollar has appreciated 23.5% against the Canadian dollar since the close of the Fund2 offering.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016, 2016 to appraise Fund2's portfolio. The appraised value of the portfolio was in aggregate US$189,915,000, which amount exceeds the aggregate purchase price of the properties by US$44,765,500 or 30.8%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy

Fund3

The Manager, as promoter, closed its third offering on July 9, 2014 through Fund3 and raised approximately US$49.6 million. These funds were substantially deployed in a portfolio of recently constructed, stabilized, Class "A", multi-family assets in Texas within four months of the closing of the offering, comprising US$139.1 million of apartment product and purchased interests in 983 apartment suites in Houston and Dallas, Texas. Subsequently, Fund3 acquired a 33.33% interest in 176 apartment suites in Charlotte, North Carolina for US$8.8 million. Fund3 currently holds ownership interests in a portfolio of 1,894 suites. Property managers engaged on the portfolio of Fund3 include Greystar and Alliance, two of the largest and most well-respected apartment managers in the U.S. with approximately 395,000 and 82,000 multi-family suites under management, respectively.

Property	Location	# of Suites	Purchase Price Per Suite	Purchase Price Per Square Foot
The Allure	701 North Vista Ridge, Cedar Park, Texas	334	US$129,192	US$131
Residences at Cinco Ranch	20900 FM 1093, Richmond, Texas	300	US$116,333	US$121
The Villages at Sunset Ridge (50% Interest)	14807 Woodland Hills Drive, Humble, Texas	257	US$97,276	US$106
Yorktown Crossing	15903 Yorktown Crossing Parkway, Houston, Texas	312	US$112,821	US$126
The Reserve at Jones Road	9702 N. Sam Houston Highway, Humble, Texas	114	US$115,263	US$125
Belle Haven Apartments (33.33% Interest)	9005 Post Canyon Lane, Charlotte, North Carolina	176	US$150,000	US$137
Sorelle Apartments (65% Interest)	2399 Parkland Drive, Atlanta, Georgia	401	US$163,342	US$186
TOTAL/AVERAGE		**1,894**	**US$128,453**	**US$137**

Note:

(1) The remaining interest in the property is owned by Fund1.

Operating results for Fund3 for the period July 10, 2014 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 52.0% and annualized rental growth of 3.9%.

(b) Weighted average occupancy of Fund3's properties for the second quarter of 2016 of 92.3%.

(c) AFFO payout ratio for the second quarter of 2016 of 60.4%.

(d) Leverage of 65.0% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 2.3x and Indebtedness Coverage Ratio of 2.3x.

(f) Weighted average interest rate on mortgages of 2.44% and weighted average term to maturity of approximately 4.82 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 35.3%

As at June 30, 2016, the U.S. dollar has appreciated 21.0% against the Canadian dollar since the close of the Fund3 offering.

The Manager engaged the Appraiser on May 10, 2016 and July 22, 2016, 2016 to appraise Fund3's portfolio. The appraised value of the portfolio was in aggregate US$226,169,903, which amount exceeds the aggregate purchase price of such properties by US$35,904,903 or 18.9%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy

Fund4

The Manager, as promoter, closed its fourth offering on April 10, 2015 through Fund4 and raised approximately US $51.4 million. These funds were substantially deployed to acquire four recently constructed, stabilized, Class "A", multi-family assets in Orlando and Tampa, Florida. Property managers engaged on the portfolio of Fund4 include Pinnacle, one of the largest and most well-respected apartment managers in the U.S. with approximately 132,000 multi-family suits under management, and Altman Property Management, a large, third-party, multi-family, property manager in the U.S. with local market expertise and experience with over 24,000 multi-family suites under management.

Property	**Location**	**# of Suites**	**Purchase Price Per Suite**	**Purchase Price Per Square Foot**
Altis at Grand Cypress	1901 Cypress Preserve Dr, Tampa, Florida	304	US$157,993	US$158
Verano Apartments	2200 Villa Verano Way, Orlando, Florida	384	US$127,344	US $125
Pure Living	740 Savory Place, Heathrow, Florida	252	US$177,579	US$146
The Reserves at Alafaya	3715 Alafaya Heights Road, Orlando, Florida	264	US$161,742	US$154
TOTAL/AVERAGE		**1,204**	**US$153,140**	**US$144**

Operating results for Fund4 for the period April 10, 2015 (commencement of operations) to June 30, 2016 and financial position as at June 30, 2016 included (approximate values):

(a) Overall NOI margin of 58.8% and annualized rental growth of 4.9%.

(b) Weighted average occupancy of Fund4's properties for the second quarter of 2016 of 93.9% (in-line with underwriting assumptions).

(c) AFFO payout ratio for the second quarter of 2016 of 73.2%.

(d) Leverage of 66.5% of Gross Book Value as at June 30, 2016.

(e) Interest Coverage Ratio for the second quarter of 2016 of 2.0x and Indebtedness Coverage Ratio of 2.0x.

(f) Weighted average interest rate on mortgages of 2.56% and weighted average term to maturity of approximately 4.25 years.

(g) Maintenance capital expenditures below budget and on time.

(h) Internal rate of return on class A units of 29.1%.

As at June 30, 2016, the U.S. dollar has appreciated 2.6% against the Canadian dollar since the close of the Fund4 offering.

Manager engaged the Appraiser on July 22, 2016 to appraise Fund4's portfolio. The appraised value of the portfolio was in aggregate US$213,600,000, which amount exceeds the aggregate purchase price of such properties by US$29,220,000 or 15.8%. This increase in appraised value was due to NOI growth and reflects the underlying fundamentals and market conditions as well as the Manager's active asset management strategy.

13.2 The Management Agreement

Pursuant to the terms of a management agreement to be entered into among the Fund and each U.S. REIT and the Manager (the "**Management Agreement**"), the Manager will be appointed as the sole and exclusive manager of the affairs of the Fund. The Manager will provide the Fund and each U.S. REIT with the strategic, advisory, asset management, administrative, leasing, construction management and administrative services necessary to manage the day-to-day operations of the Fund and the Properties. In carrying out its obligations under the Management Agreement, the Manager will be required to exercise its powers and discharge its duties diligently, honestly, in good faith and in the best interests of the Fund, including exercising the standard of care, diligence and skill that a reasonably prudent person would exercise in similar circumstances.

The services to be provided by the Manager under the terms of the Management Agreement include, without limitation: (i) the structuring of the Fund, each Existing Starlight Fund, Investment LPs, Holding LPs and U.S. REITs, (ii) liaising with legal and tax counsel, (iii) identifying Properties for acquisition, (iv) maintaining ongoing relationships with the lenders in respect of the Mortgage Loans for the Properties, (v) conducting continuous analysis of market conditions to monitor each U.S. REIT's investment in the Properties, (vi) advising the Fund and/or each U.S. REIT with respect to the Disposition of the Properties, (vii) providing investor communication and reporting services to the Fund, and (viii) doing all such other acts or things and entering into agreements or documents on behalf of the Fund and/or each U.S. REIT to seek to achieve the investment objectives of the Fund.

Notwithstanding the above, it may at times be prudent for the Manager to delegate certain of its responsibilities under the Management Agreement to third-party providers. In the event that the Manager was to outsource any of its obligations under the Management Agreement, such delegation will be done at the expense of the Manager and will not relieve the Manager of its obligations under the Management Agreement.

The personnel engaged by the Manager will not be employees of the Fund. The Manager will provide such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and will therefore be responsible for all matters with respect to such employees and consultants. Pursuant to the terms of the Management Agreement, the Manager will bear all costs and expenses incurred by the Manager in connection with all salaries, employee expenses, consulting arrangements, office rent and equipment, and other expenses customarily considered to be overhead expenses. The Fund and each U.S. REIT will be responsible for reimbursing the Manager for all travel expenses related to performance of the Manager's obligations under the Management Agreement. The Manager will provide the services of each of Mr. Drimmer, as Chief Executive Officer, Mr. Kirsh, as President, Mr. Liddell, as Chief Financial Officer, and Mr. Hanick, as Corporate Secretary, to the Fund.

The term of the Management Agreement will continue, subject to earlier termination in certain circumstances, until the winding-up or dissolution of the Fund. The Management Agreement can be terminated early in certain circumstances, including (i) upon the dissolution, liquidation, bankruptcy, insolvency or winding-up of the Manager, and (ii) in the event that Mr. Drimmer is no longer associated with the Manager.

The Management Agreement contains indemnification provisions whereby the Fund indemnifies the Manager against any loss, expense, damage or injury suffered in the scope of its authority under the Management Agreement, provided the same does not result from wilful misconduct, bad faith, gross negligence or breach of its standard of care owed under the Management Agreement. In addition, under the Management Agreement, the Manager indemnifies the Fund against any loss, expense, damage or injury suffered as a result of the Manager's wilful misconduct, bad faith, gross negligence or breach of its standard of care owed under the Management Agreement.

For its services, the Manager will be paid the following fees:

(a) In consideration for providing financing and other services in connection with the acquisition of the Properties, the U.S. REITs will pay the Manager an acquisition fee (the "**Acquisition Fee**") equal to (i) 1.00% of the purchase price paid by the U.S. REITs for the purchase of a Property, on the first US$100,000,000 of Properties acquired by the U.S. REITs in each calendar year, (ii) 0.75% of the purchase price paid by the U.S. REITs for the purchase of a Property, on the next US$100,000,000 of Properties acquired by the U.S. REITs in each calendar year, and (iii) 0.50% of the purchase price paid by the U.S. REITs for the purchase of a Property, on Properties in excess of US$200,000,000 acquired by the U.S. REITs in each calendar year. No Acquisition Fee was paid on the acquisition of the Existing Portfolio except for on the Fund's indirect acquisition of Boardwalk Med Center.

(b) In consideration for providing management services, the Fund and each U.S. REIT will pay the Manager an aggregate base annual management fee calculated and payable on a monthly basis in arrears in cash on the first day of each month equal to 0.35% of the sum of (i) the appraised values of the Properties acquired in connection the Reorganization, or in the case of the New Properties or future acquisitions, the purchase price of such Properties, in U.S. dollars, and (ii) the cost of any capital expenditures in respect of the Properties since the date of their indirect acquisition by the Fund, plus an amount equal to the Service Fee.

(c) In the event that the Manager or any of its Affiliates is required by a lender to provide a financing guarantee in connection with an amount borrowed by the Fund or its Subsidiaries relating to a Property, the Fund and each U.S. REIT will, in consideration for providing such guarantee, pay the Manager, in the aggregate, an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its Subsidiaries ("**Guarantee Fee**"), which Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the last day of each month during the term of the Management Agreement.

(d) If there occurs any amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund, or similar transaction involving the Fund or a Subsidiary of the Fund (other than in connection with an internal reorganization, an initial public offering of all or substantially all of such properties, or a transaction with the Manager or any of its affiliates as the purchaser), whether in one transaction or series of transactions (collectively, the "**Disposition Transaction**"), the Fund will pay the Manager a disposition fee, in cash, equal to 0.50% of the value of such Disposition Transaction up to a maximum of US$5,500,000, provided that no such disposition fee is payable unless the value of such Disposition Transaction is greater than the aggregate appraised value, at the time of acquisition by the Fund, of the Existing Portfolio and the New Portfolio, converted into Canadian dollars using the Effective Exchange Rate.

Assuming the Minimum Offering is completed, a Canadian to U.S. dollar exchange rate of C$1.30 to US$1.00 and that management salaries remain at current levels, the Manager estimates that the salaries of (i) the management team will comprise approximately 40% of the Asset Management Fee (excluding bonus compensation and benefits, which vary from year to year) and (ii) the dedicated U.S. multi-family personnel (including the management team) will comprise 60% of the Asset Management Fee (excluding bonus compensation and benefits, which vary from year to year).

13.3 Potential Conflicts of Interest (Directors and Officers)

The Manager is owned and controlled by Daniel Drimmer. Pursuant to the Management Agreement, the Manager will be receiving various fees and payments from the U.S. REITs and the Fund in respect of the acquisition and disposition of Properties and asset management and other services provided thereunder. The General Partner and Holding GPs are owned indirectly and controlled by Daniel Drimmer. Pursuant to the limited partnership agreements for the Holding LPs, the Holding GPs will be participating in the profits of the Holding LPs. Mr. Drimmer intends to subscribe for Class C Units pursuant to the Offering and will have a voting interest in the Fund of approximately 20.9%, assuming the Minimum Offering is completed, and 14.5%, assuming the Maximum Offering is completed, and, in each case, assuming a Canadian to U.S. dollar exchange rate of C$1.30 to US$1.00 as at the Closing Date and that the exchange ratios are as described in the definition of Fund Exchange Ratio.

Mr. Drimmer is not in any way limited by the Fund or affected in his ability to carry on other business ventures for his own accounts and for the accounts of others, other than pursuant to any duties he owes to the Fund, in his capacity as a Director and officer of the General Partner of the Fund, and is now, and intends in the future to be, engaged in the development of, investment in and management of other real estate properties. Mr. Drimmer will not have any obligation to account to the Fund or the Unitholders for profits made in such other activities.

The Manager's continuing businesses, including its role in providing asset management services to other issuers other than the Fund, may lead to conflicts of interest between the Manager and the Fund. The Fund may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the Fund than if it were dealing with a party that was not a significant holder of an interest in the Fund. The agreements that the Fund entered into with the Manager may be amended upon agreement between the parties, subject to Applicable Laws and approval in certain cases of the independent directors. Because of the proposed significant holdings of the principal of the Manager in the Fund, the Fund may not have the leverage to negotiate any required amendments to these agreements on terms as favourable to the Fund as those the Fund would negotiate with a party that was not a significant holder of an interest in the Fund.

In addition, the Directors and officers of the Fund and the Manager may be involved in other ventures in the U.S. multi-family sector with similar investment objectives to the Fund that also target the Primary Markets that may lead to conflicts of interest between such Directors, officers, the Manager and the Fund. As a result, the Fund may not be able to resolve any such conflicts, and, even if it does, the resolution may be less favourable to the Fund than if it were dealing with an arm's length third party. The Fund LP Agreement contains provisions respecting potential conflicts of interest that may arise with Directors of the Fund. See "Description of the Securities Distributed – Units – Distributions". Additionally, the Fund's Board will be comprised of a majority of independent Directors.

14. EXECUTIVE COMPENSATION

14.1 Executive and Director Compensation

The Fund is a recently established entity and has not completed a financial year. For the period from formation on August 26, 2016 to the date of the Prospectus, no compensation was paid by the Fund to the Directors or to the executive officers. The Fund intends to pay Graham Rosenberg and Harry Rosenbaum annual compensation in the amount of C$12,500 per annum. Daniel Drimmer will not be compensated by the Fund for serving as a Director and no compensation will be paid by the Fund to the individuals performing the functions of executive officers of the Fund. The Manager has not yet determined what proportion of the compensation or consulting fees it pays to the individuals performing the functions of executive officers for the Fund will be attributable to the services provided by such individuals to the Fund.

Pursuant to agreements between the Manager, Evan Kirsh and a corporation controlled by Evan Kirsh (the "**Consultant**"), in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, the Manager pays the Consultant a consulting fee (the "**Consulting Fees**"). The Manager (and not the Fund) will be responsible for any such amounts payable to the Consultant. The Manager has not yet determined what proportion of the Consulting Fees it pays to the Consultant will be attributable to the services to be provided by the Consultant to the Fund. In addition, upon completion of a liquidation event in respect of the Fund, the Consultant will be, generally, entitled to payment from the Manager of an amount determined with reference to the amount, if any, by which the aggregate of (i) 25% of the net Acquisition Fees and Asset Management Fees received by the Manager during the Term, and (ii) 25% of the distributions received on class B partnership units of SIP received by the holders thereof, exceeds the proportion of the Consulting Fees paid or payable by the Manager to the Consultant in respect of the services provided by the Consultant to the Fund during the term of the consulting agreement and any amounts payable by the Consultant pursuant to the consulting agreement.

14.2 Long Term Incentive Plan, Stock Appreciation Rights and Stock Option Grants

The Fund does not and will not have a long term incentive plan pursuant to which cash or non-cash compensation has been or will be paid or distributed to any executive officer or Director. The Fund does not and will not have any stock appreciation rights or incentive plans. The Fund has not issued and will not issue any stock options to any executive officer or Director.

14.3 Pension Plan Benefits

The Fund does not have and will not implement a pension plan for its executive officers or Directors.

14.4 Termination of Employment, Change in Responsibilities and Employment Contracts

The Fund has not entered into and will not enter into any employment contracts or arrangements with its executive officers or Directors that provide for any payments in connection with any termination and the Management Agreement will not provide for any incremental payments by the Fund or its Subsidiaries in respect of the Manager's termination of any individuals performing the functions of an executive officer for the Fund.

14.5 Compensation Committee

The Fund does not have a compensation committee.

14.6 Indebtedness of Directors and Executive Officers

None of the Directors or executive officers of the Fund are indebted to the Fund.

15. AUDIT COMMITTEE AND CORPORATE GOVERNANCE

15.1 Audit Committee

The audit committee of the Fund will be comprised of Graham Rosenberg, Harry Rosenbaum and Daniel Drimmer. Graham Rosenberg and Harry Rosenbaum are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent Directors and the Fund is relying on such an exemption in Section 6.1

of NI 52-110. Each of Graham Rosenberg, Harry Rosenbaum, and Daniel Drimmer are financially literate within the meaning of applicable securities laws. See the biographies of Graham Rosenberg, Harry Rosenbaum and Daniel Drimmer above under "Directors and Officers – Name, Address, Occupation and Security Holdings – Personal Profiles" for a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

The audit committee will assist the Fund in fulfilling its responsibilities of oversight and supervision of its accounting and financial reporting practices and procedures, the adequacy of internal accounting controls and procedures, and the quality and integrity of its financial statements. In addition, the audit committee will be responsible for directing the auditors' examination of specific areas, for the selection of the Fund's independent auditors and for the approval of all non-audit services for which its auditors may be engaged.

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, review of the Fund's public disclosure documents that contain financial information, oversight of the work and review of the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this Prospectus as "Schedule A".

At no time since the establishment of the Fund has a recommendation of the audit committee to nominate or compensate an external auditor not been adopted by the Directors. The audit committee has not yet adopted specific policies and procedures for the engagement of non-audit services.

The Fund is recently established and has not yet had a fiscal year end. As a result, there have been no fees billed to the Fund by its auditors, BDO Canada LLP, in respect of the Fund's last two fiscal years.

15.2 Corporate Governance

Following the Closing Date, a majority of the Directors will be independent within the meaning of applicable securities laws. Graham Rosenberg and Harry Rosenbaum are independent Directors. Daniel Drimmer, as Chief Executive Officer of the Fund and owner of the Manager, has a material relationship with the Fund and is therefore not an independent Director.

At each meeting of the Board, there will be an in-camera meeting at which any non-independent Directors and management are not present. The Board has not yet appointed a chair of the Board, but such chair will be required to be independent. The Board has held no meetings since the establishment of the Fund.

The mandate of the Board is one of stewardship and oversight of the Fund and its business. In fulfilling its mandate, the Board will adopt a written charter setting out its responsibility, among other things, for (i) supervising the activities and managing the investments and affairs of the Fund, (ii) approving major decisions regarding the Fund, (iii) overseeing the Manager and the fulfillment of its responsibilities under the Management Agreement, (iv) identifying and managing risk exposure, (v) ensuring the integrity and adequacy of the Fund's internal controls and management information systems, (vi) succession planning, (vii) maintaining records and providing reports to Unitholders, (viii) ensuring effective and adequate communication with Unitholders, other stakeholders and the public, (ix) determining the amount and timing of distributions to Unitholders, and (x) acting for, voting on behalf of and representing the Fund as a holder of Investment LPs Units.

All newly elected Directors will be provided with a comprehensive orientation as to the nature and operation of the business and affairs of the Fund and as to the role of the Board and its committees. The orientation program will be designed to assist the Directors in fully understanding the nature and operation of the Fund's business, the role of the Board and its committees and the contributions that individual directors are expected to make.

The Board has not developed written position descriptions for any committee chairs or the Chief Executive Officer. The Board will delineate the roles and responsibilities of any chair of the Board or of committee chairs by consensus among the Directors from time to time.

The Fund will adopt a written code of business conduct and ethics (the "**Code of Conduct**") that applies to all Directors, officers, and the Manager and its employees. The objective of the Code of Conduct is to provide guidelines for maintaining the integrity, reputation, honesty, objectivity and impartiality of the Fund and its Subsidiaries. The Code of

Conduct will address honest and ethical conduct, conflicts of interest, confidentiality, protection and proper use of the Fund's assets, compliance with laws and reporting any illegal or unethical behavior, prompt internal reporting of any violations of the Code and accountability for adherence under the Code. As part of the Code of Conduct, any person subject to the Code of Conduct will be required to avoid or fully disclose interests or relationships that are harmful or detrimental to the Fund's best interests or that may give rise to real, potential or the appearance of conflicts of interest. The Code of Conduct will also address matters concerning public disclosure and ensure that communications with the public concerning the Fund are timely, consistent and credible, and in accordance with the disclosure requirements under applicable securities laws. The Board will have the ultimate responsibility for the stewardship of the Code of Conduct. The Code of Conduct will also be filed with the Canadian securities regulatory authorities on SEDAR at www.sedar.com.

The Fund will also adopt an insider trading policy (the "**Insider Trading Policy**") which will apply to, among others, all Directors, officers, and the Manager and its employees. The objective of the Insider Trading Policy is to ensure that any purchase or sale of securities occurs without actual or perceived violation of applicable securities laws. The Insider Trading Policy will provide for "blackout" periods during which insiders and other persons who are subject to the policy are prohibited from trading in securities of the Fund. The Insider Trading Policy will also prohibit insiders and other persons who are subject to the policy from trading in securities of the Fund during the period commencing on the first day following the last month of each fiscal quarter and ending 24 hours following the issue of a press release in respect of the Fund's interim or annual financial statements. Additional black-out periods may also be prescribed from time to time by the Fund's administrators of the Insider Trading Policy at any time at which it is determined there may be undisclosed inside information concerning the Fund that makes it inappropriate for personnel to be trading. In such circumstances, the administrators of the Insider Trading Policy will issue a notice instructing these individuals not to trade in securities of the Fund until further notice. This notice will contain a reminder that the fact that there is a restriction on trading may itself constitute inside information or information that may lead to rumours and must be kept confidential.

The standard of care and duties of the Directors provided in the Fund LP Agreement are similar to those imposed on Directors of a corporation governed by the CBCA. Accordingly, each Director is required to exercise the powers and discharge the duties of his or her office honestly, in good faith and in the best interests of the Fund and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent director would exercise in comparable circumstances. The Fund LP Agreement provides that each Director is entitled to indemnification from the Fund in respect of the exercise of the Director's powers and the discharge of the Director's duties, provided that the Director acted honestly and in good faith with a view to the best interests of the Fund or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, where the Director had reasonable grounds for believing that his or her conduct was lawful.

If and when a Director resigns or is unwilling to stand for re-election as a Director, the remaining Directors will identify potential candidates for nomination to the Board, with a view to ensuring overall diversity of experience and skill.

The Board does not have a compensation committee. The Board has no committees other than the audit committee. The Directors will be regularly assessed with respect to their effectiveness and contribution.

16. PLAN OF DISTRIBUTION

16.1 Maximum and Minimum Offering

The Agents, by this Prospectus, are offering to sell to the public in each of the provinces of Canada up to a maximum of US$200,000,000 of Class A Units and/or Class U Units and/or Class D Units and/or Class E Units and/or Class F Units and/or Class H Units and/or Class C Units at a price of C$10.00 per Class A Unit, Class D Unit, Class F Unit, Class H Unit and Class C Unit and US$10.00 per Class E Unit and Class U Unit. The Fund may issue additional limited partnership units, including limited partnership units of a new class, by way of private placement concurrent with the closing of the Offering at a price of C$10.00 or US$10.00, as the case may be, provided that the proceeds of any such private placements together with the proceeds of the Offering, do not exceed the Maximum Offering amount. The terms of the Offering were determined by negotiation between the Agents and the Manager, on behalf of the Fund.

There is currently no market through which the Units may be sold, and such a market may not develop, and Purchasers may not be able to resell securities purchased under this Prospectus. This may affect the pricing and liquidity of the securities in the secondary market, the transparency and availability of trading prices, and the extent of issuer regulation. The Fund has received conditional approval from the Exchange to list the Class A Units and Class U Units distributed under the Offering and any concurrent private placements on the Exchange under the symbols "SUA.A" and "SUA.U", respectively. Listing of the Class A Units and Class U Units is subject to the Fund fulfilling all the requirements of the Exchange on or before December 30, 2016. As at the date of this Prospectus, the Fund does not have any of its securities listed or quoted and has not applied to list or quote any of its securities on the Toronto Stock Exchange, a U.S. marketplace, or any other marketplace within or outside Canada and the U.S.

There will be no closing of the Offering unless the Minimum Offering is achieved. The minimum subscription amount is C$1,000 in respect of the Class A Units and Class F Units; C$10,000 in respect of the Class D Units and Class H Units; US$10,000 in respect of the Class E Units; and US$1,000 in respect of the Class U Units. There is no minimum subscription amount in respect of the Class C Units. The Closing Date of the Offering will not proceed unless all preconditions to the closing of the acquisitions of the Properties comprising the New Portfolio have been satisfied or waived. The Agents will hold in trust all funds received from subscriptions until the Minimum Offering has been raised. If the Minimum Offering is not achieved within the distribution period, the Agents will return the funds to the Purchasers without any deductions.

The Units have not been and will not be registered under the U.S. Securities Act or the securities laws of any states in the U.S. and, subject to certain exceptions, may not be offered or sold in the U.S. The Agents have agreed that they will not offer or sell the Units within the U.S. except to qualified institutional buyers (as defined in Rule 144A under the U.S. Securities Act) or to a limited number of institutional accredited investors (as defined in the U.S. Securities Act). In addition, until 40 days after Closing Date, an offer or sale of Units within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless made in compliance with Rule 144A or another exemption under the U.S. Securities Act.

The Fund and the Manager have agreed to indemnify the Agents and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under Canadian securities legislation, and to contribute to any payments the Agents may be required to make in respect thereof.

16.2 Timing of Distribution

The Closing Date is expected to be on or about October 17, 2016 or such later date as the Fund and the Agents may agree, but in any event not later than December 15, 2016. There will be no closing of the Offering unless the Minimum Offering is achieved. The distribution under the Offering will not continue for a period of more than 90 days after the date of the receipt obtained from the principal securities regulatory authority for the Final Prospectus. If one or more amendments to the Final Prospectus are filed and the principal securities regulatory authority has issued a receipt for any such amendment, the distribution under this Offering will not continue for a period of more than 90 days after the latest date of a receipt for any such amendment. In any case, the total period of distribution under the Offering will not continue for a period of more than 180 days from the date of the receipt for the Final Prospectus. If the Minimum Offering is not achieved during the 90 day period, subscription funds received by the Agents will be returned to subscribers without any deductions, unless the subscribers have otherwise instructed the Agents.

16.3 Subscription Procedure

The acceptance of an offer to purchase Units, whether by allotment in whole or in part, by the General Partner shall constitute a subscription agreement between the subscriber and the Fund upon the terms and conditions set out in this Prospectus and in the Fund LP Agreement, whereby the subscriber, among other things:

(a) agrees to provide certain information to the General Partner, including such subscriber's full name, residential address, business or corporation account number, as the case may be, number of Units subscribed for and the name and registered representative number of the representative of the Agents responsible for such subscription and covenants to provide such information to the Agents;

(b) acknowledges that he is bound by the terms of the Fund LP Agreement and is liable for all obligations of a Unitholder;

(c) makes the representations and warranties set out in the Fund LP Agreement; and

(d) irrevocably nominates, constitutes and appoints the General Partner as his true and lawful attorney with the full power and authority as set out in the Fund LP Agreement.

The foregoing subscription agreement shall be evidenced by delivery of this Prospectus to the subscriber, provided that the subscription has been accepted by the General Partner on behalf of the Fund.

A subscriber whose subscription is accepted by the General Partner will become a Unitholder upon the amendment of the record of Unitholders maintained by the General Partner. If a subscription is withdrawn or is not accepted by the General Partner, all documents and subscription monies will be returned to the subscriber, without interest, within 15 days following such withdrawal or rejection.

16.4 Agency Agreement

Pursuant to an Agency Agreement made as of October 12, 2016, the Agents have agreed to conditionally offer the Units on a best efforts basis, subject to prior sale, if, as and when issued by the Fund and accepted by the Agents in accordance with the conditions contained in the Agency Agreement, in consideration of the Agents' Fee equal to the aggregate of 5.25% of the aggregate purchase price of Class A Units and/or Class U Units and/or Class D Units and/or Class E Units and/or Class H Units, and 2.25% of the aggregate purchase price of Class F Units, sold under the Offering. The Agents' Fee for the Class A Units, Class D Units, Class E Units, Class H Units and Class U Units includes a selling concession of 3%. No Agents' Fee or other commissions are payable in connection with the issuance of Class C Units.

The obligations of the Agents under the Agency Agreement may be terminated at any time at the Lead Agent's discretion on the basis of its assessment of the state of the financial markets and may also be terminated at any time on the occurrence of certain stated events.

Currently, the Agents do not beneficially own, directly or indirectly, any securities of the Fund. Other than as disclosed in this section, there are no payments in cash, securities or other consideration being made, or to be made, to a promoter, finder, or any other person or company in connection with this Offering.

Registration and transfers of Units will be effected through the book-based system administered by CDS. A book-based certificate representing each class of Units may be issued in registered form only to CDS or its nominee, and then deposited with CDS on the Closing Date. A Purchaser will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. Beneficial owners of Units (other than any Units to be held in escrow in accordance with National Policy 46-201 – *Escrow for Initial Public Offerings*) will not have the right to receive physical certificates evidencing their ownership of such securities.

Registration and transfers of Units will be effected by Equity Financial Trust Company as transfer agent.

16.5 Relationship Between the Fund and the Lead Agent

U.S. REIT5 will be indirectly acquiring City North Acquisition LLC, which secured a first Mortgage Loan in respect of the purchase of Sunrise Ranch, in the aggregate amount of approximately US$35,496,000 as of the date of closing, with a Canadian chartered bank that is an Affiliate of the Lead Agent. Other than for standard exclusions such as fraud, gross negligence and environmental hazards, the Mortgage Loans will be non-recourse to U.S. REIT5. To the knowledge of the Fund, City North Acquisition LLC is in compliance with the terms of the Mortgage Loan.

Mortgage Loans with a Canadian chartered bank that is an Affiliate of the Lead Agent indirectly assumed by the Fund through its acquisition of the Existing Starlight Funds pursuant to the Reorganization amount to approximately US$179,000,000, in aggregate, as of the Closing Date, The Mortgage Loans are secured by the Properties comprising the Existing Portfolio and, other than for standard exclusions such as fraud, gross negligence and environmental hazards, will be non-recourse to the respective U.S. REIT. Each U.S. REIT or its respective Subsidiaries is in compliance with the terms of the Mortgage Loan.

Furthermore, the Canadian chartered bank affiliate of the Lead Agent will be the counterparty to the derivative instruments to be acquired by the Fund in connection with the Class H Unit Liquidation Hedge as well as future derivative instruments intended to hedge, in whole or in part, against the Fund's foreign currency risk in respect of the U.S. dollar amounts it will be required to convert into Canadian dollars to pay expected distributions on the Canadian Dollar Units or to hedge, in whole or in part, its foreign currency and interest rate risk.

In addition, the Canadian chartered bank affiliate of the Lead Agent has provided a credit facility in the amount of up to US$25,000,000 to the Fund. Such facility will only be drawn upon in the event that the Gross Subscription Proceeds from the Offering are less than US$49,657,901, in which case, such facility will be drawn on the Closing Date in an amount equal to the difference between the Gross Subscription Proceeds and US$49,657,901.

As a result of the Mortgage Loans, the Class H Unit Liquidation Hedge, other derivative instruments and the credit facility, the Fund may be considered a "connected issuer" of the Lead Agent, as such term is defined in National Instrument 33-105 – *Underwriting Conflicts*. See "Description of the Activities of the Fund – The New Portfolio – Financing of the New Portfolio". The decision to issue the Units and the determination of the terms of the Offering were made through negotiation between the Lead Agent and the Manager, on behalf of the Fund. The Canadian chartered bank that is an Affiliate of the Lead Agent did not have any involvement in such decision or determination. As a consequence of the Offering, the Lead Agent will receive its proportionate share of the Agents' Fee. See "Use of Proceeds".

16.6 Price Stabilization, Short Positions and Passive Market Making

In connection with the Offering, the Agents may effect transactions which stabilize or maintain the market price of the Class A Units and/or Class U Units at levels other than those which otherwise might prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Class A Units and/or Class U Units while the Offering is in progress. These transactions may also include making short sales of the Class A Units and/or Class U Units, which involve the sale by the Agents of a greater number of Units than they are required to purchase in the Offering. Filling of the short position created by the over-allocation position in Class A Units and/or Class U Units through purchases in the market will create upward pressure on the price of the Class A Units and/or Class U Units. As a result of these activities, the price of the Class A Units and/or Class U Units may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Agents at any time. The Agents may carry out these transactions on any stock exchange on which the Class A Units and/or Class U Units are listed, in the over-the-counter market, or otherwise.

17. CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Blake, Cassels & Graydon LLP, counsel to the Fund, and McCarthy Tétrault LLP, counsel to the Agents, the following is a summary of the principal Canadian federal income tax considerations generally applicable to a Unitholder who acquires Units as beneficial owner pursuant to the Offering and who, for purposes of the Tax Act and at all relevant times, is resident in Canada, deals at arm's length with the Fund, the General Partner, each of the U.S. REITs and the Manager, is not affiliated with the Fund, the General Partner, any of the U.S. REITs or the Manager and holds the Units as capital property (a "**Holder**"). Generally, Units will be considered to be capital property to a Holder provided such Units are not held in the course of carrying on a business and have not been acquired in one or more transactions considered to be an adventure or concern in the nature of trade. The Units are not "Canadian securities" for the purpose of the one-time election under subsection 39(4) of the Tax Act to treat all "Canadian securities", as defined in the Tax Act, owned by a Holder as capital property, and therefore no such election will apply to the Units. Unitholders who do not hold their Units as capital property should consult with their own tax advisors regarding their particular circumstances.

This summary does not apply to a Holder who holds more than one class of Units at any particular time. The CRA has expressed the view that all interests in a particular partnership held by a taxpayer (such as different classes of Units) should be treated as a single property for purposes of the Tax Act, including for purposes of determining the adjusted cost base of such interests. Holders who intend to hold more than one class of Units should consult their own tax advisors in this regard.

This summary is not applicable to a Holder (i) that is a "financial institution" as defined in subsection 142.2(1) of the Tax Act, (ii) that is a "specified financial institution" as defined in the Tax Act, (iii) that reports its "Canadian tax results", as defined in the Tax Act, in a currency other than Canadian currency, (iv) an interest in which would be a "tax shelter investment" as defined in the Tax Act, (v) that has, directly or indirectly, a "significant interest" as defined in subsection 34.2(1) of the Tax Act in the Fund, (vi) of which any affiliate of the Fund is or was at any relevant time a "foreign affiliate" for any purpose of the Tax Act (including for the purposes of any "specified provision" listed in paragraphs 93.1(1.1)(a-d) of the Tax Act) or (vii) that has entered into or will enter into, with respect to the Units, a "derivative forward agreement" as that term is defined in the Tax Act. Such Holders are urged to consult their own tax advisors. In addition, this summary does not address the deductibility of interest expense or other expenses incurred by a Holder in connection with debt incurred in connection with the acquisition or holding of Units.

This summary assumes that: (i) the Fund (and each Unit) is not a "tax shelter" or "tax shelter investment", each as defined in the Tax Act, (ii) Units that represent more than 50% of the fair market value of all interests in the Fund are held at all relevant times by Unitholders that are not "financial institutions" as defined in the Tax Act, and (iii) no interest in any Unitholder is a "tax shelter investment" as defined in the Tax Act. However, no assurances can be given in this regard.

This summary is of a general nature only and is based upon the facts and assumptions set out in this Prospectus. This summary relies upon a certificate of an officer of the Fund as to certain factual matters (the "**Tax Certificate**"). This summary is based on the current provisions of the Tax Act, the regulations made thereunder (the "**Regulations**"), all specific proposals to amend the Tax Act and the Regulations publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**") and counsel's understanding of the current administrative policies and assessing practices of the CRA made publicly available prior to the date hereof. This summary assumes that the Tax Proposals will be enacted as proposed, but no assurance can be given that this will be the case. Modification or amendment of the Tax Act, the Regulations or the Tax Proposals could significantly alter the tax status of the Fund and its Subsidiaries and the tax consequences of holding Units.

THIS SUMMARY IS NOT EXHAUSTIVE OF ALL POSSIBLE CANADIAN FEDERAL INCOME TAX CONSEQUENCES AND, EXCEPT FOR THE TAX PROPOSALS, DOES NOT TAKE INTO ACCOUNT OR ANTICIPATE ANY CHANGES IN LAW, WHETHER BY LEGISLATIVE, GOVERNMENTAL, ADMINISTRATIVE OR JUDICIAL ACTION, NOR DOES IT TAKE INTO ACCOUNT PROVINCIAL OR FOREIGN TAX LEGISLATION OR CONSIDERATIONS, WHICH MAY DIFFER FROM THE CANADIAN FEDERAL INCOME TAX CONSIDERATIONS DESCRIBED HEREIN. THIS SUMMARY IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY PROSPECTIVE UNITHOLDER. ACCORDINGLY, PROSPECTIVE UNITHOLDERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM HAVING REGARD TO THEIR OWN PARTICULAR CIRCUMSTANCES.

Taxation of the Partnerships

This summary assumes that neither the Fund nor any of the Subsidiary Partnership Entities (each individually a "**Partnership**" and collectively the "**Partnerships**") is a "SIFT partnership" (as defined in the Tax Act). Provided that the Partnerships do not at any relevant time hold any "non-portfolio property" (as defined in the Tax Act), they will not be SIFT partnerships. Each of the LP Agreements prohibits or will prohibit the relevant Partnership from owning any non-portfolio property.

If any of the Partnerships were to become a SIFT partnership, the income tax considerations described below would, in some respects, be materially and adversely different.

The Partnerships are generally not subject to tax under the Tax Act. Each partner of a Partnership is required to include (or entitled to deduct) in computing its income for a particular taxation year, its share of the income (or loss) of such Partnership (subject, in the case of a loss, to the application of the "at risk rules" described below) for the fiscal period of the Partnership ending in, or coincidentally with, such taxation year, whether or not such partner has received any distributions from the Partnership in the year. For this purpose, the income or loss of each Partnership will be computed for each fiscal period as if such Partnership were a separate person resident in Canada and will be allocated to its partners on the basis of their respective shares of that income or loss as provided for in the agreement governing such Partnership. The fiscal period of each Partnership ends on December 31 of each year. In computing the income or loss of the Partnerships, the Partnerships are entitled to deduct reasonable administrative and other expenses incurred by them to earn income. In addition, the Fund will generally be entitled to deduct reasonable costs and expenses incurred by the Fund and not reimbursed in connection with the issuance of Units on a five-year basis at a rate of 20% per taxation year, subject to pro-ration for short taxation years.

The income (or loss) of a particular Partnership will include its share of the income (or loss, subject to the "at risk" rules described below) of another Partnership of which the particular Partnership is a partner (a "**Subsidiary Partnership**"), as determined in accordance with the Subsidiary Partnership's partnership agreement. The source and character of amounts included in (or deducted from) the income of a Partnership on account of income (or loss) of a Subsidiary Partnership generally will be determined by reference to the source and character of such amounts when earned by such Subsidiary Partnership.

The income of each Holding LP for purposes of the Tax Act for a fiscal period will include any dividends received or deemed to be received by such Holding LP in the fiscal period on shares of a U.S. REIT as well as taxable capital gains, if any, realized by such Holding LP during the fiscal period on dispositions (or deemed dispositions) of such shares. For these purposes, an amount will be deemed to be a dividend received by a Holding LP on a share of a U.S. REIT where the amount is the share's portion of a pro rata distribution made in respect of all the shares of that class (other than a distribution made in the course of a liquidation and dissolution of such U.S. REIT, on a redemption, acquisition or cancellation of the share by such U.S. REIT, or on a "qualifying return of capital" in respect of the share). A distribution made by a U.S. REIT in respect of its shares that is a reduction of the paid-up capital of such U.S. REIT in respect of such shares may, in certain circumstances, be treated as a qualifying return of capital if an election is made, such that the distribution would not be included in income of the applicable Holding LP but rather applied to reduce such Holding LP's adjusted cost base in the relevant shares. If at any time the adjusted cost base of shares of a U.S. REIT held by a particular Holding LP would become a negative amount, such Holding LP will be deemed to have realized a capital gain equal to such amount. In the Tax Certificate, the General Partner has advised that each Holding LP will take the position that any gains and losses realized on a disposition (including a redemption) of any share of a U.S. REIT are capital gains and capital losses. Accordingly, the income of each Holding LP for purposes of the Tax Act will also include the taxable portion of any capital gain (or the allowable portion of any capital loss) realized by such Holding LP during a fiscal period of such Holding LP on a disposition (including a redemption) of any share of a U.S. REIT. The treatment of capital gains and capital losses is generally described below under "Taxation of Unitholders – Capital Gains and Losses". Where capital losses are realized by a Holding LP on a disposition of shares of a U.S. REIT, such losses may, under certain circumstances, either be suspended or be denied and added to the adjusted cost base to the Holding LP of its remaining shares of the applicable U.S. REIT. The income of each Holding LP will also include all interest on U.S. REITs Notes (if any) that accrues to such Holding LP to the end of each year, except to the extent that such interest was included in its income for a preceding taxation year; and, assuming such notes are held by the applicable Holding LP as capital property, the taxable portion of any capital gains realized on a disposition of such notes. The income of each Partnership should generally be considered as income from a source in the U.S., except to the extent that such income is received from a Subsidiary Canadian Corporation as discussed in more detail below or to the extent that such income arises from hedging transactions entered into with Canadian counterparties.

The income of Fund2 and of the Fund, respectively, for a fiscal period will also include any dividends received or deemed to be received by such Partnership in the fiscal period on shares of Travesia ULC or Campar held by such Partnership as well as taxable capital gains, if any, realized by such Partnership during the fiscal period on dispositions (or deemed dispositions) of such shares.

To the extent that any "controlled foreign affiliate" ("**CFA**") of a Holding LP or any direct or indirect subsidiary thereof earns income that is characterized as "foreign accrual property income" ("**FAPI**") as such terms are defined in the Tax Act in a particular taxation year of the CFA, the amount of such FAPI allocable to the applicable Holding LP must be included in computing the income of such Holding LP for purposes of the Tax Act for the fiscal period of such Holding LP in which the taxation year of the CFA ends, whether or not such Holding LP actually receives a distribution of that FAPI. Dividends received by a Holding LP (including amounts deemed to be dividends received as described above) from a U.S. REIT or any other CFA will be included in computing the income of such Holding LP, however, a deduction will be available to the extent that such Holding LP has included such amount in its income as FAPI.

FAPI does not include income from a business carried on by a CFA that is an "active business" within the meaning of the FAPI provisions of the Tax Act. This should generally include income of a CFA where, throughout the period in the taxation year during which the business was carried on, the business is the leasing of property conducted principally with persons with whom the CFA deals at arm's length for purposes of the Tax Act and the CFA employs more than five employees full-time in the active conduct of the business (the "**Employee Exception**") and should also generally include income derived by a CFA from activities that can reasonably be considered to be directly related to active business activities carried on in a country other than Canada by another CFA (including a CFA that is considered to carry on an active business by virtue of the Employee Exception) to the extent that such income would, if it were earned by such other CFA, be included in computing amounts prescribed to be its earnings or loss from an active business carried on in a country other than Canada for purposes of the FAPI provisions of the Tax Act (the "**Direct Relation Exception**"). The Fund has represented that it intends that any CFA held by each Holding LP will either meet the Employee Exception or the Direct Relation Exception at all relevant times or will not have any material income other than dividends (including amounts deemed to be dividends) received on shares of other CFAs of such Holding LP, in which case no Holding LP should be required to include any material amount of FAPI in computing its income for purposes of the Tax Act. If, notwithstanding such representation, a U.S. REIT or any other CFA of a particular Holding LP fails to meet the Employee Exception or the Direct Relation Exception throughout a particular taxation year, an amount of FAPI may be required to be included in computing the income of such Holding LP for purposes of the Tax Act, and an amount may be deductible in respect of the "foreign accrual tax" as defined in the Tax Act ("**FAT**") applicable to such FAPI. As each U.S. REIT intends to qualify as a real estate investment trust for U.S. federal income tax purposes at all relevant times, there can be no assurance that any such deduction in respect of FAT will be available to apply against any FAPI in respect of a U.S. REIT or any of its subsidiaries if such U.S. REIT or any such subsidiary fails to meet the Employee Exception or the Direct Relation Exception in a particular year.

Any amount of FAPI included in income of a Holding LP (net of the amount of any applicable FAT deduction) will increase the adjusted cost base to such Holding LP of its shares of the applicable U.S. REIT or other CFA in respect of which such FAPI was included. At such time as a Holding LP receives a dividend of this type of income that was previously treated as FAPI (net of the amount of any applicable FAT deduction) from a U.S. REIT or other CFA, that dividend will effectively not be included in computing the income of such Holding LP and there will be a corresponding reduction in the adjusted cost base to such Holding LP of its shares of the applicable U.S. REIT or other CFA, as the case may be.

In the Tax Certificate, the General Partner has stated that it intends to consent on behalf of the Fund, and to cause the Fund's Subsidiaries to similarly consent, where necessary to the filing of "consent dividend" U.S. tax elections under section 565 of the Code in respect of shares of any U.S. REIT, where such consent dividends are necessary for such U.S. REIT to distribute any balances of taxable income for U.S. tax purposes that have not been distributed by dividends paid with cash. In general terms, a "consent dividend" election would give rise to a dividend deemed paid by the applicable U.S. REIT for U.S. tax purposes (without a corresponding amount of cash being distributed to the Fund, through the applicable Holding LP, the applicable Investment LP and, except in the case of U.S. REIT5, the applicable Existing Starlight Funds) together with a U.S. withholding tax liability to be paid by such U.S. REIT or Holding LP on behalf of its shareholders. The CRA has stated that generally, "consent dividends" under the Code in respect of shares of U.S. corporations are not dividends required to be included in the income of the holders of such shares for purposes of the Tax Act, nor would such consent dividends result in an increase to the adjusted cost base of such shares. However, the CRA has also expressed the view that the amount of any U.S. tax remitted by a U.S. corporation on behalf of a shareholder in respect of dividends deemed paid for U.S. tax purposes by virtue of a consent dividend election would constitute a taxable benefit conferred on such shareholder, but such amount would also qualify as non-business income tax for purposes of the provisions of the Tax Act governing foreign tax credits and foreign tax deductions. Consequently, on the basis of the foregoing, the Fund has advised that it intends to include in computing the Fund's income (as derived through the Existing Starlight Funds, the Investment LPs and the Holding LPs) for purposes of the Tax Act an amount equal to the amount of any U.S. tax remitted by the Holding LPs or U.S. REITs with respect to consent dividend elections (other than any portion of such tax remitted in respect of Campar which, based on the foregoing, would be included in Campar's income), and the amount of any such U.S. tax attributable to a particular Unitholder will be allocated to such Unitholder and should be treated as non-business income tax from a U.S. source in determining such Unitholder's entitlement to foreign tax credits and foreign tax deductions, subject to the detailed rules in the Tax Act in this regard. See "– Taxation of Unitholders – Foreign Tax Credits and Deductions" below.

The Tax Act contains rules (the "**at-risk rules**") which, in general, will limit the ability of a limited partner of a Partnership to deduct in a taxation year its share of any loss of the Partnership (other than a capital loss) for a fiscal period ending in that taxation year to its "at-risk amount" in respect of such Partnership at the end of that fiscal period. In general, the "at risk amount" of an investor in respect of a limited partnership at the end of any fiscal period will be the adjusted cost base of the investor's partnership interest at the end of the fiscal period, plus any income allocated to the limited partner for the fiscal period and minus the amount of any guarantee or indemnity provided to the limited partner (or a person not dealing at arm's length) against the loss of the limited partner's investment.

The Partnerships will enter into transactions denominated in currencies other than the Canadian dollar, including the Fund's investment in the Investment LPs Units, each Investment LP's investment in Holding LPs Units, and each Holding LP's investment in U.S. REITs Common Stock, U.S. REITs ROC Shares and U.S. REITs Notes (if any). The cost and proceeds of disposition of such investments, the amount of any dividends, interest distributions received thereon, and all other amounts will be determined for the purposes of the Tax Act in Canadian dollars using the appropriate exchange rates in accordance with the detailed rules in the Tax Act. The amount of income, gains and losses realized by the Partnerships may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar.

Gains or losses of the Fund in respect of derivatives (including currency hedges) will generally be on income account, except where such derivatives are used to hedge investments or other transactions on capital account and there is sufficient linkage, in which case such gains or losses will be treated as capital gains or capital losses, subject to the DFA Rules discussed below. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from the CRA. Any such gains or losses will be recognized by the Fund when realized.

The Tax Act contains rules (the "**DFA Rules**") that target certain financial arrangements (described in the DFA Rules as "derivative forward agreements") that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions. If the DFA Rules were to apply in respect of any derivative contracts entered into by the Fund or its subsidiaries, gains realized in respect of the property underlying such derivatives could be treated as ordinary income. Certain Tax Proposals released on September 16, 2016, if enacted in the form proposed, should clarify that the DFA Rules generally should not apply to foreign currency hedges.

Taxation of Unitholders

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Units must be expressed in Canadian dollars. Amounts denominated in another currency (such as amounts relating to the Class E Units and Class U Units) generally must be converted into Canadian dollars based on the exchange rate quoted by the Bank of Canada for noon on the date such amounts arise or such other rate of exchange as is acceptable to the Minister of National Revenue (Canada) (the "**Minister**"). Pursuant to Tax Proposals released on September 16, 2016, beginning on March 1, 2017, the relevant exchange rate for converting such amounts will be the single rate quoted by the Bank of Canada on the date such amounts arise or such other rate of exchange as is acceptable to the Minister. Holders of Units may realize gains or losses by virtue of fluctuations in the value of the U.S. dollar relative to the Canadian dollar.

Allocation of Income or Loss

In computing its income for each taxation year, each Holder will be required to include (or entitled to deduct) its share of the income (or loss) of the Fund for the fiscal period of the Fund ending in the taxation year subject, in the case of a loss, to the application of the "at-risk" rules described above. Special rules apply for purposes of determining the at-risk amount of Holders of Units that were not purchased from the Fund. The at-risk rules are highly technical and complex. Holders should consult their own tax advisors for specific advice with respect to the computation of their at-risk amounts having regard to their particular circumstances, including the extent to which any amount is required to be deducted from the at-risk amount in respect of the former indirect owners of the Existing Starlight Funds Carried Interests' obligation to pay the Minimum Return Support Amount as described under "Description of the Securities Distributed – Starlight Investment Partnership – Distributions". A Holder's share of the Fund's income must (or loss may, subject to the at-risk rules) be included (or deducted) in determining the Holder's income (or loss) for the year, whether or not any distribution has been made by the Fund.

The adjusted cost base of the Units held by a Holder will be increased (or decreased) at a particular time by such Holder's share of the amount of income (or losses, other than losses the deductibility of which was denied by the at-risk rules) of the Fund for a fiscal period of the Fund ended before that time, and will be reduced by all distributions of cash or other property made by the Fund to such Holder on the Units before that time. If at the end of any fiscal period of the Fund, the adjusted cost base of the Units held by a Holder would otherwise be a negative amount, the Holder will be deemed to have realized a capital gain equal to such negative amount and the adjusted cost base of the Units held by such Holder will be increased by the amount of such deemed capital gain.

In general, a Holder's share of any income or loss of the Fund from a particular source will be treated as if it were income or loss of the Holder from that source, and any provisions of the Tax Act applicable to that type of income or loss will apply to the Holder with respect thereto. The source and character of an amount included in or deducted from the income of a Holder will generally be determined by reference to the source and character of such amounts when earned by the Partnerships.

To the extent that dividends received or deemed to be received by the Fund from taxable Canadian corporations (including any dividends received from the Subsidiary Canadian Corporations, whether received directly or allocated to the Fund by a Subsidiary Partnership) are included in computing the income or loss of the Fund allocated to a Holder for a fiscal period of the Fund, the normal gross-up and dividend tax credit rules, including the enhanced gross-up and dividend tax credit rules in respect of dividends designated by the corporation as "eligible dividends" will apply, the dividend deduction in computing taxable income of a Holder that is a corporation will generally be available, and the refundable tax under Part IV of the Tax Act may be payable by Unitholders that are "private corporations" (as defined in the Tax Act) and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals.

The portion of any capital loss of the Fund from a disposition or deemed disposition of a share of a Subsidiary Canadian Corporation which is allocated to a Holder that is a corporation may in certain circumstances be reduced by the amount of dividends received by the Fund (or a Subsidiary Partnership) on such share. Analogous rules apply to a Unitholder that is a partnership or trust, of which a corporation, partnership or trust is a membership or beneficiary.

Foreign Tax Credits and Deductions

Foreign taxes paid by the Partnerships and taxes withheld at source by or on behalf of the U.S. REITs or the Holding LPs (other than for the account of a particular limited partner) will be allocated pursuant to the Holding LPs Agreements, the Investment LPs Agreements, the Lower-Tier Fund LP Agreements, the SIP Agreement and the Fund LP Agreement. To the extent that U.S. tax is payable by one of the Partnerships or is withheld by or on behalf of the applicable U.S. REIT or Holding LP in respect of distributions to an Investment LP or to SIP, the amount of such U.S. tax attributable to a particular Holder may be deductible from such Holder's Canadian federal income tax otherwise payable for that year (a "**foreign tax credit**"), or may be deductible in computing the Holder's income for Canadian tax purposes for that year (a "**foreign tax deduction**"), as described in the ensuing paragraphs. In order to claim such a foreign tax credit or foreign tax deduction, in the event that any U.S. tax withheld from a particular amount does not represent the final U.S. income tax liability for the year, the applicable Investment LP must file a U.S. federal income tax return to establish the final U.S. income tax liability in respect of such amount. The General Partner has advised that each of the Investment LPs and SIP intend to file any such U.S. federal income tax returns as may be required to permit Holders to claim such foreign tax credits and/or foreign tax deductions as described above.

No foreign tax credit or foreign tax deduction will be available to a Unitholder in respect of U.S. taxes withheld from distributions to or otherwise paid by the Subsidiary Canadian Corporations, though such corporations themselves may be able to claim a foreign tax credit or foreign tax deduction in respect of such taxes subject to the detailed rules and limitations set forth in the Tax Act. Unitholders should also be aware that income received by the Fund (directly or indirectly) through a Subsidiary Canadian Corporation generally will not qualify as foreign source income for purposes of the Tax Act. In addition, in certain circumstances capital gains realized by the Fund or its Subsidiaries on dispositions of securities of subsidiary entities may not qualify as foreign source income for purposes of the Tax Act.

The U.S. tax paid for a taxation year that is attributable to a particular Holder will generally be characterized as "non-business income tax", as defined in the Tax Act, except in the case of a Holder that is an individual to the extent that the amount of such tax exceeds 15% of the Holder's share of the Fund's income for the year (excluding the Holder's share of any income of the Fund derived through a Subsidiary Canadian Corporation which, as noted above, will not be considered to be foreign source income for purposes of the Tax Act). Such non-business income tax may be deductible as a foreign tax credit from the Holder's Canadian federal income tax otherwise payable for that year as it relates to the Holder's share of non-business income from U.S. sources to the extent that such tax has not been deducted in computing the Holder's income. To the extent that such U.S. tax attributable to a Holder that is an individual exceeds 15% of the Holder's share of the Fund's income for the year (excluding the Holder's share of any income of the Fund derived through a Subsidiary Canadian Corporation), such excess may generally be deducted by the Holder as a foreign tax deduction in computing the Holder's net income for such year for purposes of the Tax Act, subject to the rules and limitations contained in the Tax Act.

A Holder's ability to apply U.S. taxes in the foregoing manner may be affected where the Holder does not have sufficient taxes otherwise payable under Part I of the Tax Act or sufficient U.S. source income in the taxation year in which the U.S. taxes are paid or has other U.S. source income or losses, has paid other U.S. taxes or, in certain circumstances, has not filed a U.S. federal income tax return where required for the relevant taxation year. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited and a Holder who is an individual will generally be limited to a foreign tax deduction to the extent that the relevant U.S. tax exceeds 15% of the related U.S. source income as discussed above. Because of this, and because of timing differences in recognition of expenses and income and other factors, there is a risk of double taxation. Prospective Purchasers should consult their own tax advisors regarding their ability to claim foreign tax credits or foreign tax deductions.

The foregoing mechanism for recognition of U.S. taxes for purposes of the Tax Act through foreign tax credits or foreign tax deductions does not apply to Holders that are Plans. In reference to the matters set out under the heading "Certain U.S. Federal Income Tax Considerations", to the extent that an annuitant, a beneficiary or a holder of a Plan that is a Holder files a U.S. federal income tax return and receives a U.S. tax refund of (or claims a foreign tax credit or a foreign tax deduction for an amount in respect of) all or a portion of the amounts withheld by or on behalf of a U.S. REIT or a Holding LP, such annuitant, beneficiary or holder may, in certain circumstances, be required to include, in computing income for purposes of the Tax Act, or to pay a penalty tax on, an applicable portion of such amount of U.S. tax as a benefit or advantage received out of or under the Plan. Annuitants, beneficiaries or Holders that are Plans should consult their own tax advisors in this regard.

The Tax Act contains anti-avoidance rules designed to address certain transactions specifically designed to generate foreign tax credits (the "**FTC Generator Rules**"). Under the FTC Generator Rules, the foreign "business income tax" or "non-business income tax" eligible for a foreign tax credit for a Holder for any taxation year may be limited in certain circumstances, including where such Holder's direct or indirect share of the income of one or more Partnerships under the income tax laws of a country other than Canada (e.g. the U.S.) under whose laws the income of such Partnership is subject to taxation, is less than such Holder's share of such income for purposes of the Tax Act. Although the FTC Generator Rules are not expected to apply to the Fund or to its Unitholders in respect of the Fund, no assurances can be given in this regard.

Conversion of Convertible Units

Holders of Convertible Units should consult their own tax advisors regarding the consequences of converting their Convertible Units into Class A Units, Class D Units, Class E Units or Class U Units, as applicable, including whether or not such a conversion will constitute a taxable disposition of such Convertible Units and, in the case of Class A Units or Class U Units held by trusts governed by Plans, whether Class D Units or Class E Units are qualified investments for trusts governed by such Plans (see "Eligibility for Investment").

Disposition of Units

Upon the disposition or deemed disposition of Units by a Holder, the Holder generally will realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition are greater (or less) than the aggregate of the Holder's adjusted cost base of the Units immediately before such disposition and any reasonable costs of disposition.

The adjusted cost base to a Holder of a Unit acquired pursuant to this Offering generally will include (i) all amounts paid by the Holder for the Unit (excluding any portion thereof financed with limited recourse indebtedness); plus (ii) the pro rata share of the income of the Fund allocated to the Holder pursuant to the terms of the Fund LP Agreement for fiscal periods of the Fund ending before the relevant time; less (iii) the aggregate pro rata share of losses of the Fund allocated to the Holder (except to the extent the Holder was precluded from deducting such losses in computing income due to the application of the at-risk rules) for the fiscal periods of the Fund ending before the relevant time; and less (iv) distributions from the Fund received by the Holder before the relevant time. For purposes of determining the adjusted cost base to a Holder, when a Unit is acquired, the cost of the newly-acquired Unit will be averaged with the adjusted cost base immediately before that time of all Units owned by such holder as capital property.

Where a Holder disposes of all of its Units, it will no longer be a partner of the Fund. If, however, a Holder is entitled to receive a distribution from the Fund after such disposition, then such Holder will be deemed to dispose of the Units at the later of: (i) the end of the fiscal period of the Fund during which the disposition occurred, and (ii) the date of the last distribution made by the Fund to which such Holder was entitled. The pro rata share of income (or loss) of the Fund for tax purposes for a particular fiscal period which is allocated to a Holder who has ceased to be a partner will generally be added (or deducted) in the computation of the adjusted cost base of the Holder's Units immediately prior to the time of disposition. These rules are complex and Holders should consult their own tax advisors for advice with respect to the specific tax consequences to them of disposing of Units.

It is expected that a Holder generally will not be subject to U.S. taxes on a disposition of Units. See "Certain U.S. Federal Income Tax Considerations – U.S. Federal Income Taxation of the Non-U.S. Unitholders – Disposition of Units by Non-U.S. Unitholders" below. In the event that U.S. tax did apply to a disposition of Units by a Holder, such Holder should consult with their own tax advisors as to whether such taxes would be eligible for a foreign tax credit or foreign tax deduction under the Tax Act.

Termination of the Fund

Upon the termination of the Fund, generally, Fund property that is distributed to a Holder will be deemed to have been disposed of by the Fund for its fair market value and acquired by the Holder at a cost equal to the same amount. Generally, each Holder will be deemed to dispose of his or her Units at that time for proceeds of disposition equal to the fair market value of the property received from the Fund in respect of those Units. Fund property (other than cash) distributed to a Holder on termination of the Fund likely would not be a qualified investment under the Tax Act for trusts governed by Plans. If such property is not a qualified investment for trusts governed by Plans, such trusts (and, in the case of certain Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences including, in the case of RESPs, revocation of such Plans. Unitholders should consult their own tax counsel for advice on whether or not such property would be qualified investments for trusts governed by Plans in their particular circumstances.

A capital gain (or capital loss) will be realized by a Holder on the disposition of such Units to the extent that such proceeds, net of reasonable disposition costs, exceed (or are less than) the adjusted cost base of the Holder's Units, calculated as described above. In addition, the amount, if any, by which the adjusted cost base to a Holder of his or her Units is negative, will be deemed to be a capital gain of the Holder from a disposition of those Units.

Any income, capital gain or loss realized by the Fund on the disposition of property in the fiscal period ending as a result of the termination of the Fund will be included in the income or loss of the Fund for that fiscal period and allocated to the partners in accordance with the Fund LP Agreement.

Capital Gains and Losses

One-half of any capital gain realized by a Holder from a disposition, or deemed disposition, of Units will be included in the Holder's income under the Tax Act as a "taxable capital gain". One-half of any capital loss (an "**allowable capital loss**") realized on the disposition, or deemed disposition, of a Unit must generally be deducted against any taxable capital gains realized by the Holder in the year of disposition. Any excess of allowable capital losses over taxable capital gains for the year may generally be carried back to the three preceding taxation years or carried forward to any subsequent taxation year and applied against net taxable capital gains in those years, subject to the detailed rules contained in the Tax Act.

Alternative Minimum Tax

A Holder who is an individual or trust (except for certain trusts) may have an increased liability for alternative minimum tax as a result of capital gains realized on a disposition of Units or the allocation of income or capital gains by the Fund.

Refundable Tax

A Holder that is a Canadian-controlled private corporation (as defined in the Tax Act) may be subject to a refundable tax in respect of certain income and capital gains allocated to the Holder by the Fund (including such Holder's share of taxable capital gains and dividends on shares of the U.S. REITs, interest or taxable capital gains on U.S. REIT Notes (if any) earned by Holding LP5 and allocated indirectly to the Fund through the Investment LPs, and such Holder's share of taxable capital gains on shares of Subsidiary Canadian Corporations realized by or allocated to the Fund through a Subsidiary Partnership) and capital gains realized on a disposition of Units. Tax Proposals released on December 7, 2015, if enacted in the form currently proposed, will increase the rate of such tax from 6 2/3% to 10 1/3% with effect as of January 1, 2016, subject to proration for taxation years beginning before and ending on or after that date.

Reporting Requirements

Each Unitholder will generally be required to file an income tax return reporting such Unitholder's share of the income or loss of the Fund. While the Fund will provide each Unitholder with information required for income tax purposes pertaining to such Unitholder's investment in Units, the Fund will not prepare or file income tax returns on behalf of any Unitholder.

Each person who is a Unitholder at any time in a fiscal period of the Fund is required to make an information return in prescribed form containing specified information for that period, including the income or loss of the Fund and the names and shares of such income or loss of all the partners of the Fund. The filing of an annual information return by the General Partner on behalf of the Unitholders will satisfy this requirement, and the General Partner has agreed to make such filings..

18. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS

In the view of KPMG LLP, in its capacity as tax advisor to the Fund, the following is a general summary of the principal U.S. federal income tax considerations applicable to Non-U.S. Unitholders (defined herein) of the purchase, ownership and disposition of the Units offered by this Prospectus.

This summary is generally directed only to prospective Purchasers who purchase the Units offered by this Prospectus and who are not U.S. persons pursuant to the Code. However, the summary does not deal with all aspects of U.S. federal income taxation that may be relevant to the specific circumstances of certain Non-U.S. Unitholders. For example, the summary does not address the U.S. federal income tax consequences to Non-U.S. Unitholders that are in special tax situations such as U.S. expatriates.

The U.S federal income tax treatment of a partner in a partnership or other entity treated as a partnership that holds Units depends on the status of the partner and the activities of the partnership. Partners in a partnership that owns Units should consult their own tax advisors as to the particular U.S. federal income tax considerations applicable to them.

This commentary also summarizes, in a general way, the principal U.S. federal income tax considerations to the U.S. REITs regarding their respective qualification and taxation as a REIT for U.S. federal income tax purposes.

Whether any of the U.S. REITs qualifies as a REIT for U.S. federal income tax purposes is dependent on whether any of the U.S. REITs satisfies the various REIT requirements for each taxable year, including, but not limited to, certain organizational, operational, gross income, asset and distribution requirements (see below "– U.S. Federal Income Taxation of U.S. REITs – Requirements for REIT Qualification").

The Manager has represented to KPMG LLP that it intends for each of the U.S. REITs to qualify as a REIT for each relevant taxable year and that it will establish procedures to regularly monitor REIT classification and compliance. However, given the highly complex nature of the rules governing REITs and the possibility of future changes in circumstances, no assurances can be given that any of the U.S. REITs will qualify as a REIT for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year, as applicable. The failure of any of the U.S. REITs to qualify as a REIT, in its first or in any subsequent taxable year, as applicable, may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

"Non-U.S. Unitholder" Defined

For purposes of this summary, a "**Non-U.S. Unitholder**" means any Unitholder that is not: (i) a U.S. citizen, U.S. permanent resident (green card holder) or individual resident in the U.S.; (ii) a corporation or other entity taxable as a corporation that is either created or organized under the laws of the U.S. or a political subdivision thereof or that is for other reasons treated as if it were taxable as a corporation created or organized under the laws of the U.S.; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if a court within the U.S. is able to exercise primary supervision over the trust's administration and one or more U.S. persons have the authority to control all of its substantial decisions.

Limitations

This summary is of a general nature only and does not consider all possible U.S. federal income tax considerations of an investment in Units by a Non-U.S. Unitholder. This summary also does not consider state, local or non-U.S. tax consequences. This summary does not constitute an opinion to prospective Non-U.S. Unitholders and is not intended to be legal or tax advice to prospective Purchasers of Units.

No ruling has been sought from the IRS on any aspect of the Offering.

This summary is based on the facts set out in this Prospectus and the facts, assumptions and representations set out in a representation letter provided to KPMG LLP by the Manager. This summary is also based upon the relevant provisions of the Code, the regulations under the Code (the "U.S. Regulations"), the Treaty and the judicial and administrative interpretations and pronouncements thereof as currently in effect. These authorities are subject to change retroactively and/or prospectively and any such changes could affect the U.S. tax consequences described in the summary below.

Each Non-U.S. Unitholder should consult his, her or its own tax advisor as to the U.S. federal, state, and local income and other tax consequences to it of the purchase, ownership and disposition of the Units taking into consideration his, her or its own particular circumstances.

In particular, the U.S. federal income tax treatment and classification of RRSPs, RESPs and TFSAs is complex, is not free from doubt and is dependent upon the terms of the specific RRSP, RESP or TFSA. This summary assumes RRSPs, RESPs and TFSAs are treated as either grantor trusts, or as investments of the individual annuitants or holders which are not separate entities from the individuals for U.S. federal income tax purposes. As such, this summary assumes the individual annuitants or holders are treated as the owners of the

RRSPs', the RESPs' or the TFSAs' assets for U.S. federal income tax purposes. There is, however, a risk that the IRS might take a different position from that taken in the summary. In such event, the U.S. federal income tax consequences with respect to such RRSPs, RESPs and TFSAs may be different from those described below. Investors that are RRSPs, RESPs or TFSAs or other Plans should consult their own tax advisors as to the U.S. federal, state, and local income and non-U.S. tax consequences to them as a result of their status either as RRSPs, RESP, TFSAs, or other Plans.

U.S. Federal Income Taxation of the Fund

The U.S. entity classification rules prescribe the classification of various entities for U.S. federal income tax purposes. Generally, a non-U.S. business entity is, by default, treated as a partnership for U.S. federal income tax purposes under the entity classification rules if it has two or more members and at least one member does not have limited liability.

A business entity that is otherwise classified as a partnership for U.S. federal income tax purposes may be treated as a corporation if interests in the entity are traded on an established securities market (i.e. a publicly traded partnership). However, partnership classification is retained for certain publicly traded partnerships if 90% or more of the partnership's income is "qualifying income" for each taxable year. Qualifying income includes, for example, interest, dividends and gain from the disposition of shares of corporations that are treated as REITs for U.S. federal income tax purposes. A partnership is deemed to meet the qualifying income test if it inadvertently fails to meet the test, takes steps to meet the test no later than a reasonable time after the discovery of the failure, and the partnership agrees to certain terms and conditions that may be imposed on it by the IRS.

The Manager has represented to KPMG LLP that it expects that 90% or more of the Fund's gross income will consist of qualifying income each year and that the Fund will not elect to be treated as a corporation for U.S. federal income tax purposes. Therefore, the Fund should be treated as a partnership for U.S. federal income tax purposes. As such, the Fund is not subject to U.S. federal income tax. Rather, the distributive share of the Fund's income, gains, losses, deductions and credits is generally taken into account separately by each Unitholder in the Fund. The remainder of this discussion is based on the Fund being treated as a partnership for U.S. federal income tax purposes.

U.S. Federal Income Taxation of the Non-U.S. Unitholders

FDAP Income Allocable to Non-U.S. Unitholders

General

Non-U.S. persons, such as a nonresident alien individual and a foreign corporation, are generally subject to U.S. federal income tax on fixed or determinable, annual or periodic ("**FDAP**") income received from U.S. sources, including U.S. source dividends and interest to the extent not effectively connected with the conduct of a U.S. trade or business. U.S. source FDAP income is generally subject to a 30% U.S. tax applied to the gross amount (with no allowance for deductions) of FDAP income unless a lower rate applies to the gross amount of FDAP income under an applicable U.S. income tax treaty. FDAP income that is effectively connected with the conduct of a U.S. trade or business is considered effectively connected income ("**ECI**") and, if an income tax treaty with the U.S. exists, and such income is attributable to a permanent establishment maintained by the non-U.S. person in the U.S., would generally be subject to U.S. tax at graduated federal income tax rates applicable to U.S. persons.

The 30% tax on the gross amount of U.S. source FDAP payments to a non-U.S. person, such as a nonresident alien individual or foreign corporation, is generally collected through withholding at the source of payment by a withholding agent. Withholding is generally required at a 30% rate, unless a lower rate applies under an applicable U.S. income tax treaty and certain documentation requirements are met. In general, to satisfy such documentation requirements, the non-U.S. beneficial owner of the U.S. source FDAP payment must provide a Form W-8 to the withholding agent to establish such beneficial owner's entitlement to a lower treaty withholding rate. The documentation requirements are generally designed to provide withholding agents with sufficient information to enable them to identify the beneficial owners of the income and to establish such beneficial owners' residence and entitlement to a treaty-reduced rate of withholding for U.S. federal income tax purposes. A withholding agent which has deducted and withheld U.S. federal income tax on FDAP income is required to file information Form 1042-S for each non-U.S. beneficial owner to whom a payment was made (or deemed made).

Generally, U.S. source FDAP income payments that would otherwise be subject to 30% withholding at source when paid to a foreign partnership are treated as being paid to the partners of the foreign partnership provided that the foreign partnership is treated as fiscally transparent under the laws of its jurisdiction of formation (i.e. it is treated as a pass-through entity) and such foreign partnership provides sufficient documentation to the withholding agent that the partners in such foreign partnership are the beneficial owners of such income (i.e. not fiscally transparent under the laws of their jurisdiction of formation) and entitled to a treaty-reduced rate of withholding.

In certain circumstances, a foreign partnership may elect to be treated as a corporation for U.S. federal income tax purposes under the U.S. entity classification rules, but is nevertheless still treated as being a fiscally transparent entity under the laws of its jurisdiction of formation. In such cases, U.S. source FDAP income paid to the foreign partnership (treated as a corporation for U.S. federal income tax purposes) would be similarly treated as being paid to the partners of the foreign partnership. Such partners would be eligible for a treaty-reduced rate of withholding for U.S. source FDAP income payments if the partner is the beneficial owner of such income (i.e. not fiscally transparent under the laws of its jurisdiction of formation) and such partner provides the required documentation establishing the beneficial owner's entitlement to a lower treaty withholding rate.

Each of the Investment LPs and SIP has elected, or will elect, to be treated as a corporation for U.S. federal income tax purposes under the U.S. entity classification rules. However, as discussed above, each of the Investment LPs and SIP will, nevertheless, still be treated as fiscally transparent under the laws of Canada because it is a partnership. The Fund, the Existing Starlight Funds, the Holding LPs and the Holding GPs will also be treated as fiscally transparent under the laws of their respective jurisdictions of formation because they are partnerships. Under this structure, U.S. source FDAP income paid to any of the Holding LPs will be treated as paid directly to the Non-U.S. Unitholders (through the respective Holding GPs, Investment LPs, SIP, the Existing Starlight Funds, as applicable, and the Fund) because each of the Holding LPs, Holding GPs, Investment LPs, SIP, the Existing Starlight Funds and the Fund are treated as fiscally transparent entities in their respective jurisdictions. As a result, the Non-U.S. Unitholders will likely be treated as the beneficial owners of such U.S. source FDAP income paid to any of the Holding LPs (e.g. ordinary REIT dividends and interest on any of the U.S. REITs Notes) provided that such Non-U.S. Unitholders are not themselves treated as fiscally transparent under the laws of their respective jurisdictions of formation.

<u>Ordinary REIT Dividends and Interest Income on U.S. REITs Notes</u>

Distributions out of any of the U.S. REITs' current or accumulated earnings and profits that are not attributable to gain from the sale or exchange by any of the U.S. REITs of its U.S. real property interests and that are not designated as capital gain dividends (i.e. "ordinary REIT dividends" and not "capital gains dividends") are generally treated as U.S. source FDAP income and are subject to a 30% withholding tax at source with no allowance for deductions. The 30% withholding tax rate may be reduced if the beneficial owner is eligible for a reduction under the Treaty.

Based on the analysis above, an ordinary REIT dividend paid by any of the U.S. REITs to the applicable Holding LPs will be treated as being paid directly to the Non-U.S. Unitholders because each of the applicable Holding LPs, Holding GPs, Investment LPs, SIP, the Existing Starlight Funds and the Fund are treated as fiscally transparent under the laws of their respective jurisdictions of formation (and notwithstanding that each of the Investment LPs and SIP has elected, or will elect, to be treated as a corporation for U.S. federal income tax purposes) and, as a result, such Non-U.S. Unitholders are likely to be treated as the beneficial owners of the ordinary REIT dividends (which are U.S. source FDAP income) for purposes of the Treaty (provided that they are not themselves treated as fiscally transparent under the laws of their respective jurisdictions of formation). Accordingly, such Non-U.S. Unitholders may be eligible under the Treaty for a reduction of U.S. withholding tax on the payment of ordinary REIT dividends.

Assuming that a Non-U.S. Unitholder is eligible for benefits under the Treaty, the withholding rates that should generally apply to ordinary REIT dividends for certain Non-U.S. Unitholders should be as follows: (i) 15% for (a) an individual Non-U.S. Unitholder or (b) a TFSA or an RESP that has, as its beneficiary, an individual Non-U.S. Unitholder, in each case owning less than 10% of the stock of the U.S. REIT provided that such Non-U.S. Unitholder provides the appropriate withholding tax documentation to the withholding agent, (ii) 30% for a corporate Non-U.S. Unitholder unless the U.S. REIT is "diversified" as defined under the Treaty, in which case, the withholding tax rate is 15% provided that the corporate Non- U.S. Unitholder owns less than 10% of the stock of the U.S. REIT, and (iii) 0% for an RRSP Unitholder provided that such Unitholder provides the appropriate withholding tax documentation to the withholding agent. Ordinary REIT dividends paid by U.S. REIT5 and beneficially owned by Campar will be subject to U.S. withholding tax at a rate of 30%.

Similarly, a payment of interest income on any of the U.S. REITs Notes by an applicable U.S. REITs to the applicable Holding LPs will be treated as being paid directly to the Non-U.S. Unitholders because each of the Holding LPs, Holding GPs, Investment LPs, SIP, the Existing Starlight Funds and the Fund are treated as fiscally transparent under the laws of their respective jurisdictions of formation (and notwithstanding that each of the Investment LPs has elected, or will elect, to be treated as a corporation for U.S. federal income tax purposes) and, as a result, such Non-U.S. Unitholders are likely to be treated as the beneficial owners of the U.S. Notes interest income (which is U.S. source FDAP income) for purposes of the Treaty (provided that they are not themselves treated as fiscally transparent under the laws of their respective jurisdictions of formation). A Non-U.S. Unitholder (who is a Canadian resident under the Treaty) that is the beneficial owner of the U.S. REITs Notes interest income may be eligible for the 0% U.S. withholding tax rate on interest income in the Treaty provided that such beneficial owner is eligible for benefits under the Treaty and provides the appropriate withholding tax documentation to the withholding agent.

Disposition of Units by Non-U.S. Unitholders

Generally, Non-U.S. Unitholders (who are Canadian residents under the Treaty) are not subject to U.S. federal income tax upon a disposition of the Units unless: (i) the Non-U.S. Unitholder is an individual who is present in the U.S. for 183 days or more in the taxable year of the disposition and certain other conditions are met, or (ii) the gain is effectively connected with the conduct by the Non- U.S. Unitholder of a trade or business within the U.S. and attributable to a permanent establishment of the Non- U.S. Unitholder within the meaning of the Treaty.

Non-U.S. Unitholders in either of these situations should consult their own tax advisors on the U.S. federal income tax consequences of the disposition of the Units.

U.S. Federal Income Taxation of the Investment LPs, SIP and Starlight Investments Acquisition (No. 2) Partnership

Each of the Investment LPs and SIP is an eligible entity that has elected, or will elect, to be classified as a corporation for U.S. federal income tax purposes, effective on the date of its formation. Consequently, each of the Investment LPs will be considered a “foreign corporation” for U.S. federal income tax purposes.

Subject to the discussion below on the disposition of shares of any of the U.S. REITs, capital gains dividends and distributions made by any of the U.S. REITs in excess of both its earnings and profits and the adjusted tax basis of the applicable U.S. REIT shares held by the applicable Holding LPs, each of the Holding LPs is not expected to be treated as engaged in a U.S. trade or business (as discussed below) and as a result, each of the Investment LPs and SIP is also not expected to be engaged in a U.S. trade or business as a result of its status as a direct or indirect partner in the applicable Holding LPs.

A non-U.S. person’s gain from the disposition of a United States Real Property Interest (“**USRPI**”) is generally subject to U.S. tax, withholding and filing requirements and is not exempt under the Treaty. A USRPI generally includes shares in a corporation organized in the U.S., such as one of the U.S. REITs, the fair market value of whose interests in real property located in the U.S., at any time in a five year testing period, equals or exceeds 50% of the fair market value of the sum of its interests in real property located in the U.S., its interests in real property located outside the U.S. and its other assets used or held for use in a trade or business. Such gain on the disposition of a USRPI recognized by a non-U.S. person, such as a nonresident alien or foreign corporation, is treated as if it were ECI and the taxable amount is subject to U.S. federal income tax at graduated rates (“**FIRPTA Tax**”).

Distributions made by any of the U.S. REITs to a non-U.S. person, such as a nonresident alien or foreign corporation, that are attributable to the sale or exchange of USRPIs by any such applicable U.S. REIT (i.e. capital gains dividends) and distributions made by any such applicable U.S. REIT in excess of both its earnings and profits and the adjusted tax basis in the applicable U.S. REIT shares held by such non-U.S. person may also be subject to FIRPTA Tax.

U.S. transactions that give rise to gains that may be subject to FIRPTA Tax may also be subject to withholding on the part of any such applicable U.S. REIT or the purchaser of a USRPI, as the case may be (“**Section 1445 Withholdings**”). Section 1445 Withholdings are required at a rate of 35% on distributions made by any of the U.S. REITs attributable to the gains from the sale or exchange of USRPIs by any such U.S. REIT (i.e. capital gains dividends) and the portion of a distribution in excess of any such U.S. REIT’s earnings and profits and the adjusted tax basis in such applicable U.S. REIT shares held by the applicable Holding LP. Section 1445 Withholdings are also required at a rate of 35% of the amount of gain realized on the sale or exchange of the shares of any of the U.S. REITs by the applicable Holding LP to the extent that such gain is allocable to a non-U.S. partner of the applicable Holding LP. Subject to the discussion below on withholding certificates and Section 1446 Withholdings, each of the Investment LPs and SIP, through the Holdings GPs, will generally be subject to Section 1445 Withholdings on its allocable share of the applicable U.S. REIT capital gains dividends, U.S. REIT distributions in excess of such U.S. REIT's earnings and profits and the adjusted tax basis in the applicable U.S. REIT shares held by the applicable Holding LPs and its share of the gain realized on the sale or exchange of the shares of the applicable U.S. REIT.

The Section 1445 Withholdings may be reduced or eliminated (in certain circumstances) if an application for a withholding certificate is timely filed with the IRS requesting a reduction in withholding and a withholding certificate is received from the IRS. A withholding certificate might be issued by the IRS if the applicable Investment LP and SIP, as the case may be, establishes that the actual tax on a particular transaction giving rise to FIRPTA Tax is expected to be less than the required withholding because, for example, such applicable Investment LP suffers a loss on the sale. However, no assurance can be given that the IRS will approve a withholding certificate application.

Generally, a U.S. partnership that has ECI allocable to non-U.S. partners must withhold and remit U.S. withholding tax ("**Section 1446 Withholdings**") on any ECI allocable to such non-U.S. partners (using procedures generally applicable to U.S. withholding on U.S. source FDAP income), and must file annually with the IRS certain U.S. tax returns to report this withholding. Withholdings must be made at the highest rate of tax, without regard to the preferential rates of tax, including those applicable to an individual's capital gains. For example, nonresident alien individuals and non-U.S. corporations are subject to the highest rates of tax and the required rates of Section 1446 Withholdings are currently 39.6% for nonresident alien individuals and 35% for non-U.S. corporations. If a U.S. partnership is subject to both Section 1445 Withholdings and Section 1446 Withholdings, U.S. Regulations provide that such U.S. partnership will only be subject to the payment and reporting requirements of Section 1446 with respect to partnership gain from the disposition of USRPIs. Each of the Holding LPs, and as applicable, the Holding GPs, will be required to withhold Section 1446 Withholdings at 35% on the allocable share of gain to the applicable Investment LP or SIP, as the case may be, from either the applicable Holding LP's disposition of the applicable U.S. REIT Common Stock and U.S. REIT ROC Shares, from the applicable U.S. REIT capital gains dividends and/or from distributions made by the applicable U.S. REIT in excess of both its earnings and profits and the adjusted tax basis of the applicable Holding LP in its U.S. REIT shares.

Each of the Investment LPs and SIP will be subject to U.S. federal income taxation (i.e. FIRPTA Tax) on its allocable share of gain from the disposition of the applicable U.S. REIT Common Stock and the applicable U.S. REIT ROC Shares, its allocable share of the applicable U.S. REIT capital gains dividends and/or its allocable share of distributions made by the applicable U.S. REIT in excess of both its earnings and profits and the adjusted tax basis in the applicable U.S. REIT shares held by the applicable Holding LP. The disposition of any of the Holding LPs Units by the applicable Investment LP will be treated as the disposition by the applicable Investment LP of its *pro rata* portion of the applicable U.S. REIT Common Stock and the applicable U.S. REIT ROC Shares and as such, any gain from such disposition will also be subject to U.S. federal income taxation (i.e. FIRPTA Tax).

Each of the Investment LPs and SIP will be required to file a U.S. federal income tax return (i.e. Form 1120-F for foreign corporations) for the year in which it receives its allocable share of gain/loss from the disposition of the applicable U.S. REIT Common Stock and/or the applicable U.S. REIT ROC Shares, its allocable share of the applicable U.S. REIT capital gains dividends and/or its allocable share of distributions made by the applicable U.S. REIT in excess of both its earnings and profits and the adjusted tax basis in the applicable U.S. REIT shares held by the applicable Holding LP to which the FIRPTA Tax applies and may claim the Section 1446 Withholdings and the Section 1445 Withholdings withheld, if any, as a credit against the final U.S. federal income tax liability of the applicable Investment LP or SIP for the year by showing proof of withholding.

In addition, each of the Investment LPs and SIP may also be subject to U.S. branch profits tax (paid with its U.S. federal income tax return) on its allocable share of income from the applicable Holding LP subject to FIRPTA Tax (other than income attributable to the sale of any of the U.S. REIT's shares by the applicable Holding LP and other than from a distribution by an applicable U.S. REIT in excess of its earnings and profits and adjusted tax basis in the applicable U.S. REIT's shares). U.S. branch profits tax is imposed in addition to regular federal income tax at the rate of 30% on a calculated profits amount. To the extent that the Non-U.S. Unitholders are eligible for Treaty benefits, should the U.S. branch profits tax be applicable, it may be possible to take the position that the branch profits tax rate should be reduced to 5% of the profits subject to the branch profits tax in excess of a C$500,000 cumulative exemption. If applicable, each of the Investment LPs intends to take the position that the reduced branch profits tax rate of 5% applies to any profits subject to the branch profits tax. However, no assurances may be given that the IRS will not challenge this position and assert that a higher branch profits tax rate should apply.

Each of the Investment LP's and SIP's allocable share of ordinary REIT dividends and interest income on the applicable U.S. REIT Notes beneficially owned by Non-U.S. Unitholders will not be subject to U.S. federal income tax at the applicable Investment LP or SIP level. Instead, such income will be subject to U.S. withholding tax as it is deemed to be paid to the Non-U.S. Unitholders (see discussion above).

Starlight Investments Acquisition (No. 2) Partnership (which indirectly owns Travesia Apartments) has also elected to be treated as a corporation for U.S. federal income tax purposes, effective on the date of its formation. Consequently, Starlight Investments Acquisition (No. 2) Partnership will be considered a "foreign corporation" for U.S. federal income tax purposes.

Starlight Investments Acquisition (No. 2) Partnership will be subject to U.S. federal income taxation on the ECI earned from its indirect ownership of the Travesia Apartments and will be required to file a U.S. federal income tax return (i.e. Form 1120-F for foreign corporations). In addition, Starlight Investments Acquisition (No. 2) Partnership may also be subject to U.S. branch profits tax on its ECI. To the extent that the Non-U.S. Unitholders are eligible for Treaty benefits, should the U.S. branch profits tax be applicable, it may be possible to take the position that the branch profits tax rate for Starlight Investments Acquisition (No. 2) Partnership should be 5% of the profits subject to the branch profits tax in excess of the C$500,000 cumulative exemption. If applicable, Starlight Investments Acquisition (No. 2) Partnership intends to take the position that the reduced branch profits tax rate of 5% applies to any profits subject to the branch profits tax. However, no assurances may be given that the IRS will not challenge this position and assert that a higher branch profits tax rate should apply.

U.S. Federal Income Taxation of Holding LPs and Holding GPs

Each of the Holding LPs and Holding GPs is a limited partnership organized in the U.S. and each of the Holding LPs and Holding GPs is classified as a partnership for U.S. federal income tax purposes. None of the Holding LPs and Holding GPs intends to make an election to be treated as a corporation. As such, none of the Holding LPs and Holding GPs is a taxable entity and none of the Holding LPs and Holding GPs incur any U.S. federal income tax liability. Instead, the partners of each of the Holding LPs and Holding GPs, including the applicable Investment LPs and SIP, are required to take into account their allocable shares of items of income, gain, loss and deduction (e.g., income in the form of capital gains distributions and ordinary distributions from the applicable U.S. REITs) and which may result in U.S. federal income tax reporting and/or paying obligations (as described above).

Each of the Holding LPs and Holding GPs will withhold and remit Section 1446 Withholdings and Section 1445 Withholdings on certain income allocable to the applicable Investment LPs and SIP as described above and will be required to annually file with the IRS certain U.S. tax returns to report this withholding.

U.S. Federal Income Taxation of U.S. REITs

U.S. Rules for REITs

Each of the U.S. REITs has elected, or intends to elect, to be treated as a REIT beginning with its taxable year ending December 31 of the year in which the Offering is concluded. However, qualifying as a REIT depends on an entity meeting various REIT requirements each taxable year. As such, there is no assurance that any of the U.S. REITs will qualify as a REIT on a continuing basis. The failure of any of the U.S. REITs to qualify as a REIT in its first or in any subsequent taxable year may result in materially reduced distributions to Unitholders and U.S. federal income tax consequences that are not described in this summary.

The following describes the general REIT qualification rules and the significant U.S. federal income tax consequences to a business entity electing to be treated as a REIT.

The sections of the Code and U.S. Regulations relating to qualification and operation as a REIT are highly technical and complex. The following discussion sets out, in very general terms, the material aspects of the Code and U.S. Regulations that govern the U.S. federal income tax treatment of each of the U.S. REITs.

A business entity that qualifies and timely elects to be taxed as a REIT is not generally subject to U.S. federal income tax on its income and capital gains that it distributes to its interest holders each year. However, it would remain subject to U.S. federal income tax in certain circumstances.

For example:

(a) Undistributed taxable income (including undistributed net capital gains) will be taxed at the regular rates for corporations.

(b) Each of the U.S. REITs may be subject to "alternative minimum tax" on items of tax preference, if any.

(c) Each of the U.S. REITs is subject to the highest corporate income tax rate on net income from a sale or other disposition of "foreclosure property" (i.e., generally, property acquired through foreclosure or after default on a loan secured by the property or a lease of the property) held primarily for sale to customers in the ordinary course of business and on other non-qualifying income earned from foreclosure property.

(d) Each of the U.S. REITs is subject to a 100% tax on net income from "prohibited transactions". Prohibited transactions are generally sales or other dispositions of property, other than foreclosure property, held primarily for sale to customers in the ordinary course of business.

(e) Each of the U.S. REITs is subject to a 100% tax on certain transactions with its taxable REIT subsidiaries ("**TRSs**") if such transactions are not at "arm's-length", as defined.

(f) If any of the U.S. REITs fails to satisfy either the 75% or 95% gross income test (as discussed below) but has nonetheless maintained its qualification as a REIT because it has met certain other requirements, the applicable U.S. REIT will be subject to a 100% tax on an amount equal to the greater of the amount by which it fails the 75% or 95% test multiplied by a fraction calculated to reflect the applicable U.S. REIT's profitability.

(g) If any of the U.S. REITs: (i) fails to satisfy any of the REIT asset tests (as discussed below), other than a "*de minimis*" failure of the 5% or 10% REIT asset test (as described more fully below), it may continue to qualify as a REIT if it meets certain other requirements and it pays a tax equal to the greater of US$50,000 or the highest corporate income tax rate multiplied by the net income from the non-qualifying assets for the period of time it failed to satisfy the asset tests; or (ii) fails to satisfy REIT requirements other than the gross income and asset tests and meets certain other requirements, it will have to pay US$50,000 for each failure in order to remain a REIT.

(h) Each of the U.S. REITs is subject to a 4% excise tax on the excess of the required distribution over the sum of amounts distributed and amounts retained on which U.S. federal income tax was paid. The required distribution for this purpose is at least 85% of its ordinary income, 95% of its capital gain net income, and any undistributed amounts from prior periods.

(i) Each of the U.S. REITs may be required to pay monetary penalties to the IRS in certain circumstances, including if it fails to meet record-keeping requirements intended to monitor its compliance with rules relating to the composition of its interest holders.

(j) If any of the U.S. REITs acquires appreciated assets from a "C-corporation" (i.e., a corporation generally subject to corporate income tax) in a transaction in which the adjusted tax basis of the assets in its hands is determined by reference to the adjusted tax basis of the assets in the hands of the C-corporation, the applicable U.S. REIT may be subject to tax on such appreciation at the highest corporate income tax rate then applicable if it subsequently recognizes gain on a disposition of such assets during the ten-year period following its acquisition from the C-corporation. The results described in this paragraph assume that the C-corporation will not elect in lieu of this treatment to be subject to an immediate tax when the asset is acquired by the applicable U.S. REIT.

(k) Each of the U.S. REITs may have subsidiaries or own interests in other lower-tier entities that are C-corporations, such as taxable REIT subsidiaries, the earnings of which would be subject to federal corporate income tax.

Requirements for REIT Qualification

To qualify as a REIT, a business entity must timely elect to be treated as a REIT and must meet certain organizational, operational, income, asset and distribution requirements, discussed in very general terms below.

<u>Organizational Requirements</u>

The Code defines a REIT as a corporation, trust or association that:

(a) is managed by one or more trustees or directors;

(b) issues transferable stock or transferable certificates as evidence of beneficial ownership;

(c) would be taxed as a domestic corporation but for the REIT provisions of the Code;

(d) is neither a financial institution nor an insurance company;

(e) is beneficially owned by at least 100 persons ("**100 Shareholder Requirement**");

(f) not more than 50% of the value of its outstanding equity interests is owned, directly, indirectly or by attribution, by five or fewer "individuals" (as defined in the Code to include certain entities), during the last half of the taxable year ("**Not-Closely Held Requirement**"); and

(g) satisfies the asset and income requirements, described below.

The first four conditions described above must be met for each taxable year for which REIT qualification is sought. The 100 Shareholder Requirement must be met for at least 335 days of a 12-month taxable year or for a proportionate number of days if the taxable year is less than 12 months. The Not-Closely Held Requirement is generally measured at the individual level through the application of constructive ownership rules. The 100 Shareholder Requirement, on the other hand, is generally measured at the actual shareholder level. Both the 100 Shareholder Requirement and the Not-Closely Held Requirement are waived for the first taxable year for which a REIT election is made.

A REIT's taxable year must be the calendar year. As well, a REIT cannot have earnings and profits as of the close of any REIT taxable year which were accumulated in a non-REIT taxable year. As discussed more fully below under the heading "Annual Distribution Requirements", each of the U.S. REITs is required to make dividend distributions (other than capital gain distributions) equal to at least 90% of REIT taxable income, determined without regard to the deduction for dividends paid and by excluding any net capital gain, plus 90% of the excess of net income from foreclosure property over the tax imposed on such income, less "excess non-cash income". A REIT is also required to maintain certain records pertinent to its qualified REIT status.

<u>Annual Income Requirements</u>

Each of the U.S. REITs must meet the following two gross income test requirements, excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, annually:

(a) at least 75% of the applicable U.S. REIT's gross income ("**75% gross income test**"), excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, must be derived from:

 (i) rents from real property (as described below);

 (ii) interest on obligations secured by mortgages on real property;

 (iii) dividends received from other REITs;

 (iv) gain from the sale of real property that is not held primarily for sale to customers in the ordinary course of business;

(v) income and gain derived from "foreclosure property" (as previously described);

(vi) income from certain temporary investments (described below); and

(vii) certain other real estate-related income; and

(b) at least 95% of the applicable U.S. REIT's gross income ("**95% gross income test**"), excluding gross income from prohibited transactions and certain hedging and foreign currency transactions, must be income of a passive- type, including:

(i) income described in the 75% gross income test, above;

(ii) dividends, including dividends from a TRS;

(iii) interest (whether or not secured by a mortgage); and

(iv) gain from the sale or disposition of stock or securities not held primarily for sale to customers in the ordinary course of business.

<u>Certain Types of Income</u>

Rents from Real Property: Generally, "rents from real property" means the gross amounts received for the use of real property. "Rents from real property" includes:

(a) rents from interests in real property;

(b) charges for services customarily furnished or rendered (i.e., services customarily provided to tenants of similar property in the geographic area in connection with the rental of space for occupancy) in connection with the rental of real property, whether or not those charges are separately stated;

(c) rent attributable to personal property that is leased in connection with a lease of real property provided that the rent attributable to personal property does not exceed 15% of the total rental amount; and

(d) rents received from a TRS (which would otherwise be disqualified as related party rents), provided that certain conditions are satisfied.

"Rents from real property" does not include, among other categories of real property-related rental income,

(a) any amount received or accrued that is based upon profits of any person either in whole or in part, directly or indirectly. However, an amount is not so excluded solely by being based on a fixed percentage or percentages of sales or if it is based on the net income of a tenant which derives substantially all of its income with respect to such property from subleasing substantially all of such property, to the extent that the rents paid by the subtenants would qualify as rents from real property, if earned directly by the REIT;

(b) any amounts received from a tenant that is directly or indirectly 10% or more owned (based on voting power or value for a corporate entity or assets or net profits for a non-corporate entity) by the REIT, except in certain cases for amounts received from a TRS; and

(c) impermissible tenant service income ("**ITSI**").

Generally, ITSI means, with respect to a property, any amount received or accrued directly or indirectly by a REIT for furnishing or rendering services to its tenants or for managing or operating the property. However, if such services are rendered or furnished, or such management or operation is provided through: (i) an independent contractor from whom the REIT does not derive or receive any income; or (ii) a TRS of the REIT, then such services, management or operation is not treated as furnished, rendered or provided by the REIT for purposes of determining whether they create ITSI. In addition, certain customary property management services may be provided directly by the REIT without causing amounts to be treated as ITSI. Nonetheless, if the amount of ITSI as determined under the preceding rules exceeds 1% of all amounts received or accrued directly or indirectly during the taxable year by the REIT with respect to such property, then all such amounts received with respect to the property are treated as ITSI.

Property Held Primarily for Sale: A REIT is subject to a 100% tax on its net income from "prohibited transactions". A prohibited transaction includes the sale of property held primarily for sale to customers in the ordinary course of business other than a foreclosure property. Whether property is held primarily for sale to customers in the ordinary course of business depends on the facts and circumstances. However, a prohibited transaction is deemed not to include the sale of property that is a real estate asset if, for example:

(a) the REIT has owned the property (consisting of land and improvements) for two years or longer for the production of rental income;

(b) the aggregate expenditures of a capital nature made by the REIT or its partner on the property during the three-year period prior to the sale do not exceed 30% of the property's net selling price; and

(c) the REIT (i) makes no more than seven sales of property during the taxable year, (ii) the aggregate tax bases of the properties sold during the taxable year does not exceed 10% of the aggregate tax bases of all the REIT's assets, determined as of the beginning of the taxable year, (iii) the fair market value of the properties sold during the taxable year does not exceed 10% of the fair market value of all of the REIT's assets, determined as of the beginning of the taxable year, (iv) the aggregate tax bases of the properties sold during the taxable year does not exceed 20% of the aggregate tax bases of all the REIT's assets, determined as of the beginning of the taxable year, and the average annual percentage of the properties sold compared to all the REIT's assets (measured by tax bases) in the current and two prior years does not exceed 10%, or (v) the fair market value of the properties sold during the taxable year does not exceed 20% of the fair market value of all the REIT's assets, determined as of the beginning of the taxable year, and the average annual percentage of the properties sold compared to all the REIT's assets (measured by fair market value) in the current and two prior years does not exceed 10%. If the REIT relies on the percentage of tax bases or fair market value test to avoid prohibited transaction treatment, then substantially all the marketing and development expenditures with respect to the property must be made through an independent contractor or a TRS in a prescribed manner.

Income from Certain Temporary Investments: Interest income on obligations not secured by real property and certain other investment income may qualify under the 75% gross income test if it is "qualified temporary investment income". Qualified temporary investment income is limited to certain investment income from stock or a debt instrument that is attributable to the temporary investment of new capital and is received or accrued during the one-year period beginning on the date the REIT receives such new capital. The same one-year period also limits the time such temporary investments are treated as real estate assets for asset testing purposes.

If any of the U.S. REITs fails to satisfy one or both of the 75% or 95% gross income tests for any taxable year, it may still qualify as a REIT for the year if it is entitled to relief under applicable provisions of the Code. These relief provisions will generally be available if the applicable U.S. REIT's failure to meet these tests was due to reasonable cause and not due to willful neglect and, following the identification of such failure, the applicable U.S. REIT sets forth a description of each item of its gross income that satisfies the gross income tests in a schedule for the taxable year filed in accordance with the U.S. Regulations. As discussed above, a tax would be imposed upon the profit attributable to the amount by which the applicable U.S. REIT fails to satisfy the particular gross income test.

<u>Quarterly Asset Requirements</u>

At the end of each quarter, each of the U.S. REITs must meet certain asset requirements, generally as follows:

(a) At least 75% of the value of the applicable U.S. REIT's gross assets must consist of real estate assets (which generally include qualified temporary investments, described above, interests in real property, interest in mortgages and shares in other REITs), cash, cash items, and U.S. Government securities.

(b) Not more than 25% of the value of its total assets may consist of securities, other than U.S. Government securities and securities that qualify as real estate assets.

(c) Not more than 25% of the value of its total assets may consist of securities of TRSs. For taxable years beginning after December 31, 2017, the threshold is reduced to 20%.

(d) Not more than 5% of the value of its total assets may consist of securities of one issuer (other than interests in TRSs, U.S. Government securities and securities that qualify as real estate assets).

(e) Each of the U.S. REITs may not hold securities that make up more than 10% of total voting power or value of the outstanding securities of any one issuer (except for interests in TRSs, U.S. Government securities, securities that qualify as real estate assets, and for the 10% value limitation purposes, certain exempted securities).

For taxable years ending after December 31, 2015, personal property leased in connection with a real property lease qualifies as a real estate asset for purposes of the 75% asset test to the extent rent attributable to such personal property meets the 15% test described above. Further, debt secured by a mortgage on both real and personal property qualifies as a real estate asset for purposes of the 75% asset test, and interest on such debt is qualifying income for purposes of both the 75% and 95% income tests provided the fair market value of the personal property does not exceed 15% of the total fair market value of the real and personal property securing the mortgage (and certain other requirements are met). Further, debt instruments issued by publicly offered REITs to the extent such debt instruments are not secured by real property or interests in real property qualify as real estate assets for purposes of the 75% asset test. Income from such debt instruments is qualifying income for purposes of the 95% income test. Such income, however, is not qualifying income for purposes of the 75% income test, and not more than 25% of the value of the U.S. REIT's total assets may consist of such debt instruments.

If any of the U.S. REITs meets the asset tests at the close of any quarter, it will not lose its REIT status if it fails to satisfy the asset tests at the end of a later quarter solely by reason of changes in asset values of assets owned in the immediately preceding quarter (including a failure caused solely by a change in the foreign currency exchange rate used to value a foreign asset). If, on the other hand, any of the U.S. REITs fails the asset test because of the acquisition of an asset, the failure can be cured by disposing of non-qualifying assets within 30 days after the close of the quarter. Under certain circumstances, the applicable U.S. REIT may avoid REIT disqualification after the 30-day cure period by disposing of sufficient non-qualifying assets (or otherwise meeting such asset tests) within six months of the last day of the quarter in which the applicable U.S. REIT first identifies the violation and by taking certain other steps.

If any of the U.S. REITs fails to satisfy the REIT requirements, other than the gross income tests and the asset tests, it may avoid REIT disqualification if such a failure is due to reasonable cause and not due to willful neglect and the applicable U.S. REIT pays US$50,000 for each such failure.

A REIT that is disqualified as a REIT cannot generally again elect to become a REIT prior to the fifth taxable year beginning after the first taxable year for which the termination is effective unless it can establish the disqualification was due to reasonable cause and not due to willful neglect.

Annual Distribution Requirements

Each of the U.S. REITs is required annually to take a dividends paid deduction (other than capital gain distributions) at least equal to the sum of (i) 90% of its REIT taxable income (determined without regard to the deduction for dividends paid and by excluding any net capital gain); and (ii) 90% of the excess of net income from foreclosure property over the tax imposed on such income, minus "excess non-cash income". Generally, a distribution is treated as a dividend that may qualify for the dividends paid deduction only to the extent it is paid from current or accumulated earnings and profits of the applicable U.S. REIT and provided it is not treated as a preferential dividend.

Generally, a dividend paid during the taxable year is taken into account in the same year, for purposes of the dividends paid deduction. However, dividends paid in the immediately subsequent year are treated as if distributed on December 31 of the prior year if the dividends were declared in October, November or December of the prior year, the dividends were payable to "stockholders" of record on a specified date in such a month, and the dividends were actually distributed during January of the immediately subsequent year.

A dividend is also taken into account for the prior year if it is declared before the applicable U.S. REIT timely files its federal income tax return for such year, it is actually paid in the 12-month period following the close of the prior year, it is paid not later than the first regular dividend payment after declaration of such distribution, and the applicable

U.S. REIT timely files an election. To the extent the applicable U.S. REIT relies on this election for more than 15% of its ordinary income and more than 5% of its capital gain net income, it may be subject to 4% excise tax on such excess late distributions. Finally, the applicable U.S. REIT and its holders of common interest (i.e., consent stock) may agree to deem a dividend to occur if certain conditions are met and if consents to such treatment are timely filed. The amount specified as a consent dividend generally is considered as (i) distributed in money by the applicable U.S. REIT to the shareholder on December 31 of the taxable year of the applicable U.S. REIT, and (ii) contributed to the capital of the applicable U.S. REIT by the shareholder on the same day. Any U.S. withholding tax applicable to the consent dividend will be required to be withheld and timely remitted by the applicable U.S. REIT. However, amounts specified in consents filed by shareholders are not treated as consent dividends to the extent that they would constitute a preferential dividend, or they would not constitute a dividend as defined in section 316 of the Code (because e.g., the amount exceeds the applicable U.S. REIT's earnings and profits).

Each of the U.S. REITs may choose to treat certain dividends as designated capital gain dividends. The applicable U.S. REIT may designate prior distributions as capital gain dividends in a written notice mailed to shareholders within 30 days of the close of the taxable year, or in its annual report for the taxable year. Capital gain dividends are generally limited to the amount of the REIT's net capital gain for the year. Capital gain dividends are taxed in the hands of the shareholders as a gain from the sale or exchange of a capital asset held for more than one year.

Records Maintenance

Each of the U.S. REITs is required to keep such records as are required in order to disclose the actual ownership of its outstanding equity interests. The actual owner of the applicable U.S. REIT's outstanding equity interests is generally the person who is required to include the dividends received from the applicable U.S. REIT in gross income for U.S. federal income tax purposes.

Other Applicable Rules

Each of the U.S. REITs is generally subject to all other provisions of the Code that apply to corporations except to the extent those provisions are inconsistent with the REIT rules. For example, but for the dividends paid deduction and certain modifications to the normal operating rules applicable to corporations, each of the U.S. REITs generally computes its taxable income in the same way as a U.S. corporation. As such, each of the U.S. REITs is entitled to deduct ordinary and necessary expenses, including fees, interest, depreciation and amortization computed under the rules of the Code and other amounts that are not properly treated as being on capital account. However, to be deductible, expenses must also meet the clear reflection of income, economic performance and certain other standards.

Several rules affecting the taxation of REITs and REIT shareholders were recently amended by the Protecting Americans from Tax Hikes Act of 2015 (the "**PATH Act**"), effective after December 18, 2015. These rules were enacted with varying effective dates, some of which are retroactive. Some of the rule changes enacted under the PATH Act are incorporated into the foregoing summary of material federal income tax considerations, however, many of these rules are complex and the IRS has not yet issued guidance on the application of many of the new rules. Unitholders are encouraged to consult with their tax advisors regarding the application of the PATH Act changes in their particular circumstances.

Deductibility of Interest by the U.S. REITs in Respect of U.S. REITs Notes

The Holding LPs have loaned funds to the applicable U.S. REITs in the form of U.S. REITs Notes. A number of U.S. federal income tax rules may affect the treatment of U.S. REITs Notes and the interest arising therefrom.

Each of the applicable Holding LPs and the U.S. REITs intend to treat the applicable U.S. REITs Notes as debt for U.S. federal income tax purposes. Accordingly, each of the applicable U.S. REITs will claim interest deductions with respect to the applicable U.S. REITs Notes in computing its taxable income and earnings and profits for U.S. federal income tax purposes.

However, none of the applicable Holding LPs nor the applicable U.S. REITs has obtained an opinion of counsel on the issue as to the characterization of the applicable U.S. REITs Notes as debt for U.S. federal income tax purposes. The determination of whether any of the U.S. REIT's indebtedness to the applicable Holding LP will be debt or equity for U.S. federal income tax purposes is based on an analysis of the facts and circumstances (subject to the discussion below on certain proposed regulations recently issued under Section 385 of the Code). There is no clear statutory definition of debt for U.S. federal income tax purposes, and its characterization is governed by principles developed in case law, which analyzes numerous factors that are intended to identify the economic substance of the purported creditor's interest in the corporation. Furthermore, not all courts have applied this analysis in the same manner, and some courts have placed more emphasis on certain factors than other courts have. While there can be no assurance that the IRS will not take a contrary position, each of the applicable Holding LPs and each of the applicable U.S. REITs believe their position should prevail. However, subsequent changes in fact or subsequent actions or inactions by an applicable Holding LP or an applicable U.S. REIT could impact this analysis or could be used by the IRS to call in question this analysis or the facts as of the date such indebtedness was incurred. A successful challenge of this position would increase the U.S. earnings and profits of the applicable U.S. REIT, which would increase the amount of the distribution by such U.S. REIT treated as a dividend thereby potentially increasing the amount of such U.S. REIT's ordinary REIT dividend subject to U.S. withholding tax for Non-U.S. Unitholders.

Even if the U.S. REITs Notes are respected as debt for U.S. federal income tax purposes, there is a risk that the IRS may challenge the interest on such indebtedness as being in excess of an arm's length rate. If the IRS were successful in challenging the interest rate, the applicable U.S. REITs would not be able to fully deduct interest paid on such indebtedness. Any such excess interest would also be subject to U.S. withholding tax (subject to potential reduction under the Treaty).

Further, the earnings stripping rules under Section 163(j) of the Code may limit the ability of any of the U.S. REITs to deduct all or a portion of the interest paid in respect of any of the applicable U.S. REITs Notes. Generally, under these rules, if the applicable U.S. REIT's debt-to-equity ratio (based upon the adjusted tax basis of assets) exceeds 1.5 to 1, the ability of the applicable U.S. REIT to deduct interest paid on such indebtedness will be limited to the extent that its net interest expense (the interest paid by the applicable U.S. REIT on all debt, including the applicable U.S. REIT Notes, less its interest income) exceeds 50% of its adjusted taxable income (generally, U.S. federal taxable income before net interest expense, depreciation, amortization and taxes). Any disallowed interest expense may currently be carried forward to future years. Moreover, proposed legislation has been introduced, though not enacted, several times in recent years that would further limit the 50% of adjusted taxable income cap described above to 25% of adjusted taxable income. Furthermore, other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations applicable to certain high-yield debt obligations, could apply under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that the applicable U.S. REITs would otherwise be entitled to with respect to interest on such indebtedness.

On April 4, 2016, the U.S. Treasury and the IRS released proposed regulations under Section 385 of the Code. Generally, the proposed regulations would: (i) require related party debt to be accompanied by detailed contemporaneous documentation in order to be treated as debt for U.S. federal income tax purposes; (ii) treat related party debt as equity for U.S. federal income tax purposes in certain circumstances, including, for example, in certain circumstances in which the debtor corporation pays a distribution in excess of its current year earnings and profits; and (iii) authorize the IRS to treat related party debt as in part debt and in part equity for U.S. federal income tax purposes in certain circumstances. The scope and interpretation of the proposed regulations are subject to significant uncertainty. However, if finalized in their current form, the proposed regulations may, in certain circumstances, recharacterize all or part of the U.S. REITs Notes as equity thereby reducing the amount of interest that the applicable U.S. REITs could deduct in computing its taxable income and earnings and profits for U.S. federal income tax purposes.

IRS Reporting Rules Under FATCA

On March 18, 2010, the *Hiring Incentives to Restore Employment Act* of 2010 was enacted into law and added a new withholding tax system, often referred to as the *Foreign Account Tax Compliance Act* ("**FATCA**"), to the Code. FATCA requires a "foreign financial institution" ("**FFI**"), the broad definition of which would include an investment fund established outside of the U.S., to undertake certain due diligence, reporting, withholding and certification obligations with respect to its direct investors. Failure to comply with FATCA could subject an FFI or its account holders to certain sanctions including a 30% U.S. withholding tax on certain U.S. source payments.

In 2014, Canada and the U.S. signed the Canada-United States Enhanced Tax Information Exchange Agreement (the "**Canada-U.S. IGA**") relating to FATCA, and the Tax Act was amended to implement the Canada-U.S. IGA.

Under the Canada-U.S. IGA, a Canadian financial institution ("**FI**") must comply with certain due diligence and reporting obligations in respect of "U.S. Reportable Accounts" maintained by such Canadian FI. Canadian FIs must also meet certain annual information reporting obligations to the CRA, including reporting on such U.S. Reportable Accounts. Information provided to the CRA, including information regarding U.S. Reportable Accounts will be exchanged by the CRA with the IRS in accordance with the provisions of the Canada-U.S. IGA. A Canadian FI that complies with the requisite due diligence and reporting requirements of the Canada-U.S. IGA will generally be relieved from certain provisions that would otherwise have been applicable under FATCA, including the imposition of the 30% U.S. withholding tax on certain U.S. source payments and the obligation to close accounts of individual account holders who do not provide requested information to permit the Canadian FI to establish whether they are U.S. Reportable Accounts.

If applicable, the Fund and any related non-U.S. entities, intend to comply with FATCA.

Any U.S. withholding tax imposed under FATCA would reduce the returns to Unitholders in the Fund. The administrative cost of compliance with FATCA may also cause an increase in operating expenses of the Fund further reducing returns to Unitholders. Prospective Unitholders should consult their own tax advisors regarding the implications of FATCA on their investment in the Fund.

19. COMMON REPORTING STANDARD

On April 15, 2016, the Department of Finance (Canada) released for consultation proposals to amend the Tax Act to implement the Organization for Economic Co-operation and Development's Common Reporting Standard (the "**CRS Proposals**"). Pursuant to the CRS Proposals, "Canadian financial institutions" (as defined in the CRS Proposals) would be required to have procedures in place to identify accounts held by residents (or certain entities the "controlling persons" of which are residents) of countries other than Canada and the United States, and to report certain required information with respect to such accounts to the CRA. If Canada and the applicable country of residence have agreed to bilateral information exchange under the Common Reporting Standard, such information may be exchanged by the CRA with the tax authorities of that country. Under the CRS Proposals, the term "Canadian financial institution" may include certain types of entities that are held for investment purposes and it is possible that the Fund will be considered a Canadian financial institution for these purposes. The Fund will monitor the progress of the CRS Proposals and any future guidance from the CRA to ensure compliance with the CRS Proposals. If the CRS Proposals are applicable with respect to the Fund, after June 30, 2017, Unitholders will be required to provide certain information regarding their investment in the Fund for the purpose of such information exchange (which information exchange is expected to occur beginning in May 2018), unless the investment is held within certain Plans.

20. RISK FACTORS

The purchase of Units hereunder involves a number of risk factors. The risks described below are not the only risks involved with an investment in the Units. If any of the following risks occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on the Units. There is no assurance that the Fund will be able to achieve any of its investment objectives.

In addition to the risk factors set forth elsewhere in this Prospectus, investors should consider the following risks associated with the Units:

Risks Related to the Offering

This is Partly a Blind Pool Offering

After completion of the acquisition of the New Portfolio, although the Fund expects that the unallocated Investable Funds will be applied to the purchase of one or more additional Properties, the Manager has not yet identified any additional Properties for potential investment.

The Unitholders' return on their investments in the Units will vary depending on the return on investment achieved on the Properties, including the New Portfolio and other Properties acquired with the Investable Funds. Accordingly, if the Gross Subscription Proceeds exceed US$49,657,901, until such time as the excess funds are deployed by the Fund to indirectly acquire interests in income-producing properties, the annualized pre-tax distribution yield per Unit can be expected to be less than the targeted yield per Unit.

No Prior Public Market for Units

An active and liquid market for the Units may not develop or, if developed, may not be maintained. If an active public market does not develop or is not maintained, investors may have difficulty selling their Units. The Offering Price of Units was determined by negotiation among the Manager, on behalf of the Fund, and the Agents and may not be indicative of the price at which the Units will trade following the completion of the Offering. The Fund cannot assure investors that the market price of Units will not materially decline below the Offering Price. Accordingly, an investment in Units is suitable solely for persons able to make and bear the economic risk of a long term investment.

Volatile Market Price for Units

The market price for Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Fund's control, including the following: (i) actual or anticipated fluctuations in the Fund's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the Fund; (iv) addition or departure of the Fund's or the Manager's executive officers and other key personnel; (v) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Fund or its competitors; and (vi) news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in the Fund's industry or target markets. Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, the market price of the Units may decline even if the Fund's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the Fund's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Units by those institutions, which could materially adversely affect the trading price of the Units. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, the Fund's operations could be materially adversely impacted and the trading price of the Units may be materially adversely affected.

Insufficient Gross Proceeds of the Offering

There can be no assurance the Maximum Offering will be sold. If less than all of the Units offered are sold pursuant to this Offering, then less than the maximum proceeds will be available to the Fund. Consequently, the Fund may be unable to implement all of its business development plans in the manner currently intended.

Risks Related to the Fund

An investment in Units is an investment in U.S. real estate through the Fund's interest in the Properties, directly or indirectly, acquired by it. Investment in real estate is subject to numerous risks, including the factors listed below and other events and risk factors which are beyond the control of the Fund.

Acquisition Risk

The Manager intends to recommend Properties for acquisition by the Fund or its Subsidiaries selectively. The acquisition of Properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, Fund or its Subsidiaries will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of Properties may not generate sufficient funds to make the payments of principal and interest due on the Mortgage Loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of Properties.

Closing of the Offering is Conditional on Completion of the Reorganization

Closing of the Offering is conditional on completion of the Reorganization. If the Reorganization is not completed, the Offering will not close.

General Real Estate Ownership Risks

All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the Properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the Properties becomes vacant and cannot be re-leased on economically favourable terms, the Properties may not generate revenues sufficient to meet Operating Expenses, including debt service and capital expenditures, and Distributable Cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a Property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund were to be required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of the Properties or less than what could be expected to be realized under normal circumstances.

The Fund may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the Properties held by the Fund or its Subsidiaries may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

Co-investment/Joint Ventures

The Fund may, on advice from the Manager, invest in, or be a participant in, directly or indirectly, joint ventures and partnerships with third parties in respect of the Properties. A joint venture or partnership involves certain additional risks, including:

(i) the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with the Fund's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to the Properties;

(ii) the co-venturer/partner may have control over all of the day to day and fundamental decisions relating to a property;

(iii) the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such Properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund or its Subsidiaries or for which the Fund or its Subsidiaries will be liable and/or result in the Fund suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;

(iv) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund or its Subsidiaries to liability; and

(v) the need to obtain co-venturers'/partners' consents with respect to certain major decisions or inability to have any decision making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property.

In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Fund's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires. Additionally, drag-along rights may be triggered at a time when the Manager may not advise the Fund to sell its interest in a Property, but the Fund may be forced to do so at a time when it would not otherwise be in its best interest.

Inability to Dispose of Properties or Geographically Diversify

The Fund may be unable to reduce its exposure in any one of the Primary Markets by disposing of certain Properties during the Term and by replacing such Properties with new Properties in the Primary Markets having greater potential NOI growth and value or achieving further geographical diversification of the Fund's overall portfolio or a more balanced distribution of Properties within the Primary Markets through dispositions and acquisitions of Properties in the Primary Markets. As a result, the Fund may face exposure to downturns in any one of the Primary Markets or from a lack of geographical diversification or an unbalanced distribution of Properties within the Primary Markets.

Substitutions for Residential Rental Suites

Demand for rental suites in the Properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. With the recent global economic crisis, interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in the Properties and on the rents charged.

Government Regulation

Certain states in the U.S. may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at the Properties. Limits on the Fund's ability to raise rental rates at the Properties may adversely affect the Fund's ability to increase income from the Properties. The States of Florida, Georgia, Nevada, North Carolina and Texas have not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its Properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in such states may provide certain rights to tenants, while imposing obligations upon landlords. Certain states may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a state's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain states may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from tenants.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of the Properties.

Financing Risks

There is no assurance that the Manager will be able to obtain sufficient Mortgage Loans to finance the acquisition of Properties, or, if available, that the Manager will be able to obtain Mortgage Loans on commercially acceptable terms. Further, there is no assurance or guarantee that any Mortgage Loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of Properties which the Fund is able to purchase will decrease and the return from the ownership of Properties (and ultimately the return on an investment in Units) will be reduced.

Interest Rate Fluctuations

The Mortgage Loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

Limited Recourse Against Property Vendors

Purchasers under this Prospectus will not have a direct statutory right or any other rights against the vendors of certain of the Properties comprising the New Portfolio, and their securityholders. The sole remedy of the Fund against Sunrise, Giles and Views (each of whom is an independent third-party vendor) and any of their securityholders will be through the Fund or its Subsidiaries bringing an action against the applicable vendor for a breach of the representations and warranties contained in such agreement, subject to the limitations described above. The vendors' liability to the Fund under the purchase agreements for breach of representations and warranties is capped at US$500,000 with respect to each of Sunrise Ranch, South Blvd Apartments and Coolray Field. In addition, the vendors have not made any representation to the Fund, and are not making any representation to investors in the Offering, as to the disclosure in this Prospectus constituting full, true and plain disclosure of all material facts related to the Properties comprising the New Portfolio, or that this Prospectus does not contain a misrepresentation with respect to such Properties. Accordingly, the vendors will not have any liability to investors in the Offering if the Prospectus disclosure relating to the Properties comprising the New Portfolio does not meet such standard or contains a misrepresentation.

Environmental Matters

Under various environmental and ecological laws, the Fund or its Subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the Properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell such Property or to borrow using the Property as collateral, and could potentially also result in claims against the Fund or its Subsidiaries by third parties.

Uninsured Losses

The Fund or its Subsidiaries will arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the Fund or its Subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.

Reliance on Property Management

The Manager may rely upon independent management companies to perform property management functions in respect of each of the Properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

Competition for Real Property Investments or Tenants

The Manager will compete for suitable real property investments with individuals, corporations, REITs and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease suites in the Properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

Holding Entity Structure

As a holding entity, the Fund's ability to meet its obligations, including payment of interest, other operating expenses and distributions, and to complete current or desirable future enhancement opportunities or acquisitions generally depends on the receipt by the Fund of dividends, distributions and/or interest payments from its Subsidiaries as the principal source of cash flow to pay distributions on the Units. As a result, the Fund's cash flows and ability to pay distributions, including on the Units, are dependent upon the earnings of its Subsidiaries and the distribution of those earnings and other funds by its Subsidiaries to it. The payment of interest, dividends and/or distributions by certain of the Fund's Subsidiaries may be subject to restrictions set out in relevant corporate laws and regulations, constating documents or other governing provisions, which may require that certain Subsidiaries remain solvent following payment of any such interest, dividends and/or distributions. Substantially all of the Fund's business is currently conducted through its Subsidiaries, and the Fund expects this to continue.

Revenue Shortfalls

Revenues from the Properties may not increase sufficiently to meet increases in Operating Expenses or debt service payments under the Mortgage Loans or to fund changes in the variable rates of interest charged in respect of such loans.

Fluctuations in Capitalization Rates

As interest rates fluctuate in the lending market, generally Capitalization Rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally Capitalization Rates should be expected to rise.

Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these Capitalization Rates.

Acquisition of New Portfolio

The Closing Date of the Offering will not proceed unless all preconditions to the closing of the acquisition of the Properties comprising the New Portfolio have been satisfied or waived.

Reliance on the Manager

Prospective investors assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. In particular, prospective investors will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of Properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and Disposition of Properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Evan Kirsh, Martin Liddell and/or David Hanick. If the Manager loses the services of Daniel Drimmer, Evan Kirsh, Martin Liddell and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected. See "Directors and Officers" and "The Manager and the Management Agreement".

Distributions May be Reduced or Suspended

Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 6.5% across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class of Unit, applicable Unit Class Expenses and any unhedged exposure to Canadian/U.S. dollar exchange rates, and will depend on the ability of the Fund to fully deploy the Net Subscription Proceeds to indirectly acquire the Properties and manage the ongoing operations of the Properties and the ability of the Investment LPs, the Subsidiary Canadian Corporations and SIP, as a group, to pay the Minimum Return to the Fund. The Minimum Return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for Purchasers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

Assumption of Liabilities

Pursuant to the Reorganization, the Fund assumed all liabilities arising out of or related to the Existing Starlight Funds' and Campar's past, present or future business, operations or assets. As a result, the Fund may have assumed unknown liabilities that could be significant.

Fund May be Liable for Deferred Taxes

As a result of the Reorganization, all deferred taxes of the Existing Starlight Funds and Campar, in the amount of approximately US$73.6 million as at June 30, 2016 (representing US$1.09 per Unit on a *pro forma*, fully-diluted basis assuming completion of a maximum offering of Units), became deferred taxes of the Fund and will be included as liabilities on the consolidated financial statements of the Fund. See "Appendix F—Note 2 in the Existing Starlight Funds' Financial Statements".

The Reorganization was not structured in a manner that will allow for the tax cost of the Properties in the Existing Portfolio to be increased to fair market value for tax purposes. Accordingly, the cost of the Properties in the Existing Portfolio to the Fund and its Subsidiaries is expected to be significantly less than their fair market value. This may result in the Fund's Subsidiaries being entitled to deduct a lesser amount of depreciation for tax purposes than if the Properties had been acquired at a tax cost equal to their fair market values. Lower tax depreciation deductions could increase the U.S. earnings and profits of the U.S. REITs, which would increase the amount of the distribution by the U.S. REITs treated as a dividend thereby potentially increasing the amount of the U.S. REITs' ordinary REIT dividends subject to U.S. withholding tax for Non-U.S. Unitholders. In addition, when one or more of such properties are disposed of, including upon the termination of the Fund at the end of the Term, any gain recognized by the Fund (or its applicable Subsidiary) for tax purposes is expected to be in excess of that which would have been realized if it had acquired such Properties at a tax cost equal to their fair market value. Any tax payable by an applicable Subsidiary on any such excess gain as determined for tax purposes will reduce the amount of the proceeds from such a disposition that will be available for distribution to Unitholders. The amount of such excess gain could be material. For purposes of the foregoing, the aggregate appraised value of the Existing Properties and the New Properties is approximately US$1.0619 billion and the estimated equity value of the Fund (without giving effect to any deferred tax and assuming completion of a minimum offering of Units) is approximately US$364.6 million (being the aggregate appraised value noted above, plus the estimated net working capital of the Fund of approximately US$14.5 million as at September 30, 2016, less total estimated outstanding debt of the Fund of approximately US$711.8 million as at September 30, 2016). The Manager intends to take all reasonable steps available to mitigate or further defer such taxes, if any, including to the extent practicable by structuring dispositions of Properties as tax-deferred "like-kind exchanges" for U.S. federal income tax purposes and/or by seeking to structure any ultimate liquidity event of the Fund as a disposition at the unitholder level or in another manner that would not require such gain to be crystallized for tax purposes; however no assurances can be given in this regard.

Possible Loss of Limited Liability of Limited Partners

Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that Unitholders may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and the Fund's net assets. A transferee of a Unit will become a Unitholder and shall be subject to the obligations and entitled to the rights of Unitholders under the Fund LP Agreement on the date on which the General Partner amends the Fund's record of Unitholders to reflect that the transferee is a Unitholder or at such time as the General Partner, in its sole discretion, recognizes the transferee as a Unitholder. See "Description of the Securities Distributed – Units – Transfer of Units".

Historical Financial Information and Pro Forma Financial Information

The historical financial information relating to the Existing Starlight Funds, New Properties and Boardwalk Med Center included in this Prospectus has been derived from historical accounting records. The General Partner believes that the assumptions underlying the financial statements are reasonable. However, the financial statements may not reflect what the Fund's financial position, results of operations or cash flows would have been had the Fund been a consolidated standalone entity during the historical periods presented or what the Fund's financial position, results of operations or cash flows will be in the future. The Fund has not made adjustments to its historical financial information to reflect changes that may occur in its cost structure, financing and operations as a result of its acquisition of the New Properties or the Reorganization. In preparing the *pro forma* financial information in this Prospectus, the Fund has given effect to, among other items, the Reorganization and the Offering. The estimates used in the *pro forma* financial information may not be similar to the Fund's actual experience as a stand-alone public entity.

Non-IFRS Measures

The *pro forma* financial information set out in this Prospectus includes certain measures which do not have standardized meanings prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other issuers. There are no directly comparable measures calculated in accordance with GAAP, as such measures are based on investments that are external to the Fund. The measures used are meaningful to the investors as they are based on the average investor's individual investment in the entities mentioned.

Reliance on Assumptions

The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in the U.S., the future status of the U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 6.5% across all Unit classes.

Timing for Investment of Net Subscription Proceeds

Although the Manager is targeting deployment of the unallocated Gross Subscription Proceeds within nine months following the Closing Date, the time period for the full investment of the net proceeds of the Offering and any concurrent private placements in Properties other than the New Portfolio is not certain and may exceed nine months. The timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition. It is the intention of the Manager the unallocated Investable Funds be deployed to acquire additional income-producing rental properties in the U.S. multi-family real estate market in the Primary Markets in accordance with the Fund's stated investment objectives. In the meantime, funds remaining following the indirect acquisition of the New Portfolio may be used to repay existing indebtedness of the Fund or its Subsidiaries, acquire additional Properties or otherwise used by the Fund to acquire units of any of the Investment LPs. There is a risk that the Manager may not invest all net proceeds of the Offering and any concurrent private placements in Properties in a timely manner and, therefore, the Fund may not be able to generate sufficient funds to pay the Minimum Return, in which case, Unitholders can expect the annualized pre-tax distribution yield across all Unit classes to be less than 6.5% (subject to the Minimum Return Support Amount as described under "Description of the Securities Distributed – Starlight Investments Partnerships – Distributions").

Use of Derivatives

In purchasing derivatives, the Fund is subject to the credit risk that its counterparty may be unable to meet its obligations. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying reference exposure. In addition, there is risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position.

While the Class H Unit Liquidation Hedge is intended to provide holders of Class H Units, in respect of their original investment, with some protection against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and the target date for termination or liquidation of the Fund, the reference amount for the Class H Unit Liquidation Hedge will be based on the net proceeds received from the issuance of the Class H Units pursuant to the Offering and any concurrent private placements. To the extent that the actual amount to be distributed to the holders of Class H Units on termination or liquidation of the Fund differs from this reference amount, or Class H Units are acquired for an amount that differs from their Offering Price, the holders of Class H Units will be subject to currency exchange rate risk and their returns may be adversely impacted.

Similarly, while any derivative instruments purchased in order to hedge, in whole or in part, against foreign currency risk in respect of the U.S. dollar amounts the Fund will be required to convert into Canadian dollars to pay expected distributions on the Canadian Dollar Units are intended to provide holders of Canadian Dollar Units with some protection, in respect of any distributions, against any weakening of the U.S. dollar as compared to the Canadian dollar between the Closing Date and each date of declaration in respect of any distributions on the Canadian Dollar Units, increases in Distributable Cash Flow due to currency exchange rate fluctuations may be less than they otherwise would be, but accordingly, decreases in Distributable Cash Flow may be more limited as well.

There can be no assurance that the exercise date and underlying notional amount of the derivative instruments effecting the Class H Unit Liquidation Hedge will match the date, or the amount, of any distributions of proceeds to holders of Class H Units upon the termination or liquidation of the Fund. In particular, the Class H Unit Liquidation Hedge will be established on the basis of the Fund's targeted three-year investment horizon. To the extent that the Term differs from this targeted investment horizon, the holders of Canadian Dollar Units (including the holders of Class H Units) will be subject to currency exchange rate risk and their returns may be adversely impacted.

Similarly, there can be no assurance that the exercise date and notional amount underlying such derivative instruments would match the date of declaration, or the amount, of the distribution on any Canadian Dollar Units.

In the event the termination or liquidation of the Fund occurs prior to the end of the Fund's three-year investment horizon there can be no assurance that a liquid exchange or over-the-counter market will exist to permit the Fund to realize its profits (if any) and monetize its position in respect of the remaining derivatives under the Class H Unit Liquidation Hedge. If the Fund is unable to sell any such derivatives prior to the termination or liquidation of the Fund, the Fund will be unable to realize any anticipated profits or gains which may have been realized had the Fund held such derivatives to maturity. In the event that the Term is extended beyond the Fund's three-year investment horizon, the Fund may be unable to purchase further derivatives on an economical basis.

The Manager may, at its sole discretion, discontinue the Class H Unit Liquidation Hedge in the event options are not available on an economical basis or the Manager determines that the continuation of the Class H Unit Liquidation is no longer in the best interests of the applicable class or classes of Unitholders. In such case, holders of Class H Units will have unhedged exposure to the Canadian/U.S. dollar exchange rate. The specific terms and conditions of the derivatives acquired may further limit the Fund's ability to use such derivative instruments to effectively hedge its exposure to currency fluctuations in the event that the Term of the Fund differs from the projected three-year investment horizon.

Enforceability of Judgments Against Foreign Subsidiaries

Certain Subsidiaries of the Fund are organized under the laws of Delaware and Maryland. All of the assets of such Subsidiaries are located outside of Canada and certain of the experts retained by the Fund or its Affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the United States by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the United States may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the United States agrees to hear a claim, it may determine that the local law in the United States, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law in such circumstances.

Units are not Shares in a Corporation

The Units represent a fractional interest in the Fund. Corporate law does not govern the Fund and the rights of Unitholders. Unitholders will not have all of the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring oppression or derivative actions. The rights of Unitholders are specifically set forth in the Fund LP Agreement. The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act (Canada) and are not insured under the provisions of that act or any other legislation.

Investment Company Act

U.S. REIT5 and each equivalent entity in the corporate structure of the Existing Starlight Funds are not registered as investment companies under the U.S. Investment Company Act of 1940, as amended (the "**Investment Company Act**"). If such entities are required to register an investment companies, their ability to enter into certain transactions would be restricted by the Investment Company Act. Furthermore, the costs associated with registration as an investment company and compliance with such restrictions could be substantial. In addition, registration under and compliance with the Investment Company Act would require a substantial amount of time on the part of the Manager and its affiliates, thereby decreasing the time they spend managing the Fund. If U.S. REIT5 and each equivalent entity in the corporate structure of the Existing Starlight Funds were required to register as an investment company but failed to do so, such entities would be prohibited from engaging in certain business, and criminal and civil actions could be brought against them. In addition, the contracts of such entities would be unenforceable unless a court were to require enforcement, and a court could appoint a receiver to take control of each such entity and liquidate their businesses.

Risk Factors Relating to the Fund's Canadian Tax Status

Allocation of Income and Loss

In general, a Unitholder who is a resident of Canada for purposes of the Tax Act, must include in computing the Unitholder's income its proportionate share of income of the Fund allocated to the Unitholder pursuant to the Fund LP Agreement for the fiscal period of the Fund ending in or coincidentally with the Unitholder's taxation year. See "Certain Canadian Federal Income Tax Considerations". However, the cash distributed to a Unitholder may not be sufficient to pay the full amount of such Unitholder's tax liability in respect of its investment in the Fund because each Unitholder's tax liability depends on such Unitholder's particular circumstances. In addition, the actual amount and timing of distributions by the Fund will be subject to the discretion of the General Partner, and there can be no assurance that the Fund will in fact make cash distributions as intended. Even if the Fund is unable to distribute cash in amounts that are sufficient to fund a Unitholder's tax liability, such Unitholder will nonetheless be required to pay income taxes on its proportionate share of the Fund's income.

The SIFT Rules

The SIFT Rules apply to a partnership that is a "SIFT partnership" as defined in the Tax Act. Provided that a partnership does not own "non-portfolio property" (as defined in the Tax Act), it will not be subject to the SIFT Rules. Based on the Investment Restrictions of the Fund and the limitations currently imposed (or expected to be imposed by the Closing Date) on the Partnerships under their respective partnership agreements, the Fund and the Partnerships will not at any time hold any non-portfolio property and, therefore, will not be subject to the SIFT Rules. However, there can be no assurance that the SIFT Rules or the administrative policies or assessing practices of the CRA with respect thereto will not be changed in a manner that adversely affects the Fund, the Partnerships or the Unitholders.

Subsidiary Canadian Corporations

The Fund will from time to time own certain properties in whole or in part through subsidiaries (such as the Subsidiary Canadian Corporations) which are subject to entity-level taxation under the Tax Act. The application of entity-level tax under the Tax Act to all or a portion of the income generated by such properties could impact the Fund's ability to distribute the cash flow generated thereby to Unitholders.

Canadian withholding tax on dividends paid by Subsidiary Canadian Corporations

Each of the Fund and Fund2 will be deemed to be a non-resident person in respect of certain amounts paid or credited to it by a person resident or deemed to be resident in Canada, including dividends paid by the Subsidiary Canadian Corporations. Such dividends will be subject to withholding tax under Part XIII of the Tax Act at the rate of 25%. However, the CRA's administrative practice in similar circumstances is to permit the rate of Canadian federal withholding tax applicable to such payments to be computed by looking through a partnership and taking into account the residency of its partners (including partners who are resident in Canada) and any reduced rates of Canadian federal withholding tax that any non-Canadian limited partners may be entitled to under an applicable income tax treaty or convention, provided that the residency status and entitlement to treaty benefits can be established.

The Fund expects the Canadian Subsidiary Corporations to rely on this administrative practice in order to determine the appropriate amount of Canadian federal withholding tax to withhold from dividends paid to the Fund and its applicable Subsidiaries. There can be no assurance that the CRA will apply its administrative practice in this context. If the CRA's administrative practice is not applied and the Subsidiary Canadian Corporations withhold Canadian federal withholding tax from applicable payments on a look-through basis, the Subsidiary Canadian Corporations may be liable for additional amounts of Canadian federal withholding tax plus any associated interest and penalties.

The amount of Canadian tax so withheld will be allocated among non-resident Unitholders pursuant to the Fund LP Agreement.

Foreign Taxes

Foreign taxes paid or considered to have been paid by an Investment LP or SIP will be allocated pursuant to its limited partnership agreement and the Fund's allocated share will be allocated to Unitholders pursuant to the Fund LP Agreement. The availability of a foreign tax credit or foreign tax deduction in respect of foreign source income allocated to Unitholders by the Fund will be subject to the detailed rules contained in the Tax Act and each Unitholder's particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Foreign taxes paid or considered to have been paid by a Subsidiary Canadian Corporation will not be allocated to Unitholders and, accordingly, no foreign tax credit or foreign tax deduction will be available to Unitholders in respect of such foreign taxes. While the Subsidiary Canadian Corporations will generally themselves be entitled to claim foreign tax credits or foreign tax deductions in respect of such taxes, the maximum credit available to the Subsidiary Canadian Corporations will generally be limited to their Canadian tax otherwise payable in respect of the underlying U.S. source income. Accordingly, if the Canadian tax rate applicable to such income is less than the applicable foreign tax rate, double taxation may arise.

Differences in Canadian and U.S. Tax Laws

The Fund is required to compute its income as though it were a separate person resident in Canada. The Fund is, therefore, subject to the provisions of the Tax Act which may differ materially from the applicable provisions of the Code. In addition, the effective tax rate under the Tax Act and the Code may differ, in which case Unitholders generally will be subject to the higher effective tax rate.

Dispositions of Real Property

In the ordinary course and/or in connection with the termination of the Fund, the Fund may effect a sale of U.S. real property by disposing of securities of an underlying entity (such as an Investment LP, a Holding LP or a U.S. REIT) or by disposing of the Property directly. In these circumstances, the effective tax rate under the Code on such dispositions may be greater than the effective tax rate on capital gains under the Tax Act.

In the event that a sale of real property is structured in this manner, the net cash available for distribution to Unitholders will be reduced.

Change of Law

There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, the terms of the Treaty, or the administrative policies and assessing practices of the CRA will not be changed in a manner that adversely affects Unitholders. Any such change could increase the amount of tax payable by the Fund or its Affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

Foreign Currency

For purposes of the Tax Act, Unitholders are generally required to compute their Canadian tax results using Canadian currency. Where an amount that is relevant in computing a taxpayer's Canadian tax results is expressed in a currency other than Canadian currency, such amount must be converted to Canadian currency using the applicable rate of exchange quoted by the Bank of Canada on the day such amount first arose, or using such other rate of exchange as is acceptable to the CRA. As a result, Unitholders may realize gains and losses for tax purposes by virtue of fluctuations in the value of foreign currencies relative to Canadian dollars.

Tax Treatment of Derivatives

In general, gains and losses realized by the Fund in respect of foreign currency hedges will be on income account, except in the case of foreign currency hedges entered into in respect of investments or other transactions on capital account where there is sufficient linkage, subject to the DFA Rules. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from the CRA. Gains and losses realized by the Fund in respect of foreign currency hedges will be recognized for tax purposes at the time they are realized by the Fund.

In the event the Fund reports a foreign currency hedge on capital account and such hedge is ultimately treated on income account (whether because of the DFA Rules discussed under "Certain Canadian Federal Income Tax Considerations – Taxation of the Partnerships" or otherwise), the net income of the Fund for purposes of the Tax Act could be materially different.

Risk Factors Relating to the Fund's U.S. Tax Status

Qualification of each of the U.S. REITs as a U.S. Real Estate Investment Trust

Each of the U.S. REITs intends to qualify as a U.S. REIT for each relevant taxable year and will establish procedures to regularly monitor REIT classification and compliance. However, given the highly complex nature of the rules governing REITs and the possibility of future changes in circumstances, no assurances can be given that any of the U.S. REITs will qualify as a REIT for U.S. federal income tax purposes, whether in its first taxable year or in any subsequent year. The failure of any of the U.S. REITs to qualify as a REIT, in its first or in any subsequent taxable year, may result in materially reduced distributions to Unitholders.

Compliance with the rules governing REITs may require each of the U.S. REITs to refrain from certain activities discussed in “Certain U.S. Federal Income Tax Considerations” and may hinder the applicable U.S. REIT’s ability to make certain attractive investments, including the purchase of non-qualifying assets and the expansion of non-real estate activities. Accordingly, the applicable U.S. REIT’s opportunities and flexibility to change its business strategy may be limited.

U.S. Federal Withholding Tax on U.S. REITs Ordinary REIT Dividends

It is anticipated that each of the U.S. REITs will benefit from certain deductions under U.S. federal income tax rules, including but not limited to deductions of interest expense on the U.S. REITs Notes, in order to reduce the amount of the applicable U.S. REITs distributions that would be treated as ordinary REIT dividends thereby reducing the amount of U.S. withholding tax on ordinary REIT dividends paid (indirectly through the applicable Holding LPs and the applicable Investment LPs) to Non-U.S. Unitholders subject to withholding tax. However, such deductions may be restricted depending upon a variety of factors, as discussed above in “Certain U.S. Federal Income Tax Considerations”. If any of the applicable U.S. REIT’s deductions were limited and/or disallowed, then the U.S. withholding tax on ordinary REIT dividends could increase thereby decreasing cash available for distribution to the Unitholders and the value of the Units.

Change of Law

There can be no assurance that U.S. federal income tax laws, the terms of the Treaty, and the IRS and Department of the Treasury administrative and legislative policies respecting the U.S. federal income tax consequences described herein will not be changed, possibly on a retroactive basis, in a manner that adversely affects Unitholders. In particular, any such change could increase the amount of U.S. federal income tax or withholding tax payable by the Fund or its Subsidiaries, reducing the amount of distributions which the Fund would otherwise receive and thereby reducing the amount available to pay distributions to Unitholders.

For all of the above reasons and others set forth herein, the Units involve a certain degree of risk. Any person considering the purchase of Units should be aware of these and other factors set forth in this Prospectus and should consult with his or her legal, tax and financial advisors prior to making an investment in the Units. The Units should only be purchased by persons who can afford to lose all of their investment.

21. PROMOTER

The Manager may be considered to be the promoter of the Fund by reason of its initiative in organizing the business of the Fund and taking the steps necessary for the public distribution of the Units. On closing of the Offering, the principal of the Manager will initially beneficially own, or have control or direction over, 343,104 Class A Units, 4,780 Class U Units and 9,480,036 Class C Units (being 20.9% of the aggregate Units then outstanding) assuming the Minimum Offering is achieved or 343,104 Class A Units, 4,780 Class U Units and 9,628,884 Class C Units (being 14.5% of the aggregate Units then outstanding) assuming the Maximum Offering is achieved, and, in each case, assuming no subscriptions for Class C Units are received from other investors known to the Manager in connection with the Offering, a Canadian to U.S. dollar exchange rate of C$1.30 to US$1.00 as at the Closing Date and that the exchange ratios are as described in the definition of Fund Exchange Ratio herein. The Manager will receive payment from the Fund for services provided to the Fund in respect of the acquisition or disposition of Properties and the ongoing management of the Properties and each U.S. REIT, as well as the Carried Interest through its ownership interests in SIP.

In connection with the Reorganization, the Fund acquired all of the outstanding membership interests in Investment LP5, which indirectly owned 20% of Boardwalk Med Center. The principal of the Manager owned 20.7% of Investment LP5 and exchanged his interest for 44,644 Class C Units. The General Partner of the Fund determined the number of Class C Units to issue based on a total purchase price of US$38,100,000, with the *pro rata* equity share of the principal of the Manager being US$336,740. The appraised value of the Boardwalk Med Center was US$38,100,000 at the time of its acquisition.

22. LEGAL PROCEEDINGS

There are no outstanding legal proceedings to which the Fund is a party, nor are any such proceedings known to be contemplated.

23. INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Fund was only recently formed and has not carried on any business to date. None of (i) the Manager, or the directors, executive officers or principal shareholder of the Manager, (ii) the directors, executive officers or principal shareholders of the Fund or its General Partner, each as applicable, or (iii) any associate or Affiliate of the persons referred to in (i) and (ii), has a material interest in any transaction carried out by the Fund or its Subsidiaries within the three years before the date of this Prospectus that has materially affected or is reasonably expected to materially affect the Fund or any of its Subsidiaries, except that certain of the foregoing parties are involved as parties to the Reorganization pursuant to which, among other things and other than as disclosed in this Prospectus, (i) the principal of the Manager who is also a director and officer of the General Partner will have caused the exchange of 2,271,789 Class C limited partnership units, 2,900 Class U limited partnership units and 141,214 Class A limited partnership units of the Existing Starlight Funds for 5,036,711 Class C Units, 4,780 Class U Units and 343,104 Class A Units, (ii) the Manager, on its own behalf and as nominee for the President of the Fund as to a 25% interest, will have caused the exchange of the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest, Fund4 Carried Interest and Travesia Carried Interest for 3,903,148 Class C Units on its own behalf and for 1,301,049 Class C Units as nominee for the President of the Fund, (iii) such principal will have caused the exchange of 10,450,000 Campar shares for 144,381 Class C Units, (iv) the unitholders of Boardwalk Acquisition Partnership (principally being senior management of the Manager) will have exchanged an indirect 20% interest in Boardwalk Med Center for an aggregate of 215,670 Class C Units, and (v) the other directors and officers of the General Partner as a group shall have caused the exchange of 34,550 Class A Units, 6,900 Class U Units and 22,550 Class F Units of the Existing Starlight Funds for 68,188 Class A Units, 9,927 Class U Units and 49,091 Class F Units, and the exchange of 2,200,000 Campar shares for 30,396 Class C Units, assuming a Canadian to U.S. dollar exchange rate of C$1.325 to US$1.00 as at the Closing Date and that the exchange ratios are as described in the definition of Fund Exchange Ratio. The Manager and the President have not and will not receive any cash payments as part of the Existing Starlight Funds Carried Interests distribution in connection with the Reorganization. As disclosed herein:

(a) upon closing of the Offering, it is expected that Daniel Drimmer (the principal of the Manager), in addition to the Units noted above, will indirectly own C$5,000,000 of Class C Units, less the amount of any subscriptions for Class C Units received from other investors known to the Manager (see “Principal Security Holders”);

(b) the Fund will be managed by the Manager pursuant to the Management Agreement (see “The Manager and the Management Agreement” and “Directors and Officers”); and

(c) Evan Kirsh and entities controlled by Daniel Drimmer will be entitled to receive the Carried Interest, if any becomes payable, through their direct or indirect ownership of interests in SIP (see “Description of the Securities Distributed – Starlight Investments Partnership – Distributions” and “Description of the Securities Distributed – Starlight Investments Partnership – Distributions upon Wind-up, etc.”).

24. AUDITORS

The auditors of the Fund are BDO Canada LLP, 66 Wellington St W, Suite 3600, Toronto, Ontario.

25. REGISTRAR AND TRANSFER AGENT

The registrar and transfer agent for the Units is Equity Financial Trust Company at its principal office in Toronto. Registration and transfers of Units will be effected through the book-based system administered by CDS. Unitholders will receive only customer confirmation from the registered dealer which is a CDS participant and from or through which Units are purchased. See “Plan of Distribution”.

26. EXEMPTIONS FROM CERTAIN DISCLOSURE REQUIREMENTS

Pursuant to Part 19 of NI 41-101, and as evidenced by the receipt of this Prospectus issued by the relevant Canadian provincial securities regulatory authorities, the Fund has been granted an exemption from certain financial statement disclosure requirements of NI 41-101.

The following is a description of the exemption granted to the Fund. Pursuant to the Reorganization, the Fund will directly or indirectly own the Existing Starlight Funds and Campar, and the Fund intends to use the proceeds of this Offering to indirectly acquire the three Properties comprising the New Portfolio as described herein. Pursuant to Section 32.1(1)(b) of Form 41-101F1, the Existing Starlight Funds, Campar and the New Portfolio may be considered to be the primary business of the Fund. As a result, Sections 32.2 and 32.3 of Form 41-101F1 would require the Fund to include in this Prospectus, in respect of each of the Existing Starlight Funds, Boardwalk Med Center, Campar and the New Portfolio, (i) annual financial statements for each of the two most recently completed financial years, with statements of financial position as at the end of the two most recently completed financial years, and (ii) interim financial statements for the most recently completed interim period, with statements of financial position as at the end of the most recently completed interim period and the corresponding period for the immediately preceding financial year, all prepared in accordance with IFRS applicable to publicly accountable enterprises.

The exemption was granted based on the following:

(a) The financial disclosure included in this Prospectus consists of the following:

(i) an audited statement of changes in partners' equity and cash flows of the Fund for the one-day period ended August 26, 2016;

(ii) an audited statement of financial position of the Fund as at August 26, 2016;

(iii) an unaudited *pro forma* condensed consolidated statement of financial position of the Fund as at June 30, 2016 (giving effect to the Reorganization and the Offering, including the acquisition of the New Portfolio by the Fund, as if such events occurred on June 30, 2016); unaudited *pro forma* condensed consolidated statements of income (loss) and comprehensive income (loss) for the six months ended June 30, 2016 and the year ended December 31, 2015 (in each case giving effect to the Reorganization and the Offering, including the acquisition of the New Portfolio, by the Fund as if such events occurred on January 1, 2015); together with accompanying notes, prepared using the same accounting policies of the statements described above and in accordance with the applicable requirement;

(iv) separate financial statements for each of the Existing Starlight Funds, Campar and Boardwalk Med Center, prepared in accordance with IFRS, as follows:

A. in respect of Fund1: audited statements of income and comprehensive income and cash flows for the three and six month periods ended June 30, 2016 and 2015 and for the years ended December 31, 2015 and 2014; audited statements of changes in equity for the six month period ended June 30, 2016 and 2015 and for the years ended December 31, 2015 and 2014; audited statements of financial position as at June 30, 2016 and December 31, 2015 and 2014;

B. in respect of Fund2: audited statements of income and comprehensive income and cash flows for the three and six month periods ended June 30, 2016 and 2015 and for the years ended December 31, 2015 and 2014; audited statements of changes in equity for the six month period ended June 30, 2016 and 2015 and for the years ended December 31, 2015 and 2014; audited statements of financial position as at June 30, 2016 and December 31, 2015 and 2014;

C. in respect of Fund3: audited statements of income and comprehensive income and cash flows for the three and six month periods ended June 30, 2016 and 2015, for the year ended December 31, 2015 and for the period from May 1, 2014 (date of formation) to December 31, 2014; audited statements of changes in equity for the six month period ended June 30, 2016 and 2015, for the year ended December 31, 2015 and for the period from May 1, 2014 (date of formation) to December 31, 2014; audited statements of financial position as at June 30, 2016 and December 31, 2015 and 2014;

D. in respect of Fund4: audited statements of income and comprehensive income and cash flows for the three and six month periods ended June 30, 2016 and for the period from April 10, 2015 (commencement of operations) to December 31, 2015; audited statements of changes in equity for the six month period ended June 30, 2016 and for the period from April 10, 2015 (commencement of operations) to December 31, 2015; audited statements of financial position as at June 30, 2016 and December 31, 2015;

E. in respect of Boardwalk Med Center: audited combined carve-out statements of income and comprehensive income, changes in owners' equity and cash flows for the years ended December 31, 2015, 2014 and 2013; audited carve-out statements of financial position as at December 31, 2015, 2014 and 2013; unaudited combined carve-out statements of income and comprehensive income and cash flows for the three and six month periods ended June 30, 2016 and 2015; unaudited carve-out statements of changes in owners' equity for the six month periods ended June 30, 2016 and 2015; unaudited combined carve-out statements of financial position as at June 30, 2016; and

F. in respect of Campar: audited statements of income (loss) and comprehensive income (loss) and cash flows for the three and six month periods ended June 30, 2016 and 2015, for the year ended December 31, 2015 and for the period from August 20, 2014 (commencement of operations) to December 31, 2014; changes in shareholders' equity for the six month periods ended June 30, 2016 and 2015, for the year ended December 31, 2015 and for the period from August 20, 2014 (commencement of operations) to December 31, 2014; audited statements of financial position as at June 30, 2016 and, December 31, 2015 and 2014;

(v) separate financial statements for each of the New Properties, prepared in accordance with IFRS, as follows:

A. in respect of Sunrise Ranch: audited carve-out statements of income and comprehensive income, changes in owners' equity and cash flows for the years ended December 31, 2015 and 2014; audited carve-out statements of financial position as at December 31, 2015 and 2014; unaudited carve-out statements of income and comprehensive income and cash flows for the three and six month periods ended June 30, 2016 and 2015; unaudited carve-out statements of changes in owners' equity for the six month periods ended June 30, 2016 and 2015; unaudited carve-out statements of financial position as at June 30, 2016;

B. in respect of South Blvd Apartments: audited carve-out statements of income and comprehensive income, changes in owners' equity and cash flows for the years ended December 31, 2015 and 2014; audited carve-out statements of financial position as at December 31, 2015 and 2014; unaudited carve-out statements of income and comprehensive income and cash flows for the six months ended June 30, 2016 and 2015; unaudited carve-out statements of changes in owners' equity the six month periods ended June 30, 2016 and 2015; unaudited carve-out statements of financial position as at June 30, 2016; and

C. in respect of Coolray Field: audited carve-out statements of income (loss) and comprehensive income (loss) and cash flows for the three and six month periods ended June 30, 2016 and the period from April 1, 2015 (commencement of operations) to December 31, 2015; audited carve-out statements of changes in owners' equity for the six month period ended June 30, 2016 and the nine month period ended December 31, 2015; audited carve-out statements of financial position as at June 30, 2016 and December 31, 2015; unaudited carve-out statements of income (loss) and comprehensive income (loss) and cash flows for the three and six month periods ended June 30, 2015; unaudited carve-out statements of changes in owners' equity for the three month period ended June 30, 2015; unaudited carve-out statement of financial position as at April 1, 2015; and

(vi) an audited financial forecast in respect of the Fund (giving effect to the Reorganization and the Offering, including the acquisition of the New Portfolio by the Fund, as if such events occurred on June 30, 2016) consisting of consolidated statement of forecasted comprehensive income (loss) for each of the three month periods ending December 31, 2016, March 31, 2017 and June 30, 2017 and September 30, 2017 and the 12-month period ending September 30, 2017, prepared in accordance with applicable requirements, with an audit report thereon from the Auditors;

(b) prior to the establishment of each Existing Starlight Fund and Campar, such Existing Starlight Fund and Campar did not exist and, therefore, did not constitute a business. Accordingly, the unavailable financial information for the periods prior to the establishment of Fund3, Fund4 and Campar do not reflect a business capable of being acquired by the Fund;

(c) the financial information of Coolray Field relating to the period prior to the commencement of its operations would provide no meaningful benefit to investors as the Property was under construction and not operating as rental apartment businesses;

(d) the Prospectus includes a summary description of the results of environmental site assessments and building condition assessments in respect of the Existing Portfolio and New Portfolio;

(e) the Appraisals summarized in this Prospectus give investors further information on the value of the Existing Portfolio and New Portfolio; and

(f) the Manager, as promoter, has established a track record as a real estate asset manager of similar assets through the performance of Fund1, Fund2, Fund3 and Fund4.

The Fund does not believe that the disclosure that the Fund is exempted from including in the Prospectus is necessary or is required for the Prospectus to contain full, true and plain disclosure of all material facts with respect to the Units.

27. MATERIAL CONTRACTS

The following are the only material agreements, other than contracts entered into in the ordinary course of business, which the Fund and/or its Subsidiaries have or expect to enter into on or before the Closing Date. **Copies of these agreements are, or will be, available for inspection during regular business hours at the offices of the Manager, located at 3280 Bloor Street West, West Tower, Suite 1400, Toronto, Ontario, M8X 2X3 during the period of distribution of the Units and will be available following the Closing Date on SEDAR at www.sedar.com.**

1. The Fund LP Agreement – described in “Description of the Securities Distributed – Units”.

2. SIP Agreement – described in “Description of the Securities Distributed – Starlight Investments Partnership”.

3. Management Agreement – described in “The Manager and the Management Agreement”.

4. Reorganization Agreement – described in “Glossary of Terms” and “Corporate Structure”.

5. Sunrise Ranch Purchase Agreement – described in “Description of the Activities of the Fund – The New Portfolio – Purchase Agreements – Sunrise Ranch Purchase Agreement”.

6. South Blvd Apartments Purchase Agreement – described in “Description of the Activities of the Fund – The New Portfolio – Purchase Agreements – South Blvd Apartments Purchase Agreement”.

7. Coolray Field Purchase Agreement – described in “Description of the Activities of the Fund – The New Portfolio – Purchase Agreements – Coolray Field Purchase Agreement”.

8. Agency Agreement – described in “Plan of Distribution – Agency Agreement”.

28. EXPERTS

No professional person providing an opinion in this Prospectus expects to be elected, appointed or employed as a director, senior officer or employee of the Fund or of an associate of the Fund, or is a promoter of the Fund or of any associate of the Fund.

Certain information relating to the Appraisals has been based upon reports by the Appraiser. As at the date of this Prospectus, the “designated professionals” of the Appraiser beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund, its associates or its Affiliates and no interests in property of the Fund, its associates or its Affiliates.

Certain legal matters in connection with this Offering will be passed upon by Blake, Cassels & Graydon LLP, on behalf of the Fund and McCarthy Tétrault LLP. As at the date of this Prospectus, partners and associates of each of Blake, Cassels & Graydon LLP, as a group, and McCarthy Tétrault LLP, as a group, beneficially owned, directly or indirectly, less than 1% of the outstanding securities of the Fund, its associates or its Affiliates and no interests in property of the Fund, its associates or its Affiliates.

KPMG LLP, U.S. tax advisor to the Fund, has prepared the summary of principal U.S. federal income tax considerations set out under the heading “Certain U.S. Federal Income Tax Considerations”.

KPMG LLP has prepared its audit report in respect of the financial statements of Campar which are included in this Prospectus. KPMG LLP, Chartered Accountants, has advised that it is independent of Campar in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

Collins Barrow Toronto LLP has prepared its audit report in respect of the consolidated financial statements of each of the Existing Starlight Funds which are included in this Prospectus. Collins Barrow Toronto LLP has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

BDO Canada LLP has prepared its audit report in respect of the financial statements of the Properties that comprise the New Properties, Boardwalk Med Center, and the Fund’s statement of financial position, statement of changes in Unitholder’s equity and statement of cash flows which are included in this Prospectus, as well as its report on the forecasted financial results of the Fund for the periods set out under the “Financial Forecast” section of this Prospectus. BDO Canada LLP has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation and regulations.

29. PURCHASERS’ STATUTORY RIGHTS AND OTHER CONTRACTUAL RIGHTS

Securities legislation in certain of the provinces of Canada provides Purchasers with the right to withdraw from an agreement to purchase securities within two Business Days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, securities legislation further provides a Purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the Purchaser, provided that such remedies for rescission or damages are exercised by the Purchaser within the time limit prescribed by the securities legislation of the applicable province. The Purchaser should refer to the securities legislation in the province in which the Purchaser resides for the particulars of these rights or consult with a legal advisor.

Original Canadian purchasers of Convertible Units (“**Original Purchasers**”) will have a contractual right of rescission against the Fund following the issuance of the Class A Units, Class U Units, Class D Units or Class E Units, as applicable, to such Original Purchasers upon the conversion of the Convertible Units. The contractual right of rescission will entitle such Original Purchasers to receive the amount paid for the applicable Convertible Unit upon surrender of the Class A Unit, Class U Unit, Class D Unit or Class E Unit issued upon the conversion of the applicable Convertible Unit, in the event that the Prospectus contains a misrepresentation (within the meaning of the Securities Act), provided that: (i) the conversion takes place within 180 days of the date of the purchase under the Prospectus of the applicable Convertible Unit; and (ii) the right of rescission is exercised within 180 days of the date of the purchase under the Prospectus of the applicable Convertible Unit. This contractual right of rescission shall be subject to the defences, limitations and other provisions described under part XXIII of the Securities Act, and is in addition to any other right or remedy available to Original Purchasers under section 130 of the Securities Act or otherwise at law. Original Purchasers are further advised that in certain provinces the statutory right of action for damages in connection with a prospectus misrepresentation is limited to the amount paid for the applicable convertible security that was purchased under a prospectus.

INDEX TO FINANCIAL STATEMENTS

EXISTING STARLIGHT FUNDS

Fund1

Fund2

Tel: 416 865 0200
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TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto ON M5K 1H1 Canada

Independent Auditor's Report

To the directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc., as the general partner of Starlight U.S. Multi-Family (No. 5) Core Fund.

We have audited the accompanying financial statements of Starlight U.S. Multi-Family (No. 5) Core Fund, which comprise the statement of financial position as at August 26, 2016 (date of formation), the statements of changes in partners' equity and cash flows for the one day period ended August 26, 2016 (date of formation), and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No. 5) Core Fund as at August 26, 2016 (date of formation), and its financial performance and its cash flows for the one day period ended August 26, 2016 (date of formation) in accordance with International Financial Reporting Standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

September 7, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

STATEMENT OF FINANCIAL POSITION

As at formation on August 26, 2016

(In US dollars)

Assets	
Cash	$20
Partners' Capital	
Partners' contributions	$20

Approved on behalf of the Board of Directors of
Starlight U.S. Multi-Family (No. 5) Core GP, Inc.
as general partner for Starlight U.S. Multi-Family (No. 5) Core Fund:

(Signed) DANIEL DRIMMER
Director

(Signed) MARTIN LIDDELL
Director

See accompanying notes to financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

STATEMENT OF CHANGES IN PARTNERS' EQUITY

One-day period ended August 26, 2016

(In US dollars)

Partners' equity, beginning of period	$ -
Issuance of partnership interests	$20
Partners' equity, end of period	$20

See accompanying notes to financial statements

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

STATEMENT OF CASH FLOWS

One-day period ended August 26, 2016

(In US dollars)

Financing activities:	
Issuance of partnership interests upon formation	$20
Increase in cash, being cash, end of period	$20

See accompanying notes to financial statements

STARLIGHT U.S. MULTI FAMILY (NO. 5) CORE FUND

NOTES TO FINANCIAL STATEMENTS

As at August 26, 2016

1. ORGANIZATION

Starlight U.S. Multi Family (No. 5) Core Fund (the “Fund”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3280 Bloor St West, Suite 1400, Toronto, Ontario, M8X 2X3. The Fund was established for the primary purpose of investing indirectly in recently constructed, Class “A”, core income producing rental properties in the U.S. multi-family real estate market.

On August 26, 2016, the General Partner made a capital contribution of US$10 and the General Partner owns a 0.01% interest in the Fund.

On August 26, 2016, the initial limited partner of the Fund, D.D. Acquisitions Partnership, subscribed for one limited partnership unit of the Fund for US$10.

2. BASIS OF PRESENTATION

These financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards. These financial statements were authorized for issue by the Board of Directors of Starlight U.S. Multi Family (No. 5) Core GP, Inc., as general partner for the Fund, on September 6, 2016.

As there have been no operations during the period, a statement of income and comprehensive income has not been prepared.

These financial statements are presented in United States dollars, which is the functional currency of the Fund.

3. PARTNERS’ EQUITY

The beneficial limited partnership interest in the net assets and net income of the Fund is divided into one class of units being Class C units. The Fund is authorized to issue an unlimited number of Class C units.

Each unit is entitled to one vote for each unit held. Each unit entitles the holder to the same rights and obligations and no partner is entitled to any privilege, priority or preference in relation to any other holder of units.

4. COMMITMENTS

The Fund has committed to enter into a management agreement (“Management Agreement”) with the Starlight Investments Ltd. (the “Manager”). Pursuant to the terms of the Management Agreement, the Manager will be appointed as the sole and exclusive manager of the affairs of the Fund and will provide the Fund with the strategic, advisory, asset management, administrative, property management, leasing, construction management and administrative services necessary to manage the day-to-day operations of the Fund and its properties.

The services to be provided by the Manager under the terms of the Management Agreement are expected to include: (i) the structuring of the Fund and its subsidiaries, (ii) liaising with legal and tax counsel, (iii) identifying properties for acquisition, (iv) maintaining ongoing relationships with the lenders in respect of the mortgage loans for the Fund’s properties, (v) conducting continuous analysis of market conditions to

4. COMMITMENTS (CONTINUED)

monitor the Fund's indirect investment in its properties, (vi) advising subsidiaries of the Fund with respect to the disposition of its properties, (vii) providing investor communication and reporting services to the Fund, and (viii) doing all such other acts or things and entering into agreements or documents on behalf of the Fund to seek to achieve the investment objectives of the Fund.

In connection with the provision of the services to be provided by the Manager, the Fund, or a subsidiary of the Fund, will pay the following fees to the Manager:

(a) A base annual management fee calculated and payable monthly in arrears in an amount that is equal to 0.35% of the sum of: (i) the appraised values of the properties acquired in connection with the reorganization, or in the case of the new properties or future acquisitions, the purchase price, in U.S. dollars, and (ii) the cost of any capital expenditures in respect of the properties since the date of their indirect acquisition by the Fund.

(b) An amount equal to the service fee paid to registered deals of Fund units – Class A and Class U (see Subsequent Events);

(c) An acquisition fee to be paid in full upon the completion of the purchase of each Fund property and equal to (i) 1.00% of the purchase price paid by such U.S. REIT for the purchase of a property, on the first US$100,000,000 of Properties acquired by the US REITs in each calendar year, (ii) 0.75% of the purchase price paid by such U.S. REIT for the purchase of a property, on the next US$100,000,000 of properties acquired by the US REITs in each calendar year, and (iii) 0.50% of the purchase price paid by such U.S. REIT for the purchase of a property, on properties in excess of US$200,000,000 acquired by the US REITs in each calendar year.

(d) If there occurs any amalgamation, merger, arrangement, take-over bid, material transfer or sale of units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund, or similar transaction involving the Fund or a subsidiary of the Fund (other than in connection with an internal reorganization, an initial public offering of all or substantially all of such properties, or a transaction with the Manager or any of its affiliates as the purchaser), whether in one transaction or series of transactions (collectively, the "Disposition Transaction"), the Fund will pay the Manager a disposition fee, in cash, equal to 0.50% of the value of such Disposition Transaction up to a maximum of $5,500,000, provided that no such disposition fee is payable unless the value of such Disposition Transaction is greater than the aggregate appraised value, at the time of acquisition by the Fund, of the reorganization portfolio and new properties, converted into Canadian dollars using the effective exchange rate.

(e) In the event that the Manager or any of its affiliates is required by the lenders to provide a financing guarantee in connection with the amounts borrowed by the Fund or its subsidiaries to indirectly acquire an interest in properties, the Fund and each U.S. REIT will, in consideration for providing such guarantee, pay the Manager an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its subsidiaries in connection with the financing of the Fund's interests in Properties ("Guarantee Fee"), which Guarantee Fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the first day of each month.

5. SUBSEQUENT EVENTS

On September 7, 2016, Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, Starlight U.S. Multi-Family (No. 4) Core Fund and Campar Capital Corporation (collectively, the "Entities") issued a Notice of Special Meetings of Unitholders and Shareholders and Management Information Circular ("Information Circular") to Shareholders/Unitholders of the Entities to consider passing a special resolution approving the plan of arrangement which is intended to combine all the Entities into the Fund.

Pro Forma Consolidated Financial Statements
(Expressed in thousands of US dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

As at June 30, 2016 and for the six months ended
June 30, 2016 and for the year ended December 31, 2015
(Unaudited)

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Pro Forma Statement of Financial Position
(Expressed in thousands of US Dollars)

As at June 30, 2016
(Unaudited)

	Starlight US Multi-Family (No.5) Core Fund	Starlight US Multi-Family Core Fund	Starlight US Multi-Family (No.2) Core Fund	Starlight US Multi Family (No.3) Core Fund	Starlight US Multi-Family (No.4) Core Fund	Campar Capital Corporation Pro-forma	South Blvd Apartments	Sunrise Ranch	Coolray Field	Pro-forma adjustments	Notes	Total
Assets												
Non-current assets:												
Investment properties	$ -	$ 213,901	$ 110,901	$ 151,600	$ 213,600	$ 35,279	$ 53,600	$ 51,675	$ 35,421	$ 192,400	3 (e)	$ 1,055,604
	-	-	-	-	-	-	-	-	-	1,712	3 (c)	-
	-	-	-	-	-	-	-	-	-	(148)	3(c)	
	-	-	-	-	-	-	-	-	-	2,686	3 (d)	-
	-	-	-	-	-	-	-	-	-	(7,023)	3(d)	-
	-	-	-	-	-	-	-	-	-	(6,955)	3 (h)	-
	-	-	-	-	-	-	-	-	-	6,955	3 (h)	-
Investment in joint ventures	-	24,418	17,200	22,251	-	-	-	-	-	(63,869)	3 (e)	-
Equity investment	-	-	10,799	-	-	-	-	-	-	(10,799)	3 (e)	-
Derivative financial instruments	-	1	2	1	5	-	-	-	-	3	3 (e)	12
Utility deposits	-	86	21	36	99	-	-	-	-	73	3 (e)	315
	-	238,406	138,923	173,888	213,704	35,279	53,600	51,675	35,421	115,035		1,055,931
Current assets:												
Tenant and other receivables	-	203	149	105	82	-	39	4	35	294	3 (e)	833
	-	-	-	-	-	-	-	-	-	(78)	3 (c)	-
Prepaid expenses and Other assets	-	255	75	182	361	2	25	38	10	140	3 (e)	1,015
	-	-	-	-	-	-	-	-	-	(73)	3 (c)	-
Restricted cash	-	2,160	501	1,650	2,459	-	153	876	59	2,208	3 (e)	8,978
	-	-	-	-	-	-	-	-	-	(1,088)	3 (c)	-
Cash	-	2,299	1,529	1,799	1,666	232	241	506	319	516	3 (e)	8,501
	-	-	-	-	-	-	-	-	-	49,658	3(a)	-
	-	-	-	-	-	-	-	-	-	(2,172)	3 (a)	-
	-	-	-	-	-	-	-	-	-	(745)	3 (a)	-
	-	-	-	-	-	-	-	-	-	(142,069)	3 (c)	-
	-	-	-	-	-	-	-	-	-	(1,066)	3 (c)	-
	-	-	-	-	-	-	-	-	-	93,411	3 (f)	-
	-	-	-	-	-	-	-	-	-	10,019	3 (f)	-
	-	-	-	-	-	-	-	-	-	(769)	3 (f)	-
	-	-	-	-	-	-	-	-	-	(286)	3 (d)	-
	-	-	-	-	-	-	-	-	-	(4,412)	3 (g)	-
	-	-	-	-	-	-	-	-	-	(2,175)	3 (g)	-
Total current assets	-	4,917	2,254	3,736	4,568	234	458	1,424	423	1,771		19,327
Total assets	$ -	$ 243,323	$ 141,177	$ 177,624	$ 218,272	$ 35,513	$ 54,058	$ 53,099	$ 35,844	$ 116,348		$ 1,075,258

See accompanying notes to *pro forma* consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Pro Forma Statement of Financial Position
(Expressed in thousands of US Dollars)
As at June 30, 2016 (Unaudited)

	Starlight US Multi-Family (No.5) Core Fund	Starlight US Multi-Family Core Fund	Starlight US Multi-Family (No.2) Core Fund	Starlight US Multi Family (No.3) Core Fund	Starlight US Multi-Family (No.4) Core Fund	Campar Capital Corporation Pro-forma	South Blvd Apartments	Sunrise Ranch	Coolray Field	Pro-forma adjustments	Notes	Total
Liabilities												
Non-current liabilities:												
Loans payable	$ -	$ 61,365	$ 66,904	$ 93,565	$ 140,220	$ -	$ 26,226	$ 25,385	$ -	$ 129,116	3 (e)	$ 559,200
	-	-	-	-	-	-	-	-	-	(51,611)	3 (c)	-
	-	-	-	-	-	-	-	-	-	58,571	3 (f)	-
	-	-	-	-	-	-	-	-	-	10,019	3 (f)	-
										(560)	3 (f)	-
Deferred taxes	-	30,848	14,754	15,384	11,746	-	-	-	-	912	3 (d)	73,644
Preferred shares – U.S. REITs series A	-	-	-	-	-	-	-	-	-	500	3 (m)	500
Total non-current liabilities	-	92,213	81,658	108,949	151,966	-	26,226	25,385	-	146,947		633,344
Current liabilities:												
Loans payable	-	58,455	129	-	651	30,733	-	424	18,355	320	3 (e)	124,919
		-	-	-	-	-	-	-	-	(18,779)	3 (c)	-
	-	-	-	-	-	-	-	-	-	34,840	3 (f)	-
	-	-	-	-	-	-	-	-	-	(209)	3 (f)	-
Tenant rental deposits	-	196	103	160	336	24	83	49	59	195	3 (e)	1,205
Accounts payable and accrued liabilities	-	2,751	1,535	2,327	2,162	8	63	142	549	1,901	3 (e)	3,661
		-	-	-	-	-	-	-	-	(754)	3 (c)	-
										(7,023)	3 (d)	-
Finance costs payable	-	211	96	124	332	-	70	74	47	233	3 (e)	996
		-	-	-	-	-	-	-	-	(191)	3 (c)	-
Distributions payable	-	228	159	242	290	-	-	-	-	(919)	3 (a)	-
Total current liabilities	-	61,841	2,022	2,853	3,771	30,765	216	689	19,010	9,614		130,781
Total liabilities (excluding net assets attributable to Unitholders)	-	154,054	83,680	111,802	155,737	30,765	26,442	26,074	19,010	156,561		764,125
Unitholders' equity / net assets attributable to Unitholders	-	78,439	57,467	65,737	62,449	-	-	-	-	(264,092)	3 (a)	311,133
	-	-	-	-	-	-	-	-	-	49,658	3 (a)	-
	-	-	-	-	-	-	-	-	-	(2,172)	3 (a)	-
	-	-	-	-	-	-	-	-	-	(745)	3 (a)	-
	-	-	-	-	-	-	-	-	-	270,979	3 (a)	-
	-	-	-	-	-	-	-	-	-	(4,412)	3 (g)	-
	-	-	-	-	-	-	-	-	-	(2,175)	3 (g)	-
Non-controlling interests	-	10,830	30	85	86	1,060	-	-	-	(11,859)	3 (a)	-
	-	-	-	-	-	-	-	-	-	(232)	3 (a)	-
Shareholders' / owners' equity	-	-	-	-	-	-	27,616	27,025	16,834	(71,475)	3 (a)	-
	-	-	-	-	-	4,283	-	-	-	(3,688)	3 (a)	-
	-	-	-	-	-	(595)	-	-	-	-		-
Net assets attributable to Unitholders	-	89,269	57,497	65,822	62,535	4,748	27,616	27,025	16,834	(40,213)		311,133

See accompanying notes to *pro forma* consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Pro Forma Statement of Comprehensive Income (Loss)
(Expressed in thousands of US Dollars)

Six months ended June 30, 2016
(Unaudited)

	Starlight US Multi-Family (No.5) Core Fund	Starlight US Multi-Family Core Fund	Starlight US Multi-Family (No.2) Core Fund	Starlight US Multi Family (No.3) Core Fund	Starlight US Multi-Family (No.4) Core Fund	Campar Capital Corporation Pro-forma	South Blvd Apartments	Sunrise Ranch	Coolray Field	Pro-forma adjustments	Notes	Total
Revenue from property operations	$ -	$ 9,435	$ 5,137	$ 7,462	$ 9,148	$ 1,780	$ 2,083	$ 2,326	$ 1,398	$ 8,549	3 (e)	$ 47,318
Operating expenses												
Property operating	-	2,250	1,293	2,053	2,492	441	524	613	676	2,350	3 (e)	12,660
										(32)	3 (i)	
Realty taxes	-	1,783	915	1,614	1,341	864	294	1,050	359	1,461	3 (e)	16,636
										6,955	3(h)	
	-	4,033	2,208	3,667	3,833	1,305	818	1,663	1,035	10,734		29,296
Income from operations	-	5,402	2,929	3,795	5,315	475	1,265	663	363	(2,185)		18,022
Equity investment	-	-	1,684	-	-	-	-	-	-	(1,684)	3 (a)	-
Share of net earnings from joint ventures	-	2,077	782	3,253	-	-	-	-	-	(6,112)	3 (a)	-
Distributions to Unitholders	-	-	-	-	-	-	-	-	-	(12,536)	3 (n)	(12,536)
Finance costs	-	(1,871)	(986)	(1,239)	(2,583)	(737)	(422)	(488)	(259)	(2,150)	3 (e)	(11,253)
	-	-	-	-	-	-	-	-	-	(63)	3 (i)	-
	-	-	-	-	-	-	-	-	-	(455)	3 (i)	-
Fund expenses	-	(793)	(566)	(776)	(776)	11	-	-	-	(66)	3 (j)	(2,553)
	-	-	-	-	-	-	-	-	-	(607)	3 (h)	-
	-	-	-	-	-	-	-	-	-	1,051	3 (j)	-
	-	-	-	-	-	-	-	-	-	(31)	3 (m)	-
Unrealized foreign exchange loss	-	(153)	(761)	-	(177)	-	-	-	-	(782)	3 (e)	-
	-	-	-	-	-	-	-	-	-	1,873	3 (l)	
Realized foreign exchange gain (loss)	-	8	(34)	13	215	-	-	-	-	199	3 (e)	-
	-	-	-	-	-	-	-	-	-	(401)	3 (l)	
Fair value adjustment of Investment properties	-	11,457	(286)	4,561	3,064	-	1,302	5,225	2,600	4,126	3 (e)	6,955
	-	-	-	-	-	-	-	-	-	(32,049)	3(c)	-
	-	-	-	-	-	-	-	-	-	6,955	3 (h)	-
Increase (decrease) in net assets attributable to Unitholders before taxes	$ -	$ 16,127	$ 2,762	$ 9,607	$ 5,058	$ (251)	$ 2,145	$ 5,400	$ 2,704	$ (44,917)		$ (1,365)
Current	-	(60)	(25)	(41)	-	(7)	-	(16)	-	(18)	3 (e)	(358)
	-	-	-	-	-	-	-	-	-	(191)	2 (g)(i)	-
Deferred	-	(6,123)	(603)	(3,779)	(2,210)	(197)	-	-	-	7,878	3 (k)	(5,034)
Net loss from property held for sale	-	(374)	-	-	-	-	-	-	-	374	3 (a)	-
Increase (decrease) in net assets attributable to Unitholders	$ -	$ 9,570	$ 2,134	$ 5,787	$ 2,848	$ (455)	$ 2,145	$ 5,384	$ 2,704	$ (36,874)		$ (6,757)

See accompanying notes to *pro forma* consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

Pro Forma Statement of Comprehensive Income (Loss)
(Expressed in thousands of US Dollars)

Year ended December 31, 2015
(Unaudited)

	Multi-Family (No.5) Core Fund	Starlight US Starlight US Multi-Family Core Fund	Starlight US Multi-Family (No.2) Core Fund	Starlight US Multi Family (No.3) Core Fund	Starlight US Multi-Family (No.4) Core Fund	Campar Capital Corporation Pro-forma	South Blvd Apartments	Sunrise Ranch	Coolray Field	Pro-forma adjustments	Notes	Total
Revenue from property operations	$ -	$ 18,836	$ 8,954	$ 14,740	$ 11,705	$ 3,409	$ 3,892	$ 4,425	$ 779	$ 12,177	3 (e)	$ 78,917
Operating expenses												
Property operating	-	4,680	2,407	4,332	3,471	949	1,108	1,262	665	3,363	3 (e)	22,167
										(70)	3 (h)	
Realty taxes	-	3,594	1,485	2,949	1,396	864	269	964	80	1,981	3 (e)	13,582
	-	8,274	3,892	7,281	4,867	1,813	1,377	2,226	745	5,274		35,749
Income from operations	-	10,562	5,062	7,459	6,838	1,596	2,515	2,199	34	6,903	3 (e)	43,168
Equity investment	-	-	2,368	-	-	-	-	-	-	(2,368)	3 (a)	-
Share of net earnings from joint ventures	-	7,326	8,457	5,267	-	-	-	-	-	(21,050)	3 (a)	-
Distributions to Unitholders	-	-	-	-	-	-	-	-	-	(25,072)	3(n)	(25,072)
Finance costs	-	(3,376)	(2,271)	(2,585)	(3,241)	(1,458)	(844)	(925)	(364)	(2,948)	3 (e)	(18,592)
	-	-	-	-	-	-	-	-	-	(279)	3 (i)	-
	-	-	-	-	-	-	-	-	-	(301)	3 (i)	-
Fund expenses	-	(1,027)	(701)	(874)	(795)	(43)	-	-	-	(68)	3 (j)	(10,995)
	-	-	-	-	-	-	-	-	-	(841)	3 (h)	-
	-	-	-	-	-	-	-	-	-	(59)	3 (m)	-
	-	-	-	-	-	-	-	-	-	(4,412)	3 (g)	-
	-	-	-	-	-	-	-	-	-	(2,175)	3 (g)	-
Unrealized foreign exchange gain (loss)	-	-	693	(306)	177	-	-	-	-	601	3 (e)	-
	-	-	-	-	-	-	-	-	-	(1,165)	3 (l)	-
Realized foreign exchange (loss) gain	-	(13)	120	543	506	-	-	-	-	(1,156)	3 (l)	-
Fair value adjustment of Investment properties	-	8,755	15,931	5,218	21,579	(150)	4,363	7,494	595	16,589	3 (e)	(1,712)
	-	-	-	-	-	-	-	-	-	(1,712)	3 (c)	-
	-	-	-	-	-	-	-	-	-	(80,374)	3 (c)	-
Increase (decrease) in net assets attributable to Unitholders before taxes	$ -	$ 22,227	$ 29,659	$ 14,722	$ 25,064	$ (55)	$ 6,034	$ 8,768	$ 265	$ (119,887)		$ (13,203)
Current	-	(65)	(37)	(58)	-	(14)	-	(26)	-	(26)	3 (e)	(608)
	-	-	-	-	-	-	-	-	-	(382)	2 (g)(i)	-
Deferred	-	(8,780)	(10,192)	(5,864)	(9,537)	(338)	-	-	-	24,666	3 (k)	(10,045)
Net loss from property held for sale	-	3	-	-	-	-	-	-	-	(3)	3 (a)	-
Increase (decrease) in net assets attributable to Unitholders	$ -	$ 13,385	$ 19,430	$ 8,800	$ 15,527	$ (407)	$ 6,034	$ 8,742	$ 265	$ (95,632)		$ (23,856)

See accompanying notes to *pro forma* consolidated financial statements

1. Nature of operations and basis of presentation:

(a) Nature of operations:

Starlight U.S. Multi-Family (No. 5) Core Fund ("Fund") is a limited partnership formed under and governed by the laws of the Province of Ontario. The term of the Fund is three years, with two one-year extensions at the option of the Starlight Investments Ltd. (the "Manager"). The registered office of the Fund is located at 3280 Bloor St West, Suite 1400, Toronto, Ontario, M8X 2X3. The following entities will operate as wholly owned subsidiaries of Fund:

- Starlight U.S. Multi-Family Core Fund ("Fund 1")
- Starlight U.S. Multi-Family Core GP Inc.
- Starlight U.S. Multi-Family Core Investment L.P. ("Investment L.P.")
- Starlight U.S. Multi-Family Core Holding L.P. ("Holding L.P.")
- Starlight U.S. Multi-Family Core REIT Inc. ("U.S. REIT 1")
- Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund 2")
- Starlight U.S. Multi-Family (No. 2) Core GP Inc.
- Starlight U.S. Multi-Family (No. 2) Core Investment L.P. ("Investment L.P. No. 2")
- Starlight U.S. Multi-Family (No. 2) Core Holding L.P. ("Holding L.P. No. 2")
- Starlight U.S. Multi-Family (No. 2) Core REIT Inc. ("U.S. REIT 2")
- Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund 3")
- Starlight U.S. Multi-Family (No. 3) Core GP Inc.
- Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment L.P. No. 3")
- Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding L.P. No. 3")
- Starlight U.S. Multi-Family (No. 3) Core REIT Inc. ("U.S. REIT 3")
- Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund 4")
- Starlight U.S. Multi-Family (No. 4) Core GP Inc.
- Starlight U.S. Multi-Family (No. 4) Core Investment L.P. ("Investment L.P. No. 4")
- Starlight U.S. Multi-Family (No. 4) Core Holding L.P. ("Holding L.P. No. 4")
- Starlight U.S. Multi-Family (No. 4) Core REIT Inc. ("U.S. REIT 4")
- Starlight U.S. Multi-Family (No. 5) Core Investment L.P. ("Investment L.P. No. 5")
- Starlight U.S. Multi-Family (No. 5) Core Holding L.P. ("Holding L.P. No. 5")
- Starlight U.S. Multi-Family (No. 5) Core REIT Inc. ("U.S. REIT 5")
- Starlight Investments Acquisition (No. 2) Partnership ("SIA 2")
- Travesia Multi-Family Holding L.P.
- Travesia Acquisition LP
- Starlight Investments Partnership GP ("SIP GP Co")
- Campar Capital Corporation ("Campar")

Starlight Investments Partnership ("SIP"), Class A units and general partnership interest will be owned by the Fund and Class B partnership units will be owned 75% by Manager and 25% by the President of the Fund. Fund 1, Fund 2, Fund 3, Fund 4 and the Fund shall collectively be referred to as the "Funds".

Investment L.P., Investment L.P. No. 2, SIA 2, Investment L.P. No. 3, Investment L.P. No. 4 and Investment L.P. No. 5 shall collectively be referred to as the "Investment L.P.'s".

Holding L.P., Holding L.P. No. 2, Holding L.P. No. 3, Holding L.P. No. 4 and Holding L.P. No. 5 shall collectively be referred to as the "Holding L.P.'s".

1. Nature of operations and basis of presentation (continued):

(a) Nature of operations (continued):

U.S. REIT 1, U.S. REIT 2, U.S. REIT 3, U.S. REIT 4 and U.S. REIT 5 shall collectively be referred to as the “U.S. REITs”.

The Fund will indirectly own a property portfolio comprising an aggregate of 5,882 multi-family residential apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas (the “Existing Portfolio”, obtained from Fund 1, Fund 2, Fund 3, Fund 4 and Campar). Following the completion of the initial public offering (the “Offering”), the Fund will cause U.S. REIT 5 to indirectly acquire an aggregate of 910 multi-family residential apartment suites located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively (the “New Portfolio”). The New Portfolio consists of Sunrise Ranch, South Blvd Apartments and Coolray Field. In total, the Fund will own and operate 6,792 apartment suites comprising 23 properties in total.

(b) Basis of presentation:

The accompanying unaudited *pro forma* consolidated financial statements of the Fund have been prepared from the following financial statements:

- Audited financial statements of the Fund as at and for the one day period ended August 26, 2016
- Audited interim financial statements of Fund 1, Fund 2, Fund 3 and Fund 4, each as at and for the period ended June 30, 2016 which includes the Existing Portfolio, with the exception of Campar and Boardwalk Med Center;
- Audited annual financial statements of Fund 1, Fund 2, Fund 3 and Fund 4, each for the year ended December 31, 2015; which include the Existing Portfolio, with the exception of Campar and Boardwalk Med Center;
- *Pro forma* financial statements of Campar as at June 30, 2016, for the six months ended June 30, 2016 and for the year ended December 31, 2015; and
- Audited and unaudited carve-out financial statements of each property included in the New Portfolio as at and for the six months ended June 30, 2016 and for the years / period ended December 31, 2015.

The accompanying *pro forma* consolidated financial statements give effect to:

(i) the completion of (the “Offering”) and assumed Offering gross subscription proceeds of $49,658;

(ii) the issuance of Class A Units and/or Class C Units and/or Class D units and/or Class E and/or Class F Units and/or Class H Units and/or Class U Units by way of the Offering;

(iii) the execution of the reorganization of Fund 1, Fund 2, Fund 3, Fund 4 and Campar (the “Reorganization”); and

(iv) the intended acquisition of the New Portfolio.

1. Nature of operations and basis of presentation (continued):

(b) Basis of presentation (continued):

The unaudited *pro forma* consolidated statement of financial position gives effect to the transactions in note 3 as if they had occurred on June 30, 2016. The unaudited *pro forma* consolidated statements of comprehensive income (loss) for the six months ended June 30, 2016 and year ended December 31, 2015 give effect to the transactions in note 3 as if they had occurred on January 1, 2015.

The unaudited *pro forma* consolidated financial statements are not necessarily indicative of the results that would have actually occurred had the transactions been consummated at the dates indicated nor are they necessarily indicative of future operating results or the financial position of the Fund.

These *pro forma* consolidated financial statements have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Standards Interpretations Committee, and incorporate the principal accounting policies used to prepare the audited financial statements of the Fund and each of the properties that comprise both the Existing Portfolio and the New Portfolio.

2. Significant accounting policies:

(a) Basis of consolidation:

The Fund unaudited *pro forma* consolidated financial statements reflect the consolidation of each property in the New Portfolio, the consolidation of each property in the Existing Portfolio along with Fund 1, Fund 2, Fund 3, Fund 4, and the Funds' subsidiaries as at June 30, 2016, as well as for the six months ended June 30, 2016 and for the year ended December 31, 2015. All intercompany balances and transactions arising from intercompany transactions have been eliminated upon consolidation.

2. Significant accounting policies (continued):

(b) Investment properties:

The Fund selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise.

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Subsequent capital expenditures are charged to investment property only when it is probable that the future economic benefits of the expenditure will flow to the Fund and the cost can be measured reliably.

(c) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, cable income and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement.

(d) Cash:

Cash includes cash on hand and short-term investments. Short-term investments, comprising money market instruments, have an initial maturity of 90 days or less at their date of purchase and are stated at cost, which approximates net realizable value.

2. Significant accounting policies (continued):

(e) Functional currency:

The functional currency of the Fund is US dollars which is the operating currency of the Fund's Existing Portfolio and New Portfolio, as well as the operating currency of all of the Fund's subsidiaries.

(f) Income taxes:

(i) Canadian status:

The Fund is not subject to tax under Part I of the Tax Act. Each Unitholder of the Fund is required to include in computing the Unitholder's income for a particular taxation year the Unitholder's share of the income or loss of the Fund allocated to the Unitholder for its fiscal year ending in or on the Unitholder's taxation year-end, whether or not any of that income or loss is distributed to the Unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act at the Fund level.

The Tax Act contains rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "SIFT Measures"). A "SIFT partnership" (as defined in the Tax Act) will be subject to SIFT tax on its "taxable non-portfolio earnings" (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations. The "taxable non-portfolio earnings" less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any "non-portfolio property" throughout the taxation year of the partnership.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(i) Canadian status (continued):

The Fund believes that it will not hold any “non-portfolio property” and should not be a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

Canadian subsidiary corporations:

The Fund will from time to time own certain properties in whole or in part through subsidiaries which are subject to entity-level taxation under the Tax Act. The application of entity-level tax under the Tax Act to all or a portion of the income generated by such properties could impact the Fund’s ability to distribute the cash flow generated thereby to Unitholders. The Fund has estimated the entity-level income tax to be payable by the Canadian subsidiary corporations under the Tax Act to be $191 for the six months ended June 30, 2016 and $382 for the year ended December 31, 2015, taking into account foreign taxes expected to be payable by and foreign tax credits expected to be available to such corporations. See “U.S. Status.”

(ii) U.S. Status:

Current Taxes

The Funds are treated as partnerships for U.S. federal income tax purposes. As such, they are generally not subject to U.S. federal income tax under the Code.

Furthermore, the U.S. REITs intend to timely make and maintain elections as real estate investment trusts under the Code. In order for the U.S. REITs to qualify, they must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its Unitholders equal to a minimum of 90% of its taxable income, computed without regards to a dividends paid deduction and net capital gains. The U.S. REITs generally will not be subject to U.S. federal income tax on their taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Funds intend to make the real estate investment trust elections for the U.S. REITs and believe the U.S. REITs organization, ownership, method of operations, future assets and future income will enable the U.S. REITs to qualify as a real estate investment trusts under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REITs.

2. Summary of significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. Status (continued):

The Fund intends to operate the U.S. REITs in such a manner so as to qualify as a real estate investment trust on a continuous basis in the future. However, actual qualification as a real estate investment trust will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REITs fail to qualify as real estate investment trusts in any taxable year, they will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REITs may not be able to requalify as real estate investment trusts for the four subsequent taxable years. Even if the U.S. REITs qualify for taxation as real estate investment trusts, the U.S. REITs may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on their undistributed taxable income and/or specified types of income in certain circumstances.

The Investment L.P.'s and SIP are treated as partnerships for Canadian tax purposes but will elect to be treated as corporations for U.S. federal income tax purposes. As such, the Investment L.P.'s are generally subject to U.S. tax in respect of their allocable share of (i) capital gains distributions made by the U.S. REITs, (ii) gain upon a sale of the shares of U.S. REITs and (iii) distributions made by the U.S. REITs in excess of both their (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (ii) the adjusted tax basis in the U.S. REITs shares held by the Holding L.P.'s. The Investment L.P.'s are also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REITs received through the Holding L.P.'s to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REITs as determined under U.S. tax principles.

Taxes paid or considered to have been paid by Investment L.P.'s or SIP will be allocated pursuant to their limited partnership agreements and the Fund's allocated share will be allocated to Unitholders pursuant to the Fund limited partnership agreement. The availability of a foreign tax credit or foreign tax deduction in respect of foreign source income allocated to Unitholders by the Fund will be subject to the detailed rules contained in the Tax Act and each unitholder's particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Foreign taxes paid or considered to have been paid by a subsidiary Canadian corporation will not be allocated to Unitholders and, accordingly, no foreign tax credit or foreign tax deduction will be available to Unitholders in respect of such foreign taxes. While the subsidiary Canadian corporations will generally be themselves be entitled to claim foreign tax credits or foreign tax deductions in respect of such taxes, the maximum credit available to the subsidiary Canadian corporations will generally be limited to their Canadian tax otherwise payable in respect of the underlying U.S. source income. Accordingly, if the Canadian tax rate applicable to such income is less than the applicable foreign tax rate, double taxation may arise.

2. Summary of significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. Status (continued):

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. No pro forma adjustments have been made to reflect this current tax as it is already accrued accordingly.

Deferred taxes

Deferred tax of the Fund is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at June 30, 2016, a deferred tax liability of $73,644 remains for the Fund based on a 38% tax rate and relates primarily to the differences between the fair value of the Existing Portfolio and their tax basis.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Summary of significant accounting policies (continued):

(h) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss (“FVTPL”), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards (“IAS”) 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL. Other financial liabilities, including the Fund’s units, are recognized and measured at amortized costs.

The Fund cash has been designated as loans and receivables; and loans payable, tenant rental deposits, accounts payable and accrued liabilities and have been designated as other liabilities. The Fund has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

The Fund’s net assets attributable to Unitholders have been designated as financial liabilities under IAS 32, Financial Instruments - Presentation.

2. Significant accounting policies (continued):

(i) Levies:

Levies are outflows from the properties imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and is based on property value. IFRIC 21, Levies, confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the time the obligation is crystallized, which is at the beginning of the fiscal year.

(j) Estimates:

The preparation of *pro forma* unaudited financial statements requires management to make critical judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making estimates and judgements, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgements have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that we believe will materially affect the methodology or assumptions utilized in making those estimates and judgements in these *pro forma* financial statements. The estimates and judgements used in determining the recorded amount for assets and liabilities in the *pro forma* financial statements include the following:

Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

2. Significant accounting policies (continued):

(k) Critical judgements:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(ii) Joint arrangements:

The acquisition of Fund 1, Fund 2, Fund 3 and Fund 4 and their subsidiaries was considered by management to be out of the scope of IFRS 3 – business combinations as the Funds are commonly controlled.

(iii) Other:

Critical judgements and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates; the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows and discount rates.

3. *Pro forma* adjustments:

The *pro forma* adjustments to the unaudited *pro forma* financial statements have been prepared to account for the closing of the Offering, the closing of the Reorganization, and the acquisition of the New Portfolio contemplated by the prospectus, as described below:

(a) The Offering:

On •, 2016, the Fund filed a prospectus for the sale to the public of approximately 20,000,000 Class A Units and/or Class C Units and/or Class D and/or Class E and/or Class F Units and/or Class H and/or Class U Units at a price of $10.00 CDN per Class A Unit, Class C Unit, Class D Unit, and Class F Unit and $10.00 per Class E and/or U Unit for a maximum raise of $200,000. The offering is expected to close on October 17, 2016. The pro forma has assumed a raise of gross subscription proceeds of $49,658 and costs related to the issuance include the agent's commission of $2,172 and additional costs for legal fees and audits in relation to the offering of $745 were incurred.

(b) Establishment of Starlight U.S. Multi-Family (No. 5) Core Fund:

The Fund was established pursuant to a Class C Unit issuance for cash consideration of $10 dollars and a contribution of $10 by the Fund's general partner.

The Fund is committed to pay to registered dealers an annual service fee equal to 0.5% of the gross subscription proceeds received or deemed to have been received for Class A Units and /or the Class U Units based on the number of Class A Units and/or Class U Units held by clients of such registered dealers at the end of each relevant quarter. This fee is to be calculated and paid at the end of each quarter. The estimated service fees, assuming the units were held for the duration of the *pro forma* period is estimated to be $464 and $928, respectively, for the six months ended June 30, 2016 and the year ended December 31, 2015.

(Expressed in thousands of US dollars)

3. *Pro forma* adjustments (continued):

(c) Acquisition:

The impact of acquiring the net assets of the Portfolio is as follows:

	South Blvd Apartments	Sunrise Ranch	Coolray Field	Pro forma adjustments	Net assets acquired
Investment properties	$ 53,600	$ 51,675	$ 35,421	$ 1,712	$ 142,260
				(148)	
Tenant receivables and other receivables, net	39	4	35	(78)	-
Prepaid expenses and other assets	25	38	10	(73)	-
Restricted cash	153	876	59	(1,088)	-
Cash	241	506	319	(1,066)	-
	54,058	53,099	35,844	(741)	142,260
Mortgage payable	(26,226)	(25,809)	(18,355)	70,390	-
Tenant rental deposits	(83)	(49)	(59)	-	(191)
Accounts payable and accrued liabilities	(63)	(142)	(549)	754	-
Finance costs payable	(70)	(74)	(47)	191	-
Net assets acquired	$ 27,616	$ 27,025	$ 16,834	$ 70,594	$ 142,069
Consideration:					
Cash paid					$ 142,069

3. *Pro forma* adjustments (continued):

(c) Acquisition (continued):

Acquisition-related costs of $1,712 were capitalized to the New Portfolio, of which $1,310 related to the acquisition fee paid to Starlight Investments Ltd. (the “Manager”). See Note 3(j). The actual calculation and allocation of the purchase price for the transactions outlined above will be based on the assets purchased and liabilities assumed at the effective date of the acquisition and other information available at that date. Accordingly, the actual amounts for each of these assets and liabilities will vary from the *pro forma* amounts and the variation may be material. Investment properties have been reduced by $148 for the assumed realty taxes on closing.

Tenant receivables and other receivables, prepaid expenses and other assets, restricted cash, cash, mortgages payable, accounts payable and accrued liabilities and finance costs payable will not be assumed on closing. Tenant rental deposits of $191 will be assumed on closing.

As the New Portfolio is accounted for using the fair value model, it will be adjusted to their fair value on an ongoing basis, with any fair value adjustments being included in the statement of comprehensive income (loss). As a *pro forma* assumption of such fair value change is a prediction rather than an objectively determinable *pro forma* adjustment, these *pro forma* financial statements assume no change in the fair value of the investment properties during the six months ended June 30, 2016 and during the year ended December 31, 2015. However, the actual Fund financial statements will include fair value changes and such changes could be material.

(d) Investment properties

Investment properties have been adjusted to recognize the fair value adjustment on Boardwalk Med Center of $2,400 on June 30, 2016. In connection with the acquisition of Campar, $286 will be paid as an acquisition fee to the Manager through acquiring Boardwalk Med Center. A deferred tax liability of $912 has been recorded to reflect the timing difference between the accounting and tax basis.

Investment properties have been adjusted by $7,023 to recognize the realty taxes accrued for each investment property included in the Existing Portfolio which has been offset by accrued realty tax liabilities.

(Expressed in thousands of US dollars)

3. *Pro forma* adjustments (continued):

(e) Joint ventures:

Joint venture interests of Fund 1, Fund 2 and Fund 3 will be consolidated upon the Reorganization into the Fund, as the Fund will ultimately control 100% of each property after the Reorganization. Below is a summary of the *pro forma* adjustments required to reflect 100% control of these properties:

	As at June 30, 2016				
	Soho	Sunset Ridge	Belle Haven	Sorrelle	Total
Non-current assets					
Investment properties	56,300	31,200	29,100	75,800	192,400
Derivative financial instruments	1	2	-	-	3
Utility Deposits	10	16	6	41	73
Current					
Tenant and other receivables	37	126	41	90	294
Prepaid expenses and other assets	28	43	12	57	140
Restricted cash	652	545	272	739	2,208
Cash	150	101	83	182	516
Non-current liabilities					-
Loans payable	(33,576)	(21,492)	(20,079)	(53,969)	(129,116)
Current liabilities					-
Loans payable	-	-	(155)	(165)	(320)
Tenant rental deposits	(48)	(14)	(20)	(113)	(195)
Accounts payable and accrued liabilities	(560)	(451)	(172)	(718)	(1,901)
Finance costs payable	(61)	(44)	(80)	(48)	(233)
Distributions payable	-	-	-		
Net assets	22,933	10,032	9,008	21,896	63,869

	For the six months ended June 30, 2016				
	Soho	Sunset Ridge	Belle Haven	Sorrelle	Total
Revenue from property operations	2,465	1,736	1,175	3,173	8,549
Property operating costs	(646)	(467)	(365)	(872)	(2,350)
Realty taxes	(462)	(433)	(136)	(430)	(1,461)
Finance costs	(442)	(279)	(415)	(1,014)	(2,150)
Unrealized foreign exchange gain	-	-	-	(782)	(782)
Realized foreign exchange loss	-	-	-	199	199
Fair value adjustment on investment properties	143	210	(490)	4,263	4,126
Current taxes	(15)	(3)	-	-	(18)
Net earnings	1,043	764	(231)	4,537	6,113

(Expressed in thousands of US dollars)

3. *Pro forma* adjustments (continued):

(e) Joint ventures:

	For the year ended December 31, 2015				
	Soho	Sunset Ridge	Belle Haven	Sorrelle	Total
Revenue from property operations	4,797	3,497	1,923	1,960	12,177
Property operating costs	(1,171)	(1,052)	(616)	(524)	(3,363)
Realty taxes	(853)	(747)	(172)	(209)	(1,981)
Finance costs	(901)	(550)	(823)	(674)	(2,948)
Unrealized foreign exchange loss	-	-	-	601	601
Fair value adjustment on investment properties	9,419	(586)	2,858	4,898	16,589
Current taxes	(15)	(11)	-	-	(26)
Net earnings	11,276	551	3,170	6,052	21,049

The Equity Investment from Fund 2 related to its 65% ownership in Eagle Creek, which was 100% consolidated in Fund 1 as of June 30, 2016. The $10,799 has been eliminated on consolidation of all of the Funds.

(f) Loans / mortgages payable:

The Fund is expected to assume financing in the amount of $584,936 or $580,572, net of deferred financing costs, in respect of the Existing Portfolio in relation to mortgages that the Funds obtained when the properties were purchased. The weighted average interest rate on assumed loans is 2.93%

The Fund expects to obtain new financing of $93,411 in respect of the New Portfolio, including new financing on South Blvd Apartments for $34,840 for a nine month term, with three one-month extension options, interest only for the entire term one-month U.S. LIBOR plus 1.75%, new financing in respect of Sunrise Ranch for $35,496 for a three year term, interest only for the entire term at one-month U.S. LIBOR plus 2.00%, and new financing in respect of Coolray Field for $23,075 for a three year term, interest only for the entire term at one-month U.S. LIBOR plus 1.90%. The deferred financing costs on the New Portfolio are expected to be $572, of which $209 has been presented on the current portion of South Blvd Apartments.

(Expressed in thousands of US dollars)

3. *Pro forma* adjustments (continued):

(f) Loans / mortgages payable (continued):

The Fund is expected to refinance the existing mezzanine loan in respect of Sorelle for $19,730 for an 18 month term, interest only for the entire term at 9.25%, resulting in additional financing of $10,019. The deferred financing costs on the refinancing of Sorelle are expected to be $197. This loan will be funded in Canadian dollars. The weighted average interest rate on new and refinanced loans will be 5.17%.

The effective weighted average interest rate for all loans payable is 2.95%.

(g) Sources and uses of cash:

The Fund's sources and uses of cash after the completion of the contemplated acquisition of the Existing and New Portfolios are as follows:

Sources:		
Proceeds from the Offering	$	49,658
Cash assumed from the Reorganization		8,041
Proceeds from new mortgage financing		93,411
Proceeds from Sorelle mortgage refinancing		10,019
	$	161,129
Uses:		
Purchase of the New Portfolio	$	(142,069)
Offering costs of the Fund		(745)
Agent fees of the Fund		(2,172)
Agent fees – Reorganization [1]		(4,412)
Other fees – Reorganization [2]		(2,175)
Acquisition fee – Boardwalk Med Center		(286)
Financing costs – new mortgages and refinancing of Sorelle		(769)
	$	(152,628)
Excess cash in the fund	$	8,501

1. Agent fees – Reorganization are fees paid to the lead agent based on 0.50% of the fair value of the investment properties in the Existing Portfolio.
2. Other fees – Reorganization are professional fees paid related to the Reorganization.

3. *Pro forma* adjustments (continued):

(h) Revenues and Operating expenses from property operations:

Property operating expenses have been decreased by $32 and $70 for the six months ended June 30, 2016 and for the year ended December 31, 2015 to reflect expected reduced property management fees. The expected property management fees in place will be based on 2.50% of gross collection receipts for all of the Fund properties.

Realty tax expenses have increased for the six months ended June 30, 2016 by $6,955 due to the recognition of the IFRIC 21 relating to the Existing Portfolio properties. This was offset by an increase in fair value of investment properties of $6,955 for the Existing Portfolio.

(i) Finance costs:

Finance cost for the six months ended June 30, 2016 have been increased by $518 and have been increased by $580 for the year ended December 31, 2015 to reflect changes in mortgage interest and amortization of financing costs on the New Portfolio of $63 for the six months ended June 30, 2016 and $279 for the year ended December 31, 2015 and the refinancing of Sorelle of $455 for the six months ended June 30, 2016 and $301 for the year ended December 31, 2015.

(j) Fund and related party transactions:

Fund expenses have been adjusted by $66 for the six months ended June 30, 2016 and $68 for the year ended December 31, 2015 to reflect the best estimate of general and administrative expenses for the Fund. Fund expenses include legal fees, audit fees, tax fees, trustee fees, service fees, annual report costs, transfer agents fees, travel costs, and other miscellaneous costs. Fund expenses for the six months ended June 30, 2016 were reduced by $1,051 to reflect one-time transaction costs that were unexpected and unusual for the six months ended June 30, 2016.

3. *Pro forma* adjustments (continued):

(j) Fund expenses and related party transactions (continued):

Pursuant to a management agreement to be entered into between the Fund's, U.S. REITs and the Manager, the Manager will provide asset management services to the Fund. The Manager will be entitled to an asset management fee of 35 basis points on the purchase price of the properties and the cost of any value-enhancing capital expenditures in respect of the properties since the date of their acquisition by the Fund. The asset management fees included in Fund expenses for the six months ended June 30, 2016 were increased by $607 and for the year ended December 31, 2015 were increased by $841.

Pursuant to the management agreement, the Manager will be providing financing and other services in connection with the acquisition of investment properties. An acquisition fee has been included in acquisition-related costs, as described in note 3(c), of $1,310 relating to the acquisition of the New Portfolio.

Pursuant to the management agreement, If there occurs any amalgamation, merger, arrangement, take-over bid, material transfer or sale of units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund, or similar transaction involving the Fund or a subsidiary of the Fund (other than in connection with an internal reorganization, an initial public offering of all or substantially all of such properties, or a transaction with the Manager or any of its affiliates as the purchaser), whether in one transaction or series of transactions (collectively, the "Disposition Transaction"), the Fund will pay the Manager a disposition fee, in cash, equal to 0.50% of the value of such Disposition Transaction up to a maximum of $5,500 provided that no such disposition fee is payable unless the value of such Disposition Transaction is greater than the aggregate appraised value, at the time of acquisition by the Fund, of the Existing Portfolio and the New Portfolio, converted into Canadian dollars using the Effective Exchange Rate. No disposition fee was included in the pro forma adjustments for the six months ended June 30, 2016 and year ended December 31, 2015.

In consideration for providing any financing guarantees in connection with the amount borrowed by the Fund or its subsidiaries to indirectly acquire an interests in the Properties, the Fund and each U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds borrowed by the Fund and its subsidiaries in connection with the financing of the Fund's interests in properties, which guarantee fee shall be calculated and payable to the Manager or its appointee on a monthly basis in arrears in cash on the first day of each month.

3. *Pro forma* adjustments (continued):

(j) Fund expenses and related party transactions (continued):

No guarantee fee was included in the *pro forma* adjustments for the six months ended June 30, 2016 and the year ended December 31, 2015.

The Manager and President of the Fund as holders of the Class B partnership units of SIP, are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all units of the Fund of a particular class if all SIP Distributable Cash in excess of amounts payable to SIP GPco were paid to the Fund and distributed, together with all distributions received by the Fund from its other subsidiaries (but net of any amounts required to provide for expenses), to Unitholders of the Fund in accordance with the Fund LP Agreement, exceeds (ii) the aggregate Minimum Return in respect of such class of units of the Fund (the calculation of which, for greater clarity includes the amount of the Investors Capital Return Base), each such excess, if any, to be calculated in US dollars and, in the case of Canadian Dollar units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from SIP to the Fund. 75% of such amount will be payable by SIP to the Fund, as holder of class A partnership units of SIP, for distribution to Unitholders, as outlined in the prospectus.

In the event that the Unitholders do not receive the Minimum Return, each of D.D. Acquisitions Partnership (an affiliate of the Manger), the Manager and the President of the Fund will be required to pay to the Fund their pro rata share (based on their pre-Reorganization ownership of SIP) of an amount representing such deficiency, up to 20% of the deemed value at the time of issuance of the Class C units, which such Class C units shall be pledged as security therefore, received in consideration for the transfer by such persons of their respective interests in SIP (being the direct or indirect holder of the Fund1 Carried Interest, Fund2 Carried Interest, Fund3 Carried Interest, Fund4 Carried Interest and Travesia Carried Interest) to the Fund (net of any taxes payable on the realization of any Unit to fund such deficiency), as outlined in the prospectus.

(k) Income taxes:

The Funds have recorded a deferred tax expense of $5,034 and $10,045 for the six months ended June 30, 2016 and for the year ended December 31, 2015, respectively, in respect of the Investment LPs.

3. *Pro forma* adjustments (continued):

(k) Income taxes (continued):

The Funds assumed that on closing and beyond, the U.S. REITs will qualify as REITs, effective on the date of its incorporation and that it will meet the REIT conditions, as described in note 2(h) and will distribute all of their taxable income to their stockholders each taxation year. The Fund also assumes that it will not be subject to the SIFT Measures described in note 2(h).

(l) Unrealized and realized foreign exchange gains and losses:

The *pro forma* assumes no change in the foreign exchange between the U.S. dollar and the Canadian dollar for the six months ended June 30, 2016 and for the year ended December 31, 2015. Adjustments have been recognized of $1,873 and ($401) for the six months ended June 30, 2016 relating to unrealized and realized foreign exchange losses (gains). Adjustments have been recognized of ($1,165) and ($1,156) for the year ended December 31, 2015 relating to unrealized and realized foreign exchange (gains).

(m) Preferred shares:

The *pro forma* adjusted for the U.S. REITs' preferred shares in connection with requirements to qualify as a REIT for U.S. federal income tax purposes. The pro forma has been adjusted to recognize $500 as non-current liabilities. Fund and trust expenses have been increased by $59 for the year ended December 31, 2015 and $31 for the six months ended June 30, 2016 to reflect the interest distributions relating to the preferred equity shares.

(n) Distributions to Unitholders:

The Fund has estimated Distributions to Unitholders for the six months ended June 30, 2016 to be $12,536 and for the year ended December 31, 2015 to be $25,072. The distributions were calculated based on estimating the number of units per Class to be issued to effect the gross subscription proceeds of $49,658, as well as the number of units per Class to be issued based on the Reorganization of the Fund's and Campar. The distributions were calculated based on exchange rate of 1.30 to 1, Canadian dollar to US dollar.

(Expressed in thousands of US dollars)

4. Unitholders' equity:

The Fund is authorized to issue an unlimited number of Units:

	Units (000`s)		Amount
Balance, beginning of period	-		-
Class A, C, D, E, F, H, and U Units (Reorganization)	43,620	$	270,979
Reorganization - Agent Fees and Other Fees expensed through Comprenshive income (loss)	-		(6,587)
Class A, C, D, E, F, H and U Units (Offering)	6,147		49,658
Unit issuance costs (Offering)	-		(2,172)
Unit issuance costs (other)	-		(745)
Balance, end of period	49,767	$	311,133

Carve-out Financial Statements of

SUNRISE RANCH

For the years ended December 31, 2015 and 2014
and for the interim periods ended June 30, 2016 and June 30, 2015

(In thousands of United States dollars)

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Independent Auditor's Report

To the Owners of Sunrise Ranch

We have audited the accompanying carve-out financial statements of Sunrise Ranch, which comprise the carve-out statements of financial position as at December 31, 2015 and 2014, and the carve-out statements of income and comprehensive income, changes in owners' equity and cash flow statements for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Sunrise Ranch as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International financial reporting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
September 7, 2016

SUNRISE RANCH

Carve-out Statements of Financial Position
(In thousands of United States dollars)

	Note	June 30, 2016	December 31, 2015	December 31, 2014
		(Unaudited)		
ASSETS				
Non-current assets:				
Investment property	3	$ 51,675	$ 46,516	$ 39,112
Total non-current assets		51,675	46,516	39,112
Current assets:				
Tenant and other receivables		4	8	8
Prepaid insurance		38	16	80
Restricted cash		876	1,315	1,155
Cash		506	316	258
Total current assets		1,424	1,655	1,501
TOTAL ASSETS		$ 53,099	$ 48,171	$ 40,613
LIABILITIES AND OWNERS' EQUITY				
Non-current liabilities:				
Mortgage payable	4	$ 25,385	$ 25,579	$ 26,066
Total non-current liabilities		25,385	25,579	26,066
Current liabilities:				
Mortgage payable	4	424	413	392
Security deposits		49	50	47
Accounts payable and accrued liabilities	5	142	90	97
Finance costs payable		74	-	-
Total current liabilities		689	553	536
Total liabilities		26,074	26,132	26,602
Owners' equity		27,025	22,039	14,011
TOTAL LIABILITIES AND OWNERS' EQUITY		$ 53,099	$ 48,171	$ 40,613

Commitments and contingencies (Note 9).

Subsequent event (Note 12).

See accompanying notes to carve-out financial statements.

SUNRISE RANCH

Carve-out Statements of Income and Comprehensive Income
For the years ended December 31, 2015 and 2014 and for the interim periods ended June 30, 2016 and 2015
(In thousands of United States dollars)

		Three months ended		Six months ended		Year ended	
	Note	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015	December 31, 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Revenue from property operations		$ 1,171	$ 1,105	$ 2,326	$ 2,187	$ 4,425	$ 4,308
Expenses:							
Property operating costs		314	292	613	606	1,262	1,274
Realty taxes		-	-	1,050	964	964	870
		314	292	1,663	1,570	2,226	2,144
Net income before other income (expense)		857	813	663	617	2,199	2,164
Other income (expense):							
Finance costs	7	(245)	(231)	(488)	(459)	(925)	(929)
Fair value adjustment - investment property	3	3,262	(260)	5,225	3,186	7,494	2,347
Income taxes - current	2 (d)	(8)	(7)	(16)	(13)	(26)	(24)
Net income and comprehensive income		$ 3,866	$ 315	$ 5,384	$ 3,331	$ 8,742	$ 3,558

See accompanying notes to carve-out financial statements.

SUNRISE RANCH

Carve-out Statements of Changes in Owners' Equity
(In thousands of United States dollars)

For the six-month periods ended June 30, 2016 (unaudited) and June 30, 2015 (unaudited)

Balance, January 1, 2015	$	14,011
Net income and comprehensive income		3,331
Distributions		(434)
Balance, June 30, 2015 (Unaudited)	$	16,908

Balance, January 1, 2016	$	22,039
Net income and comprehensive income		5,384
Distributions		(398)
Balance, June 30, 2016 (Unaudited)	$	27,025

For the years ended December 31, 2014 and December 31, 2015

Balance, January 1, 2014	$	11,431
Net income and comprehensive income		3,558
Distributions		(978)
Balance, December 31, 2014	$	14,011

Balance, January 1, 2015	$	14,011
Net income and comprehensive income		8,742
Distributions		(714)
Balance, December 31, 2015	$	22,039

See accompanying notes to carve-out financial statements.

SUNRISE RANCH

Carve-out Statements of Cash Flows
For the years ended December 31, 2015 and 2014 and for the interim periods ended June 30, 2016 and June 30, 2015
(In thousands of United States dollars)

	Note	Three months ended June 30, 2016 (Unaudited)	Three months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016 (Unaudited)	Six months ended June 30, 2015 (Unaudited)	Year ended December 31, 2015	Year ended December 31, 2014
Operating activities:							
Income and comprehensive income		$ 3,866	$ 315	$ 5,384	$ 3,331	$ 8,742	$ 3,558
Adjustments for financing costs included in income:							
Finance costs		245	231	488	459	925	929
Adjustments for non-cash items:							
Fair value adjustment of investment property excluding IFRIC 21 adjustment		(3,262)	260	(5,139)	(3,092)	(7,400)	(1,477)
Change in operating working capital							
Prepaid insurance		22	22	(22)	44	63	(65)
Tenant and other receivables		(1)	2	4	(1)	-	12
Security deposits		(2)	1	(1)	3	3	3
Accounts payable and accrued liabilities		67	30	52	3	(7)	14
Change in restricted cash		(361)	(195)	439	419	(160)	(1,085)
Cash provided by operating activities		574	666	1,205	1,166	2,166	1,889
Financing Activities:							
Finance costs paid		(227)	(142)	(374)	(350)	(846)	(922)
Distributions to owners		(150)	(200)	(398)	(433)	(714)	(978)
Principal loan payments		(132)	(90)	(223)	(228)	(544)	(178)
Cash used in financing activities		(509)	(432)	(995)	(1,011)	(2,104)	(2,078)
Investing activities:							
Additions to investment property	3	(16)	-	(20)	-	(4)	-
Cash used in investing activities		(16)	-	(20)	-	(4)	-
Increase (decrease) in cash		49	234	190	155	58	(189)
Cash, beginning of period		457	179	316	258	258	447
Cash, end of period		$ 506	$ 413	$ 506	$ 413	$ 316	$ 258

See accompanying notes to carve-out financial statements.

1. Nature of Operations and Basis of Preparation:

City North at Sunrise Ranch (the "Property"), as presented in the carve-out financial statements is owned by Sunrise Settlers Management, LLC, a Texas Limited Liability Company, Arsenal Real Estate Fund II, LP, a Delaware Limited Partnership, and Arsenal Real Estate Fund II-IDF, LP, a Delaware Limited Partnership (the "Owners"). These three entities were created as limited liability companies in Texas and are treated as partnerships for U.S. tax purposes.

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owners and present the financial position, results of operations, changes in owners' equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a stand-alone basis.

Management's estimates, when necessary, have been used to prepare such allocations. Because this Property is part of a corporate group, these carve-out financial statements depict the owners' equity in net assets, representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

(a) Basis of presentation and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC").

The carve-out interim financial statements as at June 30, 2016 and 2015 are presented in accordance with IFRS and in particular in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the IASB. IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, IASs, and IFRICs or the former Standing Interpretations Committee ("SICs").

The Owners believe an allocation of revenue and costs to the Property reflects a reasonable method of allocating an appropriate portion of the historic Property operating and other costs of the Owners related to the management of the Property.

1. Nature of Operations and Basis of Preparation (continued):

(a) Basis of presentation and statement of compliance: (continued)

The carve-out financial statements have been prepared on a historical cost basis, except for investment property which is stated at its fair value.

The carve-out financial statements are presented in United States dollars, which is the functional currency of the Property, and rounded to the nearest thousand except as otherwise stated.

(b) Critical judgments and estimates:

The preparation of carve-out financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements:

Leases:

Management makes judgements in determining whether leases in which the Property is the lessor are operating or finance leases. The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases. The accounting treatment of leases as finance leases could have a significant effect on the measurement of balances and transactions.

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that may have a significant risk resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates: (continued)

(ii) Key sources of estimation uncertainty: (continued)

Investment property:

The critical assumptions and estimates used when determining the fair value of the investment property is the capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of the investment property is based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Further information on the investment property estimates and assumptions are provided in note 3.

2. Significant Accounting Policies:

(a) Investment property:

The investment property includes a multi-family residential housing project that is held to earn rental income. Investment property acquired through an asset purchase is initially recognized at cost, which includes all amounts directly related to the acquisition of the investment property. All costs associated with upgrading and extending the economic life of the existing property, other than ordinary repairs and maintenance, are capitalized to the investment property.

Investment property is re-measured to fair value at each reporting date. Fair value is determined based on internal valuation models incorporating market evidence and valuations performed by third-party appraisers. Changes in the fair value of the investment property is recorded in the carve-out statements of income and comprehensive income in the period in which they arise. Investment property is not amortized.

(b) Revenue recognition:

Revenue from investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, laundry income, cable and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences at lease inception or when a tenant has a right to use the leased asset, and revenue is recognized on a straight line basis over the terms of the lease agreement when collection is reasonably assured.

2. Significant Accounting Policies (continued):

(c) Cash and restricted cash:

Cash includes cash on hand and unrestricted cash. Restricted cash includes funds held for real estate taxes, property insurance, replacements/repairs and interest rate caps which are held in escrow.

(d) Income taxes:

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 70% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. For the three and six months ended June 30, 2016 and 2015, the provision for Texas Margin Tax was $8, $7, $16 and $13, respectively. For the years ended December 31, 2015 and 2014 the tax provisions were $26 and $24, respectively.

The Property is owned by entities that are limited liability companies in Texas, in the United States of America which have elected to be taxed as partnerships for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes in these carve-out financial statements, other than the Texas Margin Tax.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire contract (asset or liability) to be designated as FVTPL.

2. Significant Accounting Policies (continued):

(e) Financial instruments (continued):

The following summarizes the Property classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgage payable	Other liabilities	Amortized cost
Security deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Finance costs payable	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(f) Provisions:

Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value when the effect is material. The Property has not recorded any provisions as at June 30, 2016, as well as at December 31, 2015 and 2014.

2. Significant Accounting Policies: (continued)

(g) Levies:

Levies are outflows from the Property imposed by a government in accordance with legislation. The Owners have assessed property taxes as being in the scope of IFRIC 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Owners have determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the beginning of the fiscal year.

(h) De-recognition of financial liabilities:

The Property de-recognizes financial liabilities when, and only when, the Property's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the carve-out statements of income and comprehensive income.

(i) Impairment of financial instruments:

The Property assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Property invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rates. Impairment losses are recognized in the carve-out statements of income and comprehensive income.

(j) Recent accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2015. Those pronouncements that are not applicable or do not have a significant impact to the Property have been excluded from the discussion below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Property.

(i) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB's financial instruments project and the

2. Significant Accounting Policies (continued):

(j) Recent accounting pronouncements: (continued)

(i) Financial Instruments ("IFRS 9"): (continued)

standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Portfolio expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iii) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of United States dollars)

3. Investment Property:

The following table summarizes the changes in the investment property for the six months ended June 30, 2016 and the fiscal years ended December 31, 2015 and December 31, 2014:

Balance, January 1, 2014	$	37,635
Fair value adjustments		2,347
IFRIC 21 realty tax liability adjustment		(870)
Balance, December 31, 2014		39,112
Additions – capital expenditures		4
Fair value adjustments		7,494
IFRIC 21 realty tax liability adjustment		(94)
Balance, December 31, 2015		46,516
Additions – capital expenditures		20
Fair value adjustments		5,225
IFRIC 21 realty tax liability adjustment		(86)
Balance, June 30, 2016 (Unaudited)	$	51,675

The key valuation assumptions for the Property is set out in the following table:

	June 30, 2016	December 31, 2015	December 31, 2014
	(Unaudited)		
Capitalization rates	5.00%	5.00%	5.50%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. A 10-basis-point increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value:

Key assumption	Change	June 30, 2016	December 31, 2015	December 31, 2014
		(Unaudited)		
Weighted average capitalization rate	10-basis-points increase	$ (1,024)	$ (931)	$ (714)
Weighted average capitalization rate	10-basis-points decrease	$ 1,065	$ 969	$ 740

(In thousands of United States dollars)

3. Investment Property (continued):

The impact of a one percent change in the net operating income used to value the investment property as at June 30, 2016, December 31, 2015 and December 31, 2014 would affect the fair value by approximately $522, $475, and $400, respectively.

4. Mortgage Payable:

The mortgage payable is secured by the investment property and bears interest at a variable rate.

	June 30, 2016	December 31, 2015	December 31, 2014
	(Unaudited)		
Mortgage payable bearing interest at LIBOR + 2.95%, monthly payments of principal and interest, due September 1, 2019	$ 26,054	$ 26,277	$ 26,822
Unamortized financing fees	(245)	(285)	(364)
	$ 25,809	$ 25,992	$ 26,458

Mortgage payable is classified as a current liability if it is due and payable within 12 months after the date of the carve-out statement of financial position. The following table provides a breakdown of current and non-current portions of mortgage payable:

	June 30, 2016	December 31, 2015	December 31, 2014
	(Unaudited)		
Current			
Mortgage payable	$ 559	$ 550	$ 531
Unamortized financial cost	(135)	(137)	(139)
	424	413	392
Non-current			
Mortgage payable	25,495	25,727	26,291
Unamortized financing fees	(110)	(148)	(225)
	25,385	25,579	26,066
	$ 25,809	$ 25,992	$ 26,458

Future principal payments on the mortgage payable are as follows:

	Mortgage principal payments
2016 – remainder of year	$ 277
2017	569
2018	589
2019	24,619
Total	$ 26,054

(In thousands of United States dollars)

5. Accounts Payable and Accrued Liabilities:

	June 30, 2016	December 31, 2015	December 31, 2014
	(Unaudited)		
Accounts payable	$ 141	$ 89	$ 86
Prepaid rent	1	1	11
	$ 142	$ 90	$ 97

6. Concentrations:

All of the Property's assets and liabilities are in, and its revenue derived from, multi-suite residential United States real estate. No single tenant accounts for 10% or more of the Property's rental revenue.

7. Finance costs:

	Three months ended		Six months ended		Year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015	December 31, 2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Interest on mortgages payable	$ 225	$ 211	$ 448	$ 419	$ 846	$ 850
Amortization of financing costs	20	20	40	40	79	79
	$ 245	$ 231	$ 488	$ 459	$ 925	$ 929

8. Property Management Fee:

The Owners entered into management's agreement with Alliance Residential Company, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 2.65% of the gross collections of residential and miscellaneous income from the Property, as defined within the management agreements. For the three and six months ended June 30, 2016 and June 30, 2015 property management fees in the amount of $33, $65, $30 and $64 respectively, were incurred pursuant to this property management agreement. For the years ended December 31, 2015 and 2014 property management fees were $126 and $126, respectively.

9. Commitments and Contingencies:

At the statement of financial position dates, the Property has no commitments for minimum lease payments under non-cancellable operating leases.

10. Capital Management and Risk Management:

(a) Capital management:

The Property's capital is comprised of owners' equity and a mortgage payable, and is funded by the owners primarily for additions to the Property and leasing activities, to the extent not available from cash flows from Property operations.

(b) Risk management:

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Property's financial instruments.

The Property's main objectives in managing interest rate risk are to minimize the volatility of earnings. As at June 30, 2016, and as at December 31, 2015 and December 31, 2014, the Property's mortgage payable bore interest at a variable rate.

(ii) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Property by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Property is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Property monitors its risk exposure regarding obligations with counterparties (United States chartered banks) through the regular assessment of counterparties' credit positions.

The Property mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation.

Resident receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The Property monitors outstanding receivables on a regular basis to ensure a reasonable allowance is provided for all uncollectible amounts. As at June 30, 2016, and as at December 31, 2015 and December 31, 2014, no allowance for uncollectible amounts was accrued for.

10. Capital Management and Risk Management (continued):

(b) Risk management (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy of managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

11. Fair Value Measurements:

The fair value of the Property’s mortgage payable as at June 30, 2016, December 30, 2015, and December 31, 2014, respectively, approximates the carrying value as interest rates on the mortgage payable are consistent with rates as at each respective period end.

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Property’s financial instruments:

(a) Investment property:

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings as well as with third party appraised values. The fair value of investment property is completed at Level 3 of the fair value hierarchy.

(b) Mortgage payable:

The fair value of the mortgage payable is estimated based on Level 2 inputs which take into account the present value of future payments, discounted at the yield on a U.S. Department of the Treasury bond with the nearest maturity date to the underlying mortgage.

(c) Other financial assets and financial liabilities:

The fair values of the Property’s financial assets, which include cash, restricted cash and tenant and other receivables, as well as other financial liabilities, which include tenant rental deposits, finance costs payable, and accounts payable and accrued liabilities approximate their recorded values due to their short-term nature.

12. Subsequent event:

On July 29, 2016, the Owners signed a purchase and sale agreement to sell the Property to an affiliate of Starlight Investments Ltd. for a purchase price of $52,200. The sale is expected to close on or about October 18, 2016.

Carve-out Financial Statements of

SOUTH BLVD APARTMENTS

As at and for the years ended December 31, 2015 and 2014
and for the interim period ended June 30, 2016

(In thousands of United States dollars)

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Toronto ON M5K 1H1 Canada

Independent Auditor's Report

To the Owners of South Blvd Apartments

We have audited the accompanying carve-out financial statements of South Blvd Apartments, which comprise the carve-out statements of financial position as at December 31, 2015 and 2014, and the carve-out statements of income and comprehensive income, changes in owners' equity and cash flow statements for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Carve-out Financial Statements

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of South Blvd Apartments as at December 31, 2015 and 2014 and its financial performance and its cash flows for the years then ended in accordance with International financial reporting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
September 7, 2016

SOUTH BLVD APARTMENTS

Carve-out Statements of Financial Position
(In thousands of United States dollars)

	Note	June 30, 2016	December 31, 2015	December 31, 2014
		(Unaudited)		
ASSETS				
Non-current assets:				
Investment property	3	$ 53,600	$ 52,358	$ 47,905
Total non-current assets		53,600	52,358	47,905
Current assets:				
Tenant and other receivables		39	63	25
Prepaid expenses and deposits		25	47	103
Restricted cash		153	118	57
Cash		241	235	256
Total current assets		458	463	441
TOTAL ASSETS		$ 54,058	$ 52,821	$ 48,346
LIABILITIES AND OWNERS' EQUITY				
Non-current liabilities:				
Mortgage payable	4	$ 26,226	$ 26,224	$ 26,220
Total non-current liabilities		26,226	26,224	26,220
Current liabilities:				
Tenant rental deposits		83	89	72
Accounts payable and accrued liabilities	5	63	87	117
Finance costs payable		70	70	70
Total current liabilities		216	246	259
Total liabilities		26,442	26,470	26,479
Owners' equity		27,616	26,351	21,867
TOTAL LIABILITIES AND OWNERS' EQUITY		$ 54,058	$ 52,821	$ 48,346

Commitments and contingencies (Note 9).

Subsequent event (Note 12).

See accompanying notes to carve-out financial statements

SOUTH BLVD APARTMENTS

Carve-out Statements of Income and Comprehensive Income
For the years ended December 31, 2015 and 2014 and for the interim periods ended June 30, 2016 and 2015
(In thousands of United States dollars)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015	Year ended December 31, 2015	Year ended December 31, 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Revenue from property operations		$ 1,051	$ 899	$ 2,083	$ 1,836	$ 3,892	$ 3,737
Expenses:							
Property operating costs		253	258	524	525	1,108	1,068
Realty taxes		-	-	294	269	269	285
		253	258	818	794	1,377	1,353
Net income before other income (expense)		798	641	1,265	1,042	2,515	2,384
Other income (expense):							
Financing costs	7	(210)	(208)	(422)	(422)	(844)	(844)
Fair value adjustment - investment property	3	492	1,075	1,302	2,440	4,363	5,225
Income and comprehensive income		$ 1,080	$ 1,508	$ 2,145	$ 3,060	$ 6,034	$ 6,765

See accompanying notes to carve-out financial statements.

SOUTH BLVD APARTMENTS

Carve-out Statement of Change in Owners' Equity
(In thousands of United States dollars)

For the six-month periods ended June 30, 2016 (Unaudited) and June 30, 2015 (Unaudited)

Balance, January 1, 2015	$	21,867
Net income and comprehensive income		3,060
Distributions		(730)
Balance, June 30, 2015 (Unaudited)	$	24,197

Balance, January 1, 2016	$	26,351
Net income and comprehensive income		2,145
Distributions		(880)
Balance, June 30, 2016 (Unaudited)	$	27,616

For the years ended December 31, 2015 and December 31, 2014

Balance, January 1, 2014	$	16,802
Net income and comprehensive income		6,765
Distributions		(1,700)
Balance, December 31, 2014	$	21,867

Balance, January 1, 2015	$	21,867
Net income and comprehensive income		6,034
Distributions		(1,550)
Balance, December 31, 2015	$	26,351

See accompanying notes to carve-out financial statements.

SOUTH BLVD APARTMENTS

Carve-out Statements of Cash Flows
For the years ended December 31, 2015, and 2014 and for the interim periods ended June 30, 2016 and 2015
(In thousands of United States dollars)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015	Year ended December 31, 2015	Year ended December 31, 2014
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)		
Operating activities:							
Income and comprehensive income		$ 1,080	$ 1,508	$ 2,145	$ 3,060	$ 6,034	$ 6,765
Adjustments for non-cash items:							
Fair value adjustment of investment property excluding IFRIC 21 adjustment	3	(563)	(1,144)	(1,155)	(2,298)	(4,363)	(5,225)
Financing costs		210	208	422	422	844	844
Change in operating working capital							
Restricted cash		(89)	(82)	(35)	(95)	(61)	15
Prepaid expenses and deposits		79	81	21	83	56	(26)
Tenant and other receivables		(8)	23	24	10	(38)	(25)
Tenant rental deposits		(5)	9	(6)	16	17	31
Accounts payable and accrued liabilities		(34)	(2)	(24)	(31)	(30)	117
Cash provided by operating activities		670	601	1,392	1,167	2,459	2,496
Financing Activities:							
Finance costs paid		(210)	(210)	(420)	(420)	(840)	(770)
Distributions to owners		(398)	(359)	(880)	(730)	(1,550)	(1,700)
Cash used in financing activities		(608)	(569)	(1,300)	(1,150)	(2,390)	(2,470)
Investing activities:							
Additions to investment property	3	(56)	(16)	(86)	(27)	(90)	(70)
Cash used in investing activities		(56)	(16)	(86)	(27)	(90)	(70)
Increase (decrease) in cash		6	16	6	(10)	(21)	(44)
Cash, beginning of period		235	230	235	256	256	300
Cash, end of period		$ 241	$ 246	$ 241	$ 246	$ 235	$ 256

See accompanying notes to carve-out financial statements.

1. Nature of Operations and Basis of Preparation:

South Blvd Apartments (the "Property"), as presented in these carve-out financial statements, is not a legal entity. The Property and its related assets and liabilities were owned and managed by Giles Street Owner LLC, (the "Owner").

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owners and present the financial position, results of operations, changes in owners' equity and cash flows of the Properties for the periods presented as if the Properties had been accounted for on a stand-alone basis.

Management's estimates, when necessary, have been used to prepare such allocations. Because these Properties are part of a corporate group, these carve-out financial statements depict the owners' equity in net assets, representing the amount associated specifically with the Properties.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Properties had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Properties do not have any other assets, liabilities or operations other than the ones presented.

(a) Basis of presentation and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC").

The carve-out interim financial statements as at June 30, 2016 and 2015 are presented in accordance with IFRS and in particular in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the IASB. IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, IASs, and IFRICs or the former Standing Interpretations Committee ("SICs").

The Owners believe an allocation of revenue and costs to the Properties reflects a reasonable method of allocating an appropriate portion of the historic properties operating and other costs of the Owners related to the management of the properties.

The carve-out financial statements have been prepared on a historical cost basis, except for investment property which is stated at its fair value.

The carve-out financial statements are presented in United States dollars, which is the functional currency of the Property, and rounded to the nearest thousand except as otherwise stated.

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates:

The preparation of carve-out financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements:

Leases:

Management makes judgements in determining whether leases in which the Property is the lessor are operating or finance leases. The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases. The accounting treatment of leases as finance leases could have a significant effect on the measurement of balances and transactions.

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that may have a significant risk resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates: (continued)

(ii) Key sources of estimation uncertainty: (continued)

Investment property:

The critical assumptions and estimates used when determining the fair value of the investment property are the capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of the investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Further information on investment property estimates and assumptions is provided in note 3.

2. Significant Accounting Policies:

(a) Investment property:

The investment property includes multi-family residential housing projects that are held to earn rental income. The investment property acquired through an asset purchase is initially recognized at cost, which includes all amounts directly related to the acquisition of the investment property. All costs associated with upgrading and extending the economic life of the existing properties, other than ordinary repairs and maintenance, are capitalized to the investment property.

Investment property is re-measured to fair value at each reporting date. Fair value is determined based on internal valuation models incorporating market evidence and valuations performed by third-party appraisers. Change in the fair value of the investment property is recorded in the carve-out statements of income and comprehensive income in the period in which they arise. Investment property is not amortized.

(b) Revenue recognition:

Revenue from an investment property includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, cable and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences at lease inception or when a tenant has a right to use the leased asset, and revenue is recognized on a straight line basis over the terms of the lease agreement when collection is reasonably assured.

2. Significant Accounting Policies (continued):

(c) Cash and restricted cash:

Cash includes cash on hand and unrestricted cash. Restricted cash includes funds held for real estate taxes and property insurance which are held in escrow.

(d) Income taxes:

The Property is owned by an entity that is a limited liability company in the United States of America and is taxed as a partnership for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes in these carve-out financial statements.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

The following summarizes the Property's classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Finance costs payable	Other liabilities	Amortized cost

2. Significant Accounting Policies (continued):

(e) Financial instruments (continued):

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(f) Provisions:

Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value when the effect is material. The Property has not recorded any provisions as at June 30, 2016, as well as at December 31, 2015 and 2014.

(g) Levies:

Levies are outflows from the Property imposed by a government in accordance with legislation. The Owners have assessed property taxes as being in the scope of IFRIC 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Owners have determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the beginning of the fiscal year.

(h) De-recognition of financial liabilities:

The Property de-recognizes financial liabilities when, and only when, the Property's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the carve-out statements of income and comprehensive income.

2. Significant Accounting Policies (continued):

(i) Impairment of financial instruments:

The Property assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Property invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rates. Impairment losses are recognized in the carve-out statements of income and comprehensive income.

(j) Recent accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2015. Those pronouncements that are not applicable or do not have a significant impact to the Property have been excluded from the discussion below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Property.

(i) Financial Instruments (“IFRS 9”):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB’s financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) Revenue from Contracts with Customers (“IFRS 15”):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Portfolio expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

2. Significant Accounting Policies (continued):

(j) Recent accounting pronouncements: (continued)

(iii) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of United States dollars)

3. Investment Property:

The following table summarizes the changes in the investment property for the six months ended June 30, 2016 and the fiscal years ended December 31, 2015, and December 31, 2014:

Balance, January 1, 2014	$	42,610
Additions		70
Fair value adjustments		5,225
Balance, December 31, 2014		47,905
Additions		90
Fair value adjustments		4,363
Balance, December 31, 2015		52,358
Additions		86
Fair value adjustments		1,302
IFRIC 21 realty tax liability adjustment		(146)
Balance, June 30, 2016 (Unaudited)	$	53,600

The key valuation assumptions for the Property are set out in the following table:

	June 30, 2016	December 31, 2015	December 31, 2014
	(Unaudited)		
Capitalization rates	5.25%	5.25%	5.25%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. A 10-basis-point increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value:

Key assumption	Change		June 30, 2016		December 30, 2015		December 31, 2014
			(Unaudited)				
Weighted average capitalization rate	10-basis-points increase	$	(102)	$	(99)	$	(93)
Weighted average capitalization rate	10-basis-points decrease	$	102	$	100	$	90

The impact of a 1 percent change in the Net Operating Income (“NOI”) used to value the investment property at June 30, 2016, December 31, 2015, and 2014 would affect the fair value by approximately $536, $524 and $481, respectively.

(In thousands of United States dollars)

4. Mortgage Payable:

Mortgage payable is secured by investment property and bear interest at a fixed rate.

	June 30, 2016	December 31, 2015	December 31, 2014
	(Unaudited)		
Mortgage payable, monthly interest only, bearing interest at 3.20%, due January 1, 2019 with two one-year options to extend.	$ 26,250	$ 26,250	$ 26,250
Unamortized financing fees	(24)	(26)	(30)
	$ 26,226	$ 26,224	$ 26,220

Future principal payments on the mortgage payable are as follows:

	Mortgage principal payments
2016 – reminder of year	$ -
2017	-
2018	-
2019	26,250
Total	$ 26,250

5. Accounts Payable and Accrued Liabilities:

	June 30, 2016	December 31, 2015	December 31, 2014
	(Unaudited)		
Accounts payable	$ 10	$ 48	$ 59
Prepaid rent	53	39	58
	$ 63	$ 87	$ 117

6. Concentrations:

All of the Property's assets and liabilities are in, and its revenue derived from, multi-suite residential United States real estate. No single tenant accounts for 10% or more of the Property's rental revenue.

(In thousands of United States dollars)

7. Finance costs:

	Three months ended		Six months ended		Year ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015	December 31, 2014
	(Unaudited)		(Unaudited)			
Interest on mortgage payable	$ 209	$ 207	$ 420	$ 420	$ 840	$ 840
Amortization of financing costs	1	1	2	2	4	4
	$ 210	$ 208	$ 422	$ 422	$ 844	$ 844

8. Property Management Fee:

The Owner entered into a management agreement with an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 2.75% of the gross collections of the Property, as defined within the management agreement. For the six months ended June 30, 2016 and 2015 property management fees in the amount of $56 and $50, respectively, were incurred pursuant to this property management agreement. For the years ended December 31, 2015, and 2014 property management fees were $104 and $104, respectively.

9. Commitments and Contingencies:

At the statement of financial position dates, the Property had no commitments for future minimum lease payments under non-cancellable operating leases.

10. Capital Management and Risk Management:

(a) Capital management:

The Property capital is comprised of owners’ equity and is funded by the owners primarily for additions to the Property and leasing activities, to the extent not available from cash flows from property operations.

(b) Risk management:

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rate, will affect the Property's financial instruments.

The Property is subject to the risks associated with debt financing, including the risk that the interest rate on floating debt may rise before long-term fixed rate debt is arranged and that the mortgage payable and the Note will not be able to be refinanced on terms similar to those of the existing indebtedness.

10. Capital Management and Risk Management (continued):

(b) Risk management: (continued)

(i) Market risk: (continued)

The Property's objective of managing interest rate risk is to minimize the volatility of earnings. At June 30, 2016, and as at December 31, 2015, and December 31, 2014, the Property's mortgage payable bore interest at fixed rates. The Property is not exposed to any other form of market risk.

(ii) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Property by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Property is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Property monitors its risk exposure regarding obligations with counterparties (United States chartered banks) through the regular assessment of counterparties' credit positions.

The Property mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation.

Residents receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Properties monitor outstanding receivables on a regular basis to ensure a reasonable allowance is provided for all uncollectible amounts. At June 30, 2016, and as at December 31, 2015 and December 31, 2014, no allowance for uncollectible amounts was accrued for.

(iii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy of managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

11. Fair Value Measurements:

The fair value of the Property's mortgage payable as at June 30, 2016. December 31, 2015 and December 31, 2014, respectively, approximate the carrying value as the interest rates on the mortgage payable are consistent with rates as at each period end.

The Property uses various methods in estimating the fair values recognized in the carve-out financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

(a) Investment property:

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings as well as with third party appraised values. The fair value of investment property is completed at Level 3 of the fair value hierarchy.

(b) Other financial assets and financial liabilities:

The fair values of the Property's financial assets, which include cash, restricted cash, tenant utility deposits and other receivables, as well as other financial liabilities, which include tenant rental deposits, finance costs payable, and accounts payable and accrued liabilities approximate their recorded values due to their short-term nature.

12. Subsequent event:

On August 5, 2016, the Owners signed a purchase and sale agreement to sell the properties to an affiliate of Starlight Investments Ltd for a purchase price of $53,600. The sale is expected to close on or about October 18, 2016.

Carve-out Financial Statements of

COOLRAY FIELD

For the periods ended December 31, 2015 and June 30, 2016
and for the interim periods ended June 30, 2015

(In thousands of United States dollars)

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BDO Canada LLP
TD Bank Tower
66 Wellington Street West
Suite 3600, PO Box 131
Toronto ON M5K 1H1 Canada

I d d A d o R o

To Ow o Coo a F d

We have audited the accompanying carve-out financial statements of Coolray Field, which comprise the carve-out statements of financial position as at June 30, 2016 and December 31, 2015, the carve-out statements of income (loss) and comprehensive income (loss) and cash flows for the three and six-month periods ended June 30, 2016 and the period from April 1, 2015 (commencement of operations) to December 31, 2015 and the carve-out statement of changes in owners' equity for the six-month period ended June 30, 2016 and the nine-month period ended December 31, 2015 and a summary of significant accounting policies and other explanatory information.

a a R o b o Ca o F a c a S a

Management is responsible for the preparation and fair presentation of these carve-out financial statements in accordance with International financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of carve-out financial statements that are free from material misstatement, whether due to fraud or error.

A d o R o b

Our responsibility is to express an opinion on these carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

O o

In our opinion, the carve-out financial statements present fairly, in all material respects, the financial position of Coolray Field as at June 30, 2016 and December 31, 2015 and its financial performance and its cash flows for the three and six month periods ended June 30, 2016 and the period from April 1, 2015 (commencement of operations) to December 31, 2015 in accordance with International financial reporting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
September 7, 2016

COOLRAY FIELD

Carve-out Statements of Financial Position
(In thousands of United States dollars)

	Note	June 30, 2016	December 31, 2015	April 1, 2015
				(Unaudited)
ASSET				
Non-current assets:				
Investment property	3	$ 35,421	$ 32,920	$ 28,200
Total non-current assets		35,421	32,920	28,200
Current assets:				
Tenant and other receivables		35	2	-
Prepaid insurance		10	26	-
Restricted cash		59	37	-
Cash		319	301	84
Total current assets		423	366	84
TOTAL ASSETS		$ 35,844	$ 33,286	$ 28,284
LIABILITIES AND OWNERS' EQUITY				
Non-current liabilities:				
Mortgages payable	4	$ -	$ -	$ 10,338
Total non-current liabilities		-	-	10,338
Current liabilities:				
Mortgages payable	4	18,355	18,300	-
Security deposits		59	41	-
Accounts payable and accrued liabilities	5	549	489	3,816
Finance costs payable		47	45	22
Total current liabilities		19,010	18,875	3,838
Total liabilities		19,010	18,875	14,176
Owners' equity		16,834	14,411	14,108
TOTAL LIABILITIES AND OWNERS' EQUITY		$ 35,844	$ 33,286	$ 28,284

Commitments and contingencies (Note 9).

Subsequent event (Note 12).

See accompanying notes to carve-out financial statements.

COOLRAY FIELD

Carve-out Statements of Income (Loss) and Comprehensive Income (Loss)
For the periods ended December 31, 2015 and June 30, 2016 and for the interim periods June 30, 2015
(In thousands of United States dollars)

	Note	Three months ended June 30, 2016	Six months ended June 30, 2016	Three and six months ended June 30, 2015	Period ended December 31, 2015
				(Unaudited)	
Revenue from property operations		$ 739	$ 1,398	$ 58	$ 779
Expenses:					
Property operating costs		312	676	142	665
Realty taxes	2 (g)	-	359	80	80
		312	1,035	222	745
Net income (loss) before other income (expense)		427	363	(164)	34
Other income (expense):					
Finance costs	7	(130)	(259)	(107)	(364)
Fair value adjustment -investment property		958	2,600	193	595
Income taxes - current		-	-	-	-
Net income (loss) and comprehensive income (loss)		$ 1,255	$ 2,704	$ (78)	$ 265

See accompanying notes to carve-out financial statements.

COOLRAY FIELD

Carve-out Statement of Changes in Owners' Equity
(In thousands of United States dollars)

For the three-month period ended June 30, 2015 (Unaudited)

Balance, April 1, 2015 (Unaudited)	$	14,108
Net loss and comprehensive loss		(78)
Contributions		96
Balance, June 30, 2015 (Unaudited)	$	14,126

For the nine-month period ended December 31, 2015

Balance, April 1, 2015	$	14,108
Net income and comprehensive income		265
Contributions		38
Balance, December 31, 2015	$	14,411

For the six-month period ended June 30, 2016

Balance, January 1, 2016	$	14,411
Net income and comprehensive income		2,704
Distributions		(281)
Balance, June 30, 2016	$	16,834

See accompanying notes to carve-out financial statements.

COOLRAY FIELD

Carve-out Statements of Cash Flows
For the periods ended December 31, 2015 and June 30, 2016 and for the interim periods ended June 30, 2015
(In thousands of United States dollars)

	Note	Three months ended June 30, 2016	Six months ended June 30, 2016	Three and six months ended June 30, 2015	Period ended December 31, 2015
Operating activities:				(Unaudited)	
Income (loss) and comprehensive income (loss)		$ 1,255	$ 2,704	$ (78)	$ 265
Adjustments for financing costs included in income:					
Finance costs		153	305	107	364
Adjustments for non-cash items:					
Fair value adjustment of investment excluding IFRIC 21 adjustment	3	(958)	(2,501)	(273)	(515)
Change in operating working capital					
Prepaid insurance		13	16	-	(26)
Tenant and other receivables		(20)	(33)	-	(2)
Security deposits		9	18	-	41
Accounts payable and accrued liabilities		(19)	60	(1,973)	(3,327)
Change in restricted cash		(9)	(22)	-	(37)
Cash provided by (used in) operating activities		424	547	(2,217)	(3,237)
Financing Activities:					
Increase in mortgages payable		-	25	4,958	7,932
Finance costs paid		(138)	(273)	(80)	(311)
(Distributions to) contributions from owners		(251)	(281)	96	38
Cash provided by (used in) financing activities		(389)	(529)	4,974	7,659
Investing activities:					
Additions to investment property	3	(3)	-	(2,701)	(4,205)
Cash used in investing activities		(3)	-	(2,701)	(4,205)
Increase in cash		32	18	56	217
Cash, beginning of period		287	301	84	84
Cash, end of period		$ 319	$ 319	$ 140	$ 301

See accompanying notes to carve-out financial statements.

1. Nature of Operations and Basis of Preparation:

Coolray Field (the “Property”), as presented in the carve-out financial statements is owned by Views at Gwinnett Stadium, LP, a partnership organized under the laws of the State of Georgia (the “Owners”). The Property’s address is 755 Braves Avenue, Lawrenceville, Gwinnett County, GA, 30043.

These carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owner and present the financial position, results of operations, changes in owners’ equity and cash flows of the Property for the periods presented as if the Property had been accounted for on a stand-alone basis.

Management’s estimates, when necessary, have been used to prepare such allocations. Because this Property is part of a corporate group, these carve-out financial statements depict the owners’ equity in net assets, representing the amount associated specifically with the Property.

These carve-out financial statements are not necessarily indicative of the results that would have been attained if the Property had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Property does not have any other assets, liabilities or operations other than the ones presented.

(a) Basis of presentation and statement of compliance:

The carve-out financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) and the interpretations issued by the International Financial Reporting Interpretation Committee (“IFRIC”).

The Owners believe an allocation of revenue and costs to the Property reflects a reasonable method of allocating an appropriate portion of the historic Property operating and other costs of the Owners related to the management of the Property.

The carve-out financial statements have been prepared on a historical cost basis, except for investment property which is stated at its fair value.

The carve-out financial statements are presented in United States dollars, which is the functional currency of the Property, and rounded to the nearest thousand except as otherwise stated.

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates:

The preparation of carve-out financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the carve-out financial statements:

Leases:

Management makes judgements in determining whether leases in which the Property is the lessor are operating or finance leases. The Property has retained substantially all of the risks and benefits of ownership of its investment property and, therefore, accounts for its leases with tenants as operating leases. The accounting treatment of leases as finance leases could have a significant effect on the measurement of balances and transactions.

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that may have a significant risk resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

Investment property:

The critical assumptions and estimates used when determining the fair value of the investment property is the capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of the investment property is based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Property determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Further information on the investment property estimates and assumptions are provided in note 3.

2. Significant Accounting Policies:

(a) Investment property:

The investment property includes a multi-family residential housing project that is held to earn rental income. The investment property acquired through an asset purchase is initially recognized at cost, which includes all amounts directly related to the acquisition of the investment property. All costs associated with upgrading and extending the economic life of the existing property, other than ordinary repairs and maintenance, are capitalized to the investment property.

The investment property is re-measured to fair value at each reporting date. Fair value is determined based on internal valuations models incorporating market evidence and valuations performed by third-party appraisers. Changes in the fair value of the investment property are recorded in the carve-out statements of income and comprehensive income in the period in which they arise. The investment property is not amortized.

(b) Revenue recognition:

Revenue from investment property includes all rental income earned from the Property, including residential tenant rental income, parking income, laundry income, cable and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences at lease inception or when a tenant has a right to use the leased asset, and revenue is recognized on a straight line basis over the terms of the lease agreement when collection is reasonably assured.

(c) Cash and restricted cash:

Cash includes cash on hand and unrestricted cash. Restricted cash includes funds held for real estate taxes, property insurance and replacements/repairs which are held in escrow.

(d) Income taxes:

The Property is owned by entities that are limited liability companies in the State of Georgia, in the United States of America which have elected to be taxed as partnerships for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes in these carve-out financial statements.

2. Significant Accounting Policies (continued):

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire contract (asset or liability) to be designated as FVTPL.

The following summarizes the Property classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgage payable	Other liabilities	Amortized cost
Security deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Finance costs payable	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

2. Significant Accounting Policies (continued):

(e) Financial instruments (continued):

All derivative instruments, including embedded derivatives, are recorded in the carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(f) Provisions:

Provisions are recognized when the Property has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value when the effect is material. The Property has not recorded any provisions as at June 30, 2016, as well as at December 31, 2015 and June 30, 2015.

(g) Levies:

Levies are outflows from the Property imposed by a government in accordance with legislation. The Owners have assessed property taxes as being in the scope of IFRIC 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Owners have determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the beginning of the fiscal year.

(h) De-recognition of financial liabilities:

The Property de-recognizes financial liabilities when, and only when, the Property's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the carve-out statements of income and comprehensive income.

(i) Impairment of financial instruments:

The Property assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Company invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rates. Impairment losses are recognized in the carve-out statements of income and comprehensive income.

2. Significant Accounting Policies (continued):

(j) Recent accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after June 30, 2016. Those pronouncements that are not applicable or do not have a significant impact to the Property have been excluded from the discussion below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Property.

(i) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Portfolio expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iii) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of United States dollars)

3. Investment Property:

The following table summarizes the changes in the investment property for the periods ended June 30, 2015, December 31, 2015, April 1, 2016 and June 30, 2016:

Balance, April 1, 2015 (Unaudited)	$	28,200
Additions – capital expenditures		4,205
Fair value adjustments		595
IFRIC 21 realty tax liability adjustment		(80)
Balance, December 31, 2015		32,920
Fair value adjustments		2,600
IFRIC 21 realty tax liability adjustment		(99)
Balance, June 30, 2016	$	35,421

The key valuation assumptions for the Property are set out in the following table:

	June 30, 2016	December 31, 2015
Capitalization rates	5.00%	5.00%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment property is sensitive to changes in the key valuation assumptions. A 10-basis-point increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value:

Key assumption	Change		June 30, 2016		December 31, 2015
Weighted average capitalization rate	10-basis-points increase	$	(677)	$	(585)
Weighted average capitalization rate	10-basis-points decrease	$	705	$	608

The impact of a one percent change in the net operating income used to value the investment property as at June 30, 2016 and December 31, 2015 would affect the fair value by approximately $346 and $298, respectively.

(In thousands of United States dollars)

4. Mortgages Payable:

On December 23, 2013, the Owners entered into a loan agreement with Atlantic Capital for a $1,541 loan ('Junior Loan') at a fixed 3.00% rate of interest. On December 23, 2013, the Owner also entered into a loan agreement with Atlantic Capital for a loan amount not to exceed $16,839 ('Senior Loan') at a rate of LIBOR plus 2.50%. Both of these loans are interest only loans with a maturity date of November 15, 2016, at which point the full principal is due.

	June 30, 2016	December 31, 2015	April 1, 2015
Senior Loan	$ 16,839	$ 16,814	$ 8,972
Junior Loan	1,541	1,541	1,541
Unamortized financing fees	(25)	(55)	(175)
	$ 18,355	$ 18,300	$ 10,338

Mortgages payable are classified as current liabilities if they are due and payable within 12 months after the date of the carve-out statement of financial position. The following table provides a breakdown of current and non-current portions of mortgage payable:

	June 30, 2016	December 31, 2015	April 1, 2015
Current			
Mortgage payable	$ 18,380	$ 18,355	-
Unamortized financial cost	(25)	(55)	-
	18,355	18,300	-
Non-current			
Mortgage payable	-	-	10,513
Unamortized financing fees	-	-	(175)
	-	-	10,338
	$ 18,355	$ 18,300	10,338

Future principal payments on the mortgages payable are as follows:

	Mortgage principal payments
2016 – Maturity	$ 18,380

(In thousands of United States dollars)

5. Accounts Payable and Accrued Liabilities:

	June 30, 2016	December 31, 2015
Accounts payable	$ 549	$ 489
	$ 549	$ 489

6. Concentrations:

All of the Property's assets and liabilities are in, and its revenue derived from, multi-suite residential United States real estate. No single tenant accounts for 10% or more of the Property's rental revenue.

7. Finance costs:

	Three months ended June 30, 2016	Six months ended June 30, 2016	Three and six months ended June 30, 2015	Period ended December 31, 2015
			(Unaudited)	
Interest on mortgages payable	$ 115	$ 229	$ 92	$ 334
Amortization of financing costs	15	30	15	30
	$ 130	$ 259	$ 107	$ 364

8. Property Management Fee:

The Owners entered into management's agreement with Woodward Management Partners LLC, an unrelated party for the services rendered in connection with the leasing and operations of the Property. The fee for services is equal to 4.00% of the gross collections of residential and miscellaneous income from the Property, as defined within the management agreements. For the three and six months ended June 30, 2015 and June 30, 2016 property management fees in the amount of $20, $30, $20 and $56 respectively, were incurred pursuant to this property management agreement. For the period ended December 31, 2015 property management fees were $67.

9. Commitments and Contingencies:

At the statement of financial position dates, the Property has no commitments for minimum lease payments under non-cancellable operating leases.

10. Capital Management and Risk Management:

(a) Capital management:

The Property's capital is comprised of owner's equity and a mortgage payable, and is funded by the owner primarily for additions to the Property and leasing activities, to the extent not available from cash flows from Property operations.

(b) Risk management:

In the normal course of business, the Property is exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Property's financial instruments.

The Property's main objectives in managing interest rate risk are to minimize the volatility of earnings. As at June 30, 2016, and as at December 31, 2015, the Senior Loan included in mortgages payable, bore interest at a variable rate.

(ii) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Property by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Property is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the carve-out statements of financial position. The Property monitors its risk exposure regarding obligations with counterparties (United States chartered banks) through the regular assessment of counterparties' credit positions.

The Property mitigates the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation.

Resident receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. The Property monitors outstanding receivables on a regular basis to ensure a reasonable allowance is provided for all uncollectible amounts. As at June 30, 2016, and as at December 31, 2015, no allowance for uncollectible amounts was accrued for.

10. Capital Management and Risk Management (continued):

(b) Risk management (continued):

(iii) Liquidity risk:

Liquidity risk is the risk that the Property may encounter difficulty in meeting its financial obligations when they come due. Management's strategy of managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

11. Fair Value Measurements:

The Property uses various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Property's financial instruments:

(a) Investment property:

The fair value of the investment property is determined based on internal valuation models incorporating market evidence and management estimates of future earnings as well as with third party appraised values. The fair value of investment property is completed at Level 3 of the fair value hierarchy.

(b) Other financial assets and financial liabilities:

The fair values of the Property's financial assets, which include cash, restricted cash, prepaid insurance and tenant and other receivables, as well as other financial liabilities, which include tenant rental deposits, finance costs payable, and accounts payable and accrued liabilities approximate their recorded values due to their short-term nature.

12. Subsequent event:

On August 18, 2016, the Owners signed purchase and sale agreements to sell the Property to an entity affiliated with Starlight Investments Ltd. for a purchase price of $35,600. The sale is expected to close on or about October 20, 2016.

Combined Carve-out Financial Statements of

BOARDWALK MED CENTER

For the years ended December 31, 2015, 2014 and 2013
and for the interim periods ended June 30, 2016 and June 30, 2015

(In thousands of United States dollars)

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TD Bank Tower
66 Wellington Street West
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Toronto ON M5K 1H1 Canada

Independent Auditor's Report

To the Owners of Boardwal Med Centre

We have audited the accompanying combined carve-out financial statements of Boardwalk Med Center, which comprise the combined carve-out statements of financial position as at December 31, 2015, 2014 and 2013 and the combined carve-out statements of income and comprehensive income, changes in owners' equity and cash flow statements for the years then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Combined Carve-out Financial Statements
Management is responsible for the preparation and fair presentation of these combined carve-out financial statements in accordance with International financial reporting standards, and for such internal control as management determines is necessary to enable the preparation of combined carve-out financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these combined carve-out financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the combined carve-out financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined carve-out financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the combined carve-out financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the combined carve-out financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the combined carve-out financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the combined carve-out financial statements present fairly, in all material respects, the financial position of Boardwalk Med Center as at December 31, 2015, 2014 and 2013 and its financial performance and its cash flows for the years then ended in accordance with International financial reporting standards.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
August 25, 2016

BOARDWALK MED CENTER

Combined Carve-out Statements of Financial Position
(In thousands of United States dollars)

	Note	June 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
		(Unaudited)			
ASSET					
Non-current assets:					
Investment properties	3	$ 35,550	$ 34,284	$ 29,334	$ 18,326
Total non-current assets		35,550	34,284	29,334	18,326
Current assets:					
Tenant and other receivables		5	2	11	15
Prepaid expenses and deposits		69	75	33	22
Restricted cash		718	1,629	152	174
Cash		192	349	233	180
Total current assets		984	2,055	429	391
TOTAL ASSETS		$ 36,534	$ 36,339	$ 29,763	$ 18,717
LIABILITIES AND OWNERS' EQUITY					
Non-current liabilities					
Mortgages payable	4	$ 19,914	$ 20,000	$ 19,803	$ 14,613
Total non-current liabilities		19,914	20,000	19,803	14,613
Current Liabilities					
Mortgages payable	4	182	178	169	116
Tenant rental deposits		24	27	38	39
Accounts payable and accrued liabilities	5	95	71	121	37
Finance costs payable		21	65	66	66
Total current liabilities		322	341	394	258
Total liabilities		20,236	20,341	20,197	14,871
Owners' equity		16,298	15,998	9,566	3,846
TOTAL LIABILITIES AND OWNERS' EQUITY		$ 36,534	$ 36,339	$ 29,763	$ 18,717

Commitments and contingencies (Note 9).

Subsequent event (Note 12).

See accompanying notes to combined carve-out financial statements.

BOARDWALK MED CENTER

Combined Carve-out Statements of Income and Comprehensive Income
For the years ended December 31, 2015, 2014 and 2013 and for the interim periods ended June 30, 2016 and 2015
(In thousands of United States dollars)

		Three months ended		Six months ended		Year ended		
	Note	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015	December 31, 2014	December 31, 2013
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
Revenue from property operations		$ 901	$ 838	$ 1,780	$ 1,604	$ 3,409	$ 2,484	$ 2,403
Expenses:								
Property operating costs		243	217	449	432	955	854	746
Realty taxes		-	-	864	864	864	540	528
		243	217	1,313	1,296	1,819	1,394	1,274
Net income before other income (expense)		658	621	467	308	1,590	1,090	1,129
Other income (expense):								
Finance costs	7	(271)	(293)	(474)	(583)	(1,075)	(902)	(813)
Fair value adjustment investment properties	3	632	1,415	1,263	3,711	5,799	5,359	1,117
Income taxes – current	2(d)	(4)	(4)	(7)	(7)	(14)	(15)	(14)
Net income and comprehensive income		$ 1,015	$ 1,739	$ 1,249	$ 3,429	$ 6,300	$ 5,532	$ 1,419

See accompanying notes to combined carve-out financial statements.

BOARDWALK MED CENTER

Combined Carve-out Statement of Changes in Owners' Equity
(In thousands of United States dollars)

For the six-month periods ended June 30, 2016 (Unaudited) and June 30, 2015 (Unaudited)

Balance, January 1, 2015	$	9,566
Net income and comprehensive income		3,429
Distributions		(432)
Balance, June 30, 2015 (Unaudited)	$	12,563

Balance, January 1, 2016	$	15,998
Net income and comprehensive income		1,249
Distributions		(949)
Balance, June 30, 2016 (Unaudited)	$	16,298

For the years ended December 31, 2015, December 31, 2014 and December 31, 2013

Balance, January 1, 2013	$	2,427
Net income and comprehensive income		1,419
Balance, December 31, 2013	$	3,846

Balance, January 1, 2014	$	3,846
Net income and comprehensive income		5,532
Contributions		188
Balance, December 31, 2014	$	9,566

Balance, January 1, 2015	$	9,566
Net income and comprehensive income		6,300
Contributions		132
Balance, December 31, 2015	$	15,998

See accompanying notes to combined carve-out financial statements.

BOARDWALK MED CENTER

Combined Carve-out Statements of Cash Flows
For the years ended December 31, 2015, 2014 and 2013 and for the interim periods ended June 30, 2016 and June 30, 2015
(In thousands of United States dollars)

		Three months ended		Six months ended		Year ended		
	Note	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015	December 31, 2014	December 31, 2013
Operating activities:		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)			
Income and comprehensive income		$ 1,015	$ 1,739	$ 1,249	$ 3,429	$ 6,300	$ 5,532	$ 1,419
Adjustments for financing costs included in income:								
Finance costs		271	293	474	583	1,075	902	813
Adjustments for non-cash items:								
Fair value adjustment of investment properties excluding IFRIC 21 adjustment		(632)	(1,415)	(400)	(2,847)	(4,933)	(5,359)	(1,117)
Change in operating working capital								
Prepaid expenses and deposits		44	(45)	6	24	(42)	(11)	(22)
Tenant and other receivables		-	(2)	(3)	-	9	5	(14)
Change in restricted cash		(79)	(190)	911	(421)	(1,477)	22	(19)
Tenant rental deposits		(1)	19	(3)	22	(11)	(2)	12
Accounts payable and accrued liabilities		(5)	(6)	(842)	(66)	(50)	84	(118)
Cash provided by operating activities		613	393	1,392	724	871	1,173	954
Financing Activities:								
Finance costs paid		(266)	(291)	(514)	(551)	(1,059)	(1,130)	(877)
Contributions from (distribution to) owners		(495)	(4)	(949)	(432)	132	188	-
Proceeds from mortgage financing		-	-	-	375	375	5,599	-
Principal loan payments		(49)	(46)	(86)	(92)	(186)	(128)	(120)
Cash provided by (used in) financing activities		(810)	(341)	(1,549)	(700)	(738)	4,529	(997)
Investing activities:								
Acquisition of phase II	3	-	-	-	-	-	(5,649)	-
Additions to investment properties	3	-	-	-	(17)	(17)	-	-
Cash used in investing activities		-	-	-	(17)	(17)	(5,649)	-
Increase (decrease) in cash		(197)	52	(157)	7	116	53	(43)
Cash, beginning of period		389	188	349	233	233	180	223
Cash, end of period		$ 192	$ 240	$ 192	$ 240	$ 349	$ 233	$ 180

See accompanying notes to combined carve-out financial statements.

1. Nature of Operations and Basis of Preparation:

Boardwalk Med Center (the "Properties"), as presented in the combined carve-out financial statements is co-owned by two legal entities – Huebner 192, LLC and Huebner 84, LLC (the "Owners"). These two entries were created as limited liability companies in Texas and are treated as partnerships for U.S. tax purposes.

The Owners of Huebner 192, LLC include GGG Investment Trust – 24.75%, Gill Children's Irrevocable Trust fbo Garrett James Gill – 8.58%, Wyatt Reed Gill Irrevocable Trust – 8.59%, Lauren Elizabeth Gill Irrevocable Trust – 8.58%, GWL Financial, LLC – 24.75% and RSG Investment Trust – 24.75%.

The Owners of Huebner 84, LLC include LWGRG, LP – 15.25%, GWL Financial, LLC – 24.75%, RSG Investment Trust – 30% and Robyn S. Gill – 30%.

These combined carve-out financial statements have been prepared on a carve-out basis from the financial statements of the Owners and present the financial position, results of operations, changes in owners' equity and cash flows of the Properties for the periods presented as if the Properties had been accounted for on a stand-alone basis.

Management's estimates, when necessary, have been used to prepare such allocations. Because these Properties are part of a corporate group, these combined carve-out financial statements depict the owners' equity in net assets, representing the amount associated specifically with the Properties.

These combined carve-out financial statements are not necessarily indicative of the results that would have been attained if the Properties had been operated as a separate legal entity during the periods presented and, therefore, are not necessarily indicative of future operating results. However, the Properties do not have any other assets, liabilities or operations other than the ones presented.

(a) Basis of presentation and statement of compliance:

The combined carve-out financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and the interpretations issued by the International Financial Reporting Interpretation Committee ("IFRIC").

The combined carve-out interim financial statements as at June 30, 2016 and 2015 are presented in accordance with IFRS and in particular in accordance with International Accounting Standard ("IAS") 34, Interim Financial Reporting, as issued by the IASB. IFRS represents standards and interpretations approved by the IASB, and are comprised of IFRSs, IASs, and IFRICs or the former Standing Interpretations Committee ("SICs").

The Owners believe an allocation of revenue and costs to the Properties reflects a reasonable method of allocating an appropriate portion of the historic properties operating and other costs of the Owners related to the management of the properties.

1. Nature of Operations and Basis of Preparation (continued):

(a) Basis of presentation and statement of compliance: (continued)

The combined carve-out financial statements have been prepared on a historical cost basis, except for investment properties which is stated at its fair value.

The combined carve-out financial statements are presented in United States dollars, which is the functional currency of the Properties, and rounded to the nearest thousand except as otherwise stated.

(b) Critical judgments and estimates:

The preparation of combined carve-out financial statements requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(i) Critical judgements in applying accounting policies:

The following are critical judgements that management has made in the process of applying accounting policies that have the most significant effect on the amounts recognized in the combined carve-out financial statements:

Leases:

Management makes judgements in determining whether leases in which the Properties are the lessor are operating or finance leases. The Properties have retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases. The accounting treatment of leases as finance leases could have a significant effect on the measurement of balances and transactions.

(ii) Key sources of estimation uncertainty:

The following are key assumptions concerning the future and other key sources of estimation uncertainty that may have a significant risk resulting in a material adjustment to the carrying amount of assets and liabilities within the next financial year:

1. Nature of Operations and Basis of Preparation (continued):

(b) Critical judgments and estimates: (continued)

(ii) Key sources of estimation uncertainty: (continued)

Investment properties:

The critical assumptions and estimates used when determining the fair value of the investment properties are the capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of the investment properties are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Properties determine fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals. Further information on the investment properties estimates and assumptions are provided in note 3.

2. Significant Accounting Policies:

(a) Investment properties:

The investment properties include multi-family residential housing projects that are held to earn rental income. Investment properties acquired through an asset purchase are initially recognized at cost, which includes all amounts directly related to the acquisition of the investment properties. All costs associated with upgrading and extending the economic life of the existing properties, other than ordinary repairs and maintenance, are capitalized to the investment properties.

Investment properties are re-measured to fair value at each reporting date. Fair value is determined based on internal valuations models incorporating market evidence and valuations performed by third-party appraisers. Changes in the fair value of the investment properties are recorded in the combined carve-out statements of income and comprehensive income in the period in which they arise. Investment properties are not amortized.

(b) Revenue recognition:

Revenue from investment properties includes all rental income earned from the properties, including residential tenant rental income, parking income, laundry income, cable and all other miscellaneous income paid by the tenants under the terms of their existing leases. Revenue recognition under a lease commences at lease inception or when a tenant has a right to use the leased asset, and revenue is recognized on a straight line basis over the terms of the lease agreement when collection is reasonably assured.

2. Significant Accounting Policies (continued):

(c) Cash and restricted cash:

Cash includes cash on hand and unrestricted cash. Restricted cash includes funds held for real estate taxes, property insurance and replacements/repairs which are held in escrow.

(d) Income taxes:

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 70% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. For the three and six months ended June 30, 2016 and 2015, the Properties recorded a provision for Texas Margin Tax of $4, $4, $7 and $7 respectively. For the years ended December 31, 2015, 2014, and 2013 the tax provisions were $14, $15 and $14, respectively.

The Properties are owned by entities that are limited liability companies in Texas, in the United States of America which have elected to be taxed as partnerships for United States Federal income tax purposes. Taxable income or losses are reportable on the tax returns of the individual owners. Therefore, no provision has been made for income taxes in these combined carve-out financial statements, other than the Texas Margin Tax.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the combined carve-out statements of income and comprehensive income. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized in the other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IAS 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

2. Significant Accounting Policies (continued):

(e) Financial instruments: (continued)

The following summarizes the Properties classification and measurement of financial assets and liabilities:

	Classification	Measurement
Financial assets:		
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash and restricted cash	Loans and receivables	Amortized cost
Financial liabilities:		
Mortgages payable	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Finance costs payable	Other liabilities	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or financial liabilities, other than financial assets and financial liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and financial liabilities measured at FVTPL are expensed in the period incurred.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the combined carve-out financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

(f) Provisions:

Provisions are recognized when the Properties have a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount can be reliably estimated. Provisions are measured at management's best estimate of the expenditure required to settle the obligations at the end of the reporting period, and are discounted to present value when the effect is material. The Properties have not recorded any provisions as at June 30, 2016, as well as at December 31, 2015, 2014 and 2013.

2. Significant Accounting Policies: (continued)

(g) Levies:

Levies are outflows from the Properties imposed by a government in accordance with legislation. The Owners have assessed property taxes as being in the scope of IFRIC 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Owners have determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the beginning of the fiscal year.

(h) De-recognition of financial liabilities:

The Properties de-recognizes financial liabilities when, and only when, the Properties obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability de-recognized and the consideration paid and payable is recognized in the combined carve-out statements of income and comprehensive income.

(i) Impairment of financial instruments:

The Properties assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Financial assets are considered to be impaired if objective evidence indicates that a change in the market, economic or legal environment in which the Company invested has had a negative effect on the estimated future cash flows of that asset. An impairment loss for a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rates. Impairment losses are recognized in the combined carve-out statements of income and comprehensive income.

(j) Recent accounting pronouncements:

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2015. Those pronouncements that are not applicable or do not have a significant impact to the Properties have been excluded from the discussion below. The following have not yet been adopted and are being evaluated to determine the resultant impact on the Properties.

(i) Financial Instruments (“IFRS 9”):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB’s financial instruments project and the

2. Significant Accounting Policies (continued):

(j) Recent accounting pronouncements: (continued)

(i) Financial Instruments ("IFRS 9"): (continued)

standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Portfolio expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iii) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of United States dollars)

3. Investment Properties:

The following table summarizes the changes in the investment properties for the six months ended June 30, 2016 and the fiscal years ended December 31, 2015, December 31, 2014 and December 31, 2013:

Balance, December 31, 2012	$	17,209
Fair value adjustments		1,117
Balance, December 31, 2013		18,326
Addition – phase II		5,649
Fair value adjustments		5,359
Balance, December 31, 2014		29,334
Additions – capital expenditures		17
Fair value adjustments		5,799
IFRIC 21 realty tax liability adjustment		(866)
Balance, December 31, 2015		34,284
Fair value adjustments		2,129
IFRIC 21 realty tax liability adjustment		(863)
Balance, June 30, 2016 (Unaudited)	$	35,550

The key valuation assumptions for the Properties are set out in the following table:

	June 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
	(Unaudited)			
Capitalization rates	5.50%	5.50%	6.00%	6.25%

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair value of the investment properties is sensitive to changes in the key valuation assumptions. A 10-basis-point increase (decrease) in the weighted average capitalization rates would result in the following changes in the fair value:

Key assumption	Change	June 30, 2016	December 30, 2015	December 31, 2014	December 31, 2013
		(Unaudited)			
Weighted average capitalization rate	10-basis-points increase	$ (634)	$ (612)	$ (481)	$ (298)
Weighted average capitalization rate	10-basis-points decrease	$ 658	$ 635	$ 497	$ 308

(In thousands of United States dollars)

3. Investment Properties (continued):

The impact of a 1 percent change in the Net Operating Income ("NOI") used to value the investment properties at June 30, 2016, December 31, 2015, 2014 and 2013 would affect the fair value by approximately $355, $343, $293 and $189, respectively.

4. Mortgages Payable:

Mortgages payable are secured by investment properties and bear interest at fixed rates.

	June 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
	(Unaudited)			
Mortgage payable, monthly payments of principal and interest of $76,918, bearing interest at 5.25%, due February 1, 2052.	$ 14,867	$ 14,937	$ 15,072	$ 15,200
Mortgage payable, monthly payments of principal and interest of $28,018, bearing interest of 4.80%, due December 1, 2054.	5,897	5,923	5,599	-
Face value	20,764	20,860	20,671	15,200
Unamortized financing fees	(668)	(682)	(699)	(471)
	$ 20,096	$ 20,178	$ 19,972	$ 14,729

Mortgages payable are classified as current liabilities if they are due and payable within 12 months after the date of the combined carve-out statement of financial position. The following table provides a breakdown of current and non-current portions of mortgage payable:

	June 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
	(Unaudited)			
Current				
Mortgage payable	$ 200	$ 195	$ 181	$ 128
Unamortized financial cost	(18)	(17)	(12)	(12)
	182	178	169	116
Non-current				
Mortgage payable	20,564	20,665	20,490	15,072
Unamortized financing fees	(650)	(665)	(687)	(459)
	$ 19,914	$ 20,000	$ 19,803	$ 14,613

(In thousands of United States dollars)

4. Mortgages Payable (continued):

Future principal payments on the mortgages payable are as follows:

	Mortgage principal payments
2016 – remainder of year	$ 115
2017	193
2018	203
2019	214
2020	225
Thereafter	19,814
Total	$ 20,764

5. Accounts Payable and Accrued Liabilities:

	June 30, 2016	December 31, 2015	December 31, 2014	December 31, 2013
	(Unaudited)			
Accounts payable	$ 41	$ 34	$ 101	$ 30
Prepaid rent	54	37	20	7
	$ 95	$ 71	$ 121	$ 37

6. Concentrations:

All of the Properties assets and liabilities are in, and its revenue derived from, multi-suite residential United States real estate. No single tenant accounts for 10% or more of the Properties rental revenue.

7. Finance costs:

	Three months ended		Six months ended		Year ended		
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015	December 31, 2015	December 31, 2014	December 31, 2013
	(Unaudited)		(Unaudited)				
Interest on mortgages Payable	$ 267	$ 289	$ 465	$ 574	$ 1,063	$ 890	$ 802
Amortization of financing costs	4	4	9	9	12	12	11
	$ 271	$ 293	$ 474	$ 583	$ 1,075	$ 902	$ 813

8. Property Management Fee:

The Owners entered into management's agreement with Greystar Management & GREP South, LP, an unrelated party for the services rendered in connection with the leasing and operations of the Properties. The fee for services is equal to 2.75% of the gross collections of residential and miscellaneous income from the Properties, as defined within the management agreements. For the three and six months ended June 30, 2016 and June 30, 2015 property management fees in the amount of $27, $53, $26 and $50 respectively, were incurred pursuant to this property management agreement. For the years ended December 31, 2015, 2014 and 2013 property management fees were $91, $85, and $83, respectively.

9. Commitments and Contingencies:

At the statement of financial position dates, the Properties have no commitments for minimum lease payments under non-cancellable operating leases.

10. Capital Management and Risk Management:

(a) Capital management:

The Properties capital are comprised of owner's equity and mortgage payable, and are funded by the owner primarily for additions to the Properties and leasing activities, to the extent not available from cash flows from the properties operations.

(b) Risk management:

In the normal course of business, the Properties are exposed to a number of risks that can affect its operating performance. These risks and the actions taken to manage them are as follows:

(i) Market risk:

Market risk is the risk that changes in market prices, such as interest rates, will affect the Properties financial instruments.

The Properties main objectives in managing interest rate risk are to minimize the volatility of earnings. At June 30, 2016, and as at December 31, 2015, December 31, 2014 and December 31, 2013, the Properties mortgages payable bore interest at fixed rates.

(ii) Credit risk:

Credit risk is the risk that: (i) one party to a financial instrument will cause a financial loss for the Properties by failing to discharge its obligations; and (ii) the possibility that tenants may experience financial difficulty and be unable to meet their rental obligations.

The Properties are exposed to credit risk on all financial assets and its exposure is generally limited to the carrying amount on the combined carve-out statements of financial position. The Properties monitor their risk exposure regarding obligations with counterparties (United States chartered banks) through the regular assessment of counterparties' credit positions.

10. Capital Management and Risk Management (continued):

(b) Risk management (continued):

(ii) Credit risk (continued):

The Properties mitigate the risk of credit loss with respect to tenants by evaluating their creditworthiness and obtaining security deposits as permitted by legislation.

Resident receivables are charged to bad debt expense when they are determined to be uncollectible based upon a periodic review of the accounts by management. Properties monitor outstanding receivables on a regular basis to ensure a reasonable allowance is provided for all uncollectible amounts. At June 30, 2016, and as at December 31, 2015, December 31, 2014 and December 31, 2013, no allowance for uncollectible amounts was accrued for.

Bad debts expensed within property revenues for the year ended December 31, 2015, December 31, 2014 and December 31, 2013 were $7, $7 and $11, respectively.

(iii) Liquidity risk:

Liquidity risk is the risk that the Properties may encounter difficulty in meeting its financial obligations when they come due. Management's strategy of managing liquidity risk is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

11. Fair Value Measurements:

The fair value of the Properties' mortgages payable as at June 30, 2016 and December 31, 2015, December 31, 2014 and December 31, 2013, respectively, approximate the carrying value as the interest rates on the mortgages payable are consistent with rates as at each period end.

The Properties use various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The following summarizes the significant methods and assumptions used in estimating fair values of the Properties financial instruments:

(a) Investment properties:

The fair value of the investment properties are determined based on internal valuation models incorporating market evidence and management estimates of future earnings as well as with third party appraised values. The fair value of investment properties are completed at Level 3 of the fair value hierarchy.

11. Fair Value Measurements (continued):

(b) Mortgages payable

The fair value of the mortgages payable is estimated based on Level 2 inputs which take into account the present value of future payments, discounted at the yield on a U.S. Department of the Treasury bond with the nearest maturity date to the underlying mortgage.

(c) Other financial assets and financial liabilities:

The fair values of the Properties financial assets, which include cash, restricted cash, tenant utility deposits and other receivables, as well as other financial liabilities, which include tenant rental deposits, finance costs payable, and accounts payable and accrued liabilities approximate their recorded values due to their short-term nature.

12. Subsequent event:

On August 9, 2016, the Owners signed purchase and sale agreements to sell the properties to Boardwalk Acquisition LLC for a combined purchase price of $35,550. The sale is expected to close on or about September 30, 2016.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Boardwalk Med Center Management's Discussion and Analysis

The following management's discussion and analysis ("**Boardwalk MD&A**") of the financial results of Boardwalk Med Center dated August 25, 2016 for the interim period ended June 30, 2016 and 2015 (unaudited), together with the years ended December 31, 2015, December 31, 2014 and December 31, 2013, should be read in conjunction with the Boardwalk Med Center unaudited financial statements and audited financial statements and accompanying notes for these periods included in this Prospectus. See "Index to Financial Statements".

Basis of Presentation

Boardwalk Med Center's audited financial statements for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 ("**Boardwalk Med Center Audited Financial Statements")** and audited financial statements for the three and six months ended June 30, 2016 with comparisons to the three and six months ended June 30, 2015 (unaudited) have been prepared in accordance with IFRS. Unless otherwise stated, amounts expressed in this Boardwalk MD&A are in thousands of U.S. dollars.

Business Overview, Property Profile and Strategy

Boardwalk Med Center is a luxury apartment community in northwest San Antonio, Texas. The best in class asset, constructed in two phases; during 2011 and 2014, is located 9.0 miles northwest of San Antonio Downtown at 7838 Huebner Rd, San Antonio. The Property is comprised of 276 apartment suites in fourteen three-story garden style walk-up buildings on an 11.91 acre site as follows:

Unit Type	Sq. Ft.	Number of Suites
1 Bedroom	634 to 787	156
2 Bedrooms	1,029 to 1,126	120
Total	**874 average**	**276**

The 276 total suites that comprise Boardwalk Med Center are constructed on a gross building area of 241,236 square feet. Suites consist of one and two bedrooms. Boardwalk Med Center contains a total of 434 parking spaces, of which 115 are covered.

Boardwalk Med Center has a central clubhouse that contains numerous modern amenities, including a resort-style swimming pool, state-of-the-art fitness center, outdoor fire pit, and gated dog park. The property features lakes with fountains and tropical landscaping, with perimeter fencing and gated access. The suites offer residents with top-of-the-line unit features including granite kitchen countertops, tile backsplashes, stainless steel appliances, dark stain cabinets, full-size washer and dryer and wood vinyl flooring.

As of December 31, 2015, Boardwalk Med Center was 96% occupied and produced an AMR equal to US$1.30 per square foot based on the monthly in-place rent of all occupied suites.

Interim Financial and Operational Highlights

(In thousands of U.S. dollars, except operational information)	As at June 30, 2016	As at June 30, 2015
Operational Information		
Total suites	276	276
Occupancy %	96.10%	91.10%
Weighted average in-place rent	$1,134	$1,110
Summary of Financial Information		
Gross Book Value (1)	$35,550	$32,198
Indebtedness (2)	$20,764	$20,954
Indebtedness to Gross Book Value (3)	58.41%	65.08%
Mortgage interest rate	5.12%	5.12%
Mortgage term to maturity	37.42 years	36.42 years

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Summary of Financial Information				
Revenue from property operations	$901	$838	$1,780	$1,604
NOI	$658	$621	$467	$308
Net income and comprehensive income	$1,015	$1,739	$1,249	$3,429

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs and includes note payable.

(3) Defined as Indebtedness divided by Gross Book Value.

Annual Financial and Operational Highlights

(In thousands of U.S dollars, except operational information)	As at December 31, 2015	As at December 31, 2014	As at December 31, 2013
Operational Information			
Total suites	276	276	192
Occupancy %	94.20%	90.70%	97.70%
Weighted average in-place rent	$1,112	$1,068	$1,052
Summary of Financial Information			
Gross Book Value (1)	$34,284	$29,334	$18,326
Indebtedness (2)	$20,860	$20,671	$15,200
Indebtedness to Gross Book Value (3)	60.84%	70.47%	82.94%
Mortgage interest rate	5.12%	5.13%	5.25%
Mortgage term to maturity	36.92 years	37.88 years	38.11 years

	As at December 31, 2015	As at December 31, 2014	As at December 31, 2013
Summary of Financial Information			
Revenue from property operations	$3,409	$2,484	$2,403
NOI	$1,590	$1,090	$1,129
Net income and comprehensive income	$6,300	$5,532	$1,419

Notes:

(1) "Gross Book Value" includes impact of any fair value adjustment of investment properties.

(2) "Indebtedness" excludes unamortized financing costs.

(3) Defined as Indebtedness divided by Gross Book Value.

Interim AMR and Occupancy

The following table contains the AMR and occupancy rate of Boardwalk Med Center as at June 30, 2016 and June 30, 2015.

	June 30, 2016		June 30, 2015	
	AMR	**Occ. %**	**AMR**	**Occ. %**
Boardwalk Med Center	$1,134	96.1%	$1,110	91.1%

As at June 30, 2016, AMR for Boardwalk Med Center $1,134. AMR for Boardwalk Med Center as at June 30, 2015 was $1,110. This represents an increase of $24 or 2.2% period over period.

As at June 30, 2015, Boardwalk Med Center's occupancy was 96.1% compared with 91.1% as at June 30, 2015. The increase in AMR and occupancy is attributed to Phase II reaching stabilized occupancy since completion in December 2014.

Annual AMR and Occupancy

The following table contains the AMR and occupancy rate of Boardwalk Med Center as at December 31, 2013 and as at December 31, 2012.

	December 31, 2015		December 31, 2014		December 31, 2013	
	AMR	**Occ. %**	**AMR**	**Occ. %**	**AMR**	**Occ. %**
Boardwalk Med Center	$1,112	94.2%	$1,068	90.7%	$1,052	97.7%

As at December 31, 2015, December 31, 2014 and December 31, 2013, AMR was $1,112, $1,068 and $1,052, respectively. This represents increases of $44 or 4.2% as at December 31, 2015 compared to December 31, 2014 and an increase of $16 or 1.5% as at December 31, 2014 compared to December 31, 2013.

As at December 31, 2015, Boardwalk Med Center's occupancy was 94.2% compared with 90.7% as at December 31, 2014 and 97.7% as at December 31, 2013. The increase in AMR and occupancy is attributed to Phase II reaching stabilized occupancy since completion in December 2014.

Although occupancy levels can fluctuate during the year, demand has been strong in this market and occupancy levels have remained in the expected range which is typically well above 90% at approximately 94% on an annual basis.

Interim Financial Performance

Boardwalk Med Center's financial performance for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2014 is summarized below:

(In thousands of U.S. dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue from property operations	$901	$838	$1,780	$1,604
Property operating expenses	243	217	1,313	1,296
Income before undernoted items	658	621	467	308
Finance costs	(271)	(293)	(474)	(583)
Fair value gain of investment property	632	1,415	1,263	3,711
Income taxes - current	(4)	(4)	(7)	(7)
Net income and other comprehensive income	$1,015	$1,739	$1,249	$3,429
Calculation of NOI				
Revenue from property operations	$901	$838	$1,780	$1,604
Operating expenses	243	217	1,313	1,296
NOI	$658	$621	$467	$308
NOI margin	73.0%	74.1%	26.2%	19.2%
Number of suites	276	276	276	276

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from forfeited deposits, late fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the three months ended June 30, 2016 was $901 compared with $838 for the three months ended June 30, 2015. The increase is the result of increased rental rates coupled with improving occupancy due to phase II reaching stabilized occupancy.

Revenue from property operations for the six months ended June 30, 2016 was $1,780 compared with $1,604 for the six months ended June 30, 2015. The increase is the result of increased rental rates coupled with improving occupancy due to phase II reaching stabilized occupancy.

Property operating expenses

Property operating expenses for the three months ended June 30, 2016 were $243 compared with $217 for the three months ended June 30, 2015. Boardwalk Med Center's operating expenses as a percentage of property revenues for the three months ended June 30, 2016 were 27.0% compared with 25.9% for the three months ended June 30, 2015. The increase in expenses was the result of phase II occupancy being stabilized during the period ended June 30, 2016 compared to phase II being in lease-up during the three months ended June 30, 2015.

Property operating expenses for the six months ended June 30, 2016 were $1,313 compared with $1,296 for the six months ended June 30, 2015. Boardwalk Med Center's operating expenses as a percentage of property revenues for the six months ended June 30, 2016 was 73.8% compared with 80.8% for the six months ended June 30, 2015. The increase in property operating expenses is attributed to phase II being stabilized for the six months ended June 30, 2016 compared to phase II being in lease-up during the six months ended June 30, 2015.

Boardwalk Med Center has engaged a property management company to perform sales, administrative and maintenance functions related to the Properties. Fees associated with the property management agreement are based on 2.75% of gross collections of residential and miscellaneous income from the Properties. For the three and six months ended June

30, 2016 and June 30, 2015 property management fees in the amount of $27, $53, $26 and $50 respectively, were incurred pursuant to this property management agreement.

Finance Costs

Finance costs for the three months ended June 30, 2016 and the three months ended June 30, 2015 were $271 and $293, respectively. Finance costs include interest on mortgages payable of $267 and $289, respectively and amortization of financing costs of $4 and $4, respectively. The slight reduction in interest on mortgages payable was due to principal payments on the two loans associated with the two phases of the combined property.

Finance costs for the six months ended June 30, 2016 and the six months ended June 30, 2015 were $474 and $583, respectively. Finance costs include interest on mortgages payable of $465 and $575, respectively and amortization of financing costs of $9 and $9, respectively.

Investment Property – Fair Value Adjustments

Boardwalk Med Center has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Boardwalk Med Center recorded a fair value adjustment of $632 for the three months ended June 30, 2016 and recorded a fair value adjustment of $1,415 for the three months ended June 30, 2015. Boardwalk Med Center recorded a fair value adjustment of $1,263 for the six months ended June 30, 2016 and recorded a fair value adjustment of $3,711 for the six months ended June 30, 2015.

The fair value adjustments for the three and six months ended June 30, 2016 and three and six months ended June 30, 2015 were all driven by increased NOI and compressed capitalization rates.

Net Operating Income

The NOI for the three months ended June 30, 2016 was $658 compared to $621 for the three months ended June 30, 2015 for an increase of $37 or 6.0%. NOI margin for the three months ended June 30, 2015 was 73.0% compared to 74.1% for the three months ended June 30, 2015. The reduction in operating margin was attributed to the increase in property operating expenses was the result of phase II occupancy being stabilized during the period ended June 30, 2016 compared to phase II being in lease-up during the three months ended June 30, 2015

The NOI for the six months ended June 30, 2016 was $467 compared to $308 for the six months ended June 30, 2015 for an increase of $159 or 51.6%. NOI margin for the six months ended June 30, 2016 was 26.2% compared to 19.2% for the six months ended June 30, 2015. The increase in NOI margin is the result increase revenues from property operations, mainly attributable to the stabilization of phase II during the six months ended June 30, 2016.

Annual Financial Performance

Boardwalk Med Center's financial performance for the years ended December 31, 2015, December 31, 2014 and December 31, 2013 are summarized below:

(In thousands of dollars)	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Revenue from property operations	$3,409	$2,484	$2,403
Property operating expenses	1,819	1,394	1,274
Income before undernoted items	1,590	1,090	1,129
Finance costs	(1,075)	(902)	(813)
Fair value gain of investment property	5,799	5,359	1,117
Income taxes - current	(14)	(15)	(14)
Net income and other comprehensive income	$6,300	$5,532	$1,419
Calculation of NOI			
Revenue from property operations	$3,409	$2,484	$2,403
Operating expenses	1,819	1,394	1,274
NOI	$1,590	$1,090	$1,129
NOI margin	46.6%	43.9%	47.0%
Number of suites [(i)]	276	276	192

(i) In December 2014, the construction of Phase II was completed.

As discussed above, the accounting policies adopted under IFRS have been applied in preparing the financial statements for the years ended December 31, 2015, December 31, 2014 and December 31, 2013.

Revenue from Property Operations

Revenue from property operations includes the monthly rent charges for the lease of apartment suites, other ancillary income and the reimbursement by the tenants of utility expenses incurred. Other ancillary income includes amounts from forfeited deposits, late fees, lease termination fees, application fees and pet fees.

Revenue from property operations for the year ended December 31, 2015 was $3,409 compared with $2,484 for the year ended December 31, 2014 and $2,403 for the year ended December 31, 2013. This represents an increase of $925 or 37.2% in December 31, 2015, compared to December 31, 2014, driven by a full year of operations of phase II during the year ended December 31, 2015. The increase of $81 in the year ending December 31, 2014 compared to December 31, 2013 was driven by increasing rents and phase II operations commencing during the year ended December 31, 2014.

Property operating expenses

Property operating expenses for the year ended December 31, 2015 was $1,819 compared with $1,394 for the year ended December 31, 2014 and $1,274 for the year ended December 31, 2013. This represents an increase of $425 or 30.5% when comparing the year ended December 31, 2015 to the year ended December 31, 2014, which were driven by a full year of operations of phase II during the year ended December 31, 2015. The increase in property operating expenses of $120 is attributed to the partial period of operations related to phase II.

Boardwalk Med Center has engaged a property management company to perform sales, administrative and maintenance functions related to the Property. Fees associated with the property management agreement are based on 2.75% of the gross collections of the property. Total property management fees for the years ended December 31, 2015, December 2014 and December 31, 2013 were $91, $85 and $83, respectively.

Finance Costs

Finance costs for the year ended December 31, 2015 were $1,075 compared with $902 for the year ended December 31, 2014, and $813 for the year ended December 31, 2013. Finance costs include interest on mortgages payable of $1,063, $890 and $802, respectively, and amortization of financing costs of $12, $12 and $11, respectively, for the years ended December 31, 2015, December 31, 2014 and for the year ended December 31, 2013.

Investment Property – Fair Value Adjustments

Boardwalk Med Center has selected the fair value method to account for real estate classified as investment property. The determination of fair value is based, among other things, on rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions, net of any outflows in respect of the investment property operations.

As a result, Boardwalk Med Center recorded a fair value adjustment of $5.799 for the year ended December 31, 2015 compared to a fair value adjustment of $5,359 and $1,117 for the year ended December 31, 2014 and for the year ended December 31, 2013, respectively.

Net Operating Income

Boardwalk Med Center's NOI for the year ended December 31, 2015 was $1,590 compared to $1,090 for the year ended December 31, 2014 and $1,129 for the year ended December 31, 2013. The increase in NOI of $500 or 14.7% for the year ended December 31, 2015 compared to the year ended December 31, 2014 was predominantly due to increased rental rates during the year ended December 31, 2015 and phase II reaching stabilized occupancy during the year ended December 31, 2015. The decrease in NOI of $39 or 3.5% was predominately due to increased realty tax and increased property operating expenses, attributable to the start of operations for phase II. NOI margin for the year ended December 31, 2015 was 46.7% compared to 43.9% for the year ended December 31, 2014 and 47.0% for the year ended December 31, 2013.

Capital Investments

Boardwalk Med Center is committed to improving its operating performance by incurring appropriate capital expenditures in order to replace and maintain its productive capacity so as to sustain its rental income generating potential over its useful life. In accordance with IFRS, the property capitalizes all capital improvement expenditures which enhance the service potential of Boardwalk Med Center and extend the useful life of the asset.

Liquidity and Capital Reserves

Cash flow from operating activities represents the primary source of liquidity to fund debt service, capital improvements and tenant inducements and leasing costs. Boardwalk Med Center's cash flow from operating activities is dependent upon occupancy levels, rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect Boardwalk Med Center's net cash flow from operating activities and liquidity.

Boardwalk Med Center expects to be able to meet all of its obligations as they become due.

Interim Cash Flows

The following table details the changes in cash for the three and six months ended June 30, 2015 and the three and six months ended June 30, 2014:

(In thousands of U.S. dollars)	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash from operating activities	$613	$393	$1,392	$724
Cash used in financing activities	(810)	(341)	(1,549)	(700)
Cash used in investing activities	-	-	-	(17)
Increase (decrease) in cash	(197)	52	(157)	7
Cash, beginning of period	389	188	349	233
Cash, end of period	$192	$240	$192	$240

Cash on hand at June 30, 2016 was $192. This compared to $240 at June 30, 2015.

Cash from operating activities for the three months ended June 30, 2016 and June 30, 2015 were $613 and $393, respectively. The increase in cash from operating activities for the three months ended June 30, 2016 is attributable to phase II occupancy being stabilized during the three months ended June 30, 2016.

Cash from operating activities for the six months ended June 30, 2016 and June 30, 2015 were $1,392 and $724, respectively. The increase in cash from operating activities for the six months ended June 30, 2016 is attributable to phase II occupancy being stabilized during the six months ended June 30, 2016.

Cash used in financing activities for the three months ended June 30, 2016 and June 30, 2015 were $810 and $341, respectively. The cash used during the three months ended June 30, 2016 for financing activities relates the distributions to the owners of Boardwalk Med Center equal to $495, financing costs paid of $266 and principal loan payments of $49. The cash used during the three month ended June 30, 2015 for financing activities relates to financing costs paid of $290, distributions to owners of Boardwalk Med Center of $4 and principal payments of $46.

Cash used in financing activities for the six months ended June 30, 2016 and June 30, 2015 were $1,549 and $700, respectively. The cash used during the six months ended June 30, 2016 for financing activities relates the distributions to the owners of Boardwalk Med Center equal to $949, financing costs paid of $514 and principal loan payments of $86. The cash used during the six month ended June 30, 2015 for financing activities relates to financing costs paid of $551, distributions to owners of Boardwalk Med Center of $432 and principal payments of $92, offset by proceeds from mortgage financing of $375.

Cash used in investing activities for the three months ended June 30, 2016 and June 30, 2015 were $nil.

Cash used in investing activities for the six months ended June 30, 2016 and June 30, 2015 were $nil and $17, respectively. Cash used in investing activities for the six months ended June 30, 2015 related to additions to investment properties.

Annual Cash Flows

The following table details the changes in cash for the years ended December 31, 2015, December 31, 2014 and December 31, 2013:

(In thousands of U.S. dollars)	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Cash from operating activities	$871	$1,173	$954
Cash from (used in) financing activities	(738)	4,529	(997)
Cash used in investing activities	(17)	(5,649)	-
Increase (decrease) in cash	116	53	(43)
Cash, beginning of period	233	180	223
Cash, end of period	$349	$233	$180

Cash on hand at December 31, 2015 was $349, compared with $233 and $180 as at December 31, 2014 and December 31, 2013, respectively.

Cash provided from operating activities for the year ended December 31, 2015 was $871. Cash from operating activities for the years ended December 31, 2014 and December 31, 2013 was $1,173 and $954. The increase in cash relates to the operations of the two phases of the property and changes in working capital.

The cash used in financing activities for the year ended December 31, 2015 was $738, due to financing costs paid of $1,058, principal loan payments of $186, offset by contributions from owners of $132, and proceeds from mortgage financing of $375. The cash proceeds from financing activities for the year ended December 31, 2014 was $4,529, relates to mortgage proceeds of $5,559, and contributions from owners of $188, offset by financing costs paid of $1,130 and principal loan payments of $128. The cash used for financing activities for the year ended December 31, 2013 was $997, due to financing costs paid of $877 and principal loan payments of $120.

Cash used in investing activities for the year ended December 31, 2015 was $17 due to capital additions in the year. Cash used in investing activities for the year ended December 31, 2014 was $5,649, due to the completion of phase II during the year ended December 31, 2014. Cash used in investing activities for the year ended December 31, 2013 was $nil.

Interim Mortgages Payable

Boardwalk Med Center is pledged as security for a mortgage entered into by Heubner 194, LLC, and Heubner 84, LCC, a Texas Limited Liability Company. As at June 30, 2016, Boardwalk Med Center's mortgage payable was $20,764. Interest accrues at 5.25% and 4.80%, per annum and the mortgages mature February 1, 2052 and December 1, 2054.

The below table summarized the scheduled principal payments for the next five fiscal years:

	Mortgage principal payments
2016 – reminder of year	$115
2017	193
2018	203
2019	214
2020	225
Thereafter	19,814
Total	$20,764

Annual Mortgages Payable

As at December 31, 2015, Boardwalk Med Center's mortgage payable was $20,860. Interest accrues at 5.25% and 4.80%, per annum and the mortgages mature February 1, 2052 and December 1, 2054.

Significant Accounting Policies and Changes in Accounting Policies

A summary of the significant accounting policies are described in Note 2 to the Boardwalk Med Center Audited Financial Statements.

Use of Estimates

The preparation of the Boardwalk Med Center financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

The following significant areas use estimates and assumptions made by management in the preparation of the financial statements.

Investment Properties

Boardwalk Med Center selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is principally held to earn rental income or for capital appreciation, or both. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at fair value. Gains or losses arising from changes in fair value are recognized in profit and loss during the period in which they arise. Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of Boardwalk Med Center. The capitalization rate applied is reflective of the characteristics, location and market of Boardwalk Med Center. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Boardwalk Med Center determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts.

Subsequent capital expenditures are charged to investment property only when it is probable that future economic benefits of the expenditure will flow to Boardwalk Med Center and the cost can be measured reliably

Financial Instruments

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in divisional equity. Boardwalk Med Center derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Boardwalk Med Center's deposits, tenant receivables and other receivables, restricted cash and cash have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities and finance costs payable have been designated as other liabilities. Boardwalk Med Center has neither available-for-sale nor held-to-maturity instruments.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate over the anticipated life of the related instrument.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

All derivative instruments, including embedded derivatives, are recorded in the condensed combined financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

Future Outlook

The objective of Boardwalk Med Center is to generate stable and growing cash flow and to maximize Boardwalk Med Center's value through active management. The Manager has estimated that the current rental rates for some of the suites within Boardwalk Med Center are below market. Residential tenancy legislation in Texas currently does not restrict the ability of a landlord to increase rents to the same extent that similar laws are restrictive in certain Canadian provinces. The Manager estimates that there is an opportunity to increase the NOI over the short to medium term by raising market rental rates through the use of yield management software and by reducing operating expenses through more prudent management controls.

Subsequent event

On August 9, 2016, the Owners signed purchase and sale agreements to sell the properties to Boardwalk Acquisition LLC for a combined purchase price of $35,550. The sale is expected to close on or about September 30, 2016.

Consolidated Interim Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Three and six months ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Directors of Starlight U.S. Multi-Family Core GP, Inc., as General Partner for
Starlight U.S. Multi-Family Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S. Multi-Family Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2016 and December 31, 2015 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the three and six months ended June 30, 2016 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family Core Fund and its subsidiaries as at June 30, 2016 and December 31, 2015, and its financial performance and its cash flows for the three and six months ended June 30, 2016 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
October 12, 2016
Toronto, Ontario

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INTERNATIONAL

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

	Note		June 30, 2016		December 31, 2015
ASSETS					
Non-current assets:					
Investment properties	6	$	213,901	$	160,224
Investment in joint ventures	7		24,418		21,730
Derivative financial instruments	12		1		1
Utility deposits			86		67
Total non-current assets			238,406		182,022
Current assets:					
Assets of property held for sale			-		31,738
Tenant and other receivables	8		203		98
Prepaid expenses and other assets	9		255		1,157
Restricted cash	10		2,160		3,372
Cash			2,299		1,988
Total current assets			4,917		38,353
TOTAL ASSETS		$	243,323	$	220,375
LIABILITIES					
Non-current liabilities:					
Loans payable	11	$	61,365	$	89,297
Deferred taxes			30,848		24,725
Total non-current liabilities			92,213		114,022
Current liabilities:					
Liabilities of property held for sale			-		19,813
Loan payable	11		58,455		629
Tenant rental deposits			196		112
Accounts payable and accrued liabilities	13		2,751		3,736
Finance costs payable			211		214
Distributions payable			228		211
Total current liabilities			61,841		24,715
Total Liabilities			154,054		138,737
EQUITY					
Unitholders’ equity	14		78,439		71,961
Non-controlling interests	19		10,830		9,677
Total equity			89,269		81,638
TOTAL LIABILITIES AND UNITHOLDERS’ EQUITY		$	243,323	$	220,375

Commitments and contingencies (Note 20).

Subsequent event (Note 25).

See accompanying notes to the consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family Core GP, Inc., as general partner for Starlight U.S. Multi-Family Core Fund on October 12, 2016, and signed on its behalf:

Daniel Drimmer Director *Harry Rosenbaum* Director

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Interim Statements of Income and Comprehensive Income
Three and six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars, except per unit amounts)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
			(Reclassified Note 1(e)) (Unaudited)		(Reclassified Note 1(e)) (Unaudited)
Revenue from property operations		$ 5,007	$ 4,809	$ 9,435	$ 9,481
Expenses:					
Property operating costs		1,235	1,156	2,250	2,264
Realty taxes		904	1,014	1,783	1,859
		2,139	2,170	4,033	4,123
Income from operations		2,868	2,639	5,402	5,358
Share of net (loss) earnings from joint ventures	7	1,288	1,067	2,077	2,330
Finance costs	17	(1,039)	(849)	(1,871)	(1,727)
Fund and trust expenses		(578)	(263)	(793)	(510)
Unrealized foreign exchange loss		(18)	-	(153)	-
Realized foreign exchange gain		2	-	8	-
Fair value adjustment of investment properties	6	12,627	2,581	11,457	5,035
Income before income taxes		15,150	5,175	16,127	10,486
Income taxes:					
Current	2(g)(ii)	(42)	1	(60)	(31)
Deferred	2(g)(ii)	(5,745)	(3,311)	(6,123)	(5,009)
Income before net loss from property held for sale		9,363	1,865	9,944	5,446
Net loss from property held for sale	5	-	-	(374)	-
Net income and comprehensive income		$ 9,363	$ 1,865	$ 9,570	$ 5,446
Net income (loss) attributable to:					
Unitholders		7,489	1,202	7,886	4,047
Non-controlling interests		1,874	663	1,684	1,399
Net income and comprehensive income		$ 9,363	$ 1,865	$ 9,570	$ 5,446
Basic and diluted earnings per unit		$ 1.56	$ 0.25	$ 1.64	$ 0.84
Weighted average number of units outstanding:					
Basic and diluted (in 000's)		4,810	4,832	4,811	4,830

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Interim Statements of Changes in Equity
Six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars, except per unit amounts)

	Unitholders' Equity (Note 14)	Retained Capital	Total Unitholders' Equity	Non-Controlling Interests	Total
Balance, December 31, 2015	$ 44,569	$ 27,392	$ 71,961	$ 9,677	$ 81,638
Changes during the period:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	(60)	-	(60)	-	(60)
Net income and comprehensive income	-	7,886	7,886	1,684	9,570
Contributions	-	-	-	48	48
Distributions	-	(1,348)	(1,348)	(579)	(1,927)
Balance, June 30, 2016	$ 44,509	$ 33,930	$ 78,439	$ 10,830	$ 89,269

	Unitholders' Equity	Retained Capital	Total Unitholders' Equity	Non-Controlling Interests	Total
Balance, December 31, 2014	$ 44,764	$ 19,140	$ 63,904	$ 8,529	$ 72,433
Changes during the period:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	(38)	-	(38)	-	(38)
Net income and comprehensive income	-	4,047	4,047	1,399	5,446
Contributions	-	-	-	48	48
Distributions	-	(1,431)	(1,431)	(742)	(2,173)
Balance, June 30, 2015 (unaudited)	$ 44,726	$ 21,756	$ 66,482	$ 9,234	$ 75,716

Distributions to unitholders in the aggregate for all classes of units of the Fund during the six months ended June 30, 2016 were equal to $0.2800 (six months ended June 30, 2015 - $0.2963).

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Interim Statements of Cash Flows
Three and six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars)

		Three months ended		Six months ended	
	Note	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
			(Unaudited)		(Unaudited)
Operating activities:					
Net income and comprehensive income		$ 9,363	$ 1,864	$ 9,570	$ 5,445
Adjustments for financing activities included in net income:					
Finance costs	17	1,039	849	2,396	1,727
Adjustments for items not involving cash:					
Share of net loss (earnings) in joint ventures	7	(1,288)	(1,067)	(2,077)	(2,330)
Fair value adjustment of investment properties		(12,627)	(2,581)	(11,457)	(5,035)
Unrealized foreign exchange gain		18	-	153	-
Change in non-cash operating working capital	18	1,244	1,159	(911)	(1,497)
Change in restricted cash		(1,051)	(1,138)	1,823	1,166
Deferred tax		5,745	3,311	6,123	5,009
Cash provided by operating activities		2,443	2,397	5,620	4,485
Investing activities:					
Initial contributions to joint ventures		-	-	-	(2,662)
Disposal of property held for sale	4	-	-	11,143	-
(Contributions to) distributions from joint ventures	7	(394)	3,981	(611)	4,024
Additions to investment properties		(282)	(233)	(406)	(389)
Acquisitions	3	-	-	(41,693)	-
Cash (used in) provided by investing activities		(676)	3,748	(31,567)	973
Financing activities:					
Units repurchased and cancelled under Issuer Bid		(9)	(38)	(60)	(38)
Loans payable:					
Proceeds – new financing		-	-	30,360	-
Principal payments		(187)	(180)	(436)	(365)
Financing cost paid		(887)	(777)	(1,727)	(1,540)
Contributions from non-controlling interests		24	24	48	48
Distribution to non-controlling interests		(210)	(336)	(579)	(742)
Distributions to unitholders		(687)	(714)	(1,348)	(1,431)
Cash (used in) provided by financing activities		(1,956)	(2,021)	26,258	(4,068)
(Decrease) increase in cash during the period		(189)	4,124	311	1,390
Cash, beginning of period		2,488	2,534	1,988	5,268
Cash, end of period		$ 2,299	$ 6,658	$ 2,299	$ 6,658

See accompanying notes to the consolidated interim financial statements.

Starlight U.S. Multi-Family Core Fund (the "Fund") is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified revenue-generating rental properties in the United States ("U.S.") multi-family real estate market.

The operations of the Fund commenced on April 23, 2013 when, subsequent to completion of its initial public offering on April 18, 2013, the Fund completed the acquisition of its interests in a portfolio of three multi-family residential properties located in Dallas and Houston, Texas comprising of a total of 740 suites. Currently, the Fund has interests in a portfolio of nine properties, comprising a total of 2,606 suites, located in Dallas and Houston, Texas, Charlotte, North Carolina and Atlanta, Georgia.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

The consolidated interim financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and using accounting policies described herein.

(b) Basis of measurement:

These consolidated interim financial statements have been prepared on a historical cost basis except for investment properties which have been measured at fair value. These consolidated interim financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation:

The consolidated interim financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund's subsidiaries are shown separately in the consolidated interim statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

(d) Critical judgments and estimates:

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(e) Change in accounting presentation:

Prior to January 1, 2015, investments in joint arrangements were reported as joint operations whereby assets, liabilities, revenue and expenses were separately presented on the consolidated interim statements of financial position, income and comprehensive income and cash flows. Subsequently, the investments in joint arrangements have been presented within investments in joint ventures with no impact on net earnings and equity. Comparative amounts have been reclassified to conform to the current period's presentation in order to permit comparability. As a result of this change, for the six months ended June 30, 2015, share of earnings from the joint ventures of $2,330 is presented, as a result of reclassifying revenue of $1,999, fair value adjustment of investment properties of $1,717 and operating and other expenses of $(1,386).

2. Significant accounting policies:

(a) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statements of income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of income and comprehensive income in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The Fund also restricts cash for tenant security deposits.

2. Significant accounting policies (continued):

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased assets, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants. All accounts outstanding for greater than 90 days are allowed for through the consolidated statements of income and comprehensive income.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income. Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement	**Jun 30, 2016**	Dec 31, 2015
Financial assets:				
Derivative financial instruments	FVTPL	Fair value	**$1**	$1
Utility deposits	Loans and receivables	Amortized cost	**86**	67
Tenant and other receivables	Loans and receivables	Amortized cost	**203**	98
Restricted cash	Loans and receivables	Amortized cost	**2,160**	3,372
Cash	Loans and receivables	Amortized cost	**2,299**	1,988
Financial assets of property held for sale		Amortized cost		31,738
Financial liabilities:				
Loans payable	Other liabilities	Amortized cost	**$119,820**	$89,927
Tenant rental deposits	Other liabilities	Amortized cost	**196**	112
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**2,751**	3,376
Finance costs payable	Other liabilities	Amortized cost	**211**	214
Distributions payable	Other liabilities	Amortized cost	**228**	211
Financial liabilities of property held for sale		Amortized cost	**$ -**	$ 19,813

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets and liabilities of property held for sale are disclosed separately due to their classification as available for sale and measurement at fair value.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

Financial assets are derecognized when the contractual rights to the cash flows from these financial assets expire or have been transferred. At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

The Fund entered into a Bond for Title Lease in the amount of $40 million. The Fund has the option to buy back the lease at any time at a nominal amount. The amounts pertaining to the agreement are settled on a net basis and are offset on the consolidated interim statements of financial position and the consolidated interim statements of income and comprehensive income

(f) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

2. Significant accounting policies (continued):

(g) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”). Each unitholder of the Fund is required to include in computing the unitholder’s income for a particular taxation year the unitholder’s share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder’s taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings“ (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the “Code“). Furthermore, Starlight U.S. Multi-Family Core REIT Inc. (the “U.S. REIT”), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust (“REIT”) under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to a dividend paid deduction and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund made the REIT election for the U.S. REIT and believes the U.S. REIT’s organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Current taxes

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax of $42 and $60 for the three and six months ended June 30, 2016 and ($1) and $31 for three and six months ended June 30, 2015.

Starlight U.S. Multi-Family Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but it has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Starlight U.S. Multi-Family Core Holding L.P. ("Holding LP"). Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

Deferred taxes

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at June 30, 2016 a deferred tax liability of $30,848 (December 31, 2015 - $24,725) has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Deferred taxes

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Joint arrangements:

In accordance with IFRS 11 – Joint Arrangements ("IFRS 11"), the Fund has joint ventures over which the Fund has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund's share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(i) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated interim financial statements include the following:

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

(ii) Accounting for acquisitions

Management of the Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated interim financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of an associate and control as defined in the accounting standards.

(iv) Joint arrangements

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Management applies judgment in determining whether the facts and circumstances involved in a joint

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(iv) Joint arrangements (continued):

arrangement result in the arrangement being classified as a joint venture or a joint operation. The Fund has classified its joint arrangements as joint ventures.

(v) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows, and discount rates.

(vi) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

(vii) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(j) Property held for sale:

The Fund has classified property (or a disposal group) as held for sale in accordance with IFRS 5. Under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, excluding investment property which is carried at fair value.

2. Significant accounting policies (continued):

(k) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid a levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, and recognizes as an expense the charge pro-rated over the year.

(l) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

(m) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the year ended December 31, 2016. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

2. Significant accounting policies (continued):

(m) Future accounting changes (continued):

(ii) Revenue from Contracts with Customers (“IFRS 15”):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(ii) Leases (“IFRS 16”):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of U.S. dollars, unless otherwise noted)

3. Acquisitions:

The following asset acquisition was completed during the six months ended June 30, 2016. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	The Villages at Marquee Station
Acquisition date	Feb 26, 2016
Net assets acquired:	
Investment properties	$ 41,814
Cash paid (received) for working capital:	
Tenant rental deposits	(96)
Accounts payable and accrued liabilities	(56)
Prepaid rent	(2)
Prepaid expenses and other assets	33
	$ 41,693
Consideration funded by:	
New financing obtained, net of financing costs	$ 29,895
Proceeds from disposal of Bridgemoor (Note 4)	11,143
Cash	655
	$ 41,693

There were no asset acquisitions completed during the year ended December 31, 2015.

(In thousands of U.S. dollars, unless otherwise noted)

4. Disposals:

The following asset, which was classified as held for sale as at December 31, 2015, was sold during the six months ended June 30, 2016. The fair value of proceeds has been allocated to the disposed assets and liabilities based on their fair values at the date of sale as follows:

	Bridgemoor
Sale date	Feb 10, 2016
Net assets sold:	
Investment properties	$ (30,902)
Derivative financial instrument	(1)
Tenant and other receivables	(18)
Prepaid expenses and other assets	(10)
Restricted cash	(611)
Cash	(119)
Mortgage payable	19,038
Tenant rental deposits	29
Accounts payable and accrued liabilities	1,411
Finance costs payable	40
	$ (11,143)
Consideration received:	
Proceeds invested in The Villages at Marquee Station (Note 3)	$ (11,143)

5. Property held for sale:

The net loss for the property held for sale for the period from January 1, 2016 to February 10, 2016 was as follows:

	Bridgemoor
Net income of property held for sale:	
Revenue from property operations	$ 333
Expenses:	
Property operating costs	116
Realty taxes	55
	171
Income from operations	162
Finance costs	(525)
Trust expenses	(10)
	(373)
Income taxes	(1)
Net loss	$ (374)

(In thousands of U.S. dollars, unless otherwise noted)

6. Investment properties:

The following table summarizes the changes in the investment properties for the six months ended June 30, 2016 and the year ended December 31, 2015:

Balance, January 1, 2015	$	181,480
Additions - capital expenditures		891
Fair value adjustment		8,755
Investment property held for sale		(30,902)
Balance, December 31, 2015	$	160,224
Acquisition of investment properties		41,814
Additions - capital expenditures		406
Fair value adjustment		11,457
Balance, June 30, 2016	$	213,901

The following table reconciles the cost base of investment properties to their fair value:

		June 30, 2016		December 31, 2015
Cost	$	161,358	$	150,040
Cumulative fair value adjustment		52,543		41,086
Investment property held for sale		-		(30,902)
Fair value	$	213,901	$	160,224

The key valuation assumptions for the Fund's investment properties are set out in the following table:

	June 30, 2016	December 31, 2015
Capitalization rates - range	5.00% to 5.50%	5.00% to 6.00%
Capitalization rate - weighted average	5.40%	5.63%

The properties were valued by independent qualified valuators as at June 30, 2016 and these valuations were used by management to determine the fair values as at June 30, 2016. The Fund determined the fair value of each investment property using the direct income capitalization approach. Prior to this, the Fund used internally generated information to derive fair values.

(In thousands of U.S. dollars, unless otherwise noted)

6. Investment properties (continued):

The capitalized earnings reflect rental income from current leases, assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

			June 30, 2016		December 31, 2015
Weighted average:					
Capitalization rate	Ten basis-point increase	$	(3,822)	$	(2,808)
Capitalization rate	Ten basis-point decrease	$	3,966	$	2,911

The impact of a one percent change in the net operating income used to value the investment properties as at June 30, 2016 would affect the fair value by approximately $2,139 (December 31, 2015 - $1,602).

7. Investment in joint ventures:

The Fund has certain equity method accounted investments in joint ventures. The following table details the Fund's ownership interest in each equity investee:

Entity	Principal Activity	June 30, 2016	December 31, 2015
Soho Parkway Multi-Family Holding LLC	Owns and operates an income property	25%	25%
Sunset Ridge Multi-Family Holding LLC	Owns and operates an income property	50%	50%
Belle Haven Multi-Family Holding LLC	Owns and operates an income property	$66^{2/3}$%	$66^{2/3}$%
Sorelle Multi-Family Holding LLC	Owns and operates an income property	35%	35%

(In thousands of U.S. dollars, unless otherwise noted)

7. Investment in joint ventures (continued):

The following table presents the changes in the aggregate carrying value of the Fund's investment in joint ventures:

	June 30, 2016	December 31, 2015
Balance, beginning of year	$ 21,730	$ 11,816
Initial contributions on establishment of arrangement	-	6,324
Share of net earnings	2,077	7,326
Contributions (distributions)	611	(3,736)
	$ 24,418	$ 21,730

The following tables present the financial position and results of performance of the Fund's equity accounted investees on a 100% basis:

	Soho Parkway Apartments	The Villages of Sunset Ridge	Belle Haven Apartments	Sorelle Apartments	Total June 30, 2016	Total December 31, 2015
Cash	$ 150	$ 101	$ 83	$ 182	$ 516	$ 270
Other current assets	717	714	325	886	2,642	2,596
Non-current assets	56,311	31,218	29,106	75,841	192,476	187,727
Current portion of loans payable	-	-	(155)	(165)	(320)	(114)
Other current liabilities	(669)	(509)	(117)	(714)	(2,009)	(2,561)
Non-current loans payable	(33,576)	(21,492)	(20,234)	(54,134)	(129,436)	(131,153)
Net assets	$ 22,933	$ 10,032	$ 9,008	$ 21,896	$ 63,869	$ 56,765
Investments in joint ventures	$ 5,733	$ 5,016	$ 6,005	$ 7,664	$ 24,418	$ 21,730

(In thousands of U.S. dollars, unless otherwise noted)

7. Investment in joint ventures (continued):

	Soho Parkway Apartments	The Villages of Sunset Ridge	Belle Haven Apartments	Sorelle Apartments	Six months ended June 30, 2016	Six months ended June 30, 2015
						(Unaudited)
Revenue from property operations	$ 2,465	$ 1,736	$ 1,175	$ 3,173	$ 8,549	$ 4,907
Property operating costs	(646)	(467)	(365)	(872)	(2,350)	(1,264)
Realty taxes	(462)	(433)	(136)	(430)	(1,461)	(878)
Finance costs	(442)	(279)	(415)	(1,014)	(2,150)	(1,126)
Unrealized foreign exchange loss	-	-	-	(782)	(782)	-
Realized foreign exchange gain	-	-	-	199	199	-
Fair value adjustment on investment properties	143	210	(490)	4,263	4,126	4,478
Current taxes	(15)	(3)	-	-	(18)	(13)
Net earnings	$ 1,043	$ 764	$ (231)	$ 4,537	$ 6,113	$ 6,104
Share of net earnings in joint ventures	$ 261	$ 382	$ (154)	$ 1,588	$ 2,077	$ 2,330

	Soho Parkway Apartments	The Villages of Sunset Ridge	Belle Haven Apartments	Sorelle Apartments	Three months ended June 30, 2016	Three months ended June 30, 2015
						(Unaudited)
Revenue from property operations	$ 1,256	$ 871	$ 594	$ 1,576	$ 4,297	$ 2,629
Property operating costs	(323)	(241)	(191)	(455)	(1,210)	(681)
Realty taxes	(228)	(234)	(63)	(215)	(740)	(470)
Finance costs	(223)	(139)	(182)	(484)	(1,028)	(724)
Unrealized foreign exchange loss	-	-	-	(52)	(52)	-
Fair value adjustment on investment properties	(786)	650	(490)	2,867	2,241	2,574
Current taxes	(11)	-	-	-	(11)	-
Net earnings	$ (315)	$ 907	$ (332)	$ 3,237	$ 3,497	$ 3,328
Share of net earnings in joint ventures	$ (79)	$ 454	$ (221)	$ 1,134	$ 1,288	$ 1,067

(In thousands of U.S. dollars, unless otherwise noted)

STARLIGHT U.S. MULTI-FAMILY CORE FUND

8. Tenant and other receivables:

The following table presents details of the tenant and other receivables balances:

	June 30, 2016	December 31, 2015
Tenant receivables	$ 199	$ 94
Other receivables	4	4
	$ 203	$ 98

The Fund holds no collateral in respect of tenant and other receivables.

9. Prepaid expenses and other assets:

Prepaid expenses and other assets consist of the following:

	June 30, 2016	December 31, 2015
Prepaid insurance	$ 200	$ 289
Prepaid expenses	40	27
Pre-acquisition costs	15	841
	$ 255	$ 1,157

10. Restricted cash:

The following table presents the details of restricted cash:

	June 30, 2016	December 31 2015
Escrowed funds:		
Real estate taxes	$ 1,571	$ 2,865
Replacement/repairs	312	254
Property insurance	145	149
Interest rate cap	132	104
	$ 2,160	$ 3,372

(In thousands of U.S. dollars, unless otherwise noted)

11. Loans payable:

Mortgages payable are secured by investment properties and bear interest at fixed and variable rates. The mezzanine loan is secured by the indirect equity interest in the property owner and bears interest at a fixed rate.

	June 30, 2016	December 31, 2015
Mortgages payable:		
Mortgage payable, bearing interest at LIBOR + 1.94%, requires interest only payments until December 2016, due November 2021	$ 34,350	$ 34,350
Mortgage payable, bearing interest at LIBOR + 1.75%, requires interest only payments, due November 2016 with one three-month option to extend to February 2017(i)	26,975	-
Mortgage payable, bearing interest at 3.84%, repayable monthly in blended principal and interest payments of $118, due April 2017	23,240	23,491
Mortgage payable, bearing interest at LIBOR + 1.97%, requires interest only payments until December 2016, due November 2021	19,700	19,700
Mortgage payable, bearing interest at 4.02%, repayable monthly in blended principal and interest payments of $44, due November 2022	8,754	8,838
Mortgage payable, bearing interest at 3.92%, repayable monthly in blended principal and interest payments of $21, due April 2017	4,328	4,369
Total mortgages payable	117,347	90,748
Mezzanine loan:		
Mezzanine loan, bearing interest at 9.25%, requires interest only payments, due November 2016 with one three-month option to extend to February 2017(i)	3,403	-
Total loans payable	$ 120,750	$ 90,748
Mortgage (discount) premium	(25)	8
Unamortized financing costs	(905)	(830)
	$ 119,820	$ 89,926

(i) On February 26, 2016, the Fund obtained a new mortgage payable and mezzanine loan associated with The Villages at Marquee Station (Note 3).

(In thousands of U.S. dollars, unless otherwise noted)

11. Loans payable (continued):

Loans payable are classified as current liabilities if they are due and payable within 12 months after the date of the consolidated interim statements of financial position. The following table provides a breakdown of current and non-current portions of loans payable:

	June 30, 2016	December 31, 2015
Current:		
Loans payable	$ 58,877	$ 867
Mortgage (discount) premium	(25)	8
Unamortized financing cost	(397)	(246)
	58,455	629
Non-current:		
Loans payable	61,873	89,881
Unamortized financing cost	(508)	(584)
	61,365	89,297
	$ 119,820	$ 89,926

Future principal payments on loans payable are as follows:

	Mortgage Principal Payment	Mortgage Maturity Payment	Mezzanine Maturity Payment	Total
2016- remainder of year	$ 491	$ 26,975	$ 3,403	$ 30,869
2017	1,691	27,064	-	28,755
2018	1,520	-	-	1,520
2019	1,556	-	-	1,556
2020	1,591	-	-	1,591
Thereafter	1,590	54,869	-	56,459
	$ 8,439	$ 108,908	$ 3,403	$ 120,750

(In thousands of U.S. dollars, unless otherwise noted)

12. Derivative financial instruments:

Interest rate caps:

The Fund utilizes interest rate cap agreements to hedge its interest costs on two of its variable rate mortgages as required by the applicable lender. The Fund has elected not to use hedge accounting and there were no fair value adjustments recorded in finance costs in the consolidated interim statements of income and comprehensive income for the three and six months ended June 30, 2016 (for the three and six months ended June 30, 2015 - $30 and $86, respectively, were recorded as unrealized losses).

The following is a summary of the Fund's interest rate cap agreements as at June 30, 2016:

	Notional amount	Maturity date	Rate cap	Carrying value and fair value at June 30, 2016	Carrying value and fair value at December 31, 2015
Commonwealth Bank of Australia, N.A.	$ 34,350	November, 2021	4.06%	$ 1	$ 1
Commonwealth Bank of Australia, N.A.	19,700	November, 2021	3.78%	-	-
				$ 1	$ 1

The following table represents a summary of the changes in fair value for the six months ended June 30, 2016 and the year ended December 31, 2015 for the interest rate cap agreements carried at fair value:

	June 30, 2016	December 31, 2015
Balance, beginning of the period	$ 1	$ 124
Unrealized loss for the period	-	(122)
	1	2
Derivative financial instrument of property held for sale	-	(1)
	$ 1	$ 1

(In thousands of U.S. dollars, unless otherwise noted)

13. Accounts payable and accrued liabilities:

The following table presents the details of accounts payables and accrued liabilities.

		June 30, 2016		December 31, 2015
Accrued real estate taxes	$	1,795	$	3,043
Tenant prepayments		149		146
Operating payables		793		530
Deferred revenue		14		17
	$	2,751	$	3,736

14. Unitholders' equity:

The beneficial interest in the net assets and net income of the Fund is divided into five classes of limited partnership units with identical attributes: Class A units, Class C units, Class F units, Class I units and Class U units. The Class A units, Class C units, Class F units and Class I units were issued at CDN$10.00 per unit. The Class U units were issued at $10.00 per unit. The Class A units and Class U units are listed for trading on the TSX Venture Exchange under the symbols UMF.A and UMF.U, respectively. The Class C, Class F and Class I units have conversion privileges to Class A units.

	Units (000's)		Value
Units issued, February 12, 2013	-	$	-
Units issued on April 18, 2013:			
Class A	1,804		17,602
Class C	1,205		11,753
Class F	426		4,154
Class I	766		7,474
Class U	349		3,496
Units issued through over-allotment on May 16, 2013:			
Class A	278		2,730
Additional Class A units issued on conversion	5		-
Units issued	4,833		47,209
Less Issuance costs	-		(2,445)
Class A units repurchased and cancelled under issuer Bid	(15)		(158)
Class U units repurchased and cancelled under issuer Bid	(8)		(97)
Balance, June 30, 2016	4,810	$	44,509

14. Unitholders' equity (continued):

As of June 30, 2016, 4,810,126 units of the Fund were outstanding (December 31, 2015 – 4,815,636).

On June 4, 2015, the Fund announced that the TSX Venture Exchange had accepted its Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 278,999 of its Class A limited partnership units and 34,857 of its Class U limited partnership units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on June 11, 2015 and remained in effect until June 10, 2016.

During the three months ended June 30, 2016, the Fund purchased and cancelled 700 Class U units with a value of $9. During the six months ended June 30, 2016, the Fund purchased and cancelled 1,000 Class A units with a value of $10 and 4,500 Class U units with a value of $50.

Carried Interest:

After (i) payment of all expenses of Starlight U.S. Multi-Family Core Holding L.P. ("Holding LP"), Starlight U.S. Multi-Family Core Investment L.P. ("Investment LP") and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight, will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP (see Note 25).

15. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. multi-family real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

16. Transactions with related parties:

The consolidated interim financial statements include the following transactions with related parties:

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the amended and restated management agreement dated December 1, 2013 (the “Management Agreement”), Starlight is to perform asset management services for fees equal to 0.35% of the sum of: (i) the historical purchase price of the Fund’s properties in U.S. dollars; and (ii) the cost of any capital expenditures in respect of Fund’s properties since the date of acquisition by the Fund in U.S. dollars.

(b) The manager also receives an amount equal to the service fee paid to registered dealers on the Fund’s distributions, paid quarterly in arrears.

For the three and six months ended June 30, 2016, the costs of these services totalled $228 and $443 (for the three and six months ended June 30, 2015 - $194 and $377) and were charged to Fund and trust expenses. As at June 30, 2016, $108 was included in accounts payable and accrued liabilities, which includes $30 of service fees (June 30, 2015 - $84 and $30, respectively).

(c) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and
- 0.50% of the purchase price on properties in excess of $200,000.

For the three and six months ended June 30, 2016, the Fund incurred $nil and $254 (for the three and six months ended June 30, 2015 – $nil and $132) for acquisition fees under the Management Agreement.

(In thousands of U.S. dollars, unless otherwise noted)

17. Finance costs:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
		(Unaudited)		(Unaudited)
Interest on loans payable	$ 884	$ 772	$ 1,631	$ 1,538
Amortization of mortgage premiums	(17)	(17)	(33)	(30)
Amortization of deferred financing costs	172	73	273	143
Fair value adjustment on derivative instruments	-	21	-	76
	$ 1,039	$ 849	$ 1,871	$ 1,727

18. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
		(Unaudited)		(Unaudited)
Utility deposits	$ -	$ -	$ (19)	$ -
Prepaid expenses and other assets	104	116	946	119
Tenant and other receivables	(76)	(30)	(87)	(9)
Tenant rental deposits	(3)	(4)	(41)	(8)
Finance costs payable	(38)	(11)	(43)	(13)
Distributions payable	3	(5)	16	(19)
Accounts payable and accrued liabilities	1,254	1,093	(1,683)	(1,567)
	$ 1,244	$ 1,159	$ (911)	$ (1,497)

19. Non-controlling interests:

	June 30, 2016	December 31, 2015
65% of Falls at Eagle Creek (i)	$ 10,799	$ 9,638
Series A 12.5% preferred shares, Starlight U.S. Multi-Family Core REIT Inc. (ii)	31	39
	$ 10,830	$ 9,677

19. Non-controlling interests (continued):

(i) On September 16, 2013, The Falls at Eagle Creek was acquired by the Fund (35%) and Starlight Investments Acquisition LLC (65%), a wholly owned subsidiary of Starlight. All decision making in respect of The Falls at Eagle Creek, including day-to-day and material decisions are made exclusively by the Fund through its established governance practices in accordance with the limited liability agreement of Eagle Creek Multi-Family Holding LLC. Accordingly, the Fund has control over The Falls at Eagle Creek and has wholly consolidated its financial position and results of operations.

On November 18, 2013, Starlight Investments Acquisition LLC sold its 65% interest in The Falls at Eagle Creek to Starlight U.S. Multi-Family (No. 2) Core REIT Inc., a subsidiary of Starlight U.S. Multi-Family (No. 2) Core Fund. The Fund maintained control of Eagle Creek under the same limited liability agreement. As of June 30, 2016, the non-controlling interest amount of $10,799 was represented by $6,004 of cash advanced at the time of initial acquisition and a $4,795 share of net income after distributions (December 31, 2015 - $9,638, $6,004 and $3,634 respectively). The Falls at Eagle Creek investment property as of June 30, 2016 was valued at $56,600 and had a mortgage payable of $34,350 (December 31, 2015 - $53,621 and $34,350, respectively). The Falls at Eagle Creek as of June 30, 2016 had cash on hand of $154 and restricted cash of $881 (December 31, 2015 - $194 and $1,371, respectively).

Revenue from property operations for the three and six months ended June 30, 2016 for The Falls at Eagle Creek were $1,431 and $2,881 (three and six months ended June 30, 2015 - $1,448 and $2,876, respectively). Property operating expenses for the three and six months ended June 30, 2016 were $323 and $650 (three and six months ended June 30, 2015 - $351 and $688, respectively). Net income and comprehensive income for the three and six months ended June 30, 2016 were $4,524 and $3,911 (three and six months ended June 30, 2015 – $1,846 and $3,505, respectively).

(ii) On October 18, 2013, Starlight U.S. Multi-Family Core REIT Inc., a subsidiary of the Fund, completed an offering for series A 12.5% preferred shares to 125 shareholders. The offering was in connection with requirements to qualify as a real estate investment trust for U.S. federal income tax purposes.

20. Commitments and contingencies:

At the consolidated interim statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All leases as of June 30, 2016 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the consolidated interim statements of financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors, trustees and officers of the Fund and its subsidiaries.

21. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at June 30, 2016.

22. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated interim statements of income and comprehensive income.

22. Risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has contracts to enter into interest rate cap agreements for all of its floating rate mortgages. The interest rate cap agreements were not in place for all floating rate mortgages as of June 30, 2016 as these agreements are only required once LIBOR reaches one percent. For the three and six months ended June 30, 2016, all else being equal, an increase or decrease of ten basis points in LIBOR would have resulted in a change of $44 and $24 to net earnings, respectively.

(b) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its loan portfolio over a number of years and has options to extend certain loans to a maturity date that extends beyond the life of the Fund.

All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable, see Note 11.

23. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

23. Fair value measurement of financial instruments (continued):

Derivative financial instruments are considered as Level 2 financial instruments.

Investment properties are considered as Level 3 financial instruments.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Loans payable:

The fair value of loans payable is estimated based on the current market rates for loans with similar terms and conditions (Level 2). The fair value of the Fund's loans payable at June 30, 2016 and as at December 31, 2015 approximated its carrying value.

(b) Other financial assets and financial liabilities:

The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 3).

24. Comparative figures:

Certain comparative figures have been reclassified to conform to the consolidated interim financial statement presentation adopted for the current period (Note 1(e)).

25. Subsequent event:

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No. 5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund and Starlight U.S. Multi-Family (No. 4) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

25. Subsequent event (continued):

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 14, in the amount of $14,463.

STARLIGHT U.S. MULTI-FAMILY CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

October 12, 2016

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the audited consolidated interim financial results of Starlight U.S. Multi-Family Core Fund (the "Fund") dated October 12, 2016, for the three and six months ended June 30, 2016, should be read in conjunction with the Fund's audited consolidated interim financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking statements are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in "Risks and Uncertainties" (see "Risks and Uncertainties").

The forward-looking statements included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's audited consolidated interim financial statements for the three and six months ended June 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts, funds or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable and mezzanine loans. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which includes amortization of financing costs and mortgage premiums (discounts), fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest expense. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which include amortization of financing costs and mortgage premiums (discounts), fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the Fund's obligations. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments, deferred income tax expense and realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family Core GP, Inc. ("Starlight GP"). Other adjustments may be made to AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operating activities including interest paid to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights". Also included within these reconciliations are adjustments to remove the non-controlling interests which represent a departure from IFRS in order to show the performance in respect of the Fund's ownership interests in certain properties.

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in Texas and the southeastern U.S. multi-family real estate market.

The Fund has five classes of Units. Class A Units and Class U Units are listed on the TSX Venture Exchange under the symbols UMF.A and UMF.U, respectively, and Class C Units, Class F Units, and Class I Units which are convertible into Class A Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, class "A" stabilized, income producing multi-family real estate properties in Texas and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in class "A" U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is three years with two one-year extensions at the discretion of Starlight GP. On March 2, 2016, the Fund announced that the term of the Fund had been extended by up to one year.

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
    a. are located in U.S. primary and secondary markets in Texas and the southeastern U.S. exhibiting favourable population and demographic characteristics;
    b. demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
    c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and

   d. are located in comfortable climates with a high quality of life.

3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

ENHANCE ASSET VALUE THROUGH DEPLOYMENT OF ACTIVE MANAGEMENT STRATEGY

1. Preparation of a property-specific asset management plan to improve NOI margins by:
   a. increasing rental rates through rental rate mapping and the use of yield management software;
   b. identifying and realizing upon ancillary income opportunities;
   c. reducing operating expenses; and
   d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed on the initial public offering on April 18, 2013, it has acquired ten properties and holds interests in nine properties currently located in Dallas and Houston, Texas, Charlotte, North Carolina and Atlanta, Georgia. The Fund has interests in a portfolio of 2,606 suites as at June 30, 2016.

Property Address	Location	Suites	Date of Acquisition
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	April 23, 2013
Villages of Towne Lake	4055 Village Drive, Pearland, Texas	126	April 23, 2013
Greenhaven Apartments	8690 Virginia Parkway, McKinney, Texas	216	July 29, 2013
Falls at Eagle Creek	9702 North Sam Houston Parkway, Humble Texas	412	September 16, 2013
Soho Parkway Apartments	6653 McKinney Ranch Parkway, McKinney, Texas	379	April 1, 2014
The Villages of Sunset Ridge	14807 Woodland Hills Drive, Humble, Texas	257	May 21, 2014
Belle Haven Apartments	9005 Post Canyon Lane, Charlotte, North Carolina	176	February 19, 2015
Sorelle Apartments	2399 Parkland Drive, Atlanta, Georgia	401	September 9, 2015
Marquee Station	2110 Cinema Drive, Fuquay Varina, North Carolina	265	February 26, 2016
	Total	**2,606**	

FALLS AT COPPER LAKE

Falls at Copper Lake is located approximately 37 kilometres northwest of downtown Houston at 9140 Highway 6 North in Houston, Texas. The property is comprised of 374 apartment suites, ranging in size from one bedroom to three bedrooms. The complex consists of 29, two and three storey walk-up buildings on an 18.179 acre site. The Fund purchased a 100% ownership interest in the property on April 23, 2013.

VILLAGES OF TOWNE LAKE

Villages of Towne Lake is located approximately 32 kilometres southeast of downtown Houston at 4055 Village Drive in Pearland, Texas. The property is comprised of 126 apartment suites, ranging in size from one bedroom to two bedrooms. The complex consists of 21 single storey buildings on a 14.529 acre site and is a seniors' apartment community (55+) with an average resident age of 75 years old. The Fund purchased a 100% ownership interest in the property on April 23, 2013.

GREENHAVEN APARTMENTS

Greenhaven Apartments ("Greenhaven") is located approximately 29 kilometres north of Dallas at 8690 Virginia Parkway in McKinney, Texas. The property is comprised of 216 apartment suites, ranging in size from one bedroom to three bedrooms. The complex consists of ten, two and three storey walk-up buildings on a 11.24 acre site and is North Texas' first silver certified LEED for Homes Multi-Family Garden Community. The Fund purchased a 100% ownership interest in the property on July 29, 2013.

FALLS AT EAGLE CREEK

Falls at Eagle Creek ("Eagle Creek") is located approximately 36 kilometres northeast of downtown Houston at 9702 N. Sam Houston Parkway East in Humble, Texas. The property is comprised of 412 apartment suites, ranging in size from one bedroom to two bedrooms. The complex consists of 19, three storey walk-up buildings on a 22.13 acre site. The Fund purchased a 35% controlling interest in the property on September 16, 2013. The remaining 65% equity interest is owned by Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund No. 2").

SOHO PARKWAY APARTMENTS

Soho Parkway Apartments ("Soho Parkway") is located approximately 48 kilometres north of downtown Dallas at 6653 McKinney Ranch Parkway in McKinney, Texas. The property is comprised of 379 garden style suites, ranging in size from one bedroom to three bedrooms. The complex consists of 16, three storey walk-up buildings on a 15.04 acre site. The Fund purchased a 25% joint venture ownership interest in the property on April 1, 2014. The remaining 75% is owned by Fund No. 2.

THE VILLAGES OF SUNSET RIDGE

The Villages of Sunset Ridge ("Sunset Ridge") is located approximately 31 kilometres northeast of downtown Houston at 14807 Woodland Hills Drive in Humble, Texas. The property is comprised of 257 apartment suites, ranging in size from one bedroom to three bedrooms. The complex consists of nine, three storey walk-up buildings on a 11.45 acres site. The Fund purchased a 50% joint venture ownership interest in the property on May 21, 2014. The remaining 50% is owned by Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund No. 3").

BELLE HAVEN APARTMENTS

Belle Haven Apartments ("Belle Haven") is located approximately 13 kilometres northeast of downtown Charlotte, at 9005 Post Canyon Lane in Charlotte, North Carolina. The property is comprised of 176 apartment suites, ranging in size from one bedroom to three bedrooms. The complex consists of seven, three storey walk-up buildings on a 12.89 acre site. The Fund purchased a 66 $^{2/3}$% joint venture ownership interest in the property on February 19, 2015. The remaining 33$^{1/3}$% interest is owned by Fund No. 3.

SORELLE APARTMENTS

Sorelle Apartments ("Sorelle") is located approximately 11 kilometres north of downtown Atlanta, at 2399 Parkland Drive in Atlanta, Georgia. The property is comprised of 401 apartment suites, ranging in size from studio to two bedroom suites. The complex consists of two, four/five storey mid-rise buildings on a 5.09 acre site and a six storey parking structure. The Fund purchased a 35% joint venture ownership interest in the property on September 9, 2015. The remaining 65% interest is owned by Fund No. 3.

MARQUEE STATION

Marquee Station is located at 2110 Cinema Drive in south Raleigh, North Carolina. The property is comprised of 265 apartment suites, ranging in size from one bedroom to three bedrooms. The complex consists of 12, three-storey walk-up buildings on an 18 acre site. The Fund purchased a 100% ownership interest in the property on February 26, 2016.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at June 30, 2016 and for the three and six months ended June 30, 2016, both on a consolidated Fund basis as well as with the removal of the non-controlling interest in Eagle Creek but including the Fund's ownership interest in the following joint ventures: Soho Parkway, Sunset Ridge, Belle Haven and Sorelle in order to compare operating performance for the property interests held by the Fund.

The key highlights were as follows:

- Same property rents increased from $1,106 (actual dollars) to $1,156 (actual dollars) or 4.5% when compared to June 30, 2015 and have increased by 4.8% on an annualized basis since the Fund's inception.
- Same property revenue growth was $52 or 1.2% over the three months ended June 30, 2015.
- Portfolio occupancy was 93.2% for the three months ended June 30, 2016 and is within the Fund's targeted occupancy range.
- NOI for the three months ended June 30, 2016 was $3,281 compared to $2,785 for the same period last year, representing an increase of $496 or 17.8% and was predominately due to the acquisition of the joint venture interest in Sorelle acquired after June 30, 2015.
- Same property NOI for the three months ended June 30, 2016 of $2,406 was $60 or 2.6% higher than the same period in 2015.
- AFFO per Unit at $0.33 for the three months ended June 30, 2016, represented a 13.8% increase over $0.29 per Unit for the three months ended June 30, 2015.
- AFFO payout ratio reduced to 44.4% for the three months ended June 30, 2016 compared to 51.1% for the three months ended June 30, 2015.
- The Fund recognized a fair value increase on its investment properties during the three months ended June 30, 2016 of $10.8 million and the Fund's investment properties including its joint venture interests were valued at $252.7 million as of June 30, 2016.
- Indebtedness to Gross Book Value as at June 30, 2016 was 59.5%, slightly lower than the Fund's targeted range. Indebtedness to Gross Book Value as at June 30, 2015 was 62.9%.
- The Fund's weighted average interest rate on mortgages payable was 2.77% as of June 30, 2016 and the weighted average term to maturity was 3.23 years.

	IFRS as at June 30, 2016	Adjusted as at June 30, 2016 (1)	IFRS as at December 31, 2015	Adjusted as at December 31, 2015 (2)	IFRS as at June 30, 2015	Adjusted as at June 30, 2015 (2)
Operational Information						
Number of properties	5	9	5	9	5	8
Total suites	1,393	1,606	1,368	1,581	1,368	1,441
Weighted average portfolio occupancy %	93.0%	93.2%	94.4%	94.4%	95.3%	95.3%
Average monthly rent (in actual dollars)	$1,160	$1,153	$1,147	$1,143	$1,120	$1,106
Summary of Financial Information						
Gross Book Value	$213,901	$252,715	$191,127	$230,338	$186,905	$163,362
Indebtedness	$120,750	$150,400	$110,089	$140,728	$110,616	$102,679
Indebtedness to Gross Book Value (3)	56.45%	59.51%	57.60%	61.10%	59.18%	62.85%
Weighted average mortgage interest rate	2.82%	2.77%	2.80%	2.71%	2.77%	2.74%
Weighted average mortgage term to maturity	3.21 years	3.23 years	4.70 years	4.55 years	5.45 years	4.15 years

	IFRS - Three months ended June 30, 2016	Adjusted - Three months ended June 30, 2016 (1)	IFRS - Six months ended June 30, 2016	Adjusted - Six months ended June 30, 2016 (1)	IFRS - Three months ended June 30, 2015	Adjusted - Three months ended June 30, 2015 (2)	IFRS - Six months ended June 30, 2015	Adjusted - Six months ended June 30, 2015 (2)
Summary of Financial Information								
Revenue	$ 5,007	$ 5,773	$ 9,435	$ 11,273	$ 4,809	$ 4,971	$ 9,481	$ 9,608
Operating expenses	$ (2,139)	$ (2,492)	$ (4,033)	$ (4,865)	$ (2,170)	$ (2,186)	$ (4,123)	$ (4,123)
NOI	$ 2,868	$ 3,281	$ 5,402	$ 6,408	$ 2,639	$ 2,785	$ 5,358	$ 5,485
Income and comprehensive income	$ 7,489	$ 7,489	$ 7,886	$ 7,886	$ 1,202	$ 1,202	$ 4,047	$ 4,047
FFO		$ 1,446		$ 2,660		$ 1,502		$ 3,072
FFO per Unit - basic and diluted		$ 0.30		$ 0.55		$ 0.31		$ 0.64
AFFO		$ 1,548		$ 3,106		$ 1,398		$ 2,835
AFFO per Unit - basic and diluted		$ 0.33		$ 0.65		$ 0.29		$ 0.59
Distributions per Unit		$ 0.14		$ 0.28		$ 0.15		$ 0.30
Interest Coverage Ratio		2.35		2.45		2.85		2.93
Indebtedness Coverage Ratio		2.02		2.06		2.37		2.41
FFO payout ratio		47.51%		50.64%		47.54%		46.58%
AFFO payout ratio		44.38%		43.37%		51.07%		50.48%
Units outstanding at period-end for FFO and AFFO per Unit: Weighted average (000s) – basic and diluted								

Notes:

(1) Excluding non-controlling interest in Eagle Creek and including joint venture interests (Soho Parkway, Sunset Ridge, Belle Haven and Sorelle).

(2) Excluding non-controlling interest in Eagle Creek and including joint venture interests (Soho Parkway, Sunset Ridge and Belle Haven).

(3) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations for the three and six months ended June 30, 2016 and June 30, 2015 are summarized below based on the Fund's IFRS reporting, including Bridgemoor at Denton which was held for sale as of November 15, 2015 and was sold February 10, 2016:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	5,007	4,809	$ 9,768	$ 9,481
Property operating expenses [1]	(2,139)	(2,170)	$ (4,204)	$ (4,123)
NOI	2,868	2,639	5,564	5,358
Share of net earnings from joint ventures	1,288	1,067	2,077	2,330
Fund expenses	(578)	(263)	(803)	(510)
Unrealized foreign exchange loss	(18)	-	(153)	-
Realized foreign exchange gain	2	-	8	-
Fair value adjustment of investment properties	12,627	2,581	11,457	5,035
Finance costs	(1,039)	(849)	(2,396)	(1,727)
Non-controlling interest	(1,874)	(663)	(1,684)	(1,399)
Income taxes:				
Current	(42)	1	(61)	(31)
Deferred	(5,745)	(3,311)	(6,123)	(5,009)
Net income and comprehensive income	$ 7,489	$ 1,202	$ 7,886	$ 4,047

Note:
(1) Property operating expenses include operating costs and realty taxes.

RESULTS OF OPERATIONS – IFRS AND ADJUSTED

The results of operations shown below have been adjusted to exclude the non-controlling interest in Eagle Creek and include the Fund's joint venture ownership interests in Soho Parkway, Sunset Ridge, Belle Haven and Sorelle. The following discussion focuses on the adjusted revenues, expenses and NOI which exclude the share of results of operations attributable to the non-controlling interest and include the Fund's share of results of operations for its joint venture interests.

	IFRS - Three months ended June 30, 2016	Adjusted - Three months ended June 30, 2016 [1]	IFRS - Three months ended June 30, 2015	Adjusted - Three months ended June 30, 2015 [2]	IFRS - Six months ended June 30, 2016	Adjusted - Six months ended June 30, 2016 [1]	IFRS - Six months ended June 30, 2015	Adjusted - Six months ended June 30, 2015 [2]
Revenue	$ 5,007	$ 5,773	$ 4,809	$ 4,971	$ 9,768	$ 11,273	$ 9,481	$ 9,608
Expenses:								
Operating costs	1,235	1,512	1,156	1,222	2,366	2,886	2,264	2,283
Property taxes	912	980	1,014	964	1,846	1,979	1,859	1,824
	2,147	2,492	2,170	2,186	4,212	4,865	4,123	4,107
NOI	$ 2,860	$ 3,281	$ 2,639	$ 2,785	$ 5,556	$ 6,408	$ 5,358	$ 5,501
NOI margin	57.1%	56.8%	54.9%	56.0%	56.9%	56.8%	56.5%	57.3%

Note:
(1) Excluding non-controlling interest in Eagle Creek and including joint venture interests (Soho Parkway, Sunset Ridge, Belle Haven and Sorelle).
(2) Excluding non-controlling interest in Eagle Creek and including joint venture interests (Soho Parkway, Sunset Ridge and Belle Haven).

PROPERTY REVENUE

Property revenue for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 was $5,773, $11,273, $4,971, and $9,608, respectively, excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests. Adjusted property revenue for the three months ended June 30, 2016 was $802 or 16.1% higher than the three months ended June 30, 2015, due to both growth in rental rates as well as having a full quarter of property revenue from the Fund's joint venture interest in Belle Haven, acquired on February 19, 2015 and revenue at Sorelle, acquired on September 9, 2015. In addition, revenue from Marquee Station acquired on February 26, 2016 more than offset a reduction in revenue following the sale of Bridgemoor at Denton on February 10,

2016. Adjusted property revenue for the six months ended June 30, 2016 was $1,665 or 17.3%, above the six months ended June 30, 2015 due to the contribution from the acquired properties.

The Fund's adjusted occupancy as of June 30, 2016 was 93.2%, down from 95.3% as of June 30, 2015, but still within the Fund's targeted range. Average monthly rents as at June 30, 2016 increased by 4.2% from $1,106 to $1,153 when in comparison to June 30, 2015.

Operating Expenses

Adjusted property operating costs for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 were $1,512, $2,886, $1,222 and $2,283, respectively, when adjusted to exclude the non-controlling interest in Eagle Creek and include the Fund's joint venture interests. The increase of $290 or 23.7% in adjusted operating expenses for the three months ended June 30, 2016 was predominantly due to having a full quarter of property operating costs for Sorelle in the 2016 period as well as due to Marquee Station replacing Bridgemoor in the 2016 period. The increase of $603 or 26.4% in the adjusted operating expenses for the six months ended June 30, 2016 was also due to additional expenses at the acquired properties.

Property taxes for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 were $980, $1,979, $964 and $1,824, respectively, excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests. The increases of $16 and $155 (1.7% and 8.5%) when comparing the three and six months ended June 30, 2016 to the three and six months ended June 30, 2015 reflect a full quarter of taxes for Sorelle during the 2016 period, the acquisition of Marquee Station less the sale Bridgemoor at Denton, a larger asset, as well as increases in assessed values across the portfolio. The Fund actively manages property tax appeals to ensure assessed values are appropriate and in-line with comparable properties.

NOI

NOI for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 was $3,281, $6,408, $2,785 and $5,501, respectively, excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests. The adjusted NOI increase of $496 or 17.8% during the three months ended June 30, 2016 is mainly due to additional NOI generated from the acquisitions of the joint venture interest in Sorelle as well as additional NOI from Marquee Station, net of a reduction in NOI following the disposition of Bridgemoor at Denton. The adjusted NOI increase of $907 or 16.5% during the six months ended June 30, 2016 is mainly due to additional NOI generated from the acquisitions of the joint venture interests in Belle Haven and Sorelle as well as the additional contribution from Marquee Station.

Adjusted NOI margins for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 were 56.8%, 56.8%, 56.0% and 57.3%, respectively, excluding the Fund's non-controlling interest in Eagle Creek and including the Fund's joint venture interests. The NOI margins have been fairly consistent period over period.

Results of Operations – Same Property

Same property results include all properties owned by the Fund continuously for the selected reporting periods below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	$ 4,267	$ 4,215	$ 7,729	$ 7,591
Expenses:				
Operating costs	1,045	1,037	1,821	1,842
Property taxes	816	832	1,577	1,470
	1,861	1,869	3,398	3,312
NOI	$ 2,406	$ 2,346	$ 4,331	$ 4,279
NOI margin	56.4%	55.7%	56.0%	56.4%

Property Revenue – Same Property

Excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests, same property revenue growth during the three months ended June 30, 2016 was $52 or 1.2% higher than the three months ended June 30, 2015. Same property rental rates grew from $1,106 at June 30, 2015 to $1,156 at June 30, 2016, representing a 4.5% increase. Same property revenue growth for the six months ended June 30, 2016 was $138 or 1.8%.

Same property occupancy at 93.4% was lower than the 95.1% in the three months ended June 30, 2015, but still within the Fund's targeted range.

Operating Expenses – Same Property

Same property expenses in the three months ended June 30, 2016 were $8 or 0.4% lower than the three months ended June 30, 2015. Same property expenses for the six months ended June 30, 2016 were $86 higher than the six months ended June 30, 2015 due exclusively to assessed values for property taxes being higher than in 2015. Same property operating costs for the six months ended June 30, 2016 were $21 lower than the previous six months ended June 30, 2015.

NOI – Same Property

Same property NOI for the three months ended June 30, 2016 was $60 or 2.6% higher than the three months ended June 30, 2015 due to the rental rate driven revenue growth. The NOI for the six months ended June 30, 2016 was $52 or 1.2% higher. Property taxes in the first three months of 2016 were significantly higher than in 2015 which offset much of the revenue growth in the first quarter.

The same property NOI margin for the three months ended June 30, 2016 was 56.4% compared to 55.7% for the three months ended June 30, 2015. The NOI margins for the six months ended June 30, 2016 were 56.0% compared to 56.4%. Both fairly consistent period over period.

Share of Net Earnings from Joint Ventures

The Fund's share of net earnings from joint ventures for the three and six months ended June 30, 2016 was $1,288 and $2,077 (three and six months ended June 30, 2015 was $1,067 and $2,330). The net earnings have remained fairly consistent, which include increases in the investment property values. The slight changes relate to fluctuations in the increases to the property values during the periods.

Fund Expenses

Fund expenses include costs incurred by the Fund that are not directly attributable to the properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors' and officers' insurance premiums, expenses relating to the administration of the Fund's distributions and other general and administrative expenses associated with the operation of the Fund. Also included in Fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight"). See "Related Party Transactions and Arrangements – Arrangements with Starlight".

When excluding the non-controlling interest in Eagle Creek and including the Fund's interests in joint ventures, Fund expenses for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 were $578, $793, $263 and $510, respectively. During the three months ended June 30, 2016, Fund expenses increased by $315 primarily due to one-time transaction costs of $272, as well as increases to asset management fees with more properties under management and other immaterial items making up the remaining $43. In addition, Fund expenses included costs such as legal and audit fees, director fees, investor relations expenses, appraisal fees and directors' and officers' insurance premiums, totalling $78, $88, $69 and $133, respectively, for the same periods.

Foreign Exchange Gains and Losses

The Fund recognized an unrealized foreign exchange loss of $18 and $153 for the three and six months ended June 30, 2016, based on IFRS, relating to the mezzanine loan used to partly finance the acquisition of Marquee Station which was funded in Canadian dollars. Excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests, the Fund recognized an unrealized foreign exchange loss of $37 and $427 for the three and six months ended June 30, 2016 relating to the Marquee Station and Sorelle mezzanine loans. The realized foreign exchange gains for the three and six months ended June 30, 2016 of $2 and $8 related to Fund expenses. The Fund did not have any realized or unrealized foreign exchange gains or losses for the three and six months ended June 30, 2015.

FINANCE COSTS

The Fund's finance costs for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 are summarized below based on IFRS and include Bridgemoor at Denton which was held for sale as of November 15, 2015 and was sold during the three months ended March 31, 2016:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on loans payable	$ 884	$ 772	$ 1,718	$ 1,538
Amortization of premium on mortgages payable	(17)	(17)	(33)	(30)
Amortization of financing costs	172	73	516	143
Fair value adjustments on derivative instrument	-	21	-	76
Loss on early extinguishment of debt	-	-	195	-
Total	$ 1,039	$ 849	$ 2,396	$ 1,727

The Fund's finance costs for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015, excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven and Sorelle are presented below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on loans payable	$ 1,148	$ 876	$ 2,293	$ 1,691
Amortization of premium on mortgages payable	(16)	(16)	(32)	(29)
Amortization of financing costs	193	151	561	226
Fair value adjustments on derivative instrument	-	25	3	66
Loss on early extinguishment of debt	-	-	195	-
Total	$ 1,325	$ 1,036	$ 3,020	$ 1,954

Finance costs for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 were $1,325, $3,020, $1,036 and $1,954, respectively.

Interest on loans payable for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 was $1,148, $2,293, $876 and $1,691, respectively. The increases during the three and six months ended June 30, 2016 compared to the corresponding periods in 2015 of $272 or 31.1% and $602 or 35.6% are predominately due to additional finance costs related to the Fund's joint venture interest in Belle Haven which was acquired on February 19, 2015 and the Fund's joint venture interest in Sorelle which was acquired subsequent to the three months ended June 30, 2015. In addition, finance costs were higher due to an increase in the U.S. one-month LIBOR rate.

Amortization of premium on mortgages payable for the three months ended June 30, 2016 and for the three months ended June 30, 2015 was ($16) and ($16), respectively. Amortization of premium on mortgages payable for the six months ended June 30, 2016 and for the six months ended June 30, 2015 was ($32) and ($29), respectively.

Amortization of financing costs for the three months ended June 30, 2016 and the three months ended June 30, 2015 was $193 and $151, respectively. The increase in amortization of financing costs was mainly due to the amortization of financing costs related to the acquisition of the joint venture interests in Belle Haven and Sorelle and the acquisition of Marquee Station. Amortization of financing costs for the six months ended June 30, 2016 and the six months ended June 30, 2015 was $561 and $226, respectively. The increase in amortization of financing costs was mainly due to the amortization of financing costs related to the acquisition of the joint venture interests in Belle Haven and Sorelle and the acquisition of Marquee Station.

The Fund has entered into interest rate cap agreements to satisfy requirements under certain loan agreements. The value of the interest rate caps will decline as the term to maturity declines and will also be subject to interest rate volatility. These financial instruments are adjusted to fair value on a quarterly basis and gains or losses are recorded at that time. The Fund incurred an unrealized fair value loss of $nil and $25 during the three months ended June 30, 2016 and June 30, 2015, respectively and incurred an unrealized fair value loss of $3 and $66 for the six months ended June 30, 2016 and June 30, 2015, respectively.

The Fund recognized a loss on early extinguishment of debt of $195 for the six months ended June 30, 2016 relating to the disposition of Bridgemoor at Denton.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The Fund has realized a cumulative fair value adjustment of $51,398 since inception to June 30, 2016 excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven and Sorelle. Excluding the non-controlling interest in Eagle Creek and including its joint venture interests, the fair value of the Fund's investment properties was $250,439 as at June 30, 2016.

The following table summarizes the change in investment properties held by the Fund for the year ended December 31, 2015 and for the six months ended June 30, 2016 under IFRS:

		Amount
Balance at January 1, 2015	$	181,480
Additions - capital expenditures		891
Fair value adjustment		8,755
Investment property held for sale		(30,902)
Balance at December 31, 2015	$	160,224
Acquisitions of investment properties	$	41,814
Additions - capital expenditures		406
Fair value adjustment		11,457
Balance at June 30, 2016	$	213,901

The following table reconciles the cost base of investment properties under IFRS to their fair value:

		As at June 30, 2016		As at December 31, 2015
Cost	$	161,358	$	150,040
Cumulative fair value adjustment		52,543		41,086
Investment property held for sale		-		(30,902)
Fair value	$	213,901	$	160,224

The key assumptions for investment properties held by the Fund under IFRS are set out in the following table:

	As at June 30, 2016	As at December 31, 2015
Capitalization rates - range	5.00-5.50%	5.00-6.00%
Capitalization rate - w eighted average	5.40%	5.63%

The Fund's weighted average capitalization rate, excluding the non-controlling interest in Eagle Creek and including the investments in joint venture properties was 5.36% as at June 30, 2016 (December 31, 2015 – 5.49%).

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties, under IFRS are set out in the following table:

Key assumptions	Change		As at June 30, 2016		As at December 31, 2015
Weighted average:					
Capitalization rate	10-basis-points increase	$	(3,822)	$	(2,808)
Capitalization rate	10-basis-points decrease	$	3,966	$	2,911

The impact of a 1% change in NOI used to value the investment properties as at June 30, 2016 would affect the fair value by approximately $2,139 (December 31, 2015 - $1,602).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below:

		Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015
Net income and comprehensive income	**$**	**7,489**	**$**	**1,202**	**$**	**7,886**	**$**	**4,047**
Add / (Less):								
Deferred taxes [(1)]		4,752		2,742		5,266		4,097
Unrealized foreign exchange loss [(1)]		37		-		427		-
Realized foreign exhange gain		(2)		-		(8)		-
Fair value adjustment on derivative instruments [(1)]		-		25		3		66
Fair value adjustment of investment properties [(1)]		(10,830)		(2,467)		(10,914)		(5,138)
FFO - basic and diluted [(1)]	**$**	**1,446**	**$**	**1,502**	**$**	**2,660**	**$**	**3,072**
FFO per Unit - basic and diluted [(1)]	$	0.30	$	0.31	$	0.55	$	0.64
Distributions declared [(2)]	$	687	$	714	$	1,347	$	1,431
FFO payout ratio [(1)]		47.51%		47.54%		50.64%		46.58%
Weighted average Units outstanding:								
Basic and diluted - Class A, C, F, I, U - (000s)		4,810		4,832		4,811		4,830

Notes:

(1) Adjusted to exclude amount relating to non-controlling interest and include amounts relating to joint venture interests.

(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 was $1,446, $2,660, $0.30 and $0.55, respectively, and $1,502, $3,072 and $0.31 and $0.64, respectively. The FFO payout ratios for the three and six months ended June 30, 2016 were 47.51% and 50.64%. For the three and six months ended June 30, 2015 the FFO payout ratios were 47.54% and 46.58%. The FFO per Unit and FFO payout ratio for the three and six months ended June 30, 2016 were impacted by one-time transaction costs in fund expenses of $272. Excluding these one-time transaction costs, FFO per Unit was $0.36 for the three months ended June 30, 2016.

The Fund distributions paid and declared for the six months ended June 30, 2016 per Unit were as follows:

Class A	Class C	Class F	Class I	Class U
C$0.34998	C$0.38466	C$0.37602	C$0.36450	$0.34998

ADJUSTED FUNDS FROM OPERATIONS

Reconciliations of FFO to AFFO for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 is detailed below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
FFO - basic and diluted [1]	**$ 1,446**	**$ 1,502**	**$ 2,660**	**$ 3,072**
Add / (Deduct):				
Amortization of premium on mortgages payable	(16)	(16)	(32)	(29)
Amortization of financing costs [1]	193	151	561	226
Loss on early extinguishment of debt [1]	-	-	195	-
One-time transaction costs	272	-	272	-
Capital expenditures and suite renovations [1]	(347)	(239)	(550)	(434)
AFFO - basic and diluted [1]	**$ 1,548**	**$ 1,398**	**$ 3,106**	**$ 2,835**
AFFO per unit - basic and diluted [1]	$ 0.33	$ 0.29	$ 0.65	$ 0.59
Distributions declared [2]	$ 687	$ 714	$ 1,347	$ 1,431
AFFO payout ratio [1]	44.38%	51.07%	43.37%	50.48%
Weighted average Units outstanding:				
Basic and diluted - Class A, C, F, I, U - (000s)	4,810	4,832	4,811	4,830

Notes:

(1) Adjusted to exclude amount relating to non-controlling interest and include amounts relating to joint venture interests.

Basic and diluted AFFO and AFFO per Unit for the three and six months ended June 30, 2016 were $1,548, $3,106, $0.33 and $0.65, respectively, and for the three and six months ended June 30, 2015 were $1,398, $2,835, $0.29 and $0.59 respectively. The AFFO payout ratio for the three and six months ended June 30, 2016 was 44.38% and 43.37% (three and six month's ended June 30, 2015 - 51.07% and 50.48%). The increase in AFFO per unit and corresponding reduction in the AFFO payout ratio for the three and six months ended June 30, 2016 resulted from additional NOI contributed by the properties acquired and rental rate growth across the portfolio.

Reconciliation of cash provided by operating activities, including interest paid, to AFFO for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 is provided below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by operating activities	$ 2,443	$ 2,397	$ 5,620	$ 4,485
Less: interest paid	(884)	(772)	(1,718)	(1,538)
Cash provided by operating activities including interest paid	**1,559**	**1,625**	**3,902**	**2,947**
Add / (Deduct):				
Non-controlling interest	(1,874)	(663)	(1,684)	(1,399)
Change in non-cash operating working capital (1)	(417)	(1,048)	1,126	1,880
Change in restricted cash (1)	742	1,138	(1,506)	(1,479)
Share of net earnings in joint ventures	1,288	1,067	2,077	2,330
Unrealized foreign exchange loss (2)	19	-	274	-
Realized foreign exchange gain	(2)	-	(8)	-
Fair value adjustment on derivative instruments (2)	-	25	3	66
Fair value adjustment of investment properties (2)	1,568		316	(217)
Amortization of financing costs (2)	21	78	45	83
Deferred taxes (2)	(993)	(569)	(857)	(912)
Amortization of premium on mortgages payable	(16)	(16)	(32)	(29)
Capital expenditures and suite renovations (1)	(347)	(239)	(550)	(434)
AFFO - basic and diluted	**$ 1,548**	**$ 1,398**	**$ 3,106**	**$ 2,836**

Notes:

(1) Adjusted to exclude amount relating to non-controlling interest and include amounts relating to joint venture interests.

(2) Adjusted to include amounts relating to non-controlling interest and joint venture interests only.

The Fund's distributions of $687 and $1,347 during the three and six months ended June 30, 2016 were not in excess of net income and comprehensive income or cash provided by operating activities including interest paid. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders, property maintenance and capital expenditure commitments as they become due and to provide for the future growth of the business. Given the age and quality of the Fund's properties, minimal capital expenditures are required to maintain the properties. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities, loans secured by investment properties and unsecured loans. As at June 30, 2016, the Fund was in compliance with all of its financial covenants. All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable, see "Loans Payable".

CASH FLOWS

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by operating activities	$ 2,443	$ 2,397	$ 5,620	$ 4,485
Cash (used in) provided by investing activities	(676)	3,748	(31,567)	973
Cash (used in) provided by financing activities	(1,956)	(2,021)	26,258	(4,068)
(Decrease) increase in cash	(189)	4,124	311	1,390
Cash, beginning of period	2,488	2,534	1,988	5,268
Cash, end of period	$ 2,299	$ 6,658	$ 2,299	$ 6,658

The Fund's cash balance as at June 30, 2016 was $2,299 (June 30, 2015 - $6,658). Including the Fund's joint venture interests, the Fund's cash balance as at June 30, 2016 was $2,406 (June 30, 2015 - $6,782).

Cash provided by operating activities for the three months ended June 30, 2016 and the three months ended June 30, 2015 was $2,443 and $2,397, respectively, representing the net cash generated from property operations including changes in non-cash operating working capital. Cash provided by operating activities for the six months ended June 30, 2016 and the six months ended June 30, 2015 was $5,620 and $4,485, respectively.

Cash used in investing activities for the three months ended June 30, 2016 was $676 (for the three months ended June 30, 2015 cash provided was $3,748). During the three months ended June 30, 2016, cash used in investing activities included contributions to joint venture interests of $394 and additions to investment properties of $282. For the three months ended June 30, 2015, cash provided by investing activities included distributions from the joint venture interests in Sunset Ridge and Soho Parkway of $3,981 resulted from refinancing which was partially offset by additions to investment properties of $233.

Cash used in investing activities for the six months ended June 30, 2016 was $31,567 (for the six months ended June 30, 2015 cash provided of $973). During the six months ended June 30, 2016, cash used in investing activities included $41,693 for the acquisition of Marquee Station, contributions to joint ventures of $611 and additions to investment properties of $406, and was partially offset by disposal proceeds on the sale of Bridgemoor at Denton of $11,143. For the six months ended June 30, 2015, cash provided by investing activities included distributions from the joint venture interest in Sunset Ridge and Soho Parkway of $4,024 from proceeds of refinancing, partially offset by initial contributions to joint ventures of $2,662 relating to Belle Haven and additions to investment properties of $389.

Cash used in financing activities for the three months ended June 30, 2016 was $1,956 (for the three months ended June 30, 2015 - $2,021. For the three months ended June 30, 2016, cash used in financing activities included financing costs paid of $887, distributions to Unitholders of $687, distributions to non-controlling interests of $210, principal payments of $187 and Units repurchased and cancelled under the Fund's normal course issuer bid (the "Issuer Bid") of $9, which were partially offset by contributions from non-controlling interests of $24. For the three months ended June 30, 2015, cash used in financing activities included financing costs paid of $777, distributions to Unitholders of $714, distributions to non-controlling interests of $336, principal payments of $180 and Units repurchased and cancelled under the Issuer Bid of $38 partially offset by contributions from non-controlling interests of $24.

Cash provided by financing activities for the six months ended June 30, 2016 was $26,258 and cash used in financing activities for the six months ended June 30, 2016 was $4,068. For the six months ended June 30, 2016, cash provided by financing activities included proceeds from new financing on Marquee Station of $30,360 and contributions from non-controlling interests of $48 and was partially offset by financing costs paid of $1,727, distributions to Unitholders of $1,348, distributions to non-controlling interests of $579, principal payments of $436 and Units repurchased and cancelled under the Issuer Bid of $60. For the six months ended June 30, 2015, cash used in financing activities included financing costs paid of $1,540, distributions to Unitholders of $1,431, distributions to non-controlling interests of $742, principal payments of $365 and Units repurchased and cancelled under the Issuer Bid of $38 and was partially offset by contributions from non-controlling interests of $48.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and Unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build Unitholder value and maintaining sufficient capital contingencies.

As at June 30, 2016, December 31, 2015 and June 30, 2015, the total capital of the Unitholders, excluding the non-controlling interest in Eagle Creek and including the Fund's share of indebtedness in joint venture interests was as follows:

		As at June 30, 2016		As at December 31, 2015		As at June 30, 2015
Indebtedness	$	150,400	$	140,728	$	102,679
Unitholders' equity		78,439		71,961		66,481
Total capital	$	228,839	$	212,689	$	169,160

DEBT PROFILE

As at June 30, 2016, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, excluding the indebtedness relating to the non-controlling interest in Eagle Creek and including the Fund's share of indebtedness in its joint venture interests, was 59.51% (June 30, 2015 – 62.85%). The maximum allowable ratio under the Fund's limited partnership agreement is 75%.

The weighted average mortgage interest rate for the Fund as at June 30, 2016 was 2.77% compared to 2.74% as at June 30, 2015, both excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests. The impact of obtaining new mortgage financing on Marquee Station at a lower rate was offset by an increase in the U.S. one-month LIBOR rate. The weighted average term to maturity of the mortgages payable was 3.23 years (as at June 30, 2015 – 4.15 years).

The following table summarizes key liquidity metrics:

		As at June 30, 2016 (1)	As at December 31, 2015 (1)	As at June 30, 2015 (1)
Indebtedness to Gross Book Value		59.51%	61.10%	62.85%
Weighted average interest rate - mortgages		2.77%	2.71%	2.74%
Weighted average term to maturity - mortgages		3.23 years	4.55 years	4.15 years
	Three months ended June 30, 2016 (1)	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016 (1)	Six months ended June 30, 2015 (1)
Interest Coverage Ratio	2.35 x	2.85 x	2.45 x	2.93 x
Indebtedness Coverage Ratio	2.02 x	2.37 x	2.06 x	2.41 x

Note:
(1) Includes interests in joint ventures.

The Interest Coverage Ratio for the three and six months ended June 30, 2016 was 2.35 and 2.45 times (three and six months ended June 30, 2015 - 2.85 and 2.93 times), both excluding the non-controlling interest in Eagle Creek and including the Fund's joint venture interests. The Indebtedness Coverage Ratio for the same periods was 2.02 times and 2.06 times, respectively (three and six months ended June 30, 2015 – 2.37 times and 2.41 times). The reduction in the coverage ratios is the result of both higher indebtedness on the properties acquired subsequent to June 30, 2015 as well as an increase in the U.S. one-month LIBOR rate, which were partly offset by higher NOI.

In addition to these factors, the Indebtedness Coverage Ratio was also lower due to the Fund making principal payments on loans relating to Bridgemoor at Denton before the sale date, Villages of Towne Lake, Falls at Copper Lake, and the joint venture interest in Belle Haven in excess of payments made during the three and six months ended June 30, 2015.

LOANS PAYABLE

Based on IFRS:

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans	Scheduled interest payments
2016 - remainder of year	$ 491	$ 30,378	$ 30,869	25.56%	2.96%	1,910
2017	1,691	27,064	28,755	23.81%	3.85%	2,221
2018	1,520	-	1,520	1.26%	0.00%	1,924
2019	1,556	-	1,556	1.29%	0.00%	1,887
2020	1,591	-	1,591	1.32%	0.00%	1,855
Thereafter	1,590	54,869	56,459	46.76%	2.64%	1,663
	$ 8,439	$ 112,311	$ 120,750	100.00%	2.99%	$ 11,460
Mortgage discount			(25)			
Unamortized financing costs			(905)			
			$ 119,820			

The following table sets out, as at June 30, 2016, scheduled principal and interest repayments and amounts maturing on the Fund's loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on the Fund's consolidated financial statements which include the joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven, and Sorelle, and exclude the non-controlling interest in Eagle Creek:

	Scheduled mortgage principal payments	Mortgages payable maturing during the year	Mezzanine loans maturing during the year	Total loans payable	Weighted average interest rate of maturing mortgages	Weighted average interest rate of all maturing loans	Scheduled interest payments on all loans
2016 - remainder of year	$ 580	$ 26,975	$ 3,403	$ 30,958	2.21%	2.96%	2,295
2017	1,633	27,064	-	$ 28,697	3.85%	3.85%	3,245
2018	1,350	26,899	5,063	$ 33,312	2.45%	3.53%	2,369
2019	1,281	-	-	$ 1,281	0.00%	0.00%	1,857
2020	1,422	-	-	$ 1,422	0.00%	0.00%	1,828
Thereafter	2,247	52,484	-	$ 54,731	2.66%	2.66%	2,561
	$ 8,513	$ 133,422	$ 8,466	$ 150,401	2.77%	3.13%	$ 14,156
Mortgage discount				(8)			
Unamortized financing costs				(1,305)			
				$ 149,088			

The weighted average interest rate on maturing loans of 3.13% includes mezzanine loans of $8,466 which bear interest at 9.25%. The weighted average mortgage interest rate was 2.77% as at June 30, 2016.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries. All leases as at June 30, 2016 expire within 12 months.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into five classes of Units: Class A Units; Class C Units; Class F Units; Class I Units; and Class U Units.

UNITS

The following table summarizes the changes in Units for the period from December 31, 2014 to June 30, 2016:

	Units	Amount
Outstanding as at December 31, 2014	4,828	$ 44,764
Additional Class A Units on conversion	7	$ -
Class A Units repurchased and cancelled under the Issuer Bid	(14)	(148)
Class U Units repurchased and cancelled under the Issuer Bid	(5)	(47)
Outstanding as at December 31, 2015	4,816	44,569
Class A Units repurchased and cancelled under the Issuer Bid	(1)	(10)
Class U Units repurchased and cancelled under the Issuer Bid	(5)	(50)
Outstanding as at June 30, 2016	4,810	44,509

On June 4, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund had the ability to purchase for cancellation up to a maximum of 278,999 of its Class A Units and 34,857 of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on June 11, 2015 and remained in effect until June 10, 2016.

In connection with the Issuer Bid, the Fund entered into an automatic unit purchase plan (the "Plan") with an investment advisor in order to facilitate repurchases of the Units under the Issuer Bid. Purchases under the Plan are made by the Fund's investment advisor based on the parameters prescribed by the TSX Venture Exchange, applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Fund's investment advisor was permitted purchase Units under the Issuer Bid when the Fund would ordinarily not be permitted to do so.

From July 24, 2015 to December 31, 2015, 13,720 Class A Units (in actual Units) were purchased under the Issuer Bid for a total of $148 and 4,700 Class U Units (in actual Units) were purchased for $47. For the six months ended June 30, 2016, 1,000 Class A Units (in actual Units) were purchased under the Issue Bid for a total of $10 and 4,500 Class U Units (in actual Units) were purchased under the Issuer Bid for a total of $50.

A copy of TSX Venture Exchange Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available, without charge by contacting the Fund.

As at June 30, 2016, there were 4,810,126 Units issued and outstanding (as of December 31, 2015 – 4,815,636 Units).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party, as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On April 18, 2013, the Fund entered into the management agreement with Starlight, which was amended and restated on December 1, 2013. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team including advisory, consultation and investment management services and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

  (i) the historical purchase price of properties owned by the Fund; and

  (ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from April 18, 2013; plus

(b) An amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three and six months ended June 30, 2016, the costs of these services were $199 and $384, excluding service fees (three and six months ended June 30, 2015 - $194 and $377). As at June 30, 2016, $108 was included in accounts payable and accrued liabilities including service fees of $30 (as at June 30, 2015, $84 was included in accounts payable and accrued liabilities including service fees of $30).

(c) Acquisition fee equal to:

(i) 1.0% of the purchase price of a property, on the first $100,000 of properties;

(ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and

(iii) 0.50% of the purchase price on properties in excess of $200,000.

For the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015, the cost of these services was $nil, $254, $nil and $132, respectively. These fees related to the purchase of Marquee Station during the three months ended March 31, 2016 and the purchase of the Fund's joint venture interest in Belle Haven during the three months ended March 31, 2015. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding-up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions.

Carried Interest

After (i) payment of all expenses of Starlight U.S. Multi-Family Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies are described in Note 2 to the audited consolidated financial statements for the year ended December 31, 2015 and for the three and six months ended June 30, 2016. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund's cash, restricted cash, tenant and other receivables, and utility deposits have been designated as loans and receivables; and loans payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund's financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units of the Fund and in the activities of the Fund. Risks and uncertainties are disclosed in the Fund's MD&A for the year ended December 31, 2015 in the Risks and Uncertainties section which is available at WWW.SEDAR.COM. If any of the risks outlined in such disclosure or those outlined in the Fund's prospectus dated March 31, 2013 occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Other than set out or contemplated herein, management is not aware of any significant changes in risk and uncertainties since April 12, 2016, the date of the Fund MD&A for the year ended December 31, 2015.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at June 30, 2016.

SUBSEQUENT EVENT

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No. 5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund and Starlight U.S. Multi- Family (No. 4) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 14, in the amount of $14,463.

FUTURE OUTLOOK

Management believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Q2-2016	Q1-2016 (1)	Q4-2015	Q3-2015 (2)	Q2-2015	Q1-2015 (3)	Q4-2014	Q3-2014
Revenue	$ 5,007	$ 4,761	$ 4,842	$ 4,900	$ 4,809	$ 4,672	$ 4,665	$ 4,621
Property operating costs	(2,139)	(2,065)	(2,122)	(2,192)	(2,170)	(1,953)	(2,027)	(2,073)
NOI	2,868	2,696	2,720	2,708	2,639	2,719	2,638	2,548
Share of net earnings from joint ventures	1,288	789	4,501	495	1,067	1,263	2,512	1,288
Fund expenses	(578)	(225)	(305)	(223)	(263)	(247)	(163)	(280)
Unrealized foreign exchange loss	(18)	(135)	-	-	-	-	(84)	84
Realized foreign exchange gain	2	6	(4)	(9)	-	-	17	29
Fair value adjustment of investment properties	12,627	(1,170)	2,101	1,477	2,581	2,454	8,053	4,505
Finance costs	(1,039)	(1,357)	(842)	(875)	(849)	(878)	(1,335)	(1,016)
Non-controlling interest	(1,874)	190	(707)	(262)	(663)	(736)	(1,407)	(1,058)
Income taxes:								
Current	(42)	(19)	(14)	(20)	1	(32)	(31)	(32)
Deferred	(5,745)	(378)	(2,908)	(863)	(3,311)	(1,698)	(4,244)	(2,467)
Net income and comprehensive income for the period	**$ 7,489**	**$ 397**	**$ 4,542**	**$ 2,428**	**$ 1,202**	**$ 2,845**	**$ 5,956**	**$ 3,601**
FFO (5)	$ 1,446	$ 1,214	$ 1,748	$ 1,596	$ 1,502	$ 1,571	$ 1,331	$ 1,318
AFFO (5)	$ 1,548	$ 1,558	$ 1,477	$ 1,285	$ 1,398	$ 1,438	$ 1,417	$ 1,199
Distributions	$ 687	$ 661	$ 657	$ 677	$ 714	$ 717	$ 760	$ 813
FFO per Unit - basic and diluted (5)	$ 0.30	$ 0.25	$ 0.36	$ 0.33	$ 0.31	$ 0.33	$ 0.28	$ 0.27
AFFO per Unit - basic and diluted (5)	$ 0.33	$ 0.32	$ 0.31	$ 0.27	$ 0.29	$ 0.30	$ 0.29	$ 0.25
Distributions per Unit (6)	$ 0.14	$ 0.14	$ 0.14	$ 0.14	$ 0.15	$ 0.15	$ 0.16	$ 0.17

Notes:

(1) During the three months ended March 31, 2016, the Fund acquired Marquee Station and disposed of Bridgemoor at Denton. Figures include Bridgemoor at Denton.

(2) During the three months ended September 30, 2015, the Fund acquired a 35% joint venture interest in Sorelle.

(3) During the three months ended March 31, 2015, the Fund acquired a 66 2/3% joint venture interest in Belle Haven.

(4) Excludes the Fund's non-controlling interest in Eagle Creek.

(5) Distributions per Unit for each period are based on the total distributions per Unit declared during the period for all classes.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: October 12, 2016

Toronto, Ontario, Canada

Consolidated Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Years ended December 31, 2015 and 2014

Collins Barrow Toronto LLP
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Starlight U.S Multi-Family Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S Multi-Family Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family Core Fund and its subsidiaries as at December 31, 2015 and 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
April 12, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Statements of Financial Position
As at December 31
(In thousands of U.S. dollars)

	Note		2015		2014 (Reclassified – Note 1(e))
ASSETS					
Non-current assets					
Investment properties	3	**$**	**160,224**	$	181,480
Investment in joint ventures	4		**21,730**		11,816
Derivative financial instruments	10		**1**		124
Utility deposits			**67**		67
Total non-current assets			**182,022**		193,487
Current assets					
Assets of property held for sale	5		**31,738**		-
Tenant and other receivables	6		**98**		149
Prepaid expenses and other assets	7		**1,157**		338
Restricted cash	8		**3,372**		3,660
Cash			**1,988**		5,268
Total current assets			**38,353**		9,415
TOTAL ASSETS		**$**	**220,375**	$	202,902
LIABILITIES					
Non-current liabilities					
Mortgages payable	9	**$**	**89,297**	$	108,956
Deferred tax liability			**24,725**		15,945
Total non-current liabilities			**114,022**		124,901
Current liabilities					
Liabilities of property held for sale	5		**19,813**		-
Mortgages payable	9		**629**		741
Tenant rental deposits			**112**		156
Accounts payable and accrued liabilities	11		**3,736**		4,156
Finance costs payable			**214**		264
Distributions payable			**211**		251
Total current liabilities			**24,715**		5,568
Total liabilities			**138,737**		130,469
EQUITY					
Unitholders' equity			**71,961**		63,904
Non-controlling interests	17		**9,677**		8,529
Total equity			**81,638**		72,433
TOTAL LIABILITIES AND EQUITY		**$**	**220,375**	$	202,902

Commitments and contingencies (Note 18)

Subsequent Events (Note 22)

See accompanying notes to the consolidated financial statements.
Approved by the Board of Directors of Starlight U.S. Multi-Family Core GP, Inc., as general partner for Starlight U.S. Multi-Family Core Fund on April 12, 2016, and signed on its behalf:

Daniel Drimmer Director *Derek Lobo* Director

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Statements of Income and Comprehensive Income
Years ended December 31
(In thousands of U.S. dollars, except per unit amounts)

		2015	2014 (Reclassified – Note 1(e))
Revenue from property operations		**$ 18,836**	$ 18,036
Expenses			
Property operating costs		**4,680**	4,547
Realty taxes		**3,594**	3,501
		8,274	8,048
Income from operations		**10,562**	9,988
Share of net earnings from joint ventures	4	**7,326**	4,716
Finance costs	15	**(3,376)**	(4,380)
Fund and trust expenses		**(1,027)**	(956)
Realized foreign exchange (loss) gain		**(13)**	46
Fair value adjustment of investment properties		**8,755**	25,180
		22,227	34,594
Income taxes			
Current	2 (g) (ii)	**(65)**	(131)
Deferred	2 (g) (ii)	**(8,780)**	(12,748)
Income before net income from property held for sale		**13,382**	21,715
Net income from property held for sale	5	**3**	-
Net income and comprehensive income		**$ 13,385**	$ 21,715
Net income attributable to			
Unitholders		**$ 11,017**	$18,023
Non-controlling interests		**2,368**	3,692
Net income and comprehensive income		**$13,385**	$21,715
Basic and diluted earnings per unit	2 (f)	**$2.28**	$3.73
Weighted average number of units outstanding			
Basic and diluted		**4,826**	4,828

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Statements of Changes in Equity
Years ended December 31, 2015 and 2014
(In thousands of U.S. dollars)

	Unitholders' Equity (Note 12)	**Retained Capital**	**Total Unitholders' Equity**	**Non-Controlling Interest**	**Total**
Balance, December 31, 2014	**$ 44,764**	**$ 19,140**	**$ 63,904**	**$ 8,529**	**$ 72,433**
Changes during the year:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	**(195)**	**-**	**(195)**	**-**	**(195)**
Net income and comprehensive income	**-**	**11,017**	**11,017**	**2,368**	**13,385**
Contributions	**-**	**-**	**-**	**102**	**102**
Distributions	**-**	**(2,765)**	**(2,765)**	**(1,322)**	**(4,087)**
Balance, December 31, 2015	**$ 44,569**	**$ 27,392**	**$ 71,961**	**$ 9,677**	**$ 81,638**

	Unitholders' Equity	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2013	$ 44,764	$ 4,298	$ 49,062	$ 5,828	$ 54,890
Changes during the year:					
Net income and comprehensive income	-	18,023	18,023	3,692	21,715
Contributions	-	-	-	1,410	1,410
Distributions	-	(3,181)	(3,181)	(2,401)	(5,582)
Balance, December 31, 2014	$ 44,764	$ 19,140	$ 63,904	$ 8,529	$ 72,433

Distributions to unitholders in the aggregate for all classes of units of the Fund during the year ended December 31, 2015 were equal to $0.5729 per unit (December 31, 2014 - $0.6589).

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY CORE FUND

Consolidated Statements of Cash Flows
Years ended December 31
(In thousands of U.S. dollars)

	Note	2015	2014 (Reclassified – Note 1(e))
Operating activities			
Net income and comprehensive income		**$ 13,385**	$ 21,715
Adjustment for financing activities included in net income			
Finance costs		**3,443**	4,380
Adjustments for items not involving cash			
Share of net earnings in joint ventures	4	**(7,326)**	(4,716)
Fair value adjustment of investment properties	3	**(8,755)**	(25,180)
Change in non-cash operating working capital	16	**(675)**	(33)
Change in restricted cash		**(323)**	3
Deferred tax		**8,780**	12,748
Cash provided by operating activities		**8,529**	8,917
Investing activities			
Initial contributions to joint ventures	4	**(6,324)**	(5,608)
Distributions from (contributions to) joint ventures	4	**3,736**	(1,492)
Additions to investment properties	3	**(891)**	(770)
Cash used in investing activities		**(3,479)**	(7,870)
Financing activities			
Units repurchased and cancelled under Issuer Bid		**(195)**	-
Mortgages payable			
Proceeds – new financing		**-**	78,050
Repayment of mortgages		**-**	(67,460)
Principal payments		**(892)**	(720)
Financing costs paid		**(3,102)**	(4,904)
Purchase of interest rate cap		**-**	(168)
Contributions from non-controlling interest		**102**	1,410
Distribution to non-controlling interest		**(1,322)**	(2,401)
Distributions to unitholders		**(2,765)**	(3,181)
Cash (used in) provided by financing activities		**(8,174)**	626
(Decrease) increase in cash during the year		**(3,124)**	1,673
Cash, property held for sale	5	**(156)**	-
Cash, beginning of year		**5,268**	3,595
Cash, end of year		**$ 1,988**	$ 5,268

See accompanying notes to the consolidated financial statements.

Starlight U.S. Multi-Family Core Fund (the “Fund”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified revenue-generating rental properties in the United States (“U.S.”) multi-family real estate market.

The operations of the Fund commenced on April 23, 2013 when, subsequent to completion of its initial public offering on April 18, 2013, the Fund completed the acquisition of its interests in a portfolio of three multi-family residential properties located in Dallas and Houston, Texas comprising a total of 740 suites. As of December 31, 2015, the Fund had interests in a portfolio of nine properties, comprising a total of 2,581 suites, located in Dallas and Houston, Texas, Charlotte, North Carolina and Atlanta, Georgia.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of the consolidated financial statements for the years ended December 31, 2015 and 2014.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value.

These consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund’s subsidiaries are shown separately in the consolidated statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

(d) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical judgments and estimates are described in detail in Note 2(i).

(e) Change in accounting presentation:

Prior to January 1, 2015, investments in joint arrangements (Note 4) were reported as joint operations whereby assets, liabilities, revenue and expenses were separately presented on the consolidated statements of financial position, income and comprehensive income and cash flows. Subsequently, the investments in joint arrangements have been presented within investments in joint ventures with no impact on net earnings and equity. Comparative amounts have been reclassified to conform to current year's presentation in order to permit comparability. As a result of this change, as at December 31, 2014, investment in joint ventures of $11,816 were recognized as a result of reclassifying investment properties of $27,195, mortgages payable of $(15,438) and other net working capital items of $59. For the year ended December 31, 2014, share of earnings from the joint ventures of $4,716 is presented, as a result of reclassifying revenue of $1,880, fair value adjustment of investment properties of $3,963 and operating and other expenses of $(1,127). The reclassification had no impact on the financial position as at January 1, 2014.

2. Significant accounting policies:

(a) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statements of income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of income and comprehensive income in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The Fund also restricts cash for tenant security deposits.

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased assets, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants. All accounts outstanding for greater than 90 days are allowed for through the consolidated statements of income and comprehensive income.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss (“FVTPL”); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement	**2015**	2014
Financial assets:				
Derivative financial instruments	FVTPL	Fair value	**$ 1**	$ 124
Utility deposits	Loans and receivables	Amortized cost	**67**	67
Tenant and other receivables	Loans and receivables	Amortized cost	**98**	149
Restricted cash	Loans and receivables	Amortized cost	**3,372**	3,660
Cash	Loans and receivables	Amortized cost	**1,988**	5,268
Financial assets of property held for sale		Amortized cost	**31,738**	-
Financial liabilities:				
Mortgages payable	Other liabilities	Amortized cost	**$ 89,927**	$ 109,697
Tenant rental deposits	Other liabilities	Amortized cost	**112**	156
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**3,736**	4,156
Finance costs payable	Other liabilities	Amortized cost	**214**	264
Distributions payable	Other liabilities	Amortized cost	**211**	251
Financial liabilities of property held for sale		Amortized cost	**$ 19,813**	$ -

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Financial assets and liabilities of property held for sale are disclosed separately due to their classification as available for sale and measurement at fair value.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from these financial assets expire or have been transferred. At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(f) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

(g) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Each unitholder of the Fund is required to include in computing the unitholder's income for a particular taxation year the unitholder's share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder's taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(i) Canadian status (continued):

The Tax Act contains specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings“ (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the “Code“). Furthermore, Starlight U.S. Multi-Family Core REIT Inc. (the “U.S. REIT”), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust (“REIT”) under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to a dividend paid deduction and net capital gains.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status (continued)

Current taxes (continued)

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund made the REIT election for the U.S. REIT and believes the U.S. REIT's organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax of $65 for the year ended December 31, 2015 (December 31, 2014 - $131).

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status (continued)

Current taxes (continued)

Starlight U.S. Multi-Family Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but it has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Starlight U.S. Multi-Family Core Holding L.P. ("Holding LP"). Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

Deferred taxes

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at December 31, 2015 a deferred tax liability of $24,725 (2014 - $15,945) has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant accounting policies (continued):

(h) Joint arrangements:

In accordance with IFRS 11 – Joint Arrangements ("IFRS 11"), the Fund has joint ventures over which the Fund has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund's share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(i) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(ii) Accounting for acquisitions

Management of the Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of an associate and control as defined in the accounting standards.

(iv) Joint arrangements

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Management applies judgment in determining whether the facts and circumstances involved in a joint arrangement result in the arrangement being classified as a joint venture or a joint operation. The Fund has classified its joint arrangements as joint ventures.

(v) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows, and discount rates.

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(vi) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

(vii) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(j) Property held for sale:

The Fund has classified property (or a disposal group) as held for sale in accordance with IFRS 5. Under IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, excluding investment property which is carried at fair value.

(k) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee (“IFRIC”) 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, the expense is pro-rated over the year.

2. Significant accounting policies (continued):

(l) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

(m) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the year ended December 31, 2015. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Presentation of Financial Statements ("IAS 1"):

IAS 1, Presentation of Financial Statements was amended by the IASB in December of 2014. The amendments are designed to further encourage presenters of financial statements to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that presenters should use professional judgement in determining where and in what order information is presented in their financial disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

(ii) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard.

2. Significant accounting policies (continued):

(m) Future accounting changes (continued):

(ii) Financial Instruments ("IFRS 9") (continued):

The amendments completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iv) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of U.S. dollars, unless otherwise noted)

3. Investment properties:

The following table summarizes the movements in the investment properties for the years ended December 31, 2015 and 2014:

Balance, January 1, 2014	$	155,530
Additions - capital expenditures		770
Fair value adjustment		25,180
Balance, December 31, 2014	$	181,480
Additions - capital expenditures		**891**
Fair value adjustment		**8,755**
		191,126
Investment property held for sale (Note 5)		**(30,902)**
Balance, December 31, 2015	**$**	**160,224**

The following table reconciles the cost base of investment properties to their fair value:

	2015	2014
Cost	**$ 150,040**	$ 149,149
Cumulative fair value adjustment	**41,086**	32,331
Investment property held for sale	**(30,902)**	-
Fair value	**$ 160,224**	$ 181,480

The key valuation assumptions for investment properties are set out in the following table:

	2015	2014
Capitalization rates - range	**5.00% - 6.00%**	5.50% - 5.75%
Capitalization rate - weighted average	**5.63%**	5.57%

All of the properties were valued by independent qualified valuators during December 31, 2015 and these valuations were updated by management to derive the fair values as at December 31, 2015. The Fund determined the fair value of each investment property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases, and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

(In thousands of U.S. dollars, unless otherwise noted)

3. Investment properties (continued):

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

			2015		2014
Weighted average:					
Capitalization rate	10 basis-point increase	**$**	**(2,808)**	$	(3,195)
Capitalization rate	10 basis-point decrease	**$**	**2,911**	$	3,330

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2015 would affect the fair value by approximately $1,602 (2014 - $1,815).

4. Investment in joint ventures:

The Fund has certain equity method accounted investments in joint ventures. The following table details the Fund's ownership interest in each equity investee:

Entity	**Principal Activity**	**December 31, 2015**	December 31, 2014
Soho Acquisition LLC	Owns and operates an income property	**25%**	25%
Sunset Ridge Multi-Family Holding LLC	Owns and operates an income property	**50%**	50%
Belle Haven Multi-Family Holding LLC	Owns and operates an income property	**$66^{2/3}$%**	-
Sorelle Multi-Family Holding LLC	Owns and operates an income property	**35%**	-

The following table presents the changes in the aggregate carrying value of the Fund's investment in joint ventures:

		2015		2014
Balance, beginning of year	**$**	**11,816**	$	-
Initial contributions on establishment of arrangement		**6,324**		5,608
Share of net income		**7,326**		4,716
(Distributions) contributions		**(3,736)**		1,492
Balance, end of year	**$**	**21,730**	$	11,816

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment in joint ventures (continued):

The following tables present the financial position and results of performance of the Fund's equity accounted investees on a 100% basis:

	Soho Parkway Apartments	Sunset Ridge	Belle Haven	Sorelle Apartments	**2015 Total**	2014 Total
Cash	**$ 122**	**$ 92**	**$ 85**	**$ (30)**	**$ 270**	394
Other current assets	**1,007**	**962**	**120**	**508**	**2,596**	1,629
Non-current assets	**56,023**	**30,938**	**29,546**	**71,220**	**187,727**	77,516
Current mortgages payable	**-**	**-**	**(113)**	**(2)**	**(114)**	(30)
Other current liabilities	**(1,205)**	**(884)**	**-**	**(471)**	**(2,561)**	(1,884)
Non-current mortgages payable	**(33,547)**	**(21,481)**	**(21,245)**	**(54,880)**	**(131,153)**	(44,864)
Net Assets	**$ 22,401**	**$ 9,627**	**$ 8,393**	**$ 16,345**	**$ 56,766**	32,761
Investments in joint ventures	**$ 5,600**	**$ 4,814**	**$ 5,595**	**$ 5,721**	**$ 21,730**	11,816

	Soho Parkway Apartments	Sunset Ridge	Belle Haven	Sorelle Apartments	**2015 Total**	2014 Total
Revenue from property operations	**$ 4,797**	**$ 3,497**	**$ 1,923**	**$ 1,960**	**$ 12,177**	$ 5,462
Property operating costs	**(1,171)**	**(1,052)**	**(616)**	**(524)**	**(3,363)**	(1,381)
Realty taxes	**(853)**	**(747)**	**(172)**	**(209)**	**(1,981)**	(993)
Finance costs	**(901)**	**(550)**	**(823)**	**(674)**	**(2,948)**	(823)
Unrealized foreign exchange gain	**-**	**-**	**-**	**601**	**601**	-
Fair value adjustment on Investment properties gains (losses)	**9,419**	**(586)**	**2,858**	**4,898**	**16,589**	9,892
Current taxes	**(15)**	**(11)**	**-**	**-**	**(26)**	(37)
Net earnings	**$11,276**	**$ 551**	**$ 3,170**	**$ 6,052**	**$ 21,049**	$ 12,120
Share of net earnings in joint ventures	**$ 2,819**	**$ 276**	**$ 2,113**	**$ 2,118**	**$ 7,326**	$ 4,716

5. Property held for sale:

The Fund entered into a purchase and sale agreement to sell Bridgemoor on November 16, 2015. Refer to Note 22 - Subsequent Events.

The assets of the property held for sale as at December 31, 2015 are as follows:

Investment property	**$ 30,902**
Derivative financial instruments	**1**
Tenant and other receivables	**33**
Prepaid expenses and other assets	**35**
Restricted cash	**611**
Cash	**156**
Assets of property held for sale	**$ 31,738**

(In thousands of U.S. dollars, unless otherwise noted)

5. Property held for sale (continued):

The liabilities of the property held for sale as at December 31, 2015 are as follows:

Mortgage payable *(net of financing costs of $243)*	**$**	**19,098**
Tenant rental deposits		**29**
Accounts payable and accrued liabilities		**646**
Finance costs payable		**40**
Liabilities of property held for sale	**$**	**19,813**

The net income from the property held for sale for the period from November 16 to December 31, 2015 is as follows:

Net loss from property held for sale		
Revenue from property operations	**$**	**386**
Expenses		
Property operating costs		**100**
Realty taxes		**63**
		163
Income from operations		**223**
Finance costs		**(67)**
Trust expenses		**(11)**
Fair value adjustment of investment property		**(141)**
		4
Income taxes		**(1)**
Net income for the period	**$**	**3**

6. Tenant and other receivables:

Tenant and other receivables as at December 31 consist of the following:

		2015		2014
Tenant receivables	**$**	**94**	$	44
Other receivables		**4**		105
	$	**98**	$	149

The Fund holds no collateral in respect of tenant and other receivables.

(In thousands of U.S. dollars, unless otherwise noted)

7. Prepaid expenses and other assets:

Prepaid expenses as at December 31 consist of the following:

		2015		2014
Prepaid insurance	**$**	**289**	$	336
Prepaid expenses		**27**		2
Pre-acquisition costs		**841**		-
	$	**1,157**	$	338

8. Restricted cash:

The following table presents the details of restricted cash:

		2015		2014
Escrowed funds:				
Real estate taxes	**$**	**2,865**	$	3,342
Replacement/repairs		**254**		221
Property insurance		**149**		88
Interest rate caps		**104**		9
	$	**3,372**	$	3,660

(In thousands of U.S. dollars, unless otherwise noted)

9. Mortgages payable:

Mortgages payable are secured by investment properties and bear interest at various fixed and variable rates.

		2015		2014
Mortgage payable, bearing interest at LIBOR + 1.94%, requires interest only payments until December 2016, due November 2021	$	**34,350**	$	34,350
Mortgage payable, bearing interest at 3.84%, repayable monthly in blended principal and interest payments of $118, due April 2017		**23,491**		23,982
Mortgage payable, bearing interest at LIBOR + 1.97%, requires interest only payments until December 2016, due November 2021		**19,700**		19,700
Mortgage payable, bearing interest at LIBOR + 2.24%, requires interest only payments until August 2015, due July 2021 (i)		**-**		19,500
Mortgage payable, bearing interest at 4.02%, repayable monthly in blended principal and interest payments of $44, due November 2022		**8,838**		9,000
Mortgage payable, bearing interest at 3.92%, repayable monthly in blended principal and interest payments of $21, due April 2017		**4,369**		4,449
Face value	$	**90,748**	$	110,981
Mortgage premium		**8**		75
Unamortized financing costs		**(830)**		(1,359)
	$	**89,926**	$	109,697

(i) The mortgage on Bridgemoor has been included with liabilities of the property held for sale. See Note 5.

The following table provides a breakdown of current and non-current portions of mortgages payable, excluding held for sale mortgage:

		2015		2014
Current:				
Mortgages payable	$	**867**	$	892
Mortgage premium		**8**		67
Unamortized financing costs		**(246)**		(218)
		629		741
Non-current:				
Mortgages payable		**89,881**		110,089
Mortgage premium		**-**		8
Unamortized financing costs		**(584)**		(1,141)
		89,297		108,956
	$	**89,926**	$	109,697

(In thousands of U.S. dollars, unless otherwise noted)

9. Mortgages payable (continued):

Future principal payments on mortgages payable are as follows:

	Principal payment	Balloon payment	Total
2016	$ 867	$ -	$ 867
2017	1,691	27,064	28,755
2018	1,520	-	1,520
2019	1,557	-	1,557
2020	1,592	-	1,592
Thereafter	1,589	54,868	56,457
	$ 8,816	$ 81,932	$ 90,748

10. Derivative financial instruments:

Interest rate caps:

The Fund utilizes interest rate cap agreements to hedge its interest costs on five of its variable rate mortgages as required by the applicable lenders. As the Fund has elected not to use hedge accounting, a fair value adjustment of $(122) was recorded as an unrealized loss in finance costs in the consolidated statements of income and comprehensive income for the year ended December 31, 2015 (2014 - $(44)).

The following is a summary of the Fund's interest rate cap agreements as at December 31, 2015:

	Notional amount	Maturity date	Cap rate	**Carrying value and fair value at December 31, 2015**	Carrying value and fair value at December 31, 2014
SMBC Capital Markets Inc. (i)	$ 19,500	July, 2021	4.16%	**$ -**	$ 46
Commonwealth Bank of Australia, N.A.	34,350	November, 2021	4.06%	**1**	46
Commonwealth Bank of Australia, N.A.	19,700	November, 2021	3.78%	**-**	32
Balance	$ 73,550			**$ 1**	$ 124

(i) The carrying value and fair value at December 31, 2015 for Bridgemoor has been included with assets of the property held for sale (see Note 5 and Note 22).

(In thousands of U.S. dollars, unless otherwise noted)

10. Derivative financial instruments (continued):

Interest rate caps (continued):

The following table represents a summary of the changes in fair value for the years ended December 31, 2015 and 2014 for the interest rate cap agreements carried at fair value:

		2015		2014
Balance, beginning of year	**$**	**124**	$	–
Acquisitions		**-**		168
Unrealized loss for the year		**(122)**		(44)
		2		124
Derivative financial instrument of property held for sale		**(1)**		-
Balance, end of year	**$**	**1**	$	124

11. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

		2015		2014
Accrued real estate taxes	**$**	**3,043**	$	3,469
Tenant prepayments		**146**		123
Operating payables		**530**		542
Deferred revenue		**17**		22
	$	**3,736**	$	4,156

12. Unitholders' equity:

The beneficial interest in the net assets and net income and comprehensive income of the Fund is divided into five classes of limited partnership units with identical attributes: Class A units, Class C units, Class F units, Class I units and Class U units. The Class A units, Class C units, Class F units and Class I units were issued at CDN$10.00 per unit. The Class U units were issued at $10.00 per unit. The Class A units and Class U units are listed for trading on the TSX Venture Exchange under the symbols UMF.A and UMF.U, respectively. The Class C, Class F, and Class I units have conversion privileges to Class A units.

(In thousands of U.S. dollars, unless otherwise noted)

12. Unitholders' equity (continued):

	Units (000's)	Value
Units issued, February 12, 2013	–	$ –
Units issued on April 18, 2013:		
Class A	1,804	17,602
Class C	1,205	11,753
Class F	426	4,154
Class I	766	7,474
Class U	349	3,496
Units issued through over-allotment on May 16, 2013:		
Class A	278	2,730
Additional Class A units on conversion	5	-
Units issued	4,833	47,209
Less issuance costs	-	(2,445)
Class A units repurchased and cancelled under Issuer Bid	(14)	(148)
Class U units repurchased and cancelled under Issuer Bid	(3)	(47)
Balance, December 31, 2015	**4,816**	**$ 44,569**

As of December 31, 2015, 4,815,636 units of the Fund were outstanding (2014 – 4,827,777 units).

On June 4, 2015, the Fund announced that the TSX Venture Exchange had accepted its Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 278,999 of its Class A limited partnership units and 34,857 of its Class U limited partnership units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on June 11, 2015 and will remain in effect until the earlier of: (i) June 10, 2016; (ii) the termination of the Fund, if not extended, and (iii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

During the year ended December 31, 2015, the Fund purchased and cancelled 13,720 Class A units with a value of $148, and 4,700 Class U units with a value of $47.

Carried Interest:

After (i) payment of all expenses of Holding LP, Investment LP and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight, will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

12. Unitholders' equity (continued):

Carried Interest: (continued)

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

13. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

14. Transactions with related parties:

The consolidated financial statements as at December 31, 2015 and 2014 include the following transactions with related parties:

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the amended and restated management agreement dated December 1, 2013 (the "Management Agreement"), Starlight is to perform asset management services for fees equal to 0.35% of the sum of: (i) the historical purchase price of the Fund's properties in U.S. dollars; and (ii) the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars plus an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

For the year ended December 31, 2015, the costs of these services, aggregating $794 (2014 - $689), were charged to Fund expenses. As at December 31, 2015, $93 was included in accounts payable and accrued liabilities, which includes $30 of service fees (2014 - $80 and $30, respectively).

(In thousands of U.S. dollars, unless otherwise noted)

14. Transactions with related parties (continued):

(b) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired.

For the year ended December 31, 2015, the Fund incurred $304 (2014 - $170), for acquisition fees under the Management Agreement, which were paid at the time of acquisitions, and were initially capitalized to investment properties on acquisition.

15. Finance costs:

	2015	2014
Interest on mortgages payable	**$ 3,041**	$ 3,560
Amortization of mortgage premiums	**(67)**	(67)
Amortization of financing costs	**281**	688
Fair value adjustments on derivative financial instruments	**121**	44
Loss on early extinguishment of debt	**-**	155
	$ 3,376	$ 4,380

16. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	2015	2014
Utility deposits	**$ -**	$ 2
Prepaid expenses and other assets	**(854)**	(326)
Tenant and other receivables	**18**	(5)
Tenant rental deposits	**(15)**	(33)
Finance costs payable	**(10)**	16
Distributions payable	**(40)**	(22)
Accounts payable and accrued liabilities	**226**	335
	$ (675)	$ (33)

(In thousands of U.S. dollars, unless otherwise noted)

17. Non-controlling interests:

Non-controlling interests as at December 31 are as follows:

		2015		2014
65% of Falls at Eagle Creek [(i)]	**$**	**9,638**	$	8,474
Series A – preferred shares, U.S. REIT [(ii)]		**39**		55
	$	**9,677**	$	8,529

(i) On September 16, 2013, the Falls at Eagle Creek was acquired by the Fund (35%) and Starlight Investments Acquisition LLC (65%), a wholly owned subsidiary of Starlight. All decision making in respect of the Falls at Eagle Creek, including day-to-day and material decisions are made exclusively by the Fund through its established governance practices in accordance with the limited liability agreement of Eagle Creek Multi-Family Holding LLC. Accordingly, the Fund has control over the Falls at Eagle Creek and has wholly consolidated its financial position and results of operations.

On November 18, 2013, Starlight Investments Acquisition LLC sold its 65% interest in the Falls at Eagle Creek to Starlight U.S. Multi-Family (No. 2) Core REIT Inc., a subsidiary of Fund No. 2. The Fund maintained control of Eagle Creek under the same limited liability agreement. As of December 31, 2015, the non-controlling interest amount of $9,638 was represented by $6,004 of cash advanced at the time of initial acquisition and a $3,634 share of net income after distributions (December 31, 2014 - $8,474, $6,004 and $2,470, respectively). The Falls at Eagle Creek investment property as at December 31, 2015 was valued at $53,621 and had mortgages payable of $34,350 ($50,190 and $34,350, respectively). The Falls at Eagle Creek had cash on hand of $194 and restricted cash of $1,371 (December 31, 2014 - $184 and $1,157, respectively). Revenue from property operations for the year ended December 31, 2015 for the Falls at Eagle Creek was $5,806 and property operating expenses were $2,746 (December 31, 2014 - $5,455 and $2,687, respectively). Net income and comprehensive income for the year ended December 31, 2015 was $5,233 (December 31, 2014 - $5,708).

(ii) On October 18, 2013, Starlight U.S. Multi-Family Core REIT Inc., a subsidiary of the Fund, completed an offering for series A preferred shares to 125 shareholders for net proceeds of $79 after closing costs. The offering was in connection with requirements to qualify as a REIT for U.S. federal income tax purposes.

18. Commitments and contingencies:

At the consolidated statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2015 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

19. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of mortgages payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at December 31, 2015.

20. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of income and comprehensive income.

20. Risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has options to enter into interest rate cap agreements for all its floating rate mortgages. The interest rate cap agreements were not in place as of December 31, 2015 for any floating rate mortgages as these agreements are only required once LIBOR reaches one percent. For the year ended December 31, 2015, all else being equal, an increase or decrease of a ten basis points of LIBOR would impact net earnings by $54 (2014 - $29).

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its mortgage portfolio over a number of years and has options to extend certain mortgages.

All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of mortgages payable, see Note 9.

21. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

Derivative financial instruments are considered as Level 2 financial instruments.

21. Fair value measurement of financial instruments (continued):

Investment properties are considered as Level 3 financial instruments. The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Mortgages payable:

The fair value of mortgages payable is estimated based on the current market rates for mortgages with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable as at December 31, 2015 and 2014 approximated their carrying value.

(b) Other financial assets and financial liabilities:

The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).

22. Subsequent events:

On January 19, 2016, the Fund paid down principal of $490 off its portion of the mezzanine loan associated with the Sorelle joint venture. The loan is a Canadian dollar denominated loan and the Fund realized a foreign exchange gain of $70 on this transaction.

On February 10, 2016, the Fund sold Bridgemoor for gross proceeds of $31,250. The net proceeds from the sale were used to purchase The Village at Marquee Station ("Marquee Station") on February 26, 2016 for a purchase price of $41,500. Marquee Station is a 265 luxury suite apartment residence located 29 kilometers south of Raleigh, North Carolina.

On March 2, 2016, the Fund announced that the terms of the Fund had been extended by up to one year in accordance with provisions of the Fund's fourth amended and restated limited partnership agreement dated August 20, 2014.

23. Comparative figures:

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for the current year (Note 1 (e)).

STARLIGHT U.S. MULTI-FAMILY CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2015

April 12, 2016

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the consolidated financial results of Starlight U.S. Multi-Family Core Fund (the "Fund") dated April 12, 2016, prepared as at December 31, 2015, and for the year ended December 31, 2015, should be read in conjunction with the Fund's audited consolidated financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for the year ended December 31, 2014. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information necessarily involves known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in the "Risks and Uncertainties" section. See "Risks and Uncertainties".

The forward-looking information included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's audited consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which include fair value adjustments on derivative instruments, amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest expenses. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest indebtedness payments and ultimately the ability of the Fund to make cash distributions to holders of Units ("Unitholders").

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which include fair value adjustments on derivative instruments, amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy obligation requirements. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest mortgage payments and ultimately the ability of the Fund to make cash distributions to investors in Units.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments and deferred income tax expenses as well as realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family Core GP, Inc. ("Starlight GP"). Other adjustments may be made to AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operations to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights". Also included within these reconciliations are adjustments to remove the Fund's non-controlling interests which represents a departure from IFRS and which management has adjusted in order to show the full performance of the Fund's interests.

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in the southeastern U.S. multi-family real estate market.

The Fund has five classes of Units. Class A Units and Class U Units are listed on the TSX Venture Exchange under the symbols UMF.A and UMF.U, respectively, and Class C Units, Class F Units, and Class I Units which are convertible into Class A Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, class "A" stabilized, income producing multi-family real estate properties in Texas and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in class "A" U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is three years with two one-year extensions at the discretion of Starlight GP. On March 2, 2016, the Fund announced the extension by up to one year. See "Subsequent Events".

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
   a. are located in U.S. primary and secondary markets in Texas and the southeastern U.S. exhibiting favourable population and demographic characteristics;
   b. demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
   c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and

    d. are located in comfortable climates with high quality of life.

3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

ENHANCE ASSET VALUE THROUGH DEPLOYMENT OF ACTIVE MANAGEMENT STRATEGY

1. Prepare a property-specific asset management plan to improve NOI margins by:
    a. increasing rental rates through rental rate mapping and the use of yield management software;
    b. identifying and realizing upon ancillary income opportunities;
    c. reducing operating expenses; and
    d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed on the initial public offering on April 18, 2013, it has invested in nine properties located in Dallas and Houston, Texas, Charlotte, North Carolina and Atlanta, Georgia markets as at December 31, 2015. The Fund had interests in a portfolio of 2,581 suites as at December 31, 2015.

Property Address	Location	Suites	Date of Acquisition
Bridgemoor at Denton (1)	2801 Spencer Road, Denton, Texas	240	April 23, 2013
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	April 23, 2013
Villages of Towne Lake	4055 Village Drive, Pearland, Texas	126	April 23, 2013
Greenhaven Apartments	8690 Virginia Parkway, McKinney, Texas	216	July 29, 2013
Falls at Eagle Creek	9702 North Sam Houston Parkway, Humble Texas	412	September 16, 2013
Soho Parkway Apartments	6653 McKinney Ranch Parkway, McKinney, Texas	379	April 1, 2014
The Villages of Sunset Ridge	14807 Woodland Hills Drive, Humble, Texas	257	May 21, 2014
Belle Haven Apartments	9005 Post Canyon Lane, Charlotte, North Carolina	176	February 19, 2015
Sorelle Apartments	2399 Parkland Drive, Atlanta, Georgia	401	September 9, 2015
	Total	2,581 (2)	

Notes:

(1) On February 10, 2016, Bridgemoor at Denton ("Bridgemoor") was sold and the net proceeds were used to purchase The Village at Marquee Station ("Marquee Station") on February 26, 2016. Marquee Station is a 265 luxury suite apartment community located at 2110 Cinema Drive, Fuquay Varina, North Carolina. (See "Subsequent Events").

(2) After the sale of Bridgemoor and purchase of Marquee Station, the Fund had interests in a portfolio of 2,606 suites.

BRIDGEMOOR AT DENTON

Bridgemoor at Denton is located approximately 60 kilometres northwest of downtown Dallas at 2801 Spencer Road in Denton, Texas. The property is comprised of 240 apartment suites, ranging in size from one bedroom to two bedrooms. The complex consists of 32 single storey buildings on a 19.137 acre site and is a seniors' apartment community (55+) with an average resident age of 70 years old. The Fund purchased a 100% ownership interest in the property on April 23, 2013 and sold its interest in the property on February 10, 2016 (see "Subsequent Events").

FALLS AT COPPER LAKE

Falls at Copper Lake is located approximately 37 kilometres northwest of downtown Houston at 9140 Highway 6 North in Houston, Texas. The property is comprised of 374 apartment suites, ranging in size from one bedroom to three bedrooms. The complex consists of 29, two and three storey walk-up buildings on an 18.179 acre site. The Fund purchased a 100% ownership interest in the property on April 23, 2013.

VILLAGES OF TOWNE LAKE

Villages of Towne Lake is located approximately 32 kilometres southeast of downtown Houston at 4055 Village Drive in Pearland, Texas. The property is comprised of 126 apartment suites, ranging in size from one bedroom to two bedrooms. The complex consists of 21 single storey buildings on a 14.529 acre site and is a seniors' apartment community (55+) with an average resident age of 75 years old. The Fund purchased a 100% ownership interest in the property on April 23, 2013.

GREENHAVEN APARTMENTS

Greenhaven Apartments ("Greenhaven") is located approximately 29 kilometres north of Dallas at 8690 Virginia Parkway in McKinney, Texas. The property is comprised of 216 apartment suites, ranging in size from one bedroom to three bedrooms. The complex consists of ten, two and three storey walk-up buildings on a 11.24 acre site and is North Texas' first silver certified LEED for Homes Multi-Family Garden Community. The Fund purchased a 100% ownership interest in the property on July 29, 2013.

FALLS AT EAGLE CREEK

Falls at Eagle Creek ("Eagle Creek") is located approximately 36 kilometres northeast of downtown Houston at 9702 N. Sam Houston Parkway East in Humble, Texas. The property is comprised of 412 apartment suites, ranging in size from one bedroom to two bedrooms. The complex consists of 19, three storey walk-up buildings on a 22.13 acre site. The Fund purchased a 35% controlling interest in the property on September 16, 2013. The remaining 65% equity interest is owned by Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund No. 2").

SOHO PARKWAY APARTMENTS

Soho Parkway Apartments ("Soho Parkway") is located approximately 48 kilometres north of downtown Dallas at 6653 McKinney Ranch Parkway in McKinney, Texas. The property is comprised of 379 garden style suites, ranging in size from one bedroom to three bedrooms. The complex consists of 16, three storey walk-up buildings on a 15.04 acre site. The Fund purchased a 25% joint venture ownership interest in the property on April 1, 2014. The remaining 75% is owned by Fund No. 2.

THE VILLAGES OF SUNSET RIDGE

The Villages of Sunset Ridge ("Sunset Ridge") is located approximately 31 kilometres northeast of downtown Houston at 14807 Woodland Hills Drive in Humble, Texas. The property is comprised of 257 apartment suites ranging in size from one bedroom to three bedrooms. The complex consists of nine, three storey walk-up buildings on 11.45 acres of land. The Fund purchased a 50% joint venture ownership interest in the property on May 21, 2014. The remaining 50% is owned by Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund No. 3").

BELLE HAVEN APARTMENTS

Belle Haven Apartments ("Belle Haven") is located approximately 13 kilometres northeast of downtown Charlotte, at 9005 Post Canyon Lane in Charlotte, North Carolina. The property is comprised of 176 apartment suites, ranging in size from one to three bedrooms. The complex consists of seven, three storey walk-up buildings on a 12.89 acre site. The Fund purchased a $66\ ^{2/3}$% joint venture ownership interest in the property on February 19, 2015. The remaining $33^{1/3}$% interest is owned by Fund No. 3.

SORELLE

Sorelle is located approximately 11 kilometres north of downtown Atlanta, at 2399 Parkland Drive in Atlanta, Georgia. The property is comprised of 401 apartment suites, ranging in size from studio to two bedroom suites. The complex consists of two, four/five storey mid-rise buildings on a 5.09 acre site and also a six storey parking structure. The Fund purchased a 35% joint venture ownership interest in the property on September 9, 2015. The remaining 65% interest is owned by Fund No. 3.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at December 31, 2015, for the three months ended December 31, 2015 and for the year ended December 31, 2015, both on a consolidated Fund basis including the held for sale property, Bridgemoor, as well as with the removal of the Fund's non-controlling interest in Eagle Creek and including the Fund's ownership interest in joint ventures: Soho Parkway, Sunset Ridge, Belle Haven and Sorelle in order to compare operations of the property interests held by the Fund.

The key highlights were as follows:

- Same property rents grew from $1,076 to $1,135 during the three months ended December 31, 2015 when compared to the same period last year, representing an increase of 5.5% and have increased by 5.0% on annualized basis since the Fund's inception.
- Same property revenue growth was 4.4% during the three months ended December 31, 2015 and 6.6% for the year ended December 31, 2015.
- Same property NOI growth was 3.6% for the three months ended December 31, 2015 and 7.4% for the year ended December 31, 2015
- The weighted average portfolio occupancy was 94.4% for the year ended December 31, 2015 compared to 94.9% for the same period last year, reflecting the Fund's continued optimization of rental rates to drive overall revenue increases.
- AFFO payout ratio was a conservative 44.5% for the three months ended December 31, 2015 and improved from 53.6% for the same period last year and from 52.5% for the three months ended September 31, 2015.
- The Fund recognized an additional $5.5 million fair value increase on its investment properties during the three months ended December 31, 2015 and has recognized a $42.8 million increase since inception driven by continued NOI growth and capitalization rate compression.
- Interest Coverage Ratio for the three months ended December 31, 2015 was 2.81 times and the Indebtedness Coverage Ratio, which includes principal repayments, was 2.23 times.
- The Fund's weighted average interest rate was 3.00% as of December 31, 2015 and the weighted average term to maturity was 4.46 years.
- Indebtedness to Gross Book Value was 61.1%, at the lower end of the Fund's targeted leverage range.
- On February 10, 2016, the Fund sold Bridgemoor and on February 26, 2016 reinvested the proceeds from the sale in Marquee Station in Raleigh, North Carolina. See Subsequent Events.

	IFRS as at December 31, 2015	Adjusted as at December 31, 2015 (1)	IFRS as at December 31, 2014	Adjusted as at December 31, 2014 (1)
Operational Information				
Number of properties	5	9	5	7
Total suites	1,368	1,582	1,368	1,323
Weighted average portfolio occupancy %	94.4%	94.4%	95.2%	94.9%
Average monthly rent (in actual dollars)	$1,147	$1,143	$1,086	$1,076
Summary of Financial Information				
Gross Book Value	$191,127	$230,338	$208,675	$176,052
Indebtedness	$110,089	$140,728	$126,456	$104,129
Indebtedness to Gross Book Value (2)	57.60%	61.10%	60.60%	59.15%
Weighted average mortgage interest rate	2.80%	3.00%	2.75%	2.81%
Weighted average mortgage term to maturity	4.70 years	4.46 years	5.69 years	4.95 years

	IFRS - Q4 2015	Adjusted - Q4 2015 (1)	IFRS - Q4 2014	Adjusted - Q4 2014 (1)	IFRS - YE 2015	Adjusted - YE 2015 (1)	IFRS - YE 2014	Adjusted - YE 2014 (1)
Summary of Financial Information								
Revenue	$ 4,842	$ 5,587	$ 4,665	$ 4,453	$ 19,222	$ 20,364	$ 18,036	$ 16,371
Operating expenses	$ (2,122)	$ (2,385)	$ (2,027)	$ (1,916)	$ (8,436)	$ (8,839)	$ (8,048)	$ (7,135)
NOI	$ 2,720	$ 3,202	$ 2,638	$ 2,537	$ 10,786	$ 11,525	$ 9,988	$ 9,236
Income and comprehensive income	$ 4,542	$ 4,542	$ 5,956	$ 5,956	$ 11,017	$ 11,017	$ 18,023	$ 18,023
FFO		$ 1,748		$ 1,331		$ 6,417		$ 4,684
FFO per Unit - basic and diluted		$ 0.36		$ 0.28		$ 1.33		$ 0.97
AFFO		$ 1,477		$ 1,417		$ 5,598		$ 4,538
AFFO per Unit - basic and diluted		$ 0.31		$ 0.29		$ 1.16		$ 0.94
FFO payout ratio		37.60%		57.10%		43.09%		67.91%
AFFO payout ratio		44.50%		53.63%		49.39%		70.10%
Units outstanding at period-end for FFO and AFFO per Unit: Weighted average (000s) – basic and diluted		4,826		4,828		4,826		4,828

Notes:
(1) Excluding non-controlling interests and including joint ventures (Soho Parkway, Sunset Ridge, Belle Haven and Sorelle).
(2) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations for the three months and year ended December 31, 2015 and December 31, 2014 are summarized below and include the held for sale property, Bridgemoor, for the period November 15, 2015 to December 31, 2015 whose operations for that time period were presented separately in Note 5 to the audited consolidated financial statements:

		Q4-2015		Q4-2014		YE-2015		YE-2014
Revenue	$	4,842	$	4,665	$	19,222	$	18,036
Property operating expenses [1]		(2,122)		(2,027)		(8,436)		(8,048)
NOI		2,720		2,638		10,786		9,988
Share of net income from joint ventures		4,501		2,512		7,326		4,716
Fund expenses		(305)		(163)		(1,038)		(956)
Unrealized foreign exchange gain (loss)		-		(84)		-		-
Realized foreign exchange (loss) gain		(4)		17		(13)		46
Fair value adjustment of investment properties		2,101		8,053		8,612		25,180
Finance costs		(842)		(1,335)		(3,443)		(4,380)
Non-controlling interest		(707)		(1,407)		(2,368)		(3,692)
Income taxes:								
Current		(14)		(31)		(65)		(131)
Deferred		(2,908)		(4,244)		(8,780)		(12,748)
Net income and comprehensive income	**$**	**4,542**	**$**	**5,956**	**$**	**11,017**	**$**	**18,023**

(1) Property operating expenses include operating costs and realty taxes.

RESULTS OF OPERATIONS

The results of operations below have been presented and analyzed excluding the Fund's non-controlling interest in Eagle Creek and including the Fund's joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven and Sorelle. Accordingly, revenues, expenses, NOI and NOI margins are presented after removing 65% of Eagle Creek's operating results and by adding the Fund's joint venture interests to the IFRS presented consolidated financial statements.

		Q4-2015		Q4-2014		YE-2015		YE-2014
Revenue	$	5,587	$	4,453	$	20,364	$	16,371
Expenses:								
Operating costs		1,464		1,136		5,245		4,110
Property taxes		921		780		3,594		3,025
		2,385		1,916		8,839		7,135
NOI	$	3,202	$	2,537	$	11,525	$	9,236
NOI margin		57.3%		57.0%		56.6%		56.4%

PROPERTY REVENUE

Property revenue for the three months ended December 31, 2015 was $5,587 compared to $4,453 for the three months ended December 31, 2014. Property revenue for the three months ended December 31, 2015 was $1,134 higher when compared to the three months ended December 31, 2014, primarily due to the Fund's purchase of a $66^{2/3}$% joint venture interest in Belle Haven acquired on February 19, 2015 and a 35% joint venture interest in Sorelle acquired on September 9, 2015.

Property revenue for the year ended December 31, 2015 was $20,364 compared to $16,371 for the year ended December 31, 2014. Property revenue for the year ended December 31, 2015 was $3,993 higher when compared to the year ended December 31, 2014, primarily due to the Fund's purchase of its joint venture interests in Belle Haven and Sorelle, as mentioned above.

Same property revenue growth was $197 or 4.4% higher when comparing the three months ended December 31, 2015 to the three months ended December 31, 2014, due predominately to increased rental rates. Same property rental rates grew from $1,076 to $1,135 when comparing the three months ended December 31, 2015 to the same period in 2014, representing a 5.5% increase. Same property revenue growth was $957 or 6.6% higher when comparing the year ended December 31, 2015 to the year ended December 31, 2014.

OPERATING EXPENSES

Property operating costs for the three months ended December 31, 2015 were $1,464 compared to $1,136 for the three months ended December 31, 2014. Property operating costs for the three months ended December 31, 2015 were $328 higher when compared to the three months ended December 31, 2014, primarily due to the Fund's purchase of its joint venture interests in Belle Haven and Sorelle in 2015.

Property taxes for the three months ended December 31, 2015 were $921 compared to $780 for the three months ended December 31, 2014. The increase in property taxes period over period is due to an increase in the number of property interests held, as well as an increase in the assessed values of the properties held year over year. The Fund actively manages property tax appeals where necessary to control assessed values and keep them in-line with comparable properties.

Property operating costs for the year ended December 31, 2015 were $5,245 compared to $4,110 for the year ended December 31, 2014. Property operating costs for the year ended December 31, 2015 were $1,135 higher when compared to the year ended December 31, 2014, predominantly as a result of the Fund's purchase of its joint venture interests in Belle Haven and Sorelle as discussed above.

Property taxes for the year ended December 31, 2015 were $3,594 compared to $3,025 for the year ended December 31, 2014. The increase in property taxes year over year is due to an increase in the number of property interests held, as well as an increase in the assessed values of the properties held.

Same property expenses were $105 or 5.5% higher when comparing the three months ended December 31, 2015 to the three months ended December 31, 2014 due to increases in various expenses, including property taxes, water, hydro and salaries. Same property expenses were $351 or 5.6% higher when comparing the year ended December 31, 2015 to the year ended December 31, 2014 due to increases in the aforementioned. Both expense growth figures above exclude the non-controlling interest in Eagle Creek and include the Fund's joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven and Sorelle.

NOI

NOI for the three months ended December 31, 2015 was $3,202 compared to $2,537 for the three months ended December 31, 2014, representing an increase of $665 or 26.2%. Same property NOI for the three months ended December 31, 2015 was $2,629 compared to $2,537 for the three months ended December 31, 2014, representing an increase of $92 or 3.6%. The increase reflects the asset management initiatives implemented to increase rental rates and manage property expenditures.

NOI for the year ended December 31, 2015 was $11,525 compared to $9,236 for the year ended December 31, 2014, representing an increase of $2,289 or 24.8%. Same property NOI for the year ended December 31, 2015 was $8,796 compared to $8,190 for the year ended December 31, 2014, representing an increase of $606 or 7.4%. The increase reflects the asset management initiatives implemented to increase rental rates and manage property expenditures. The Fund continues to grow NOI through active management of revenues and expenses, as well as through acquisitions.

NOI margin for the three months ended December 31, 2015 was 57.3% compared to 57.0% for the three months ended December 31, 2014. NOI margin for the year ended December 31, 2015 was 56.6% compared to 56.4% for the year ended December 31, 2014. Overall, the margins remained fairly consistent period over period and year over year.

SHARE OF NET EARNINGS FROM JOINT VENTURES

The Fund's share of net earnings from joint ventures for the three months and year ended December 31, 2015 were $4,501 and $7,326, respectively. The Fund's share of net earnings from joint ventures for the three months and year ended December 31, 2014 were $2,512 and $4,716, respectively. The increase in 2015 for the three months and year ended December 31, 2015 was $1,989 and $2,610 and was primarily due to the investments in Belle Haven and Sorelle in 2015 which contributed significantly to both NOI and property appreciation.

FUND EXPENSES

Fund expenses include costs incurred by the Fund that are not directly attributable to the properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, foreign exchange gains and losses, directors' and officers' insurance premiums, expenses relating to the administration of the Fund's distributions and other general and administrative expenses associated with the operation of the Fund. Also included in fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight" or the "Manager"). See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund expenses for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were $305 and $197, respectively, and include asset management fees and service fees of $216 and $179, respectively, excluding 65% of Eagle Creek and including the Fund's interest in joint ventures, and other costs such as legal and audit fees, director fees, investor relations expenses, appraisal fees, foreign exchange gains and losses on Fund transactions, and directors' and officers' insurance premiums, totalling $89 and $18, respectively.

Fund expenses for the year ended December 31, 2015 and for the year ended December 31, 2014 were $1,038 and $956, respectively, and include asset management fees and service fees of $794 and $689, respectively, and other costs such as legal and audit fees, director fees, investor relations expenses, foreign exchange gains and losses on Fund transactions, and directors' and officers' insurance premiums, totalling $244 and $267, respectively.

Foreign Exchange Gains and Losses

The Fund has recognized an unrealized foreign exchange gain of $137 and $210 for the three months and year ended December 31, 2015 within its share of net earnings from joint ventures, respectively, relating to the mezzanine loan associated with Sorelle that was borrowed in Canadian dollars and is floating based on the conversion to U.S. dollars. The Fund also realized a foreign exchange loss for the three months and year ended December 31, 2015 of $4 and $13, respectively, in relation to regular Fund expenses. The Fund had an unrealized foreign exchange loss of ($84) for the three months ended December 31, 2014. The Fund did not have an unrealized foreign exchange gain or loss for the year ended December 31, 2014. The Fund had a $17 realized foreign exchange gain for the three months ended December 31, 2014 and a $46 realized foreign exchange gain for the year ended December 31, 2014 associated with the Eagle Creek mezzanine loan.

Finance Costs

The Fund's finance costs for the three months and year ended December 31, 2015 are summarized below, including the Fund's 65% non-controlling interest in Eagle Creek and Bridgemoor which was held for sale as of November 15, 2015, and excluding the joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven, and Sorelle, along with the comparative 2014 figures:

	Q4-2015	Q4-2014	YE-2015	YE-2014
Interest on mortgages payable	$ 780	$ 848	$ 3,102	$ 3,560
Amortization of premium on mortgages payable	(19)	(19)	(67)	(67)
Amortization of financing costs	72	365	287	688
Fair value adjustments on derivative instrument	9	29	121	44
Write-off of financing costs	-	111	-	155
Total	$ 842	$ 1,334	$ 3,443	$ 4,380

The Fund's finance costs for the three months and year ended December 31, 2015 are summarized below, excluding the Fund's 65% non-controlling interest in Eagle Creek and including Bridgemoor which was held for sale as of November 15, 2015, and the joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven and Sorelle:

	Q4-2015	Q4-2014	YE-2015	YE-2014
Interest on mortgages payable	$ 1,079	$ 782	$ 3,725	$ 3,039
Amortization of premium on mortgages payable	(19)	(19)	(67)	(67)
Amortization of financing costs	96	236	410	526
Fair value adjustments on derivative instrument	6	29	113	44
Write-off of financing costs	-	66	-	110
Total	$ 1,162	$ 1,093	$ 4,181	$ 3,652

Interest on mortgages payable for the three months and year ended December 31, 2015 was $1,079 and $3,725, respectively. Interest on mortgages payable for the three months and year ended December 31, 2014 was $782 and $3,039, respectively. The increase in 2015 was predominately due to the Fund owning more properties through joint ventures.

Amortization of premiums on mortgages payable for the three months and year ended December 31, 2015 was ($19) and ($67), respectively. Amortization of premiums on mortgages payable for the three months and year ended December 31, 2014 was ($19) and ($67), respectively.

Amortization of financing costs for the three months and year ended December 31, 2015 was $96 and $410, respectively. Amortization on financing costs for the three months and year ended December 31, 2014 was $236 and $526, respectively, in both cases higher than the 2015 period due to the refinancing of Greenhaven and Eagle Creek on November 5, 2014 which reduced the Fund's weighted average interest rate on debt from 3.14% as of September 30, 2014 to 2.81% as of December 31, 2014, in both cases excluding the Fund's non-controlling interest in Eagle Creek and including the Fund's interest in joint ventures.

The Fund entered into interest rate cap agreements to satisfy a requirement under certain agency financing arrangements. The value of the interest rate caps will decline as the term to maturity declines and will also be subject to interest rate volatility. These financial instruments are adjusted to fair value on a quarterly basis and gains or losses are recorded at that time. The Fund incurred an unrealized fair value loss of $6 on interest rate cap agreements for the three months ended December 31, 2015 and an unrealized fair value loss on interest rate cap agreements of $113 for the year ended December 31, 2015 related to three properties mortgages and excluding the Fund's non-controlling interest in Eagle Creek and including the Fund's interest in joint ventures. For the three months ended December 31, 2014, the Fund incurred an unrealized fair value loss of $29 on interest rate cap agreements, and an unrealized fair value loss of $44 on interest rate cap agreements for the year ended December 31, 2014, none of which related to the Fund's non-controlling interest in Eagle Creek.

The Fund did not recognize a write-off of financing costs for the three months or year ended December 31, 2015. The Fund recognized a $111 write-off of financing costs for the three months ended December 31, 2014 relating to its original loans on Greenhaven and Eagle Creek, as the Fund fully repaid its original mortgages and obtained new financing, resulting in additional net funds of $3,498, excluding the non-controlling portion of Eagle Creek. Excluding the Fund's non-controlling interest in Eagle Creek, the write-off was $66 for the three months ended December 31, 2014.

Finance costs for the three months and year ended December 31, 2015 were $1,162 and $4,181, respectively, excluding the Fund's non-controlling interest in Eagle Creek.

Investment Properties – Fair Value Adjustments

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The Fund has realized a cumulative fair value adjustment of $42,760 since inception to December 31, 2015 excluding 65% non-controlling interest in Eagle Creek and including the Fund's joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven and Sorelle. Excluding the Fund's non-controlling interest in Eagle Creek and including its joint venture interests, the Fund would have investment properties of $230,338 as of December 31, 2015. All figures include Bridgemoor which was classified as held for sale as of November 15, 2015 and presented separately on Note 5 to the audited consolidated financial statements.

The following table summarizes the change in investment properties held by the Fund for the years ended December 31, 2015 and December 31, 2014. As at December 31, 2015, the below excludes Bridgemoor, which for IFRS reporting purposes was classified as held for sale:

		Amount
Balance at January 1, 2014	$	155,530
Additions - capital expenditures		770
Fair value adjustment		25,180
Balance at December 31, 2014	$	181,480
Additions - capital expenditures		**891**
Fair value adjustment		**8,755**
Balance at December 31, 2015	**$**	**191,126**

The following table reconciles the cost base of investment properties to their fair value:

	As at December 31, 2015	As at December 31, 2014
Cost	**$ 150,040**	$ 172,381
Cumulative fair value adjustment	**41,086**	36,294
Fair value	**$ 191,126**	$ 208,675

The key assumptions for investment properties held by the Fund are set out in the following table:

	As at December 31, 2015	As at December 31, 2014
Capitalization rates - range	**5.00-6.00%**	5.50-5.75%
Capitalization rate - weighted average	**5.63%**	5.57%

The Fund's weighted average capitalization rate, including the investments in joint venture properties was 5.49% as at December 31, 2015 (December 31, 2014 – 5.56%).

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties as set out in the following table:

Key assumptions	Change	As at December 31, 2015	As at December 31, 2014
Weighted average:			
Capitalization rate	10-basis-points increase	**$ (2,808)**	$ (3,195)
Capitalization rate	10-basis-points decrease	**$ 2,911**	$ 3,330

The impact of a 1% change in NOI used to value the investment properties as at December 31, 2015 would affect the fair value by approximately $1,602 (2014 - $1,815).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three months ended December 31, 2015 and the year ended December 31, 2015 with comparative periods.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below:

	Q4 - 2015	Q4 - 2014	YE - 2015	YE - 2014
Net income and comprehensive income	**$ 4,542**	**$ 5,956**	**$ 11,017**	**$ 18,023**
Add / (Less):				
Deferred taxes (1)	2,836	3,337	7,714	10,436
Unrealized foreign exchange (gain) loss (1)	(137)	84	(210)	-
Realized foreign exhange gain	4	(17)	13	(46)
Fair value adjustment on derivative instruments (1)	6	29	113	44
Fair value adjustment of investment properties (1)	(5,503)	(8,058)	(12,230)	(23,773)
FFO - basic and diluted (1)	**$ 1,748**	**$ 1,331**	**$ 6,417**	**$ 4,684**
FFO per Unit - basic and diluted (1)	$ 0.36	$ 0.28	$ 1.33	$ 0.97
Distributions declared (2)	$ 657	$ 760	$ 2,765	$ 3,181
FFO payout ratio (1)	37.60%	57.10%	43.09%	67.91%
Units outstanding:				
Basic and diluted - Class A, C, F, I, U - (000s)	4,826	4,828	4,826	4,828

Notes:
(1) Adjusted to exclude portion relating to non-controlling interest and include portions relating to joint ventures.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three months ended December 31, 2015 and three months ended December 31, 2014 was $1,748 and $1,331, respectively, and $0.36 and $0.28, respectively. The FFO payout ratio for the three months ended December 31, 2015 was 37.60% and 57.10% for the three months ended December 31, 2014.

Basic and diluted FFO and FFO per Unit for the year ended December 31, 2015 and year ended December 31, 2014 was $6,417 and $4,684, respectively and $1.33 and $0.97, respectively. The FFO payout ratio for the year ended December 31, 2015 was 43.09% and for the year ended December 31, 2014 was 67.91%. The improvements are the result of a stronger U.S. dollar relative to the Canadian dollar coupled with same property NOI growth and contributions from acquisitions. The FFO payout ratio remained strong as the Fund continues to post strong FFO figures resulting from growth through improved performance and acquisitions.

The Fund distributions paid and declared for the year ended December 31, 2015 per Unit were as follows:

Class A	Class C	Class F	Class I	Class U
C$0.69996	C$0.76932	C$0.75204	C$0.72900	$0.69996

Adjusted Funds From Operations

Reconciliation of FFO to AFFO for the three months and year ended December 31, 2015 and comparative periods are detailed below:

	Q4-2015	Q4-2014	YE-2015	YE-2014
FFO - basic and diluted [(1)]	**$ 1,748**	**$ 1,331**	**$ 6,417**	**$ 4,684**
Add / (Deduct):				
Amortization of premium on mortgages payable	(19)	(19)	(67)	(67)
Amortization of financing costs [(1)]	95	236	408	526
Loss on early extinguishment of debt [(1)]	-	65	-	109
Capital expenditures and suite renovations [(1)]	(347)	(196)	(1,160)	(714)
AFFO - basic and diluted [(1)]	**$ 1,477**	**$ 1,417**	**$ 5,598**	**$ 4,538**
AFFO per unit - basic and diluted [(1)]	$ 0.31	$ 0.29	$ 1.16	$ 0.94
Distributions declared [(2)]	$ 657	$ 760	$ 2,765	$ 3,181
AFFO payout ratio [(1)]	44.50%	53.63%	49.39%	70.10%
Units outstanding:				
Basic and diluted - Class A, C, F, I, U - (000s)	4,826	4,828	4,826	4,828

Notes:
(1) Adjusted to exclude portion relating to non-controlling interest and include portions relating to joint ventures.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Reconciliation of cash provided by operations to AFFO for the three months and year ended December 31, 2015 and comparative periods is provided below:

	Q4-2015	Q4-2014	YE-2015	YE-2014
Cash provided by operating activities	$ **1,358**	$ **2,453**	$ **8,529**	$ **8,917**
Less: interest on mortgages payable	(781)	(848)	(3,101)	(3,560)
Cash provided by operating activities including interest on mortgages payable	**577**	**1,605**	**5,428**	**5,357**
Add / (Deduct):				
Non-controlling interest	(707)	(1,407)	(2,368)	(3,692)
Change in non-cash operating working capital (1)	169	(826)	622	(536)
Change in restricted cash (1)	534	625	462	(100)
Share of net earnings in joint ventures	4,501	2,512	7,326	4,716
Unrealized foreign exchange gain (2)	(137)	-	(210)	-
Realized foreign exchange gain	4	(17)	13	(46)
Fair value adjustment on derivative instruments (2)	6	29	113	44
Fair value adjustment of investment properties (2)	(3,402)	(4)	(3,618)	1,381
Amortization of financing costs (2)	23	(129)	123	(162)
Loss on early extinguishment of debt (2)	-	(46)	-	(46)
Deferred taxes (2)	(72)	(907)	(1,066)	(2,312)
Amortization of premium on mortgages payable	(19)	(19)	(67)	(67)
Capital expenditures and suite renovations (1)	(347)	(196)	(1,160)	(714)
AFFO - basic and diluted	$ **1,477**	$ **1,417**	$ **5,598**	$ **4,538**

Notes:
(1) Adjusted to exclude portion relating to non-controlling interest and include portions relating to joint ventures.
(2) Adjusted to include portion relating to non-controlling interest and joint ventures only.

Basic and diluted AFFO and AFFO per Unit for the three months ended December 31, 2015 and three months ended December 31, 2014 was $1,477 and $1,417, respectively, and $0.31 and $0.29, respectively. The AFFO payout ratio for the three months ended December 31, 2015 was 44.50% when compared to the three months ended December 31, 2014 of 53.63%.

Basic and diluted AFFO and AFFO per Unit for the year ended December 31, 2015 and for the year ended December 31, 2014 was $5,598 and $4,538, respectively, and $1.16 and $0.94, respectively. The AFFO payout ratio for the year ended December 31, 2015 was 49.39% compared to the year ended December 31, 2014 which was 70.10%. The Fund increased AFFO throughout the year as a result of continued growth in rental rates and controlled spending, as well as a strengthening of the U.S. dollar against the Canadian dollar.

The Fund's distributions were not in excess of operational cash flow adjusted to AFFO and the Fund does not expect distributions to exceed operational cash flow adjusted to AFFO in 2016. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders, maintenance and property capital expenditure commitments as they become due and to provide for the future growth of the business. Given the age and quality of the Fund's properties, minimal capital expenditures are required to maintain the properties. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and mortgage debt secured by investment properties. As at December 31, 2015, the Fund was in compliance with all of its financial covenants.

CASH FLOWS

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for the three months ended December 31, 2015, for the three months ended December 31, 2014, for the year ended December 31, 2015 and for the year ended December 31, 2014:

		Q4-2015		Q4-2014		YE-2015		YE-2014
Cash provided by operating activities	$	1,358	$	2,453	$	8,529	$	8,917
Cash (used in) provided by investing activities		(714)		21		(3,479)		(7,870)
Cash (used in) provided by financing activities		(1,984)		(303)		(8,174)		626
(Decrease) increase in cash		(1,340)		2,171		(3,124)		1,673
Cash, beginning of period		3,484		3,097		5,268		3,595
Cash, end of year	$	2,144	$	5,268	$	2,144	$	5,268
Cash, property held for sale	$	(156)	$	-	$	(156)	$	-
Cash, end of year net of property held for sale	$	1,988	$	5,268	$	1,988	$	5,268

Cash on hand at December 31, 2015 was $1,988 compared to cash on hand at December 31, 2014 of $5,268. Including the Funds cash held by joint venture interests, cash on hand at December 31, 2015 was $2,268 (including Bridgemoor held for sale) and at December 31, 2014 was $5,401. Including pre-acquisition costs of $841, the Fund had liquid assets as of December 31, 2015 of 3,109.

Cash provided by operating activities for the three months ended December 31, 2015 and three months ended December 31, 2014 was $1,358 and $2,453, respectively, and related primarily to the net cash generated from property operations.

Cash provided by operating activities for the year ended December 31, 2015 was $8,529 and cash provided by operating activities for the year ended December 31, 2014 was $8,917, both related primarily to the net cash generated from property operations.

Cash used in investing activities for the three months ended December 31, 2015 was $714 and cash provided by investing activities for the three months ended December 31, 2014 was $21. The changes during the three months ended December 31, 2015 was due to contributions to joint ventures of $585 and additions to investment properties of $129. The changes during the three months ended December 31, 2014 was due to contributions from joint ventures of $173 that were partially offset by additions to investment properties of $152.

Cash used in investing activities for the year ended December 31, 2015 and year ended December 31, 2014 was $3,479 and $7,870, respectively. The investing activities for the year ended December 31, 2015 related to initial contributions to joint ventures of $6,324 as well as spending on capital additions of $891 and partially offset by distributions received from joint ventures of $3,736. The investing activities for the year ended December 31, 2014 related to initial contributions to joint ventures of $5,938 as well as spending on capital additions of $770 and contributions to joint ventures of $1,492.

Cash used in financing activities for the three months ended December 31, 2015 and three months ended December 31, 2014 was $1,984 and $303, respectively. The changes during the three months ended December 31, 2015 related to financing costs paid of $781, distributions to unitholders of $657, distributions to non-controlling interests of $189, Units repurchased and cancelled under the Fund's normal course issuer bid (the "Issuer Bid") of $76, principal payments on mortgage payables of $281. The changes during the three months ended December 31, 2014 were proceeds on new mortgages payable of $70,870 and distributions from non-controlling interests of $711, which were partially offset repayment of mortgages payables of $67,460, the purchase of interest rate caps of $78, finance costs paid of $1,695, distributions to unitholders of $760, and contributions to non-controlling interests of $1,891.

Cash used in financing activities for the year ended December 31, 2015 was $8,174. The changes for the year ended December 31, 2015 relate primarily to contributions received from non-controlling interests of $102, which were offset by financing costs paid of $3,102, principal payments on mortgage payable of $892, distribution payments to Unitholders of $2,765, distributions to non-controlling interest of $1,322, and Units repurchased and cancelled under the Fund's Issuer Bid of $195.

Cash provided by financing activities for year ended December 31, 2014 was $626. The changes for the year ended December 31, 2014 relate primarily to proceeds from mortgage financing of $78,050 and contributions received from non-controlling interests of $1,410, which was partially offset by financing costs paid of $4,904, repayment of mortgages $67,460, the purchase of interest rate caps of $168, principal payments on mortgage financing of $720, distribution payments to Unitholders of $3,181, and distributions to non-controlling interest of $2,401.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and Unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build Unitholder value and maintaining sufficient capital contingencies.

As at December 31, 2015 and December 31, 2014, the total capital of the Unitholders, excluding the Fund's non-controlling interest in Eagle Creek and including indebtedness in the Fund's joint ventures was as follows:

	As at December 31, 2015	As at December 31, 2014
Indebtedness	$ 140,728	$ 104,129
Unitholders' equity	71,961	63,904
Total capital	$ 212,689	$ 168,033

DEBT PROFILE

As at December 31, 2015, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, excluding the Fund's non-controlling interest in Eagle Creek, was 61.10%. The maximum allowable ratio under the Fund's limited partnership agreement is 75% but it is targeted between 60% and 70%. The weighted average mortgage interest rate for the Fund, excluding the non-controlling interest in Eagle Creek, as at December 31, 2015, was 3.00% and the weighted average term to maturity of the mortgage portfolio was 4.46 years.

The following table summarizes key liquidity metrics:

	As at December 31, 2015 (1)	As at December 31, 2015 (2)
Indebtedness to Gross Book Value	$110,089	$140,728
Weighted average interest rate - mortgages	2.80%	3.00%
Weighted average term to maturity - mortgages	4.70 years	4.46 years
	Three months ended December 31, 2015	**Year ended December 31, 2015**
Interest Coverage Ratio (2)	2.81 x	2.87 x
Indebtedness Coverage Ratio (2)	2.23 x	2.31 x

(1) Based on IFRS financial statements and including Bridgemoor - which was held for sale as at December 31, 2015.
(2) Adjusted to exclude portion relating to non-controlling interest and include joint ventures.

The Interest Coverage Ratio for the three months ended December 31, 2015, excluding the Fund's non-controlling interest in Eagle Creek was 2.81 times. The Indebtedness Coverage Ratio for the same period was 2.23 times, excluding the Fund's non-controlling interest in Eagle Creek. The Interest Coverage Ratio for the year ended December 31, 2015 was 2.87 times and Indebtedness coverage ratio was 2.31 times, both excluding the Fund's non-controlling interest in Eagle Creek. Both ratios were higher when compared to the prior year period due to the Fund lowering its cost of debt through refinancings.

MORTGAGES PAYABLE

The following table sets out, as at December 31, 2015, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the next five fiscal years and the weighted average interest rate of maturing mortgages based on the Fund's consolidated financial statements which include the Fund's non-controlling interest in Eagle Creek and the mortgage payable on Bridgemoor which was classified as held for sale as at December 31, 2015:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2016	$ 1,250	$ -	$ 1,250	1.14%	0.00%	3,068
2017	2,073	27,064	29,137	26.47%	0.96%	2,221
2018	1,903	-	1,903	1.73%	0.00%	1,924
2019	1,939	-	1,939	1.76%	0.00%	1,887
2020	1,974	-	1,974	1.79%	0.00%	1,855
Thereafter	1,780	72,106	73,886	67.11%	1.84%	1,663
	$ 10,919	$ 99,170	$ 110,089	100.00%	2.80%	$ 12,617
Mortgage premium			8			
Unamortized financing costs			(1,073)			
			$ 109,024			

The following table sets out, as at December 31, 2015, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the next five fiscal years and the weighted average interest rate of maturing mortgages based on the Fund's consolidated financial statements which include the joint venture interests in Soho Parkway, Sunset Ridge, Belle Haven, and Sorelle and the mortgage payable on Bridgemoor which was classified as held for sale as at December 31, 2015, and exclude the non-controlling interest in Eagle Creek:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2016	$ 1,390	$ -	$ 1,390	0.99%	0.00%	4,154
2017	2,016	27,064	29,080	20.66%	0.76%	3,306
2018	1,733	32,897	34,630	24.61%	0.85%	2,379
2019	1,666	-	1,666	1.18%	0.00%	1,857
2020	1,804	-	1,804	1.28%	0.00%	1,828
Thereafter	2,487	69,671	72,158	51.27%	1.39%	2,562
	$ 11,096	$ 129,632	$ 140,728	100.00%	3.00%	$ 16,085
Mortgage premium			8			
Unamortized financing costs			(1,316)			
			$ 139,420			

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into five classes of Units: Class A Units; Class C Units; Class F Units; Class I Units; and Class U Units.

UNITS

The following table summarizes the changes in Units for the period from February 12, 2013 to December 31, 2015:

	Units	Amount
Outstanding as at February 12, 2013	-	$ -
Issuance of Units (Class A, C, F, I, & U), April 18, 2013, net of costs of $2,302	4,550	42,177
Issuance of Units (Class A) - over-allotment, May 16, 2013, net of costs of $143	278	2,587
Class A Units repurchased and cancelled under the Issuer Bid	(14)	(148)
Class U Units repurchased and cancelled under the Issuer Bid	(3)	(47)
Additional Units due to conversion to Class A	5	-
Outstanding as at December 31, 2015	4,816	44,569

On June 4, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 278,999 (in actual Units) of its Class A Units and 34,857 (in actual Units) of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on June 11, 2015 and will remain in effect until the earlier of: (i) June 10, 2016; (ii) the termination of the Fund, if not extended, and (iii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

In connection with the Issuer Bid, the Fund entered into an automatic unit purchase plan (the "Plan") with an investment advisor in order to facilitate repurchases of the Units under the Issuer Bid. Purchases under the Plan are made by the Fund's investment advisor based on the parameters prescribed by the TSX Venture Exchange, applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Fund's investment advisor may purchase Units under the Issuer Bid when the Fund would ordinarily not be permitted to do so. From June 11, 2015 until December 31, 2015, 13,720 Class A Units (in actual Units) and 4,700 Class U Units (in actual Units) were purchased under the Issuer Bid.

A copy of TSX Venture Exchange Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available, without charge by contacting the Fund.

As at December 31, 2015, there were 4,815,636 Units issued and outstanding (as of December 31, 2014 – 4,827,777 Units).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party, as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On April 18, 2013, the Fund entered into the management agreement with Starlight, which was amended and restated on December 1, 2013. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team including advisory, consultation and investment management services, and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

  (i) the historical purchase price of properties owned by the Fund; and

  (ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from April 18, 2013 plus an amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three months ended December 31, 2015 and for the year ended December 31, 2015, the cost of these services was $216 and $794, respectively, excluding service fees (three months ended December 31, 2014 was $150 and year ended December 31, 2014 was $689). As at December 31, 2015, $93 was included in accounts payable and accrued liabilities including service fees of $30 (as at December 31, 2014, $80 was included in accounts payable and accrued liabilities including service fees of $30).

(b) Acquisition fee equal to:

(i) 1.0% of the purchase price of a property, on the first $100,000 of properties;

(ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and

(iii) 0.50% of the purchase price on properties in excess of $200,000.

For the three months ended December 31, 2015 and for the year ended December 31, 2015, the cost of these services was $nil and $304, respectively. These fees related to the purchase of the Fund's interests in Belle Haven and Sorelle. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. For the three months ended December 31, 2014 and for the year ended December 31, 2014, the costs of these services were $nil and $170, respectively.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding-up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions.

Carried Interest

After (i) payment of all expenses of Starlight U.S. Multi-Family Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

AUDIT COMMITTEE

Audit Committee Charter

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in accordance with applicable laws including reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, oversight of the work and review of the independence of the external auditors of the Fund and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this MD&A as "Schedule A".

Composition of the Audit Committee

The audit committee of the Fund is comprised of Daniel Drimmer, Derek Lobo and Harry Rosenbaum. Derek Lobo and Harry Rosenbaum are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent Directors and the Fund is relying on such an exemption in Section 6.1 of NI 52-110. Each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are financially literate within the meaning of applicable securities laws. Each of the audit committee members has an understanding of the accounting principles used to prepare the Fund's financial statements and possesses the ability to assess the general application of such principles in connection with the Fund's accounting for estimates, accruals and provisions. In addition, each audit committee member has experience preparing, auditing, analyzing, evaluating or actively supervising, comparable financial statements with the breadth and complexity of the Fund's financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The biographies of each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are set out below which provide a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

Daniel Drimmer

Daniel Drimmer is the founder, President and Chief Executive Officer of Starlight, a Canadian real estate asset management company focused on the acquisition, ownership and management of commercial and residential properties across Canada and the U.S., with a portfolio of approximately 32,500 residential rental units and over 2,300,000 square feet in commercial properties. In addition to the formation of the Manager, Daniel Drimmer established and is the chairman of True North Commercial Real Estate Investment Trust and founded TransGlobe Investment Management Ltd., TransGlobe Property Management Services Ltd. and TransGlobe Apartment Real Estate Investment Trust ("Transglobe Apartment REIT" and, collectively, "TransGlobe") and was TransGlobe's President from November 1996 to August 2011. Under Mr. Drimmer's guidance, TransGlobe expanded its original portfolio of seven properties to a portfolio exceeding 30,000 residential suites (including those owned by Transglobe Apartment REIT, as at September 1, 2011), and approximately one million square feet of gross leasable area of commercial space. Daniel Drimmer also served as Transglobe Apartment REIT's Chairman and director from May 2010 to August 2011. Mr. Drimmer is currently a director of the Fund, Fund No. 2, Fund No. 3 and Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund No. 4") as well as Northview Apartment REIT which acquired True North Apartment REIT, founded by Mr. Drimmer. Over the last 10 years, Mr. Drimmer has sourced, acquired and financed in excess of 85,000 residential units. Over the last seven years, Daniel Drimmer has led more than C$15 billion in real estate transactions, including three initial public offerings. Daniel Drimmer was born and raised in Berlin, Germany and is the third generation of the Drimmer family to be involved in real estate. He obtained a Bachelor of Arts degree from the University of Western Ontario, and a Master of Business Administration degree and a Masters' degree in Contemporary European Policy Making from European University in Geneva, Switzerland.

Derek Lobo

Derek Lobo is the Founder, Chairman and Chief Executive Officer of Sun Rock Advisors' Inc., a boutique commercial real estate firm with an exclusive focus on the apartment industry. Mr. Lobo has over 20 years of experience in apartment marketing across North America, with a focus on providing practical strategic solutions aimed at increasing occupancy and asset value. In 1988, Mr. Lobo founded Derek A. Lobo & Associates Inc., a multi-family consulting firm, for which he currently acts as Chief Executive Officer. Mr. Lobo has also spoken widely on real estate matters at trade shows and conferences across North America including to The National Multi-Housing Council and Ontario Real Estate Association. Mr. Lobo is currently a director of the Fund, Fund No. 2, Fund No. 3 and Fund No. 4.

Harry Rosenbaum

Harry Rosenbaum is a founding principal of the Great Gulf Group of Companies, one of North America's premier real estate conglomerates. He has been instrumental in manifesting such iconic projects as One Bloor East, Toronto, Ontario. Mr. Rosenbaum is a principal of Ashton Woods Homes, one of the largest private homebuilders in the United States and is currently a director of the Fund, Fund No. 2, Fund No. 3, and Fund No. 4. He is also a Trustee of WPT Industrial Real Estate Investment Trust. Prior to the creation of Great Gulf Group in 1983, Mr. Rosenbaum practiced commercial and real estate law at a Toronto law firm. Mr. Rosenbaum is active as a board member of various charitable organizations including the ACL (Advocates for Civil Liberties) and Sunnybrook Hospital Foundation. Mr. Rosenbaum attended Osgoode Hall Law School, graduating in 1974. He also holds a degree in Economics from York University, completed in 1971.

Pre-Approval of Non Audit Services

In accordance with the independence standards for auditors, the Fund is restricted from engaging its external auditors to provide certain non-audit services to the Fund, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit. The Fund may engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. The Audit committee reviews and approves the nature of and fees for any non-audit service performed by the Fund's external auditors in accordance with applicable requirements and Board of Directors of Starlight GP (the "Board" or "Directors") approved policies and procedures.

External Auditor Service Fees

The following table sets forth the approximate amounts of fees paid and accrued to the Fund's auditor, Collins Barrow Toronto LLP, for services rendered for the periods from January 1, 2014 to December 31, 2014 and from January 1, 2015 to December 31, 2015:

Fee Category	January 1, 2015 to December 31, 2015	January 1, 2014 to December 31, 2014
Audit fees	$37	$42
Audit-related fees(1)	$nil	$nil
Tax fees(2)	$21	$23
All other fees	$nil	$nil
Total	$58	$65

Notes:

(1) "Audit related fees" include fees paid and accrued in connection with the Fund's offering prospectus, including carve-out audit fees for the properties.

(2) "Tax fees" include fees paid and accrued for tax compliance, tax planning and tax advisory services, including the review and preparation of tax returns.

REMUNERATION OF MANAGEMENT OF THE FUND

Overview

As at the date hereof, the Fund, through its general partner, Starlight GP, does not directly employ any persons who would be considered a named executive officer ("NEO") of the Fund as such term is defined in Form 51-102F6 – Statement of Executive Compensation in National Instrument 51-102 - Continuous Disclosure Obligations. The services of Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, as Chief Executive Officer, President and Chief Financial Officer, respectively, are provided by Starlight. No compensation is paid by the Fund or its subsidiaries to those persons provided by Starlight as officers of the Fund, and the compensation received by such persons from Starlight is not within or subject to the discretion of the Board. The compensation paid by the Fund and Starlight U.S. Multi-Family Core REIT Inc. to Starlight for services rendered is calculated in accordance with the management agreement entered into on April 18, 2013. See "Related Party Transactions and Arrangements – Arrangements with Starlight". Starlight provides such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and is therefore responsible for all matters with respect to such employees and consultants. All references to the officers of the Fund named in the "Summary Compensation Table" below, namely Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, are references to officers of Starlight GP, in its capacity as general partner of the Fund, and are either officers or employees of Starlight.

Compensation Discussion and Analysis

The Fund's executive team is employed by Starlight. The Fund is obligated to pay Starlight certain amounts pursuant to terms of the management agreement, as discussed in "Related Party Transactions and Arrangements – Arrangements with Starlight". As such, any variability in compensation paid by Starlight to the NEOs does not impact the Fund's financial obligations. The Board may hire officers and employees, but such hiring, if not of Starlight officers, consultants or employees, would be at the sole expense of the Fund. Further, any officer that is an officer, consultant or employee provided by Starlight may be removed from such position with the Fund, at the discretion of the Board. The Fund does not have a compensation committee and has not retained a compensation consultant or advisor since its commencement of operations.

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to time spent on the activities of the Fund, and supplements the more detailed information concerning executive compensation that appears in the tables below and the accompanying narrative that follows.

PRINCIPAL ELEMENTS OF COMPENSATION

The compensation of the NEOs includes two major elements: (i) base salary; and (ii) an annual cash bonus. The Fund does not have any long-term equity incentive plans, such as a Unit option plan, pursuant to which cash or non-cash compensation has been or will be paid or distributed to any NEO or Director. In addition, the Fund does not have any stock appreciation rights, incentive plans, medium term incentives or pension plans. Perquisites and personal benefits are not a significant element of compensation of the NEOs. Pursuant to the Fund's Insider Trading Policy, NEOs and Directors are prohibited from purchasing financial instruments that are designed to offset a decrease in market value of Units held by NEOs and Directors.

As a private company, Starlight's process for determining executive compensation is straightforward, with no specific formula for determining the amount of each element of compensation, and no formal approach applied by Starlight for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Fund. Objectives and performance measures may vary from year to year as determined to be appropriate by Starlight without reference to any formal benchmarking. Accordingly, the Board has not considered the implications of the risks associated with the compensation of NEOs.

These two principal elements of compensation are described below.

Base Salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Fund, the position and responsibilities of the NEOs and competitive industry pay practices for other real estate funds, real estate investment trusts and corporations of comparable size. Starlight does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary are at the sole discretion of Starlight. The Board may review the compensation payable to its officers by Starlight and provide recommendations to Starlight, which are considered in good faith by Starlight, but are not binding upon Starlight.

Annual Cash Bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards, and reward performance of the Fund or the NEO individually. The determination of the performance of the Fund may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as Unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities. The Board may review the bonuses payable to its officers by Starlight, and provide recommendations to Starlight, which are considered in good faith by Starlight but are not binding upon Starlight.

SUMMARY COMPENSATION TABLE

The following table sets out information concerning compensation to be earned by, paid to, or awarded to the persons determined to be NEOs of the Fund pursuant to applicable securities laws. All amounts below are set out in Canadian dollars.

Name and principal position	Year[1]	Salary[2] (C$)	Non-Equity Annual Incentive Plans (C$)	All other compensation[3] (C$)	Total compensation[4] (C$)
Daniel Drimmer [5], *Chief Executive Officer*	2015	Nil	Nil	Nil	Nil
	2014	Nil	Nil	Nil	Nil
	2013	Nil	Nil	Nil	Nil
Evan Kirsh[6], *President*	2015	105,000	Nil	Nil	105,000
	2014	120,000	Nil	Nil	120,000
	2013	15,000	Nil	Nil	15,000
Tamara Lawson[7], *Chief Financial Officer*	2015	52,500	20,000[8]	Nil	72,500
	2014	60,000	25,000[8]	Nil	85,000
	2013	7,500	1,250	Nil	8,750

(1) The Fund was established on February 12, 2013 and accordingly, information is not presented with respect to prior years.

(2) On an annualized basis, salaries paid to the NEOs for the period ended December 31, 2013 would have been as follows: Daniel Drimmer, Nil; Evan Kirsh, C$120,000; and Tamara Lawson, C$60,000. See also Note 5, Note 6 and Note 7.

(3) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over C$50,000 or over 10% of their annual base salary.

(4) Compensation is paid by Starlight and there is no charge back to the Fund for such compensation. Daniel Drimmer, Evan Kirsh and Tamara Lawson have been Directors or officers, as applicable, since the establishment of the Fund.

(5) Daniel Drimmer is not compensated by the Fund for serving as a Director and is not compensated by Starlight for providing services as the Chief Executive Officer or as a member of the Board of Directors of Fund No. 2, Fund No. 3 or Fund No. 4.

(6) Evan Kirsh is the President of Starlight U.S. Multi-Family (No. 2) Core GP, Inc. ("Core GP No. 2"), the general partner of Fund No. 2, the president of Starlight U.S. Multi-Family (No. 3) Core GP, Inc. ("Core GP No. 3"), the general partner of Fund No. 3 and the president of Starlight U.S. Multi-Family (No. 4) Core GP Inc. ("Core GP No. 4"), the general partner of Fund No. 4. Mr. Kirsh received a portion of his annual compensation from Starlight for services provided to the Fund pursuant to the terms of a consulting agreement. Also see "Consulting Agreement".

(7) Tamara Lawson is the Chief Financial Officer of Core GP No. 2, Core GP No. 3 and Core GP No. 4, the general partners of Fund No. 2, Fund No. 3, and Fund No. 4, respectively. Ms. Lawson received a portion of her annual compensation from Starlight for services provided to the Fund.

(8) Tamara Lawson received a discretionary C$20,000 cash bonus paid during the first quarter of 2016 and $25,000 in 2015.

Consulting Agreement

Pursuant to a consulting agreement between Starlight and a corporation controlled by Evan Kirsh (the "Consultant"), in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, the Manager pays the Consultant a consulting fee (the "Consulting Fees"). During the term of the consulting agreement, Starlight will determine the proportion of the Consulting Fees it pays to the Consultant that are attributable to the services to be provided by the Consultant to the Fund. In addition, upon completion of a liquidation event in respect of the Fund, the Consultant will be, generally, entitled to payment from Starlight of an amount equal to the amount, if any, by which the aggregate of: (i) 25% of the net acquisition fees and asset management fees received by Starlight during the term of the Fund (each as described in the consulting agreement), and (ii) 25% of the distributions received by Starlight U.S. Multi-Family Core Holding (GP) L.P. from Holding L.P. during the term of the Fund (as described in the consulting agreement) exceeds the proportion of the Consulting Fees paid or payable by Starlight to the Consultant in respect of the services provided by the Consultant to the Fund during the term of the consulting agreement and any amounts payable by the Consultant pursuant to the consulting agreement. Starlight (and not the Fund) will be responsible for any such amounts payable to the Consultant.

Neither Mr. Drimmer nor Ms. Lawson have entered into agreements or have made arrangements which entitle them to any termination or change of control benefits relating to the Fund.

REMUNERATION OF THE DIRECTORS OF STARLIGHT GP

Remuneration of Directors

Any Director who is an officer of, or is otherwise employed by the Starlight, is not entitled to any remuneration from the Fund for serving as a Director (including as Chairman of the Board, or as the Chairman or as a member of a committee). Each Director, other than Daniel Drimmer, received an annualized base retainer from the Fund in the amount of C$12,500 for services provided during 2015. There were no fees paid or payable for each day on which a Director attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies are described in Note 2 to the audited consolidated financial statements of the Fund. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund's cash, restricted cash, tenant and other receivables, and utility deposits have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund's financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

The ownership of Units involves a number of risk factors. The risks described below are not the only risks and readers should carefully review the risks and uncertainties disclosed in the Fund's prospectus dated March 31, 2013, under the heading "Risk Factors", at WWW.SEDAR.COM. If any of the following risks or those outlined in the Fund's prospectus dated March 31, 2013 occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Some of these risk factors are described below:

(a) *Acquisition Risk* – The acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Fund will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of properties may not generate sufficient funds to make the payments of principal and interest due on the mortgage loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of properties.

(b) *Reliance on the Manager* – Prospective purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. In particular, prospective purchasers will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Tamara Lawson and/or Evan Kirsh. If the Manager loses the services of Daniel Drimmer, Tamara Lawson and Evan Kirsh, the business, financial condition and results of operations of the Fund may be materially adversely affected.

(c) *Experience of Directors and Officers* – While the officers of the Fund and the Directors have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the officers of the Fund and the directors of its general partner may not be relevant to the acquisition of multi-family real estate in the U.S. or to their achievement of the investment objectives of the Fund.

(d) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the Fund's properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, and distributable cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund was required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by the Fund may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Fund's properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

(e) *Substitutions for Residential Rental Suites* – Demand for rental suites in the Fund's properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Interest rates offered by financial institutions for financing home ownership are currently at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in its properties and on the rents charged.

(f) *Government Regulation* – Certain states in the U.S. may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at its properties. Limits on the Fund's ability to raise rental rates at its properties may adversely affect the Fund's ability to increase income from its properties. The States of Texas, North Carolina and Georgia have not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in such states may provide certain rights to tenants, while imposing obligations upon landlords. Certain states may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a state's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain states may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of its properties.

(g) *Financing Risks* – There is no assurance that the Manager will be able to obtain sufficient mortgage loans to finance the acquisition of properties, or, if available, that the Manager will be able to obtain mortgage loans on commercially acceptable terms. Further, there is no assurance or guarantee that any mortgage loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of properties which the Fund is able to purchase will decrease and the return from the ownership of properties (and ultimately the return on an investment in Units) will be reduced.

(h) *Interest Rate Fluctuations* – The Fund's mortgage loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

(i) *Environmental Matters* – Under various environmental and ecological laws, the Fund and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of its properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell such property or to borrow using the property as collateral, and could potentially also result in claims against the Fund or its subsidiaries by third parties.

(j) *Uninsured Losses* – The Fund has arranged for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those owned or to be owned by the Fund or its subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such properties.

(k) *Reliance on Property Management* – The Manager may rely upon independent management companies to perform property management functions in respect of each of the Fund's properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the properties and their other development, investment and/or management activities.

(l) *Competition for Real Property Investments or Tenants* – The Manager will compete for suitable real property investments with individuals, corporations, REITs and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease suites in its properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

(m) *Revenue Shortfalls* – Revenues from the Fund's properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the mortgage loans or to fund changes in the variable rates of interest charged in respect of such loans.

(n) *Distributions* – To date, the Fund has not paid distributions to Unitholders which have exceeded cash flow from operating activities. As a result, the Fund has not historically funded distributions from alternate sources such as debt, mortgages or other financing instruments, has not made any distributions which have included a return of capital and has not been required to amend any material contracts.

There can be no assurance in the future the Fund will continue to fund distributions entirely from cash from operating activities. In such an event, the Fund may be required to fund its distributions from sources other than operations such as debt, mortgages or other financing instruments, make distributions which include a return of capital or amend material contracts.

(o) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

(p) *Co-Investors* – The Manager may explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors. Such co-investment opportunities may involve certain additional risks relating to the need to obtain approval from such co-investors with respect to certain major decisions or fundamental changes.

(q) *Joint Ventures* – The Manager may invest in, or be a participant in, joint ventures and partnerships with third parties in respect of the properties. A joint venture or partnership involves certain additional risks, including, (i) the possibility that such co-ventures/partners may at any time have economic or business interests or goals that will be inconsistent with the Manager's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to such properties, (ii) the risk that such co-ventures/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund's subsidiaries, or for which the Fund's subsidiaries will be liable and/or result in the Fund's subsidiary suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (iii) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund's subsidiary to liability, and (iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when the Manager may not desire to sell but may be forced to do so because a Fund subsidiary does not have the cash to purchase the other party's interests. Such rights may also inhibit the Manager's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires.

(r) *U.S. Market Factors* – The properties of the Fund are and will be located in the U.S. and economic conditions since the beginning of 2008 have been challenging in the North American economy. U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors, including unemployment, home prices, home foreclosures, access to credit markets, fuel prices, consumer spending, fears of a recession, and the rate of recovery. Although according to the U.S. Federal Reserve, the recession technically ended in June 2009, the U.S. economy has not returned to operating at high capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. Although there has been a recovery in the real estate market, the Fund cannot predict the future of real estate markets. The value of properties acquired may decline if current market conditions persist or worsen.

(s) *Possible Loss of Limited Liability of Limited Partners* – Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the Fund's, and Starlight GP's, net assets.

(t) *Currency Exchange Rate Risk* – Although investors in the Class A Units, Class F Units, Class I Units and Class C Units are invested in Canadian dollars and receive distributions and distributions of proceeds on termination of the Fund in Canadian dollars, such distributions, and distributions of proceeds on termination of the Fund will be calculated based on the Canadian dollar equivalent of a given distribution (which calculation shall use the U.S. spot exchange rate available to the Fund in respect of such distribution at such time). The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. Additionally, the business of the Fund's subsidiaries and its affiliates will be conducted in the U.S. Consequently, any income and gains will be earned and any expenses and losses will be incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Class A Units, Class F Units, Class I Units or Class C Units and the distributions on such Units, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors who purchase Class A Units, Class F Units, Class I Units and Class C Units are subject to currency exchange rate risk. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Class A Units, Class I Units and Class C Units and therefore it is anticipated that holders of Class A Units, Class F Units, Class I Units and Class C Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

(u) *Same Management Group for Various Entities* – Although the Manager intends for every transaction which comes to the attention of the Manager and that would be a suitable investment for the Fund to be acquired through the Fund, the Manager may acquire properties for other investment portfolios in the future. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at December 31, 2015.

SUBSEQUENT EVENTS

On January 19, 2016, the Fund paid down principal of $490 off the mezzanine loan associated with the Sorelle joint venture. The loan is a Canadian dollar denominated loan and the Fund realized a foreign exchange gain of $70 on this transaction. The payment of principal came from excess cash flow and assisted to lower the Funds weighted average interest rate.

On February 10, 2016, the Fund sold Bridgemoor for gross proceeds of $31,250. The net proceeds from the sale were used to purchase Marquee Station, in Raleigh, North Carolina on February 26, 2016 for a purchase price of $41,500.

On March 2, 2016, the Fund announced that the terms of the Fund had been extended by up to one year in accordance with provisions of the Fund's fourth amended and restated limited partnership agreement dated August 20, 2014.

FUTURE OUTLOOK

Starlight believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Q4-2015 (1)	Q3-2015 (2)	Q2-2015 (3)	Q1-2015 (4)	Q4-2014 (5)	Q3-2014 (6)	Q2-2014 (7)	Q1-2014 (8)
Revenue	$ 4,842	$ 4,900	$ 4,808	$ 4,672	$ 4,665	$ 4,621	$ 4,491	$ 4,259
Property operating costs	(2,122)	(2,192)	(2,169)	(1,953)	(2,027)	(2,073)	(1,994)	(1,954)
NOI	2,720	2,708	2,639	2,719	2,638	2,548	2,497	2,305
Share of net earnings from joint ventures	4,501	495	1,067	1,263	2,512	1,288	916	-
Fund expenses	(305)	(223)	(263)	(247)	(163)	(280)	(295)	(218)
Unrealized foreign exchange gain (loss)	-	-	-	-	(84)	84	-	-
Realized foreign exchange (loss) gain	(4)	(9)	-	-	17	29	-	-
Fair value adjustment of investment properties	2,101	1,477	2,580	2,454	8,053	4,505	(71)	12,693
Finance costs	(842)	(875)	(848)	(878)	(1,335)	(1,016)	(1,098)	(931)
Non-controlling interest	(707)	(262)	(663)	(736)	(1,407)	(1,058)	(140)	(1,087)
Income taxes:								
Current	(14)	(20)	1	(32)	(31)	(32)	(41)	(27)
Deferred	(2,908)	(863)	(3,311)	(1,698)	(4,244)	(2,467)	169	(6,206)
Net income and comprehensive income for the period	**$ 4,542**	**$ 2,428**	**$ 1,202**	**$ 2,845**	**$ 5,956**	**$ 3,601**	**$ 1,937**	**$ 6,529**
FFO (9)	$1,748	$ 1,596	$ 1,517	$ 1,556	$1,331	$1,318	$1,032	$1,003
AFFO (9)	$1,477	$1,285	$1,413	$1,423	$1,417	$1,199	$1,010	$912
Distributions	$ 657	$ 677	$714	$717	$760	$813	$808	$800
FFO per Unit - basic and diluted (9)	$ 0.36	$ 0.33	$0.31	$0.33	$0.28	$0.27	$0.21	$0.21
AFFO per Unit - basic and diluted (9)	$ 0.31	$ 0.27	$0.29	$0.29	$0.29	$0.25	$0.21	$0.19
Distributions per Unit (10)	$0.14	$0.14	$0.15	$0.15	$0.16	$0.17	$0.17	$0.17

Notes:

(1) During the three months ended December 31, 2015, the Fund did not acquire any properties.
(2) During the three months ended September 30, 2015, the Fund acquired a 35% joint venture interest in Sorelle.
(3) During the three months ended June 30, 2015, the Fund did not acquire any properties.
(4) During the three months ended March 31, 2015, the Fund acquired a 66 2/3% joint venture interest in Belle Haven.
(5) During the three months ended December 31, 2014 the Fund did not acquire any properties.
(6) During the three months ended September 30, 2014 the Fund did not acquire any properties.
(7) During the three months ended June 30, 2014, the Fund acquired a 25% joint venture interest in Soho Parkway and a 50% joint venture interest in Sunset Ridge.
(8) During the three months ended March 31, 2014, the Fund did not acquire any properties.
(9) Excludes the Fund's non-controlling interest in Eagle Creek.
(10) Distributions per Unit for each period are based on the total distributions per Unit declared during the period for all classes.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: April 12, 2016

Toronto, Ontario, Canada

SCHEDULE A – AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 Starlight U.S. Multi-Family Core GP, Inc. as the general partner of the Fund (the "**General Partner**") shall appoint an audit committee (the "**Committee**") to assist the board of directors (the "**Board**") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Investments Ltd., in its capacity as manager of the Fund (the "**Manager**").

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three directors of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements.

3.3 The General Partner shall appoint the members of the Committee. The General Partner may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "**Chair**"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any director of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to directors' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors the overall scope and plans for the audit, and in carrying out such oversight the Committee's duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 — *Continuous Disclosure Obligations* or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the unitholders of the Fund, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("**MD&A**") and any financial press releases before the Fund publicly discloses this information; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the General Partner's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the General Partner's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the General Partner and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms and management's discussion and analysis as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) reviewing any related-party transactions not in the ordinary course of business;

(b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;

(d) reviewing annual operating and capital budgets;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(h) reviewing any other questions or matters referred to it by the Board.

Consolidated Interim Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Three and six months ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Directors of Starlight U.S. Multi-Family (No. 2) Core GP, Inc., as General Partner for
Starlight U.S Multi-Family (No. 2) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S Multi-Family (No. 2) Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2016 and December 31, 2015 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the three and six months ended June 30, 2016 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No. 2) Core Fund and its subsidiaries as at June 30, 2016 and December 31, 2015, and its financial performance and its cash flows for the three and six months ended June 30, 2016 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
October 12, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

	Note	June 30, 2016	December 31, 2015
ASSETS			
Non-current assets:			
Investment properties	4	$ 110,901	$ 110,843
Investment in joint ventures	5	17,200	16,800
Equity investment	6	10,799	9,638
Derivative financial instrument	11	2	3
Utility deposits		21	21
Total non-current assets		138,923	137,305
Current assets:			
Tenant and other receivables	7	149	109
Prepaid expenses and other assets	8	75	124
Restricted cash	9	501	915
Cash		1,529	1,587
Total current assets		2,254	2,735
TOTAL ASSETS		$ 141,177	$ 140,040
LIABILITIES			
Non-current liabilities:			
Loans payable	10	$ 66,904	$ 31,318
Deferred taxes		14,754	14,151
Total non-current liabilities		81,658	45,469
Current liabilities:			
Loan payable	10	129	35,771
Tenant rental deposits		103	99
Accounts payable and accrued liabilities	12	1,535	2,002
Finance costs payable		96	133
Distributions payable		159	149
Total current liabilities		2,022	38,154
Total Liabilities		83,680	83,623
EQUITY			
Unitholders' equity		57,467	56,379
Non-controlling interests		30	38
Total equity		57,497	56,417
TOTAL LIABILITIES AND UNITHOLDERS' EQUITY		$ 141,177	$ 140,040

Commitments and contingencies (Note 18).

Subsequent event (Note 23).

See accompanying notes to the consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 2) Core GP, Inc., as general partner for Starlight U.S. Multi-Family (No. 2) Core Fund on October 12, 2016, and signed on its behalf:

Daniel Drimmer Director *Harry Rosenbaum* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Interim Statements of Income and Comprehensive Income
Three and six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars, except per unit amounts)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
			(Reclassified Note 1(e)) (Unaudited)		(Reclassified Note 1(e)) (Unaudited)
Revenue from property operations		$ 2,595	$ 2,446	$ 5,137	$ 3,932
Expenses:					
Property operating costs		660	634	1,293	1,036
Realty taxes		460	418	915	698
		1,120	1,052	2,208	1,734
Income from operations		1,475	1,394	2,929	2,198
Share of income from equity investment		1,874	663	1,684	1,399
Share of net (loss) earnings from joint venture	5	(236)	2,019	782	2,899
Finance costs	16	(427)	(681)	(986)	(1,101)
Fund and trust expenses		(432)	(172)	(566)	(335)
Unrealized foreign exchange loss		(276)	(183)	(761)	(113)
Realized foreign exchange loss		(34)	-	(34)	-
Fair value adjustment of investment properties		(429)	3,983	(286)	7,020
Income before income taxes		1,515	7,023	2,762	11,967
Income taxes:					
Current	2(g)(ii)	(13)	(6)	(25)	(16)
Deferred	2(g)(ii)	52	(2,757)	(603)	(4,422)
Net income and comprehensive income		$ 1,554	$ 4,260	$ 2,134	$ 7,529
Basic and diluted earnings per unit		$ 0.46	$ 1.25	$ 0.63	$ 2.21
Weighted average number of units outstanding:					
Basic and diluted (in 000's)		3,388	3,400	3,390	3,400

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Interim Statements of Changes in Equity
Six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars, except per unit amounts)

	Unitholders' Equity (Note 13)	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2015	$ 30,821	$ 25,558	$ 56,379	$ 38	$ 56,417
Changes during the period:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	(105)	-	(105)	-	(105)
Net income and comprehensive income	-	2,134	2,134	-	2,134
Distributions	-	(941)	(941)	(8)	(949)
Balance, June 30, 2016	$ 30,716	$ 26,751	$ 57,467	$ 30	$ 57,497

	Unitholders' Equity	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2014	$ 30,865	$ 8,052	$ 38,917	$ 54	$ 38,971
Changes during the period:					
Net income and comprehensive income	-	7,529	7,529	-	7,529
Distributions	-	(990)	(990)	(8)	(998)
Balance, June 30, 2015 (unaudited)	$ 30,865	$ 14,591	$ 45,456	$ 46	$ 45,502

Distributions to unitholders in the aggregate for all classes of units of the Fund during the six months ended June 30, 2016 were equal to $0.2776 (six months ended June 30, 2015 - $0.2912).

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Interim Statements of Cash Flows
Three and six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
			(Unaudited)		(Unaudited)
Operating activities:					
Net income and comprehensive income		$ 1,554	$ 4,260	$ 2,134	$ 7,529
Adjustments for financing activities included in net income:					
Finance costs	16	427	681	986	1,101
Adjustments for items not involving cash:					
Share of net loss (earnings) in joint ventures		236	(2,019)	(782)	(2,899)
Fair value adjustment of investment properties		429	(3,983)	286	(7,020)
Unrealized foreign exchange loss		276	183	761	113
Share of income from equity investment		(1,874)	(663)	(1,684)	(1,399)
Change in non-cash operating working capital	17	659	213	(481)	(100)
Change in restricted cash		(250)	(244)	414	222
Change in deferred tax		(52)	2,757	603	4,422
Cash provided by operating activities		1,405	1,185	2,237	1,969
Investing activities:					
Contribution to equity investment	6	(24)	(24)	(48)	(48)
Distributions from equity investment	6	201	328	571	734
Distributions from joint ventures	5	177	4,201	382	4,503
Additions to investment properties		(214)	(133)	(344)	(250)
Acquisitions	3	-	-	-	(6,749)
Cash provided by (used in) investing activities		140	4,372	561	(1,810)
Financing activities:					
Units repurchased and cancelled under Issuer Bid		(41)	-	(105)	-
Loans payable:					
Proceeds – new financing	10	36,000	-	36,000	31,575
Repayment of mortgage		(35,862)	-	(35,862)	(25,000)
Principal repayments		(763)	(4,000)	(763)	(5,040)
Purchase of interest rate cap		-	-	-	(43)
Financing costs paid		(653)	(592)	(1,177)	(1,182)
Distributions to non-controlling interests		(8)	(8)	(8)	(8)
Distributions to unitholders		(478)	(496)	(941)	(990)
Cash used in financing activities		(1,805)	(5,096)	(2,856)	(688)
(Decrease) increase in cash during the period		(260)	461	(58)	(529)
Cash, beginning of period		1,789	2,026	1,587	3,016
Cash, end of period		$ 1,529	$ 2,487	$ 1,529	$ 2,487

See accompanying notes to the consolidated interim financial statements.

Starlight U.S. Multi-Family (No. 2) Core Fund (the “Fund”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified revenue-generating rental properties in the United States (“U.S.”) multi-family real estate market.

The operations of the Fund commenced on November 18, 2013 when, subsequent to completion of its initial public offering on November 15, 2013, the Fund completed the acquisition of its interests in a portfolio of two multi-family residential properties located in Austin and Houston, Texas comprising of a total of 752 suites. Currently, the Fund has interests in a portfolio of four properties, comprising of a total of 1,527 suites, located in Houston, Dallas, and Austin, Texas.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

The consolidated interim financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board and using accounting policies described herein.

(b) Basis of measurement:

These consolidated interim financial statements have been prepared on a historical cost basis except for investment properties which have been measured at fair value. These consolidated interim financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation:

The consolidated interim financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund’s subsidiaries are shown separately in the consolidated interim statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to, variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

(d) Critical judgments and estimates:

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(e) Change in accounting presentation:

Prior to January 1, 2015, investments in joint arrangements were reported as joint operations whereby assets, liabilities, revenue and expenses were separately presented on the consolidated interim statements of financial position, income and comprehensive income and cash flows. Subsequently, the investments in joint arrangements have been presented within investments in joint ventures with no impact on net earnings and equity. Comparative amounts have been reclassified to conform to current year's presentation in order to permit comparability. As a result of this change, for the three months ended June, 2015, share of earnings from the joint ventures of $2,019 is presented, as a result of reclassifying revenue of $906, fair value adjustment of investment properties of $1,711, and operating and other expenses of $(598). For the six months ended June, 2015, share of earnings from the joint ventures of $2,899 is presented, as a result of reclassifying revenue of $1,774, fair value adjustment of investment properties of $2,221, and operating and other expenses of $(1,096).

2. Significant accounting policies:

(a) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statements of income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of income and comprehensive income in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The Fund also restricts cash for tenant security deposits.

2. Significant accounting policies (continued):

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased assets, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants. All accounts outstanding for greater than 90 days are allowed for through the consolidated statements of income and comprehensive income.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss (“FVTPL”); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement	**Jun 30, 2016**	Dec 31, 2015
Financial assets:				
Derivative financial instruments	FVTPL	Fair value	**$ 2**	$ 3
Utility deposits	Loans and receivables	Amortized cost	**21**	21
Tenant and other receivables	Loans and receivables	Amortized cost	**149**	109
Restricted cash	Loans and receivables	Amortized cost	**501**	915
Cash	Loans and receivables	Amortized cost	**1,529**	1,587
Financial liabilities:				
Loans payable	Other liabilities	Amortized cost	**67,033**	67,089
Tenant rental deposits	Other liabilities	Amortized cost	**103**	99
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**1,535**	2,002
Finance costs payable	Other liabilities	Amortized cost	**96**	133
Distributions payable	Other liabilities	Amortized cost	**159**	149

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition,

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Financial assets and liabilities of property held for sale are disclosed separately due to their classification as available for sale and measurement at fair value.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

Financial assets are derecognized when the contractual rights to the cash flows from these financial assets expire or have been transferred. At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(f) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

2. Significant accounting policies (continued):

(g) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”). Each unitholder of the Fund is required to include in computing the unitholder’s income for a particular taxation year the unitholder’s share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder’s taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings“ (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the “Code“). Furthermore, Starlight U.S. Multi-Family Core REIT Inc. (the “U.S. REIT”), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust (“REIT”) under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to a dividend paid deduction and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund made the REIT election for the U.S. REIT and believes the U.S. REIT’s organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Current taxes

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax of $13 and $25 for the three and six months ended June 30, 2016 and $6 and $16 for three and six months ended June 30, 2015.

Starlight U.S. Multi-Family (No. 2) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but it has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Holding LP. Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

Deferred taxes

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at June 30, 2016 a deferred tax liability of $14,754 (December 31, 2015 - $14,151) has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Deferred taxes

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Joint arrangements:

In accordance with IFRS 11 – Joint Arrangements ("IFRS 11"), the Fund has joint ventures over which the Fund has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund's share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(i) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

(ii) Accounting for acquisitions

Management of the Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of an associate and control as defined in the accounting standards.

(iv) Joint arrangements

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Management applies judgment in determining whether the facts and circumstances involved in a joint arrangement result in the arrangement being classified as a joint

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(iv) Joint arrangements (continued):

venture or a joint operation. The Fund has classified its joint arrangements as joint ventures.

(v) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows, and discount rates.

(vi) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

(vii) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(j) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid a levy but

2. Significant accounting policies (continued):

(j) Levies (continued):

does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, and recognizes as an expense the charge pro-rated over the year.

(k) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

(l) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the year ended December 31, 2016. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

2. Significant accounting policies (continued):

(l) Future accounting changes (continued):

(ii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iii) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of U.S. dollars, unless otherwise noted)

3. Acquisitions:

There were no acquisitions completed during the six months ended June 30, 2016.

The following asset acquisition was completed during the year ended December 31, 2015. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Travesia Apartments
Acquisition date	March 2, 2015
Net assets acquired:	
Investment properties	$ 51,327
Loans payable:	
Assumed loans	(44,241)
Cash paid (received) for working capital:	
Tenant rental deposits	(63)
Accounts payable and accrued liabilities	(234)
Finance costs payable	(107)
Tenant and other receivables	62
Prepaid expenses and other assets	5
	$ 6,749
Consideration funded by:	
Cash	$ 6,749

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment properties:

The following table summarizes the changes in the investment properties for the six months ended June 30, 2016 and the year ended December 31, 2015:

Balance, January 1, 2015	$	43,050
Acquisitions of investment properties		51,327
Additions - capital expenditures		535
Fair value adjustment		15,931
Balance, December 31, 2015	$	110,843
Additions - capital expenditures		344
Fair value adjustment		(286)
Balance, June 30, 2016	$	110,901

The following table reconciles the cost base of investment properties to their fair value:

		June 30, 2016		December 31, 2015
Cost	$	89,598	$	89,254
Cumulative fair value adjustment		21,303		21,589
Fair value	$	110,901	$	110,843

The key valuation assumptions for the Fund's investment properties are set out in the following table:

	June 30, 2016	December 31, 2015
Capitalization rates	5.00%	5.00%
Capitalization rate - weighted average	5.00%	5.00%

The properties were valued by independent qualified valuators as at June 30, 2016 and these valuations were used by management to determine the fair values as at June 30, 2016. The Fund determined the fair value of each investment property using the direct income capitalization income approach. Prior to this, the Fund used internally generated information to derive fair values.

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment properties (continued):

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

		June 30, 2016	December 31, 2015
Weighted average:			
Capitalization rate	Ten basis-point increase	$ (2,175)	$ (2,173)
Capitalization rate	Ten basis-point decrease	$ 2,263	$ 2,262

The impact of a one percent change in the net operating income used to value the investment properties as at June 30, 2016 would affect the fair value by approximately $1,109 (December 31, 2015 - $1,108).

5. Investment in joint venture:

The Fund has an equity method accounted investment in a joint venture. The following table details the Fund's ownership interest in the equity investee:

Entity	Principal Activity	June 30, 2016	December 31, 2015
Soho Parkway Multi-Family Holding LLC	Owns and operates an income property	75%	75%

The following table presents the changes in the aggregate carrying value of the Fund's investment in joint venture:

	June 30, 2016	December 31, 2015
Balance, beginning of year	$ 16,800	$ 13,693
Share of net earnings	782	8,457
Distributions	(382)	(5,350)
	$ 17,200	$ 16,800

(In thousands of U.S. dollars, unless otherwise noted)

5. Investment in joint venture (continued):

The following tables present the financial position and results of performance of the Fund's equity accounted investee on a 100% basis:

	Soho Parkway Multi-Family Holding LLC	Total June 30, 2016	Total December 31, 2015
Cash	$ 150	$ 150	$ 122
Other current assets	717	717	1,008
Non-current assets	56,311	56,311	56,023
Current liabilities	(669)	(669)	(1,205)
Non-current mortgage payable	(33,576)	(33,576)	(33,547)
Net assets	$ 22,933	$ 22,933	$ 22,401
Investment in joint venture	$ 17,200	$ 17,200	$ 16,800

	Soho Parkway Multi-Family Holding LLC	Six months ended June 30, 2016	Six months ended June 30, 2015
			(Unaudited)
Revenues from property operations	$ 2,465	$ 2,465	$ 2,365
Property operating costs	(645)	(645)	(544)
Realty taxes	(462)	(462)	(435)
Finance costs	(442)	(442)	(475)
Fair value adjustment on investment property	142	142	2,961
Current taxes	(15)	(15)	(8)
Net (loss) earnings	$ 1,043	$ 1,043	$ 3,864
Share of net (loss) earnings in joint venture	$ 782	$ 782	$ 2,899

	Soho Parkway Multi-Family Holding LLC	Three months ended June 30, 2016	Three months ended June 30, 2015
			(Unaudited)
Revenues from property operations	$ 1,256	$ 1,256	$ 1,209
Property operating costs	(323)	(323)	(282)
Realty taxes	(228)	(228)	(212)
Finance costs	(223)	(223)	(305)
Fair value adjustment on investment property	(786)	(786)	2,281
Current taxes	(11)	(11)	-
Net (loss) earnings	$ (315)	$ (315)	$ 2,691
Share of net (loss) earnings in joint venture	$ (236)	$ (236)	$ 2,019

(In thousands of U.S. dollars, unless otherwise noted)

6. Equity investment:

The Falls at Eagle Creek	June 30, 2016	December 31, 2015
Opening balance	$ 9,638	$ 8,474
Equity income	1,684	2,368
Contributions	48	102
Distributions	(571)	(1,306)
	$ 10,799	$ 9,638

On November 18, 2013, the Fund acquired 65% of its interest in The Falls at Eagle Creek from Starlight Investments Acquisition LLC, a wholly owned subsidiary of Starlight Investments Ltd. ("Starlight"), a related party due to common control. All relevant decision making in respect of The Falls at Eagle Creek will be made exclusively by Starlight U.S. Multi-Family Core Fund, which has the remaining 35% interest in The Falls at Eagle Creek in accordance with the terms of the limited liability agreement of Eagle Creek Multi-Family Holding LLC. Accordingly, Starlight U.S Multi-Family Core Fund controls the Falls at Eagle Creek. The Fund exercises significant influence over the property due to common board members, and therefore, the investment is accounted using the equity method. As of June 30, 2016, The Falls at Eagle Creek investment property was valued at $56,600 and had a mortgage payable of $34,350 (December 31, 2015 - $53,621 and $34,350, respectively).

The Falls at Eagle Creek had cash on hand of $154 and restricted cash of $881 as at June 30, 2016 (December 31, 2015 – $194 and $1,371, respectively). Revenue from property operations for the three and six months ended June 30, 2016 for the Falls at Eagle Creek were $1,431 and $2,881 (three and six months ended June 30, 2015 – $1,448 and $2,876, respectively) Property operating expenses for the three and six months ended June 30, 2016 were $323 and $650 (three and six months ended June 30, 2015 – $351 and $688, respectively). Net income and comprehensive income for the three and six months ended June 30, 2016 were $4,524 and $3,911 (three and six months ended June 30, 2015 – $1,846 and $3,505, respectively).

7. Tenant and other receivables:

The following table presents details of the tenant and other receivables balances:

	June 30, 2016	December 31, 2015
Tenant receivables	$ 147	$ 107
Other receivables	2	2
	$ 149	$ 109

The Fund holds no collateral in respect of tenant and other receivables.

(In thousands of U.S. dollars, unless otherwise noted)

8. Prepaid expenses and other assets:

Prepaid expenses and other assets consist of the following:

	June 30, 2016	December 31, 2015
Prepaid insurance	$ 51	$ 107
Prepaid expenses	24	17
	$ 75	$ 124

9. Restricted cash:

The following table presents the details of restricted cash:

	June 30, 2016	December 31 2015
Escrowed funds:		
Real estate taxes	$ 405	$ 823
Replacement/repairs	49	76
Property insurance	30	5
Interest rate cap	17	11
	$ 501	$ 915

(In thousands of U.S. dollars, unless otherwise noted)

10. Loans payable:

Mortgages payable are secured by investment properties and bear interest at variable rates. The mezzanine loan is secured by the indirect equity interest in the property owner and bears interest at a fixed rate.

	June 30, 2016	December 31, 2015
Mortgages payable:		
Mortgage payable, bearing interest at LIBOR +1.75%, requires interest only payments, due April 2018, with one one-year option to extend to April 2019 [(i)]	$ 36,000	$ -
Mortgage payable, bearing interest at LIBOR +1.84%, requires interest only payments until April 2017, due March 2025	31,575	31,575
Mortgage payable, bearing interest at LIBOR + 1.65%, requires interest only payments, due October 2015, with one three-month option to extend to April 2016 [(i)]	-	28,500
Total mortgages payable	67,575	60,075
Mezzanine loan:		
Mezzanine loan, bearing interest at 9.25%, requires interest only payments, due October 2015, with one three-month option to extend to April 2016 [(i)]	-	7,363
Total loans payable	67,575	67,438
Unamortized financing costs	(542)	(349)
	$ 67,033	$ 67,089

(i) On April 29, 2016, the Fund refinanced Travesia Apartments for $36,000 and repaid $28,500 on the existing mortgage payable and $7,363 on the existing mezzanine loan.

(In thousands of U.S. dollars, unless otherwise noted)

10. Loans payable (continued):

Loans payable are classified as current liabilities if they are due and payable within 12 months after the date of the consolidated interim statements of financial position. The following table provides a breakdown of current and non-current portions of loans payable:

		June 30, 2016		December 31, 2015
Current:				
Loans payable		167	$	35,863
Unamortized financing cost		(38)		(92)
		129		35,771
Non-current:				
Loans payable		67,408		31,575
Unamortized financing cost		(504)		(257)
		66,904		31,318
	$	67,033	$	67,089

Future principal payments on loans payable are as follows:

	Mortgage Principal Payment		Mortgage Maturity Payment		Total
2016- remainder of year	$ -	$	-	$	-
2017	501		-		501
2018	668		36,000		36,668
2019	668		-		668
2020	668		-		668
Thereafter	2,781		26,289		29,070
	$ 5,286	$	62,289	$	67,575

11. Derivative financial instruments:

Interest rate cap:

The Fund utilizes an interest rate cap agreement to hedge its interest costs on one of its variable rate mortgages as required by the applicable lender. As the Fund has elected not to use hedge accounting, a fair value adjustment of $nil and $(1) was recorded as an unrealized loss in finance costs in the consolidated interim statements of income and comprehensive income for the three and six months ended June 30, 2016 (three and six month ended June 30, 2015 – ($10) and ($16)).

(In thousands of U.S. dollars, unless otherwise noted)

11. Derivative financial instruments (continued):

The following is a summary of the Fund's interest rate cap agreements as at June 30, 2016:

	Notional amount	Maturity date	Rate cap	Carrying value and fair value at June 30, 2016	Carrying value and fair value at December 31, 2015
SMBC Capital Markets Inc.	$ 31,575	March, 2018	4.00%	$ 2	$ 3

The following table represents a summary of the changes in fair value for the six months ended June 30, 2016 and the year ended December 31, 2015 for the interest rate cap agreement carried at fair value:

	June 30, 2016	December 31, 2015
Balance, beginning of the period	$ 3	$ -
Acquisitions during the period	-	43
Unrealized loss for the period	(1)	(40)
	$ 2	$ 3

12. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	June 30, 2016	December 31, 2015
Accrued real estate taxes	$ 871	$ 1,634
Tenant prepayments	102	42
Operating payables	562	326
	$ 1,535	$ 2,002

13. Unitholders' equity:

The beneficial interest in the net assets and net income and comprehensive income of the Fund is divided into five classes of limited partnership units: Class A, Class C, Class D, Class F and Class U units. The Class A, Class C, Class D and Class F units were issued at CDN$10.00 per unit. The Class U units were issued at $10.00 per unit. The Class A and Class U units are listed for trading on the TSX Venture Exchange under the symbols SUD.A and SUD.U, respectively. The Class C, Class D and Class F units have conversion privileges into Class A units.

(In thousands of U.S. dollars, unless otherwise noted)

13. Unitholders' equity (continued):

	Units		Value
	(000's)		
Units issued, September 23, 2014	-	$	-
Units issued on November 15, 2014			
Class A	1,000		9,558
Class C	677		6,472
Class D	1,159		11,077
Class F	95		913
Class U	469		4,686
Units issued	3,400		32,706
Less Issuance costs	-		(1,841)
Class A units repurchased and cancelled under issuer Bid	(14)		(149)
Balance, June 30, 2016	3,386	$	30,716

As of June 30, 2016, 3,386,305 units of the Fund were outstanding (December 31, 2015 – 3,396,205 units).

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 162,694 of its Class A limited partnership units and up to 46,635 of its Class U limited partnership units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on July 24, 2015 and remained in effect until July 22, 2016.

During the three months ended June 30, 2016, the Fund purchased and cancelled 3,700 Class A units with a value of $41. During the six months ended June 30, 2016, the Fund purchased and cancelled 9,900 Class A units with a value of $105.

Carried Interest:

After (i) payment of all expenses of Holding LP, Investment LP and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight, will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP (see Note 23).

14. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. multi-family real estate industry segment. The Fund's investment properties are therefore considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

15. Transactions with related parties:

The consolidated interim financial statements include the following transactions with related parties:

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the management agreement dated November 13, 2013 (the "Management Agreement"), Starlight is to perform asset management services for fees equal to 0.35% of the sum of: (i) the historical purchase price of the Fund's properties in U.S. dollars; and (ii) the cost of any capital expenditures in respect of the Fund's properties since the date of acquisition by the Fund in U.S. dollars.

(b) The manager also receives an amount equal to the service fee paid to registered dealers on the Fund's quarterly distributions, paid quarterly in arrears. For the three and six months ended June 30, 2016, the costs of these services totalled $122 and $244 (for the three and six months ended June 30, 2015 - $122 and $213) and were charged to Fund and trust expenses. As at June 30, 2016, $52 was included in accounts payable and accrued liabilities, which includes $18 of service fees (December 31, 2015 - $53 and $18, respectively).

(c) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.00% of the purchase price of a property, on the first $100,000 of properties acquired;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired.

For the three and six months ended June 30, 2016, there were no acquisition fees incurred under the Management Agreement (for the three and six months ended June 30, 2015 - $nil and $393, respectively).

(In thousands of U.S. dollars, unless otherwise noted)

16. Finance costs:

	Three months ended June 30, 2016	Three months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016	Six months ended June 30, 2015 (Unaudited)
Interest on loans payable	$ 386	$ 566	$ 878	$ 831
Amortization of financing costs	41	105	107	254
Fair value adjustment on derivative financial instruments	-	10	1	16
	$ 427	$ 681	$ 986	$ 1,101

17. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended June 30, 2016	Three months ended June 30, 2015 (Unaudited)	Six months ended June 30, 2016	Six months ended June 30, 2015 (Unaudited)
Utility deposits	$ -	$ (19)	$ -	$ (19)
Prepaid expenses and other assets	30	(14)	49	(17)
Tenant and other receivables	(37)	(44)	(40)	(33)
Tenant rental deposits	2	(13)	4	(12)
Finance costs payable	(35)	(5)	(37)	6
Distributions payable	2	(3)	10	(12)
Accounts payable and accrued liabilities	697	311	(467)	(13)
	$ 659	$ 213	$ (481)	$ (100)

18. Commitments and contingencies:

At the consolidated interim statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All leases as of June 30, 2016 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors, trustees and officers of the Fund and its subsidiaries.

19. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at June 30, 2016.

20. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of income and comprehensive income.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that loans and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has contracts to enter into interest rate cap agreements for all of its floating rate mortgages. The interest rate cap agreements were not in place as of June 30, 2016 as these agreements are only required once LIBOR reaches one percent. For the three and six months ended June 30, 2016, all else being equal, an increase or decrease of ten basis points in LIBOR would have resulted in a change of $22 and $45 to net earnings, respectively.

20. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its loan portfolio over a number of years and has options to extend certain the loans to a maturity date that extends beyond the life of the Fund.

All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable, see Note 10.

21. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

Derivative financial instruments are considered as Level 2 financial instruments.

Investment properties are considered as Level 3 financial instruments.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Loans payable:

The fair value of loans payable is estimated based on the current market rates for loans with similar terms and conditions (Level 2). The fair value of the Fund's loans payable as at June 30, 2016 and as at December 31, 2015 approximated its carrying value.

21. Fair value measurement of financial instruments (continued):

(b) Other financial assets and financial liabilities:

The fair values of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash and cash equivalents, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 3).

22. Comparative figures:

Certain comparative figures have been reclassified to conform to the consolidated interim financial statement presentation adopted for the current period (Note 1 (e)).

23. Subsequent event:

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No. 5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund and Starlight U.S. Multi-Family (No. 4) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 13, in the amount of $10,791.

Starlight
U.S. Multi-Family

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

October 12, 2016

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the audited consolidated interim financial results of Starlight U.S. Multi-Family (No. 2) Core Fund (the "Fund") dated October 12, 2016 for the three and six months ended June 30, 2016 should be read in conjunction with the Fund's audited consolidated interim financial statements and accompanying notes for the same period as well as the annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking statements are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in "Risks and Uncertainties" (see "Risks and Uncertainties").

The forward-looking statements included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's audited consolidated interim financial statements for the three and six months ended June 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable and mezzanine loans. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which include fair value adjustments on derivative instruments and amortization of financing costs, less finance income and adjusted for other non-cash items divided by interest expense. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest indebtedness payments and ultimately the ability of the Fund to make cash distributions Unitholders.

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which include amortization of financing costs and fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy obligation requirements. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest loan payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments and deferred income tax expenses as well as realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

A reconciliation of net income and comprehensive income, an IFRS measure, to FFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO".

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family (No. 2) Core GP, Inc. ("Starlight GP"). Other adjustments may be made to AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operating activities including interest paid to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights". Also included within these reconciliations are adjustments to add the Fund's equity investment which represent a departure from IFRS in order to show the performance in respect of the Fund's ownership interests in certain properties.

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in Texas and the southeastern U.S. multi-family real estate market.

The Fund has five classes of Units. Class A Units and Class U Units are listed on the TSX Venture Exchange under the symbols SUD.A and SUD.U, respectively, and Class C Units, Class D Units and Class F Units which are convertible into Class A Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, class "A" stabilized, income producing multi-family real estate properties in Texas and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in Class "A", U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is three years with two one-year extensions at the discretion of Starlight GP.

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
   a. are located in U.S. primary and secondary markets in Texas and the southeastern U.S. exhibiting favourable population and demographic characteristics;
   b. are located in markets that demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
   c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and
   d. are located in comfortable climates with high quality of life.

3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

ENHANCE ASSET VALUE THROUGH DEPLOYMENT OF ACTIVE MANAGEMENT STRATEGY

1. Preparation of a property-specific asset management plan to improve NOI margins by:
    a. increasing rental rates through rental rate mapping and the use of yield management software;
    b. identifying and realizing upon ancillary income opportunities;
    c. reducing operating expenses; and
    d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed on its initial public offering on November 15, 2013, it has acquired four properties located in Austin, Houston and Dallas, Texas. The Fund had interests in a portfolio of 1,527 suites as at June 30, 2016.

Property	Location	Suites	Date of Acquisition
Palm Valley Apartments	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	November 18, 2013
The Falls at Eagle Creek	9702 North Sam Houston Parkw ay, East Humble Texas	412	November 18, 2013
Soho Parkw ay Apartments	6653 McKinney Ranch Parkw ay, McKinney, Texas	379	April 1, 2014
Travesia Apartments	3701 Quick Hill Road, Austin, Williamson County, Texas	396	March 2, 2015
	Total	**1,527**	

PALM VALLEY APARTMENTS

Palm Valley Apartments ("Palm Valley") is located approximately 31 kilometres north of downtown Austin at 1301 North A.W. Grimes Boulevard in Round Rock, Texas. The property is comprised of 340 apartment suites, ranging in size from one to three bedrooms. The complex consists of 17 three storey, garden style buildings on an 18.6 acre site. The Fund purchased a 100% ownership interest in the property on November 18, 2013.

THE FALLS AT EAGLE CREEK

The Falls at Eagle Creek ("Eagle Creek") is located approximately 36 kilometres northeast of downtown Houston at 9702 N. Sam Houston Parkway East in Humble, Texas. The property is comprised of 412 apartment suites, ranging in size from one to two bedrooms. The complex consists of 19 three storey walk-up buildings on a 22.13 acre site. The Fund purchased a 65% ownership interest in the property on November 18, 2013. The remaining 35% and a controlling interest is owned by Starlight U.S. Multi-Family Core Fund ("Fund No. 1").

SOHO PARKWAY APARTMENTS

Soho Parkway Apartments ("Soho Parkway") is located approximately 48 kilometres north of downtown Dallas at 6653 McKinney Ranch Parkway in McKinney, Texas. The property is comprised of 379 apartment suites, ranging in size from one to three bedrooms. The complex consists of 16 three storey walk-up buildings on a 15.04 acre site. The Fund purchased a 75% controlling joint venture ownership interest in the property on April 1, 2014. The remaining 25% is owned by Fund No. 1.

TRAVESIA APARTMENTS

Travesia Apartments ("Travesia") is located approximately 24 kilometres north of the Austin central business district at 3701 Quick Hill Road in Austin, Texas. The property is comprised of 396 apartment suites, ranging in size from one to three bedrooms. The complex consists of 18 three storey walk-up buildings on a 19.4 acre site. The Fund purchased a 100% ownership interest in the property on March 2, 2015.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at June 30, 2016 and for the three and six months ended June 30, 2016, both under IFRS and after adjusting to include the equity investment in Eagle Creek and include the Fund's share of the results of its joint venture interest in Soho Parkway in order to compare operating performance for the property interests held by the Fund.

The key highlights were as follows:

- Same property rents grew 4.9% from $1,045 as at June 30, 2015 to $1,096 as at June 30, 2016. Since the Fund's inception, property rents have increased by 5.4% on an annualized basis.
- Portfolio occupancy was 94.9% during the three months ended June 30, 2016 compared to 95.7% during the three months ended June 30, 2015 and is within the Fund's targeted occupancy range.
- Revenue for the three and six months ended June 30, 2016 was $4,466 and $8,858, respectively, representing increases of $173 or 4.0% and $1,284 or 17.0% when compared to the same periods in 2015. The increase for the three months ended June 30, 2016 represents same property revenue increase.
- NOI for the three and six months ended June 30, 2016 was $2,503 and $4,957, representing increases of $99 or 4.1% and $722 or 17.0% when compared to the same periods in 2015. The increase for the three months ended June 30, 2016 represents same property NOI increase.
- AFFO per Unit at $0.41 for the three months ended June 30, 2016, represented a 36.7% increase over the three months ended June 30, 2015.
- AFFO payout ratio for the three and six months ended June 30, 2016 was 34.2% and 36.4%, respectively, both significantly lower than 47.4% and 45.8% for the corresponding periods in 2015.
- The Fund recognized a fair value increase on its investment properties during the three months ended June 30, 2016 of $1.6 million and the Fund's investment properties including its joint venture interest and equity investment were valued at $190.0 million as of June 30, 2016.
- Interest Coverage Ratio and Indebtedness Coverage Ratio remained strong at 3.06 times and 3.03 times during the three and six months ended June 30, 2016, respectively, compared with 2.61 times and 2.99 times for the same periods in 2015.
- The Fund's weighted average interest rate on mortgages payable was 2.33% as of June 30, 2016 and the weighted average term to maturity was 5.29 years.
- Indebtedness to Gross Book Value was 60.7% as at June 30, 2016, a reduction from 68.8% as at June 30, 2015 and at the lower end of the Fund's targeted range of 60-70%.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	IFRS as at June 30, 2016	Adjusted as at June 30, 2016 (1)	IFRS as at December 31, 2015	Adjusted as at December 31, 2015 (1)	IFRS as at June 30, 2015	Adjusted as at June 30, 2015 (1)
Operational Information						
Number of properties	2	4	2	4	2	4
Total suites	736	1,288	736	1,288	736	1,288
Weighted average portfolio cccupancy %	95.7%	94.9%	94.8%	94.6%	96.2%	95.7%
Average monthly rent (in actual dollars)	$1,096	$1,096	$1,060	$1,071	$973	$1,045
Summary of Financial Information						
Gross Book Value	$110,901	$189,915	$110,843	$187,700	$101,647	$172,924
Indebtedness	$67,575	$115,328	$67,438	$115,191	$71,188	$118,941
Indebtedness to Gross Book Value (2)	60.93%	60.73%	60.84%	61.37%	70.03%	68.78%
Weighted average mortgage interest rate	2.25%	2.33%	1.99%	2.10%	1.93%	2.03%
Weighted average mortgage term to maturity	5.03 years	5.29 years	4.86 years	5.43 years	5.25 years	5.87 years

	IFRS - Three month ended June 30, 2016	Adjusted - Three months ended June 30, 2016 (1)	IFRS - Six months ended June 30, 2016	Adjusted - Six months ended June 30, 2016 (1)	IFRS - Three month ended June 30, 2015	Adjusted - Three months ended June 30, 2015 (1)	IFRS - Six months ended June 30, 2015	Adjusted - Six months ended June 30, 2015 (1)
Summary of Financial Information								
Revenue	2,595	$4,466	5,137	8,858	2,446	4,293	3,932	7,574
Operating expenses	(1,120)	($1,963)	(2,208)	(3,900)	(1,052)	(1,889)	(1,734)	(3,340)
NOI	1,475	2,503	2,929	4,957	1,394	2,404	4,957	4,234
Net income and comprehensive income	1,554	$3,271	2,134	3,452	4,260	5,458	7,529	9,806
FFO		$1,297		$2,728		$1,077		$2,200
FFO per Unit - basic and diluted		$0.38		$0.80		$0.32		$0.65
AFFO		$1,397		$2,587		$1,047		$2,163
AFFO per Unit - basic and diluted		$0.41		$0.75		$0.30		$0.64
Distributions per Unit		$0.14		$0.28		$0.15		$0.30
Interest Coverage Ratio		$3.06		3.06		2.61		2.99
Indebtedness Coverage Ratio		$3.06		3.06		2.61		2.99
FFO payout ratio		36.85%		34.50%		46.05%		45.00%
AFFO payout ratio		34.21%		36.38%		47.39%		45.77%
Weighted average number of Units Outstanding (000s) - basic and diluted								

Notes:
(1) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway.
(2) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations for the three and six months ended June 30, 2016 and June 30, 2015 are summarized below based on the Fund's IFRS reporting:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	$ 2,595	$ 2,446	$ 5,137	$ 3,932
Property operating expenses (1)	(1,120)	(1,052)	(2,208)	(1,734)
NOI	1,475	1,394	2,929	2,198
Share of net (loss) earnings in joint venture	(236)	2,019	782	2,899
Equity investment	1,874	663	1,684	1,399
Fund expenses	(432)	(172)	(566)	(335)
Unrealized foreign exchange loss	(276)	(183)	(761)	(113)
Realized foreign exchange loss	(34)		(34)	-
Fair value adjustment of investment properties	(429)	3,983	(286)	7,020
Finance costs	(427)	(681)	(986)	(1,101)
Income taxes:				
Current	(13)	(6)	(25)	(16)
Deferred	52	(2,757)	(603)	(4,422)
Net income and comprehensive income	$ 1,554	$ 4,260	$ 2,134	$ 7,529

Note:
(1) Property operating expenses include operating costs and realty taxes.

RESULTS OF OPERATIONS – IFRS AND ADJUSTED

The results of operations below have been adjusted to include the Fund's equity investment in Eagle Creek and the Fund's joint venture interest in Soho Parkway. The following discussion focuses on adjusted revenues, expenses, and NOI which include the Fund's share of results of operations for its equity investment and joint venture interest.

	IFRS - Three months ended June 30, 2016	Adjusted - Three months ended June 30, 2016 (1)	IFRS - Three months ended June 30, 2015	Adjusted - Three months ended June 30, 2015 (1)	IFRS - Six months ended June 30, 2016	Adjusted - Six months ended June 30, 2016 (1)	IFRS - Six months ended June 30, 2015	Adjusted - Six months ended June 30, 2015 (1)
Revenue	$ 2,595	$ 4,466	$ 2,446	$ 4,293	$ 5,137	$ 8,858	$ 3,932	$ 7,574
Expenses:								
Operating costs	660	1,112	634	1,073	1,293	2,200	1,036	1,889
Property taxes	460	851	418	816	915	1,701	698	1,450
	1,120	1,963	1,052	1,889	2,208	3,900	1,734	3,340
NOI	$ 1,475	$ 2,503	$ 1,394	$ 2,404	$ 2,929	$ 4,957	$ 2,198	$ 4,235
NOI margin	56.8%	56.1%	57.0%	56.0%	57.0%	56.0%	55.9%	55.9%

Note:
(1) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway.

PROPERTY REVENUE

Property revenue for the three months ended June 30, 2016 increased from $4,293 to $4,466 or 4.0% when compared to the three months ended June 30, 2015. The increase was due to rental rate growth across the portfolio.

Property revenue for the six months ended June 30, 2016 increased from $7,574 to $8,858 or 17.0% when compared to the six months ended June 30, 2015. The increase was due to both growth in rental rates as well as having two full quarters of property revenue from Travesia during the six months ended June 30, 2016, compared to only 121 days of property revenue from Travesia during the six months ended June 30, 2015.

Average monthly rental rates for all properties as at June 30, 2016 were $1,096 compared to $1,000 as at June 30, 2015, for an increase of $96 or 9.6%. Occupancy for the three months ended June 30, 2016 was 94.9% compared to 95.7% for all properties for the three months ended June 30, 2015.

OPERATING EXPENSES

Property operating expenses for the three and six months ended June 30, 2016 and June 30, 2015 were $1,963, $3,900, $1,890 and $3,340, respectively.

Property operating costs for the three months ended June 30, 2016 were $39 or 3.6% higher than the three months ended June 30, 2015. Property taxes increased from $817 to $851 or 4.2% for the three months ended June 30, 2016 compared to the three months ended June 30, 2015 main due to increases at Travesia Apartments.

Property operating costs for the six months ended June 30, 2016 were $311 or 16.5% higher than the six months ended June 30, 2015. This increase was predominantly due to the Fund owning Travesia for the entire 2016 period. Property taxes increased from $1,450 to $1,701 or 14.7% for the six months ended June 30, 2016 compared to the six months ended June 30, 2015, primarily due to the inclusion of Travesia's results for the entire period in 2016. The Fund actively manages property tax appeals where necessary to ensure assessed values are appropriate and in-line with comparable properties.

NOI

NOI for the three and six months ended June 30, 2016 was $2,504 and $3,900, a 4.2% and 16.8% increase, respectively, from the three and six months ended June 30, 2015. The increase in NOI for the three months ended June 30, 2016 was mainly due to rental growth. The increase in NOI for the six months ended June 30, 2016 was predominately due to having two full quarters of operations at Travesia as well as rental rate growth across the Fund's properties.

NOI margins for the three and six months ended June 30, 2016 were 56.1% and 56.0%, respectively, consistent with the NOI margins for the three and six months ended June 30, 2015 of 56.0% and 55.9% respectively.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results include all properties that were owned by the Fund continuously for a selected reporting period and comprise 1,288 apartment suites, or 100% of the 1,288 apartments suites owned by the Fund for the three months ended June 30, 2016, and 892 apartment suites, or 69.3% of the 1,288 apartment suites owned by the Fund for the six months ended June 30, 2016:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	$ 4,466	$ 4,293	$ 6,077	$ 5,895
Expenses:				
Operating costs	1,112	1,073	1,502	1,452
Property taxes	851	816	1,221	1,181
	1,963	1,889	2,723	2,633
NOI	$ 2,503	$ 2,404	$ 3,354	$ 3,262
NOI margin	56.0%	56.0%	55.2%	55.3%

PROPERTY REVENUE – SAME PROPERTY

Same property revenue for the three and six months ended June 30, 2016 was $173 and $182 or 4.0% and 3.1% higher than the three and six months ended June 30, 2015. Same property revenue growth was predominantly the result of an increase in rental rates. As of June 30, 2016, rental rates were $1,096 compared to $1,045 as of June 30, 2015, an increase of 4.9%. Occupancies decreased slightly from 95.7% as at June 30, 2015 to 94.9% as at June 30, 2016.

OPERATING EXPENSES – SAME PROPERTY

Same property operating expenses for the three and six months ended June 30, 2016 were $39 and $50 or 3.6% and 3.4% higher than the three and six months ended June 30, 2015. The increase in same property operating costs for the three and six months ended June 30, 2016 was partially driven by increased leasing costs and higher water costs driven by the warmer temperatures relative to the same period in 2015. Same property taxes were $35 and $40 or 4.3% and 3.4% higher for the three and six months ended June 30, 2016 compared to same 2015 period, mainly due to higher expected property values.

NOI – Same Property

Same property NOI for the three and six months ended June 30, 2016 was $99 and $92 or 4.1% and 2.8% higher than the three and six months ended June 30, 2015, primarily due to rental rate growth across the Fund's properties.

Share of Net Earnings from Joint Ventures

The Fund's share of net (loss) earnings from its joint venture in Soho Parkway for the three months ended June 30, 2016 and for the three months ended June 30, 2015 was $(1,966) and $2,019, respectively. The loss in the second quarter of 2016 was predominately due to the fair value adjustment recorded for Soho Parkway. The Fund's share of net (loss) earnings from its joint venture in Soho Parkway for the six months ended June 30, 2016 and for the six months ended June 30, 2015 was $2,019 and $2,899, respectively. The property has had revenue growth of 4.0% and 4.2% when comparing the three and six months ended June 30, 2016 to the three and six months ended June 30, 2015.

Equity Investment

The Fund has a 65% equity investment interest in Eagle Creek. The Fund does not consolidate this asset on a proportionate basis as decision making is controlled by Fund No. 1. The Fund's equity investment for the three and six months ended June 30, 2016 recognized a net income and comprehensive income of $1,874 and $1,684, respectively (three and six months ended June 30, 2015 - $663 and $1,399). The increase for the three months ended June 30, 2016 relative to the three months ended June 30, 2015 was due to an increase in the fair value of the property, net of deferred taxes, of $2,936. The net income and comprehensive income for the six months ended June 30, 2016 was higher than the six months ended June 30, 2015 due to an increase in the fair value of the property recorded during the three months ended June 30, 2016, net of deferred taxes, of $2,936.

Fund Expenses

Fund expenses include costs incurred by the Fund that are not directly attributable to the properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors' and officers' insurance premiums, expenses relating to the administration of the Fund's distributions and other general and administrative expenses associated with the operation of the Fund. Also included in Fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight"). See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund expenses for the three months ended June 30, 2016 and for the three months ended June 30, 2015 were $432 and $172, respectively. Fund expenses include asset management fees and service fees of $104 and $18, for the three months ended June 30, 2016 and the three months ended June 30, 2015. During the three months ended June 30, 2016, Fund expenses included one-time transaction costs of $258. Fund expenses also included other costs such as legal and audit fees, director fees, investor relations expenses, appraisal fees, and directors' and officers' insurance premiums, totalling $52 and $50, respectively, for the three months ended June 30, 2016 and June 30, 2015.

Fund expenses for the six months ended June 30, 2016 and June 30, 2015 were $556 and $335, respectively. Fund expenses include asset management fees and service fees of $208 and $36, for the six months ended June 30, 2016 and $177 and $36, for the six months ended June 30, 2015. Fund expenses during the six months ended June 30, 2016 included one-time transactions costs of $258. Fund expenses also included other costs such as legal and audit fees, director fees, investor relations expenses, appraisal fees, and directors' and officers' insurance premiums, totalling $64 and $122, respectively, for the same periods.

Foreign Exchange Gains and Losses

The Fund recognized an unrealized foreign exchange loss of $276 and $761 for the three and six months ended June 30, 2016 relating to its mezzanine loan financing on Travesia which was funded in Canadian dollars. The Fund recognized an unrealized foreign exchange loss of $183 and $113 for the three and six months ended June 30, 2015 relating to the Travesia mezzanine loan. On April 29, 2016, the Travesia mezzanine loan was repaid in full and a foreign exchange loss of $34 was realized.

FINANCE COSTS

The Fund's finance costs for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 are summarized below based on IFRS:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on loans payable	$ 386	$ 566	$ 878	$ 831
Fair value adjustment on derivative financial instruments	-	10	1	16
Amortization of financing costs	41	105	107	254
Total	$ 427	$ 681	$ 986	$ 1,101

The Fund's finance costs for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 are summarized below, on an adjusted basis to include the Fund's 65% equity investment in Eagle Creek and the Fund's joint venture interest in Soho Parkway:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Interest on loans payable	$ 658	$ 802	$ 1,417	$ 1,300
Fair value adjustment on derivative financial instruments	2	30	6	53
Amortization of financing costs	62	212	149	383
Total	$ 722	$ 1,045	$ 1,572	$ 1,736

Finance costs for the three months ended June 30, 2016 and for the three months ended June 30, 2015 were $722 and $1,044, respectively.

Interest on loans payable for the three months ended June 30, 2016 and the three months ended June 30, 2015 was $658 and $802, respectively. The decrease of $144 or 17.9% was due to the repayment of the mezzanine loan associated with Travesia.

Interest on loans payable for the six months ended June 30, 2016 and the six months ended June 30, 2015 was $1,417 and $1,300, respectively. The increase of $117 or 9.0% was due to having two full quarters of interest expense on Travesia loans during the six months ended June 30, 2016.

The Fund has entered into an interest rate cap agreement to satisfy a requirement under a loan agreement. The value of the interest rate cap will decline as the term to maturity declines and will also be impacted by interest rate volatility. These financial instruments are fair valued on a quarterly basis and gains or losses are recorded at that time. The Fund incurred an unrealized fair value loss of $nil and $1 on the interest rate cap agreement for the three and six months ended June 30, 2016, respectively, and $10 and $16 for the three and six months ended June 30, 2015, respectively.

Amortization of financing costs for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 was $41, $105, $107 and $254, respectively. Amortization of financing costs was higher for the three and six months ended June 30, 2015 when compared to the three and six months ended June 30, 2016 due to the write-off of financing costs in Palm Valley and Soho Parkway when these properties were refinanced in 2015.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on the amount of rental income from future leases reflecting current market conditions adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates, expected occupancy rates and operating expenses.

As at June 30, 2016 the Fund has realized a cumulative fair value adjustment of $21,303 since inception when excluding the equity investment in Eagle Creek and excluding the Fund's joint venture interest in Soho Parkway. When including the Fund's ownership interest for these investments the Fund has realized a cumulative fair value adjustment of $40,244 since inception. The fair value of investment properties as at June 30, 2016 was $110,901 based on IFRS. When including the Fund's equity investment and joint venture interests, investment properties were valued at $189,915.

The following table summarizes the change in investment properties held by the Fund for the year ended December 31, 2015 and for the six months ended June 30, 2016 based on IFRS:

		Amount
Balance at January 1, 2015	$	43,050
Acquisitions of investment properties		51,327
Additions - capital expenditures		535
Fair value adjustment		15,931
Balance at December 31, 2015	$	110,843
Additions - capital expenditures		344
Fair value adjustment		(286)
Balance at June 30, 2016	$	110,901

The following table reconciles the cost base of investment properties under IFRS to their fair value:

		As at June 30, 2016		As at December 31, 2015
Cost	$	89,598	$	89,254
Cumulative fair value adjustment		21,303		21,589
Fair value	$	110,901	$	110,843

The key assumptions for investment properties held by the Fund under IFRS are set out in the following table:

	As at June 30, 2016	As at December 31, 2015
Capitalization rates	5.00%	5.00%
Capitalization rate - weighted average	5.00%	5.00%

The Fund's weighted average capitalization rate, including the 65% equity investment in Eagle Creek and the investments in joint venture properties was 5.10% as at June 30, 2016 (December 31, 2015 – 5.14%).

The fair values of the Fund's investment properties under IFRS are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties under IFRS as set out in the following table:

Key assumptions	Change		As at June 30, 2016		As at December 31, 2015
Weighted average:					
Capitalization rate	10-basis-points increase	$	(2,175)	$	(2,173)
Capitalization rate	10-basis-points decrease	$	2,263	$	2,262

The impact of a 1% change in NOI used to value the investment properties under IFRS as at June 30, 2016 would affect the fair value by approximately $1,109 (December 31, 2015 - $1,108).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three and six months ended June 30, 2016 and June 30, 2015.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net income and comprehensive income	$ 1,554	$ 4,260	$ 2,134	$ 7,529
Add / (Less):				
Deferred taxes (1)	1,014	3,183	1,460	5,360
Unrealized foreign exchange (gain) or loss	276	183	761	113
Realized foreign exchange (gain) or loss	34	-	34	-
Fair value adjustment on derivative instrument (1)	2	30	6	53
Fair value adjustment of investment properties (1)	(1,583)	(6,579)	(1,667)	(10,855)
FFO	**$ 1,297**	**$ 1,077**	**$ 2,728**	**$ 2,200**
FFO per Unit - basic and diluted	$0.38	$0.32	$0.80	$0.65
Distributions declared (2)	$478	$496	$941	$990
FFO payout ratio	36.85%	46.05%	34.50%	45.00%
Weighted average number of Units outstanding:				
Basic and diluted - Class A, C, D, F, U - (000s)	3,388	3,400	3,390	3,400

Notes:
(1) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three months ended June 30, 2016 and the three months ended June 30, 2015 was $1,297 and $0.38, respectively, and $1,077 and $0.32, respectively. Basic and diluted FFO and FFO per Unit for the six months ended June 30, 2016 and the six months ended June 30, 2015 was $2,728 and $0.80, respectively, and $2,200 and $0.65, respectively.

FFO per Unit increased by 18.8% for the three months ended June 30, 2016 and 23.1% for the six months ended June 30, 2016 in comparison to the corresponding periods in 2015. These increases were due to the NOI contribution from the acquisition of Travesia and rental rate growth across the Fund's properties.

The FFO payout ratio for the three months ended June 30, 2016 was 36.85%, a significant reduction from 46.05% for the three months ended June 30, 2015. The FFO payout ratio for the six months ended June 30, 2016 was 34.50%, a significant reduction from 45.00% for the six months ended June 30, 2015.

The Fund distributions paid and declared for the three months ended June 30, 2016 per Unit were as follows:

Class A	Class C	Class D	Class F	Class U
C$0.34998	C$0.34998	C$0.34998	C$0.34998	$0.34998

ADJUSTED FUNDS FROM OPERATIONS

Reconciliations of FFO to AFFO for the three and six months ended June 30, 2016 and June 30, 2015 are detailed below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
FFO	$ 1,297	$ 1,077	$ 2,728	$ 2,200
Add / (Deduct):				
Amortization of financing costs (1)	62	212	149	383
One-time transaction costs	258	-	258	-
Sustaining capital expenditures and suite renovation (2)	(220)	(243)	(548)	(420)
AFFO	$ 1,397	$ 1,047	$ 2,587	$ 2,163
AFFO per Unit - basic and diluted	$0.41	$0.30	$0.75	$0.64
Distributions declared (3)	$478	$496	$941	$990
AFFO payout ratio	34.21%	47.39%	36.38%	45.77%
Weighted average number of Units outstanding:				
Basic and diluted - Class A, C, D, F, U - (000s)	3,388	3,400	3,390	3,400

Notes:
(1) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway.
(2) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway. Based on actual figures.
(3) Distributions declared is calculated based on the monthly distribution per Unit.

AFFO per Unit increased by 36.7% and 17.2% in the three and six months ended June 30, 2016 relative to the corresponding period in 2015.

Reconciliation of cash provided by operating activities including interest paid to AFFO for the three and six months ended June 30, 2016 and three and six months ended June 30, 2015 is provided below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by operating activities	$ 1,405	$ 1,185	$ 2,237	$ 1,969
Less: interest paid	(386)	(566)	(878)	(831)
Cash provided by operating activities including interest paid	**1,019**	**619**	**1,359**	**1,138**
Add / (Deduct):				
Change in non-cash operating working capital	(400)	(213)	740	100
Change in restricted cash	250	244	(414)	(222)
Share of net earnings in joint venture	(236)	2,019	782	2,899
Income (loss) from equity investment	1,874	663	1,684	1,399
Deferred taxes (1)	1,066	426	857	938
Realized foreign exchange gain	34		34	-
Fair value adjustment on deriviative instrument (1)	2	20	5	37
Fair value adjustment of investment property (1)	(2,013)	(2,596)	(1,954)	(3,835)
Amortization of financing costs (1)	21	107	42	129
Sustaining capital expenditures and suite renovation (2)	(220)	(243)	(548)	(420)
AFFO	$ 1,397	$ 1,047	$ 2,587	$ 2,163

Notes:
(1) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway.
(2) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway. Based on actual figures.

Basic and diluted AFFO and AFFO per Unit for the three months ended June 30, 2016 and the three months ended June 30, 2015 were $1,397 and $0.41, respectively, and $1,047 and $0.30, respectively. Basic and diluted AFFO and AFFO per Unit for the six months ended June 30, 2016 and the six months ended June 30, 2015 were $2,587 and $0.75, respectively, and $2,163 and $0.64, respectively.

The Fund's AFFO payout ratio for the three and six months ended June 30, 2016 was 34.21% and 36.38%, respectively (three and six months ended June 30, 2015 – 47.39% and 45.77%, respectively). The growth in AFFO and AFFO per Unit and the reduced AFFO payout ratio are due to the addition of Travesia and same property NOI growth.

The Fund's distributions of $478 and $941 for the three and six months ended June 30, 2016 were not in excess of net income and comprehensive income or cash provided by operating activities including interest paid. The Fund does not expect distributions to exceed cash provided by operating activities including interest paid in 2016. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders, property maintenance and capital expenditure commitments as they become due and to provide for the future growth of the business. Given the age and quality of the Fund's properties, minimal capital expenditures are required to maintain the properties. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities, loans secured by investment properties and mezzanine loans. As at June 30, 2016, the Fund was in compliance with all of its financial covenants. All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable, see "Loans Payable".

CASH FLOWS

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for the three and six months ended June 30, 2016 and June 30, 2015:

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans	Scheduled interest payments
2016 - remainder of year	45		45	0.04%		1,246
2017	1,345	-	1,345	1.17%	0.00%	1,658
2018	1,837	36,000	37,837	32.81%	2.20%	1,881
2019	1,863	-	1,863	1.62%	0.00%	1,584
2020	1,889	-	1,889	1.64%	0.00%	1,548
Thereafter	4,369	67,980	72,349	62.73%	2.38%	3,440
	$ 11,348	$ 103,980	115,328	100.00%	2.33%	$ 11,357
Unamortized financing costs			(990)			
			$ 114,339			

The Fund's cash balance at June 30, 2016 was $1,529 (June 30, 2015 was $2,487). The cash balance at June 30, 2016 was $1,642 including the Fund's joint venture interest in Soho Parkway (June 30, 2015 of $2,813).

Cash provided by operating activities for the three months ended June 30, 2016 and the three months ended June 30, 2015 was $1,405 and $1,185, respectively, and included changes in non-cash working capital of $659 and $213, respectively.

Cash provided by operating activities for the six months ended June 30, 2016 and the six months ended June 30, 2015 was $2,237 and $1,969, respectively, and included changes in non-cash working capital of $(481) and $(100), respectively.

Cash provided by investing activities for the three months ended June 30, 2016 and June 30, 2015 was $140 and $4,372, respectively. For the three months ended June 30, 2016 cash provided by investing activities consisted of distributions from the joint venture interest of $177 and distributions received from the Fund's equity investment in Eagle Creek of $201 which were partially offset by contributions to the Fund's equity investment in Eagle Creek of $24 and additions to investment properties of $214. For the three months ended June 30, 2015, cash provided by investing activities consisted of distributions from the joint venture interest of $4,201 and distributions received from the Fund's equity investment in Eagle Creek of $328 which were partially offset by contributions to the Fund's equity investment in Eagle Creek of $24 and additions to investment properties of $133.

Cash provided by investing activities for the six months ended June 30, 2016 was $561 and cash used in investing activities for the six months ended June 30, 2015 was $(1,810). For the six months ended June 30, 2016 cash provided by investing activities consisted of distributions from the joint venture interest of $382 and distributions received from the Fund's equity investment in Eagle Creek of $571 which were partially offset by contributions to the Fund's equity investment in Eagle Creek of $48 and additions to investment properties of $344. For the six months ended June 30, 2015, cash used in investing activities related to the acquisition of Travesia of $6,749, contributions to the Fund's equity investment in Eagle Creek of $48 and additions to investment properties of $250. This was partially offset by distributions from the joint venture interest of $4,503 and distributions received from the Fund's equity investment in Eagle Creek of $734.

Cash used in financing activities for the three months ended June 30, 2016 and June 30, 2015 was $1,805 and $2,856, respectively. During the three months ended June 30, 2016, cash used in financing activities included principal repayments of $763 on the mezzanine loan associated with Travesia, repayment of the existing mortgage payable and mezzanine loan associated with Travesia of $35,862, financing costs paid of $653, distributions to Unitholders of $478 and distributions to non-controlling interests of $8 and $41 for the repurchase of Units under the normal course issuer bid ("Issuer Bid"). These payments were partially offset by proceeds from refinancing of Travesia of $36,000. For the three months ended June 30, 2015, cash used in financing activities related to principal repayments of $4,000, financing costs paid of $592, distributions to Unitholders of $496 and distributions to non-controlling interests of $8.

Cash used in financing activities for the six months ended June 30, 2016 and June 30, 2015 was $5,096 and $688, respectively. During the six months ended June 30, 2016, cash used financing activities included principal repayments of $763 on the mezzanine loan associated with Travesia, repayment of the existing mortgage payable and mezzanine loan associated with Travesia of $35,862, financing costs paid of $1,177, distributions to Unitholders of $941 and distributions to non-controlling interests of $8 and $105 for the repurchase of Units under the Issuer Bid. These payments were partially offset by proceeds from refinancing of Travesia of $36,000. For the six months ended June 30, 2015, cash used in financing activities included the repayment of the existing mortgage payable on Palm Valley of $25,000, principal repayments of $5,040, purchase of interest rate cap of $43, financing costs paid of $1,182, distributions to Unitholders of $990 and distributions to non-controlling interests of $8. These amounts were partially offset by proceeds from refinancing of Palm Valley of $31,575.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and Unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build Unitholder value and maintaining sufficient capital contingencies.

As at June 30, 2016, December 31, 2015 and June 30, 2015, the total capital of the Unitholders' was as follows and includes the Fund's indebtedness in Eagle Creek and Soho Parkway:

	As at June 30, 2016	As at December 31, 2015	As at June 30, 2015
Indebtedness	$ 115,328	$ 115,191	$ 118,941
Unitholders' equity	57,467	56,379	45,456
Total capital	$ 172,795	$ 171,570	$ 164,397

DEBT PROFILE

As at June 30, 2016, the Fund's leverage including the Fund's equity investment in Eagle Creek and joint ventures interest in Soho Parkway was 60.73%. The maximum allowable ratio under the Fund's limited partnership agreement is 75%. The Fund had a targeted ratio of 60% and 70%. The weighted average mortgage interest rate for the Fund including the Fund's equity investment in Eagle Creek and the Fund's joint venture interest in Soho Parkway as at June 30, 2016 was 2.33% (June 30, 2015 – 2.03%) and the weighted average term to maturity of the mortgage portfolio was 5.29 years (June 30, 2015 – 5.87 years).

The following table summarizes key liquidity metrics both excluding and including the Fund's equity investment in Eagle Creek and the Fund's joint venture interest in Soho Parkway:

	As at June 30, 2016 (1)	As at June 30, 2015 (1)
Indebtedness to Gross Book Value	60.73%	68.78%
Weighted average interest rate - mortgages	2.33%	2.03%
Weighted average term to maturity - mortgages	5.29 years	5.87 years

	Three months ended June 30, 2016 (1)	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016 (1)	Six months ended June 30, 2015 (1)
Interest Coverage Ratio	3.06 x	2.61 x	3.03 x	2.99 x
Indebtedness Coverage Ratio	3.06 x	2.61 x	3.03 x	2.99 x

Note:
(1) Adjusted to include portion relating to equity investment in Eagle Creek and joint venture interest in Soho Parkw ay.

The Interest Coverage Ratio and Indebtedness Coverage Ratio for the three and six months ended June 30, 2016, including the Fund's equity investment interest in Eagle Creek and the Fund's joint venture interest in Soho Parkway were 3.06 times and 3.03 times (three and six months ended June 30, 2015 – 2.61 times and 2.99 times).

LOANS PAYABLE

Based on IFRS:

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans	Scheduled interest payments
2016 - remainder of year	-		-	0.00%		727
2017	501	-	501	0.74%	0.00%	1,439
2018	668	36,000	36,668	54.26%	2.20%	885
2019	668	-	668	0.99%	0.00%	613
2020	668	-	668	0.99%	0.00%	601
Thereafter	2,781	26,289	29,070	43.02%	2.31%	2,349
	$ 5,286	$ 62,289	67,575	100.00%	2.25%	$ 6,614
Unamortized financing costs			(542)			
			$ 67,033			

The following table sets out, as at June 30, 2016, scheduled principal and interest repayments and amounts maturing on the loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on the Fund's consolidated financial statements adjusted to include the Fund's equity investment in Eagle Creek and the Fund's joint venture ownership interest in Soho Parkway.

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
FFO	**$ 1,297**	**$ 1,077**	**$ 2,728**	**$ 2,200**
Add / (Deduct):				
Amortization of financing costs (1)	62	212	149	383
One-time transaction costs	258	-	258	-
Sustaining capital expenditures and suite renovation (2)	(220)	(243)	(548)	(420)
AFFO	**$ 1,397**	**$ 1,047**	**$ 2,587**	**$ 2,163**
AFFO per Unit - basic and diluted	$0.41	$0.30	$0.75	$0.64
Distributions declared (3)	$478	$496	$941	$990
AFFO payout ratio	34.21%	47.39%	36.38%	45.77%
Weighted average number of Units outstanding:				
Basic and diluted - Class A, C, D, F, U - (000s)	3,388	3,400	3,390	3,400

Notes:
(1) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway.
(2) Includes the Fund's equity investment in Eagle Creek and joint venture interest in Soho Parkway. Based on actual figures.
(3) Distributions declared is calculated based on the monthly distribution per Unit.

Loans payable of $115,328 is comprised of mortgages payable of $36,000 on Travesia bearing interest at 1 month LIBOR plus 1.75%, $31,575 on Palm Valley bearing interest at one-month LIBOR plus 1.84%, $25,425 for the Fund's portion of the Soho Parkway mortgage which bears interest at one-month LIBOR plus 1.96% and $22,328 for the Fund's portion of the Eagle Creek mortgage which bears interest at one-month LIBOR plus 1.94%. The Fund's weighted average interest rate on all loans of 2.33% is lower than 2.55% at December 31, 2015 due to the repayment of the mezzanine loan associated with Travesia on April 29, 2016.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries. All leases as of June 30, 2016 expire within 12 months.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into five classes of Units: Class A Units; Class C Units; Class D Units; Class F Units; and Class U Units.

UNITS

The following table summarizes the changes in Units for the period from December 31, 2014 to June 30, 2016:

	Units	Amount
Outstanding as at December 31, 2014	3,400	$ 30,865
Class A Units repurchased and cancelled under the Issuer Bid	(4)	(44)
Outstanding as at December 31, 2015	3,396	30,821
Class A Units repurchased and cancelled under the Issuer Bid	(10)	(105)
Outstanding as at June 30, 2016	3,386	$ 30,716

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund had the ability to purchase for cancellation up to a maximum of 162,694 of its Class A Units and 46,635 of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on July 24, 2015 and remained in effect until July 22, 2016.

During the three months ended June 30, 2016, the Fund repurchased and cancelled 3,700 Class A Units (in actual Units) under the Issuer Bid for a total purchase of $41. During the six months ended June 30, 2016, the Fund repurchased and cancelled 9,900 Class A Units (in actual Units) under the Issuer Bid for a total purchase of $105.

As at June 30, 2016, there were 3,386,305 Units issued and outstanding (as of December 31, 2015 – 3,396,205 Units).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On November 13, 2013, the Fund entered into the management agreement with Starlight. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team including advisory, consultation and investment management services, and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

  (i) the historical purchase price of properties owned by the Fund; and

  (ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from November 13, 2013; plus

(b) An amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three and six months ended June 30, 2016, the costs of these services were $122 and $244, excluding service fees (three and six months ended June 30, 2015 was $122 and $213). As at June 30, 2016, $52 was included in accounts payable and accrued liabilities including service fees of $18 (as at December 31, 2015, $53 was included in accounts payable and accrued liabilities including service fees of $18).

(c) Acquisition fee equal to:

  (i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;

  (ii) 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and

  (iii) 0.50% of the purchase price on properties acquired in excess of $200,000.

For the three and six months ended June 30, 2016, there were no acquisition fees incurred under the Management Agreement. For the three and six months ended June 30, 2015, the costs of these services were $nil and $393, respectively. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding-up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions in the management agreement.

CARRIED INTEREST

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 2) Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family (No. 2) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies are described in Note 2 to the consolidated financial statements for the year ended December 31, 2015 and for the three and six months ended June 30, 2016. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund's cash, restricted cash, tenant and other receivables, and utility deposits have been designated as loans and receivables; and loans payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund's financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units of the Fund and in the activities of the Fund. Risks are uncertainties are disclosed in the Fund's MD&A for the year ended December 31, 2015 in the Risks and Uncertainties section which is available at WWW.SEDAR.COM. If any of the risks outlined in such disclosure or those outlined in the Fund's prospectus dated October 30, 2013 occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Other than set out or contemplated herein, management is not aware of any significant changes in risk and uncertainties since April 12, 2016, the date of the Fund's MD&A for the year ended December 31, 2015.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at June 30, 2016.

SUBSEQUENT EVENT

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No. 5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund and Starlight U.S. Multi- Family (No. 4) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 13, in the amount of $10,791.

FUTURE OUTLOOK

Management believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Q2-2016	Q1-2016	Q4-2015	Q3-2015	Q2-2015	Q1-2015 [1]	Q4-2014	Q3-2014
Revenue	$2,595	$2,542	$2,480	$2,543	$2,446	$1,486	$1,089	$1,069
Property operating costs	(1,120)	(1,088)	(1,079)	(1,078)	(1,052)	(682)	(451)	(499)
NOI	1,475	1,454	1,401	1,465	1,394	804	638	570
Share of net (loss) earnings in joint venture	(236)	1,018	3,963	1,595	2,019	880	1,471	1,858
Equity investment	1,874	(190)	707	262	663	736	815	1,064
Fund expenses	(432)	(134)	(189)	(177)	(172)	(163)	(126)	(137)
Unrealized foreign exchange (loss) gain	(276)	(485)	200	606	(183)	70	-	-
Realized foreign exchange (loss) gain	(34)	-	48	72	-	-	-	-
Fair value adjustment of investment properties	(429)	143	4,101	4,810	3,983	3,037	1,460	2,004
Finance costs	(427)	(559)	(490)	(680)	(681)	(420)	(152)	(152)
Income taxes:								
Current	(13)	(12)	(10)	(13)	(6)	(10)	(7)	(8)
Deferred	52	(655)	(3,055)	(2,715)	(2,757)	(1,665)	(1,141)	(1,585)
Net income and comprehensive income for the period	**$ 1,554**	**$ 580**	**$ 6,676**	**$ 5,225**	**$ 4,260**	**$ 3,269**	**$ 2,958**	**$ 3,614**
FFO	$1,297	$1,431	$1,405	$1,338	$1,220	$953	$822	$848
AFFO	$1,397	$1,190	$1,134	$1,234	$1,889	$946	$939	$804
Distributions	$478	$463	$461	$473	$496	$494	$525	$553
FFO per Unit - basic and diluted	$0.38	$0.42	$0.41	$0.40	$0.36	$0.28	$0.24	$0.25
AFFO per Unit - basic and diluted	$0.41	$0.34	$0.32	$0.36	$0.36	$0.28	$0.27	$0.24
Distributions per Unit [2]	$0.14	$0.14	$0.14	$0.14	$0.15	$0.15	$0.15	$0.16

Notes:

(1) The Fund purchased Travesia on March 2, 2015.

(2) Distributions per Unit for each period are based on the total distributions per Unit declared during the period for all classes of Units.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: October 12, 2016
Toronto, Ontario, Canada

Consolidated Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Years ended December 31, 2015 and 2014

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Starlight U.S Multi-Family (No. 2) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S Multi-Family (No. 2) Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No. 2) Core Fund and its subsidiaries as at December 31, 2015 and 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
April 12, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Statements of Financial Position
As at December 31
(In thousands of U.S. dollars)

	Note		2015		2014 (Reclassified – Note 1(e))
ASSETS					
Non-current assets					
Investment properties	4	**$**	**110,843**	$	43,050
Investment in joint venture	5		**16,800**		13,693
Equity investment	6		**9,638**		8,474
Derivative financial instruments	11		**3**		-
Utility deposits			**21**		2
Total non-current assets			**137,305**		65,219
Current assets					
Tenant and other receivables	7		**109**		35
Prepaid expenses and other assets	8		**124**		43
Restricted cash	9		**915**		791
Cash			**1,587**		3,016
Total current assets			**2,735**		3,885
TOTAL ASSETS		**$**	**140,040**	$	69,104
LIABILITIES					
Non-current liabilities					
Mortgages payable	10	**$**	**31,318**	$	24,899
Deferred taxes			**14,151**		3,959
Total non-current liabilities			**45,469**		28,858
Current liabilities					
Mortgages payable	10		**35,771**		-
Tenant rental deposits			**99**		44
Accounts payable and accrued liabilities	12		**2,002**		1,025
Finance costs payable			**133**		33
Distributions payable			**149**		173
Total current liabilities			**38,154**		1,275
Total liabilities			**83,623**		30,133
EQUITY					
Unitholders' equity			**56,379**		38,917
Non-controlling interests			**38**		54
Total equity			**56,417**		38,971
TOTAL LIABILITIES AND EQUITY		**$**	**140,040**	$	69,104

Commitments and contingencies (Note 18)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 2) Core GP, Inc., as general partner for Starlight U.S. Multi-Family (No. 2) Core Fund on April 12, 2016, and signed on its behalf:

Daniel Drimmer Director *Derek Lobo* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Statements of Income and Comprehensive Income
Years ended December 31
(In thousands of U.S. dollars, except per unit amounts)

	Note		2015		2014 (Reclassified – Note 1(e))
Revenue from property operations		$	**8,954**	$	4,253
Expenses					
Property operating costs			**2,407**		1,099
Realty taxes			**1,485**		807
			3,892		1,906
Income from operations			**5,062**		2,347
Share of net earnings from joint venture	5		**8,457**		3,952
Equity investment	6		**2,368**		3,106
Finance income			**-**		2
Finance costs	16		**(2,271)**		(603)
Fund and trust expenses			**(701)**		(505)
Unrealized foreign exchange gain			**693**		-
Realized foreign exchange gain			**120**		-
Fair value adjustment of investment properties	4		**15,931**		5,849
			29,659		14,148
Income taxes					
Current	2 (h) (ii)		**(37)**		(29)
Deferred	2 (h) (ii)		**(10,192)**		(3,991)
Net income and comprehensive income		$	**19,430**	$	10,128
Basic and diluted earnings per unit	2 (g)	$	**5.72**	$	2.98
Weighted average number of units outstanding					
Basic and diluted			**3,400**		3,400

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Statements of Changes in Equity
Years ended December 31, 2015 and 2014
(In thousands of U.S. dollars)

	Unitholders' Equity (Note 12)	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2014	**$ 30,865**	**$ 8,052**	**$ 38,917**	**$ 54**	**$ 38,971**
Changes during the year:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	**(44)**	**-**	**(44)**	**-**	**(44)**
Net income and comprehensive income	**-**	**19,430**	**19,430**	**-**	**19,430**
Distributions	**-**	**(1,924)**	**(1,924)**	**(16)**	**(1,940)**
Balance, December 31, 2015	**$ 30,821**	**$ 25,558**	**$ 56,379**	**$ 38**	**$ 56,417**

	Unitholders' Equity	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2013	$ 30,865	$ (103)	$ 30,762	$ -	$ 30,762
Changes during the year:					
Units issued, net of issuance costs	-	-	-	69	69
Net income and comprehensive income	-	10,128	10,128	-	10,128
Distributions	-	(1,973)	(1,973)	(15)	(1,988)
Balance, December 31, 2014	$ 30,865	$ 8,052	$ 38,917	$ 54	$ 38,971

Distributions to unitholders in the aggregate for all classes of units of the Fund during the year ended December 31, 2015 were equal to $0.5659 per unit (2014 - $0.5807).

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

Consolidated Statements of Cash Flows
Years ended December 31
(In thousands of U.S. dollars)

	Note	2015	2014 (Reclassified – Note 1(e))
Operating activities			
Net income and comprehensive income		**$ 19,430**	$ 10,128
Adjustment for financing activities included in net income			
Finance costs	16	**2,271**	603
Adjustments for items not involving cash			
Share of net earnings in joint venture		**(8,457)**	(3,952)
Fair value adjustment of investment properties	4	**(15,931)**	(5,849)
Unrealized foreign exchange gain		**(693)**	-
Deferred taxes		**10,192**	3,991
Income from equity investment		**(2,368)**	(3,106)
Change in restricted cash		**(124)**	(788)
Change in non-cash operating working capital	16	**597**	843
Cash provided by operating activities		**4,917**	1,870
Investing activities			
Acquisitions	3	**(6,749)**	-
Contribution to equity investment		**(102)**	(1,410)
Distribution from equity investment		**1,306**	2,377
Initial contribution to joint venture	5	**-**	(10,337)
Distributions from joint venture	5	**5,350**	596
Additions to investment properties	4	**(535)**	(211)
Cash used in investing activities		**(730)**	(8,985)
Financing activities			
Units repurchased and cancelled under Issuer Bid		**(44)**	-
Mortgages payable			
Proceeds – new financing		**31,575**	-
Repayment of mortgage		**(25,000)**	-
Principal payments		**(7,984)**	-
Financing costs paid		**(2,180)**	(551)
Purchase of interest rate cap		**(43)**	-
Contributions from non-controlling interest		**-**	69
Distribution to non-controlling interest		**(16)**	(15)
Distributions to unitholders		**(1,924)**	(1,973)
Cash used in financing activities		**(5,616)**	(2,470)
Decrease in cash during the year		**(1,429)**	(9,585)
Cash, beginning of year		**3,016**	12,601
Cash, end of year		**$ 1,587**	$ 3,016

See accompanying notes to the consolidated financial statements.

Starlight U.S. Multi-Family (No. 2) Core Fund (the "Fund") is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified revenue-generating rental properties in the United States ("U.S.") multi-family real estate market.

The operations of the Fund commenced on November 18, 2013 when, subsequent to completion of its initial public offering on November 15, 2013, the Fund completed the acquisition of its interests in a portfolio of two multi-family residential properties located in Austin and Houston, Texas comprising a total of 752 suites. Currently, the Fund has interests in a portfolio of four properties, comprising a total of 1,527 suites, located in Houston, Dallas and Austin, Texas.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of the consolidated financial statements for the years ended December 31, 2015 and 2014.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value.

These consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund's subsidiaries are shown separately in the consolidated statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

(d) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical judgments and estimates are described in detail in Note 2(j).

(e) Change in accounting presentation:

Prior to January 1, 2015, investments in joint arrangements were reported as joint operations whereby assets, liabilities, revenue and expenses were separately presented on the consolidated statements of financial position, income and comprehensive income and cash flows. Subsequently, the investments in joint arrangements have been presented within investments in joint ventures with no impact on net earnings and equity. Comparative amounts have been reclassified to conform to current year's presentation in order to permit comparability. As a result of this change, as at December 31, 2014, investment in joint ventures of $13,693 were recognized as a result of reclassifying investment properties of $34,650, mortgages payable of $(21,121) and other net working capital items of $164. For the year ended December 31, 2014, share of earnings from the joint ventures of $3,952 is presented, as a result of reclassifying revenue of $2,554, fair value adjustment of investment properties of $2,870 and operating and other expenses of $(1,472). The reclassification had no impact on the financial position as at January 1, 2014.

2. Significant accounting policies:

(a) Equity investment:

The equity investment consists of an entity over which the Fund has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies. The carrying amount of the investment is adjusted to recognize changes in the Fund's share of net assets of the entity since the acquisition date.

The Fund's equity investments are accounted for using the equity method. Under the equity method, the investment in an entity or a joint venture is initially recognized at cost.

The consolidated statements of income and comprehensive income reflect the Fund's share of the results of operations of the entity. Any change in other comprehensive income of those entities is presented as part of the Fund's other comprehensive income. Unrealized gains and losses resulting from transactions between the Fund and the entity are eliminated to the extent of the Fund's interest in the entity.

The financial statements of the entity are prepared using the same accounting policies and reporting period as the Fund. At each reporting date, after application of the equity method, the Fund determines whether there is objective evidence that the investment in the entity is impaired. If there is such evidence, the Fund calculates the amount of impairment as the difference between the recoverable amount of the entity and its carrying value then the Fund recognizes the loss in the consolidated statements of income and comprehensive income.

(b) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statements of income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Significant accounting policies (continued):

(c) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of income and comprehensive income in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(d) Cash and restricted cash:

Cash includes unrestricted cash and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The fund also restricts cash for tenant security deposits.

(e) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

2. Significant accounting policies (continued):

(e) Revenue recognition (continued):

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants. All accounts outstanding for greater than 90 days are allowed for through the consolidated statements of income and comprehensive income.

(f) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement		**2015**		2014
Financial assets:						
Derivative financial instruments	FVTPL	Fair value	**$**	**3**	$	-
Utility deposits	Loans and receivables	Amortized cost		**21**		2
Tenant and other receivables	Loans and receivables	Amortized cost		**109**		35
Restricted cash	Loans and receivables	Amortized cost		**915**		791
Cash	Loans and receivables	Amortized cost		**1,587**		3,016
Financial liabilities:						
Mortgages payable	Other liabilities	Amortized cost	**$**	**67,089**	$	24,899
Tenant rental deposits	Other liabilities	Amortized cost		**99**		44
Accounts payable and accrued liabilities	Other liabilities	Amortized cost		**2,002**		1,025
Finance costs payable	Other liabilities	Amortized cost		**133**		33
Distributions payable	Other liabilities	Amortized cost	**$**	**149**	$	173

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

2. Significant accounting policies (continued):

(f) Financial instruments (continued):

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(g) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

(h) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Each unitholder of the Fund is required to include in computing the unitholder's income for a particular taxation year, the unitholder's share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder's taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through ("SIFT") rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "SIFT Measures"). A "SIFT partnership" (as defined in the Tax Act) will be subject to SIFT tax on its "taxable non-portfolio earnings" (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(i) Canadian status (continued)

The "taxable non-portfolio earnings" less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any "non-portfolio property" throughout the taxation year of the partnership.

The Fund believes that it does not hold any "non-portfolio property" and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund's continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code"). Furthermore, Starlight U.S. Multi-Family (No. 2) Core REIT Inc. (the "U.S. REIT"), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust ("REIT") under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to a dividend paid deduction and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund made the REIT election for the U.S. REIT and believes the U.S. REIT's organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status (continued)

Current taxes (continued)

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax of $37 for the year ended December 31, 2015 (December 31, 2014 - $29).

Starlight U.S. Multi-Family (No. 2) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but it has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Starlight U.S. Multi-Family (No. 2) Core Holding L.P. ("Holding LP"). Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status (continued)

Current taxes (continued)

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at December 31, 2015 a deferred tax liability of $14,151 (December 31, 2014 – $3,959) has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

Deferred taxes

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(i) Joint arrangements:

In accordance with IFRS 11 – Joint Arrangements (“IFRS 11”), the Fund has a joint venture over which the Fund has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of the arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investment in the joint venture is accounted for using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund’s share of the post-acquisition net earnings and changes in the net assets of the joint ventures.

2. Significant accounting policies (continued):

(j) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

(ii) Accounting for acquisitions

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of an associate and control as defined in the accounting standards.

2. Significant accounting policies (continued):

(j) Critical estimates and judgments (continued):

(iv) Joint arrangements

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Management applies judgment in determining whether the facts and circumstances involved in a joint arrangement result in the arrangement being classified as a joint venture or a joint operation. The Fund has classified its joint arrangement as a joint venture.

(v) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows, and discount rates.

(vi) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

(vii) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

2. Significant accounting policies (continued):

(k) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, the expense is pro-rated over the year.

(l) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

(m) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the year ended December 31, 2015. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Presentation of Financial Statements ("IAS 1"):

IAS 1, Presentation of Financial Statements was amended by the IASB in December of 2014. The amendments are designed to further encourage presenters of financial statements to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that presenters should use professional judgement in determining where and in what order information is presented in their financial disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

2. Significant accounting policies (continued):

(m) Future accounting changes (continued):

(ii) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iv) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of U.S. dollars, unless otherwise noted)

3. Acquisition:

The following asset acquisition was completed during the year ended December 31, 2015. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Travesia Apartments
Acquisition date	March 2, 2015
Net assets acquired:	
Investment properties	$ 51,327
Mortgages payable:	
Assumed mortgages	(44,241)
Cash paid (received) for working capital:	
Tenant rental deposits	(63)
Accounts payable and accrued liabilities	(234)
Finance costs payable	(107)
Tenant and other receivables	62
Prepaid expenses and other assets	5
	$ 6,749
Consideration paid, funded by:	
Cash	$ 6,749

4. Investment properties:

The following table summarizes the movements in the investment properties for the years ended December 31, 2015 and 2014:

Balance, January 1, 2014	$ 36,990
Additions - capital expenditures	211
Fair value adjustment	5,849
Balance, December 31, 2014	$ 43,050
Acquisitions	**51,327**
Additions - capital expenditures	**535**
Fair value adjustment	**15,931**
Balance, December 31, 2015	**$ 110,843**

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment properties (continued):

The following table reconciles the cost base of investment properties to their fair value:

	2015	2014
Cost	**$ 89,254**	$ 37,392
Cumulative fair value adjustment	**21,589**	5,658
Fair value	**$ 110,843**	$ 43,050

The key valuation assumptions for investment properties are set out in the following table:

	2015	2014
Capitalization rate (range and weighted average)	**5.00%**	5.50%

All of the properties were valued by independent qualified valuators during the three months ended December 31, 2015 and these valuations were updated by management to derive the fair values as at December 31, 2015. The Fund determined the fair value of each investment property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

		2015	2014
Weighted average:			
Capitalization rate	10 basis-point increase	**$ (2,173)**	$ (769)
Capitalization rate	10 basis-point decrease	**$ 2,262**	$ 797

The impact of a one percent change in the net operating income used to value the investment properties at December 31, 2015 would affect the fair value by approximately $1,108 (2014 - $430).

(In thousands of U.S. dollars, unless otherwise noted)

5. Investment in joint venture:

The Fund has equity method accounted investment in joint venture. The following table details the Fund's ownership interest in the equity investee:

Entity	Principal Activity	December 31, 2015	December 31, 2014
Soho Acquisition LLC	Owns and operates an income property	**75%**	75%

The following table presents the changes in the aggregate carrying value of the Fund's investment in joint venture:

	2015	2014
Balance, beginning of year	**$ 13,693**	$ -
Initial contributions on establishment of arrangement	**-**	10,337
Share of net income	**8,457**	3,952
(Distributions) contributions	**(5,350)**	(596)
Balance, end of year	**$ 16,800**	$ 13,693

The following tables present the financial position and results of performance of the Fund's equity accounted investee on a 100% basis:

	Soho Parkway Apartments	**2015 Total**	2014 Total
Cash	**$ 122**	**$ 122**	$ 253
Other current assets	**1,008**	**1,008**	954
Non-current assets	**56,023**	**56,023**	46,210
Current liabilities	**(1,205)**	**(1,205)**	(998)
Non-current mortgage payable	**(33,547)**	**(33,547)**	(28,162)
Net assets	**$ 22,401**	**$ 22,401**	$ 18,257
Investments in joint venture	**$ 16,800**	**$ 16,800**	$ 13,693

	Soho Parkway Apartments	**2015 Total**	2014 Total
Revenues from property operations	**$ 4,797**	**$ 4,797**	$ 3,405
Property operating costs	**(1,171)**	**(1,171)**	(798)
Realty taxes	**(853)**	**(853)**	(616)
Finance costs	**(901)**	**(901)**	(525)
Fair value adjustment on investment property	**9,419**	**9,419**	3,827
Current taxes	**(15)**	**(15)**	(24)
Net earnings	**$ 11,276**	**$ 11,276**	$ 5,269
Share of net earnings in joint ventures	**$ 8,457**	**$ 8,457**	$ 3,952

(In thousands of U.S. dollars, unless otherwise noted)

6. Equity investment:

		2015		2014
Opening balance	**$**	**8,474**	$	6,335
Equity income		**2,368**		3,106
Contributions		**102**		1,410
Distributions		**(1,306)**		(2,377)
	$	**9,638**	$	8,474

On November 18, 2013, the Fund acquired 65% of its interest in the Falls at Eagle Creek from Starlight Investments Acquisition LLC, a wholly owned subsidiary of Starlight Investments Ltd. ("Starlight"), a related party due to common control. All relevant decision making in respect of the Falls at Eagle Creek will be made exclusively by Starlight U.S. Multi-Family Core Fund, which has the remaining 35% interest in the Falls at Eagle Creek in accordance with the terms of the limited liability agreement of Eagle Creek Multi-Family Holding LLC. Accordingly, Starlight U.S Multi-Family Core Fund controls the Falls at Eagle Creek. The Fund exercises significant influence over the property due to common board members, and therefore, the investment is accounted using the equity method. As of December 31, 2015 the Falls at Eagle Creek investment property was valued at $53,621 and had mortgages payable of $34,350 (2014 - $50,190 and $34,350, respectively).

The Falls at Eagle Creek had cash on hand of $194 and restricted cash of $1,371 as at December 31, 2015 (2014 – $184 and $1,157, respectively). Revenue from property operations for the year ended December 31, 2015 for the Falls at Eagle Creek was $5,806 and

property operating expenses were $2,746 (2014 – $5,455 and $2,687, respectively). Net income and comprehensive income for the year ended December 31, 2015 were $5,233 (2014 – $5,708).

7. Tenant and other receivables:

Tenant and other receivables as at December 31 consist of the following:

		2015		2014
Tenant receivables	**$**	**107**	$	32
Other receivables		**2**		3
	$	**109**	$	35

The Fund holds no collateral in respect of tenant and other receivables.

(In thousands of U.S. dollars, unless otherwise noted)

8. Prepaid expenses and other assets:

Prepaid expenses as at December 31 consist of the following:

		2015		2014
Prepaid insurance	**$**	**107**	$	43
Prepaid other assets		**17**		-
	$	**124**	$	43

9. Restricted cash:

The following table presents the details of restricted cash:

		2015		2014
Escrowed funds:				
Real estate taxes	**$**	**823**	$	737
Replacement/repairs		**76**		53
Property insurance		**5**		1
Interest rate caps		**11**		-
	$	**915**	$	791

(In thousands of U.S. dollars, unless otherwise noted)

10. Mortgages payable:

Mortgages payable are secured by investment properties and bear interest at various fixed and variable rates.

		2015		2014
Mortgage payable, bearing interest at LIBOR +1.84%, requires interest only payments until April 2017, due March 2025 (i)	**$**	**31,575**	$	-
Mortgage payable, bearing interest at LIBOR + 1.65%, requires interest only payments, due October 2015, with one three-month option to extend to January 2016 (iii)		**28,500**		-
Mortgage payable, bearing interest at 9.25%,requires interest only payments, due October 2015,with one three-month option to extend to January 2016 (ii) (iv) (v)		**7,363**		-
Mortgage payable, bearing interest at LIBOR + 2%, requires interest only payments, due December 2016, with two one-year options to extend to December 2018 (i)		**-**		25,000
Face value	**$**	**67,438**	$	25,000
Unamortized financing costs		**(349)**		(101)
	$	**67,089**	$	24,899

(i) On February 26, 2015, the Fund refinanced Palm Valley Apartments for $31,575 and repaid $25,000 on the existing mortgage.

(ii) On March 3, 2015, the Fund repaid $1,040 of the mezzanine loan associated with Travesia Apartments. The loan is a Canadian dollar denominated loan that is translated to U.S. dollars.

(iii) On May 19, 2015, the Fund repaid $4,000 of a mortgage payable secured by Travesia Apartments. The Fund exercised its three month extension on this mortgage to January 2016. On January 19, 2016, the Fund extended the maturity date of the mortgage payable and the mezzanine loan associated with Travesia Apartments from January 29, 2016 to April 29, 2016.

(iv) On July 22, 2015, the Fund repaid $1,877 of the mezzanine loan associated with Travesia Apartments. The loan is a Canadian dollar denominated loan that is translated to U.S. dollars.

(v) On November 10, 2015, the Fund repaid $1,067 of the mezzanine loan associated with Travesia Apartments. The loan is a Canadian dollar denominated loan that is translated to U.S. dollars.

(In thousands of U.S. dollars, unless otherwise noted)

10. Mortgages payable (continued):

The following table provides a breakdown of mortgages payable:

		2015		2014
Current:				
Mortgages payable	$	35,863	$	-
Unamortized financing costs		(92)		-
		35,771		-
Non-current:				
Mortgages payable		31,575		25,000
Unamortized financing costs		(257)		(101)
		31,318		24,899
	$	67,089	$	24,899

Future principal payments on mortgages payable are as follows:

		Principal payment		Principal payment		Balloon Total
2016	$	-	$	35,863	$	35,863
2017		450		-		450
2018		667		-		667
2019		667		-		667
2020		666		-		666
Thereafter		2,837		26,288		29,125
	$	5,287	$	62,151	$	67,438

11. Derivative financial instruments:

Interest rate caps:

The Fund utilizes interest rate cap agreements to hedge its interest costs on one of its variable rate mortgages as required by the applicable lender. As the Fund has elected not to use hedge accounting, a fair value adjustment of $(40) was recorded as an unrealized loss in finance costs in the consolidated statements of income and comprehensive income for the year ended December 31, 2015 (2014 - $nil).

(In thousands of U.S. dollars, unless otherwise noted)

11. Derivative financial instruments (continued):

The following is a summary of the Fund's interest rate cap agreements as at December 31, 2015:

	Notional amount	Maturity date	Cap rate	**Carrying value and fair value at December 31, 2015**	Carrying value and fair value at December 31, 2014
SMBC Capital Markets Inc.	$ 31,575	March, 2018	4.00%	**$ 3**	$ -
Balance	$ 31,575			**$ 3**	$ -

The following table represents a summary of the changes in fair value for the year ended December 31, 2015 and 2014 for the interest rate cap agreements carried at fair value:

	2015	2014
Balance, beginning of year	**$ -**	$ -
Acquisitions during the year	**43**	-
Unrealized loss for the year	**(40)**	-
Balance	**$ 3**	$ -

12. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	2015	2014
Accrued real estate taxes	**$ 1,634**	$ 808
Tenant prepayments	**42**	12
Operating payables	**326**	205
	$ 2,002	$ 1,025

13. Unitholders' equity:

The beneficial interest in the net assets and net income and comprehensive income of the Fund is divided into five classes of limited partnership units: Class A, Class C, Class D, Class F and Class U units. The Class A, Class C, Class D and Class F units were issued at CDN$10.00 per unit. The Class U units were issued at $10.00 per unit. The Class A and Class U units are listed for trading on the TSX Venture Exchange under the symbols SUD.A and SUD.U, respectively. The Class C, Class D and Class F units have conversion privileges into Class A units.

(In thousands of U.S. dollars, unless otherwise noted)

13. Unitholders' equity (continued):

	Units (000's)	Value
Units issued, September 23, 2014	–	$ –
Units issued on November 15, 2014		
Class A	1,000	9,558
Class C	677	6,472
Class D	1,159	11,077
Class F	95	913
Class U	469	4,686
Units issued	3,400	32,706
Less issuance costs	-	(1,841)
Class A units repurchased and cancelled under Issuer Bid	(4)	(44)
Balance, December 31, 2015	3,396	$ 30,821

As of December 31, 2015, 3,396,205 units of the Fund were outstanding (December 31, 2014 – 3,400,505 units).

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 162,694 of its Class A limited partnership units and up to 46,635 of its Class U limited partnership units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on July 24, 2015 and will remain in effect until the earlier of: (i) July 22, 2016 and (ii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

During the year ended December 31, 2015, the Fund purchased and cancelled 4,300 Class A units with a value of $44.

Carried Interest:

After (i) payment of all expenses of Holding LP, Investment LP and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight, will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

14. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

15. Transactions with related parties:

The consolidated financial statements as at December 31, 2015 and 2014 include the following transactions with related parties:

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the management agreement dated November 13, 2013 (the "Management Agreement"), Starlight is to perform asset management services for fees equal to 0.35% of the sum of: (i) the historical purchase price of the Fund's properties in U.S. dollars; and (ii) the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars plus an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

For the year ended December 31, 2015, the costs of these services, aggregating $459 (2014 - $279), were charged to Fund expenses. As at December 31, 2015, $53 was included in accounts payable and accrued liabilities, which includes $18 of service fees (2014 - $38 and $18, respectively).

(b) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired.

For the year ended December 31, 2015, the Fund incurred $393 (2014 - $310) for acquisition fees under the Management Agreement, which were paid at the time of acquisition, and were capitalized to investment properties on acquisition.

(In thousands of U.S. dollars, unless otherwise noted)

16. Finance costs:

		2015		2014
Interest on mortgages payable	**$**	**1,828**	$	551
Amortization of finance costs		**189**		52
Fair value adjustments on derivative financial instruments		**40**		-
Loss on early extinguishment of debt		**214**		-
	$	**2,271**	$	603

17. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

		2015		2014
Utility deposits	**$**	**(19)**	$	(2)
Prepaid expenses and other assets		**(76)**		(43)
Tenant and other receivables		**(12)**		(31)
Tenant rental deposits		**(8)**		(1)
Finance costs payable		**(7)**		-
Distribution payable		**(24)**		57
Accounts payable and accrued liabilities		**743**		863
	$	**597**	$	843

18. Commitments and contingencies:

At the consolidated statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2015 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

19. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of mortgage payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at December 31, 2015.

20. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of income and comprehensive income.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has options to enter into interest rate cap agreements for all its floating rate mortgages. The interest rate cap agreements were not in place as of December 31, 2015 for all floating rate mortgages as these agreements are only required once LIBOR reaches one percent. For the year ended December 31, 2015, all else being equal, an increase or decrease of ten basis points of LIBOR would impact net earnings by $73 (2014 - $46).

20. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its mortgage portfolio over a number of years and has options to extend certain the mortgages.

All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of mortgages payable, see Note 10.

21. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

Derivative financial instruments are considered as Level 2 financial instruments.

Investment properties are considered as Level 3 financial instruments.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Mortgages payable:

The fair value of mortgages payable is estimated based on the current market rates for mortgages with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable at December 31, 2015 and 2014 approximated its carrying value.

21. Fair value measurement of financial instruments (continued):

(b) Other financial assets and financial liabilities:

The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).

22. Comparative figures:

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for the current year, (Note 1 (e)).

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2015

April 12, 2016

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the consolidated financial results of Starlight U.S. Multi-Family (No. 2) Core Fund (the "Fund") dated April 12, 2016, prepared as at December 31, 2015, and for the year ended December 31, 2015, should be read in conjunction with the Fund's audited consolidated financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for the year ended December 31, 2014. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information necessarily involves known and unknown risks and uncertainties that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in the "Risks and Uncertainties" section. See "Risks and Uncertainties".

The forward-looking information included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's audited consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which include fair value adjustments on derivative instruments, amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest expenses. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest indebtedness payments and ultimately the ability of the Fund to make cash distributions to holders of Units ("Unitholders").

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which include fair value adjustments on derivative instruments, amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy obligation requirements. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest mortgage payments and ultimately the ability of the Fund to make cash distributions to investors in Units.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments and deferred income tax expenses as well as realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family (No. 2) Core GP, Inc. ("Starlight GP"). Other adjustments may be made to

AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operations to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights". Also included within these reconciliations are adjustments to add the Fund's equity investment which represents a departure from IFRS and which management has adjusted in order to show the full performance of the Fund's interests.

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in the southeastern U.S. multi-family real estate market.

The Fund has five classes of Units. Class A Units and Class U Units are listed on the TSX Venture Exchange under the symbols SUD.A and SUD.U, respectively, and Class C Units, Class D Units and Class F Units which are convertible into Class A Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, class "A" stabilized, income producing multi-family real estate properties in Texas and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in Class "A", U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is three years with two one-year extensions at the discretion of Starlight GP.

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
    a. are located in U.S. primary and secondary markets in Texas and the southeastern U.S. exhibiting favourable population and demographic characteristics;
    b. demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
    c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and
    d. are located in comfortable climates with high quality of life.
3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

ENHANCE ASSET VALUE THROUGH DEPLOYMENT OF ACTIVE MANAGEMENT STRATEGY

1. Prepare a property-specific asset management plan to improve NOI margins by:
    a. increasing rental rates through rental rate mapping and the use of yield management software;
    b. identifying and realizing upon ancillary income opportunities;
    c. reducing operating expenses; and
    d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed on the initial public offering on November 15, 2013, it has invested in four properties located in Austin, Houston, and Dallas, Texas. The Fund had interests in a portfolio of 1,527 suites as at December 31, 2015.

Property	Location	Suites	Date of Acquisition
Palm Valley Apartments	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	November 18, 2013
Falls at Eagle Creek	9702 North Sam Houston Parkw ay, East Humble Texas	412	November 18, 2013
Soho Parkw ay Apartments	6653 McKinney Ranch Parkw ay, McKinney, Texas	379	April 1, 2014
Travesia Apartments	3701 Quick Hill Road, Austin, Williamson County, Texas	396	March 2, 2015
	Total	**1,527**	

PALM VALLEY APARTMENTS

Palm Valley Apartments ("Palm Valley") is located approximately 31 kilometres north of downtown Austin at 1301 North A.W. Grimes Boulevard in Round Rock, Texas. The property is comprised of 340 apartment suites, ranging in size from one to three bedrooms. The complex consists of 17 three storey, garden style buildings on an 18.6 acre site. The Fund purchased a 100% ownership interest in the property on November 18, 2013.

FALLS AT EAGLE CREEK

Falls at Eagle Creek ("Eagle Creek") is located approximately 36 kilometres northeast of downtown Houston at 9702 N. Sam Houston Parkway East in Humble, Texas. The property is comprised of 412 apartment suites, ranging in size from one to two bedrooms. The complex consists of 19 three storey walk-up buildings on a 22.13 acre site. The Fund purchased a 65% ownership interest in the property on November 18, 2013. The remaining 35% and a controlling interest is owned by Starlight U.S. Multi-Family Core Fund ("Fund No. 1").

SOHO PARKWAY APARTMENTS

Soho Parkway Apartments ("Soho Parkway") is located approximately 48 kilometres north of downtown Dallas at 6653 McKinney Ranch Parkway in McKinney, Texas. The property is comprised of 379 apartment suites, ranging in size from one to three bedrooms. The complex consists of 16 three storey walk-up buildings on a 15.04 acre site. The Fund purchased a 75% joint venture ownership interest in the property on April 1, 2014. The remaining 25% is owned by Fund No. 1.

TRAVESIA APARTMENTS

Travesia Apartments ("Travesia") is located approximately 24 kilometres north of the Austin central business district at 3701 Quick Hill Road in Austin, Texas. The property is comprised of 396 apartment suites, ranging in size from one to three bedrooms. The complex consists of 18 three storey walk-up buildings on a 19.4 acre site. The Fund purchased a 100% ownership interest in the property on March 2, 2015.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at December 31, 2015, for the three months ended December 31, 2015 and for the year ended December 31, 2015, both on a consolidated Fund basis as well as with the inclusion of the Fund's equity investment in Eagle Creek and also including the Fund's ownership interest in the Soho Parkway joint venture, in order to compare operations for the property interests held by the Fund.

The key highlights were as follows:

- Same property rents grew from $1,009 to $1,071 during the three months ended December 31, 2015 when compared to the same period last year, representing an increase of 6.1% and have increased by 5.3% on annualized basis since the Fund's inception.
- Same property revenue growth was 3.8% during the three months ended December 31, 2015 and 6.9% for the year ended December 31, 2015.
- Same property NOI for the year ended December 31, 2015 was $354 or 8.5% higher than the previous year.
- Portfolio occupancy was 94.6% during the three months ended December 31, 2015, compared to 95.2% during the same period last year, reflecting the Fund's continued optimization of rental rates to drive overall revenue increases.
- AFFO payout ratio was a conservative 40.6% for the three months ended December 31, 2015 and significantly improved from 55.9% for the same period last year and consistent with 38.4% for the third quarter of 2015.
- The Fund recognized an additional $8.2 million fair value increase on its investment properties, including its joint venture interest in Soho Parkway during the three months ended December 31, 2015 and has recognized a $38.4 million increase since inception driven by NOI growth and capitalization rate compression.
- Interest Coverage Ratio and Indebtedness Coverage Ratio remained strong and improved to 3.07 times during the three months ended December 31, 2015.
- The Fund's weighted average interest was 2.55% as of December 31, 2015 and the weighted average term to maturity was 5.09 years.
- Indebtedness to Gross Book Value was 61.4%, at the lower end of the Fund's targeted leverage range of 60-70%.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	IFRS as at December 31, 2015	Adjusted as at December 31, 2015 (1)	IFRS as at December 31, 2014	Adjusted as at December 31, 2014 (1)
Operational Information				
Number of properties	2	4	1	3
Total suites	736	1,004	340	892
Weighted average portfolio cccupancy %	94.8%	94.6%	95.9%	95.2%
Average monthly rent (in actual dollars)	$1,060	$1,071	$997	$1,009
Summary of Financial Information				
Gross Book Value	$110,843	$187,700	$43,050	$110,324
Indebtedness	$67,438	$115,191	$25,000	$67,350
Indebtedness to Gross Book Value (2)	60.84%	6137%	58.07%	6105%
Weighted average mortgage interest rate	2.79%	2.55%	2.17%	2.14%
Weighted average mortgage term to maturity	4.34 years	5.09 years	192 years	3.63 years

	IFRS - Q4 2015	Adjusted - Q4 2015 (1)	IFRS - Q4 2014	Adjusted - Q4 2014 (1)	IFRS - YE 2015	Adjusted - YE 2015 (1)	IFRS - YE 2014	Adjusted - YE 2014 (1)
Summary of Financial Information								
Revenue	$2,480	$4,338	$1,089	$2,884	8,954	$ 16,326	4,253	$10,353
Operating expenses	($1,079)	($1,938)	($451)	($1,229)	(3,892)	$ (7,193)	(1,906)	($4,713)
NOI	$1,401	$2,400	$638	$1,655	5,062	$ 9,133	$2,347	$5,640
Net income and comprehensive income	$6,676	$6,676	$2,958	$2,958	19,430	$ 19,430	10,128	$10,128
FFO		$1,405		$822		$4,916		$2,298
FFO per Unit - basic and diluted		$0.41		$0.24		$145		$0.86
AFFO		$1,134		$939		$4,503		$2,868
AFFO per Unit - basic and diluted		$0.32		$0.27		$132		$0.84
FFO payout ratio		32.81%		63.87%		39.14%		67.38%
AFFO payout ratio		40.64%		55.92%		42.73%		68.79%
Weighted average Units Outstanding (000s) - basic and diluted		3,398		3,400		3,400		3,400

Notes:

(1) Includes equity investment in Eagle Creek and joint venture interest in Soho Parkway.

(2) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations for the three months and year ended December 31, 2015 and December 31, 2014 are summarized below based on the Fund's IFRS reporting:

		Q4 - 2015		Q4- 2014		YE - 2015		YE - 2014
Revenue	$	2,480	$	1,089	$	8,954	$	4,253
Property operating expenses [(1)]		(1,079)		(451)		(3,892)		(1,906)
NOI		1,401		638		5,062		2,347
Share of net earnigns in joint venture		3,963		1,471		8,457		3,952
Equity investment		707		815		2,368		3,106
Fund expenses		(189)		(126)		(701)		(505)
Unrealized foreign exchange gain		200		-		693		-
Realized foreign exchange gain		48		-		120		-
Fair value adjustment of investment properties		4,101		1,460		15,931		5,849
Finance income		-		-		-		2
Finance costs		(490)		(152)		(2,271)		(603)
Income taxes:								
Current		(10)		(7)		(37)		(29)
Deferred		(3,055)		(1,141)		(10,192)		(3,991)
Net income and comprehensive income	$	6,676	$	2,958	$	19,430	$	10,128

(1) Property operating expenses include operating costs and realty taxes.

RESULTS OF OPERATIONS

The results of operations below have been presented and analyzed including the Fund's equity investment in Eagle Creek and including the Fund's joint venture interest in Soho Parkway. Accordingly, revenues, expenses, NOI and NOI margins are presented including 65% of Eagle Creek's operating results and by adding the Fund's joint venture in Soho Parkway to the IFRS presented consolidated financial statements.

		IFRS - Q4 2015		Adjusted - Q4 2015 [(1)]		IFRS - Q4 2014		Adjusted Q4 - 2014 [(1)]		IFRS - YE 2015		Adjusted - YE 2015 [(1)]		IFRS - YE 2014		Adjusted - YE 2014 [(1)]
Revenue	$	2,480	$	4,338	$	1,089	$	2,884	$	8,954	$	16,326	$	4,253	$	10,353
Expenses:																
Operating costs		676		1,160		270		712		2,407		4,231		1,099		2,625
Property taxes		403		778		181		517		1,485		2,962		807		2,088
		1,079		1,938		451		1,229		3,892		7,193		1,906		4,713
NOI	$	1,401	$	2,400	$	638	$	1,655	$	5,062	$	9,133	$	2,347	$	5,640
NOI margin		56.5%		55.3%		58.6%		57.4%		56.5%		55.9%		55.2%		54.5%

(1) Includes equity investment in Eagle Creek and joint venture interest in Soho Parkway.

PROPERTY REVENUE

Property revenue for the three months ended December 31, 2015 and for the three months ended December 31, 2014 was $2,480 and $1,089, respectively, based on IFRS and $4,338 and $2,884, respectively, including the Fund's 65% equity investment in Eagle Creek and including the Fund's joint venture interest in Soho Parkway. Property revenue for the three months ended December 31, 2015 was $1,454 higher when compared to the three months ended December 31, 2014, due to both growth in rental rates as well as due to the acquisition of Travesia which contributed $1,340 for the three months ended December 31, 2015.

Property revenue for the year ended December 31, 2015 and for the year ended December 31, 2014 was $8,954 and $4,253, respectively, based on IFRS and $16,326 and $10,353, respectively, including the Fund's 65% equity investment in Eagle Creek and including the Fund's joint venture interest in Soho Parkway. Property revenue for the year ended December 31, 2015 was $5,973 higher when compared to the year ended December 31, 2014, due to both growth in rental rates as well as due to the acquisitions of a 75% interest in Soho Parkway on April 1, 2014 and the addition of Travesia on March 2, 2015.

Same property revenue growth was $110 or 3.8% higher when comparing the three months ended December 31, 2015 to the three months ended December 31, 2014, including the Fund's 65% equity interest in Eagle Creek and the Fund's joint venture interest in Soho Parkway. Same property revenue growth was $541 or 6.9% higher when comparing the year ended December 31, 2015 to the year ended December 31, 2014, including the Fund's 65% equity interest in Eagle Creek. Same property revenue growth was predominantly the result of increased rental rates, as rental rates during the three months ended December 31, 2014 were $1,009 (actual dollars) compared to $1,071 (actual dollars) for the three months ended December 31, 2015, for an increase of $62 or 6.1%, both excluding Travesia and including 65% of Eagle Creek and the joint venture interest in Soho Parkway.

OPERATING EXPENSES

Property operating costs for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were $676 and $270, respectively, based on IFRS and were $1,160 and $712, respectively, including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway for the same periods. The increases in 2015 were predominantly due to the acquisition of Travesia on March 2, 2015. Property taxes for the three months ended December 31, 2015 and three months ended December 31, 2014 were $403 and $181, respectively, under IFRS and $778 and $517, respectively, including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway. The Fund actively manages property tax appeals where necessary to control assessed values and to keep them in-line with comparable properties.

Property operating costs for the year ended December 31, 2015 and for the year ended December 31, 2014 were $2,407 and $1,099, respectively, based on IFRS and were $4,231 and $2,625, respectively, including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway for the same periods. The increases in 2015 were predominantly due to the acquisition of Travesia. Property taxes for the year ended December 31, 2015 and year ended December 31, 2014 were $1,485 and $807, respectively, under IFRS and $2,962 and $2,088, respectively, including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway. The Fund actively manages property tax appeals where necessary to control assessed values and to keep them in-line with comparable properties. Excluding Travesia's property taxes of $650 from March 2, 2015 to December 31, 2015 and adjusting for Soho Parkway's property taxes of $154 for the first quarter of 2014, the increase from 2014 to 2015 was only $70 or 3.4% including 65% of Eagle Creek.

Same property expenses were $142 or 11.6% higher when comparing the three months ended December 31, 2015 to the three months ended December 31, 2014, mainly due to increased property taxes driven by an increase in the assessed values of the Fund's properties. Same property expenses were $187 or 5.1% higher when comparing the year ended December 31, 2015 to the year ended December 31, 2014; again driven by an increase in assessed values of the properties. Both figures above include the 65% equity interest in Eagle Creek.

NET OPERATING INCOME

NOI for the three months ended December 31, 2015 and for the three months ended December 30, 2014 was $1,401 and $638, respectively, based on IFRS, and was $2,400 and $1,655, respectively, including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway. NOI for the three months ended December 31, 2015 for Palm Valley, 75% of Soho Parkway and 65% of Eagle Creek was $1,623 compared to the prior year same period of $1,655 representing a decrease of $32 or 1.9%. The minimal variance is attributable to the property tax adjustment in the three months ended December 31, 2015 being more significant than the same prior period amounts.

NOI for the year ended December 31, 2015 for Palm Valley and 65% of Eagle Creek was $4,501 compared to the prior year same period of $4,147 representing an increase of $357 or 8.5%. The majority of the NOI growth was driven by increased rental rates as well as controlled expenses.

NOI margins for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were 56.5% and 58.6% based on IFRS and 55.3% and 57.4% including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway for the same periods, both slightly lower in 2015 compared to the 2014 for reasons discussed above.

NOI for the year ended December 31, 2015 and for the year ended December 31, 2014 was $5,062 and $2,347, respectively, based on IFRS, and was $9,133 and $5,640, respectively, including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway.

NOI margins for the year ended December 31, 2015 and for the year ended December 31, 2014 were 56.5% and 55.2% based on IFRS and 55.9% and 54.5% including 65% of Eagle Creek and the Fund's joint venture interest in

Soho Parkway for the same periods. Both were higher in 2015 compared to 2014 as the Fund controlled costs while continuing to increase revenues both through rental rate growth and revenue initiatives.

Share of Net Earnings from Joint Ventures

The Fund's share of net earnings from its joint venture in Soho Parkway for the three months and year ended December 31, 2015 was 3,963 and $8,457, respectively. The Fund's share of net earnings from joint ventures for the three months and year ended December 31, 2014 was $1,471 and $3,952, respectively. The increase in 2015 for both periods was predominately due to additional property appreciation in 2015, as well as due to the Fund purchasing its 75% joint venture ownership interest in Soho Parkway on April 1, 2014.

Equity Investment

Equity investment represents the Fund's 65% interest in Eagle Creek. The Fund does not consolidate this asset on a proportionate basis as it does not control decision making which is controlled by Fund No. 1. The Fund's equity investment for the three months ended December 31, 2015 recognized net income and comprehensive income of $707 and for the three months ended December 31, 2014 recognized net income and comprehensive income of $815. The variance is predominantly due to fair value adjustments, net of deferred taxes recognized during the three months ended December 31, 2015.

The Fund's equity investment for the year ended December 31, 2015 recognized net income and comprehensive income of $2,368 and for the year ended December 31, 2014 recognized net income and comprehensive income of $3,106. Eagle Creek continues to increase rental rates which averaged $1,136 as of December 31, 2015 compared to December 31, 2014 when rental rates averaged $1,085, which represents an annualized increase of $51 or 4.7%.

Fund Expenses

Fund expenses include costs incurred by the Fund that are not directly attributable to the properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors' and officers' insurance premiums, expenses relating to the administration of the Fund's distributions and other general and administrative expenses associated with the operation of the Fund. Also included in Fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight" or the "Manager"). See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund expenses for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were $189 and $126, respectively, and include asset management fees and service fees of $123 and $78, respectively. Fund expenses also included other costs such as legal and audit fees, director fees, investor relations expenses, appraisal fees, foreign exchange gains and losses on Fund transactions, and directors' and officers' insurance premiums, totalling $66 and $48, respectively, for the same periods.

Fund expenses for the year ended December 31, 2015 and for the year ended December 31, 2014 were $701 and $505, respectively, and include asset management fees and service fees of $459 and $279, respectively. Fund expenses also included other costs such as legal and audit fees, director fees, investor relations expenses, appraisal fees, foreign exchange gains and losses on Fund transactions, and directors' and officers' insurance premiums, totalling $242 and $226, respectively, for the same periods.

Foreign Exchange Gains and Losses

The Fund has recognized an unrealized foreign exchange gain of $200 for the three months ended December 31, 2015 and $693 for the year ended December 31, 2015 relating to its mezzanine loan associated with Travesia that was borrowed in Canadian dollars and benefited from the stronger U.S. dollar against the Canadian dollar throughout 2015. The Fund also realized a foreign exchange gain for the three months ended December 31, 2015 of $48 and $120 for the year ended December 31, 2015 relating to its mezzanine loan on Travesia through the repayment of $1,067 on November 10, 2015 and $1,877 on July 22, 2015. There were no foreign exchange gains or losses recognized during the same periods in 2014.

Finance Costs

The Fund's finance costs for the three months and year ended December 31, 2015 and for the three months and year ended December 31, 2014 are summarized below based on IFRS:

	Q4 - 2015	Q4 - 2014	YE - 2015	YE - 2014
Interest on mortgages payable	$ 448	$ 139	$ 1,828	$ 551
Fair value adjustment on derivative financial instruments	6	-	40	-
Loss on early extinguishment of debt	-	-	214	-
Amortization of financing costs	36	14	189	53
Total	$ 490	$ 152	$ 2,271	$ 603

The Fund's finance costs for the three months and year ended December 31, 2015 and for the three months and year ended December 31, 2014 are summarized below, including the Fund's 65% equity investment in Eagle Creek and including the Fund's joint venture interest in Soho Parkway:

	Q4 - 2015	Q4 - 2014	YE - 2015	YE - 2014
Interest on mortgages payable	$ 708	$ 421	$ 2,816	$ 1,685
Fair value adjustment on derivative financial instruments	11	-	102	-
Loss on early extinguishment of debt	-	45	214	45
Amortization of financing costs	57	163	361	275
Total	$ 776	$ 629	$ 3,494	$ 1,960

Interest on mortgages payable for the three months ended December 31, 2015 and for the three months ended December 31, 2014 was $708 and $421, respectively. The increase in 2015 was due to increases in U.S. 30 day LIBOR rate as well as an increase in the number of properties owned by the Fund, which includes Travesia acquired on March 2, 2015. Travesia had interest on mortgages payable of $274 for the three months ended December 31, 2015.

Interest on mortgages payable for the year ended December 31, 2015 and for the year ended December 31, 2014 was $2,816 and $1,685, respectively. The increase in 2015 was due to increases in U.S. 30 day LIBOR rates as well as an increase in the number of properties owned by the Fund, which includes Travesia acquired on March 2, 2015. Travesia has incurred interest on mortgages payable of $1,192 since the Fund acquired the property.

The Fund has entered into interest rate cap agreements to satisfy a requirement under certain agency financing arrangements. The value of the interest rate cap will decline as the term to maturity declines and will also be impacted by interest rate volatility. These financial instruments are fair valued on a quarterly basis and gains or losses are recorded at that time. The Fund incurred an unrealized fair value loss of $11 and $102 on interest rate cap agreements for the three months and year ended December 31, 2015, respectively. The interest rate cap agreements were not in place for the three months or year ended December 31, 2014 and therefore no gain or loss was recognized.

No loss on early extinguishment of debt was recognized during the three months ended December 31, 2015. In 2014, the Fund had a loss of $45 in relation to its portion of Eagle Creek refinancing that closed in the fourth quarter of 2014. For the year ended December 31, 2015, the Fund recognized a loss on early extinguishment of debt pertaining to the refinancing of Soho Parkway in the amount of $118 that was extinguished when the property refinancing closed on May 19, 2015 and $96 on the refinancing of Palm Valley that was completed on February 26, 2015.

Amortization of financing costs for the three months ended December 31, 2015 and for the three months ended December 31, 2014 was $57 and $163, respectively. Amortization of financing costs for the year ended December 31, 2015 and year ended December 31, 2014 was $361 and $275, respectively. The increase in amortization of financing costs in 2015 was due to the increase in the number of properties owned by the Fund, resulting in higher financing costs to be amortized in 2015 when compared to the 2014 period.

Finance costs for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were $776 and $629. Finance costs for the year ended December 31, 2015 and for the year ended December 31, 2014 were $3,494 and $1,960, respectively. The increase in the 2015 period compared to the 2014 period was due to the reasons explained above.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on the amount of rental income from future leases reflecting current market conditions adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates, expected occupancy rates and operating expenses.

The Fund has realized a cumulative fair value adjustment of $38,577 since inception to December 31, 2015 including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway. The fair value of investment properties as of December 31, 2015 was $110,843 based on IFRS. Including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway, the Fund's investment properties were valued at $187,700.

The following table summarizes the change in investment properties held by the Fund for the years ended December 31, 2015 and December 31, 2014 based on IFRS:

		Amount
Balance at January 1, 2014	$	36,990
Additions - capital expenditures		211
Fair value adjustment		5,849
Balance at December 31, 2014	$	43,050
Acquisitions of investment properties	**$**	**51,327**
Additions - capital expenditures		**535**
Fair value adjustment		**15,931**
Balance at December 31, 2015	**$**	**110,843**

The following table reconciles the cost base of investment properties to their fair value:

		As at December 31. 2015		As at December 31, 2014
Cost	**$**	**89,254**	$	37,392
Cumulative fair value adjustment		**21,589**		5,658
Fair value	**$**	**110,843**	$	43,050

The key assumptions for investment properties held by the Fund are set out in the following table:

	As at December 31, 2015	As at December 31, 2014
Capitalization rates	**5.00%**	5.50%
Capitalization rate - w eighted average	**5.00%**	5.50%

The Fund's weighted average capitalization rate, including the investments in joint venture properties was 5.00% as at December 31, 2015 (December 31, 2014 – 5.50%).

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties as set out in the following table:

Key assumptions	Change		As at December 31, 2015		As at December 31, 2014
Weighted average:					
Capitalization rate	10-basis-points increase	**$**	**(2,173)**	$	(769)
Capitalization rate	10-basis-points decrease	**$**	**2,262**	$	797

The impact of a 1% change in NOI used to value the investment properties as at December 31, 2015 would affect the fair value by approximately $1,108 (December 31, 2014 - $430).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three months ended December 31, 2015 and the year ended December 31, 2015 with comparative periods.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below:

	Q4 - 2015	Q4 - 2014	YE - 2015	YE - 2014
Net income and comprehensive income	$ 6,676	$ 2,958	$ 19,430	$ 10,128
Add / (Less):				
Deferred taxes [1]	3,127	2,048	11,258	6,303
Unrealized foreign exchange (gain) or loss	(200)	-	(693)	-
Realized foreign exchange (gain) or loss	(48)	-	(120)	-
Fair value adjustment on derivative instrument [1]	11	-	102	-
Fair value adjustment of investment properties [1]	(8,161)	(4,184)	(25,061)	(13,503)
FFO	**$ 1,405**	**$ 822**	**$ 4,916**	**$ 2,928**
FFO per Unit - basic and diluted	$0.41	$0.24	$1.45	$0.86
Distributions declared [2]	$461	$525	$1,924	$1,973
FFO payout ratio	32.81%	63.87%	39.14%	67.38%
Units outstanding:				
Basic and diluted - Class A, C, D, F, U - (000s)	3,398	3,400	3,400	3,400

Notes:
(1) Adjusted for portion relating to equity investment in Eagle Creek and portion relating to joint venture interest in Soho Parkway.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were $1,405 and $822, respectively, and $0.41 and $0.24, respectively. The FFO payout ratio for the three months ended December 31, 2015 was 32.81% and 63.87% for the three months ended December 31, 2014.

Basic and diluted FFO and FFO per Unit for the year ended December 31, 2015 and for the year ended December 31, 2014 were $4,916 and $2,928, respectively, and $1.45 and $0.86, respectively. The FFO payout ratio for the year ended December 31, 2015 was 39.14% and 67.38% for the year ended December 31, 2014.

The FFO payout ratios for the three months and year ended December 31, 2015 have improved due to contributions from the acquisition of Travesia, same property NOI growth and reductions in the distributions declared due to the weakening of the Canadian dollar vis-à-vis the U.S. dollar while the Fund has maintained the same monthly distributions.

The Fund distributions paid and declared for the year ended December 31, 2015 per Unit were as follows:

Class A	Class C	Class D	Class F	Class U
C$0.69996	C$0.69996	C$0.69996	C$0.69996	$0.69996

ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of FFO to AFFO for the three months and year ended December 31, 2015 and comparative periods are detailed below:

	Q4 - 2015	Q4 - 2014	YE - 2015	YE - 2014
FFO	**$ 1,405**	**$ 822**	**$ 4,916**	**$ 2,928**
Add / (Deduct):				
Amortization of financing costs [1]	57	163	361	276
Loss on early extinguishment of debt [1]	-	46	214	46
Sustaining capital expenditures and suite renovation [2]	(328)	(92)	(988)	(382)
AFFO	**$ 1,134**	**$ 939**	**$ 4,503**	**$ 2,868**
AFFO per Unit - basic and diluted	$0.32	$0.28	$1.32	$0.84
Distributions declared [3]	$461	$525	$1,924	$1,973
AFFO payout ratio	40.64%	55.92%	42.73%	68.79%
Units outstanding:				
Basic and diluted - Class A, C, D, F, U - (000s)	3,398	3,400	3,400	3,400

Notes:

(1) Adjusted for portion relating to equity investment in Eagle Creek and portion relating to joint venture interest in Soho Parkway.

(2) Adjusted for portion relating to equity investment in Eagle Creek and portion relating to joint venture interest in Soho Parkway. Based on actual figures.

(3) Distributions declared is calculated based on the monthly distribution per Unit.

Reconciliation of cash provided by operations to AFFO for the three months ended December 31, 2015 and comparative three months ended December 31, 2014 along with the year ended December 31, 2015 and year ended December 31, 2014 is provided below:

	Q4 - 2015	Q4 - 2014	YE - 2015	YE - 2014
Cash provided by operating activities	**$ 1,417**	**$ 482**	**$ 4,917**	**$ 1,870**
Less: interest on mortgages payable	448	139	(1,828)	(551)
Cash provided by operating activities including interest on mortgages payable	**1,865**	**621**	**3,089**	**1,319**
Add / (Deduct):				
Change in non-cash operating working capital	(307)	(155)	(597)	(843)
Change in restricted cash	140	178	124	788
Share of net earnings in joint venture	3,963	1,471	8,457	3,952
Income from equity investment	707	815	2,368	3,106
Deferred taxes [1]	3,055	1,141	1,066	2,313
Realized foreign exchange gain	(48)	-	(120)	-
Fair value adjustment on deriviative instrument [1]	5	-	62	-
Fair value adjustment of investment property [1]	(7,939)	(3,235)	(9,130)	(7,654)
Amortization of financing costs [1]	21	149	172	222
Loss on early extinguishment of debt [1]	-	46	-	46
Sustaining capital expenditures and suite renovation [2]	(328)	(92)	(988)	(382)
AFFO	**$ 1,134**	**$ 939**	**$ 4,503**	**$ 2,868**

Notes:

(1) Adjusted for portion relating to equity investment in Eagle Creek and portion relating to joint venture interest in Soho Parkway only.

(2) Adjusted for portion relating to equity investment in Eagle Creek and portion relating to joint venture interest in Soho Parkway. Based on actual figures.

Basic and diluted AFFO and AFFO per Unit for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were $1,134 and $939 respectively, and $0.32 and $0.28, respectively. Basic and diluted

AFFO and AFFO per Unit for the year ended December 31, 2015 and for the year ended December 31, 2014 were $4,503 and $2,868 respectively, and $1.32 and $0.84, respectively.

The Fund's AFFO payout ratio for the three months ended December 31, 2015 was 40.64% and for the three months ended December 31, 2014 was 55.92%. The AFFO payout ratio for the year ended December 31, 2015 was 42.73% when compared to the year ended December 31, 2014 of 68.79%. The strengthening AFFO payout ratio is due to same property NOI growth, contributions from acquisitions and the strengthening of the U.S. dollar relative to the Canadian dollar during 2015.

The Fund's distributions are not in excess of operational cash flow adjusted to AFFO and the Fund does not expect distributions to exceed operational cash flow adjusted to AFFO in 2016. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders, maintenance and property capital expenditure commitments as they become due and to provide for the future growth of the business. Given the age and quality of the Fund's properties, minimal capital expenditures are required to maintain the properties. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and mortgage debt secured by investment properties. As at December 31, 2015, the Fund was in compliance with all of its financial covenants.

CASH FLOWS

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for the three months ended December 31, 2015, for the three months ended December 31, 2014, for the year ended December 31, 2015 and for the year ended December 31, 2014:

	Q4 - 2015	Q4 - 2014	YE - 2015	YE - 2014
Cash provided by operating activities	$ 1,417	$ 482	$ 4,917	$ 1,870
Cash provided by (used in) investing activities	396	1,404	(731)	(8,985)
Cash provided by (used in) financing activities	(2,043)	(673)	(5,615)	(2,470)
Increase (decrease) in cash	(230)	1,213	(1,429)	(9,585)
Cash, beginning of period	1,817	1,803	3,016	12,601
Cash, end of period	$ 1,587	$ 3,016	$ 1,587	$ 3,016

Cash on hand at December 31, 2015 was $1,587 and cash on hand at December 31, 2014 was $3,016. Cash on hand at December 31, 2015 was $1,679 including the Fund's joint venture interest in Soho Parkway compared to cash on hand at December 31, 2014 of $3,207 including the Fund's joint venture interest in Soho Parkway.

Cash provided by operating activities for the three months ended December 31, 2015 and for the three months ended December 31, 2014 was $1,417 and $482, respectively, and related primarily to the net cash generated from property operations.

Cash provided by operating activities for the year ended December 31, 2015 and for the year ended December 31, 2014 was $4,917 and $1,870, respectively, and related primarily to the net cash generated from property operations.

Cash provided by investing activities for the three months ended December 31, 2015 and for the three months ended December 31, 2014 was $396 and $1,404, respectively. For the three months ended December 31, 2015 the primary source of cash was from joint venture interest of $351 and distributions received from the Fund's equity investment in Eagle Creek of $211 which was partially offset by contributions to the Fund's equity investment in Eagle Creek of $30 and additions to investment properties of $136.

Cash used in investing activities for the year ended December 31, 2015 and for the year ended December 31, 2014 was $731 and $8,985, respectively. For the year ended December 31, 2015 the primary source of cash was from distributions from joint venture interest of $5,349 and distributions received from the Fund's equity investment in Eagle Creek of $1,306 which was fully offset by additions to investments properties of $535, contributions to the Fund's equity investment in Eagle Creek of $102 and acquisitions of investment property relating to Travesia of $6,749. Cash used in investing activities for the year ended December 31, 2014 related to the acquisition of 75% joint venture interest in Soho Parkway for $10,337, contributions to the Fund's equity investment in Eagle Creek of $1,410 and additions to investment properties of $211, which were partially offset by distributions received from the Fund's equity investment in Eagle Creek of $2,377 and distributions received from the Funds joint venture in Soho Parkway of $596.

Cash used in financing activities for the three month ended December 31, 2015 and for the three months ended December 31, 2014 was $2,043 and $673, respectively. The change in financing activities for the three months ended December 31, 2015 was due primarily to principal payments on a mortgage of $1,067, financing costs paid of $475, distributions to Unitholders of $461, $32 for the repurchase of Units under the Issuer Bid and distributions to non-controlling interest of $8. For the three months ended December 31, 2014, the use of funds related to distributions to Unitholders of $525, financing costs paid of $144 and distributions to non-controlling interests of $4.

Cash used in financing activities for the year ended December 31, 2015 and for the year ended December 31, 2014 was $5,615 and $2,470, respectively. The changes in financing activities for the year ended December 31, 2015 was due to proceeds on new financing on Palm Valley of $31,575, which was fully offset by the repayment of old Palm Valley mortgage of $25,000, principal payments of $7,984, the purchase of interest rate caps of $43, financing costs paid of $2,179, distributions to Unitholders of $1,924, $44 for the repurchase of Units under the Issuer Bid and distributions to non-controlling interests of $16. For the year ended December 31, 2014, the source of funds related to $69 received from non-controlling interest and was fully offset by distributions to Unitholders of $1,973, financing costs paid of $551 and distributions to non-controlling interests of $15.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and Unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build Unitholder value and maintaining sufficient capital contingencies.

As at December 31, 2015 and December 31, 2014, the total capital of the Unitholders' was as follows and includes the Fund's portion of Eagle Creeks indebtedness and the Fund's portion of Soho Parkway:

		As at December 31, 2015		As at December 31, 2014
Indebtedness	$	115,191	$	67,350
Unitholders' equity		56,379		38,917
Total capital	$	171,570	$	106,267

DEBT PROFILE

As at December 31, 2015, the overall leverage as represented by the ratio of Indebtedness to Gross Book Value excluding the Fund's equity investment in Eagle Creek and excluding the Fund's Soho Parkway joint venture interest was 60.84% and including the Fund's equity investment in Eagle Creek and including Soho Parkway joint venture interest was 61.37%. The maximum allowable ratio under the Fund's limited partnership agreement is 75% but it is targeted between 60% and 70%. The weighted average mortgage interest rate for the Fund including the Fund's equity investment in Eagle Creek and including the Fund's joint venture interest in Soho Parkway as at December 31, 2015 was 2.55% and the weighted average term to maturity of the mortgage portfolio was 5.09 years.

The following table summarizes key liquidity metrics both excluding and including the Fund's equity investment in Eagle Creek's debt:

	As at December 31, 2015 (1)	As at December 31, 2015 (2)
Indebtedness to Gross Book Value	60.84%	61.37%
Weighted average interest rate - mortgages	2.79%	2.55%
Weighted average term to maturity - mortgages	4.34 years	5.09 years
	Three months ended December 31, 2015 (2)	**Year ended December 31, 2015 (2)**
Interest Coverage Ratio	3.07 x	2.95 x
Indebtedness Coverage Ratio	3.07 x	2.95 x

(1) Based on IFRS financial statements.
(2) Adjusted to include portion relating to equity investment in Eagle Creek and joint venture interest in Soho Parkw ay.

The Interest Coverage Ratio for the three months ended December 31, 2015, including the Fund's equity investment interest in Eagle Creek and the Fund's joint venture interest in Soho Parkway was 3.07 times and for the year ended December 31, 2015, including the Fund's equity investment interest in Eagle Creek and the Fund's joint venture interest in Soho Parkway, was 2.95 times. As there were no scheduled or required principal payments on mortgages payable, the Indebtedness Coverage Ratio for the same periods, including the Fund's equity investment interest in Eagle Creek and the Fund's joint venture interest in Soho Parkway, was 3.07 times and 2.95 times.

The Fund's weighted average mortgage interest rate including 65% of Eagle Creek and the Fund's joint venture interest in Soho Parkway as at December 31, 2015 was 2.55% compared to December 31, 2014 when the weighted average interest rate was 2.14%. The increase is the result of increases in the U.S. 30 day LIBOR rates and the acquisition of Travesia in 2015.

MORTGAGES PAYABLE

Based on IFRS:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2016	-	35,863	35,863	53.18%	1.81%	773
2017	450	-	450	0.67%	0.00%	640
2018	667	-	667	0.99%	0.00%	628
2019	667	-	667	0.99%	0.00%	613
2020	666	-	666	0.99%	0.00%	601
Thereafter	2,837	26,288	29,125	43.19%	0.98%	2,349
	$ 5,287	$ 62,151	67,438	100.00%	2.79%	$ 5,604
Unamortized financing costs			(349)			
			$ 67,089			

The following table sets out, as at December 31, 2015, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the next five fiscal years and the weighted average interest rate of maturing mortgages based on the Fund's consolidated financial statements and adjusted to include the Fund's 65% equity investment in Eagle Creek and the Fund's ownership interest in the joint venture in Soho Parkway. See below:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2016	45	35,863	35,908	31.17%	1.06%	1,739
2017	1,345	-	1,345	1.17%	0.00%	1,659
2018	1,837	-	1,837	1.59%	0.00%	1,623
2019	1,863	-	1,863	1.62%	0.00%	1,584
2020	1,889	-	1,889	1.64%	0.00%	1,548
Thereafter	4,209	68,140	72,349	62.81%	1.49%	3,440
	$ 11,188	$ 104,003	115,191	100.00%	2.55%	$ 11,593
Unamortized financing costs			(613)			
			$ 114,578			

The Fund's mortgages payable of $115,191 is comprised of $31,575 on Palm Valley bearing interest at LIBOR plus 1.84%, $25,425 on the Fund's portion of the joint venture in Soho Parkway which bears interest at LIBOR plus 1.96%, $28,500 on Travesia which bears interest at LIBOR plus 1.65%, a mezzanine mortgage loan on Travesia of $7,363 that is a Canadian dollar denominated loan and bears interest at 9.25% and $22,328 on the Fund's portion of the equity investment in Eagle Creek. The Fund's weighted average interest rate is 2.79% excluding Eagle Creek, an increase compared to September 30, 2015 when the weighted average interest rate was 2.66%. The increase was due to the increase in 30 day U.S. LIBOR rates and was partially mitigated by the reduction of $1,067 on the Travesia mezzanine loan on November 10, 2015.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into five classes of Units: Class A Units; Class C Units; Class D Units; Class F Units; and Class U Units.

UNITS

The following table summarizes the changes in Units for the period from September 23, 2013 to December 31, 2015:

(in thousands)	Units	Amount
Outstanding as at September 23, 2013	-	$ -
Issuance of Units (Class A, C, D, F & U), November 15, 2013, net of costs of $1,841	3,400	30,865
Class A Units repurchased and cancelled under the Issuer Bid	(4)	(44)
Outstanding as at December 31, 2015	$ 3,396	$ 30,821

As at December 31, 2015, there were 3,396,205 Units issued and outstanding (as of December 31, 2014 – 3,400,505).

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 162,694 of its Class A Units and 46,635 of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on July 24, 2015 and will remain in effect until the earlier of: (i) July 22, 2016; and (ii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

In connection with the Issuer Bid, the Fund entered into an automatic unit purchase plan (the "Plan") with an investment advisor on July 24, 2015 in order to facilitate repurchases of the Units under the Issuer Bid. Purchases under the Plan were made by the Fund's investment advisor based on the parameters prescribed by the TSX Venture Exchange, applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Fund's investment advisor was permitted to purchase Units under the Issuer Bid when the Fund would ordinarily not be permitted to do so. The Plan was terminated with this investment advisor on October 23, 2015, and the Fund announced on November 25, 2015 that it had entered into a Plan with a different investment advisor based on the same parameters. From July 24, 2015 until December 31, 2015, the Fund repurchased and cancelled 4,300 Class A Units (in actual Units) under the Issuer Bid.

A copy of TSX Venture Exchange Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available, without charge by contacting the Fund.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On November 13, 2013, the Fund entered into the management agreement with Starlight. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team including advisory, consultation and investment management services, and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

  (i) the historical purchase price of properties owned by the Fund; and

  (ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from November 13, 2013 plus an amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three months ended December 31, 2015 and for the year ended December 31, 2015, the costs of these services were $123 and $459, respectively, excluding service fees (three months ended December 31, 2014 was $60 and year ended December 31, 2014 was $208). As at December 31, 2015, $53 was included in accounts payable and accrued liabilities including service fees of $18 (as at December 31, 2014, $38 was included in accounts payable and accrued liabilities including service fees of $18).

(b) Acquisition fee equal to:

  (i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;

  (ii) 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and

  (iii) 0.50% of the purchase price on properties acquired in excess of $200,000.

For the three months and year ended December 31, 2015 and for the three months and year ended December 31, 2014, the costs of these services were $nil, $393, $nil and $310, respectively. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding-up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions in the management agreement.

CARRIED INTEREST

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 2) Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family (No. 2) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in accordance with applicable laws including reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, oversight of the work and review of the independence of the external auditors of the Fund and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this MD&A as "Schedule A".

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee of the Fund is comprised of Daniel Drimmer, Derek Lobo and Harry Rosenbaum. Derek Lobo and Harry Rosenbaum are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent Directors and the Fund is relying on such an exemption in Section 6.1 of NI 52-110. Each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are financially literate within the meaning of applicable securities laws. Each of the audit committee members has an understanding of the accounting principles used to prepare the Fund's financial statements and possesses the ability to assess the general application of such principles in connection with the Fund's accounting for estimates, accruals and provisions. In addition, each audit committee member has experience preparing, auditing, analyzing, evaluating or actively supervising, comparable financial statements with the breadth and complexity of the Fund's financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The biographies of each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are set out below which provide a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

DANIEL DRIMMER

Daniel Drimmer is the founder, President and Chief Executive Officer of Starlight, a Canadian real estate asset management company focused on the acquisition, ownership and management of commercial and residential properties across Canada and the U.S., with a portfolio of approximately 32,500 residential rental units and over 2,300,000 square feet in commercial properties. In addition to the formation of the Manager, Daniel Drimmer established and is the chairman of True North Commercial Real Estate Investment Trust and founded TransGlobe Investment Management Ltd., TransGlobe Property Management Services Ltd. and TransGlobe Apartment Real Estate Investment Trust ("Transglobe Apartment REIT" and, collectively, "TransGlobe") and was TransGlobe's President from November 1996 to August 2011. Under Mr. Drimmer's guidance, TransGlobe expanded its original portfolio of seven properties to a portfolio exceeding 30,000 residential suites (including those owned by Transglobe Apartment REIT, as at September 1, 2011), and approximately one million square feet of gross leasable area of commercial space. Daniel Drimmer also served as Transglobe Apartment REIT's Chairman and director from May 2010 to August 2011. Mr. Drimmer is currently a director of the Fund, Fund No. 1, Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund No. 3") and Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund No. 4") as well as Northview Apartment REIT which acquired True North Apartment REIT, founded by Mr. Drimmer. Over the last 10 years, Mr. Drimmer has sourced, acquired and financed in excess of 85,000 residential units. Over the last seven years, Daniel Drimmer has led more than C$15 billion in real estate transactions, including three initial public offerings. Daniel Drimmer was born and raised in Berlin, Germany and is the third generation of the Drimmer family to be involved in real estate. He obtained a Bachelor of Arts degree from the University of Western Ontario, and a Master of Business Administration degree and a Masters' degree in Contemporary European Policy Making from European University in Geneva, Switzerland.

Derek Lobo

Derek Lobo is the Founder, Chairman and Chief Executive Officer of Sun Rock Advisors' Inc., a boutique commercial real estate firm with an exclusive focus on the apartment industry. Mr. Lobo has over 20 years of experience in apartment marketing across North America, with a focus on providing practical strategic solutions aimed at increasing occupancy and asset value. In 1988, Mr. Lobo founded Derek A. Lobo & Associates Inc., a multi-family consulting firm, for which he currently acts as Chief Executive Officer. Mr. Lobo has also spoken widely on real estate matters at trade shows and conferences across North America including to The National Multi-Housing Council and Ontario Real Estate Association. Mr. Lobo is currently a director of the Fund, Fund No. 1, Fund No. 3 and Fund No. 4.

Harry Rosenbaum

Harry Rosenbaum is a founding principal of the Great Gulf Group of Companies, one of North America's premier real estate conglomerates. He has been instrumental in manifesting such iconic projects as One Bloor East, Toronto, Ontario. Mr. Rosenbaum is a principal of Ashton Woods Homes, one of the largest private homebuilders in the United States and is currently a director of the Fund, Fund No. 1, Fund No. 3, and Fund No. 4. He is also a Trustee of WPT Industrial Real Estate Investment Trust. Prior to the creation of Great Gulf Group in 1983, Mr. Rosenbaum practiced commercial and real estate law at a Toronto law firm. Mr. Rosenbaum is active as a board member of various charitable organizations including the ACL (Advocates for Civil Liberties) and Sunnybrook Hospital Foundation. Mr. Rosenbaum attended Osgoode Hall Law School, graduating in 1974. He also holds a degree in Economics from York University, completed in 1971.

Pre-Approval of Non Audit Services

In accordance with the independence standards for auditors, the Fund is restricted from engaging its external auditors to provide certain non-audit services to the Fund, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit.

The Fund may engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. The Audit committee reviews and approves the nature of and fees for any non-audit service performed by the Fund's external auditors in accordance with applicable requirements and Board of Directors of Starlight GP (the "Board" or "Directors") approved policies and procedures.

External Auditor Service Fees

The following table sets forth the approximate amounts of fees paid and accrued to the Fund's auditor, Collins Barrow Toronto LLP, for services rendered for the periods from January 1, 2014 to December 31, 2014 and from January 1, 2015 to December 31, 2015:

Fee Category	January 1, 2015 to December 31, 2015	January 1, 2014 to December 31, 2014
Audit fees	$37	$42
Audit-related fees(1)	$nil	$nil
Tax fees(2)	$21	$23
All other fees	$nil	$nil
Total	$58	$65

Notes:

(1) "Audit related fees" include fees paid and accrued in connection with the Fund's offering prospectus, including carve-out audit fees for the properties.

(2) "Tax fees" include fees paid and accrued for tax compliance, tax planning and tax advisory services, including the review and preparation of tax returns.

REMUNERATION OF MANAGEMENT OF THE FUND

OVERVIEW

As at the date hereof, the Fund, through its general partner, Starlight GP, does not directly employ any persons who would be considered a named executive officer ("NEO") of the Fund as such term is defined in Form 51-102F6 – Statement of Executive Compensation in National Instrument 51-102 - Continuous Disclosure Obligations. The services of Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, as Chief Executive Officer, President and Chief Financial Officer, respectively, are provided by Starlight. No compensation is paid by the Fund or its subsidiaries to those persons provided by Starlight as officers of the Fund, and the compensation received by such persons from Starlight is not within or subject to the discretion of the Board. The compensation paid by the Fund and Starlight U.S. Multi-Family (No. 2) Core REIT Inc. to Starlight for services rendered is calculated in accordance with the management agreement entered into on November 13, 2013. See "Related Party Transactions and Arrangements – Arrangements with Starlight". Starlight provides such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and is therefore responsible for all matters with respect to such employees and consultants. All references to the officers of the Fund named in the "Summary Compensation Table" below, namely Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, are references to officers of Starlight GP, in its capacity as general partner of the Fund, and are either officers or employees of Starlight.

COMPENSATION DISCUSSION AND ANALYSIS

The Fund's executive team is employed by Starlight. The Fund is obligated to pay Starlight certain amounts pursuant to terms of the management agreement, as discussed in "Related Party Transactions and Arrangements – Arrangements with Starlight". As such, any variability in compensation paid by Starlight to the NEOs does not impact the Fund's financial obligations. The Board may hire officers and employees, but such hiring, if not of Starlight officers, consultants or employees, would be at the sole expense of the Fund. Further, any officer that is an officer, consultant or employee provided by Starlight may be removed from such position with the Fund, at the discretion of the Board. The Fund does not have a compensation committee and has not retained a compensation consultant or advisor since its commencement of operations.

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to time spent on the activities of the Fund, and supplements the more detailed information concerning executive compensation that appears in the tables below and the accompanying narrative that follows.

PRINCIPAL ELEMENTS OF COMPENSATION

The compensation of the NEOs includes two major elements: (i) base salary; and (ii) an annual cash bonus. The Fund does not have any long-term equity incentive plans, such as a Unit option plan, pursuant to which cash or non-cash compensation has been or will be paid or distributed to any NEO or Director. In addition, the Fund does not have any stock appreciation rights, incentive plans, medium term incentives or pension plans. Perquisites and personal benefits are not a significant element of compensation of the NEOs. Pursuant to the Fund's Insider Trading Policy, NEOs and Directors are prohibited from purchasing financial instruments that are designed to offset a decrease in market value of Units held by NEOs and Directors.

As a private company, Starlight's process for determining executive compensation is straightforward, with no specific formula for determining the amount of each element of compensation, and no formal approach applied by Starlight for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Fund. Objectives and performance measures may vary from year to year as determined to be appropriate by Starlight without reference to any formal benchmarking. Accordingly, the Board has not considered the implications of the risks associated with the compensation of NEOs.

These two principal elements of compensation are described below.

Base Salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Fund, the position and responsibilities of the NEOs and competitive industry pay practices for other real estate funds, real estate investment trusts and corporations of comparable size. Starlight does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary are at the sole discretion of Starlight. The Board may review the compensation payable to its officers by Starlight and provide recommendations to Starlight, which are considered in good faith by Starlight, but are not binding upon Starlight.

Annual Cash Bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards, and reward performance of the Fund or the NEO individually. The determination of the performance of the Fund may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as Unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities. The Board may review the bonuses payable to its officers by Starlight, and provide recommendations to Starlight, which are considered in good faith by Starlight but are not binding upon Starlight.

Summary Compensation Table

The following table sets out information concerning compensation to be earned by, paid to, or awarded to the persons determined to be NEOs of the Fund pursuant to applicable securities laws. All amounts below are set out in Canadian dollars.

Name and principal position	Year(1)	Salary(2) (C$)	Non-Equity Annual Incentive Plans (C$)	All other compensation(3) (C$)	Total compensation(4) (C$)
Daniel Drimmer (5), *Chief Executive Officer*	2015	Nil	Nil	Nil	NIl
	2014	Nil	Nil	Nil	Nil
	2013	Nil	Nil	Nil	Nil
Evan Kirsh (6), *President*	2015	105,000	Nil	Nil	105,000
	2014	120,000	Nil	Nil	120,000
	2013	15,000	Nil	Nil	15,000
Tamara Lawson (7), *Chief Financial Officer*	2015	52,500	20,000(8)	Nil	72,500
	2014	60,000	25,000(8)	Nil	85,000
	2013	7,500	1,250	Nil	8,750

(1) The Fund was established on September 23, 2013 and accordingly, information is not presented with respect to prior years.

(2) On an annualized basis, salaries paid to the NEOs for the period ended December 31, 2013 would have been as follows: Daniel Drimmer, Nil; Evan Kirsh, C$120,000; and Tamara Lawson, C$60,000. See also Note 5, Note 6 and Note 7.

(3) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over C$50,000 or over 10% of their annual base salary.

(4) Compensation is paid by Starlight and there is no charge back to the Fund for such compensation. Daniel Drimmer, Evan Kirsh and Tamara Lawson have been Directors or officers, as applicable, since the establishment of the Fund.

(5) Daniel Drimmer is not compensated by the Fund for serving as a Director and is not compensated by Starlight for providing services as the Chief Executive Officer or as a member of the Board of Directors of Fund No.1, Fund No. 3 or Fund No. 4.

(6) Evan Kirsh is the President of Starlight U.S. Multi-Family Core GP, Inc. ("Core GP No. 1"), the general partner of Fund No. 1, the president of Starlight U.S. Multi-Family (No. 3) Core GP, Inc. ("Core GP No. 3"), the general partner of Fund No. 3 and the president of Starlight U.S. Multi-Family (No. 4) Core GP Inc. ("Core GP No. 4"), the general partner of Fund No. 4. Mr. Kirsh received a portion of his annual compensation from Starlight for services provided to the Fund pursuant to the terms of a consulting agreement. Also see "Consulting Agreement".

(7) Tamara Lawson is the Chief Financial Officer of Core GP No. 1, Core GP No. 3 and Core GP No. 4, the general partners of Fund No. 1, Fund No. 3, and Fund No. 4, respectively. Ms. Lawson received a portion of her annual compensation from Starlight for services provided to the Fund.

(8) Tamara Lawson received a discretionary C$20,000 cash bonus paid during the first quarter of 2016 and $25,000 in 2015.

CONSULTING AGREEMENT

Pursuant to a consulting agreement between Starlight and a corporation controlled by Evan Kirsh (the "Consultant"), in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, the Manager pays the Consultant a consulting fee (the "Consulting Fees"). During the term of the consulting agreement, Starlight will determine the proportion of the Consulting Fees it pays to the Consultant that are attributable to the services to be provided by the Consultant to the Fund. In addition, upon completion of a liquidation event in respect of the Fund, the Consultant will be, generally, entitled to payment from Starlight of an amount equal to the amount, if any, by which the aggregate of: (i) 25% of the net acquisition fees and asset management fees received by Starlight during the term of the Fund (each as described in the consulting agreement), and (ii) 25% of the distributions received by Starlight U.S. Multi-Family (No. 2) Core Holding (GP) L.P. from Holding L.P. during the term of the Fund (as described in the consulting agreement) exceeds the proportion of the Consulting Fees paid or payable by Starlight to the Consultant in respect of the services provided by the Consultant to the Fund during the term of the consulting agreement and any amounts payable by the Consultant pursuant to the consulting agreement. Starlight (and not the Fund) will be responsible for any such amounts payable to the Consultant.

Neither Mr. Drimmer nor Ms. Lawson have entered into agreements or have made arrangements which entitle them to any termination or change of control benefits relating to the Fund.

REMUNERATION OF THE DIRECTORS OF STARLIGHT GP

REMUNERATION OF DIRECTORS

Any Director who is an officer of, or is otherwise employed by the Starlight, is not entitled to any remuneration from the Fund for serving as a Director (including as Chairman of the Board, or as the Chairman or as a member of a committee). Each Director, other than Daniel Drimmer, received an annualized base retainer from the Fund in the amount of C$12,500 for services provided during 2015. There were no fees paid or payable for each day on which a Director attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies are described in Note 2 to the audited consolidated financial statements of the Fund. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund's cash, restricted cash, tenant and other receivables, and utility deposits have been designated as loans and receivables; and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund's financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

The ownership of Units involves a number of risk factors. The risks described below are not the only risks and readers should carefully review the risks and uncertainties disclosed in the Fund's prospectus dated October 30, 2013, under the heading "Risk Factors", at WWW.SEDAR.COM. If any of the following risks or those outlined in the Fund's prospectus dated October 30, 2013 occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Some of these risk factors are described below:

(a) *Acquisition Risk* – The acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Fund will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of properties may not generate sufficient funds to make the payments of principal and interest due on the mortgage loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of properties.

(b) *Reliance on the Manager* – Prospective purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. In particular, prospective purchasers will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Tamara Lawson and/or Evan Kirsh. If the Manager loses the services of Daniel Drimmer, Tamara Lawson and Evan Kirsh, the business, financial condition and results of operations of the Fund may be materially adversely affected.

(c) *Experience of Directors and Officers* – While the officers of the Fund and the Directors have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the officers of the Fund and the directors of its general partner may not be relevant to the acquisition of multi-family real estate in the U.S. or to their achievement of the investment objectives of the Fund.

(d) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the Fund's properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, and distributable cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund was required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by the Fund may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Fund's properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

(e) *Substitutions for Residential Rental Suites* – Demand for rental suites in the Fund's properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Interest rates offered by financial institutions for financing home ownership are currently at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in its properties and on the rents charged.

(f) *Government Regulation* – Certain states in the U.S. may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at its properties. Limits on the Fund's ability to raise rental rates at its properties may adversely affect the Fund's ability to increase income from its properties. The State of Texas has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in such states may provide certain rights to tenants, while imposing obligations upon landlords. Certain states may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a state's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain states may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of its properties.

(g) *Financing Risks* – There is no assurance that the Manager will be able to obtain sufficient mortgage loans to finance the acquisition of properties, or, if available, that the Manager will be able to obtain mortgage loans on commercially acceptable terms. Further, there is no assurance or guarantee that any mortgage loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of properties which the Fund is able to purchase will decrease and the return from the ownership of properties (and ultimately the return on an investment in Units) will be reduced.

(h) *Interest Rate Fluctuations* – The Fund's mortgage loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

(i) *Environmental Matters* – Under various environmental and ecological laws, the Fund and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of its properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell such property or to borrow using the property as collateral, and could potentially also result in claims against the Fund or its subsidiaries by third parties.

(j) *Uninsured Losses* – The Fund has arranged for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those owned or to be owned by the Fund or its subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such properties.

(k) *Reliance on Property Management* – The Manager may rely upon independent management companies to perform property management functions in respect of each of the Fund's properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the properties and their other development, investment and/or management activities.

(l) *Competition for Real Property Investments or Tenants* – The Manager will compete for suitable real property investments with individuals, corporations, REITs and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease suites in its properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

(m) *Revenue Shortfalls* – Revenues from the Fund's properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the mortgage loans or to fund changes in the variable rates of interest charged in respect of such loans.

(n) *Distributions* – To date, the Fund has not paid distributions to Unitholders which have exceeded cash flow from operating activities. As a result, the Fund has not historically funded distributions from alternate sources such as debt, mortgages or other financing instruments, has not made any distributions which have included a return of capital and has not been required to amend any material contracts.

There can be no assurance in the future the Fund will continue to fund distributions entirely from cash from operating activities. In such an event, the Fund may be required to fund its distributions from sources other than operations such as debt, mortgages or other financing instruments, make distributions which include a return of capital or amend material contracts.

(o) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

(p) *Co-Investors* – The Manager may explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors. Such co-investment opportunities may involve certain additional risks relating to the need to obtain approval from such co-investors with respect to certain major decisions or fundamental changes.

(q) *Joint Ventures* – The Manager may invest in, or be a participant in, joint ventures and partnerships with third parties in respect of the properties. A joint venture or partnership involves certain additional risks, including, (i) the possibility that such co-ventures/partners may at any time have economic or business interests or goals that will be inconsistent with the Manager's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to such properties, (ii) the risk that such co-ventures/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund's subsidiaries, or for which the Fund's subsidiaries will be liable and/or result in the Fund's subsidiary suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (iii) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund's subsidiary to liability, and (iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when the Manager may not desire to sell but may be forced to do so because a Fund subsidiary does not have the cash to purchase the other party's interests. Such rights may also inhibit the Manager's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires.

(r) *U.S. Market Factors* – The properties of the Fund are and will be located in the U.S. and economic conditions since the beginning of 2008 have been challenging in the North American economy. U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors, including unemployment, home prices, home foreclosures, access to credit markets, fuel prices, consumer spending, fears of a recession, and the rate of recovery. Although according to the U.S. Federal Reserve, the recession technically ended in June 2009, the U.S. economy has not returned to operating at high capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. Although there has been a recovery in the real estate market, the Fund cannot predict the future of real estate markets. The value of properties acquired may decline if current market conditions persist or worsen.

(s) *Possible Loss of Limited Liability of Limited Partners* – Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the Fund's, and Starlight GP's, net assets.

(t) *Currency Exchange Rate Risk* – Although investors in the Class A Units, Class D Units, Class F Units and Class C Units are invested in Canadian dollars and receive distributions and distributions of proceeds on termination of the Fund in Canadian dollars, such distributions, and distributions of proceeds on termination of the Fund will be calculated based on the Canadian dollar equivalent of a given distribution (which calculation shall use the U.S. spot exchange rate available to the Fund in respect of such distribution at such time). The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. Additionally, the business of the Fund's subsidiaries and its affiliates will be conducted in the U.S. Consequently, any income and gains will be earned and any expenses and losses will be incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Class A Units, Class D Units, Class F Units or Class C Units and the distributions on such Units, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors who purchase Class A Units, Class D Units, Class F Units and Class C Units are subject to currency exchange rate risk. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Class A Units, Class D Units, Class F Units and Class C Units and therefore it is anticipated that holders of Class A Units, Class D Units, Class F Units and Class C Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

(u) *Same Management Group for Various Entities* – Although the Manager intends for every transaction which comes to the attention of the Manager and that would be a suitable investment for the Fund to be acquired through the Fund, the Manager may acquire properties for other investment portfolios in the future. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at December 31, 2015.

FUTURE OUTLOOK

Starlight believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Q4-2015 (1)	Q3-2015 (1)	Q2-2015 (1)	Q1-2015 (2)	Q4-2014 (3)	Q3-2014 (3)	Q2-2014 (4)	Q1-2014 (5)
Revenue	$2,480	$2,543	$2,446	$1,485	$1,089	$1,069	$ 1,072	$ 1,023
Property operating costs	(1,079)	(1,078)	(1,052)	(683)	(451)	(499)	(499)	(457)
NOI	1,401	1,465	1,394	802	638	570	573	566
Share of net earnings in joint venture	3,963	1,595	2,019	880	1,471	1,858	623	-
Equity investment	707	262	663	736	815	1,064	140	1,087
Fund expenses	(189)	(177)	(172)	(163)	(126)	(137)	(134)	(108)
Unrealized foreign exchange (loss) gain	200	606	(183)	70	-	-	-	-
Realized foreign exchange gain	48	72	-	-	-	-	-	-
Fair value adjustment of investment properties	4,101	4,810	3,983	3,037	1,460	2,004	(80)	2,465
Finance income	-	-	-	-	-	-	-	2
Finance costs	(490)	(680)	(681)	(420)	(152)	(152)	(150)	(149)
Income taxes:								
Current	(10)	(13)	(6)	(8)	(7)	(8)	(4)	(10)
Deferred	(3,055)	(2,715)	(2,757)	(1,665)	(1,141)	(1,585)	(229)	(1,036)
Net income and comprehensive income for the period	**$ 6,676**	**$ 5,225**	**$ 4,260**	**$ 3,269**	**$ 2,958**	**$ 3,614**	**$ 739**	**$ 2,817**
FFO	$1,405	$1,338	$1,220	$953	$822	$848	$831	$427
AFFO	$1,134	$1,234	$1,189	$946	$939	$804	$751	$374
Distributions	$461	$473	$496	$494	$525	$553	$552	$343
FFO per Unit - basic and diluted	$0.41	$0.40	$0.36	$0.28	$0.24	$0.25	$0.24	$0.13
AFFO per Unit - basic and diluted	$0.32	$0.36	$0.36	$0.28	$0.27	$0.24	$0.22	$0.11
Distributions per Unit (6)	$0.14	$0.14	$0.15	$0.15	$0.15	$0.16	$0.16	$0.10

Notes:

(1) The Fund did not acquire any assets during the last three quarters of 2015.

(2) The Fund purchased Travesia on March 2, 2015.

(3) The Fund did not acquire any assets during the third quarter and fourth quarter of 2014.

(4) The Fund purchased a 75% joint venture interest in Soho Parkway on April 1, 2014.

(5) The Fund did not acquire any assets during the first quarter of 2014.

(6) Distributions per Unit for each period are based on the total distributions per Unit declared during the period for all classes of Units.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: April 12, 2016
Toronto, Ontario, Canada

SCHEDULE A – AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 Starlight U.S. Multi-Family (No. 2) Core GP, Inc. as the general partner of the Fund (the "**General Partner**") shall appoint an audit committee (the "**Committee**") to assist the board of directors (the "**Board**") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Investments Ltd., in its capacity as manager of the Fund (the "**Manager**").

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three directors of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements.

3.3 The General Partner shall appoint the members of the Committee. The General Partner may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "**Chair**"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any director of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to directors' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors and the overall scope and plans for the audit, and in carrying out such oversight, the Committee's duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under NI 51-102 or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the Unitholders of the Fund, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("**MD&A**") and any financial press releases before the Fund publicly discloses this information; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the General Partner's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the General Partner's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the General Partner and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to Unitholders and annual information forms, as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) reviewing any related-party transactions not in the ordinary course of business;

(b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;

(d) reviewing annual operating and capital budgets;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(h) reviewing any other questions or matters referred to it by the Board.

Consolidated Interim Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Three and six months ended June 30, 2016 and 2015

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INDEPENDENT AUDITORS' REPORT

To the Directors of Starlight U.S. Multi-Family (No. 3) Core GP, Inc., as General Partner for Starlight U.S Multi-Family (No. 3) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S Multi-Family (No. 3) Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2016 and December 31, 2015 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the three and six months then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No. 3) Core Fund and its subsidiaries as at June 30, 2016 and December 31, 2015, and its financial performance and its cash flows for the three and six months then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
October 12, 2016
Toronto, Ontario

An independent member of BAKER TILLY INTERNATIONAL

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

	Note	June 30, 2016	December 31, 2015
ASSETS			
Non-current assets:			
Investment properties	3	$ 151,600	$ 146,720
Investments in joint ventures	4	22,251	18,237
Derivative financial instruments	9	1	7
Utility deposits		36	37
Total non-current assets		173,888	165,001
Current assets:			
Tenant and other receivables	5	105	75
Prepaid expenses and other assets	6	182	313
Restricted cash	7	1,650	2,749
Cash		1,799	2,445
Total current assets		3,736	5,582
TOTAL ASSETS		$ 177,624	$ 170,583
LIABILITIES			
Non-current liabilities:			
Loans payable	8	$ 93,565	$ 93,483
Deferred taxes		15,384	11,605
Total non-current liabilities		108,949	105,088
Current liabilities:			
Tenant rental deposits		160	171
Accounts payable and accrued liabilities	10	2,327	3,389
Finance costs payable		124	119
Distributions payable		242	224
Total current liabilities		2,853	3,903
Total liabilities		111,802	108,991
EQUITY			
Unitholders' equity	11	65,737	61,499
Non-controlling interests		85	93
Total equity		65,822	61,592
TOTAL LIABILITIES AND EQUITY		$ 177,624	$ 170,583

Commitments and contingencies (Note 16).

Subsequent events (Note 21).

See accompanying notes to the consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 3) Core GP, Inc., as general partner for Starlight U.S. Multi-Family (No. 3) Core Fund on October 12, 2016, and signed on its behalf:

Daniel Drimmer Director   *Harry Rosenbaum* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Interim Statements of Income and Comprehensive Income
Three and six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars, except per unit amounts)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015 (Reclassified Note 1(e))	Six months ended June 30, 2016	Six months ended June 30, 2015 (Reclassified Note 1(e))
Revenue from property operations		$ 3,758	$ 3,695	$ 7,462	$ 7,274
Expenses:					
Property operating costs		1,071	1,058	2,053	2,083
Realty taxes		812	735	1,614	1,513
		1,883	1,793	3,667	3,596
Income from operations		1,875	1,902	3,795	3,678
Share of net earnings from joint ventures	4	2,447	244	3,253	876
Finance costs	14	(602)	(878)	(1,239)	(1,492)
Fund and trust expenses		(503)	(208)	(776)	(406)
Unrealized foreign exchange loss		-	(294)	-	-
Realized foreign exchange (loss) gain		(1)	255	13	255
Fair value adjustment of investment properties	3	5,168	1,282	4,561	5,409
		8,384	2,303	9,607	8,320
Income taxes:					
Current	2(g)(ii)	(27)	(3)	(41)	(28)
Deferred	2(g)(ii)	(3,241)	(1,321)	(3,779)	(3,435)
Net income and comprehensive income		5,116	979	5,787	4,857
Basic and diluted earnings per unit		$ 0.97	$ 0.19	$ 1.10	$ 0.92
Weighted average number of units outstanding:					
Basic and diluted	11	5,256	5,274	5,261	5,274

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Interim Statements of Changes in Equity
Six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars, except per unit amounts)

	Unitholders' Equity	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
	(Note 11)				
Balance, December 31, 2015	$ 46,699	$ 14,800	$ 61,499	$ 93	$ 61,592
Changes during the period:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	(119)	-	(119)	-	(119)
Net income and comprehensive income	-	5,787	5,787	-	5,787
Distributions	-	(1,430)	(1,430)	(8)	(1,438)
Balance, June 30, 2016	$ 46,580	$ 19,157	$ 65,737	$ 85	$ 65,822

	Unitholders' Equity	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
	(Note 11)				
Balance, December 31, 2014	$ 46,733	$ 8,923	$ 55,656	$ 108	$ 55,764
Changes during the period:					
Net income and comprehensive income	-	4,857	4,857	-	4,857
Distributions	-	(1,508)	(1,508)	(8)	(1,516)
Balance, June 30, 2015	$ 46,733	$ 12,272	$ 59,005	$ 100	$ 59,105

Distributions to unitholders in the aggregate for all classes of units of the Fund during the six months ended June 30, 2016 were equal to $0.2718 per unit (three months ended June 30, 2015 - $0.2859).

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Interim Statements of Cash Flows
Three and six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating activities					
Net income and comprehensive income		$ 5,116	$ 979	$ 5,787	$ 4,857
Adjustment for financing activities included in net income					
Finance costs	14	602	878	1,239	1,492
Adjustments for items not involving cash:					
Share of net earnings from joint ventures	4	(2,447)	(244)	(3,253)	(876)
Fair value adjustment of investment properties		(5,168)	(1,282)	(4,561)	(5,409)
Unrealized foreign exchange loss		-	294	-	-
Deferred taxes		3,241	1,321	3,779	3,435
Change in restricted cash		(851)	(857)	1,099	840
Change in non-cash operating working capital	15	1,022	542	(948)	(898)
Cash provided by operating activities		1,515	1,631	3,142	3,441
Investing activities					
Initial contributions to joint ventures		-	-	-	(1,330)
(Contributions) distributions from joint ventures		(114)	2,512	(761)	2,483
Additions to investment properties		(183)	(497)	(319)	(976)
Cash used in investing activities		(297)	2,015	(1,080)	177
Financing activities					
Units repurchased and cancelled under Issuer Bid	11	(48)	-	(119)	-
Loans payable					
Proceeds – new financing		-	36,909	-	36,909
Repayment of loan		-	(33,164)	-	(33,164)
Purchase of interest rate cap		-	(31)	-	(31)
Financing costs paid		(559)	(932)	(1,151)	(1,490)
Distribution to NCI		(8)	(8)	(8)	(8)
Distributions to unitholders		(728)	(754)	(1,430)	(1,508)
Cash used in financing activities		(1,343)	2,020	(2,708)	708
Increase in cash during the period		(125)	5,666	(646)	4,326
Cash, beginning of period		1,924	3,253	2,445	4,593
Cash, end of period		$ 1,799	$ 8,919	$ 1,799	$ 8,919

See accompanying notes to the consolidated interim financial statements.

Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund") is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified revenue-generating rental properties in the United States ("U.S.") multi-family real estate market.

The operations of the Fund commenced on July 10, 2014 when, subsequent to completion of its initial public offering on July 9, 2014, the Fund completed the acquisition of its interests in a portfolio of three multi-family residential properties located in Austin and Houston, Texas comprising of a total of 891 suites. Currently, the Fund has interests in a portfolio of seven properties, comprising a total of 1,894 suites, located in Austin and Houston, Texas, Charlotte, North Carolina and Atlanta, Georgia.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

These consolidated interim financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board and using accounting policies described herein.

(b) Basis of measurement:

These consolidated interim financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value. These consolidated interim financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation:

The consolidated interim financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund's subsidiaries are shown separately in the consolidated interim statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund uses consistent accounting policies.

(d) Critical judgments and estimates:

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

(e) Change in accounting presentation

Prior to January 1, 2015, investments in joint arrangements were reported as joint operations whereby assets, liabilities, revenue and expenses were separately presented on the consolidated statements of financial position, income and comprehensive income and cash flows. Subsequently, the investments in joint arrangements have been presented within investments in joint ventures with no impact on net earnings and equity. Comparative amounts have been reclassified to conform to current year's presentation in order to permit comparability. As a result of this change, for the three and six months ended June 30, 2015, share of earnings from the joint ventures of $244 and $876 is presented, as a result of reclassifying revenue of $618 and $1,135, respectively, fair value adjustment of investment properties of $92 and $542, respectively, and operating and other expenses of $(466) and $(801), respectively.

2. Significant accounting policies:

(a) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined. Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statements of income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated interim statement of income and comprehensive income in the period in which they arise. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash on hand and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The Fund also restricts cash for tenant security deposits.

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Revenue from investment properties includes all rental income earned from a property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts.

Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured. Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of its tenants. All accounts greater than 90 days outstanding are allowed for through the consolidated interim statements of income and comprehensive income.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement	**June 30, 2016**	December 31, 2015
Financial assets:				
Derivative financial instruments	FVTPL	Fair value	**$ 1**	$ 7
Utility deposits	Loans and receivables	Amortized cost	**36**	37
Tenant and other receivables	Loans and receivables	Amortized cost	**105**	75
Restricted cash	Loans and receivables	Amortized cost	**1,651**	2,749
Cash	Loans and receivables	Amortized cost	**1,799**	2,445
Financial liabilities:				
Mortgages payable	Other liabilities	Amortized cost	**93,565**	93,483
Tenant rental deposits	Other liabilities	Amortized cost	**160**	171
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**2,327**	3,389
Finance costs payable	Other liabilities	Amortized cost	**124**	119
Distributions payable	Other liabilities	Amortized cost	**242**	224

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from these financial assets expire or have been transferred.

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

The Fund entered into a Bond for Title Lease in the amount of $40 million. The Fund has the option to buy back the lease at any time at a nominal amount. The amounts pertaining to the agreement are settled on a net basis and are offset on the consolidated interim statements of financial position and the consolidated interim statements of income and comprehensive income.

(f) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

(g) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Each unitholder of the Fund is required to include in computing the unitholder's income for a particular taxation year the unitholder's share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder's taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year.

2. Significant accounting policies (continued):

(g) Income taxes:

(i) Canadian status (continued)

Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the “Code”).

2. Significant accounting policies (continued):

(g) Income taxes:

(ii) U.S. status (continued)

Current taxes (continued)

Furthermore, Starlight U.S. Multi-Family (No. 3) Core REIT Inc. (the “U.S. REIT”), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust (“REIT”) under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to dividends paid deduction and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund made the REIT election for the U.S. REIT and believes the U.S. REIT’s organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity’s total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax of $27 and $41

2. Significant accounting policies (continued):

(g) Income taxes:

(ii) U.S. status (continued)

Current taxes (continued)

for the three and six months ended June 30, 2016 and $3 and $28 for three and six months ended June 30, 2015.

Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding LP"). Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

Deferred taxes

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at June 30, 2016 a deferred tax liability of $15,384 (December 31, 2015 - $11,605) has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant accounting policies (continued):

(h) Joint arrangements:

In accordance with IFRS 11 – Joint Arrangements (“IFRS 11”), the Fund has joint ventures over which the Fund has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund’s share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(i) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(ii) Accounting for acquisitions

Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated interim financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standards.

(iv) Joint arrangements

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Management applies judgment in determining whether the facts and circumstances involved in a joint arrangement result in the arrangement being classified as a joint venture or a joint operation. The Fund has classified its joint arrangements as joint ventures.

(v) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows and discount rates.

(vi) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(vii) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(j) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 conforms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, and recognizes as an expense the charge pro-rated over the period.

(k) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

2. Significant accounting policies (continued):

(l) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the year ended December 31, 2016. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Financial Instruments (“IFRS 9”):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB’s financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) Revenue from Contracts with Customers (“IFRS 15”):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iii) Leases (“IFRS 16”):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(l) Future accounting changes (continued):

(iii) Leases ("IFRS 16") (continued):

the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

3. Investment properties:

The following table summarizes the changes in the investment properties for the six months ended June 30, 2016 and the year ended December 31, 2015:

Balance, January 1, 2015	$	140,150
Additions - capital expenditures		1,352
Fair value adjustment		5,218
Balance, December 31, 2015	$	146,720
Additions - capital expenditures		319
Fair value adjustment		4,561
Balance, June 30, 2016	$	151,600

The following table reconciles the cost base of investment properties to their fair value:

	June 30, 2016	December 31, 2015
Cost	$ 130,531	$ 130,212
Cumulative fair value adjustment	21,069	16,508
Fair value	$ 151,600	$ 146,720

The key valuation assumptions for the Fund's investment properties are set out in the following table:

	June 30, 2016	December 31, 2015
Capitalization rates - range	4.75% - 5.50%	5.00% -5.75%
Capitalization rates - weighted average	5.21%	5.45%

The properties were valued by independent qualified valuators as at June 30, 2016 and these valuations were used by management to determine the fair values as at June 30, 2016.

(In thousands of U.S. dollars, unless otherwise noted)

3. Investment properties (continued):

The Fund determined the fair value of each investment property using the direct income capitalization approach. Prior to this, the Fund used internally generated information to derive fair values.

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

		June 30, 2016	December 31, 2015
Weighted average:			
Capitalization rate	Ten basis-point increase	$ (2,859)	$ (2,657)
Capitalization rate	Ten basis-point decrease	$ 2,997	$ 2,758

The impact of a one percent change in the net operating income used to value the investment properties as at June 30, 2016 would affect the fair value by approximately $1,516 (December 31, 2015 - $1,467).

4. Investments in joint ventures:

The Fund has certain equity method accounted investments in joint ventures. The following table details the Fund's ownership interest in each equity investee:

Entity	Principal Activity	June 30, 2016	December 31, 2015
Sunset Ridge Multi-Family Holding LLC	Owns and operates an income property	50%	50%
Belle Haven Multi-Family Holding LLC	Owns and operates an income property	$33^{1/3}$%	$33^{1/3}$%
Sorelle Multi-Family Holding LLC	Owns and operates an income property	65%	65%

(In thousands of U.S. dollars, unless otherwise noted)

4. Investments in joint ventures (continued):

The following table presents the changes in the aggregate carrying value of the Fund's investment in joint ventures:

	June 30, 2016	December 31, 2015
Balance, beginning of year	$ 18,237	$ 7,252
Initial contributions on establishment of arrangement	-	8,132
Share of net earnings	3,253	5,267
Contributions (distributions)	761	(2,414)
	$ 22,251	$ 18,237

The following table presents the financial position of the Fund's equity accounted investees on a 100% basis as at June 30, 2016:

	Sunset Ridge Multi-Family Holding LLC	Belle Haven Multi-Family Holding LLC	Sorelle Multi-Family Holding LLC	June 30, 2016	December 31, 2015
Cash	$ 101	$ 83	$ 182	$ 366	$ 147
Other current assets	714	325	886	1,925	1,589
Non-current assets	31,218	29,106	75,841	136,165	131,704
Current portion of loans payable	-	(154)	(165)	(319)	(114)
Other current liabilities	(509)	(117)	(714)	(1,340)	(1,355)
Non-current loans payable	(21,492)	(20,234)	(54,134)	(95,860)	(97,606)
Net assets	$ 10,032	$ 9,009	$ 21,896	$ 40,937	$ 34,365
Investments in joint ventures	$ 5,016	$ 3,003	$ 14,232	$ 22,251	$ 18,237

(In thousands of U.S. dollars, unless otherwise noted)

4. Investments in joint ventures (continued):

The following tables present the results of performance of the Fund's equity accounted investees on a 100% basis for the three and six months ended June 30, 2016 and 2015:

	Sunset Ridge Multi-Family Holding LLC	Belle Haven Multi-Family Holding LLC	Sorelle Multi-Family Holding LLC	Three months ended June 30, 2016	Three months ended June 30, 2015
Revenue from property operations	$ 871	$ 594	$ 1,576	$ 3,041	$ 1,420
Property operating costs	(241)	(191)	(455)	(887)	(398)
Realty taxes	(234)	(63)	(215)	(512)	(258)
Finance costs	(139)	(182)	(484)	(805)	(419)
Unrealized foreign exchange loss	-	-	(52)	(52)	-
Fair value adjustment on investment properties	650	(490)	2,867	3,027	293
Net earnings	$ 907	$ (332)	$ 3,237	$ 3,812	$ 638
Share of net earnings in joint ventures	$ 454	$ (111)	$ 2,104	$ 2,447	$ 244

	Sunset Ridge Multi-Family Holding LLC	Belle Haven Multi-Family Holding LLC	Sorelle Multi-Family Holding LLC	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue from property operations	$ 1,736	$ 1,175	$ 3,173	$ 6,084	$ 2,541
Property operating costs	(467)	(365)	(872)	(1,704)	(719)
Realty taxes	(433)	(136)	(430)	(999)	(442)
Finance costs	(279)	(415)	(1,014)	(1,708)	(651)
Unrealized foreign exchange loss	-	-	(782)	(782)	-
Realized foreign exchange gain	-	-	199	199	-
Fair value adjustment on investment properties	210	(490)	4,263	3,983	1,517
Current taxes	(3)	-	-	(3)	(6)
Net earnings	$ 764	$ (231)	$ 4,537	$ 5,070	$ 2,240
Share of net earnings in joint ventures	$ 381	$ (77)	$ 2,949	$ 3,253	$ 876

(In thousands of U.S. dollars, unless otherwise noted)

5. Tenant and other receivables:

The following table presents details of the tenant and other receivables balances:

	June 30, 2016	December 31, 2015
Tenant receivables	$ 57	$ 36
Other receivables	48	39
	$ 105	$ 75

The Fund holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

Prepaid expenses and other assets consist of the following:

	June 30, 2016	December 31, 2015
Prepaid insurance	$ 149	$ 282
Prepaid expenses	33	31
	$ 182	$ 313

7. Restricted cash:

The following table presents the details of restricted cash:

	June 30, 2016	December 31, 2015
Escrowed funds:		
Real estate taxes	$ 1,248	$ 2,445
Replacement/repairs	191	132
Property insurance	212	172
	$ 1,650	$ 2,749

(In thousands of U.S. dollars, unless otherwise noted)

8. Loans payable:

Loans payable are secured by investment properties and bear interest at variable rates.

		June 30, 2016		December 31, 2015
Mortgage payable, bearing interest at LIBOR + 1.98%, requires interest only payments until July 2019, due July 2025	$	36,909	$	36,909
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments, due August 2017, with two one-year options to extend to August 2019		24,000		24,000
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments, due July 2017 with two one-year options to extend July 2019.		23,900		23,900
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments, due November 2017, with two one-year options to extend to November 2019		9,200		9,200
Face value	$	94,009	$	94,009
Unamortized financing cost		(444)		(526)
	$	93,565	$	93,483

Loans payable are classified as current liabilities if they are due and payable within 12 months after the date of the consolidated interim statements of financial position. The Fund did not have any loans payable due and payable within the next 12 months as at June 30, 2016 and December 31, 2015. The following table provides a breakdown of loans payable:

		June 30, 2016		December 31, 2015
Non-Current:				
Loans payable	$	94,009	$	94,009
Unamortized financing costs		(444)		(526)
	$	93,565	$	93,483

Future principal payments on loans payable are as follows:

		Mortgage principal payment		Mortgage maturity payment		Total
2016 – remaining of year	$	-	$	-	$	-
2017		-		57,100		57,100
2018		-		-		-
2019		287		-		287
2020		691		-		691
Thereafter		3,110		32,821		35,931
	$	4,088	$	89,921	$	94,009

(In thousands of U.S. dollars, unless otherwise noted)

9. Derivative financial instruments:

Interest rate cap:

The Fund utilizes an interest rate cap agreements to hedge its interest costs on one of its variable rate mortgages as required by the applicable lender. As the Fund has elected not to use hedge accounting, a fair value adjustment of $(2) and $(6) was recorded as an unrealized loss in finance costs in the consolidated interim statements of income and comprehensive income for the three and six months ended June 30, 2016 (for the three and six months ended June 30, 2015 - $(17) and $(17)).

The following is a summary of the Fund's interest rate cap agreement as at June 30, 2016:

	Notional amount	Maturity date	Rate cap	Carrying value and fair value at June 30, 2016	Carrying value and fair value at December 31, 2015
Commonwealth Bank of Australia, N.A.	$ 36,909	July, 2018	4.00%	$ 1	$ 7

The following table represents a summary of the changes in fair value for the six months ended June 30, 2016 and the year ended December 31, 2015 for the interest rate cap agreement carried at fair value:

	June 30, 2016	December 31, 2015
Balance, beginning of the period	$ 7	$ -
Acquisitions during the period	-	42
Unrealized loss for the period	(6)	(35)
	$ 1	$ 7

10. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	June 30, 2016	December 31, 2015
Accrued real estate taxes	$ 1,529	$ 2,734
Tenant prepayments	143	183
Operating payables	655	472
	$ 2,327	$ 3,389

(In thousands of U.S. dollars, unless otherwise noted)

11. Unitholders' equity:

The beneficial interest in the net assets and net income and comprehensive income of the Fund is divided into five classes of limited partnership units with identical attributes: Class A units, Class C units, Class D units, Class F units and Class U units. The Class A units, Class C units, Class D units and Class F units were issued at CDN$10.00 per unit. The Class U units were issued at $10.00 per unit. The Class A units and Class U units are listed for trading on the TSX Venture Exchange under the symbols SUS.A and SUS.U, respectively. The Class C, Class D, and Class F units have conversion privileges to Class A units.

	Units	Value
	(000's)	
Units issued, May 1, 2014 (date of formation)	–	$ –
Units issued on July 9, 2014:		
Class A	1,954	18,307
Class C	745	6,978
Class D	1,908	17,879
Class F	332	3,110
Class U	335	3,349
Units issued	5,274	49,623
Less issuance costs	-	(2,890)
Class A units repurchased and cancelled under Issuer Bid	(19)	(153)
Balance, June 30, 2016	5,255	$ 46,580

As of June 30, 2016, 5,255,121 units of the Fund were outstanding (December 31, 2015 – 5,270,121).

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 195,400 units of its Class A units and up to 33,325 units of its Class U units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on July 24, 2015 and remained in effect until July 22, 2016.

During the three and six months ended June 30, 2016, the Fund purchased and cancelled 6,000 and 15,000 Class A units with a value of $48 and $119, respectively.

11. Unitholders' equity (continued):

Carried Interest:

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding LP"), Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment LP"), and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight Investments Ltd. ("Starlight"), will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP (see Note 21).

12. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. multi-family real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

13. Transactions with related parties:

The consolidated interim financial statements include the following transactions with related parties:

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the management agreement dated July 9, 2014 (the "Management Agreement"), Starlight is to perform asset management services for fees equal to 0.35% of the sum of: (i) the historical purchase price of the Fund's properties in U.S. dollars; and (ii) the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars.

(b) The manager also receives an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

(In thousands of U.S. dollars, unless otherwise noted)

13. Transactions with related parties (continued):

For the three and six months ended June 30, 2016, the costs of these services totalled $201 and $395, respectively (for the three and six months ended June 30, 2015 - $158 and $309, respectively) and were charged to Fund and trust expenses. As at June 30, 2016, $82 was included in accounts payable and accrued liabilities, which includes $27 of service fees (December 31, 2015 - $79 and $27, respectively).

(c) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each calendar year; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each calendar year.

For the three and six months ended June 30, 2016, the Fund incurred no acquisition fees (for the three and six months ended June 30, 2015 - $nil and $66, respectively) for acquisition fees under the Management Agreement.

14. Finance costs:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Interest on loans payable	$ 558	$ 584	$ 1,150	$ 1,142
Fair value adjustments on derivative financial instruments	2	17	6	17
Loss on early extinguishment of debt	-	229	-	229
Amortization of financing costs	42	48	83	104
	$ 602	$ 878	$ 1,239	$ 1,492

(In thousands of U.S. dollars, unless otherwise noted)

15. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended		Six months ended	
	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2015
Utility deposits	$ 1	$ (1)	$ 1	$ (4)
Tenant and other receivables	(2)	(19)	(30)	(16)
Prepaid expenses and other assets	67	70	131	127
Tenant rental deposits	(6)	(6)	(11)	(22)
Accounts payable and accrued liabilities	983	535	(1,062)	(929)
Finance costs payable	(25)	(33)	5	(36)
Distributions payable	4	(4)	18	(18)
	$ 1,022	$ 542	$ (948)	$ (898)

16. Commitments and contingencies:

At the consolidated interim statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All leases as of June 30, 2016 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the consolidated interim statements of financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

17. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at June 30, 2016.

18. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to tenants by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated interim statements of income and comprehensive income.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that loans and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has contracts to enter into interest rate cap agreements for all its floating rate loans. The interest rate cap agreements were not in place for all floating rate loans as of June 30, 2016 as these agreements are only required once LIBOR reaches one percent. For the three and six months ended June 30, 2016, all else being equal, an increase or decrease of ten basis points in LIBOR would have resulted in a change of $23 and $47 to net earnings, respectively.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its loan portfolio over a number of years and has options to extend the loans to a maturity date that extend beyond the life of the Fund.

All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable, see Note 8.

19. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

Derivative financial instruments are considered as Level 2 financial instruments.

Investment properties are considered as Level 3 financial instruments.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Loans payable:

The fair value of loans payable is estimated based on the current market rates for loans with similar terms and conditions (Level 2). The fair value of the Fund's loans payable as at June 30, 2016 and as at December 31, 2015 approximates their carrying value.

(b) Other financial assets and financial liabilities:

The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 3).

20. Comparative figures:

Certain comparative figures have been reclassified to conform to the consolidated interim financial statement presentation adopted for the current period (Note 1 (e)).

21. Subsequent events:

On August 17, 2016, a fire occurred at Yorktown Crossing as a result of a lightning strike. One of the 13 buildings comprising 24 rental apartment units at the property was impacted. The Fund is fully insured for the damage to the property and any associated rental loss. Management is in the process of determining the financial impact, if any, and therefore no amounts relating to this event have been recorded in these interim consolidated financial statements.

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No. 5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund and Starlight U.S. Multi-Family (No. 4) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 11, in the amount of $8,011.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

October 12, 2016

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the audited consolidated interim financial results of Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund") dated October 12, 2016, for the three and six months ended June 30, 2016, should be read in conjunction with the Fund's audited consolidated interim financial statements and accompanying notes for the same period as well as the annual audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking statements are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in "Risks and Uncertainties" (see "Risks and Uncertainties").

The forward-looking statements included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's unaudited consolidated interim financial statements for the three and six months ended June 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts, funds or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable and mezzanine loans. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which includes amortization of financing costs and fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest expense. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which include amortization of financing costs, fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the Fund's obligations. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments, deferred income tax expense and realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

A reconciliation of net income and comprehensive income, an IFRS measure, to FFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO".

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family (No. 3) Core GP, Inc. ("Starlight GP"). Other adjustments may be made to AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operating activities including interest paid to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights".

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in Texas and the southeastern U.S. multi-family real estate market.

The Fund has five classes of Units. Class A Units and Class U Units are listed on the TSX Venture Exchange under the symbols SUS.A and SUS.U, respectively, and Class C Units, Class D Units, and Class F Units which are convertible into Class A Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, class "A" stabilized, income producing multi-family real estate properties in Texas and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in class "A", U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is three years with two one-year extensions at the discretion of Starlight GP.

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
    a. are located in U.S. primary and secondary markets in Texas and the southeastern U.S. exhibiting favourable population and demographic characteristics;
    b. are located in markets that demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
    c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and
    d. are located in comfortable climates with a high quality of life.
3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

ENHANCE ASSET VALUE THROUGH DEPLOYMENT OF ACTIVE MANAGEMENT STRATEGY

1. Preparation of a property-specific asset management plan to improve NOI margins by:
   a. increasing rental rates through rental rate mapping and the use of yield management software;
   b. identifying and realizing upon ancillary income opportunities;
   c. reducing operating expenses; and
   d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed on its initial public offering on July 9, 2014, it has acquired and holds interests in five properties located in Austin and Houston, Texas, as well as one property in Charlotte, North Carolina and one property in Atlanta, Georgia. The Fund had ownership interests in a portfolio of 1,894 suites as at March 31, 2016.

Property	Location	Suites	Date of Acquisition
The Allure	701 N. Vista Ridge Blvd, Cedar Park, Texas	334	July 10, 2014
Residences at Cinco Ranch	20900 FM 1093 Richmond, Texas	300	July 10, 2014
The Villages of Sunset Ridge	14807 Woodland Hills Drive, Humble, Texas	257	July 10, 2014
Yorktown Crossing	15903 Yorktown Crossing Parkway, Houston, Texas	312	August 28, 2014
The Reserve at Jones Road	11925 Jones Road, Houston, Texas	114	November 12, 2014
Belle Haven Apartments	9005 Post Canyon Lane, Charlotte, North Carolina	176	February 19, 2015
Sorelle Apartments	2399 Parkland Drive, Atlanta, Georgia	401	September 9, 2015
	Total	**1,894**	

THE ALLURE

The Allure ("Allure") is located approximately 32 kilometres northwest of downtown Austin at 701 North Vista Ridge in Cedar Park, Texas. The property is comprised of 334 apartment suites ranging in size from one to three bedrooms. The complex consists of 22 three storey walk-up buildings on a 19.97 acre site. The Fund purchased a 100% ownership interest in the property on July 10, 2014.

RESIDENCES AT CINCO RANCH

Residences at Cinco Ranch ("Cinco Ranch") is approximately 48 kilometres west of downtown Houston at 20900 FM 1093 in Richmond, Texas. The property is comprised of 300 apartment suites ranging in size from one to three bedrooms. The complex consists of 13 three storey walk-up buildings on a 16.34 acre site. The Fund purchased a 100% ownership interest in the property on July 10, 2014.

THE VILLAGES OF SUNSET RIDGE

The Villages of Sunset Ridge ("Sunset Ridge") is located approximately 31 kilometres northeast of downtown Houston at 14807 Woodland Hills Drive in Humble, Texas. The property is comprised of 257 apartment suites ranging in size from one to three bedrooms. The complex consists of nine, three storey walk-up buildings on an 11.45 acre site. The Fund purchased a 50% joint venture ownership interest in the property on July 10, 2014. The remaining 50% is owned by Starlight U.S. Multi-Family Core Fund ("Fund No. 1").

YORKTOWN CROSSING

Yorktown Crossing is located approximately 37 kilometres northwest of downtown Houston at 15903 Yorktown Crossing Parkway in Houston, Texas. The property is comprised of 312 apartment suites ranging in size from one to three bedrooms. The complex consists of 13 three storey walk-up buildings on a 12.18 acre site. The Fund purchased a 100% ownership interest in the property on August 28, 2014.

THE RESERVE AT JONES ROAD

The Reserve at Jones Road ("Jones Road") is located approximately 35 kilometres northwest of Houston at 11925 Jones Road in Houston, Texas. The property is comprised of 114 apartment suites ranging in size from one to two bedrooms. The complex consists of four three storey walk-up buildings on a 4.22 acre site. The Fund purchased a 100% ownership interest in the property on November 12, 2014.

BELLE HAVEN APARTMENTS

Belle Haven Apartments ("Belle Haven") is located approximately 13 kilometres northeast of downtown Charlotte at 9005 Post Canyon Lane in Charlotte, North Carolina. The property is comprised of 176 apartment suites ranging in size from one to three bedrooms. The complex consists of seven, three story walk-up buildings on a 12.89 acre site. The Fund purchased a $33^{1/3}$% joint venture ownership interest in the property on February 19, 2015. The remaining $66^{2/3}$% interest is owned by Fund No. 1.

SORELLE APARTMENTS

Sorelle Apartments ("Sorelle") is located approximately 11 kilometres north of downtown Atlanta at 2399 Parkland Drive in Atlanta, Georgia. The property is comprised of 401 apartment suites ranging in size from studio to two bedrooms. The complex consists of four and five storey mid-rise buildings on a 5.09 acre site. The Fund purchased a controlling 65% joint venture ownership interest on September 9, 2015. The remaining 35% interest is owned by Fund No. 1.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at June 30, 2016 and for the three and six months ended June 30, 2016 including the Fund's share of the assets, liabilities, revenues, expenses and NOI in its joint venture interests.

The key highlights were as follows:

- Same property rents increased to $1,137 as at June 30, 2016 from $1,104 as at June 30, 2015, representing an increase of 3.0% and have increased by 3.9% on an annualized basis since the Fund's inception.
- Portfolio occupancy was 92.3% during the three months ended June 30 2016, compared to 95.5% during the same period last year but remains within the Fund's targeted occupancy range.
- Same property revenue growth was 1.9% and 2.4% for the three and six months ended June 30, 2016 when compared to the corresponding periods in 2015.
- NOI adjusted for the impact of joint ventures for the three and six months ended June 30, 2016 was $2,777 and $5,655, respectively, which was $552 and $1,374, or 24.8% and 32.1% higher than for the same periods last year.
- Same property NOI during the six months ended June 30, 2016 was $108 or 2.6% higher than the six months ended June 30, 2015.
- AFFO per Unit was $0.23 for the three months ended June 30, 2016, which was a 4.5% increase over the three months ended June 30, 2015, reflecting contributions from the acquired joint venture interest in Sorelle.
- AFFO payout ratio was 60.4% and 54.9% for the three and six months ended June 30, 2016 and significantly reduced from 65.39% and 68.73% for the three and six months ended June 30, 2015.
- The Fund recognized an increase in its investment properties during the three months ended June 30, 2016 of $7.2 million and the Fund's investment properties including its joint venture interests were valued at $226.2 million as of June 30, 2016.
- Interest coverage ratio and indebtedness coverage ratio for the three and six months ended June 30, 2016 were 2.29 times and 2.44 times.
- The Fund's weighted average mortgage interest rate was 2.44% as at June 30, 2016 and the weighted average term to maturity on mortgages was 4.82 years.
- Indebtedness to gross book value was 65.0% and within the Fund's targeted range of 60-70%.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	IFRS as at June 30, 2016	Adjusted as at June 30, 2016 (1)	IFRS as at December 31, 2015	Adjusted as at December 31, 2015 (1)	IFRS as at June 30, 2015	Adjusted as at June 30, 2015 (2)
Operational Information						
Number of properties	4	7	4	7	4	6
Total suites	1,060	1,508	1,060	1,508	1,060	1,247
Weighted average portfolio occupancy %	92.5%	92.3%	91.5%	92.3%	95.6%	95.5%
Average monthly rent (in actual dollars)	$1,147	$1,163	$1,130	$1,149	$1,109	$1,104
Summary of Financial Information						
Gross Book Value	$151,600	$226,170	$146,720	$218,292	$146,535	$171,666
Indebtedness	$94,009	$147,069	$94,009	$148,330	$94,009	$112,478
Indebtedness to Gross Book Value (3)	62.01%	65.03%	64.07%	67.95%	64.15%	65.52%
Weighted average mortgage interest rate	2.45%	2.44%	2.27%	2.27%	2.18%	2.18%
Weighted average mortgage term to maturity	4.25 years	4.82 years	4.75 years	5.32 years	5.77 years	6.52 years

	IFRS - Three months ended June 30, 2016	Adjusted - Three months ended June 30, 2016 (1)	IFRS - Three months ended June 30, 2015	Adjusted - Three months ended June 30, 2015 (2)	IFRS -Six months ended June 30, 2016	Adjusted - Six months ended June 30, 2016 (1)	IFRS - Six months ended June 30, 2015	Adjusted - Six months ended June 30, 2015 (2)
Summary of Financial Information								
Revenue	$ 3,758	$ 5,417	$ 3,695	$ 4,313	$ 7,462	$ 10,785	$ 7,274	$ 8,409
Operating expenses	$ (1,883)	$ (2,640)	$ (1,793)	$ (2,088)	$ (3,667)	$ (5,130)	$ (3,596)	$ (4,128)
NOI	$ 1,875	$ 2,777	$ 1,902	$ 2,225	$ 3,795	$ 5,655	$ 3,678	$ 4,281
Net income and comprehensive income	$ 5,116	$ 5,116	$ 979	$ 979	$ 5,787	$ 5,787	$ 4,857	$ 4,857
FFO - basic and diluted		$ 1,202		$ 985		$ 2,794		$ 2,107
FFO per Unit - basic and diluted		$ 0.23		$ 0.19		$ 0.53		$ 0.40
AFFO - basic and diluted		$ 1,205		$ 1,153		$ 2,604		$ 2,194
AFFO per Unit - basic and diluted		$ 0.23		$ 0.22		$ 0.50		$ 0.42
Distributions per Unit		$ 0.14		$ 0.14		$ 0.27		$ 0.29
Interest coverage ratio		2.29		2.88		2.44		2.84
Indebtedness coverage ratio		2.29		2.88		2.44		2.84
FFO payout ratio		60.57%		76.55%		51.18%		71.57%
AFFO payout ratio		60.41%		65.39%		54.92%		68.73%
Weighted average number of Units Outstanding (000s) - basic and diluted		5,256		5,274		5,261		5,274

Notes:

(1) Including joint venture interests in Sunset Ridge, Belle Haven and Sorelle.

(2) Includng joint venture interests in Sunset Ridge and Belle Haven.

(3) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 are summarized below.

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	$ 3,758	$ 3,695	$ 7,462	$ 7,274
Property operating expenses [1]	(1,883)	(1,793)	(3,667)	(3,596)
NOI	1,875	1,902	3,795	3,678
Share of net earnings from joint ventures	2,447	244	3,253	876
Fund expenses	(503)	(208)	(776)	(406)
Unrealized foreign exchange loss	-	(294)	-	-
Realized foreign exchange gain (loss)	(1)	255	13	255
Fair value adjustment of investment properties	5,168	1,282	4,561	5,409
Finance costs	(602)	(878)	(1,239)	(1,492)
Income taxes:				
Current	(27)	(3)	(41)	(28)
Deferred	(3,241)	(1,321)	(3,779)	(3,435)
Net income and comprehensive income	$ 5,116	$ 979	$ 5,787	$ 4,857

Note:

(1) Property operating expenses include operating costs and realty taxes.

RESULTS OF OPERATIONS

The results of operations presented below have been adjusted to include the Fund's share of revenues, expenses and NOI from its joint venture interests in Sunset Ridge, Belle Haven and Sorelle. The focus of the following discussion is based on the adjusted numbers in order to provide a comparison of the results of operation including the Fund's joint venture interests.

	IFRS - Three month ended June 30, 2016	Adjusted - Three month ended June 30, 2016 [1]	IFRS - Three month ended June 30, 2015	Adjusted - Three month ended June 30, 2015 [2]	IFRS - Six month ended June 30, 2016	Adjusted - Six month ended June 30, 2016 [1]	IFRS - Six month ended June 30, 2015	Adjusted - Six month ended June 30, 2015 [2]
Revenue	$ 3,758	$ 5,417	$ 3,695	$ 4,313	$ 7,462	$ 10,785	$ 7,274	$ 8,409
Expenses:								
Operating costs	1,071	1,551	1,058	1,232	2,053	2,975	2,083	2,406
Property taxes	812	1,089	735	856	1,614	2,155	1,513	1,722
	1,883	2,640	1,793	2,088	3,667	5,130	3,596	4,128
NOI	$ 1,875	$ 2,777	$ 1,902	$ 2,225	$ 3,795	$ 5,655	$ 3,678	$ 4,281
NOI margin	49.9%	51.3%	51.5%	51.6%	50.9%	52.4%	50.6%	50.9%

Notes:

(1) Including joint venture interests in Sunset Ridge, Belle Haven and Sorelle.

(2) Including joint venture interests in Sunset Ridge and Belle Haven.

PROPERTY REVENUE

Property revenue for the three and six months ended June 30, 2016 was $5,417 and $10,785, respectively, which was an increase of $1,104 or 31.1% over the three months ended June 30, 2015 and $2,376 or 28.3% over the six months ended June 30, 2015. The increases were predominately due to additional revenue from the Fund's joint venture interests in Sorelle and Belle Haven. Rental rates increased by $59 to $1,163 or 5.3% when compared to the three months ended June 30, 2015. For the three months ended June 30, 2016, occupancy was 92.3% occupied compared to 95.5% during the three months ended June, 30, 2015. The Fund has traded rental rate increases for slightly lower occupancy.

OPERATING EXPENSES

Property operating costs for the three and six months ended June 30, 2016 were $1,551 and $2,975, respectively, which were increases of $319 or 25.9% over the three months ended June 30, 2015, and $569 or 23.6% over the six months ended June 30, 2015. The increase in operating expenses was predominately due to the inclusion of a full quarter of expenses for the joint venture interests in Sorelle and Belle Haven.

Property taxes for the three and six months ended June 30, 2016 were $1,089 and $2,155, respectively, which were increases of $233 or 27.2% over the three months ended June 30, 2015 and $433 or 25.1% over the six months ended June 30, 2015. The increase was mainly due to the Fund's share of taxes relating to Belle Haven and Sorelle, as well as tax increases in the same property portfolio due to increases in the assessed values of the Fund's properties.

NET OPERATING INCOME

NOI for the three and six months ended June 30, 2016 was $2,777 and $5,655, respectively, representing increases of $552 or 24.8% over the three months ended June 30, 2016 and $1,374 or 32.1% compared to the six months ended June 30, 2015. This increases were primarily due to the contributions from joint venture interests acquired as described above.

NOI margins for the three and six months ended June 30, 2016 were 51.7% and 52.7%, respectively, compared to 51.6% for the three months ended June 30 2015 and were 50.9% for the six months ended. The increase in NOI margin for the six months ended June 30, 2016 is due to the acquisition of joint venture interests with higher NOI margins and higher rental rates across the portfolio.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results include all properties owned by the Fund continuously for the selected reporting period including any joint venture interest and are summarized below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue	$ 4,393	$ 4,313	$ 8,330	$ 8,138
Expenses:				
Operating costs	1,255	1,232	2,287	2,334
Property taxes	950	856	1,830	1,699
	2,205	2,088	4,117	4,033
NOI	$ 2,188	$ 2,225	$ 4,213	$ 4,105
NOI margin	49.8%	51.6%	50.6%	50.4%

PROPERTY REVENUE – SAME PROPERTY

Same property revenue growth was $80 or 1.9% when comparing the three months ended June 30, 2016 to the three months ended June 30, 2015. Same property revenue growth was driven by a 5.3% increase in rental rates which increased from $1,104 (in actual dollars) as of June 30, 2015 to $1,137 (in actual dollars) as of June 30, 2016. Same property occupancy was 92.8% as at June 30, 2016 compared to 93.5% as of June 30, 2015. The Fund continues to employ a rental rate optimization strategy while maintaining consistent and targeted occupancy levels.

Same property revenue growth was $192 or 2.4% when comparing the six months ended June 30, 2016 to the six months ended June 30, 2015. Allure delivered the strongest revenue growth at 6.5% over the six months ended June 30, 2015.

OPERATING EXPENSES – SAME PROPERTY

Same property expenses increased by $117 or 5.6% when comparing the three months ended June 30, 2016 to the three months ended June 30, 2015. The increase in operating costs of $23 was attributable to higher utility costs. The increase in property taxes was predominately driven by higher assessed values at the Houston and Austin properties.

Same property expenses increased by $84 or 2.0% when comparing the six months ended June 30, 2016 to the six months ended June 30, 2015.

NET OPERATING INCOME – SAME PROPERTY

Same property NOI decreased by $37 or 1.7% when comparing the three months ended June 30, 2016 to the three months ended June 30, 2015. This decrease was due property tax increases. Same property NOI increased by $108 or 2.6% during the six months ended June 30, 2016, driven by property revenue growth from rental rate increases.

SHARE OF NET EARNINGS FROM JOINT VENTURES

The Fund's share of net earnings from joint venture interests for the three and six months ended June 30, 2016 was $2,447 and 3,253, respectively (three and six months ended June 30, 2015 - $244 and 876, respectively). The increases in net earnings was largely due to the acquisition of joint venture interests in Belle Haven and Sorelle which included fair value increases on these properties during the three months ended June 30, 2016.

FUND EXPENSES

Fund expenses include costs incurred by the Fund that are not directly attributable to the properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors' and officers' insurance premiums, expenses relating to the administration of the Fund distributions and other general and administrative expenses associated with the operation of the Fund. Also included in fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight"). See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund expenses for the three and six months ended June 30, 2016 were $503 and $776, respectively, compared to $208 and $406, for the three and six months ended June 30, 2015. Included in fund expenses for the three and six months ended June 30, 2016 were asset management fees and service fees of $201 and $395, respectively, compared to $158 and $309 for the three and six months ended June 30, 2015, respectively. The higher asset management fees related to the full quarter for the Funds joint venture interests in Belle Haven and Sorelle during the three months ended June 30, 2016.

During the three months ended June 30, 2016, the Fund incurred $266 in one-time transaction costs. Fund expenses also include costs such as legal and audit fees, director fees, investor relations expenses, foreign exchange gains and losses on Fund transactions and directors' and officers' insurance premiums, totalling $36 and $115 for the three and six months ended June 30, 2016 compared to $50 and $97 for the three and six months ended June 30, 2015.

FOREIGN EXCHANGE GAINS AND LOSSES

The Fund had a realized foreign exchange loss of $(1) and a gain of $13 for the three and six months ended June 30, 2016, based on IFRS reporting. Including the Fund's joint venture interests, the Fund had a realized foreign exchange loss of $(1) and a gain of $142, which was the result of the Fund repaying $910 of its share of the mezzanine loan at Sorelle on January 19, 2016.

FINANCE COSTS

The Fund's finance costs for the three and six months ended June 30, 2016 and three and six months ended June 30, 2015 are summarized below based on IFRS:

		Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015
Interest on loans payable	$	558	$	584	$	1,150	$	1,142
Amortization of financing costs		42		48	$	83	$	104
Fair value adjustments on derivative instruments		2		17	$	6	$	17
Loss on early extinguishment of debt		-		229	$	-	$	229
Total	$	602	$	878	$	1,239	$	1,492

The Fund's finance costs for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 are summarized below including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle:

		Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015
Interest on loans payable	$	969	$	699	$	2,019	$	1,342
Amortization of financing costs		74		101	$	149	$	166
Fair value adjustments on derivative instruments		2		21		7	$	21
Loss on early extinguishment of debt		-		229			$	229
Total	$	1,045	$	1,050	$	2,175	$	1,758

Finance costs for the three and six months ended June 30, 2016 were $1,045 and $2,175. Finance costs for the three and six months ended June 30, 2015 were $1,050 and $1,758.

Interest on loans payable for the three and six months ended June 30, 2016 was $969 and $2,019. Interest on loans payable for the three and six months ended June 30, 2015 was $699 and $1,342. The increases in interest on loans payable are largely due to the acquisition of joint venture interests in Belle Haven and Sorelle as well as an increase in the U.S. one-month LIBOR rate.

Amortization of financing costs for the three and six months ended June 30, 2016 was $74 and $149, which represented decreases of $27 and $17, respectively, from the three and six months ended June 30, 2015. The decreases were due to lower amortization of financing costs on Sunset Ridge and Allure for the three and six months ended June 30, 2016.

The Fund has entered into interest rate cap agreements to satisfy requirements under loan agreements associated with the mortgages on Allure and the joint venture interest in Sunset Ridge. The value of the interest rate caps will decline as the term to maturity declines and will also be impacted by interest rate volatility. The Fund incurred an unrealized fair value loss of $2 and $7 on its interest rate cap agreements for the three and six months ended June 30, 2016. The Fund had an interest rate cap adjustment during the three and six months ended June 30, 2015 of $21.

Loss on extinguishment of debt for the three and six months ended June 30, 2015 was $229 and related to the write-off of financing costs for Allure upon refinancing the loan during the three months ended June 30, 2015.

Under IFRS, when excluding the impact of the joint ventures interests, financing costs were $602 and $1,239 for the three and six months ended June 30, 2016 compared to $878 and $1,492 for the three and six months ended June 30, 2015. The decreases resulted from the loss on extinguishment of debt during the prior year periods.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates, expected occupancy rates and operating expenses.

The Fund has realized a cumulative fair value adjustment of $29,958 for the period from May 1, 2014 to June 30, 2016 including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle. Including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle, the Fund's investment properties would have been $226,170 as of June 30, 2016.

The following table summarizes the change in investment properties held by the Fund for the year ended December 31, 2015 and for the six months ended June 30, 2016 based on IFRS reporting:

		Amount
Balance at December 31, 2014	$	140,150
Additions - capital expenditures		1,352
Fair value adjustment		5,218
Balance at December 31, 2015	$	146,720
Additions - capital expenditures		319
Fair value adjustment		4,561
Balance at June 30, 2016	$	151,600

The following table reconciles the cost base of investment properties to their fair value under IFRS:

		As at June 30, 2016		As at December 31, 2015
Cost	$	130,531	$	130,212
Cumulative fair value adjustment		21,069		16,508
Fair value	$	151,600	$	146,720

The key assumptions for investment properties held by the Fund are set out in the following table under IFRS:

	As at June 30, 2016	As at December 31, 2015
Capitalization rates - range	4.75% - 5.50%	5.00% - 5.75%
Capitalization rate - w eighted average	5.21%	5.45%

The Fund's weighted average capitalization rate, including the investments in joint venture properties was 5.18% as at June 30, 2016 (December 31, 2015 – 5.37%).

The fair value of the Fund's investment properties under IFRS are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties as set out in the following table:

Key assumptions	Change		As at June 30, 2016		As at December 31, 2015
Weighted average:					
Capitalization rate	10-basis-points increase	$	(2,859)	$	(2,657)
Capitalization rate	10-basis-points decrease	$	2,997	$	2,758

The impact of a 1% change in NOI used to value the investment properties as at June 30, 2016 would affect the fair value by approximately $1,516 (December 31, 3015 – $1,467).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below:

		Three months ended June 30, 2016		Three months ended June 30, 2015		Six months ended June 30, 2016		Six months ended June 30, 2015
Net income and comprehensive income	$	5,116	$	979	$	5,787	$	4,857
Add / (Less):								
Deferred taxes		3,241		1,321		3,779		3,435
Unrealized foreign exchange loss (gain) (1)		34		294		508		-
Realized foreign exchange gain		1		(255)		(13)		(255)
Fair value adjustment on derivative instruments (1)		2		21		7		21
Fair value adjustment of investment properties (1)		(7,192)		(1,375)		(7,274)		(5,951)
FFO	**$**	**1,202**	**$**	**985**	**$**	**2,794**	**$**	**2,107**
FFO per Unit - basic and diluted	$	0.23	$	0.19	$	0.53	$	0.40
Distributions declared (2)	$	728	$	754	$	1,430	$	1,508
FFO payout ratio		60.57%		76.55%		51.18%		71.57%
Weighted average number of Units outstanding:								
Basic and diluted - Class A, C, D, F, U - (000s)		5,256		5,274		5,261		5,274

Notes:

(1) Adjusted to include amounts relating to joint venture interests.

(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three and six months ended June 30, 2016 was $1,202, $2,794, $0.23 and $0.53, respectively. Basic and diluted FFO and FFO per Unit for the three and six months ended June 30, 2015 was $985, $2,107 and $0.19 and $0.40, respectively. FFO per Unit increases relative to the prior year periods were 21.1% and 32.5%, respectively. The FFO per Unit and FFO payout ratios for the three and six months ended June 30, 2016 were impacted by $266 of one-time transaction costs. Excluding these one-time transaction costs, FFO per Unit was $0.28 and $0.58 for the three and six months ended June 30, 2016.

FFO payout ratio improved to 60.57% and 51.18% for the three and six months ended June 30, 2016 compared to 76.55% and 71.57% for the three and six months ended June 30, 2015, both lower despite the one-time transaction costs described above. The increases in FFO and FFO per Unit and the decrease in the FFO payout ratio were due to FFO growth from acquisitions and rental rate growth across the Fund's properties.

The Fund distributions paid and declared for the six months ended June 30, 2016 per Unit were as follows:

Class A	Class C	Class D	Class F	Class U
C$0.34998	C$0.34998	C$0.34998	C$0.34998	C$0.34998

ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of FFO to AFFO for the three and six months ended June 30, 2016 and three and six months ended June 30, 2015 is detailed below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
FFO	**$ 1,202**	**$ 985**	**$ 2,794**	**$ 2,107**
Add / (Deduct):				
Amortization of financing costs (1)	74	101	149	166
Loss on early extinguishment of debt	-	229	-	229
One-time transaction costs	266	-	266	-
Sustaining capital expenditures and suite renovations (1)	(337)	(162)	(605)	(308)
AFFO	**$ 1,205**	**$ 1,153**	**$ 2,604**	**$ 2,194**
AFFO per unit - basic and diluted	$ 0.23	$ 0.22	$ 0.50	$ 0.42
Distributions declared (2)	$ 728	$ 754	$ 1,430	$ 1,508
AFFO payout ratio	60.41%	65.39%	54.92%	68.73%
Weighted average number of Units outstanding:				
Basic and diluted - Class A, C, D, F, U - (000s)	5,256	5,274	5,261	5,274

Notes:

(1) Adjusted to include amounts relating to joint venture interests.

Basic and diluted AFFO and AFFO per Unit for the three and six months ended June 30, 2016 was $1,205, $2,604, $0.23 and $0.50, respectively. Basic and diluted AFFO and AFFO per unit for the three and six months ended June 30, 2015 was $1,153, $2,194, $0.22 and $0.42, respectively. The AFFO payout ratio for the three months ended June 30, 2016 was 60.41%, a reduction from the three months ended June 30, 2015 of 65.39%. The AFFO payout ratio for the six months ended June 30, 2016 was 54.92%, a reduction from the six months ended June 30, 2015 of 68.73%. This improvement was driven by the increase in FFO from the acquired joint venture interests and the same property NOI growth of 2.6% for the six months ended June 30, 2016.

Reconciliation of cash provided by operating activities to AFFO for the three and six months ended June 30, 2016 and the three and six months ended June 30, 2015 is detailed below:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by operating activities	**$ 1,515**	**$ 1,631**	**$ 3,142**	**$ 3,441**
Less: interest paid	(558)	(584)	(1,150)	(1,142)
Cash provided by operating activities - including interest paid	**957**	**1,047**	**1,992**	**2,299**
Add / (Deduct):				
Change in non-cash operating w orking capital	(774)	(542)	1,195	898
Change in restricted cash	852	857	(1,099)	(840)
Share of net earnings in joint ventures	708	244	1,514	876
Unrealized foreign exchange loss (1)	34	-	508	-
Realized foreign exchange gain	1	(255)	(13)	(255)
Fair value adjustment on derivative instrument (1)	-	4	1	4
Fair value adjustment of investment property (1)	(268)	(93)	(955)	(542)
Amortization on financings costs (1)	32	53	66	62
Loss on early extinguishment of debt (1)	-	-	-	-
Sustaining capital expenditures and suite renovation reserves (2)	(337)	(162)	(605)	(308)
AFFO	**$ 1,205**	**$ 1,153**	**$ 2,604**	**$ 2,194**

Notes:

(1) Adjusted to include amounts relating to joint venture interests only.

(2) Adjusted to include amounts for joint venture interests.

The Fund's distributions of $728 and $1,430 during the three and six months ended June 30, 2016 were not in excess of net income and comprehensive income or cash provided by operating activities including interest paid. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders, property maintenance and capital expenditure commitments as they become due and to provide for the future growth of the business. Given the age and quality of the Fund's properties, minimal capital expenditures are required to maintain the properties. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities, loans secured by investment properties and unsecured loans. As at June 30, 2016, the Fund was in compliance with all of its financial covenants. All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable, see "Loans Payable".

CASH FLOWS

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found in the "Risks and Uncertainties" section.

The following table details the changes in cash for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 based on IFRS:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Cash provided by operating activities	$ 1,515	$ 1,631	$ 3,142	$ 3,441
Cash used in (provided by) investing activities	(297)	2,015	(1,080)	177
Cash used in (provided by) financing activities	(1,343)	2,020	(2,708)	708
(Decrease) increase in cash	(125)	5,666	(646)	4,326
Cash, beginning of period	1,924	3,253	2,445	4,593
Cash, end of period	$ 1,799	$ 8,919	$ 1,799	$ 8,919

The Fund's cash balance as at June 30, 2016 was $1,799 (June 30, 2015 - $8,919). Including the Fund's share of cash held by joint ventures, the cash balance as at June 30, 2016 was $1,995 (June 30, 2015 - $8,978).

Cash provided by operating activities for the three and six months ended June 30, 2016 was $1,515 and $3,142, respectively, compared to $1,631 and $3,441 for the three and six months ended June 30, 2015, respectively, relating to the net cash generated from property operations including changes in non-cash operating working capital and changes in restricted cash.

Cash used in investing activities for the three and six months ended June 30, 2016 was $297 and $1,080 and related primarily to contributions to the Fund's share of joint venture interest of $114 and $761 and additions to investment properties of $183 and $319, respectively.

Cash provided by investing activities for the three and six months ended June 30, 2015 was $2,015 and $177 and related primarily to distributions from the joint venture interests of $2,512 and $1,153, partially offset by additions to investment properties of $497 and $976 respectively.

Cash used in financing activities for the three and six months ended June 30, 2016 was $1,343 and $2,708, which related to distributions to Unitholders of $728 and $1,430, financing costs paid of $559 and $1,151 and Units repurchased and cancelled under the Fund's normal course issuer bid ("Issuer Bid") of $48 and $119.

Cash provided by financing activities for the three and six months ended June 30, 2015 was $2,020 and $708, respectively. Cash provided by financing activities for the three months June 30, 2015 related to proceeds on new financing of $36,909, and was partially offset by repayment of loans of $33,164, financing costs paid of $932, distributions to Unitholders of $754, purchase of interest rate caps of $31 and distributions to non-controlling interests of $8.

CAPITAL STRUCTURE AND DEBT PROFILE

Capital Structure

The Fund's capital is the aggregate of Indebtedness and Unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build Unitholder value and maintaining sufficient capital contingencies.

As at June 30, 2016, December 31, 2015 and June 30, 2015 the total capital of the Unitholders was as follows:

	As at June 30, 2016	As at December 31, 2015	As at June 30, 2015
Indebtedness	$ 147,069	$ 148,330	$ 112,478
Unitholders' equity	65,737	61,499	59,104
Total capital	$ 212,806	$ 209,829	$ 171,582

DEBT PROFILE

As at June 30, 2016, the Fund's leverage, as represented by the ratio of Indebtedness to Gross Book Value, was 65.90%. The maximum allowable ratio under the Fund's limited partnership agreement is 75%, however, the Fund has targeted a ratio of between 60% and 70%. The weighted average mortgage interest rate for the Fund as at June 30, 2016 was 2.44% and the weighted average term to maturity of the mortgage portfolio was 4.82 years. The weighted average interest rate on all loans, comprising both mortgages and mezzanine loans, was 2.78% and the weighted average term to maturity of the loan portfolio was 4.69 years.

The following table summarizes key liquidity metrics:

			As at June 30, 2016 (1)	As at June 30, 2015 (1)
Indebtedness to Gross Book Value			65.03%	65.52%
Weighted average interest rate - mortgages			2.44%	2.18%
Weighted average term to maturity - mortgages			4.82 years	6.52 years
	Three months ended June 30, 2016 (1)	**Three months ended June 30, 2015 (1)**	**Six months ended June 30, 2016 (1)**	**Six months ended June 30, 2015 (1)**
Interest Coverage Ratio	2.29	2.88	2.44	2.84
Indebtedness Coverage Ratio	2.29	2.88	2.44	2.84

Note:

(1) Includes interests in joint ventures.

The Interest Coverage Ratio and Indebtedness Coverage Ratio for the three and six months ended June 30, 2016 were 2.29 and 2.44 times, respectively. Both ratios were lower than the 2.88 and 2.84 times for the three and six months ended June 30, 2015, mainly due to one-time transaction costs of $266 incurred during the three months ended June 30, 2016, as well as increases to U.S. one-month LIBOR rate which was partly offset by NOI growth.

LOANS PAYABLE

The following table sets out, as at June 30, 2016, scheduled principal and interest repayments and amounts maturing on the loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on Fund's consolidated interim financial statements:

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans	Scheduled interest payments
2016	$ -	$ -	$ -	0.00%	0.00%	$ 1,049
2017	-	57,100	57,100	60.74%	2.45%	1,665
2018	-	-	-	0.00%	0.00%	832
2019	287	-	287	0.31%	0.00%	830
2020	691	-	691	0.74%	0.00%	819
Thereafter	3,110	32,821	35,931	38.22%	2.45%	3,482
	$ 4,088	$ 89,921	$ 94,009	100.00%	2.45%	$ 8,677
Unamortized financing costs			(485)			
			$ 93,524			

The following table sets out, as at June 30, 2016, scheduled principal and interest repayments and amounts maturing on the loans over each of the remaining fiscal years and the weighted average interest rate of maturing loans including the Fund's portion of the loans secured on its joint venture interests in Sunset Ridge, Belle Haven and Sorelle:

	Scheduled mortgage principal payments	Mortgages payable maturing during the year	Mezzanine loans maturing during the year	Total loans payable	Weighted average interest rate of maturing mortgages	Weighted average interest rate of all maturing loans	Scheduled interest payments on all loans
2016	$ 150	$ -	$ -	$ 150	0.00%	0.00%	$ 1,947
2017	481	57,100		57,581	2.45%	2.45%	3,445
2018	291	34,119	7,172	41,582	2.45%	3.63%	1,964
2019	368	-		368	0.00%	0.00%	1,068
2020	883	-		883	0.00%	0.00%	1,054
Thereafter	3,975	42,530		46,505	2.43%	2.43%	4,484
	$ 6,148	$ 133,749	$ 7,172	$ 147,069	2.44%	2.78%	$ 13,962
Unamortized financing costs				(814)			
				$ 146,255			

The weighted average interest rate on all maturing loans of 2.78% includes mezzanine loans of $7,172 which bear interest at 9.25%. The weighted average mortgage interest rate was 2.44% as at June 30, 2016.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries. All leases as at June 30, 2016 expire within 12 months.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into five classes of Units: Class A Units; Class C Units; Class D Units; Class F Units; and Class U Units.

UNITS

The following table summarizes the changes in Units for the period from December 31, 2014 to June 30, 2016:

	Units	Amount
Outstanding as at December 31, 2014	5,274	$ 46,733
Class A Units repurchased and cancelled under the Issuer Bid	(4)	(34)
Oustanding as at December 31, 2015	5,270	$ 46,699
Class A Units repurchased and cancelled under the Issuer Bid	(15)	(119)
Weighted average number of Units outstanding as at June 30, 2016	5,255	$ 46,580

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund had the ability to purchase for cancellation up to a maximum of 222,344 of its Class A Units and 33,325 of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on July 24, 2015 remained in effect until July 22, 2016.

In connection with the Issuer Bid, the Fund entered into an automatic unit purchase plan (the "Plan") with an investment advisor on July 24, 2015 in order to facilitate repurchases of the Units under the Issuer Bid. Purchases under the Plan were made by the Fund's investment advisor based on the parameters prescribed by the TSX Venture Exchange, applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Fund's investment advisor was permitted to purchase Units under the Issuer Bid when the Fund would ordinarily not be permitted to do so.

The Plan was terminated with the investment advisor on October 23, 2015, and the Fund announced on November 25, 2015 that it had entered into a Plan with a different investment advisor based on the same parameters. From July 24, 2015 to December 31, 2015, 4,000 Class A Units (in actual Units) were purchased under the Issuer Bid for a total of $34. For the three and six months ended June 30, 2016, 6,000 and 15,000 Class A Units (in actual Units) were purchased under the Issuer Bid for a total of $48 and $119, respectively.

A copy of TSX Venture Exchange Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available, without charge by contacting the Fund.

As at June 30, 2016, there were 5,255,121 Units issued and outstanding (as of December 31, 2015 – 5,270,121 Units).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On July 9, 2014, the Fund entered into the management agreement with Starlight. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team including advisory, consultation and investment management services, and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

  (i) the historical purchase price of properties owned by the Fund; and

  (ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from July 9, 2014; plus

(b) An amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three and six months ended June 30, 2016, the costs of these services were $174 and $341, excluding service fees (three and six months ended June 30, 2015 - $131 and $255). As at June 30, 2016, $84 was included in accounts payable and accrued liabilities including service fees of $27 (as at June 30, 2015 - $70 was included in accounts payable and accrued liabilities including service fees of $27).

(c) Acquisition fee equal to:

  (i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;

  (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and

  (iii) 0.50% of the purchase price on properties acquired in excess of $200,000.

For the three and six months ended June 30, 2016, the Fund did not incur any acquisition costs. For the three and six months ended June 30, 2015, the costs of these services were $nil and $66, respectively. The 2015 fees related to the purchase of the Fund's joint venture interest in Belle Haven.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding-up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions.

CARRIED INTEREST

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements for the year ended December 31, 2015 and for the three and six months ended June 30, 2016. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund's cash, restricted cash, tenant and other receivables have been designated as loans and receivables and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund's financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units of the Fund and in the activities of the Fund. Risks and uncertainties are disclosed in the Fund's MD&A for the year ended December 31, 2015 in the Risks and Uncertainties section which is available at WWW.SEDAR.COM. If any of the risks outlined in such disclosure or those outlined in the Fund's prospectus dated June 27, 2014 occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Other than set out or contemplated herein, management is not aware of any significant changes in risk and uncertainties since April 12, 2016, the date of the Fund's MD&A for the year ended December 31, 2015.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at June 30, 2016.

SUBSEQUENT EVENT

On August 17, 2016, a fire occurred at Yorktown Crossing as a result of a lightning strike. One of the 13 buildings comprising 24 rental apartment units at the property was impacted. The Fund is fully insured for the damage to the property and any associated rental loss. Management is in the process of determining the financial impact, if any, and therefore no amounts relating to this event have been recorded in these interim consolidated financial statements.

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No.5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi- Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund and Starlight U.S. Multi- Family (No. 4) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 11, in the amount of $8,011.

FUTURE OUTLOOK

Management believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Q2 - 2016	Q1 - 2016	Q4 - 2015	Q3 - 2015 (1)	Q2 - 2015	Q1 - 2015 (2)	Q4 - 2014 (3)	Q3 - 2014 (4)	Period from May 1, 2014 to Jun 30, 2014 (5)
Revenue	$ 3,758	$ 3,704	$ 3,661	$ 3,805	$ 3,695	$ 3,579	$ 3,433	$ 2,396	$ -
Property operating costs	(1,883)	(1,784)	(1,749)	(1,936)	(1,793)	(1,803)	(1,614)	(1,143)	-
NOI	1,875	1,920	1,912	1,869	1,902	1,776	1,819	1,253	-
Share of net earnings from joint ventures	2,447	806	4,234	157	244	632	2,047	643	
Fund expenses	(503)	(273)	(234)	(235)	(208)	(198)	(224)	(185)	-
Unrealized foreign exchange gain (loss)	-	-	(306)	-	(294)	294	131	126	
Realized foreign exchange gain	(1)	14	288	-	255	-	(9)	-	
Fair value adjustment of investment properties	5,168	(607)	(399)	207	1,282	4,127	9,545	1,744	-
Finance costs	(602)	(637)	(518)	(575)	(878)	(614)	(602)	(435)	-
Income taxes:									
Current	(27)	(14)	(13)	(15)	(3)	(25)	(23)	(16)	
Deferred	(3,241)	(538)	(1,940)	(489)	(1,321)	(2,114)	(4,688)	(1,053)	-
Net income and comprehensive income for the period	**$ 5,116**	**$ 671**	**$ 3,024**	**$ 919**	**$ 979**	**$ 3,878**	**$ 7,996**	**$ 2,077**	**$ -**
FFO - basic and diluted	$1,202	$1,592	$1,630	$1,281	$985	$2,107	$1,125	$770	n/a (6)
AFFO - basic and diluted	$1,205	$1,399	$1,430	$1,128	$1,152	$2,194	$1,000	$737	n/a (6)
Distributions	$728	$702	$697	$718	$754	$754	$763	$387	n/a (6)
FFO per Unit - basic and diluted	$0.23	$0.30	$0.31	$0.24	$0.19	$0.40	$0.21	$0.15	n/a (6)
AFFO per Unit - basic and diluted	$0.23	$0.27	$0.27	$0.21	$0.22	$0.20	$0.19	$0.14	n/a (6)
Distributions per Unit (6)	$0.14	$0.13	$0.13	$0.14	$0.14	$0.29	$0.15	$0.07	n/a (6)

Notes:

(1) During the three months ended September 30, 2015, the Fund acquired a 65% joint venture interest in Sorelle.

(2) During the three months ended March 31, 2015, the Fund acquired a 33 1/3% joint venture interest in Belle Haven.

(3) During the three months ended December 31, 2014, the Fund acquired Jones Road.

(4) During the three months ended September 30, 2014, the Fund acquired Allure, Cinco Ranch, Yorktown Crossing and a 50% joint venture interest in Sunset Ridge.

(5) No properties were held by the Fund during this period.

(6) Distributions per Unit for each period are based on the total distributions per Unit declared during the period.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: October 12, 2016
Toronto, Ontario, Canada

Consolidated Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Year ended December 31, 2015 and Period from May 1, 2014 (date of formation) to December 31, 2014

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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Starlight U.S Multi-Family (No. 3) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S Multi-Family (No. 3) Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and 2014 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the year then ended December 31, 2015 and for the period May 1, 2014 (date of formation) to December 31, 2014 and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No. 3) Core Fund and its subsidiaries as at December 31, 2015 and 2014, and its financial performance and its cash flows for the year then ended December 31, 2015 and for the period May 1, 2014 (date of formation) to December 31, 2014 in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
April 12, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Statements of Financial Position
As at December 31
(In thousands of U.S. dollars)

	Note	**2015**	2014 (Reclassified – Note 1(e))
ASSETS			
Non-current assets			
Investment properties	4	**$ 146,720**	$ 140,150
Investment in joint ventures	5	**18,237**	7,252
Derivative financial instruments	10	**7**	-
Utility deposits		**37**	29
Total non-current assets		**165,001**	147,431
Current assets			
Tenant and other receivables	6	**75**	103
Prepaid expenses and other assets	7	**313**	343
Restricted cash	8	**2,749**	2,499
Cash		**2,445**	4,593
Total current assets		**5,582**	7,538
TOTAL ASSETS		**$ 170,583**	$ 154,969
LIABILITIES			
Non-current liabilities			
Mortgages payable	9	**$ 93,483**	$ 89,657
Deferred taxes		**11,605**	5,741
Total non-current liabilities		**105,088**	95,398
Current liabilities			
Tenant rental deposits		**171**	218
Accounts payable and accrued liabilities	11	**3,389**	3,186
Finance costs payable		**119**	139
Distributions payable		**224**	264
Total current liabilities		**3,903**	3,807
Total liabilities		**108,991**	99,205
EQUITY			
Unitholders' equity		**61,499**	55,656
Non-controlling interests		**93**	108
Total equity		**61,592**	55,764
TOTAL LIABILITIES AND EQUITY		**$ 170,583**	$ 154,969

Commitments and Contingencies (Note 17)

Subsequent Events (Note 21)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 3) Core GP, Inc., as general partner for Starlight U.S. Multi-Family (No. 3) Core Fund on April 12, 2016, and signed on its behalf:

Daniel Drimmer Director *Derek Lobo* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Statements of Income and Comprehensive Income
Year ended December 31, 2015 and Period from May 1, 2014 (date of formation) to December 31, 2014
(In thousands of U.S. dollars, except per unit amounts)

	Note		2015		2014
					(Reclassified – Note 1(e))
Revenue from property operations		**$**	**14,740**	$	5,829
Expenses					
Property operating costs			**4,332**		1,656
Realty taxes			**2,949**		1,101
			7,281		2,757
Income from operations			**7,459**		3,072
Share of net income from joint ventures	5		**5,267**		2,690
Finance costs	15		**(2,585)**		(1,037)
Fund and trust expenses			**(874)**		(409)
Unrealized foreign exchange (loss) gain			**(306)**		257
Realized foreign exchange gain (loss)			**543**		(9)
Fair value adjustment of investment properties	4		**5,218**		11,289
			14,722		15,853
Income taxes					
Current	2 (g) (ii)		**(58)**		(39)
Deferred	2 (g) (ii)		**(5,864)**		(5,741)
Net income and comprehensive income		**$**	**8,800**	$	10,073
Basic and diluted earnings per unit	2 (f)	**$**	**1.67**	$	1.91
Weighted average number of units outstanding					
Basic and diluted			**5,270**		5,274

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Statements of Changes in Equity
Year ended December 31, 2015 and Period from May 1, 2014 (date of formation) to December 31, 2014
(In thousands of U.S. dollars)

	Unitholders' Equity (Note 12)	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2014	**$ 46,733**	**$ 8,923**	**$ 55,656**	**$ 108**	**$ 55,764**
Changes during the year:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	**(34)**	**-**	**(34)**	**-**	**(34)**
Net income and comprehensive income	**-**	**8,800**	**8,800**	**-**	**8,800**
Distributions	**-**	**(2,923)**	**(2,923)**	**(15)**	**(2,938)**
Balance, December 31, 2015	**$ 46,699**	**$ 14,800**	**$ 61,499**	**$ 93**	**$ 61,592**

	Unitholders' Equity	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, May 1, 2014	$ -	$ -	$ -	$ -	$ -
Changes during the period:					
Units issued, net of issuance costs	46,733	-	46,733	110	46,843
Net income and comprehensive income	-	10,073	10,073	-	10,073
Distributions	-	(1,150)	(1,150)	(2)	(1,152)
Balance, December 31, 2014	$ 46,733	$ 8,923	$ 55,656	$ 108	$ 55,764

Distributions to unitholders in the aggregate for all classes of units of the Fund during the year ended December 31, 2015 were equal to $0.5546 per unit (period from May 1, 2014 to December 31, 2014 - $0.2181).

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

Consolidated Statements of Changes in Cash Flows
Year ended December 31, 2015 and Period from May 1, 2014 (date of formation) to December 31, 2014
(In thousands of U.S. dollars)

	Note	2015	Period from May, 1 2014 (date of formation) to December 31, 2014
			(Reclassified – Note 1(e))
Operating activities			
Net income and comprehensive income		$ **8,800**	$ 10,073
Adjustment for financing activities included in net income			
Finance costs	15	**2,585**	1,037
Adjustments for items not involving cash			
Share of net income from joint ventures	5	**(5,267)**	(2,690)
Fair value adjustment of investment properties	4	**(5,218)**	(11,289)
Unrealized foreign exchange loss (gain)		**306**	(257)
Deferred taxes		**5,864**	5,741
Change in restricted cash		**(250)**	(763)
Change in non-cash operating working capital	16	**146**	1,796
Cash provided by operating activities		**6,966**	3,648
Investing activities			
Acquisitions	3	**-**	(92,600)
Initial contributions to joint ventures	5	**(8,132)**	(4,549)
Distributions from (contributions to) joint ventures	5	**2,414**	(13)
Additions to investment properties	4	**(1,352)**	(333)
Cash used in investing activities		**(7,070)**	(97,495)
Financing activities			
Proceeds from the issuance of units, net of issuance costs		**-**	46,733
Units repurchased and cancelled under Issuer Bid	12	**(34)**	-
Mortgages payable			
Proceeds – new financing		**36,909**	56,803
Repayment of mortgages		**(33,450)**	(3,050)
Principal payments		**-**	-
Purchase of interest rate cap		**(42)**	-
Financing costs paid		**(2,489)**	(1,004)
Contributions from non-controlling interest		**-**	110
Distribution to non-controlling interest		**(15)**	(2)
Distributions to unitholders		**(2,923)**	(1,150)
Cash (used in) provided by financing activities		**(2,044)**	98,440
(Decrease) increase in cash during the year		**(2,148)**	4,593
Cash, beginning of year		**4,593**	-
Cash, end of year		$ **2,445**	$ 4,593

See accompanying notes to the consolidated financial statements.

Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund") is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio of diversified revenue-generating rental properties in the United States ("U.S.") multi-family real estate market.

The operations of the Funds commenced on July 10, 2014 when, subsequent to completion of its initial public offering on July 9, 2014, the Fund completed the acquisition of its interests in a portfolio of three multi-family residential properties that comprise a total of 891 suites, all of which are located in Texas. Currently, the Fund has interests in a portfolio of seven properties, comprising a total of 1,894 suites, located in Austin and Houston, Texas, Charlotte, North Carolina and Atlanta, Georgia.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB") applicable to the preparation of the consolidated financial statements for the year ended December 31, 2015 and period from May 1 (date of formation) to December 31, 2014.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value.

These consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund's subsidiaries are shown separately in the consolidated statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

(d) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical judgment and estimates are described in detail in Note 2(i).

(e) Change in accounting presentation:

Prior to January 1, 2015, investments in joint arrangements were reported as joint operations whereby assets, liabilities, revenue and expenses were separately presented on the consolidated statements of financial position, income and comprehensive income and cash flows. Subsequently, the investments in joint arrangements have been presented within investments in joint ventures with no impact on net earnings and equity. Comparative amounts have been reclassified to conform to current year's presentation in order to permit comparability. As a result of this change, as at December 31, 2014, investment in joint ventures of $7,252 were recognized as a result of reclassifying investment properties of $15,645, mortgages payable of $(8,351) and other net working capital items of $(42). For the year ended December 31, 2014, share of earnings from the joint ventures of $2,690 is presented, as a result of reclassifying revenue of $890, fair value adjustment of investment properties of $2,333 and operating and other expenses of $(533). The reclassification had no impact on the financial position as at January 1, 2014.

2. Significant accounting policies (continued):

(a) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined. Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statements of income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of income and comprehensive income in the period in which they arise. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash on hand and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The Fund also restricts cash for tenant security deposits.

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Revenue from investment properties includes all rental income earned from a property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts.

Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured. Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of its tenants. All accounts greater than 90 days outstanding are allowed for through the consolidated statements of income and comprehensive income.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement	**2015**	2014
Financial assets:				
Derivative financial instruments	FVTPL	Fair value	**$ 7**	$ -
Utility deposits	Loans and receivables	Amortized cost	**37**	29
Tenant and other receivables	Loans and receivables	Amortized cost	**75**	103
Restricted cash	Loans and receivables	Amortized cost	**2,749**	2,499
Cash	Loans and receivables	Amortized cost	**2,445**	4,593
Financial liabilities:				
Mortgages payable	Other liabilities	Amortized cost	**$ 93,483**	$ 89,657
Tenant rental deposits	Other liabilities	Amortized cost	**171**	218
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**3,389**	3,186
Finance costs payable	Other liabilities	Amortized cost	**119**	139
Distributions payable	Other liabilities	Amortized cost	**$ 224**	$ 264

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financial assets are derecognized when the contractual rights to the cash flows from these financial assets expire or have been transferred.

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(f) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

(g) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Each unitholder of the Fund is required to include in computing the unitholder's income for a particular taxation year the unitholder's share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder's taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year.

2. Significant accounting policies (continued):

(g) Income taxes:

(i) Canadian status (continued)

Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through ("SIFT") rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "SIFT Measures"). A "SIFT partnership" (as defined in the Tax Act) will be subject to SIFT tax on its "taxable non-portfolio earnings" (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The "taxable non-portfolio earnings" less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any "non-portfolio property" throughout the taxation year of the partnership.

The Fund believes that it does not hold any "non-portfolio property" and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund's continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code").

2. Significant accounting policies (continued):

(g) Income taxes:

(ii) U.S. status (continued)

Current taxes (continued)

Furthermore, Starlight U.S. Multi-Family (No. 3) Core REIT Inc. (the "U.S. REIT"), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust ("REIT") under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to dividends paid deduction and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund made the REIT election for the U.S. REIT and believes the U.S. REIT's organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 33.1% of a taxable entity's total revenue; or (ii) 100% of total revenue less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. The U.S. REIT has recorded a provision for Texas Margin Tax of $58 for the year ended December 31, 2015 (December 31, 2014 - $39).

2. Significant accounting policies (continued):

(g) Income taxes:

(ii) U.S. status (continued)

Current taxes (continued)

Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding LP"). Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

Deferred taxes

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at December 31, 2015 a deferred tax liability of $11,605 (2014 - $5,741) has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

2. Significant accounting policies (continued):

(h) Joint arrangements:

In accordance with IFRS 11 – Joint Arrangements ("IFRS 11"), the Fund has joint ventures over which the Fund has joint control and whereby the parties that share joint control have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Investments in joint ventures are accounted using the equity method. Under the equity method, the investment is initially recorded at cost and adjusted by the Fund's share of the post-acquisition net earnings and changes in the net assets of the joint venture.

(i) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(ii) Accounting for acquisitions

Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized.

The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standards.

(iv) Joint arrangements

Under IFRS 11, joint arrangements are classified as joint operations or joint ventures, depending on the rights and obligations of the parties to the arrangements. Management applies judgment in determining whether the facts and circumstances involved in a joint arrangement result in the arrangement being classified as a joint venture or a joint operation. The Fund has classified its joint arrangements as joint ventures.

(v) Financial instruments

Critical judgment and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows and discount rates.

2. Significant accounting policies (continued):

(i) Critical estimates and judgments (continued):

(vi) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

(vii) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(j) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee (“IFRIC”) 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 conforms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, the expense is pro-rated over the year.

(k) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

2. Significant accounting policies (continued):

(l) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the year ended December 31, 2015. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Presentation of Financial Statements ("IAS 1"):

IAS 1, Presentation of Financial Statements was amended by the IASB in December of 2014. The amendments are designed to further encourage presenters of financial statements to apply professional judgment in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that presenters should use professional judgment in determining where and in what order information is presented in their financial disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

(ii) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments complete the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction

2. Significant accounting policies (continued):

(l) Future accounting changes (continued):

(iii) Revenue from Contracts with Customers ("IFRS 15") (continued):

Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iv) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

3. Acquisitions:

There were no asset acquisitions completed for the year ended December 31, 2015.

The following asset acquisitions were completed during the period from May 1 (date of formation), 2014 to December 31, 2014. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

(In thousands of U.S. dollars, unless otherwise noted)

3. Acquisitions (continued):

	Residence at Cinco Ranch	The Allure	Yorktown Crossing	The Reserve at Jones Road	Total
Acquisition date	July 10	July 10	August 28	November 12	
Net assets acquired:					
Investment properties	$ 35,530	$ 43,955	$ 35,703	$ 13,340	$ 128,528
Mortgages payable:					
Assumed mortgage	-	(36,210)	-	-	(36,210)
Interest on mortgages payable	-	-	-	82	82
Cash paid (received) for working capital:					
Tenant rental deposits	(106)	(63)	(45)	(40)	(254)
Accounts payable and accrued liabilities	(450)	(476)	(532)	(3)	(1,461)
Prepaid expenses and other assets	67	17	54	31	169
Tenant and other receivables	-	11	-	-	11
Restricted cash	621	448	608	58	1,735
	$ 35,662	$ 7,682	$ 35,788	$ 13,468	$ 92,600
Consideration paid, funded by:					
New financing obtained, net of financing costs	$ 23,740	$ -	$ 23,842	$ 9,200	$ 56,782
Proceeds from public offering	11,922	7,682	11,946	4,268	35,818
	$ 35,662	$ 7,682	$ 35,788	$ 13,468	$ 92,600

4. Investment properties:

The following table summarizes the movements in the investment properties for the year ended December 31, 2015 and period from May 1 to December 31, 2014:

Balance, May 1, 2014	$ -
Acquisitions of investment properties	128,528
Additions - capital expenditures	333
Fair value adjustment	11,289
Balance, January 1, 2015	$ 140,150
Additions - capital expenditures	**1,352**
Fair value adjustment	**5,218**
Balance, December 31, 2015	**$ 146,720**

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment properties (continued):

The following table reconciles the cost base of investment properties to their fair value:

	2015	2014
Cost	**$ 130,212**	$ 128,861
Cumulative fair value adjustment	**16,508**	11,289
Fair value	**$ 146,720**	$ 140,150

The key valuation assumptions for investment properties are set out in the following table:

	2015	2014
Capitalization rates - range	**5.00% to 5.75%**	5.25% to 5.5%
Capitalization rate - weighted average	**5.45%**	5.41%

All of the properties were valued by independent qualified valuators during the year ended December 31, 2015 and these valuations were updated by management to derive the fair values as at December 31, 2015. The Fund determined the fair value of each investment property using the direct income capitalization approach.

The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

			2015		2014
Weighted average:					
Capitalization rate	10 basis-point increase	**$**	**(2,657)**	$	(2,504)
Capitalization rate	10 basis-point decrease	**$**	**2,758**	$	2,683

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2015 would affect the fair value by approximately $1,467 (2014 - $1,401).

(In thousands of U.S. dollars, unless otherwise noted)

5. Investments in joint ventures:

The Fund has certain equity method accounted investments in joint ventures. The following table details the Fund's ownership interest in each equity investee:

Entity	Principal Activity	**December 31, 2015**	December 31, 2014
Sunset Ridge Multi-Family Holding LLC	Owns and operates an income property	**50%**	50%
Belle Haven Multi-Family Holding LLC	Owns and operates an income property	**$33^{1/3}$%**	-
Sorelle Multi-Family Holding LLC	Owns and operates an income property	**65%**	-

The following table presents the changes in the aggregate carrying value of the Fund's investment in joint ventures:

	2015	2014
Balance, beginning of year	**$ 7,252**	$ -
Initial contributions on establishment of arrangement	**8,132**	4,549
Share of net income	**5,267**	2,690
(Distributions) contributions	**(2,414)**	13
Balance, end of year	**$ 18,237**	$ 7,252

The following tables present the financial position and results of performance of the Fund's equity accounted investees on a 100% basis:

	Sunset Ridge	Belle Haven	Sorelle Apartments	2015 Total	2014 Total
Cash	**$ 92**	**$ 85**	**$ -**	**$ 147**	$ 140
Other current assets	**961**	**120**	**508**	**1,589**	676
Non-current assets	**30,938**	**29,546**	**71,220**	**131,704**	31,306
Current liabilities	**(883)**	**(113)**	**(503)**	**(1,469)**	(916)
Non-current mortgages payable	**(21,481)**	**(21,245)**	**(54,880)**	**(97,606)**	(16,702)
Net Assets	**$ 9,627**	**$ 8,393**	**$ 16,345**	**$ 34,365**	14,504
Investments in joint ventures	**$ 4,814**	**$ 2,798**	**$ 10,625**	**$ 18,237**	$ 7,252

(In thousands of U.S. dollars, unless otherwise noted)

5. Investments in joint ventures (continued):

	Sunset Ridge	Belle Haven	Sorelle Apartments	2015 Total	2014 Total
Revenue from property operations	$ 3,497	$ 1,923	$ 1,960	$ 7,380	$ 1,606
Property operating costs	(1,052)	(616)	(524)	(2,192)	(471)
Realty taxes	(747)	(172)	(209)	(1,128)	(293)
Finance costs	(550)	(823)	(674)	(2,047)	(195)
Unrealized foreign exchange gain	-	-	601	601	79
Fair value adjustment on Investment properties gains (losses)	(586)	2,858	4,898	7,170	4,665
Current taxes	(11)	-	-	(11)	(11)
Net earnings	$ 551	$ 3,170	$ 6,052	$ 9,773	$ 5,380
Share of net earnings in joint ventures	$ 276	$ 1,057	$ 3,934	$ 5,267	$ 2,690

6. Tenant and other receivables:

Tenant and other receivables as at December 31 consist of the following:

	2015	2014
Tenant receivables	$ 36	$ 74
Other receivables	39	29
Balance	$ 75	$ 103

The Fund holds no collateral in respect of tenant and other receivables.

7. Prepaid expenses and other assets:

Prepaid expenses as at December 31 consist of the following:

	2015	2014
Prepaid insurance	$ 282	$ 341
Prepaid expenses	31	2
Balance	$ 313	$ 343

(In thousands of U.S. dollars, unless otherwise noted)

8. Restricted cash:

The following table presents the details of restricted cash:

	2015	2014
Escrowed funds:		
Real estate taxes	**$ 2,445**	$ 2,285
Replacement/repairs	**132**	145
Property insurance	**172**	69
Balance	**$ 2,749**	$ 2,499

9. Mortgages payable:

Mortgages payable are secured by investment properties and bear interest at various fixed and variable rates.

	2015	2014
Mortgage payable, bearing interest at LIBOR + 1.98%, requires interest only payments until July 2019, due July 2025 (i)	**$ 36,909**	$ -
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments, due August 2017, with two one-year options to extend to August 2019	**24,000**	24,000
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments, due July 2017, with two one-year options to extend to July 2019	**23,900**	23,900
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments, due November 2017, with two one-year options to extend to November 2019	**9,200**	9,200
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments until August 2015, due July 2017 (i)	**-**	29,500
Mortgage payable, bearing interest at 9.25%, requires interest only payments, due July 2017 (i)	**-**	3,653
Face value	**$ 94,009**	$ 90,253
Unamortized financing costs	**(526)**	(596)
	$ 93,483	$ 89,657

(i) On June 29, 2015, the Fund refinanced The Allure for $36,909 and repaid $29,500 on the existing mortgage and $3,950 on the mezzanine loan denominated in Canadian dollars, and realized a foreign exchange gain of $297.

(In thousands of U.S. dollars, unless otherwise noted)

9. Mortgages payable (continued):

Mortgages payable are classified as current liabilities if they are due and payable within 12 months after the date of the consolidated statements of financial position. The Fund did not have any mortgages payable due and payable within the next 12 months as at December 31, 2015 and December 31, 2014. The following table provides a breakdown of mortgages payable:

	2015	2014
Non-current:		
Mortgages payable	**$ 94,009**	$ 90,253
Unamortized financing cost	**(526)**	(596)
	$ 93,483	$ 89,657

Future principal payments on mortgages payable are as follows:

	Principal payment	Balloon payment	Total
2016	$ -	$ -	$ -
2017	-	57,100	57,100
2018	-	-	-
2019	287	-	287
2020	691	-	691
Thereafter	3,110	32,821	35,931
	$ 4,089	$ 89,921	$ 94,009

10. Derivative financial instruments:

Interest rate cap:

The Fund utilizes interest rate cap agreements to hedge its interest costs on one of its variable rate mortgages as required by the applicable lender. As the Fund has elected not to use hedge accounting, a fair value adjustment of $(35) was recorded as an unrealized loss in finance costs in the consolidated statements of income and comprehensive income for the year ended December 31, 2015 (period from May 1, 2014 to December 31, 2014 - $nil).

The following is a summary of the Fund's interest rate cap agreements as at December 31, 2015:

(In thousands of U.S. dollars, unless otherwise noted)

10. Derivative financial instruments (continued):

		Notional amount	Maturity date	Cap rate		**Carrying value and fair value at December 31, 2015**		Carrying value and fair value at December 31, 2014
Commonwealth Bank of Australia, N.A.	$	36,909	July, 2018	4.00%		**7**		-
Balance	$	36,909			**$**	**7**	$	-

The following table represents a summary of the changes in fair value for the year ended December 31, 2015 and period from May 1, to December 31, 2014 for the interest rate cap agreements carried at fair value:

		2015		2014
Balance, beginning of year	**$**	**-**	$	-
Acquisition during the year		**42**		-
Unrealized loss for the year		**(35)**		-
Balance	**$**	**7**	$	-

11. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

		2015		2014
Accrued real estate taxes	**$**	**2,734**	$	2,458
Tenant prepayments		**183**		127
Operating payables		**472**		601
	$	**3,389**	$	3,186

12. Unitholders' equity:

The beneficial interest in the net assets and net income and comprehensive income of the Fund is divided into five classes of limited partnership units with identical attributes: Class A units, Class C units, Class D units, Class F units and Class U units. The Class A units, Class C units, Class D units and Class F units were issued at CDN$10.00 per unit. The Class U units were issued at $10.00 per unit. The Class A units and Class U units are listed for trading on the TSX Venture

(In thousands of U.S. dollars, unless otherwise noted)

12. Unitholders' equity (continued):

Exchange under the symbols SUS.A and SUS.U, respectively. The Class C, Class D, and Class F units have conversion privileges to Class A units.

	Units (000's)		Value
Units issued, May 1, 2014 (date of formation)	–	$	–
Units issued on July 9, 2014:			
Class A	1,954		18,307
Class C	745		6,978
Class D	1,908		17,879
Class F	332		3,110
Class U	335		3,349
Units issued	5,274		49,623
Less issuance costs	-		(2,890)
Class A units repurchased and cancelled under Issuer Bid	(4)		(34)
Balance, December 31, 2015	5,270	$	46,699

As of December 31, 2015, 5,270,121 units of the Fund were outstanding (2014 – 5,274,121).

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 195,400 units of its Class A units and up to 33,325 units of its Class U units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on July 24, 2015 and will remain in effect until the earlier of: (i) July 22, 2016; and (ii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

During the year ended December 31, 2015, the Fund purchased and cancelled 4,000 Class A units with a value of $34.

Carried Interest:

After (i) payment of all expenses of Holding LP, Investment LP, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight Investments Ltd. ("Starlight"), will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

12. Unitholders' equity (continued):

Carried Interest (continued):

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

13. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

14. Transactions with related parties:

The consolidated financial statements for the year ended December 31, 2015 and period from May 1, 2014 (date of formation) to December 31, 2014 include the following transactions with related parties:

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the management agreement dated July 9, 2014 (the "Management Agreement"), Starlight is to perform asset management services for fees equal to 0.35% of the sum of: (i) the historical purchase price of the Fund's properties in U.S. dollars; and (ii) the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars plus an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

For the year ended December 31, 2015, the costs of these services aggregating $668 (period from May 1, 2014 to December 31, 2014 - $247), were charged to Fund expenses. As at December 31, 2015, $79 was included in accounts payable and accrued liabilities, which includes $22 of service fees (2014 - $68 and $27, respectively).

(In thousands of U.S. dollars, unless otherwise noted)

14. Transactions with related parties (continued):

(b) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired.

For the year ended December 31, 2015, the Fund incurred $385 relating to acquisition fees under the Management Agreement (for period from May 1, 2014 to December 31, 2014, the Fund incurred $1,292), which were paid at the time of acquisitions, and were initially capitalized to investment properties on acquisition.

15. Finance costs:

	Year ended December 31, 2015	Period from May 1, 2014 (date of formation) to December 31, 2014
Interest on mortgages payable	**$ 2,135**	$ 945
Fair value adjustments on derivative financial instruments	**35**	-
Loss on early extinguishment of debt	**189**	-
Amortization of finance costs	**226**	92
	$ 2,585	$ 1,037

16. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	2015	2014
Utility deposits	**$ (8)**	$ (29)
Tenant and other receivables	**28**	(93)
Prepaid expenses and other assets	**30**	(174)
Tenant rental deposits	**(47)**	(36)
Accounts payable and accrued liabilities	**203**	1,725
Finance costs payable	**(20)**	139
Distribution payable	**(40)**	264
	$ 146	$ 1,796

17. Commitments and contingencies:

At the consolidated statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2015 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the consolidated statements of financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

18. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of mortgages payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at December 31, 2015.

19. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to tenants by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of income and comprehensive income.

19. Risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has options to enter into interest rate cap agreements for all its floating rate mortgages. The interest rate cap agreements were not in place as of December 31, 2014 for all floating rate mortgages as these agreements are only required once LIBOR reaches one percent. For the year ended December 31, 2015, all else being equal, an increase or decrease of a ten basis point change in LIBOR would impact net earnings by $94 (2014 - $37).

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its mortgage portfolio over a number of years and has options to extend the mortgages in order to last for the life of the Fund, if the Fund were to extend beyond the initial three year period. All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of mortgages payable, see Note 9.

20. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

Derivative financial instruments are considered as Level 2 financial instruments.

Investment properties are considered as Level 3 financial instruments.

20. Fair value measurement of financial instruments (continued):

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Mortgages payable:
The fair value of mortgages payable is estimated based on the current market rates for mortgages with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable at December 31, 2015 and 2014 approximated its carrying value.

(b) Other financial assets and financial liabilities:
The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).

21. Subsequent events:

On January 19, 2016, the Fund paid down principal of $910 from the mezzanine loan associated with the Sorelle Apartments joint venture. The loan is a Canadian dollar denominated loan and the Fund realized a foreign exchange gain of $129 on this transaction.

22. Comparative figures:

Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation adopted for the current year (Note 1 (e)).

STARLIGHT U.S. MULTI-FAMILY (NO. 3) CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2015

April 12, 2016

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the consolidated financial results of Starlight U.S. Multi-Family (No. 3) Core Fund (the "Fund") dated April 12, 2016, prepared as at December 31, 2015, and for the year ended December 31, 2015 should be read in conjunction with the Fund's audited consolidated financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for the period May 1, 2014 (date of formation) to December 31, 2014. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information necessarily involves known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in the "Risks and Uncertainties" section. See "Risks and Uncertainties".

The forward-looking information included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's audited consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO"), and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which includes amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest expenses. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest indebtedness payments and ultimately the ability of the Fund to make cash distributions to holders of Units ("Unitholders").

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which include amortization of financing costs and mortgage premium, less finance income and adjusted for other non-cash items divided by mortgage interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy obligation requirements. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest mortgage payments and ultimately the ability of the Fund to make cash distributions to investors in Units.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments and deferred income tax expenses as well as realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

A reconciliation of net income and comprehensive income, an IFRS measure, to FFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO".

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family (No. 3) Core GP, Inc. ("Starlight GP"). Other adjustments may be made to AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operations to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights".

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in the southeastern U.S. multi-family real estate market.

The Fund has five classes of Units. Class A Units and Class U Units are listed on the TSX Venture Exchange under the symbols SUS.A and SUS.U, respectively, and Class C Units, Class D Units, and Class F Units which are convertible into Class A Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, class "A" stabilized, income producing multi-family real estate properties in Texas and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in class "A", U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is three years with two one-year extensions at the discretion of Starlight GP.

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
    a. are located in U.S. primary and secondary markets in Texas and the southeastern U.S. exhibiting favourable population and demographic characteristics;
    b. demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
    c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and
    d. are located in comfortable climates with high quality of life.
3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

ENHANCE ASSET VALUE THROUGH DEPLOYMENT OF ACTIVE MANAGEMENT STRATEGY

1. Prepare a property-specific asset management plan to improve NOI margins by:
   a. increasing rental rates through rental rate mapping and the use of yield management software;
   b. identifying and realizing upon ancillary income opportunities;
   c. reducing operating expenses; and
   d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed on its initial public offering on July 9, 2014, it has invested in five properties located in Austin and Houston, Texas, as well as one property in Charlotte, North Carolina and one property in Atlanta, Georgia. The Fund had interests in a portfolio of 1,894 suites as at December 31, 2015.

Property	Location	Suites	Date of Acquisition
The Allure	701 N. Vista Ridge Blvd, Cedar Park, Texas	334	July 10, 2014
Residences at Cinco Ranch	20900 FM 1093 Richmond, Texas	300	July 10, 2014
The Villages at Sunset Ridge	14807 Woodland Hills Drive, Humble, Texas	257	July 10, 2014
Yorktown Crossing	15903 Yorktown Crossing Parkway, Houston, Texas	312	August 28, 2014
The Reserve at Jones Road	11925 Jones Road, Houston, Texas	114	November 12, 2014
Belle Haven Apartments	9005 Post Canyon Lane, Charlotte, North Carolina	176	February 19, 2015
Sorelle Apartments	2399 Parkland Drive, Atlanta, Georgia	401	September 9, 2015
	Total	**1,894**	

THE ALLURE

The Allure ("Allure") is located approximately 32 kilometres northwest of downtown Austin at 701 North Vista Ridge in Cedar Park, Texas. The property is comprised of 334 apartment suites ranging in size from one to three bedrooms. The complex consists of 22 three storey buildings on a 19.97 acre site. The Fund purchased a 100% ownership interest in the property on July 10, 2014.

RESIDENCES AT CINCO RANCH

Residences at Cinco Ranch ("Cinco Ranch") is west of downtown Houston at 20900 FM 1093 in Richmond, Texas. The property is comprised of 300 apartment suites ranging in size from one to three bedrooms. The complex consists of 13 three storey walk-up buildings on a 16.34 acre site. The Fund purchased a 100% ownership interest in the property on July 10, 2014.

THE VILLAGES AT SUNSET RIDGE

The Villages at Sunset Ridge ("Sunset Ridge") is located approximately 31 kilometres northeast of downtown Houston at 14807 Woodland Hills Drive in Humble, Texas. The property is comprised of 257 apartment suites ranging in size from one to three bedrooms. The complex consists of nine, three storey walk-up buildings on an 11.45 acre site. The Fund purchased a 50% joint venture ownership interest in the property on July 10, 2014. The remaining 50% is owned by Starlight U.S. Multi-Family Core Fund ("Fund No. 1").

YORKTOWN CROSSING

Yorktown Crossing is located approximately 37 kilometres northwest of downtown Houston at 15903 Yorktown Crossing Parkway in Houston, Texas. The property is comprised of 312 apartment suites ranging in size from one to three bedrooms. The complex consists of 13 three storey walk-up buildings on a 12.18 acre site. The Fund purchased a 100% ownership interest in the property on August 28, 2014.

THE RESERVE AT JONES ROAD

The Reserve at Jones Road ("Jones Road") is located approximately 35 kilometres northwest of Houston at 11925 Jones Road in Houston, Texas. The property is comprised of 114 apartment suites ranging in size from one to two bedrooms. The complex consists of four three storey walk-up buildings on a 4.22 acre site. The Fund purchased a 100% ownership interest in the property on November 12, 2014.

BELLE HAVEN APARTMENTS

Belle Haven Apartments ("Belle Haven") is located approximately 13 kilometres northeast of downtown Charlotte at 9005 Post Canyon Lane in Charlotte, North Carolina. The property is comprised of a 176 apartment suites ranging in size from one to three bedrooms. The complex consists of seven, three story walk-up buildings on a 12.89 acre site. The Fund purchased a $33^{1/3}$% joint venture ownership interest in the property on February 19, 2015. The remaining $66^{2/3}$% interest is owned by Fund No. 1.

SORELLE APARTMENTS

Sorelle Apartments ("Sorelle") is located approximately 11 kilometres north of downtown Atlanta at 2399 Parkland Drive in Atlanta, Georgia. The property is comprised of 401 apartment suites ranging in size from studio to two bedrooms. The complex consists of four and five storey mid-rise buildings on a 5.09 acre site. The Fund purchased a 65% joint venture ownership interest on September 9, 2015. The remaining 35% interest is owned by Fund No. 1.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at December 31, 2015, for the three months ended December 31, 2015 and for the year ended December 31, 2015.

The key highlights were as follows:

- Same property rents grew from $1,078 to $1,125 during the three months ended December 31, 2015 compared to the three months ended December 31, 2014 representing an increase of 4.4% and has increased by 4.3% on an annualized basis since the Fund's inception.
- Same property revenue growth was 2.8% for the three months ended December 31, 2015 compared to the three months ended December 31, 2014.
- NOI growth was 3.3% during the three months ended December 31, 2015 compared to the three months ended December 31, 2014.
- Portfolio occupancy was 92.3% during the three months ended December 31 2015, compared to 94.0% during the same period last year, reflecting the Fund's continued optimization of rental rates to drive overall revenue increases.
- AFFO payout ratio was a conservative 48.7% for the three months ended December 31, 2015 and significantly improved from 76.3% during the three months ended December 31, 2014 and from 63.7% for the third quarter of 2015.

- The Fund recognized an additional $3.1 million fair value increase on its investment properties including joint ventures properties during the three months ended December 31, 2015 and has recognized a $22.7 million increase since inception driven predominately by NOI growth.
- Interest coverage ratio and indebtedness coverage ratio for the three months ended December 31, 2015 was 2.83 times.
- The Fund's weighted average interest rate was 2.65% as of December 31, 2015 and the weighted average term to maturity was 5.17 years.
- Indebtedness to gross book value was 67.8% and within the Fund's targeted leverage range of 60-70%.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	IFRS as at December 31, 2015	Adjusted as at December 31, 2015 (1)	IFRS at at December 31, 2014	Adjusted as at December 31, 2014 (1)
Operational Information				
Number of properties	4	7	4	5
Total suites	1,060	1,508	1,060	1,189
Weighted average portfolio occupancy %	91.5%	92.3%	94.4%	94.0%
Average monthly rent (in actual dollars)	$1,130	$1,149	$1,082	$1,078
Summary of Financial Information				
Gross Book Value	$146,720	$218,292	$140,150	$155,795
Indebtedness	$94,009	$147,940	$90,253	$98,653
Indebtedness to Gross Book Value (2)	64.07%	67.77%	64.40%	63.32%
Weighted average mortgage interest rate	2.26%	2.65%	2.44%	2.42%
Weighted average mortgage term to maturity	5.83 years	5.17 years	2.62 years	2.58 years

	IFRS - Q4 2015	Adjusted - Q4 2015 (1)	IFRS - Q4 2014	Adjusted - Q4 2014 (1)	IFRS - YE 2015	Adjusted - YE 2015 (1)	IFRS - May 1, 2014 to December 31, 2015	Adjusted - May 1, 2014 to December 31, 2014 (1)
Summary of Financial Information								
Revenue	$3,661	$5,319	$3,433	$3,857	$ 14,740	$18,404	$ 5,829	$6,632
Operating expenses	($1,749)	($2,432)	($1,614)	($1,820)	$ (7,281)	($8,919)	$ (2,757)	($3,139)
NOI	$1,912	$2,887	$1,819	$2,037	$ 7,459	$9,485	$3,072	$3,493
Net income and comprehensive income	$3,024	$3,024	$7,996	$7,996	$ 8,800	$ 8,800	$ 10,073	$10,073
FFO - basic and diluted		$1,630		$1,125		$5,018		$1,895
FFO per Unit - basic and diluted		$ 0.31		$ 0.21		$0.95		$0.36
AFFO - basic and diluted		$1,430		$1,000		$4,751		$1,737
AFFO per Unit - basic and diluted		$ 0.27		$ 0.19		$0.90		$0.33
FFO payout ratio		42.76%		67.82%		58.25%		60.69%
AFFO payout ratio		48.74%		76.31%		61.52%		66.21%
Weighted average Units Outstanding (000s) - basic and		5,273		5,274		5,273		5,274

Notes:

(1) Including joint venture interests in Sunset Ridge, Belle Haven and Sorelle.

(2) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations for the three months and year ended December 31, 2015 and three months and period May 1, 2014 to December 31, 2014 are summarized below. The Fund operations began on July 10, 2014 with the acquisition of Allure, Cinco Ranch and a 50% joint venture interest in Sunset Ridge.

		Q4 - 2015		Q4 - 2014		YE - 2015		Period from May 1, 2014 to December 31, 2014
Revenue	$	3,661	$	3,433	$	14,740	$	5,829
Property operating expenses [1]		(1,749)		(1,614)		(7,281)		(2,757)
NOI		1,912		1,819		7,459		3,072
Share of net earnings from joint ventures		4,234		2,047		5,267		2,690
Fund expenses		(234)		(224)		(874)		(409)
Unrealized foreign exchange (loss) gain		(306)		131		(306)		257
Realized foreign exchange gain (loss)		288		(9)		543		(9)
Fair value adjustment of investment properties		(399)		9,545		5,218		11,289
Finance costs		(518)		(602)		(2,585)		(1,037)
Income taxes:								
Current		(13)		(23)		(58)		(39)
Deferred		(1,940)		(4,688)		(5,864)		(5,741)
Net income and comprehensive income	**$**	**3,024**	**$**	**7,996**	**$**	**8,800**	**$**	**10,073**
(1) Property operating expenses include operating costs and realty taxes.								

RESULTS OF OPERATIONS

The results of operations below have been presented and analyzed including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle. Accordingly, revenues, expenses, NOI and NOI margins are presented after adding the Fund's joint venture interests from the IFRS presented consolidated financial statements.

		Q4 - 2015		Q4 - 2014		YE - 2015		Period from May 1, 2014 to December 31, 2014
Revenue	$	5,319	$	3,857	$	18,404	$	6,632
Expenses:								
Operating costs		1,553		1,122		5,403		1,891
Property taxes		879		698		3,516		1,248
		2,432		1,820		8,919		3,139
NOI	$	2,887	$	2,037	$	9,485	$	3,493
NOI margin		54.3%		52.8%		51.5%		52.7%

PROPERTY REVENUE

Property revenue for the three months ended December 2015 was $5,319 compared to $3,857 for the three months ended December 31, 2014. Property revenue for the three months ended December 31, 2015 was $1,462 higher when compared to the three months ended December 31, 2014, due predominately to the acquisitions of Jones Road, a $33^{1/3}$% joint venture interest in Belle Haven and a 65% joint venture interest in Sorelle.

Same property revenue growth for the three months ended December 31, 2015 was $103 or 2.8% compared to the three months ended December 31, 2014, predominantly resulting from rental rates which increased from $1,078 to $1,125 or 4.4% for the same period.

Property revenue for the year ended December 31, 2015 was $18,404 compared to $6,632 for the period from May 1, 2014 to December 31, 2014. The variance is due to the Fund commencing operations on July 10, 2014 with the acquisitions of Allure, Cinco Ranch and a 50% joint venture interest in Sunset Ridge and the subsequent acquisition of Yorktown Crossing and Jones Road in 2014, as well as the additions of the Belle Haven joint venture interest and Sorelle joint venture interest during 2015.

Rental rate growth since inception of the Fund has been 4.3% on a weighted average annualized basis.

Operating Expenses

Property operating costs for the three months ended December 31, 2015 were $1,553 compared to $1,122 for the three months ended December 31, 2014. Property operating costs for the three months ended December 31, 2015 were $431 higher when compared to the three months ended December 31, 2014 due predominately to the inclusion of the joint venture interest in Sorelle.

Property taxes for the three months ended December 31, 2015 were $879 compared to $698 for the three months ended December 31, 2014. The increase of $181 was predominately due to an increase in the number of property interests held, as well as an increase in the values of the Fund's properties held year over year.

Same property expenses increased marginally by $40 or 2.3% when comparing the three months ended December 31, 2015 to the three months ended December 31, 2014, mainly due to increases in assessed values on property taxes.

For the year ended December 31, 2015, property operating costs were $5,403 compared to $1,891 for the period from May 1, 2014 to December 31, 2014. The variance is due to the shorter operating period in 2014 for the initial properties, the Fund's acquisitions in 2014 contributing for the entire 2015 year and the inclusion of the 2015 joint venture interests.

Property taxes for the year ended December 31, 2015 were $3,516 compared to $1,248 for the period from May 1, 2014 to December 31, 2014. The variance is due to the shorter operating period in 2014 for the initial properties, the Funds acquisitions in 2014 contributing for the entire 2015 year and the inclusion of the 2015 joint venture interests. The Fund actively manages property tax appeals where necessary to control assessed values and ensure they are in-line with comparable properties.

Net Operating Income

NOI for the three months ended December 31, 2015 was $2,887 while NOI for the three months ended December 31, 2014 was $2,037. The variance is primarily due to the increased contributions from acquisitions as described above. NOI margin for the three months ended December 31, 2015 was 54.3% compared to 52.8% for the three months ended December 31, 2014. The higher year end margin is attributed to the acquisitions during 2015 of joint venture interests in Sorelle and Belle Haven.

NOI for the year ended December 31, 2015 was $9,485 and NOI for the period from May 1, 2014 to December 31, 2014 was $3,493. Again, the variance is primarily due to increased contributions from acquisitions. NOI margin for the year ended December 31, 2015 was 51.5% compared to 52.7% for the period from May 1, 2014 to December 31, 2014. The lower margin is attributed to increased marketing and leasing costs that the Fund incurred to maintain occupancies.

Share of Net earnings from Joint Ventures

The Fund's share of net earnings from joint venture interests for the three months and year ended December 31, 2015 were $4,234 and $5,267, respectively. The Fund's share of net earnings from joint venture interests for the three months ended December 31, 2014 $2,047 and for the period May 1, 2014 to December 31, 2014 was $2,690. The increase in 2015 for both periods was due to the acquisitions of joint venture interests in Belle Haven and Sorelle contributing to net income through both NOI and property appreciation.

Fund Expenses

Fund expenses include costs incurred by the Fund that are not directly attributable to the properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors' and officers' insurance premiums, expenses relating to the administration of the Fund distributions and other general and administrative expenses associated with the operation of the Fund. Also included in fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight" or the "Manager"). See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund expenses for the three months ended December 31, 2015 and for the three months ended December 31, 2014 were $234 and $224, respectively, and include asset management fees and service fees of $192 and $145 for the same periods in 2015 and 2014. Fund expenses also include costs such as legal and audit fees, director fees, investor relations expenses, foreign exchange gains and losses on Fund transactions and directors' and officers' insurance premiums, totalling $42 for the three months ended December 31, 2015 and $79 for the three months ended December 31, 2014.

Fund expenses for the year ended December 31, 2015 and period from May 1, 2014 to December 31, 2014 were $874 and $409 respectively, including asset management fees and service fees of $669 and $247 for the same periods in 2015 and 2014. Fund expenses also include costs such as legal and audit fees, director fees, investor relations expenses, foreign exchange gains and losses on Fund transactions and directors' and officers' insurance premiums, totalling $205 for the year ended December 31, 2015 and $162 for the period from May 1, 2014 to December 31, 2014.

Foreign Exchange Gains and Losses

The Fund has an unrealized foreign exchange loss of $306 for the three months ended December 31, 2015 and year ended December 31, 2015. The Fund also realized foreign exchange gains for the three months end December 31, 2015 of $288 and $543 for the year ended December 31, 2015 in relation to the repayment of Allure's mezzanine loan during 2015.

Finance Costs

The Fund's finance costs for the three months and year ended December 31, 2015, the three months ended December 31, 2014 and period from May 1, 2014 to December 31, 2014 are summarized below based on IFRS:

		Q4-2015		Q4-2014		YE-2015		Period from May 1, 2014 to December 31, 2014
Interest on mortgages payable	$	476	$	547	$	2,135	$	945
Amortization of financing costs		41		55		189		92
Fair value adjustments on derivative instrument		1		-		35		-
Loss on early extinguishment of debt		-		-		226		-
Total	$	518	$	602	$	2,585	$	1,037

The Fund's finance costs for the three months and year ended December 31, 2015, three months ended December 31, 2014 and period from May 1, 2014 to December 31, 2014 are summarized below including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle:

		Q4-2015		Q4-2014		YE-2015		Period from May 1, 2014 to December 31, 2014
Interest on mortgages payable	$	932	$	593	$	3,005	$	1,033
Amortization of financing costs		75		60		298		102
Fair value adjustments on derivative instrument		1		-		44		-
Loss on early extinguishment of debt		-		-		227		-
Total	$	1,008	$	653	$	3,574	$	1,135

Interest on mortgages payable for the three months and year ended December 31, 2015 was $932 and $3,005 compared to interest on mortgages payable for the three months ended December 31, 2014 and period May 1, 2014 to December 31, 2014 of $593 and $1,033. The increases in interest are due to the additional mortgages on the newly acquired joint venture interests in 2015, Belle Haven and Sorelle, which consequently resulted in higher interest expense on mortgages payable.

Amortization of financing costs for the three months and the year ended December 31, 2015 was $75 and $298, respectively. Amortization of financing costs for the three months ended December 31, 2014 and period May 1, 2014 to December 31, 2014 were $60 and $102. The increase in amortization of financing costs was due to more properties under ownership through joint ventures and consequently more deferred financing costs to be amortized in 2015 when compared to 2014.

The Fund has entered into interest rate cap agreements to satisfy requirements under certain agency financing arrangements associated with the mortgages on Allure and the joint venture interest in Sunset Ridge. The value of the interest rate caps will decline as the term to maturity declines and will also be impacted by interest rate volatility. The Fund incurred an unrealized fair value loss of $1 and $44 on interest rate cap agreements for the three months and year ended December 31, 2015 in relation to the derivatives obtained in connection with the refinancing of Allure and Sunset Ridge. The Fund did not have these interest rate cap agreements in place during 2014.

The Fund recognized a loss on the early extinguishment of debt relating to deferred financing costs of $227 in connection with the refinancing of Allure and Sunset Ridge and in relation to the repayment of the related loans on June 29, 2015.

Finance costs for the three months and year ended December 31, 2015 were $1,008 and $3,574, respectively. Finance costs for the three months ended December 31, 2014 and for the period May 1, 2014 to December 31, 2014 was $653 and $1,135. The increases in both cases are predominately the result of additional properties through joint ventures and consequently additional debt financing resulting in additional finance costs.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates, expected occupancy rates and operating expenses.

The Fund has realized a cumulative fair value adjustment of $22,684 for the period from May 1, 2014 to December 31, 2015 including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle. The fair value adjustment was driven predominately by NOI growth. Including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle, the Fund's investment properties would have been $218,292 as of December 31, 2015.

The following table summarizes the change in investment properties held by the Fund for the period from May 1, 2014 to December 31, 2014 and for the year ended December 31, 2015 based on IFRS reporting:

		Amount
Balance at May 1, 2014	$	-
Acquisitions of investment properties		128,528
Additions - capital expenditures		333
Fair value adjustment		11,289
Balance at December 31, 2014	$	140,150
Additions - capital expenditures		**1,352**
Fair value adjustment		**5,218**
Balance at December 31, 2015	**$**	**146,720**

The following table reconciles the cost base of investment properties to their fair value:

		As at December 31, 2015		**As at December 31, 2014**
Cost	**$**	**130,213**	$	128,861
Cumulative fair value adjustment		**16,507**		11,289
Fair value	**$**	**146,720**	$	140,150

The key assumptions for investment properties held by the Fund are set out in the following table:

	As at December 31, 2015	**As at December 31, 2014**
Capitalization rates - range	**5.00-5.75%**	5.25%-5.50%
Capitalization rate - weighted average	**5.45%**	5.41%

The Fund's weighted average capitalization rate, including the investments in joint venture properties was 5.37% as at December 31, 2015 (December 31, 2014 – 5.42%).

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties as set out in the following table:

Key assumptions	Change		As at December 31, 2015		As at December 31, 2014
Weighted average:					
Capitalization rate	10-basis-points increase	$	**(2,657)**	$	(2,504)
Capitalization rate	10-basis-points decrease	$	**2,758**	$	2,683

The impact of a 1% change in NOI used to value the investment property at December 31, 2015 would affect the fair value by approximately $1,467 (December 31, 3014 – $1,401).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three months and year ended December 31, 2015, the three months ended December 31, 2014 and period from May 1, 2014 to December 31, 2014.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below:

		Q4 - 2015		Q4 - 2014		YE - 2015		Period from May 1, 2014 to December 31, 2014
Net income and comprehensive income	$	3,024	$	7,996	$	8,800	$	10,073
Add / (Less):								
Deferred taxes		1,940		4,688		5,864		5,741
Unrealized foreign exchange gain [1]		50		(131)		(85)		(297)
Realized foreign exchange gain		(288)		-		(543)		-
Fair value adjustment on derivative instruments [1]		2		-		44		-
Fair value adjustment of investment properties [1]		(3,098)		(11,428)		(9,062)		(13,622)
FFO	**$**	**1,630**	**$**	**1,125**	**$**	**5,018**	**$**	**1,895**
FFO per Unit - basic and diluted	$	0.31	$	0.21	$	0.95	$	0.36
Distributions declared [2]	$	697	$	763	$	2,923	$	1,150
FFO payout ratio		42.76%		67.82%		58.25%		60.69%
Units outstanding:								
Basic and diluted - Class A, C, D, F, U - (000s)		5,273		5,274		5,273		5,274

Notes:

(1) Adjusted to include portions relating to joint venture interests.

(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three months ended December 31, 2015 and for the three months ended December 31, 2014 was $1,630, $1,125 and $0.31 and $0.21, respectively. The FFO payout ratio for the three months ended December 31, 2015 was 42.76% compared to 67.82% for the three months ended December 31, 2014. The reduction in the payout ratio was both the result of additional FFO through same property growth and acquisitions, as well as the weakening of the Canadian dollar against the U.S. dollar during the year resulting in a lower amount distributed in U.S. dollar terms.

Basic and diluted FFO and FFO per Unit for the year ended December 31, 2015 and for the period from May 1, 2014 to December 31, 2014 was $5,018, $1,895 and $0.95 and $0.36, respectively. FFO was higher for both the three months and the year ended December 31, 2015 due to contributions from acquisitions and a longer operating period in 2015. The Fund had an FFO payout ratio for the year ended December 31, 2015 of 58.25% compared to 60.69% for the period from May 1, 2014 to December 31, 2014. The ratios for the three months and year ended December 31, 2015 were stronger for the same reasons described above.

The Fund distributions paid and declared for the year ended December 31, 2015 per Unit were as follows:

Class A	Class C	Class D	Class F	Class U
C$0.69996	C$0.69996	C$0.69996	C$0.06996	$ 0.69996

ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of FFO to AFFO for the three months and year ended December 31, 2015 and comparative periods are detailed below:

	Q4 - 2015	Q4 - 2014	YE - 2015	Period from May 1, 2014 to September 30, 2014
FFO	**$ 1,630**	**$ 1,125**	**$ 5,018**	**$ 1,895**
Add / (Deduct):				
Amortization of financing costs (1)	75	60	298	102
Loss on early extinguishment of debt	-	-	227	-
Sustaining capital expenditures and suite renovation reserves (1)	(275)	(185)	(792)	(260)
AFFO	**$ 1,430**	**$ 1,000**	**$ 4,751**	**$ 1,737**
AFFO per unit - basic and diluted	$ 0.27	$ 0.19	$ 0.90	$ 0.33
Distributions declared (2)	$ 697	$ 763	$ 2,923	$ 1,150
AFFO payout ratio	48.74%	76.30%	61.52%	66.21%
Units outstanding:				
Basic and diluted - Class A, C, D, F, U - (000s)	5,273	5,274	5,273	5,274

Notes:
(1) Adjusted to include portions relating to joint venture interests.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Reconciliation of cash provided by operations to AFFO for the three months ended December 31, 2015 and comparative three months ended December 31, 2014 along with the year ended December 31, 2015 and period from May 1, 2014 to December 31, 2014 is provided below:

	Q4 -2015	Q4 -2014	YE - 2015	Period from May 1, 2014 to December 31, 2014
Cash provided by operating activities	**$ 1,676**	**$ 1,835**	**$ 6,966**	**$ 3,648**
Less: interest on mortgages payable	(476)	(547)	(2,135)	(945)
Cash provided by operating activities - including interest paid	**1,200**	**1,288**	**4,831**	**2,703**
Add / (Deduct):				
Change in non-cash operating working capital	(70)	(637)	(146)	(1,796)
Change in restricted cash	345	365	250	763
Share of net earnings in joint ventures	4,235	2,047	5,267	2,690
Unrealized foreign exchange gain (1)	(256)	-	(391)	(40)
Realized foreign exchange gain	(288)	-	(543)	-
Fair value adjustment on derivative instrument (1)	2	-	9	-
Fair value adjustment of investment property (1)	(3,497)	(1,883)	(3,844)	(2,333)
Amortization on financings costs (1)	34	5	109	10
Loss on early extinguishment of debt (1)	-	-	1	-
Sustaining capital expenditures and suite renovation reserves (2)	(275)	(185)	(792)	(260)
AFFO	**$ 1,430**	**$ 1,000**	**$ 4,751**	**$ 1,737**

Notes:
(1) Adjusted to include portion relating to joint venture interests only.
(2) Adjusted to include portion of joint venture interests.

Basic and diluted AFFO and AFFO per Unit for the three months ended December 31, 2015 and three months ended December 31, 2014 was $1,430, $1000 and $0.27 and $0.19, respectively. The AFFO payout ratio for the three months ended December 31, 2015 was 48.74% when compared to the three months ended December 31, 2014 of 76.30%.

Basic and diluted AFFO and AFFO per Unit for the year ended December 31, 2015 and period May 1, 2014 to December 31, 2014 was $4,751, $1,737 and $0.90 and $0.33, respectively. The AFFO payout ratio for the year ended December 31, 2015 was 61.52% compared to 66.21% for the period from May 1, 2014 to December 31, 2014. The AFFO payout ratios are all improved when comparing 2014 to 2015 due to increased NOI from same properties, contributions from the acquisitions of joint venture interests in Belle Haven and Sorelle as well as the weakening Canadian dollar relative to the U.S. dollar which reduced the Fund's distributions.

Sustaining capital expenditures and suite renovations reserves above have been calculated by taking actual suite renovation costs plus pro-rated capital expenditures on a per suite, per property basis. Yorktown Crossing's capital expenditures reserves are estimated to be $175 (in actual dollars) annually per suite, along with Allure at $200 (in actual dollars), Cinco Ranch at $205 (in actual dollars) and Sunset Ridge at $132 (in actual dollars). The Fund used these throughout 2015 to calculate AFFO in order to be consistent with its forecast set out in its final prospectus issued in connection with its offering which ended during the three months ended June 30, 2015, as well as due to significant spending on property upgrades at Cinco Ranch to the amenity centre, pool, landscaping, and new furniture which are considered one-time items. Actual capital expenditures were used for Jones Road, Belle Haven and Sorelle.

The Fund's distributions were not in excess of operational cash flow adjusted to AFFO and the Fund does not expect distributions to exceed operational cash flow adjusted to AFFO in 2016. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders, maintenance and property capital expenditure commitments as they become due and to provide for the future growth of the business. Given the age and quality of the Fund's properties, minimal capital expenditures are required to maintain the properties. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and mortgage debt secured by investment properties. As at December 31, 2015, the Fund was in compliance with all of its financial covenants.

CASH FLOWS

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found in the "Risks and Uncertainties" section.

The following table details the changes in cash for the three months and year ended December 31, 2015, three months ended December 31, 2014 and period from May 1, 2014 to December 31, 2014 based on IFRS:

	Q4 -2015	Q4 -2014	YE - 2015	Period from May 1, 2014 to December 31, 2014
Cash provided by operating activities	$ 1,676	$ 1,835	$ 6,966	$ 3,648
Cash provided by (used in) investing activities	(210)	(13,589)	(7,070)	(97,495)
Cash (used in) provided by financing activities	(1,504)	7,759	(2,044)	98,440
(Decrease) increase in cash	(38)	(3,995)	(2,148)	4,593
Cash, beginning of period	2,483	8,588	4,593	-
Cash, end of year	$ 2,445	$ 4,593	$ 2,445	$ 4,593

Cash on hand at December 31, 2015 was $2,445 compared to cash on hand at December 31, 2014 of $4,593. Including the Funds cash held by joint ventures, cash on hand at December 31, 2015 was $2,500 and at December 31, 2014 was $4,663.

Cash provided by operating activities for the three months ended December 31, 2015 and three months ended December 31, 2014 was $1,675 and $1,835, respectively, and related primarily to the net cash generated from property operations, as well as changes in restricted cash.

Cash provided by operating activities for the year ended December 31, 2015 and period from May 1, 2014 to December 31, 2014 was $6,966 and $3,648, respectively, and related primarily to the net cash generated from property operations, as well as changes in restricted cash.

Cash used in investing activities for the three months ended December 31, 2015 was $210 and related primarily to the additions to investment properties of $119 and contributions to joint ventures of $91. For the three months ended December 31, 2014, cash used in investing activities was $13,589 and related to the acquisition of Jones Road for $13,468, additions to investment properties of $218, offset by contributions to the joint venture interest in Sunset Ridge of $97

Cash used in investing activities for the year ended December 31, 2015 was $7,070 and related primarily to the investments in joint venture interests in Belle Haven and Sorelle equal to $8,132 and additions to investment properties of $1,352 which was partially offset by distributions received from the joint ventures of $2,414. The change in cash used in investing activities for the period from May 1, 2014 to December 31, 2015 was $97,495 and was due to acquisitions of investment properties of $92,600, investments in joint venture interest in Sunset Ridge of $4,549, contributions to joint venture of $13 and additions to investment properties of $333.

Cash provided by financing activities for the three months ended December 31, 2015 was $1,503. The change for the three months ended December 31, 2015 related to a mortgage payable payment of $297, payment of finance costs $482, and distribution to Unitholders of $697. Cash provided by financing activities for the three months ended December 31, 2014 was $7,759. The change related to proceeds from new mortgage financing of $9,069, offset by financing costs of $656, and distributions to Unitholders of $763.

Cash used in financing activities for the year ended December 31, 2015 was $2,044. The change for the year ended December 31, 2015 related primarily to proceeds from new mortgage on the refinancing of Allure of $36,909 and was partially offset by the repayment of mortgages payable of $33,450 on Allure, finance costs paid of $2,489, distributions to Unitholders of $2,923, the purchase of $42 relating to interest rate caps on mortgage payable for Allure, the repurchase and cancellation of Units under the Issuer Bid of $34 and distributions to non-controlling interests of $15.

Cash provided by financing activities for the year ended December 31, 2014 was $98,440. The change for the year ended December 31, 2014 related primarily to proceeds from the closing of the initial public offering of $46,733, proceeds on new mortgages of $56,803, repayment of mortgages of $3,050, financing costs paid of $1,004, distributions to Unitholders of $1,150 and distribution to non-controlling interest of $2 in relation to the U.S. REIT preferred shares and was partially offset by $110 contributed from non-controlling interest relating to the U.S. REIT preferred share offering .

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and Unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build Unitholder value and maintaining sufficient capital contingencies.

As at December 31, 2015 and December 31, 2014, the total capital of the Unitholders was as follows:

	As at December 31, 2015	As at December 31, 2014
Indebtedness	$ 147,940	$ 98,653
Unitholders' equity	61,499	55,656
Total capital	$ 209,439	$ 154,309

DEBT PROFILE

As at December 31, 2015, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, was 67.77%. The maximum allowable ratio under the Fund's limited partnership agreement is 75%, but it is targeted between 60% and 70%. The weighted average mortgage interest rate for the Fund as at December 31, 2015 was 2.65% and the weighted average term to maturity of the mortgage portfolio was 5.17 years.

The following table summarizes key liquidity metrics:

		As at December 31, 2015 (1)
Indebtedness to Gross Book Value		67.77%
Weighted average interest rate - mortgages		2.65%
Weighted average term to maturity - mortgages		5.17 years
	Three months ended December 31, 2015 (1)	Year ended December 31, 2015 (1)
Interest Coverage Ratio	2.83 x	2.84 x
Indebtedness Coverage Ratio	2.83 x	2.84 x
(1) Includes interests in joint ventures.		

The Interest Coverage Ratio for the three months and year ended December 31, 2015 was 2.83 and 2.84 times, respectively. The Indebtedness Coverage Ratio for the same period was 2.83 and 2.84 times as well, as there were no scheduled principal payments. The Fund believes these are conservative ratios and that despite a higher Indebtedness to Gross Book Value, with no principal payments on debt, the Fund expects to continue to generate excess cash flows after payment of its monthly distributions and interest expense.

MORTGAGES PAYABLE

The following table sets out, as at December 31, 2015, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the remaining fiscal years and the weighted average interest rate of maturing mortgages based on IFRS:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2016	-	-	-	0.00%	0.00%	2,086
2017	-	57,100	57,100	60.74%	1.39%	1,665
2018	-	-	-	0.00%	0.00%	832
2019	287	-	287	0.31%	0.00%	830
2020	691	-	691	0.74%	0.00%	819
Thereafter	3,110	32,821	35,931	38.22%	0.87%	3,482
	$ 4,088	$ 89,921	$ 94,009	100.00%	2.26%	$ 9,714
Unamortized financing costs			(526)			
			$ 93,483			

The following table sets out, as at December 31, 2015, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the remaining fiscal years and the weighted average interest rate of maturing mortgages including the Fund's joint venture interests in Sunset Ridge, Belle Haven and Sorelle:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2016	163	-	163	0.11%	0.00%	3,877
2017	481	57,100	57,581	38.92%	0.89%	3,445
2018	292	42,147	42,439	28.69%	1.05%	1,964
2019	368	-	368	0.25%	0.00%	1,068
2020	883	-	883	0.60%	0.00%	1,054
Thereafter	3,976	42,530	46,506	31.44%	0.71%	4,484
	$ 6,163	$ 141,777	$ 147,940	100.00%	2.65%	$ 15,892
Unamortized financing costs			(963)			
			$ 146,977			

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into five classes of Units: Class A Units; Class C Units; Class D Units; Class F Units; and Class U Units.

UNITS

The following table summarizes the changes in Units for the period from May 1, 2014 to December 31, 2015:

	Units		Amount
Outstanding as at May 1, 2014	-	$	-
Issuance of Units (Class A, C, D, F, & U), July 9, 2014, net of costs of $2,890	5,274		46,733
Class A Units repurchased and cancelled under the Issuer Bid	(4)		(34)
Outstanding as at December 31, 2015	5,270	$	46,699

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 222,344 of its Class A Units and 33,325 of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on July 24, 2015 and will remain in effect until the earlier of: (i) July 22, 2016; and (ii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

In connection with the Issuer Bid, the Fund entered into an automatic unit purchase plan (the "Plan") with an investment advisor on July 24, 2015 in order to facilitate repurchases of the Units under the Issuer Bid. Purchases under the Plan were made by the Fund's investment advisor based on the parameters prescribed by the TSX Venture Exchange, applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Fund's investment advisor was permitted to purchase Units under the Issuer Bid when the Fund would ordinarily not be permitted to do so. The Plan was terminated with this investment advisor on October 23, 2015, and the Fund announced on November 25, 2015 that it had entered into a Plan with a different investment advisor based on the same parameters. From July 24, 2015 until December 31, 2015, 4,000 Class A Units (in actual Units) were purchased under the Issuer Bid.

A copy of TSX Venture Exchange Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available, without charge by contacting the Fund.

As at December 31, 2015, there were 5,270,121 Units issued and outstanding (as of December 31, 2014 – 5,274,121 Units).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On July 9, 2014, the Fund entered into the management agreement with Starlight. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team including advisory, consultation and investment management services, and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

(i) the historical purchase price of properties owned by the Fund; and

(ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from July 9, 2014 plus an amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three months ended December 31, 2015 and for the year ended December 31, 2015, the costs of these services were $170 and $566, respectively, excluding service fees (three months ended December 31, 2014 was $118 and period from May 1, 2014 to December 31, 2014 was $202). As at December 31, 2015, $79 was included in accounts payable and accrued liabilities including service fees of $22 (December 31, 2014 - $68 and $22, respectively).

(b) Acquisition fee equal to:

(i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;

(ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired; and

(iii) 0.50% of the purchase price on properties acquired in excess of $200,000.

For the three months ended December 31, 2015 and for the year ended December 31, 2015, the costs of these services were $nil and $317, respectively. These fees related to the purchase of the Fund's joint venture interests in Belle Haven and Sorelle. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. For the three months ended December 31, 2014 and for the year ended December 31, 2014, the costs of these services were $99 and $1,292, respectively, and related to the Fund's acquisitions in 2014.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding-up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions.

Carried Interest

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

AUDIT COMMITTEE

Audit Committee Charter

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in accordance with applicable laws including reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, oversight of the work and review of the independence of the external auditors of the Fund and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this MD&A as "Schedule A".

Composition of the Audit Committee

The audit committee of the Fund is comprised of Daniel Drimmer, Derek Lobo and Harry Rosenbaum. Derek Lobo and Harry Rosenbaum are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent Directors and the Fund is relying on such an exemption in Section 6.1 of NI 52-110. Each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are financially literate within the meaning of applicable securities laws. Each of the audit committee members has an understanding of the accounting principles used to prepare the Fund's financial statements and possesses the ability to assess the general application of such principles in connection with the Fund's accounting for estimates, accruals and provisions. In addition, each audit committee member has experience preparing, auditing, analyzing, evaluating or actively supervising, comparable financial statements with the breadth and complexity of the Fund's financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The biographies of each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are set out below which provide a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

Daniel Drimmer

Daniel Drimmer is the founder, President and Chief Executive Officer of Starlight, a Canadian real estate asset management company focused on the acquisition, ownership and management of commercial and residential properties across Canada and the U.S., with a portfolio of approximately 32,500 residential rental units and over 2,300,000 square feet in commercial properties. In addition to the formation of the Manager, Daniel Drimmer established and is the chairman of True North Commercial Real Estate Investment Trust and founded TransGlobe Investment Management Ltd., TransGlobe Property Management Services Ltd. and TransGlobe Apartment Real Estate Investment Trust ("Transglobe Apartment REIT" and, collectively, "TransGlobe") and was TransGlobe's President from November 1996 to August 2011. Under Mr. Drimmer's guidance, TransGlobe expanded its original portfolio of seven properties to a portfolio exceeding 30,000 residential suites (including those owned by Transglobe Apartment REIT, as at September 1, 2011), and approximately one million square feet of gross leasable area of commercial space. Daniel Drimmer also served as Transglobe Apartment REIT's Chairman and director from May 2010 to August 2011. Mr. Drimmer is currently a director of the Fund, Fund No. 1, Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund No. 2") and Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund No. 4") as well as Northview Apartment REIT which acquired True North Apartment REIT, founded by Mr. Drimmer. Over the last 10 years, Mr. Drimmer has sourced, acquired and financed in excess of 85,000 residential units. Over the last seven years, Daniel Drimmer has led more than C$15 billion in real estate transactions, including three initial public offerings. Daniel Drimmer was born and raised in Berlin, Germany and is the third generation of the Drimmer family to be involved in real estate. He obtained a Bachelor of Arts degree from the University of Western Ontario, and a Master of Business Administration degree and a Masters' degree in Contemporary European Policy Making from European University in Geneva, Switzerland.

Derek Lobo

Derek Lobo is the Founder, Chairman and Chief Executive Officer of Sun Rock Advisors' Inc., a boutique commercial real estate firm with an exclusive focus on the apartment industry. Mr. Lobo has over 20 years of experience in apartment marketing across North America, with a focus on providing practical strategic solutions aimed at increasing occupancy and asset value. In 1988, Mr. Lobo founded Derek A. Lobo & Associates Inc., a multi-family consulting firm, for which he currently acts as Chief Executive Officer. Mr. Lobo has also spoken widely on real estate matters at trade shows and conferences across North America including to The National Multi-Housing Council and Ontario Real Estate Association. Mr. Lobo is currently a director of the Fund, Fund No. 1, Fund No. 2 and Fund No. 4.

Harry Rosenbaum

Harry Rosenbaum is a founding principal of the Great Gulf Group of Companies, one of North America's premier real estate conglomerates. He has been instrumental in manifesting such iconic projects as One Bloor East, Toronto, Ontario. Mr. Rosenbaum is a principal of Ashton Woods Homes, one of the largest private homebuilders in the United States and is currently a director of the Fund, Fund No. 1, Fund No. 2, and Fund No. 4. He is also a Trustee of WPT Industrial Real Estate Investment Trust. Prior to the creation of Great Gulf Group in 1983, Mr. Rosenbaum practiced commercial and real estate law at a Toronto law firm. Mr. Rosenbaum is active as a board member of various charitable organizations including the ACL (Advocates for Civil Liberties) and Sunnybrook Hospital Foundation. Mr. Rosenbaum attended Osgoode Hall Law School, graduating in 1974. He also holds a degree in Economics from York University, completed in 1971.

Pre-Approval of Non Audit Services

In accordance with the independence standards for auditors, the Fund is restricted from engaging its external auditors to provide certain non-audit services to the Fund, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit.

The Fund may engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. The Audit committee reviews and approves the nature of and fees for any non-audit service performed by the Fund's external auditors in accordance with applicable requirements and Board of Directors of Starlight GP (the "Board" or "Directors") approved policies and procedures.

EXTERNAL AUDITOR SERVICE FEES

The following table sets forth the approximate amounts of fees paid and accrued to the Fund's auditor, Collins Barrow Toronto LLP, for services rendered for the periods from May 1, 2014 to December 31, 2014 and from January 1, 2015 to December 31, 2015:

Fee Category	January 1, 2015 to December 31, 2015	January 1, 2014 to December 31, 2014
Audit fees	$37	$36
Audit-related fees(1)	$nil	$119
Tax fees(2)	$21	$19
All other fees	$nil	$nil
Total	$58	$174

Notes:

(1) "Audit related fees" include fees paid and accrued in connection with the Fund's offering prospectus, including carve-out audit fees for the properties.

(2) "Tax fees" include fees paid and accrued for tax compliance, tax planning and tax advisory services, including the review and preparation of tax returns.

REMUNERATION OF MANAGEMENT OF THE FUND

OVERVIEW

As at the date hereof, the Fund, through its general partner, Starlight GP, does not directly employ any persons who would be considered a named executive officer ("NEO") of the Fund as such term is defined in Form 51-102F6 – Statement of Executive Compensation in National Instrument 51-102 - Continuous Disclosure Obligations. The services of Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, as Chief Executive Officer, President and Chief Financial Officer, respectively, are provided by Starlight. No compensation is paid by the Fund or its subsidiaries to those persons provided by Starlight as officers of the Fund, and the compensation received by such persons from Starlight is not within or subject to the discretion of the Board. The compensation paid by the Fund and Starlight U.S. Multi-Family (No. 3) Core REIT Inc. to Starlight for services rendered is calculated in accordance with the management agreement entered into on July 9, 2014. See "Related Party Transactions and Arrangements – Arrangements with Starlight". Starlight provides such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and is therefore responsible for all matters with respect to such employees and consultants. All references to the officers of the Fund named in the "Summary Compensation Table" below, namely Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, are references to officers of Starlight GP, in its capacity as general partner of the Fund, and are either officers or employees of Starlight.

COMPENSATION DISCUSSION AND ANALYSIS

The Fund's executive team is employed by Starlight. The Fund is obligated to pay Starlight certain amounts pursuant to terms of the management agreement, as discussed in "Related Party Transactions and Arrangements – Arrangements with Starlight". As such, any variability in compensation paid by Starlight to the NEOs does not impact the Fund's financial obligations. The Board may hire officers and employees, but such hiring, if not of Starlight officers, consultants or employees, would be at the sole expense of the Fund. Further, any officer that is an officer, consultant or employee provided by Starlight may be removed from such position with the Fund, at the discretion of the Board. The Fund does not have a compensation committee and has not retained a compensation consultant or advisor since its commencement of operations.

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to time spent on the activities of the Fund, and supplements the more detailed information concerning executive compensation that appears in the tables below and the accompanying narrative that follows.

PRINCIPAL ELEMENTS OF COMPENSATION

The compensation of the NEOs includes two major elements: (i) base salary; and (ii) an annual cash bonus. The Fund does not have any long-term equity incentive plans, such as a Unit option plan, pursuant to which cash or non-cash compensation has been or will be paid or distributed to any NEO or Director. In addition, the Fund does not have any stock appreciation rights, incentive plans, medium term incentives or pension plans. Perquisites and personal benefits are not a significant element of compensation of the NEOs. Pursuant to the Fund's Insider Trading Policy, NEOs and Directors are prohibited from purchasing financial instruments that are designed to offset a decrease in market value of Units held by NEOs and Directors.

As a private company, Starlight's process for determining executive compensation is straightforward, with no specific formula for determining the amount of each element of compensation, and no formal approach applied by Starlight for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Fund. Objectives and performance measures may vary from year to year as determined to be appropriate by Starlight without reference to any formal benchmarking. Accordingly, the Board has not considered the implications of the risks associated with the compensation of NEOs.

These two principal elements of compensation are described below.

Base Salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Fund, the position and responsibilities of the NEOs and competitive industry pay practices for other real estate funds, real estate investment trusts and corporations of comparable size. Starlight does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary are at the sole discretion of Starlight. The Board may review the compensation payable to its officers by Starlight and provide recommendations to Starlight, which are considered in good faith by Starlight, but are not binding upon Starlight.

Annual Cash Bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards, and reward performance of the Fund or the NEO individually. The determination of the performance of the Fund may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as Unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities. The Board may review the bonuses payable to its officers by Starlight, and provide recommendations to Starlight, which are considered in good faith by Starlight but are not binding upon Starlight.

SUMMARY COMPENSATION TABLE

The following table sets out information concerning compensation to be earned by, paid to, or awarded to the persons determined to be NEOs of the Fund pursuant to applicable securities laws. All amounts below are set out in Canadian dollars.

Name and principal position	Year(1)	Salary(2) (C$)	Non-Equity Annual Incentive Plans (C$)	All other compensation(3) (C$)	Total compensation(4) (C$)
Daniel Drimmer (5), *Chief Executive Officer*	2015 2014	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Evan Kirsh (6), *President*	2015 2014	105,000 60,000	Nil Nil	Nil Nil	105,000 60,000
Tamara Lawson (7), *Chief Financial Officer*	2015 2014	52,500 30,000	20,000(8) 12,500(8)	Nil Nil	72,500 42,500

(1) The Fund was established on May 1, 2014 and accordingly, information is not presented with respect to prior years.

(2) On an annualized basis, salaries paid to the NEOs for the period ended December 31, 2014 would have been as follows: Daniel Drimmer, Nil; Evan Kirsh, C$120,000; and Tamara Lawson, C$60,000. See also Note 5, Note 6 and Note 7.

(3) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over C$50,000 or over 10% of their annual base salary.

(4) Compensation is paid by Starlight and there is no charge back to the Fund for such compensation. Daniel Drimmer, Evan Kirsh and Tamara Lawson have been Directors or officers, as applicable, since the establishment of the Fund.

(5) Daniel Drimmer is not compensated by the Fund for serving as a Director and is not compensated by Starlight for providing services as the Chief Executive Officer or as a member of the Board of Directors of Fund No.1, Fund No. 2 or Fund No. 4.

(6) Evan Kirsh is the President of Starlight U.S. Multi-Family Core GP, Inc. ("Core GP No. 1"), the general partner of Fund No. 1, the president of Starlight U.S. Multi-Family (No. 2) Core GP, Inc. ("Core GP No. 2"), the general partner of Fund No. 2 and the president of Starlight U.S. Multi-Family (No. 4) Core GP Inc. ("Core GP No. 4"), the general partner of Fund No. 4. Mr. Kirsh received a portion of his annual compensation from Starlight for services provided to the Fund pursuant to the terms of a consulting agreement. Also see "Consulting Agreement".

(7) Tamara Lawson is the Chief Financial Officer of Core GP No. 1, Core GP No. 2 and Core GP No. 4, the general partners of Fund No. 1, Fund No. 2, and Fund No. 4, respectively. Ms. Lawson received a portion of her annual compensation from Starlight for services provided to the Fund.

(8) Tamara Lawson received a discretionary C$20,000 cash bonus paid during the first quarter of 2016 and $12,500 cash paid during the first quarter of 2015.

CONSULTING AGREEMENT

Pursuant to a consulting agreement between Starlight and a corporation controlled by Evan Kirsh (the "Consultant"), in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, the Manager pays the Consultant a consulting fee (the "Consulting Fees"). During the term of the consulting agreement, Starlight will determine the proportion of the Consulting Fees it pays to the Consultant that are attributable to the services to be provided by the Consultant to the Fund. In addition, upon completion of a liquidation event in respect of the Fund, the Consultant will be, generally, entitled to payment from Starlight of an amount equal to the amount, if any, by which the aggregate of: (i) 25% of the net acquisition fees and asset management fees received by Starlight during the term of the Fund (each as described in the consulting agreement), and (ii) 25% of the distributions received by Starlight U.S. Multi-Family (No. 3) Core Holding (GP) L.P. from Holding L.P. during the term of the Fund (as described in the consulting agreement) exceeds the proportion of the Consulting Fees paid or payable by Starlight to the Consultant in respect of the services provided by the Consultant to the Fund during the term of the consulting agreement and any amounts payable by the Consultant pursuant to the consulting agreement. Starlight (and not the Fund) will be responsible for any such amounts payable to the Consultant.

Neither Mr. Drimmer nor Ms. Lawson have entered into agreements or have made arrangements which entitle them to any termination or change of control benefits relating to the Fund.

REMUNERATION OF THE DIRECTORS OF STARLIGHT GP

REMUNERATION OF DIRECTORS

Any Director who is an officer of, or is otherwise employed by the Starlight, is not entitled to any remuneration from the Fund for serving as a Director (including as Chairman of the Board, or as the Chairman or as a member of a committee). Each Director, other than Daniel Drimmer, received an annualized base retainer from the Fund in the amount of C$12,500 for services provided during 2015. There were no fees paid or payable for each day on which a Director attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is described in Note 2 to the audited consolidated financial statements. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund's cash, restricted cash, tenant and other receivables have been designated as loans and receivables and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund's financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

The ownership of Units involves a number of risk factors. The risks described below are not the only risks and readers should carefully review the risks and uncertainties disclosed in the Fund's prospectus dated June 27, 2014, under the heading "Risk Factors", at WWW.SEDAR.COM. If any of the following risks or those outlined in the Fund's prospectus dated June 27, 2014 occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Some of these risk factors are described below:

(a) *Acquisition Risk* – The acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Fund will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of properties may not generate sufficient funds to make the payments of principal and interest due on the mortgage loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of properties.

(b) *Reliance on the Manager* – Prospective purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. In particular, prospective purchasers will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Tamara Lawson and/or Evan Kirsh. If the Manager loses the services of Daniel Drimmer, Tamara Lawson and Evan Kirsh, the business, financial condition and results of operations of the Fund may be materially adversely affected.

(c) *Experience of Directors and Officers* – While the officers of the Fund and the Directors have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the officers of the Fund and the directors of its general partner may not be relevant to the acquisition of multi-family real estate in the U.S. or to their achievement of the investment objectives of the Fund.

(d) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the Fund's properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, and distributable cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund was required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by the Fund may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Fund's properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

(e) *Substitutions for Residential Rental Suites* – Demand for rental suites in the Fund's properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Interest rates offered by financial institutions for financing home ownership are currently at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in its properties and on the rents charged.

(f) *Government Regulation* – Certain states in the U.S. may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at its properties. Limits on the Fund's ability to raise rental rates at its properties may adversely affect the Fund's ability to increase income from its properties. The States of Texas, North Carolina and Georgia have not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in such states may provide certain rights to tenants, while imposing obligations upon landlords. Certain states may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a state's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain states may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of its properties.

(g) *Financing Risks* – There is no assurance that the Manager will be able to obtain sufficient mortgage loans to finance the acquisition of properties, or, if available, that the Manager will be able to obtain mortgage loans on commercially acceptable terms. Further, there is no assurance or guarantee that any mortgage loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of properties which the Fund is able to purchase will decrease and the return from the ownership of properties (and ultimately the return on an investment in Units) will be reduced.

(h) *Interest Rate Fluctuations* – The Fund's mortgage loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

(i) *Environmental Matters* – Under various environmental and ecological laws, the Fund and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of its properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell such property or to borrow using the property as collateral, and could potentially also result in claims against the Fund or its subsidiaries by third parties.

(j) *Uninsured Losses* – The Fund has arranged for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those owned or to be owned by the Fund or its subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such properties.

(k) *Reliance on Property Management* – The Manager may rely upon independent management companies to perform property management functions in respect of each of the Fund's properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the properties and their other development, investment and/or management activities.

(l) *Competition for Real Property Investments or Tenants* – The Manager will compete for suitable real property investments with individuals, corporations, REITs and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease suites in its properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

(m) *Revenue Shortfalls* – Revenues from the Fund's properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the mortgage loans or to fund changes in the variable rates of interest charged in respect of such loans.

(n) *Distributions* – To date, the Fund has not paid distributions to Unitholders which have exceeded cash flow from operating activities. As a result, the Fund has not historically funded distributions from alternate sources such as debt, mortgages or other financing instruments, has not made any distributions which have included a return of capital and has not been required to amend any material contracts.

There can be no assurance in the future the Fund will continue to fund distributions entirely from cash from operating activities. In such an event, the Fund may be required to fund its distributions from sources other than operations such as debt, mortgages or other financing instruments, make distributions which include a return of capital or amend material contracts.

(o) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

(p) *Co-Investors* – The Manager may explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors. Such co-investment opportunities may involve certain additional risks relating to the need to obtain approval from such co-investors with respect to certain major decisions or fundamental changes.

(q) *Joint Ventures* – The Manager may invest in, or be a participant in, joint ventures and partnerships with third parties in respect of the properties. A joint venture or partnership involves certain additional risks, including, (i) the possibility that such co-ventures/partners may at any time have economic or business interests or goals that will be inconsistent with the Manager's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to such properties, (ii) the risk that such co-ventures/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund's subsidiaries, or for which the Fund's subsidiaries will be liable and/or result in the Fund's subsidiary suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (iii) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund's subsidiary to liability, and (iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when the Manager may not desire to sell but may be forced to do so because a Fund subsidiary does not have the cash to purchase the other party's interests. Such rights may also inhibit the Manager's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires.

(r) *U.S. Market Factors* – The properties of the Fund are and will be located in the U.S. and economic conditions since the beginning of 2008 have been challenging in the North American economy. U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors, including unemployment, home prices, home foreclosures, access to credit markets, fuel prices, consumer spending, fears of a recession, and the rate of recovery. Although according to the U.S. Federal Reserve, the recession technically ended in June 2009, the U.S. economy has not returned to operating at high capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. Although there has been a recovery in the real estate market, the Fund cannot predict the future of real estate markets. The value of properties acquired may decline if current market conditions persist or worsen.

(s) *Possible Loss of Limited Liability of Limited Partners* – Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the Fund's, and Starlight GP's, net assets.

(t) *Currency Exchange Rate Risk* – Although investors in the Class A Units, Class C Units, Class D Units and Class F Units are invested in Canadian dollars and receive distributions and distributions of proceeds on termination of the Fund in Canadian dollars, such distributions, and distributions of proceeds on termination of the Fund will be calculated based on the Canadian dollar equivalent of a given distribution (which calculation shall use the U.S. spot exchange rate available to the Fund in respect of such distribution at such time). The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. Additionally, the business of the Fund's subsidiaries and its affiliates will be conducted in the U.S. Consequently, any income and gains will be earned and any expenses and losses will be incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Class A Units, Class C Units, Class D Units and Class F Units and the distributions on such Units, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors who purchase Class A Units, Class C Units, Class D Units, and Class F Units are subject to currency exchange rate risk. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Class A Units, Class C Units, Class D Units and Class F Units and therefore it is anticipated that holders of Class A Units, Class C Units, Class D Units and Class F Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

(u) *Same Management Group for Various Entities* – Although the Manager intends for every transaction which comes to the attention of the Manager and that would be a suitable investment for the Fund to be acquired through the Fund, the Manager may acquire properties for other investment portfolios in the future. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at December 31, 2015.

SUBSEQUENT EVENTS

On January 19, 2016, the Fund paid down principal of $910 from the mezzanine loan associated with the Sorelle joint venture. The loan is a Canadian dollar denominated loan and the Fund realized a foreign exchange gain of $129 on this transaction. The payment of principal came from excess cash flow and assisted in lowering the Funds weighted average interest rate

FUTURE OUTLOOK

Starlight believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Q4 - 2015 (1)	Q3 - 2015 (2)	Q2 - 2015 (3)	Q1 - 2015 (4)	Q4 - 2014 (5)	Q3 - 2014 (6)	Period from May 1, 2014 to Jun 30, 2014 (7)
Revenue	$ 3,661	$ 3,805	$ 3,695	$ 3,579	$ 3,433	$ 2,396	$ -
Property operating costs	(1,749)	(1,936)	(1,793)	(1,803)	(1,614)	(1,143)	-
NOI	1,912	1,869	1,902	1,776	1,819	1,253	-
Share of net earnings from joint ventures	4,234	157	244	632	2,047	643	
Fund expenses	(234)	(235)	(208)	(197)	(224)	(185)	-
Unrealized foreign exchange gain (loss)	(306)	-	(294)	294	131	126	
Realized foreign exchange gain	288	-	255	-	(9)	-	
Fair value adjustment of investment properties	(399)	207	1,282	4,128	9,545	1,744	-
Finance costs	(518)	(575)	(878)	(614)	(602)	(435)	-
Income taxes:							
Current	(13)	(15)	(3)	(27)	(23)	(16)	
Deferred	(1,940)	(489)	(1,321)	(2,114)	(4,688)	(1,053)	-
Net income and comprehensive income for the period	**$ 3,024**	**$ 919**	**$ 979**	**$ 3,878**	**$ 7,996**	**$ 2,077**	**$ -**
FFO - basic and diluted	$1,630	$1,281	$985	$1,122	$1,125	$770	n/a (7)
AFFO - basic and diluted	$1,430	$1,128	$1,152	$1,041	$1,000	$737	n/a (7)
Distributions	$697	$718	$754	$754	$763	$387	n/a (7)
FFO per Unit - basic and diluted	$ 0.31	$0.24	$0.19	$0.21	$0.21	$0.15	n/a (7)
AFFO per Unit - basic and diluted	$ 0.27	$0.21	$0.22	$0.20	$0.19	$0.14	n/a (7)
Distributions per Unit (8)	$0.13	$0.14	$0.14	$0.14	$0.15	$0.07	n/a (7)

Notes:

(1) During the three months ended December 31, 2015, the Fund did not acquire any property interests.
(2) During the three months ended September 30, 2015, the Fund acquired a 65% joint venture interest in Sorelle.
(3) During the three months ended June 30, 2015, the Fund did not acquire any additional properties.
(4) During the three months ended March 31, 2015, the Fund acquired a 33 1/3% joint venture interest in Belle Haven.
(5) During the three months ended December 31, 2014, the Fund acquired Jones Road.
(6) During the three months ended September 30, 2014, the Fund acquired Allure, Cinco Ranch, Yorktown Crossing and a 50% joint venture interest in Sunset Ridge.
(7) No properties were held by the Fund during this period.
(8) Distributions per Unit for each period are based on the total distributions per Unit declared during the period.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: April 12, 2016
Toronto, Ontario, Canada

SCHEDULE A – AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 Starlight U.S. Multi-Family (No. 3) Core GP, Inc. as the general partner of the Fund (the "**General Partner**") shall appoint an audit committee (the "**Committee**") to assist the board of directors (the "**Board**") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Investments Ltd., in its capacity as manager of the Fund (the "**Manager**").

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three directors of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements.

3.3 The General Partner shall appoint the members of the Committee. The General Partner may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "**Chair**"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any director of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to directors’ fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund’s accounting policies and practices, reporting practices and internal controls and the Fund’s compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund’s external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors the overall scope and plans for the audit, and in carrying out such oversight the Committee’s duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 — *Continuous Disclosure Obligations* or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund’s external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the unitholders of the Fund, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("**MD&A**") and any financial press releases before the Fund publicly discloses this information; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the General Partner's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the General Partner's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the General Partner and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms and management's discussion and analysis as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) reviewing any related-party transactions not in the ordinary course of business;

(b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;

(d) reviewing annual operating and capital budgets;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(h) reviewing any other questions or matters referred to it by the Board.

Consolidated Interim Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Three and six months ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

To the Directors of Starlight U.S. Multi-Family (No. 4) Core GP, Inc., as General Partner for
Starlight U.S Multi-Family (No. 4) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S Multi-Family (No. 4) Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at June 30, 2016 and December 31, 2015 and the consolidated statements of income and comprehensive income, changes in equity and cash flows for the three and six months then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No. 4) Core Fund and its subsidiaries as at June 30, 2016 and December 31, 2015, and its financial performance and its cash flows for the three and six months then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
October 12, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Interim Statements of Financial Position
(In thousands of U.S. dollars)

	Note		June 30, 2016		December 31, 2015
ASSETS					
Non-current assets:					
Investment properties	4	$	213,600	$	209,975
Derivative financial instruments	9		5		20
Utility deposits			99		101
Total non-current assets			213,704		210,096
Current assets:					
Tenant and other receivables	5		82		137
Prepaid expenses and other assets	6		361		606
Restricted cash	7		2,459		903
Cash			1,666		1,993
Total current assets			4,568		3,639
TOTAL ASSETS		$	218,272	$	213,735
LIABILITIES					
Non-current liabilities:					
Loans payable	8	$	140,220	$	140,290
Deferred taxes			11,746		9,537
Total non-current liabilities			151,966		149,827
Current liabilities:					
Loans payable	8	$	651	$	768
Tenant rental deposits			336		327
Accounts payable and accrued liabilities	10		2,162		777
Finance costs payable			332		240
Distributions payable			290		272
Total current liabilities			3,771		2,384
Total liabilities			155,737		152,211
EQUITY					
Unitholders' equity	11		62,449		61,430
Non-controlling interests			86		94
Total equity			62,535		61,524
TOTAL LIABILITIES AND EQUITY		$	218,272	$	213,735

Commitments and contingencies (Note 16).

Subsequent events (Note 20).

See accompanying notes to the consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 4) Core GP, Inc., as general partner for Starlight U.S. Multi-Family (No. 4) Core Fund on October 12, 2016, and signed on its behalf:

Daniel Drimmer Director *Harry Rosenbaum* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Interim Statements of Income and Comprehensive Income
(In thousands of U.S. dollars, except per unit amounts)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenue from property operations		$ 4,628	$ 2,752	$ 9,148	$ 2,752
Expenses:					
Property operating costs		1,273	742	2,492	742
Realty taxes		667	403	1,341	403
		1,940	1,145	3,833	1,145
Income from operations		$ 2,688	$ 1,607	$ 5,315	$ 1,607
Finance costs	14	(1,171)	(788)	(2,583)	(788)
Fund and trust expenses		(536)	(182)	(776)	(182)
Unrealized foreign exchange loss		-	(64)	(177)	(64)
Realized foreign exchange gain		4	-	215	-
Fair value adjustment of investment properties		3,064	4,530	3,064	4,530
		4,049	5,103	5,058	5,103
Income taxes:					
Deferred	2(g)(ii)	(1,689)	(2,234)	(2,210)	(2,234)
Net income and comprehensive income		$ 2,360	$ 2,869	$ 2,848	$ 2,869
Basic and diluted earnings per unit		$ 0.39	$ 0.47	$ 0.47	$ 0.47
Weighted average number of units outstanding:					
Basic and diluted		6,121	6,140	6,124	6,140

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Interim Statements of Changes in Equity
Six months ended June 30, 2016 and 2015
(In thousands of U.S. dollars, except per unit amounts)

	Unitholders' Equity (Note 11)	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 31, 2015	$ 48,197	$ 13,233	$ 61,430	$ 94	$ 61,524
Changes during the period:					
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	(109)	-	(109)	-	(109)
Net income and comprehensive income	-	2,848	2,848	-	2,848
Distributions	-	(1,720)	(1,720)	(8)	(1,728)
Balance, June 30, 2016	$ 48,088	$ 14,361	$ 62,449	$ 86	$ 62,535

	Unitholders' Equity (Note 11)	Retained Capital	Total Unitholders' Equity
Balance, December 31, 2014	$ -	$ -	$ -
Changes during the period:			
Units issued, net of issuance costs	48,276	-	48,276
Net income and comprehensive income	-	2,869	2,869
Distributions	-	(591)	(591)
Balance, June 30, 2015	$ 48,276	$ 2,278	$ 50,554

Distributions to unitholders in the aggregate for all classes of units of the Fund during the six months ended June 30, 2016 were equal to $0.2812 per unit (June 30, 2015 - $0.0963)

See accompanying notes to the consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Interim Statements of Cash Flows
(In thousands of U.S. dollars)

	Note	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating activities					
Net income and comprehensive income		$ 2,360	$ 2,869	$ 2,848	$ 2,869
Adjustment for financing activities included in net income					
Finance costs	14	1,171	788	2,583	788
Adjustments for items not involving cash					
Fair value adjustment of investment properties		(3,064)	(4,530)	(3,064)	(4,530)
Unrealized foreign exchange loss		-	64	177	64
Deferred taxes		1,689	2,234	2,210	2,234
Change in restricted cash		(869)	(494)	(1,556)	(494)
Change in non-cash operating working capital	15	1,009	167	1,806	167
Cash provided by operating activities		2,296	1,098	5,004	1,098
Investing activities					
Acquisitions		-	(72,255)	-	(72,232)
Assumed cash on acquisitions		-	367	-	367
Additions to investment properties	4	(360)	(206)	(561)	(206)
Cash used in investing activities		(360)	(72,094)	(561)	(72,094)
Financing activities					
Proceeds from issuance of Units, net of issuance costs		-	48,276	-	48,276
Units repurchased and cancelled under Issuer Bid	11	(67)	-	(109)	-
Loans payable					
Proceeds – new financing		-	36,602	38,000	36,950
Repayment of loan		-	-	(35,067)	-
Principal payments		(300)	-	(3,300)	-
Purchase of interest rate cap		-	-	(24)	-
Financing costs paid		(1,084)	(706)	(2,542)	(706)
Distributions to non-controlling interest		(8)	-	(8)	-
Distributions to unitholders		(873)	(591)	(1,720)	(591)
Cash (used in) provided by financing activities		(2,332)	83,581	(4,770)	83,581
(Decrease) increase in cash during the period		(396)	12,585	(327)	12,585
Cash, beginning of period		2,062	-	1,993	-
Cash, end of period		$ 1,666	$ 12,585	$ 1,666	$ 12,585

See accompanying notes to the consolidated interim financial statements.

Starlight U.S. Multi-Family (No. 4) Core Fund (the “Fund”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio comprised of diversified revenue-generating rental properties in the United States (“U.S.”) multi-family real estate market.

The operations of the Fund commenced on April 10, 2015 when, subsequent to completion of its initial public offering on April 10, 2015, the Fund completed the acquisition of its interests in a portfolio of two multi-family residential properties located in Tampa and Orlando, Florida comprising of a total of 688 suites. Currently, the Fund has interests in a portfolio of four properties, comprising a total of 1,204 suites, located in Tampa and Orlando, Florida.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

The consolidated interim financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board.

(b) Basis of measurement:

These consolidated interim financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value. These consolidated interim financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Basis of consolidation:

The consolidated interim financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund’s subsidiaries are shown separately in the consolidated interim statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Basis of consolidation (continued):

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

(d) Critical judgments and estimates:

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Significant accounting policies:

(a) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated interim statements of income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

2. Significant accounting policies (continued):

(b) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statements of income and comprehensive income in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The Fund also restricts cash for tenant security deposits.

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased assets, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants. All accounts outstanding for greater than 90 days are allowed for through the consolidated interim statements of income and comprehensive income.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statements of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement		June 30, 2016		December 31, 2015
Financial assets:						
Derivative financial instruments	FVTPL	Fair value	**$**	**5**	$	20
Utility deposits	Loans and receivables	Amortized cost		**99**		101
Tenant and other receivables	Loans and receivables	Amortized cost		**82**		137
Prepaid expenses and other assets	Loans and receivables	Amortized cost		**361**		606
Restricted cash	Loans and receivables	Amortized cost		**2,459**		903
Cash	Loans and receivables	Amortized cost		**1,666**		1,993
Financial liabilities:						
Loans payable	Other liabilities	Amortized cost		**140,871**		141,058
Tenant rental deposits	Other liabilities	Amortized cost		**336**		327
Accounts payable and accrued liabilities	Other liabilities	Amortized cost		**2,162**		777
Finance costs payable	Other liabilities	Amortized cost		**332**		240
Distributions payable	Other liabilities	Amortized cost	**$**	**290**	$	272

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method. Financial assets and liabilities of property held for sale are disclosed separately due to their classification as available for sale and measurement at fair value.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

Financial assets are derecognized when the contractual rights to the cash flows from these financial assets expire or have been transferred. At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(f) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

2. Significant accounting policies (continued):

(g) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”). Each unitholder of the Fund is required to include in computing the unitholder’s income for a particular taxation year the unitholder’s share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder’s taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings“ (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code"). Furthermore, Starlight U.S. Multi-Family (No. 4) Core REIT Inc. (the "U.S. REIT"), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust ("REIT") under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to a dividend paid deduction and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually. The Fund made the REIT election for the U.S. REIT and believes the U.S. REIT's organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Current taxes

Starlight U.S. Multi-Family (No. 4) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but it has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Holding LP. Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

Deferred taxes

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As at June 30, 2016 a deferred tax liability of $11,746 (December 31, 2015 - $9,537) has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(ii) U.S. status

Deferred taxes

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated interim financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated interim financial statements include the following:

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

2. Significant accounting policies (continued):

(h) Critical estimates and judgments (continued):

(ii) Accounting for acquisitions

Management of the Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of an associate and control as defined in the accounting standards.

(iv) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows, and discount rates.

(v) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

(vi) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

2. Significant accounting policies (continued):

(h) Critical estimates and judgments (continued):

(vi) Income taxes

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(i) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 confirms that an entity shall recognize an asset if it has a prepaid a levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, and recognizes as an expense the charge pro-rated over the year.

(j) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

(k) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRIC but are not yet effective for the year ended December 31, 2016. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

2. Significant accounting policies (continued):

(k) Future accounting changes (continued):

(i) Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(ii) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of U.S. dollars, unless otherwise noted)

3. Acquisitions:

There were no asset acquisitions completed during the three and six months ended June 30, 2016.

The following asset acquisitions were completed during the year ended December 31, 2015. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Grand Cypress	Verano	Pure Living	Alafaya	Total
Acquisition date	April 10, 2015	April 10, 2015	May 7, 2015	July 2, 2015	
Net assets acquired:					
Investment properties	$ 49,017	$ 50,005	$ 45,341	$ 43,220	$ 187,583
Loans payable:					
Assumed loans	(32,082)	(40,469)	-	-	(72,551)
Cash (paid) for working capital:					
Tenant rental deposits	(92)	(124)	(104)	(57)	(377)
Accounts payable and accrued liabilities	(297)	(326)	(162)	(287)	(1,072)
Prepaid expenses and other assets	170	136	103	33	442
Restricted cash	83	325	364	489	1,261
Cash	206	161	-	-	367
	$ 17,005	$ 9,708	$ 45,542	$ 43,398	$ 115,653
Consideration funded by:					
New financing obtained, net of financing cost	$ -	$ -	$ 36,602	$ 32,466	$ 69,068
Cash	17,005	9,708	8,940	10,932	46,585
	$ 17,005	$ 9,708	$ 45,542	$ 43,398	$ 115,653

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment properties:

The following tables summarize the changes in the investment properties for the six months ended June 30, 2016 and the year ended December 31, 2015:

Balance, January 1, 2015	$	-
Acquisitions of investment properties		187,583
Additions - capital expenditures		813
Fair value adjustment – write down of acquisition costs		(371)
Fair value adjustment		21,950
Balance, December 31, 2015	$	209,975
Additions - capital expenditures		561
Fair value adjustment		3,064
Balance, June 30, 2016	$	213,600

The following table reconciles the cost base of investment properties to their fair values:

	June 30, 2016	December 31, 2015
Cost	$ 188,957	$ 188,396
Cumulative fair value adjustment	24,643	21,579
Fair value	$ 213,600	$ 209,975

The key valuation assumptions for the Fund's investment properties are set out in the following table:

	June 30, 2016	December 31, 2015
Capitalization rates - range	5.00% - 5.25%	5.00% - 5.25%
Capitalization rate - weighted average	5.13%	5.07%

The properties were valued by independent qualified valuators as at June 30, 2016 and these valuations were used by management to determine the fair values as at June 30, 2016. The Fund determined the fair value of each investment property using the direct income capitalization approach. Prior to this, the Fund used internally generated information to derive fair values. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment properties (continued):

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

		June 30, 2016	December 31, 2015
Weighted average:			
Capitalization rate	Ten basis-point increase	$ (4,082)	$ (4,065)
Capitalization rate	Ten basis-point decrease	$ 4,257	$ 4,230

The impact of a one percent change in the net operating income used to value the investment properties as at June 30, 2016 would affect the fair value by approximately $2,136 (December 31, 2015 - $2,100).

5. Tenant and other receivables:

The following table presents details of the tenant and other receivables balances:

	June 30, 2016	December 31, 2015
Tenant receivables	$ 62	$ 61
Other receivables	20	76
	$ 82	$ 137

The Fund holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

Prepaid expenses and other assets consist of the following:

	June 30, 2016	December 31, 2015
Prepaid insurance	$ 253	$ 436
Prepaid expenses	106	145
Prepaid other	2	25
	$ 361	$ 606

(In thousands of U.S. dollars, unless otherwise noted)

7. Restricted cash:

The following table presents the details of restricted cash:

	June 30, 2016	December 31, 2015
Escrowed funds:		
Real estate taxes	$ 1,754	$ 417
Replacement/repairs	125	81
Property insurance	243	79
Restricted Cash:		
Security deposits	337	326
	$ 2,459	$ 903

8. Loans payable:

Mortgages payable are secured by investment properties and bear interest at variable rates. Mezzanine loans are secured by the indirect equity interest in the property owner and bear interest at fixed rates.

	June 30, 2016	December 31, 2015
Mortgages payable:		
Mortgage payable, bearing interest at LIBOR + 2.56%, due January 2023 with interest only payments for the first year.(i)	$ 38,000	$ -
Mortgage payable, bearing interest at LIBOR + 2.25%, due December 2022 with interest only payments for the first two years.	37,600	37,600
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments until July 2016, due April 2018 with two one-year options to extend April 2020.	30,450	30,450
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments until August 2016, due July 2018 with two one-year options to extend July 2020.	29,000	29,000
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments, due December 2017 with two one-year options to extend December 2019.(i)	-	33,150
Total mortgage payable	135,050	130,200
Mezzanine loans:		
Mezzanine loan, bearing interest at 9.25%, requires interest only payments, due April 2018 with two one-year options to extend to April 2020.(i)(ii)	3,200	6,500
Mezzanine loan, bearing interest at 9.25%, requires interest only payments, due July 2018 with two one-year options to extend to July 2020.	3,800	3,800
Mezzanine loan, bearing interest at 9.25%, requires interest only payments, due December 2017 with two one-year options to extend to December 2019.(i)	-	1,739
Total mezzanine loans	7,000	12,039
Total loans payable	$ 142,050	$ 142,239
Unamortized financing costs	(1,179)	(1,181)
	$ 140,871	$ 141,058

(In thousands of U.S. dollars, unless otherwise noted)

8. Loans payable (continued):

(i) On January 7, 2016, the Fund refinanced the mortgage on Verano for gross proceeds of $38,000 and repaid $33,150 on the existing mortgage. The remaining proceeds from the refinancing were used to repay the remaining mezzanine loan balance associated with Verano of $1,739 and to pay down the mezzanine loan balance associated with Pure Living by $2,700. The fund realized a foreign exchange gain of $197 on the repayment of the Verano mezzanine loan.

(ii) On March 22, 2016, the Fund repaid $300 of the mezzanine loan balance associated with Pure Living. On April 18, 2016, the Fund repaid $300 of the mezzanine loan balance associated with Pure Living.

Loans payable are classified as current liabilities if they are due and payable within 12 months after the date of the consolidated interim statements of financial position. The following table provides a breakdown of current and non-current portions of loans payable:

	June 30, 2016	December 31, 2015
Current:		
Loans payable	$ 997	$ 1,156
Unamortized financing costs	(346)	(388)
	651	768
Non-current:		
Loans payable	$ 141,053	$ 141,083
Unamortized financing costs	(833)	(793)
	140,220	140,290
	$ 140,871	$ 141,058

Future principal payments on loans payable are as follows:

	Mortgage principal payment	Mortgage maturity payment	Mezzanine maturity payment	Total
2016 – remaining of year	$ 362	-	-	$ 362
2017	1,395	-	-	1,395
2018	1,801	57,912	7,000	66,713
2019	1,537	-	-	1,537
2020	1,560	-	-	1,560
Thereafter	3,326	67,157	-	70,483
	$ 9,981	125,069	7,000	$ 142,050

(In thousands of U.S. dollars, unless otherwise noted)

9. Derivative financial instruments:

Interest rate caps:

The Fund utilizes interest rate cap agreements to hedge its interest costs on two of its variable rate mortgages as required by the applicable lender. As the Fund has elected not to use hedge accounting, a fair value adjustment of $(12) and $(39) was recorded as an unrealized loss in finance costs in the consolidated interim statements of income and comprehensive income for the three and six months ended June 30, 2016, respectively.

The following is a summary of the Fund's interest rate cap agreements as at June 30, 2016:

	Notional amount	Maturity date	Rate cap	Carrying value and fair value at June 30, 2016	Carrying value and fair value at December 31, 2015
Chatham Financial	$ 37,600	January, 2019	4.00%	$ 2	$ 20
Chatham Financial	38,000	February, 2019	3.75%	3	-
	$ 75,600			$ 5	$ 20

The following table represents a summary of the changes in fair value for the six months ended June 30, 2016 and the year ended December 31, 2015 for the interest rate cap agreements carried at fair value:

	June 30, 2016	December 31, 2015
Balance, beginning of the period	$ 20	$ -
Acquisitions during the period	24	13
Unrealized (loss) gain for the period	(39)	7
	$ 5	$ 20

10. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	June 30, 2016	December 31, 2015
Accrued real estate taxes	$ 1,327	$ -
Tenant prepayments	136	151
Operating payables	699	626
	$ 2,162	$ 777

(In thousands of U.S. dollars, unless otherwise noted)

11. Unitholders' equity:

The beneficial interest in the net assets and net income and comprehensive income of the Fund is divided into seven classes of limited partnership units: Class A; Class C; Class D; Class E; Class F; Class H and Class U units. The Class A, Class C, Class D, Class F and Class H units were issued at CDN$10.00 per unit. The Class E and Class U units were issued at $10.00 per unit. The Class A and Class U units are listed for trading on the TSX Venture Exchange under the symbols SUF.A and SUF.U, respectively. The Class C, Class D, Class F and Class H units have conversion privileges into Class A units, and the Class E units have conversion privileges into Class U units.

	Units (000's)	Value
Units issued on April 10, 2015:		
Class A	1,613	$ 12,810
Class C	500	3,970
Class D	1,735	13,774
Class E	820	8,202
Class F	657	5,216
Class H	356	2,823
Class U	458	4,584
Additional Class A on conversion	1	-
Units issued	6,140	51,379
Less issuance costs	-	(3,103)
Class A units repurchased and cancelled under Issuer Bid	(22)	(177)
Class U units repurchased and cancelled under Issuer Bid	(1)	(11)
Balance, June 30, 2016	6,117	$ 48,088

As of June 30, 2016, 6,117,076 units of the Fund were outstanding (December 31, 2015 – 6,130,662 units of the Fund were outstanding).

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted its Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 173,341 units of its Class A limited partnership units and up to 45,280 units of its Class U limited partnership units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on July 24, 2015 and remained in effect until July 22, 2016.

During the three and six months ended June 30, 2016, the Fund purchased and cancelled 8,300 and 13,800 Class A units with a value of $67 and $109, respectively.

11. Unitholders' equity (continued):

Carried Interest:

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 4) Core Holding L.P. ("Holding LP"), Investment LP and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight Investments Ltd. ("Starlight"), will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP (see Note 20).

12. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. multi-family real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

13. Transactions with related parties:

The consolidated interim financial statements include the following transactions with related parties.

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the management agreement dated April 10, 2015 (the "Management Agreement"), Starlight is to perform asset management services for fees equal to 0.35% of the sum of:
   (i) the historical purchase price of the Fund's properties in U.S. dollars; and
   (ii) the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars.

(b) The manager also receives an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

For the three and six months ended June 30, 2016, the costs of these services totalled $183 and $366, respectively (for the three and six months ended June 30, 2015 - $111 and $111, respectively) and were charged to Fund and trust expenses. As at June 30, 2016, $75 was included in accounts payable and accrued liabilities, which includes $22 of service fees (December 31, 2015 - $76 and $21, respectively).

(In thousands of U.S. dollars, unless otherwise noted)

13. Transactions with related parties (continued):

(c) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each calendar year; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each calendar year.

For the three and six months ended June 30, 2016, the Fund incurred no acquisition fees under the Management Agreement.

14. Finance costs:

	Three months ended		Six months ended	
	June 30, 2016 (Note 1 (c))	June 30, 2015	June 30, 2016	June 30, 2015
Interest on loans payable	$ 1,084	$ 706	$ 2,153	$ 706
Fair value adjustments on derivative financial instruments	12	-	39	-
Loss on early extinguishment of debt	-	-	218	-
Amortization of financing costs	75	82	173	82
	$ 1,171	$ 788	$ 2,583	$ 788

(In thousands of U.S. dollars, unless otherwise noted)

15. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended		Six months ended	
	June 30, 2016 (Note 1 (c))	June 30, 2015	June 30, 2016	June 30, 2015
Utility deposits	$ -	$ (42)	$ 2	$ (42)
Tenant and other receivables	17	(138)	55	(138)
Prepaid expenses and other assets	90	(1,008)	245	(1,008)
Tenant rental deposits	5	(78)	9	(78)
Accounts payable and accrued liabilities	898	893	1,385	893
Finance costs payable	(5)	248	92	248
Distributions payable	4	294	18	294
	$ 1,009	$ 169	$ 1,806	$ 169

16. Commitments and contingencies:

At the consolidated interim statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All leases as of June 30, 2016 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the consolidated interim statement of financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

17. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at June 30, 2016.

18. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the action taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to tenants by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated interim statements of income and comprehensive income.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that loans and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has contracted to enter into interest rate cap agreements for all of its floating rate loans. The interest rate cap agreements were not in place for all its floating rate loan as of June 30, 2016 as these agreements are only required once LIBOR reaches one percent. For the three and six months ended June 30, 2016, all else being equal, an increase or decrease of ten basis points in LIBOR would have resulted in a change of $32 and $67 to net earnings, respectively.

18. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its loan portfolio over a number of years and has options to extend the loans to a maturity date that extends beyond the life of the Fund.

All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable, see Note 8.

19. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

Derivative financial instruments are considered as Level 2 financial instruments.

Investment properties are considered as Level 3 financial instruments.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Loans payable:

The fair value of loans payable is estimated based on the current market rates for loans with similar terms and conditions (Level 2). The fair value of the Fund's loans payable at June 30, 2016 approximates its carrying value.

19. Fair value measurement of financial instruments (continued):

(b) Other financial assets and financial liabilities:

The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 3).

20. Subsequent event:

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No. 5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund and Starlight U.S. Multi-Family (No. 3) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 11, in the amount of $6,009.

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

October 12, 2016

TABLE OF CONTENTS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the audited consolidated interim financial results of Starlight U.S. Multi-Family (No. 4) Core Fund (the "Fund") dated October 12, 2016, for the three and six months ended June 30, 2016, should be read in conjunction with the Fund's audited consolidated interim financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for the year ended December 31, 2015. These documents are available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking statements are based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking statements are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in "Risk and Uncertainties" (see "Risks and Uncertainties").

The forward-looking statements included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's audited consolidated interim financial statements for the three and six months ended June 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts, funds or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable and mezzanine loans. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which includes amortization of financing costs and fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest expense. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability of the Fund to make cash distributions to unitholders.

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before deferred taxes plus finance costs which include amortization of financing costs and fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the Fund's obligations. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability of the Fund to make cash distributions to unitholders.

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments, deferred income tax expense and realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

A reconciliation of net income and comprehensive income, an IFRS measure, to FFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO".

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family (No. 4) Core GP, Inc. ("Starlight GP"). Other adjustments may be made to AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operating activities including interest paid to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights".

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in the southeastern U.S. multi-family real estate market.

The Fund has seven classes of Units. The Class A Units and Class U Units of the Fund are listed on the TSX Venture Exchange under the symbols SUF.A and SUF.U, respectively, and Class C Units, Class D Units, Class F Units and Class H Units are convertible into Class A Units and Class E Units which are convertible into Class U Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, Class "A" stabilized, income producing multi-family real estate properties in Florida and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in Class "A", U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is two years with two one-year extensions at the discretion of Starlight GP.

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
    a. are located in U.S. primary and secondary markets in Florida and the southeastern U.S. exhibiting favourable population and demographic characteristics;
    b. demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
    c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and
    d. are located in comfortable climates with a high quality of life.

3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

Enhance Asset Value Through Deployment of Active Management Strategy

1. Preparation of a property-specific asset management plan to improve NOI margins by:
    a. increasing rental rates through rental rate mapping and the use of yield management software;
    b. identifying and realizing upon ancillary income opportunities;
    c. reducing operating expenses; and
    d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

Value Realization Through Disposition Process

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed its initial public offering on April 10, 2015 (the "offering"), it has acquired four properties in the Tampa and Orlando, Florida markets. As of June 30, 2016, the Fund owned a portfolio of 1,204 suites.

Property	Location	Suites	Date of Acquisition
Grand Cypress	1901 Cypress Preserve Dr, Tampa, Florida	304	April 10, 2015
Verano Apartments	2200 Villa Verano Way, Orlando, Florida	384	April 10, 2015
Pure Living Heathrow	740 Savory Place, Heathrow , Florida	252	May 7, 2015
The Reserves at Alafaya	3715 Alafaya Heights Road, Orlando, Florida	264	July 2, 2015
	Total	**1,204**	

Grand Cypress

Grand Cypress is located 31 kilometres north of downtown Tampa at 1901 Cypress Preserve Drive, Lutz, Florida. The property is comprised of 304 apartment suites ranging in size from one to three bedrooms. The complex consists of 20, two-storey buildings, including a central clubhouse, located on a 62.11 acre site. The Fund purchased a 100% ownership interest in the property on April 10, 2015.

Verano Apartments

Verano Apartments ("Verano") is located 37 kilometres south of downtown Orlando at 2200 Villa Verano Way, Kissimmee, Florida. The property is comprised of 384 apartment suites ranging in size from one to three bedrooms. The complex consists of 18 predominantly three-storey buildings, including a central clubhouse, located on a 21.94 acre site. The Fund purchased a 100% ownership interest in the property on April 10, 2015.

PURE LIVING HEATHROW

Pure Living Heathrow ("Pure Living") is located 29 kilometres north of downtown Orlando at 740 Savory Place, Heathrow, Florida. The property is comprised of 252 apartment suites ranging in size from one to three bedrooms. The complex consists of 13 two and three-storey buildings, including a central clubhouse, located on a 28.53 acre site. The Fund purchased a 100% ownership interest in the property on May 7, 2015.

THE RESERVES AT ALAFAYA

The Reserves at Alafaya ("Alafaya") is located 40 kilometres east of downtown Orlando at 3715 Alafaya Heights Road, Orlando, Florida. The property is comprised of 264 apartment suites ranging in size from one to three bedrooms. The complex consists of nine three-storey buildings, including a large central clubhouse, located on a 46.26 acre site. The Fund purchased a 100% ownership interest in the property on July 2, 2015.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at June 30, 2016 and for the three and six months ended June 30, 2016.

The key highlights were as follows:

- The Fund recognized a fair value increase on its investment properties of $3.1 million and its investment properties were valued at $213.6 million as of June 30, 2016.
- Average monthly rents increased to $1,233 as at June 30, 2016 compared to $1,202 as at March 31, 2016, representing an increase of 10.3% on an annualized basis. Since the Fund's inception, rents have increased 4.9% on an annualized basis.
- Portfolio occupancy increased to 93.9% during the three months ended June 30, 2016 compared to 92.9% during the three months ended March 31, 2016, both within the Fund's targeted occupancy range.
- For the three months ended June 30, 2016, the Fund's revenue was $4,628 which was $108 or 2.4% higher than the previous three months ended March 31, 2016.NOI for the properties was $2,688 for the three months ended June 30, 2016 which was $61 or 2.3% higher than the previous three months ended March 31, 2016. NOI margin was 58.1% for both the three and six months ended June 30, 2016.
- AFFO for the three and six months ended June 30, 2016 was $1,193 and $2,381 respectively. AFFO per unit was $0.20 and $0.39 for the same periods.
- AFFO payout ratio was stable at 73.2% during the three months ended June 30, 2016 and 72.2% for the six months ended June 30, 2016.
- Interest coverage ratios and indebtedness coverage ratios also remained consistent at 1.99 times and 2.11 times during the three and six months ended June 30, 2016, respectively.
- Weighted average interest rate on mortgages was 2.56% as at June 30, 2016 and the weighted average term to maturity was 4.25 years.
- Indebtedness to gross book value at 66.5% remained within the Fund's targeted leverage range of 60-70%.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at June 30, 2016	As at December 31, 2015	As at June 30, 2015
Operational Information			
Number of properties	4	4	3
Total suites	1,204	1,204	940
Weighted average portfolio occupancy %	93.9%	92.6%	93.6%
Average monthly rent (in actual dollars)	$1,233	$1,191	$1,166
Summary of Financial Information			
Gross Book Value	$213,600	$209,975	$149,099
Indebtedness	$142,050	$142,239	$109,978
Indebtedness to Gross Book Value (1)	66.50%	67.74%	73.76%
Weighted average mortgage interest rate	2.56%	2.38%	2.18%
Weighted average mortgage term to maturity	4.25 years	3.59 years	1.81 years

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Summary of Financial Information				
Revenue	$4,628	$2,752	$9,148	$2,752
Operating expenses	($1,940)	($1,145)	($3,833)	($1,145)
NOI	$2,688	$1,607	$5,315	$1,607
Net income and comprehensive income	$2,360	$2,869	$2,848	$2,869
FFO	$993	$637	$1,995	$637
FFO per Unit - basic and diluted	$0.17	$0.10	$0.33	$0.10
AFFO	$1,193	$637	$2,381	$637
AFFO per Unit - basic and diluted	$0.20	$0.10	$0.39	$0.10
Distributions per Unit	$0.14	$0.10	$0.28	$0.10
Interest Coverage Ratio	1.99	2.02	2.11	2.02
Indebtedness Coverage Ratio	1.99	2.02	2.11	2.02
FFO payout ratio	87.92%	92.78%	86.22%	92.78%
AFFO payout ratio	73.18%	92.78%	72.24%	92.78%
Weighted average Units Outstanding (000s) - basic and diluted	6,121	6,140	6,124	6,140

Note:

(1) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations based on the Fund's consolidated interim financial statements for the three and six months ended June 30, 2016 are summarized below:

	Three months ended June 30, 2016	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016	Six months ended June 30, 2015 (1)
Revenue	$ 4,628	$ 2,752	$ 9,148	$ 2,752
Property operating expenses (2)	(1,940)	(1,145)	(3,833)	(1,145)
NOI	2,688	1,607	5,315	1,607
Fund expenses	(536)	(182)	(776)	(182)
Unrealized foreign exchange (loss)	-	(64)	(177)	(64)
Realized foreign exchange gain	4	-	215	-
Fair value adjustment of investment properties	3,064	4,530	3,064	4,530
Finance costs	(1,171)	(788)	(2,583)	(788)
Income taxes:				
Deferred	(1,689)	(2,234)	(2,210)	(2,234)
Net income and comprehensive income	$ 2,360	$ 2,869	$ 2,848	$ 2,869

Notes:

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress and Pure Living.

(2) Property operating expenses include operating costs and property taxes.

RESULTS OF OPERATIONS

	Three months ended June 30, 2016	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016	Six months ended June 30, 2015 (1)
Revenue	$ 4,628	$ 2,752	$ 9,148	$ 2,752
Expenses:				
Operating costs	1,273	742	2,492	742
Property taxes	667	403	1,341	403
	1,940	1,145	3,833	1,145
NOI	$ 2,688	$ 1,607	$ 5,315	$ 1,607
NOI margin	58.1%	58.4%	58.1%	58.4%

Note:

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress and Pure Living.

PROPERTY REVENUE

Property revenue for the three and six months ended June 30, 2016 was $4,628 and $9,148. During the three months ended June 30, 2016, actual occupancy improved from 92.9% to 93.9% and rental rates increased from $1,202 to $1,233 for an increase on an annualized basis of 10.3%. Property revenues for the last 3 quarters since the acquisition of Alafaya on July 2, 2015 have steadily improved from $4,480 during the three months ended December 31, 2015 to $4,520 during the three months ended March 31, 2016 to $4,628 during the three months ended June 30, 2016. Property revenue for the three and six months ended June 30, 2015 was $2,752 reflecting the acquisition dates for Verano and Grand Cypress on April 10, 2015 and Pure Living on May 7, 2015.

OPERATING EXPENSES

Property operating expenses for the three and six months ended June 30, 2016 were $1,940 and $3,833. Property operating expenses for the three and six months ended June 30, 2015 were $1,145 and include expenses incurred at the properties since their acquisition.

Property operating costs for the three and six months ended June 30, 2016 were $1,273 and $2,492. Property operating costs of $403 were incurred for the three and six months ended June 30, 2015 representing the period since acquisition of the Verano, Grand Cypress and Pure Living properties. Property taxes for the three and six months ended June 30, 2016 were $667 and $1,341. Property taxes for the three and six months ended June 30, 2015 were $403, representing the taxes incurred from the acquisition dates for Verano, Grand Cypress and Pure Living.

NET OPERATING INCOME

NOI for the three and six months ended June 30, 2016 was $2,688 and $5,315. NOI for the three and six months ended June 30, 2015 was $1,607 which was the NOI contribution from the initial three properties since their acquisition dates. NOI for three months ended June 30, 2016 was $61 or 2.3% higher than the three months ended March 31, 2016.

NOI margin for the three and six months ended June 30, 2016 was 58.1%. NOI margins for the three and six months ended June 30, 2015 was 58.4%.

FUND EXPENSES

Fund expenses include costs incurred by the Fund that are not directly attributable to the property portfolio. These costs include items such as legal and audit fees, director fees, investor relations expenses, foreign exchange gains and losses on Fund transactions, directors' and officers' insurance premiums, expenses relating to the administration of the Fund distributions and other general and administrative expenses associated with the operation of the Fund. Also included in fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight" or the "Manager") - See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund expenses for the three and six months ended June 30, 2016 were $536 and $776, respectively and include asset management fees and service fees of $183 and $366, respectively. During the three months ended June 30, 2016, the Fund incurred one-time transaction costs of $255. The remaining Fund expenses of $98 and $155 include legal and audit fees, director fees, investor relations expenses, hedging arrangement premiums in relation to the Fund's Canadian dollar distributions and Class H Unit principal amount, as well as, directors' and officers' insurance premiums.

FOREIGN EXCHANGE GAINS AND LOSSES

The Fund realized a foreign exchange gain of $4 during the three months ended June 30, 2016 and during the six months ended June 30, 2016 realized a foreign exchange gain of $215 which included $197 on the repayment of the Verano mezzanine loan on January 7, 2016. The repayment resulted from the Fund achieving additional proceeds on the Verano mortgage refinancing. The Fund recognized an unrealized foreign exchange loss of $177 for the six months ended June 30, 2016 relating to the reversal of an unrealized gain on the Verano mezzanine loan which was funded in Canadian dollars and repaid during the three months ended March 31, 2016 resulting in the realized foreign exchange gain previously mentioned.

FINANCE COSTS

The Fund's finance costs for the three and six months ended June 30, 2016 are summarized below:

	Three months ended June 30, 2016	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016	Six months ended June 30, 2015 (1)
Interest on loans payable	$ 1,084	$ 706	$ 2,153	$ 706
Fair value adjustments on derivative financial instruments	12	-	39	-
Loss on early extinguishment of debt	-	-	218	-
Amortization of financing costs	75	82	173	82
Total	$ 1,171	$ 788	$ 2,583	$ 788

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress and Pure Living.

Finance costs for the three and six months ended June 30, 2016 were $1,171 and $2,583. Finance costs for the three and six months ended June 30, 2015 were $788 and represent interest on loans payable and amortization of financing costs since the acquisition dates of Verano, Grand Cypress and Pure Living.

Interest on loans payable for the three and six months ended June 30, 2016 was $1,084 and $2,153. Interest on loans payable for the three and six months ended June 30, 2015 was $706 relating to interest on loans relating to Verano and Grand Cypress since April 10, 2015 and Pure Living since May 7, 2015.

The Fund recognized a $12 fair value adjustment on its derivative financial instruments in the three months ended June 30, 2016 and $39 for the six months ended Jun 30, 2016. The derivative financial instruments, relate to two interest rate cap agreements the Fund has obtained in connection with two loans as required by the Funds lenders.

Loss on early extinguishment of debt for the six months ended June 30, 2016 was $218 and was due to the Fund expensing $218 of financing costs associated with the Verano mortgage and mezzanine loan on repayment of these loans during the three months ended March 31, 2016.

Amortization of financing costs for the three and six months ended June 30, 2016 was $75 and $173. Amortization of financing costs for three and six months ended June 30, 2015 was only $82 due to the limited period of property ownership as described previously.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The Fund recognized a fair value increase on its investment properties for the six months ended June 30, 2016 of $3,064. The following table summarizes the change in investment properties held by the Fund for the period from January 1, 2015 to December 31, 2015 and for the six months ended June 30, 2016:

		Amount
Balance at January 1, 2015	$	-
Acquisitions of investment properties		187,583
Additions - capital expenditures		813
Fair value adjustment - w rite dow n of acquisition costs		(371)
Fair value adjustment		21,950
Balance at December 31, 2015	$	209,975
Additions - capital expenditures		561
Fair value adjustment		3,064
Balance at June 30, 2016	$	213,600

The following table reconciles the cost base of investment properties to their fair value:

		As at June 30, 2016		As at December 31, 2015
Cost	$	188,957	$	188,396
Cumulative fair value adjustment		24,643		21,579
Fair value	$	213,600	$	209,975

The key valuation assumptions for investment properties held by the Fund are set out in the following table:

	As at June 30, 2016	As at December 31, 2015
Capitalization rates - range	5.00%-5.25%	5.00%-5.25%
Capitalization rate - w eighted average	5.13%	5.07%

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties as set out in the following table:

Key assumptions	Change		As at June 30, 2016		As at December 31, 2015
Weighted average:					
Capitalization rate	10-basis-points increase	$	(4,082)	$	(4,065)
Capitalization rate	10-basis-points decrease		4,257		4,230

The impact of a 1% change in NOI used to value the investment properties at March 31, 2016 would affect the fair value by approximately $2,136 (December 31, 2015 - $2,100).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below.

	Three months ended June 30, 2016	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016	Six months ended June 30, 2015 (1)
Net income and comprehensive income	$ 2,360	$ 2,869	$ 2,848	$ 2,869
Add / (Less):				
Deferred taxes	1,689	2,234	2,210	2,234
Unrealized foreign exchange loss	-	64	177	64
Realized foreign exchange gain	(4)	-	(215)	-
Fair value adjustment of investment properties	(3,064)	(4,530)	(3,064)	(4,530)
Fair value adjustment on deriviative financial instruments	12	-	39	-
FFO	**$ 993**	**$ 637**	**$ 1,995**	**$ 637**
FFO per Unit - basic and diluted	$0.17	$0.10	$0.33	$0.10
Distributions declared (2)	$ 873	$ 591	$ 1,720	$ 591
FFO payout ratio	87.92%	92.78%	86.22%	92.78%
Weighted average Units outstanding:				
Basic and diluted - Class A, C, D, E, F, H & U - (000s)	6,121	6,140	6,124	6,140

Notes:
(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and Pure Living.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three and six months ended June 30, 2016 were $993, $1,995, $0.17 and $0.33, respectively.

The FFO payout ratio for the three months ended June 30, 2016 was 87.92% and for the six months ended June 30, 2016 was 86.22%. The FFO per Unit increased by 6.3% from $0.16 in the three months ended March 31, 2016 to $0.17 in the three months ended June 30, 2016.

The Fund distributions paid and declared during the six months ended June 30, 2016 per Unit were as follows:

Class A	Class C	Class D	Class E	Class F	Class H	Class U
C$0.34998	C$0.34998	C$0.34998	C$0.34998	C$0.34998	C$0.24996	$ 0.34998

ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of FFO to AFFO for the three and six months ended June 30, 2016 and for the three and six months ended June 30, 2015 is detailed below:

	Three months ended June 30, 2016	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016	Six months ended June 30, 2015 (1)
FFO	**$ 993**	**$ 637**	**$ 1,995**	**$ 637**
Add / (Deduct):				
Amortization of financing costs	75	82	173	82
Loss on early extinguishment of debt	-	-	218	-
One-time transaction costs	255	-	255	-
Sustaining capital expenditures and suite renovation reserves	(130)	(82)	(260)	(82)
AFFO	**$ 1,193**	**$ 637**	**$ 2,381**	**$ 637**
AFFO per unit - basic and diluted	$ 0.20	$ 0.10	$ 0.39	$ 0.10
Distributions declared (2)	$ 873	$ 591	$ 1,720	$ 591
AFFO payout ratio	73.18%	92.78%	72.24%	92.78%
Weighted average Units outstanding:				
Basic and diluted - Class A, C, D, E, F, H & U - (000s)	6,121	6,140	6,124	6,140

Notes:

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress and Pure Living.

(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted AFFO and AFFO per Unit for the three and six months ended June 30, 2016 was $1,193, $2,381, $0.20 and $0.39, respectively. Basic and diluted AFFO and AFFO per Unit for the three and six months ended June 30, 2015 was $637 and $0.10, respectively. The Fund commenced operations on April 10, 2015 and began paying distributions immediately.

The Fund's AFFO payout ratio was 73.18% for the three months ended June 31, 2016 and 72.24% for the six months ended June 30, 2016, significantly lower than 92.78% for the period ended June 30, 2015.

Reconciliation of cash provided by operating activities, including interest paid, to AFFO for the three and six months ended June 30, 2016 and three and six months ended June 30, 2015 is provided below:

	Three months ended June 30, 2016	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016	Six months ended June 30, 2015 (1)
Cash provided by operating activities	**$ 2,296**	**$ 1,039**	**$ 5,004**	**$ 1,039**
Less: interest paid	(1,084)	(706)	(2,153)	(706)
Cash provided by operating activities - including interest paid	**1,212**	**333**	**2,851**	**333**
Add / (Deduct):				
Change in non-cash operating working capital	(1,009)	(169)	(1,806)	(169)
Change in restricted cash	869	555	1,556	555
Realized foreign exchange loss	(4)	-	(215)	-
One-time transaction costs	255	-	255	-
Sustaining capital expenditures and suite renovation reserve	(130)	(82)	(260)	(82)
AFFO	**$ 1,193**	**$ 637**	**$ 2,381**	**$ 637**

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and

The Fund's distributions of $873 and $1,720 for the three and six months ended June 30, 2016 were not in excess of net income and comprehensive income or cash flow provided by operating activities including interest paid and the Fund does not expect distributions to exceed cash provided by operating activities including interest paid in 2016. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to unitholders, property maintenance and capital expenditure commitments as they become due and to provide for the future growth of the business. Given the age and quality of the Fund's properties, minimal capital expenditures are required to maintain the properties. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities, loans secured by investment properties and mezzanine financing. As at June 30, 2016, the Fund was in compliance with all of its financial covenants. All of the Fund's current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of loans payable see "Loans Payable" section below.

CASH FLOWS

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for the three and six months ended June 30, 2016 and June 30, 2015:

	Three months ended June 30, 2016	Three months ended June 30, 2015 (1)	Six months ended June 30, 2016	Six months ended June 30, 2015 (1)
Cash provided by operating activities	$ 2,296	$ 1,098	$ 5,004	$ 1,098
Cash used in investing activities	(360)	(72,094)	(561)	(72,094)
Cash (used in) provided by financing activities	(2,332)	83,581	(4,770)	83,581
(Decrease) increase in cash	(396)	12,585	(327)	12,585
Cash, beginning of period	2,062	-	1,993	-
Cash, end of period	$ 1,666	$ 12,585	$ 1,666	$ 12,585

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and Pure Living.

Cash provided by operating activities for three and six months ended June 30, 2016 was $2,296 and $5,004 and related primarily to the net cash generated from property operations, including changes in non-cash working capital of $1,009 and $1,806. Cash provided by operating activities for the three and six months ended June 30, 2015 was $1,098 and related primarily to the net cash generated from property operations, including changes to non-cash working capital of $167. The Fund commenced operations on April 10, 2015 after the closing of the offering.

Cash used in investing activities for the three and six months ended June 30, 2016 was ($360) and ($561) and related solely to additions to investment properties. Cash used in investing activities for the three and six months ended June 30, 2015 was ($72,094) and related to acquisitions of Verano, Grand Cypress and Pure Living for a total of $72,255 and additions to investment property of $206, net of cash assumed on the acquisitions of Verano and Grand Cypress of $367.

Cash used financing activities for the three and six months ended June 30, 2016 was ($2,332) and ($4,770). For the three months ended June 30, 2016 this activity related to financing costs paid of $1,084, distributions to unitholders of $883, distributions to non-controlling interests of $8, principal payments on the Pure Living mezzanine loan of $300 and Units repurchased and cancelled under normal course issuer bid ("Issuer Bid") of $67. For the six months ended June 30, 2016 cash used related to repayment of loans payable of $35,067, principal payments of $3,300, financing costs paid of $2,542, distributions to unitholders of $1,720, distributions to non-controlling interests of $8, Units repurchased and cancelled under the Issuer Bid of $109 and the purchase of an interest rate cap of $24, partly offset by proceeds from new mortgage financing of $38,000.

Cash provided by financing activities for the three and six months ended June 30, 2015 was $83,581 and related to proceeds from the issuance of Units, net of issuance costs of $48,276 and proceeds from new financing of $36,602 which were partially offset by financing costs paid of $706 and distributions to unitholders of $591.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of indebtedness and unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build unitholder value and maintaining sufficient capital contingencies. As at June 30, 2016, December 31, 2015 and June 30, 2015, the total capital of the Fund was as follows:

	As at June 30, 2016	As at December 31, 2015	As at June 30, 2015
Indebtedness	$ 142,050	$ 142,239	$ 109,978
Unitholders' equity	62,449	61,430	50,554
Total capital	$ 204,499	$ 203,669	$ 160,532

DEBT PROFILE

As at June 30, 2016, the Fund's leverage, as represented by the ratio of Indebtedness to Gross Book Value was 66.50%. The maximum allowable ratio under the Fund's limited partnership agreement is 75%, but the Fund has targeted leverage at between 60% and 70%. The weighted average mortgage interest rate for the Fund as at June 30, 2016 was 2.56%, an increase from 2.38% as at December 31, 2015 due to an increase in the U.S. one-month LIBOR rate which all of the Fund's first mortgage rates are tied to. The weighted average term to maturity of the mortgage portfolio increased to 4.25 years from 3.59 years as a result of the refinancing of the Verano mortgage with a seven year term first mortgage. The weighted average interest rate on all loans, both mortgages and mezzanine loans, was 3.02% and the weighted average term to maturity for all loans was 4.34 years.

The following table summarizes key liquidity metrics:

	As at June 30, 2016	As at December 31, 2015	As at June 30, 2015
Indebtedness to Gross Book Value	66.50%	67.74%	73.76%
Weighted average interest rate - mortgages	2.56%	2.38%	2.18%
Weighted average term to maturity - mortgages	4.25 years	3.59 years	1.81 years
	Three months ended June 30, 2016	**Six months ended June 30, 2016**	**Three and six months ended June 30, 2015**
Interest Coverage Ratio	1.99 x	2.11 x	2.02 x
Indebtedness Coverage Ratio	1.99 x	2.11 x	2.02 x

The Interest Coverage Ratio and Indebtedness Coverage Ratio for the three months ended June 30, 2016 was 1.99 times compared to 2.02 times for the three months ended June 30, 2015. No principal payments were required under any of the Fund's loan agreements during the three months ended June 30, 2016 or three months ended June 30, 2015. For the six months ended June 30, 2016 the Interest Coverage Ratio and Indebtedness Coverage Ratio were 2.11 times.

LOANS PAYABLE

The following table sets out, as at June 30, 2016, scheduled principal and interest payments and amounts maturing on the loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on the Fund's consolidated interim financial statements.

	Scheduled mortgage principal payments	Mortgages payable maturing during the year	Mezzanine loans maturing during the year	Total loans payable	Weighted average interest rate of maturing mortgages	Weighted average interest rate of all maturing loans	Scheduled interest payments on all loans
2016	$ 362	$ -	$ -	$ 362	0.00%	0.00%	$ 2,069
2017	1,395	-	-	1,395	0.00%	0.00%	4,109
2018	1,801	57,912	7,000	66,713	2.47%	3.19%	3,099
2019	1,537	-	-	1,537	0.00%	0.00%	2,092
2020	1,560	-	-	1,560	0.00%	0.00%	2,053
Thereafter	3,326	67,157	-	70,483	2.87%	2.87%	4,104
	9,981	125,069	7,000	142,050	2.56%	3.02%	$ 17,525
Unamortized financing costs				(1,179)			
				$ 140,871			

The weighted average interest rate of all maturing loans of 3.02% includes mezzanine loans of $7,000 which bear interest at 9.25%. The weighted average mortgage interest rate was 2.56% as at June 30, 2016.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries. All leases as of June 30, 2016 expire within 12 months.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into seven classes of Units: Class A; Class C; Class D; Class E; Class F; Class H and Class U.

UNITS

The following table summarizes the changes in Units for the period from December 1, 2014, the Fund's date of formation to June 30, 2016:

	Units ('000's)	Amount
Outstanding as at December 1, 2014 and December 31, 2015	-	$ -
Issuance of Units (Class A, C, D, E, F, H & U), April 10, 2015, net of costs of $3,103	6,139	48,276
Class A Units repurchased and cancelled under the Issuer Bid	(8)	(68)
Class U Units repurchased and cancelled under the Issuer Bid	(1)	(11)
Adjustment to reflect Units converted to Class A	1	-
Outstanding as at December 31, 2015	6,131	48,197
Class A Units repurchased and cancelled under the Issuer Bid	(14)	(109)
Outstanding as at June 30, 2016	6,117	48,088

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted its Issuer Bid. Under the Issuer Bid, the Fund had the ability to purchase for cancellation up to a maximum of 173,341 of its Class A Units and 45,280 of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on July 24, 2015 and remained in effect until July 22, 2016.

In connection with the Issuer Bid, the Fund entered into an automatic unit purchase plan (the "Plan") with an investment advisor on July 24, 2015 in order to facilitate repurchases of the Units under the Issuer Bid. Purchases under the Plan were made by the Fund's investment advisor based on the parameters prescribed by the TSX Venture Exchange, applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Fund's investment advisor was permitted to purchase Units under the Issuer Bid when the Fund would ordinarily not be permitted to do so. The Plan was terminated with this investment advisor on October 23, 2015, and the Fund announced on November 25, 2015 that it had entered into a Plan with a different investment advisor based on the same parameters.

From July 24, 2015 until December 31, 2015, 8,800 Class A Units were purchased and 1,100 Class U Units were purchased under the Issuer Bid for $79. For the three and six months ended June 30, 2016, 8,300 and 13,800 Class A Units were purchased under the Issuer Bid for $67 and $109.

A copy of TSX Venture Exchange Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available, without charge by contacting the Fund.

As at June 30, 2016, there were 6,117,076 Units issued and outstanding (December 31, 2015 – 6,130,662 Units).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On April 10, 2015, the Fund entered into a management agreement with Starlight. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team; advisory, consultation and investment management services and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

- (i) the historical purchase price of properties owned by the Fund; and
- (ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from April 10, 2015, plus

(b) An amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three and six months ended June 30, 2016, the costs of these services were $161 and $322 (for the three and six months ended June 30, 2015 - $97 and $97, respectively), excluding service fees. As at June 30, 2016, $75 was included in accounts payable and accrued liabilities including service fees of $22 (as at December 31, 2015 - $76 and $21, respectively).

(c) Acquisition fee equal to:

- (i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;
- (ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired in each calendar year; and
- (iii) 0.50% of the purchase price on properties acquired in excess of $200,000 in each calendar year.

For the three and six months ended June 30, 2016 the Fund incurred no acquisition fees (for the three and six months ended June 30, 2015 - $1,312 and $1,312, respectively). Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions.

CARRIED INTEREST

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 4) Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family (No. 4) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is described in Note 2 to the consolidated financial statements for the year ended December 31, 2015 and for the three and six months ended June 30, 2016. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund’s cash, restricted cash, tenant and other receivables and utility deposits have been designated as loans and receivables and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund’s financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units of the Fund and in the activities of the Fund. Risks and uncertainties are disclosed in the Fund’s MD&A for the year ended December 31, 2015 in the Risks and Uncertainties section which is available at WWW.SEDAR.COM. If any of the risks outlined in such disclosure or those outlined in the Fund’s prospectus dated March 27, 2015 occur, or if others occur, the Fund’s business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Other than set out or contemplated herein, management is not aware of any significant changes in risks and uncertainties since April 12, 2016, the date of the Fund’s MD&A for the year ended December 31, 2015.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management’s assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund’s internal controls over financial reporting were effective and do not contain any material weaknesses, as at June 30, 2016.

SUBSEQUENT EVENT

On September 6, 2016, the Fund announced that it had entered into an agreement and that it planned to issue a Notice of Special Meeting and Management Information Circular ("Information Circular") to Unitholders to consider passing a special resolution approving the plan of arrangement contemplated by the arrangement agreement (the "Plan of Arrangement"), whereby all of the units of the Fund would be acquired by a new publicly listed closed-end fund, Starlight U.S. Multi-Family (No. 5) Core Fund, which would consolidate the assets of the Fund together with Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund and Starlight U.S. Multi-Family (No. 3) Core Fund, as well as one additional property and Campar Capital Corporation. The special resolution was passed on October 6, 2016 by Unitholders of the Fund.

The completion of the Plan of Arrangement depends on a number of conditions being satisfied, including among others:

i. the special resolution being approved by the existing Unitholders of the Fund and each of the other funds participating in the Plan of Arrangement, as well as the shareholders of Campar Capital Corporation;

ii. approval of the TSX Venture Exchange;

iii. court approval; and

iv. satisfaction or waiver of the various other transaction conditions.

The completion of the Plan of Arrangement will trigger, on completion, the Fund's crystallization of the Carried Interest, as described in Note 11, in the amount of $6,009.

FUTURE OUTLOOK

Management believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for unitholders.

QUARTERLY INFORMATION

	Q2-2016	Q1-2016	Q4-2015	Q3-2015 (1)	Q2-2015 (2)	Q1-2015 (3)	For the period from Dec 1, 2014 to Dec 31, 2014 (3)
Revenue	$ 4,628	$ 4,520	$ 4,480	$ 4,473	$ 2,752	$ -	$ -
Property operating costs	(1,940)	(1,893)	(1,840)	(1,882)	(1,145)	-	-
NOI	2,688	2,627	2,640	2,591	1,607	-	-
Fund expenses	(536)	(240)	(343)	(270)	(182)	-	-
Unrealized foreign exchange (loss) gain	-	(177)	(221)	462	(64)		
Realized foreign exchange gain	4	211	477	29	-		
Fair value adjustment of investment properties	3,064	-	6,886	10,163	4,530	-	-
Finance costs	(1,171)	(1,412)	(1,162)	(1,291)	(788)	-	-
Income taxes:							
Deferred	(1,689)	(521)	(2,368)	(4,935)	(2,234)	-	-
Net income and comprehensive income for the period	$ 2,360	$ 488	$ 5,909	$ 6,749	$ 2,869	$ -	$ -
FFO	$993	$1,002	$1,128	$1,030	$637	n/a (4)	n/a (4)
AFFO	$1,193	$1,188	$1,127	$1,042	$637	n/a (4)	n/a (4)
Distributions	$873	$847	$841	$862	$591	n/a (4)	n/a (4)
FFO per Unit - basic and diluted	$0.17	$0.16	$0.19	$0.17	$0.10	n/a (4)	n/a (4)
AFFO per Unit - basic and diluted	$0.20	$0.19	$0.19	$0.17	$0.10	n/a (4)	n/a (4)
Distributions per Unit (4)	$0.14	$0.14	$0.14	$0.14	$0.10	n/a (4)	n/a (4)

Notes:

(1) During the three months ended September 30, 2015, the Fund acquired Alafaya.
(2) During the three months ended June 30, 2015, the Fund acquired Verano, Grand Cypress, and Pure Living.
(3) No properties were held by the Fund during this period.
(4) Distributions per Unit for each period are based on the total distributions per Unit declared during the period.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: October 12, 2016
Toronto, Ontario, Canada

Consolidated Financial Statements
(In thousands of U.S. dollars)

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Year ended December 31, 2015

Collins Barrow Toronto LLP
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INDEPENDENT AUDITORS' REPORT

To the Unitholders of Starlight U.S Multi-Family (No. 4) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S Multi-Family (No. 4) Core Fund and its subsidiaries, which comprise the consolidated statements of financial position as at December 31, 2015 and the consolidated statement of income and comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No. 4) Core Fund and its subsidiaries as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Collins Barrow Toronto LLP

Chartered Professional Accountants
Licensed Public Accountants
April 12, 2016
Toronto, Ontario

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Statement of Financial Position
As at December 31
(In thousands of U.S. dollars)

	Note	2015 (Note 1)
ASSETS		
Non-current assets		
Investment properties	4	**$ 209,975**
Derivative financial instruments	9	**20**
Utility deposits		**101**
Total non-current assets		**210,096**
Current assets		
Tenant and other receivables	5	**137**
Prepaid expenses and other assets	6	**606**
Restricted cash	7	**903**
Cash		**1,993**
Total current assets		**3,639**
TOTAL ASSETS		**$ 213,735**
LIABILITIES		
Non-current liabilities		
Mortgages payable	8	**768**
Deferred taxes		**9,537**
Total non-current liabilities		**10,305**
Current liabilities		
Mortgages payable	8	**$ 140,290**
Tenant rental deposits		**327**
Accounts payable and accrued liabilities	10	**777**
Finance costs payable		**240**
Distributions payable		**272**
Total current liabilities		**141,906**
Total liabilities		**152,211**
EQUITY		
Unitholders' equity		**61,430**
Non-controlling interests		**94**
Total equity		**61,524**
TOTAL LIABILITIES AND EQUITY		**$ 213,735**

Commitments and Contingencies (Note 16)

Subsequent Events (Note 20)

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 4) Core GP, Inc., as general partner for Starlight U.S. Multi-Family (No. 4) Core Fund on April 12, 2016, and signed on its behalf:

Daniel Drimmer Director   *Derek Lobo* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Statement of Income and Comprehensive Income
Year ended December 31, 2015
(In thousands of U.S. dollars, except per unit amounts)

	Note		2015
			(Note 1)
Revenue from property operations		**$**	**11,705**
Expenses			
Property operating costs			**3,471**
Realty taxes			**1,396**
			4,867
Income from operations			**6,838**
Finance costs	14		**(3,241)**
Fund and trust expenses			**(795)**
Unrealized foreign exchange gain			**177**
Realized foreign exchange gain			**506**
Fair value adjustment of investment properties	4		**21,579**
			25,064
Income taxes			
Deferred	2 (g) (ii)		**(9,537)**
Net income and comprehensive income		**$**	**15,527**
Basic and diluted earnings per unit	2 (f)	**$**	**2.53**
Weighted average number of units outstanding			
Basic and diluted			**6,137**

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Statement of Changes in Equity
Year ended December 31, 2015
(In thousands of U.S. dollars)

	Unitholders' Equity (Note 11)	Retained Capital	Total Unitholders' Equity	Non-Controlling Interest	Total
Balance, December 1 and December 31, 2014 (Note 1)	$ -	$ -	$ -	$ -	$ -
Changes during the year:					
Units issued, net of issuance costs	48,276	-	48,276	97	48,373
Units repurchased and cancelled under normal course issuer bid ("Issuer Bid")	(79)	-	(79)	-	(79)
Distributions		(2,294)	(2,294)	(3)	(2,297)
Net income and comprehensive income	-	15,527	15,527	-	15,527
Balance, December 31, 2015	$ 48,197	$ 13,233	$ 61,430	$ 94	$ 61,524

Distributions to unitholders in the aggregate for all classes of units of the Fund during the year ended December 31, 2015 were equal to $0.3738 per unit.

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

Consolidated Statement of Cash Flows
Year ended December 31, 2015
(In thousands of U.S. dollars)

	Note	2015 (Note 1)
Operating activities		
Net income and comprehensive income		$ **15,527**
Adjustment for financing activities included in net income		
Finance costs	14	**3,241**
Adjustments for items not involving cash		
Fair value adjustment of investment properties	4	**(21,579)**
Unrealized foreign exchange gain		**(177)**
Deferred taxes		**9,537**
Change in restricted cash		**358**
Change in non-cash operating working capital	15	**(235)**
Cash provided by operating activities		**6,672**
Investing activities		
Acquisitions	3	**(115,653)**
Assumed cash on acquisition		**367**
Additions to investment properties	4	**(813)**
Cash used in investing activities		**(116,099)**
Financing activities		
Proceeds from the issuance of units, net of issuance costs	11	**48,276**
Units repurchased and cancelled under Issuer Bid	11	**(79)**
Mortgages payable		
Proceeds – new financing		**106,668**
Repayment of mortgage		**(32,198)**
Principal payments		**(5,700)**
Purchase of interest rate cap		**(13)**
Financing costs paid		**(3,334)**
Contributions from non-controlling interest		**97**
Distribution to non-controlling interest		**(3)**
Distributions to unitholders		**(2,294)**
Cash provided by financing activities		**111,420**
Increase in cash during the year		**1,993**
Cash, beginning of year		**-**
Cash, end of year		$ **1,993**

See accompanying notes to the consolidated financial statements.

Starlight U.S. Multi-Family (No. 4) Core Fund (the “Fund”) is a limited partnership formed under and governed by the laws of the Province of Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning and operating a portfolio comprised of diversified revenue-generating rental properties in the United States (“U.S.”) multi-family real estate market.

The operations of the Fund commenced on April 9, 2015 when, subsequent to completion of its initial public offering on April 9, 2015, the Fund completed the acquisition of its interests in a portfolio of two multi-family residential properties located in Tampa and Orlando, Florida comprising a total of 688 suites. Currently, the Fund has interests in a portfolio of four properties, comprising a total of 1,204 suites, located in Tampa and Orlando, Florida.

The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario.

1. Basis of presentation:

(a) Statement of compliance:

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”) applicable to the preparation of the consolidated financial statements for the year ended December 31, 2015.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value.

These consolidated financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

(c) Comparatives:

The Fund was registered on December 1, 2014. Throughout the period from its registration on December 1, 2014 to December 31, 2014 there was no activity, accordingly, no comparatives have been presented in these consolidated financial statements

1. Basis of presentation (continued):

(d) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. Non-controlling interests in the equity of the Fund's subsidiaries are shown separately in the consolidated statements of financial position. All intercompany transactions and account balances have been eliminated upon consolidation.

When the Fund is exposed to, or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

(e) Critical judgments and estimates:

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. Critical judgments and estimates are described in detail in Note 2(h).

2. Significant accounting policies:

(a) Foreign currency translation:

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date that the fair value was determined.

2. Significant accounting policies (continued):

(a) Foreign currency translation (continued):

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statements of income and comprehensive income. Non-monetary that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(b) Investment properties:

A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of income and comprehensive income in the period in which they arise.

Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(c) Cash and restricted cash:

Cash includes unrestricted cash on hand and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, realty taxes, repairs and replacements. The Fund also restricts cash for tenant security deposits.

(d) Revenue recognition:

The Fund has retained substantially all of the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset, and revenue is recognized pursuant to the terms of the lease agreement and collection is reasonably assured.

2. Significant accounting policies (continued):

(d) Revenue recognition (continued):

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of its tenants. All accounts greater than 90 days outstanding are allowed for through the consolidated statements of income and comprehensive income.

(e) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in the consolidated statement of income and comprehensive income. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

(In thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	Classification	Measurement	2015
Financial assets:			
Derivative financial instruments	FVTPL	Fair value	**$ 20**
Utility deposits	Loans and receivables	Amortized cost	**101**
Tenant and other receivables	Loans and receivables	Amortized cost	**137**
Restricted cash	Loans and receivables	Amortized cost	**903**
Cash	Loans and receivables	Amortized cost	**1,993**
Financial liabilities:			
Mortgages payable	Other liabilities	Amortized cost	**$ 141,058**
Tenant rental deposits	Other liabilities	Amortized cost	**327**
Accounts payable and accrued liabilities	Other liabilities	Amortized cost	**777**
Finance costs payable	Other liabilities	Amortized cost	**240**
Distributions payable	Other liabilities	Amortized cost	**$ 272**

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception.

Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Other financial liabilities including mortgages payable are initially recognized at fair value less directly attributable transaction costs. After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest rate ("EIR") method.

Financing fees and other costs incurred in connection with debt financing are recorded net of the related debt obligation and amortized using the EIR method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR calculation.

Financial assets are derecognized when the contractual rights to the cash flows from these financial assets expire or have been transferred.

2. Significant accounting policies (continued):

(e) Financial instruments (continued):

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

(f) Earnings per unit:

Basic earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year. Diluted earnings per unit amounts are calculated by dividing the net income attributable to unitholders of the Fund by the weighted average number of units outstanding during the year, adjusted for the effects of all dilutive potential units.

(g) Income taxes:

(i) Canadian status

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the "Tax Act"). Each unitholder of the Fund is required to include in computing the unitholder's income for a particular taxation year the unitholder's share of the income or loss of the Fund allocated to the unitholder for its year ended in or on the unitholder's taxation year-end, whether or not any of that income or loss is distributed to the unitholder in the taxation year. Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through ("SIFT") rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the "SIFT Measures").

2. Significant accounting policies (continued):

(g) Income taxes (continued):

(i) Canadian status (continued)

A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as it remains exempt from the SIFT Measures on a continuous basis in the future. However, the Fund’s continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the “Code”). Furthermore, Starlight U.S. Multi-Family (No. 4) Core REIT Inc. (the “U.S. REIT”), a subsidiary of the Fund, intends to make and maintain an election as a real estate investment trust (“REIT”) under the Code. In order for the U.S. REIT to qualify, it must meet a number of organizational and operational requirements, including a requirement to make annual distributions to its stockholders equal to a minimum of 90% of its REIT taxable income, computed without regard to a dividend paid deduction and net capital gains.

The U.S. REIT generally will not be subject to U.S. federal income tax on its taxable income to the extent such income is distributed as a dividend to its stockholders annually.

2. Significant accounting policies: (continued)

(g) Income taxes (continued):

(ii) U.S. status (continued)

Current taxes (continued)

The Fund intends to make the REIT election for the U.S. REIT and believes the U.S. REIT's organization, ownership, method of operations, future assets and future income will enable the U.S. REIT to qualify as a REIT under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REIT.

The Fund operates and intends to operate the U.S. REIT in such a manner so as to qualify as a REIT on a continuous basis in the future. However, actual qualification as a REIT will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code. If the U.S. REIT fails to qualify as a REIT in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REIT may not be able to requalify as a REIT for the four subsequent taxable years. Even if the U.S. REIT qualifies for taxation as a REIT, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

Starlight U.S. Multi-Family (No. 4) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, is treated as a partnership for Canadian tax purposes but has elected to be treated as a corporation for U.S. federal income tax purposes. As such, Investment LP is generally subject to U.S. tax in respect of its allocable share of: (i) capital gains distributions made by the U.S. REIT; (ii) gains upon a sale of the shares of U.S. REIT; and (iii) distributions made by the U.S. REIT in excess of both its: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REIT shares held by Starlight U.S. Multi-Family (No. 4) Core Holding L.P. ("Holding LP"). Investment LP is also liable for U.S. withholding tax with respect to the ordinary dividends from the U.S. REIT received through Holding LP to the extent that the amount exceeds the current and/or accumulated earnings and profits of the U.S. REIT as determined under U.S. tax principles.

2. Significant accounting policies (continued):

(g) Income taxes:

(ii) U.S. status (continued)

Deferred taxes

Deferred tax of Investment LP is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. As of December 31, 2015 a deferred tax liability of $9,537 has been recorded based on a 38% tax rate and relates primarily to the increased fair value of the investment properties.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(h) Critical estimates and judgments:

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior years and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Investment properties

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

2. Significant accounting policies (continued):

(h) Critical estimates and judgments (continued):

(i) Investment properties (continued)

The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

(ii) Accounting for acquisitions

The Fund must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

(iii) Basis of consolidation

The consolidated financial statements of the Fund include the accounts of the Fund and its wholly owned subsidiaries, as well as entities over which the Fund exercises control on a basis other than ownership of voting interest within the scope of IFRS 10, Consolidated Financial Statements. Judgment is applied in determining if an entity meets the criteria of control as defined in the accounting standards.(iii) Financial instruments

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows and discount rates.

(iv) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

2. Significant accounting policies (continued):

(h) Critical judgements (continued):

(v) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

(i) Levies:

Levies are outflows from the Fund imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRIC 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and are based on property value. IFRIC 21 conforms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event over future periods and therefore recognizes as a liability, the expense is pro-rated over the year.

(j) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment of the time value of money and the risks specific to the obligation. Provisions are re-measured at each balance sheet date using the current discount rate. The increase in the provision due to the passage of time is recognized as an interest expense.

2. Significant accounting policies (continued):

(k) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or IFRS Interpretation Committee ("IFRIC") but are not yet effective for the year ended December 31, 2015. Management is still assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Presentation of Financial Statements (“IAS 1”):

IAS 1, Presentation of Financial Statements was amended by the IASB in December of 2014. The amendments are designed to further encourage presenters of financial statements to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that presenters should use professional judgement in determining where and in what order information is presented in their financial disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

(ii) Financial Instruments (“IFRS 9”):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard. The amendments completes the IASB’s financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(iii) Revenue from Contracts with Customers (“IFRS 15”):

IFRS 15, Revenue from Contracts with Customers, is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services.

2. Significant accounting policies (continued):

(k) Future accounting changes (continued):

(iii) Revenue from Contracts with Customers ("IFRS 15") (continued):

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements. IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

(iv) Leases ("IFRS 16"):

IFRS 16, Leases, was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied.

(In thousands of U.S. dollars, unless otherwise noted)

3. Acquisitions:

The following asset acquisitions were completed for the year ended on December 31, 2015. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Grand Cypress	Verano	Pure Living	Alafaya	Total
Acquisition date	April 10, 2015	April 10, 2015	May 7, 2015	July 2, 2015	
Net assets acquired:					
Investment properties	$ 49,017	$ 50,005	$ 45,341	$ 43,220	$ 187,583
Mortgages payable:					
Assumed mortgages	(32,082)	(40,469)	-	-	(72,551)
Cash received for working capital:					
Tenant rental deposits	(92)	(124)	(104)	(57)	(377)
Accounts payable and accrued liabilities	(297)	(326)	(162)	(287)	(1,072)
Prepaid expenses and other assets	170	136	103	33	442
Restricted cash	83	325	364	489	1,261
Cash	206	161	-	-	367
	$ 17,005	$ 9,708	$ 45,542	$ 43,398	$ 115,653
Consideration funded by:					
New financing obtained, net of financing cost	$ -	$ -	$ 36,602	$ 32,466	$ 69,068
Cash	17,005	9,708	8,940	10,932	46,585
	$ 17,005	$ 9,708	$ 45,542	$ 43,398	$ 115,653

4. Investment properties

The following table summarizes the movements in the investment properties for the year ended December 31, 2015:

Balance, January 1, 2014 (Note 1)	**$ -**
Acquisitions of investment properties	**187,583**
Additions - capital expenditures	**813**
Fair value adjustment – write down of acquisition costs	**(371)**
Fair value adjustment	**21,950**
Balance, December 31, 2015	**$ 209,975**

(In thousands of U.S. dollars, unless otherwise noted)

4. Investment properties (continued):

The following table reconciles the cost base of investment properties to their fair value:

		2015 (Note 1)
Cost	$	**188,396**
Cumulative fair value adjustment		**21,579**
Fair value	$	**209,975**

The key valuation assumptions for investment properties are set out in the following table:

	2015 (Note 1)
Capitalization rates – range	**5.00% to 5.25**
Capitalization rate – weighted average	**5.07**

All of the properties were valued by independent qualified valuators during December 31, 2015 and these valuations were updated by management to derive the fair values as at December 31, 2015. The Fund determined the fair value of each investment property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

			2015 (Note 1)
Weighted average:			
Capitalization rate	10 basis-point increase	$	**(4,065)**
Capitalization rate	10 basis-point decrease	$	**4,230**

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2015 would affect the fair value by approximately $2,100.

(In thousands of U.S. dollars, unless otherwise noted)

5. Tenant and other receivables:

The following table presents details of the tenant and other receivables:

	2015 (Note 1)
Tenant receivables	$ 61
Other receivables	76
Balance	$ 137

The Fund holds no collateral in respect of tenant and other receivables.

6. Prepaid expenses and other assets:

Prepaid expenses as at December 31 consist of the following:

	2015 (Note 1)
Prepaid insurance	$ 436
Prepaid expenses	145
Prepaid – other	25
Balance	$ 606

7. Restricted cash:

The following table presents the details of restricted cash:

	2015 (Note 1)
Escrowed funds:	
Real estate taxes	$ 417
Replacement/repairs	81
Property insurance	79
Restricted Cash:	
Security deposits	326
Balance	$ 903

(In thousands of U.S. dollars, unless otherwise noted)

8. Mortgages payable:

Mortgages payable are secured by investment properties and bear interest at various fixed and variable rates.

		2015 (Note 1)
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments until January 2016, due December 2017 with two one-year options to extend to December 2019.	$	33,150
Mortgage payable, bearing interest at LIBOR + 2.25%, requires interest only payments, due December 2022. (i)		37,600
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments until May 2016, due April 2018 with two one-year options to extend to April 2020.		30,450
Mortgage payable, bearing interest at LIBOR + 2.00%, requires interest only payments until July 2016, due July 2018 with two one-year options to extend to July 2020.		29,000
Mortgage payable, bearing interest at 9.25%, requires interest only payments, due December 2017 with two one-year options to extend to December 2019.(i)		1,739
Mortgage payable, bearing interest at 9.25%, requires interest only payments, due April 2018 with two one-year options to extend to April 2020.		6,500
Mortgage payable, bearing interest at 9.25%, requires interest only payments, due July 2018 with two one-year options to extend to July 2020.		3,800
Face value	$	142,239
Unamortized financing cost		(1,181)
	$	141,058

(i) On December 18, 2015, the Fund refinanced the mortgage on Grand Cypress for $37,600 and repaid $32,198 on the existing mortgage and also paid down the existing mezzanine loan on Verano by $5,271. Previously, on September 25, 2015 the Fund had repaid $429 on the mezzanine loan associate with Verano. The loan is a Canadian dollar denominated loan that is adjusted to U.S. dollars.

(In thousands of U.S. dollars, unless otherwise noted)

8. Mortgages payable (continued):

Mortgages payable are classified as current liabilities if they are due and payable within 12 months after the date of the statement of financial position. The following table provides a breakdown of mortgages payable:

		2015 (Note 1)
Current:		
Mortgages payable	**$**	**1,156**
Unamortized financing costs		**(388)**
		768
Non-current:		
Mortgages payable		**141,083**
Unamortized financing costs		**(793)**
		140,290

Future principal payments on mortgages payable are as follows:

		Principal payment		Balloon payment		Total
2016		1,156		-		1,156
2017		1,907		33,970		35,877
2018		1,362		67,002		68,364
2019		848		-		848
2020		871		-		871
Thereafter		1,892		33,231		35,123
	$	8,036	$	134,203	$	142,239

9. Derivative financial instruments:

Interest rate caps:

The Fund utilizes an interest rate cap agreement to hedge its interest costs on one of its variable rate mortgages as required by the applicable lender. As the Fund has elected not to use hedge accounting, a fair value adjustment of $7 was recorded as an unrealized gain in finance costs in the consolidated statements of income and comprehensive income for the years ended December 31, 2015.

(In thousands of U.S. dollars, unless otherwise noted)

9. Derivative financial instruments (continued):

Interest rate caps (continued):

The following is a summary of the Fund's interest rate cap agreements as at December 31, 2015:

	Notional amount	Maturity date	Cap rate	**Carrying value and fair value at December 31, 2015** **(Note 1)**
Chatham Financial	$ 37,600	January, 2019	4.00%	**$ 20**

The following table represents a summary of the changes in fair value for the year ended December 31, 2015 for the interest rate cap agreement carried at fair value as at December 31, 2015:

	2015
	(Note 1)
Balance, beginning of the year	**$ -**
Acquisitions during the year	**13**
Unrealized gain for the year	**7**
	$ 20

10. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	2015
	(Note 1)
Tenant prepayments	**$ 151**
Operating payables	**626**
	$ 777

(In thousands of U.S. dollars, unless otherwise noted)

11. Unitholders' equity:

The beneficial interest in the net assets and net income and comprehensive income of the Fund is divided into seven classes of limited partnership units: Class A; Class C; Class D; Class E; Class F; Class H and Class U units. The Class A, Class C, Class D, Class F and Class H units were issued at CDN$10.00 per unit. The Class E and Class U units were issued at $10.00 per unit. The Class A and Class U units are listed for trading on the TSX Venture Exchange under the symbols SUF.A and SUF.U, respectively. The Class C, Class D, Class F and Class H units have conversion privileges into Class A units, and the Class E units have conversion privileges into Class U units.

	Units (000's)	Value
Units issued on April 10, 2015:		
Class A	1,613	$ 12,810
Class C	500	3,970
Class D	1,735	13,774
Class E	820	8,202
Class F	657	5,216
Class H	356	2,823
Class U	458	4,584
Additional Class A on conversion	1	-
Units issued	6,140	51,379
Less issuance costs	-	(3,103)
Class A units repurchased and cancelled under Issuer Bid	(9)	(79)
Balance, September 30, 2015	6,131	$ 48,197

As of December 31, 2015, 6,130,662 units of the Fund were outstanding.

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted its Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 173,341 units of its Class A limited partnership units and up to 45,280 units of its Class U limited partnership units (representing 10% of the Fund's public float of the Class A units and Class U units, respectively). The Issuer Bid commenced on July 24, 2015 and will remain in effect until the earlier of: (i) July 22, 2016 and (ii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

During the year ended December 31, 2015, the Fund purchased and cancelled 9,000 Class A units with a value of $79.

11. Unitholders' equity (continued):

Carried Interest:

After (i) payment of all expenses of Holding LP, Investment LP and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner of Holding LP who is related to Starlight Investments Ltd. ("Starlight"), will be entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee at this time that the Carried Interest distribution will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

12. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

13. Transactions with related parties:

The consolidated financial statements as at December 31, 2015 include the following transactions with related parties:

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is a related party as it is controlled by a significant unitholder of the Fund.

(a) Pursuant to the management agreement dated April 10, 2015 (the "Management Agreement"), Starlight is to perform asset management services for fees equal to 0.35% of the sum of: (i) the historical purchase price of the Fund's properties in U.S. dollars; and (ii) the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars plus an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

For the year ended December 31, 2015, the costs of these services aggregated $517, and were charged to Fund expenses. As at December 31, 2015, $92 was included in accounts payable and accrued liabilities, which includes $21 of service fees.

(In thousands of U.S. dollars, unless otherwise noted)

13. Transactions with related parties (continued):

(b) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired.

For the year ended December 31, 2015, the Fund incurred $1,632 under the Management Agreement, which was paid at the time of acquisitions, and were capitalized to investment properties on acquisition.

14. Finance costs:

	Year ended December 31, 2015
	(Note 1)
Interest on mortgages payable	$ 2,895
Fair value adjustments on derivative financial instruments	(7)
Amortization of financing costs	353
	$ 3,241

15. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	2015
	(Note 1)
Utility deposits	$ (101)
Tenant and other receivables	(137)
Prepaid expenses and other assets	(164)
Tenant rental deposits	(50)
Accounts payable and accrued liabilities	(295)
Finance costs payable	240
Distribution payable	272
	$ (235)

16. Commitments and contingencies:

At the consolidated statement of financial position date, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2015 expire within 12 months.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the consolidated statement of financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

17. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of mortgage payable and unitholders' equity. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at December 31, 2015.

18. Risk management:

The Fund's activities expose it to credit risk, market risk and liquidity risk. These risks and the action taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to tenants by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation, and geographically diversifying the location of the properties. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of income and comprehensive income.

18. Risk management (continued):

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favorable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has options to enter into interest rate cap agreements for all its floating rate mortgages. The interest rate cap agreements were not in place as of December 31, 2015 for all floating rate mortgages as these agreements are only required once LIBOR reaches one percent. For the year ended December 31, 2015, all else being equal, an increase or decrease of a ten basis point change in LIBOR would impact net earnings by $82.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its mortgage portfolio over a number of years and has options to extend the mortgages in order to last for the life of the Fund, if the Fund were to extend beyond the initial two year period.

All of the Fund's financial current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of mortgages payable, see Note 8

19. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

19. Fair value measurement of financial instruments (continued):

Derivative financial instruments are considered as Level 2 financial instruments.

Investment properties are considered as Level 3 financial instruments.

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(a) Mortgages payable:

The fair value of mortgages payable is estimated based on the current market rates for mortgages with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable at December 31, 2015 approximated its carrying value.

(b) Other financial assets and financial liabilities:

The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).

20. Subsequent Events:

On January 7, 2016, the Fund refinanced the mortgage on Verano for gross proceeds of $38,000 and repaid $33,150 on the existing mortgage. The remaining proceeds on the refinancing were used to repay the remaining mezzanine loan balance associated with Verano of $1,739 and to pay down the mezzanine loan balance associated with Pure Living by $2,700. The Fund realized a foreign exchange gain of $197 on the repayment of the Verano mezzanine loan.

STARLIGHT U.S. MULTI-FAMILY (NO. 4) CORE FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2015

APRIL 12, 2016

TABLE OF CONTENTS

MANAGEMENT’S DISCUSSION AND ANALYSIS

The following management’s discussion and analysis (“MD&A”) of the consolidated financial results of Starlight U.S. Multi-Family (No. 4) Core Fund (the “Fund”) dated April 12, 2016, prepared as at December 31, 2015, and for the year ended December 31, 2015 should be read in conjunction with the Fund’s audited consolidated financial statements and accompanying notes for the same period, available on SEDAR at WWW.SEDAR.COM.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund’s financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management’s current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents, taxes, and plans and objectives of or involving the Fund. Particularly, matters described at “Future Outlook” are forward-looking information. In some cases, forward-looking information can be identified by terms such as “may”, “might”, “will”, “could”, “should”, “would”, “occur”, “expect”, “plan”, “anticipate”, “believe”, “intend”, “seek”, “aim”, “estimate”, “target”, “goal”, “project”, “predict”, “forecast”, “potential”, “continue”, “likely”, “schedule”, or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information necessarily involves known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Fund’s control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information as there can be no assurance that actual results will be consistent with such forward-looking information.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management’s perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of the manager of the Fund to manage and operate the properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes that the expectations reflected in such forward-looking information are reasonable and represent the Fund’s projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund’s expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws, in addition to those factors discussed or referenced in the “Risk and Uncertainties” section. See “Risks and Uncertainties”.

The forward-looking information included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's audited consolidated financial statements for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rent information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), interest coverage ratio ("Interest Coverage Ratio"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), net operating income ("NOI"), funds from operations ("FFO") and adjusted funds from operations ("AFFO") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to profit/loss, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. Gross Book Value, Indebtedness, Interest Coverage Ratio, Indebtedness Coverage Ratio, NOI, FFO and AFFO as computed by the Fund may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

Gross Book Value is defined as the fair market value of the Fund's investment properties. Gross Book Value is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable. Indebtedness is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which includes amortization of financing costs and mortgage premium, fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by mortgage interest expenses. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest indebtedness payments and ultimately the ability of the Fund to make cash distributions to investors in Units.

Indebtedness Coverage Ratio is defined as net income in accordance with IFRS before tax plus finance costs which include amortization of financing costs and mortgage premium, fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by mortgage interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the obligation requirements. Indebtedness Coverage Ratio is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest mortgage payments and ultimately the ability of the Fund to make cash distributions holders of Units ("Unitholders").

NOI is defined as all property revenue, less direct property costs such as utilities, realty taxes, repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

FFO is defined as net income in accordance with IFRS, excluding fair value adjustments on investment properties, fair value adjustments on derivative instruments and deferred income tax expenses as well as realized or unrealized foreign exchange gains and losses. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business of the Fund before reinvestment or provision for other capital needs. FFO is presented in this MD&A because management considers this non-IFRS measure to be an important measure of the Fund's operating performance.

A reconciliation of net income and comprehensive income, an IFRS measure, to FFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO".

AFFO is defined as FFO subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing and leasing costs; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Fund's general partner, Starlight U.S. Multi-Family (No. 4) Core GP, Inc. ("Starlight GP"). Other adjustments may be made to AFFO as determined by Starlight GP in its discretion. AFFO is presented in this MD&A because management considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities as it does not consider changes in working capital.

Reconciliations of net income and comprehensive income to FFO, and FFO to AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operations to AFFO is provided herein at "Non-IFRS Financial Measures – FFO to AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and realty taxes is provided herein at "Financial and Operational Highlights".

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Fund was established for the primary purpose of indirectly acquiring, owning, and leasing a portfolio of diversified revenue-generating rental properties in the southeastern U.S. multi-family real estate market.

The Fund has seven classes of Units. The Class A Units and Class U Units of the Fund are listed on the TSX Venture Exchange under the symbols SUF.A and SUF.U, respectively, and Class C Units, Class D Units, Class F Units and Class H Units are convertible into Class A Units and Class E Units which are convertible into Class U Units.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio of recently constructed, Class "A" stabilized, income producing multi-family real estate properties in Florida and the southeastern U.S.;
2. make stable monthly cash distributions; and
3. enhance the value of the Fund's assets through active management with the goal of ultimately disposing of the assets at a gain by the end of the Fund's term.

INVESTMENT STRATEGY

The Fund was established for the purposes of investing indirectly in Class "A", U.S. multi-family residential assets built in or after 2008 and located in areas with favorable demographics with identifiable opportunities to enhance value. Once an active management strategy has been deployed, value will be realized through the disposition process. The investment horizon is two years with two one-year extensions at the discretion of Starlight GP.

CORE ACQUISITION OF U.S. MULTI-FAMILY REAL ESTATE

1. In addition to investing in its current portfolio, the Fund is continuing to identify acquisition opportunities in its target markets to deploy any excess funds, whether realized by disposition or otherwise.
2. Target multi-family assets that:
   a. are located in U.S. primary and secondary markets in Florida and the southeastern U.S. exhibiting favourable population and demographic characteristics;
   b. demonstrate strong multi-family fundamentals featuring compelling population, economic and employment growth rates;
   c. are stabilized, with the potential to benefit from an active management strategy and favourable residential tenancy legislation to landlords; and
   d. are located in comfortable climates with high quality of life.

3. Explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors, provided the Fund maintains voting control with respect to the applicable property.

ENHANCE ASSET VALUE THROUGH DEPLOYMENT OF ACTIVE MANAGEMENT STRATEGY

1. Prepare a property-specific asset management plan to improve NOI margins by:
   a. increasing rental rates through rental rate mapping and the use of yield management software;
   b. identifying and realizing upon ancillary income opportunities;
   c. reducing operating expenses; and
   d. utilizing reputable, U.S. based third party property managers.
2. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
3. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up service).
4. Perform targeted common area capital expenditures in order to increase asking rental rates.
5. Perform selective in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards etc.) and cosmetic improvements to increase rental rates.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Achieve asset value increases through a combination of NOI growth, capitalization rate compression, currency appreciation and a pricing premium on the Fund's aggregated portfolio.
2. Consider dispositions on a single asset or portfolio basis through either private or public market transactions.
3. Monitor the private real estate investment markets and the public capital markets to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

Since the Fund closed on its initial public offering on April 10, 2015 (the "offering"), it has invested in four properties in Tampa and Orlando, Florida markets. As of December 31, 2015, the Fund had interests in a portfolio of 1,204 suites.

Property	Location	Suites	Date of Acquisition
Grand Cypress	1901 Cypress Preserve Dr, Tampa, Florida	304	April 10, 2015
Verano Apartments	2200 Villa Verano Way, Orlando, Florida	384	April 10, 2015
Pure Living Heathrow	740 Savory Place, Heathrow , Florida	252	May 7, 2015
The Reserves at Alafaya	3715 Alafaya Heights Road, Orlando, Florida	264	July 2, 2015
	Total	**1,204**	

GRAND CYPRESS

Grand Cypress is located 31 kilometres north of downtown Tampa at 1901 Cypress Preserve Drive in Lutz, Florida. The property is comprised of 304 apartment suites ranging in size from one to three bedrooms. The complex consists of 20, two-storey buildings, including a central clubhouse, located on a 62.11 acre site. The Fund purchased a 100% ownership interest in the property on April 10, 2015.

VERANO APARTMENTS

Verano Apartments ("Verano") is located 37 kilometres south of downtown Orlando at 2200 Villa Verano Way, Kissimmee, Florida. The property is comprised of 384 apartment suites ranging in size from one to three bedrooms. The complex consists of 18 predominantly three-storey buildings, including a central clubhouse, located on a 21.94 acre site. The Fund purchased a 100% ownership interest in the property on April 10, 2015.

PURE LIVING HEATHROW

Pure Living Heathrow ("Pure Living") is located 29 kilometres north of downtown Orlando at 740 Savory Place, Heathrow, Florida. The property is comprised of 252 apartment suites ranging in size from one to three bedrooms. The complex consists of 13 two and three-storey buildings, including a central clubhouse, located on a 28.53 acre site. The Fund purchased a 100% ownership interest in the property on May 7, 2015.

THE RESERVES AT ALAFAYA

The Reserves at Alafaya ("Alafaya") is located 40 kilometres east of downtown Orlando at 3715 Alafaya Heights Road, Orlando, Florida. The property is comprised of 264 apartment suites ranging in size from one to three bedrooms. The complex consists of nine three-storey buildings, including a large central clubhouse, located on a 46.26 acre site. The Fund purchased a 100% ownership interest in the property on July 2, 2015.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at December 31, 2015 and for the three months and year ended December 31, 2015. Results are compared against the Forecast as set out in the Fund's final prospectus dated March 27, 2015 (the "Forecast"). The Forecast was pro-rated for each property based on the date of purchase for each property so that the actual results compared to the Forecast are consistent.

The key highlights were as follows:

- Average monthly rents increased during the three months ended December 31, 2015 to $1,191 compared to $1,182 in the previous quarter representing 3.0% on an annualized basis. Since the Fund's inception, rents have increased 5.4% on an annualized basis.
- NOI for the properties included in the Forecast was $2,102 or 3.4% ahead of the Forecast.
- During the three months ended December 31, 2015 revenue for the properties included in the Forecast was $3,456 and in-line with the Forecast.
- Portfolio occupancy during the three months ended December 31, 2015 was 92.6% and within the Fund's targeted occupancy range.
- AFFO payout ratio improved significantly during the three months ended December 31, 2015 to 74.6%, resulting in the reduction of the Fund's AFFO payout ratio since inception to 81.8%.
- The Fund recognized a $6.9 million fair value increase on its investment properties during the three months ended December 31, 2015 and has recognized a $21.6 million increase since inception, driven primarily by increased rental rates and NOI growth with some capitalization rate compression.
- Interest coverage ratio and indebtedness coverage ratio both improved to 2.21 times during the three months ended December 31, 2015 compared to 2.05 times in the previous quarter.
- The Fund's weighted average interest rate was 2.96% as of December 31, 2015 and the weighted average term to maturity was 3.48 years.
- Indebtedness to gross book value was 67.7% and within the Fund's targeted range.

The Forecast was prepared in accordance with IFRS and was based on management's estimates and using assumptions that reflected management's intended course of action for the periods presented, given management's judgement as to the most probable set of economic conditions. The Forecast was not, when made, a historical fact, but a forward looking statement about, among other things, the financial condition, results of operations and business of the Fund and is subject to important risks, uncertainties and assumptions that can be found in the Fund's final prospectus dated March 27, 2015.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

		As at December 31, 2015
Operational Information		
Number of properties		4
Total suites		1,204
Weighted average portfolio occupancy %		92.6%
Average monthly rent (in actual dollars)	$	1,191
Summary of Financial Information		
Gross Book Value		$209,975
Indebtedness		$142,239
Indebtedness to Gross Book Value (1)		67.74%
Weighted average mortgage interest rate		2.96%
Weighted average mortgage term to maturity		3.48 years
	Q4 - 2015	**YE- 2015 (2)**
Summary of Financial Information		
Revenue	$4,480	$11,705
Operating expenses	($1,840)	($4,867)
NOI	$2,640	$6,838
Net income and comprehensive income	$5,909	$15,527
FFO	$1,128	$2,795
FFO per Unit - basic and diluted	$0.19	$0.46
AFFO	$1,127	$2,806
AFFO per Unit - basic and diluted	$0.19	$0.46
FFO payout ratio	74.56%	82.08%
AFFO payout ratio	74.62%	81.75%
Weighted average Units Outstanding (000s) - basic and diluted	6,133	6,137

Notes:

(1) Defined as Indebtedness divided by Gross Book Value.

(2) Verano and Grand Cypress commenced operations on April 10, 2015, Pure Living commenced operations on May 7, 2015 and Alafaya commenced operations on July 2, 2015.

FINANCIAL PERFORMANCE

The Fund's financial performance and results of operations for the three months and year ended December 31, 2015 reflect operations of the initial two properties, Verano and Grand Cypress that commenced operations on April 10, 2015, along with the May 7, 2015 acquisition of Pure Living and the July 2, 2015 acquisition of Alafaya.

The Fund does not, as a matter of course, publish its business plans, budgets, strategies or make external projections or forecasts, including of its anticipated financial position and results of operations. Pursuant to applicable securities laws, the Fund is required to update the Forecast set out in its final long form prospectus dated March 27, 2015 during the relevant period by identifying any material changes from the Forecast resulting from events that have occurred since it was issued and by comparing the Forecast with actual results for the periods covered. The Fund is also required to discuss events and circumstances that occurred during the three months and year ended December 31, 2015 that are reasonably likely to cause actual results to differ materially from the Forecast for periods that are not yet complete and their expected differences, if any. The acquisition of Pure Living on May 7, 2015 is expected to have a material impact when comparing results to the Forecast given that the acquisition was included in the Forecast assuming it was acquired on April 1, 2015. The acquisition of Alafaya on July 2, 2015 is expected to have a material impact when comparing results to the Forecast given that the acquisition was not included in the Forecast as it was not yet contemplated.

FINANCIAL PERFORMANCE

The Fund's financial performance for the three months and year ended December 31, 2015 are summarized below:

	Q4 - 2015	Forecast Q4 - 2015	YE - 2015	Forecast YE-2015 (1)
Revenue	$ 4,480	$ 3,456	$ 11,705	$ 9,679
Property operating expenses (2)	(1,840)	(1,423)	(4,867)	(3,999)
NOI	2,640	2,033	6,838	5,680
Fund expenses	(343)	(291)	(795)	(844)
Unrealized foreign exchange gain (loss)	(221)	-	177	-
Realized foreign exchange gain (loss)	477	-	506	-
Fair value adjustment of investment properties	6,886	-	21,579	-
Finance costs	(1,162)	(578)	(3,241)	(1,598)
Income taxes:				
Deferred	(2,368)	(296)	(9,537)	(1,171)
Net income and comprehensive income	$ 5,909	$ 868	$ 15,527	$ 2,068

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and Pure Living.
(2) Property operating expenses include operating costs and realty taxes.

RESULTS OF OPERATIONS

The financial performance and results below exclude the acquisition of Alafaya that was acquired on July 2, 2015 in order to compare the Forecasted performance with the comparable properties. The Forecast was also prorated to account for the acquisition of Pure Living on May 7, 2015 and to account for the acquisitions of Verano and Grand Cypress on April 10, 2015.

	Q4 - 2015	Forecast Q4 - 2015	YE - 2015	Forecast YE - 2015 (1)
Revenue	$ 3,456	$ 3,456	$ 9,647	$ 9,679
Expenses:				
Operating costs	971	931	2,784	2,615
Property taxes	383	492	1,110	1,384
	1,354	1,423	3,894	3,999
NOI	$ 2,102	$ 2,033	$ 5,753	$ 5,680
NOI margin	60.8%	58.8%	59.6%	58.7%

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and Pure Living.

PROPERTY REVENUE

Property revenue for the three months and year ended December 31, 2015 was $3,456 and $9,647 respectively, based on the properties included in the Forecast and $4,480 and $11,705 for all properties. The forecasted revenue was $3,456 and $9,679, respectively, for the same period. Actual revenues were in-line with the Forecast overall. The Forecast assumed occupancy of 93.7% for the three months ended December 31, 2015, while actual occupancy for the operating period was 93.0%. The Fund's rental rates averaged $1,191 (excluding Alafaya) in-line with the Forecast which assumed $1,191.

OPERATING EXPENSES

Property operating costs for the three months and year ended December 31, 2015 were $971 and $2,784 based on the properties included in the Forecast and $1,840 and $4,867 for all properties. The forecasted amounts were $931 and $2,615 for the same periods. The Fund operating expenses were $40 above the Forecast for the three months ended December 31, 2015 and $169 above the Forecast for the year ended December 31, 2015. The Fund has incurred costs in excess of the Forecast relating to salaries, leasing efforts, additional costs including the marketing of suites at Verano and higher utility costs throughout the summer months.

Property taxes of $383 and $1,110 were incurred for the three months and year ended December 31, 2015 compared to the Forecast of $492 and $1,384 for the same periods. Property taxes including Alafaya were $517 and $1,396. Property taxes at Grand Cypress and Verano were significantly below forecasted amounts which have led to the Fund's overall expenses falling below the Forecast. Total operating expenses for the three months and year ended December 31, 2015 were $1,354 and $3,894 for properties included in the Forecast compared to the forecasted amount of $1,423 and $3,990. The Fund's operating expenses were below the forecasted expenses by $69 for the three months ended December 31, 2015 and $105 for the year ended December 31, 2015 for the reasons stated above.

NOI

NOI for the three months and year ended December 31, 2015 was $2,102 and $5,753, respectively, for properties included in the Forecast compared to the forecasted NOI of $2,033 and $5,680 for the same periods. NOI was ahead of the Forecast by $69 or 3.4% for the three months ended December 2015 and $73 or 1.3% for the year ended December 31, 2015. NOI for all properties was $2,640 and $6,838 including the impact of the acquisition of Alafaya.

NOI margin for the three months and year ended December 31, 2015 was 60.8% and 59.6% for properties included in the Forecast compared to 58.8% and 58.7% as stated in the Forecast for the same period, representing positive variances of 2.0% and 0.8%, respectively. The positive NOI variances are the result of lower than expected property taxes. NOI margins for all properties were 58.9% for the three months ended December 31, 2015 and 58.4% for the year ended December 31, 2015. The operating margins have remained fairly consistent since the properties were acquired, with slightly higher margins during the summer months.

FOREIGN EXCHANGE GAINS AND LOSSES

The Fund recognized an unrealized foreign exchange loss of $221 for the three months ended December 31, 2015 and gain of $177 for the year ended December 31, 2015 relating to its mezzanine loan associated with Verano that was borrowed in Canadian dollars and converted to U.S. dollars at the end of period rate. The Fund realized a foreign exchange gain on the principal payments on the Verano mezzanine loan of $477 for the three months ended December 31, 2015 and $506 for the year ended December 31, 2015. The foreign exchange gains were associated with principal payments on mezzanine loans on September 25, 2015 equal to $429 and on December 18, 2015 equal to $5,271. The repayment on December 18, 2015 was the result of the Fund refinancing Grand Cypress and utilizing proceeds to repay the Verano mezzanine debt.

FUND EXPENSES

Fund expenses include costs incurred by the Fund that are not directly attributable to the property portfolio. These costs include items such as legal and audit fees, director fees, investor relations expenses, foreign exchange gains and losses on Fund transactions, directors' and officers' insurance premiums, expenses relating to the administration of the Fund distributions and other general and administrative expenses associated with the operation of the Fund. Also included in fund expenses are asset management fees payable to Starlight Investments Ltd. ("Starlight" or the "Manager") - See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund expenses for the three months and year ended December 31, 2015 were $343 and $795 respectively, and include asset management fees and service fees of $222 and $518 for the same periods. Also included are costs such as legal and audit fees, director fees, investor relations expenses, hedging arrangement premiums in relation to the Fund's Canadian dollar distributions and Class H unit principal amount, as well as, directors' and officers' insurance premiums, totalling $121 and $277 for the same periods. Actual Fund expenses were $52 higher and $49 lower than the Forecast for the three months and year ended December 31, 2015 respectively, due to the service fees and hedge fee premiums being lower than expected and asset management fees being higher than expected due to the acquisition of Alafaya.

FINANCE COSTS

The Fund's finance costs for the three months ended December 31, 2015 and year ended December 31, 2015 are summarized below and are compared to the Forecast:

		Q4 - 2015		Forecast Q4 - 2015		YE - 2015		Forecast YE - 2015 (1)
Interest on mortgages payable	$	1,040	$	529	$	2,895	$	1,478
Fair value adjustments on derivative financial instruments		(7)	$	-		(7)	$	-
Amortization of financing costs		129		49		353		70
Total	$	1,162	$	578	$	3,241	$	1,548

(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and Pure Living.

Interest on mortgages payable for the three months and year ended December 31, 2015 was $1,040 and $2,895 respectively, compared to the Forecast amounts of $529 and $1,478 for the same periods. The increases of $511 and $1,417 are due to the Forecast not including mezzanine loans at Verano and Pure Living, which the Fund used to fund the acquisition of Alafaya. Both of these mezzanine loans resulted in additional interest on mortgages payable. In December of 2015, the Fund refinanced Grand Cypress for $37,600, $5,402 in excess of the forecasted amount of $32,198. Interest on mortgages payable as reported was $1,040 for the three months ended December 31, 2015 and $2,895 for the year ended December 31, 2015.

Amortization of financing costs for the three months and year ended December 31, 2015 was $129 and $353 compared to the forecasted amounts of $49 and $70 for the same periods. The increases were due to the additional financing costs relating to the mezzanine loans that were not included in the Forecast as well as $28 relating to the acquisition of Alafaya.

Amortization of financing costs as reported was $129 for the three months ended December 31, 2015 and was $353 for the year ended December 31, 2015.

Finance costs for the three months and year ended December 31, 2015 were $1,162 and $3,241, respectively, compared to the amounts set out in the Forecast of $578 and $1,548 for the same period. The variances are due to additional financing to allow for the acquisition of Alafaya.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment property. Fair values are supported by a combination of internal financial information, market data and external independent valuations. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The Fund recorded a cumulative fair value increase on its investment properties of $21,950 for the year ended December 31, 2015. The following table summarizes the change in investment properties held by the Fund for the period from December 1, 2014 to December 31, 2014 and for the year ended December 31, 2015:

		Amount
Balance at December 1, 2014 & January 1, 2015	$	-
Acquisitions of investment properties		**187,583**
Additions - capital expenditures		**813**
Fair value adjustment - write down of acquisition costs		**(371)**
Fair value adjustment		**21,950**
Fair value	**$**	**209,975**

The following table reconciles the cost base of investment properties to their fair value:

		As at December 31, 2015
Cost	**$**	**188,396**
Cumulative fair value adjustment		**21,579**
Fair value	**$**	**209,975**

The key assumptions for investment properties held by the Fund are set out in the following table:

	As at December 31, 2015
Capitalization rates - range	**5.00-5.25%**
Capitalization rate - weighted average	**5.07%**

The fair values of the Fund's investment properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the fair value of the Fund's investment properties as set out in the following table:

Key assumptions	**Change**		**As at December 31, 2015**
Weighted average:			
Capitalization rate	10-basis-points increase	**$**	**(4,065)**
Capitalization rate	10-basis-points decrease		**4,230**

The impact of a 1% change in NOI used to value the investment properties at December 31, 2015 would affect the fair value by approximately $2,100 (December 31, 2014 - $nil).

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three months and year ended December 31, 2015.

FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO is detailed below. As the Fund commenced property operations on April 10, 2015 after the initial property acquisitions, the figures for three months and year ended December 31, 2015 represent for the operating period from April 10, 2015 to December 31, 2015:

		Q4 - 2015		Forecast - Q4 - 2015		YE - 2015		Forecast - Q4 - 2015 [1]
Net income and comprehensive income	$	5,909	$	868	$	15,527	$	2,068
Add / (Less):								
Deferred taxes		2,368		296		9,537		1,171
Unrealized foreign exchange gain		221		-		(177)		-
Realized foreign exchange gain		(477)		-		(506)		-
Fair value adjustment on deriviative financial instruments		(7)		-		(7)		-
Fair value adjustment of investment properties		(6,886)		-		(21,579)		-
FFO	**$**	**1,128**	**$**	**1,164**	**$**	**2,795**	**$**	**3,239**
FFO per Unit - basic and diluted		$0.19				$0.46		
Distributions declared [2]	$	841			$	2,294		
FFO payout ratio		74.56%				82.08%		
Weighted average Units outstanding:								
Basic and diluted - Class A, C, D, E, F, H & U - (000s)		6,133				6,137		

Notes:
(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and Pure Living.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Basic and diluted FFO and FFO per Unit for the three months and year ended December 31, 2015 was $1,128 and $2,795 and $0.19 and $0.46, respectively. The forecasted FFO was $1,164 and $3,239, for a negative variance of $36 and $444 for the same periods. The variance is the result of excess financing costs due to additional debt on Verano and Pure Living above the forecasted amounts as explained above, which is partially offset by contributions from Alafaya and reduced Fund expenses in comparison to the Forecast.

The FFO payout ratio for the three months ended December 31, 2015 was 74.56% and for the year ended December 31, 2015 was 82.08%. The ratio improved significantly from the three months ended September 30, 2015 of 83.69%, due to both improved operating performance resulting in additional FFO as well as the weakening of the Canadian dollar relative to the U.S. dollar leading to lower distributions in U.S. dollar terms.

The Fund distributions paid and declared during the year ended December 31, 2015 per Unit were as follows and began in the first month of operations, May 2015, after the closing of the Fund on April 10, 2015:

Class A	Class C	Class D	Class E	Class F	Class H	Class U
C0.46664	C$0.46664	C$0.46664	$ 0.46664	C$0.46664	C$0.33328	$ 0.46664

ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of FFO to AFFO for the three months and year ended December 31, 2015 is detailed below:

		Q4 - 2015		Forecast - Q4 - 2015		YE - 2015		Forecast - YE - 2015 [1]
FFO	$	**1,128**	$	**1,164**	$	**2,795**	$	**3,239**
Add / (Deduct):								
Amortization of financing costs		129		49		353		85
Sustaining capital expenditures and suite renovation reserves		(130)		(114)		(342)		(196)
AFFO	$	**1,127**	$	**1,099**	$	**2,806**	$	**3,128**
AFFO per unit - basic and diluted		$0.19				$0.46		
Distributions declared [2]	$	841			$	2,294		
AFFO payout ratio		74.62%				81.75%		
Weighted average Units outstanding:								
Basic and diluted - Class A, C, D, E, F, H & U - (000s)		6,133				6,137		

Notes:
(1) Represents period of property ownership since acquisition date for each of Verano, Grand Cypress, and Pure Living.
(2) Distributions declared is calculated based on the monthly distribution per Unit.

Reconciliation of cash provided by operations to AFFO for the three months and year ended December 31, 2015 is provided below:

		Q4 - 2015		YE - 2015
Cash provided by operating activities	$	**2,156**	$	**6,672**
Less: interest on mortgages payable		(1,040)		(2,895)
Cash provided by operating activities - including interest paid		**1,116**		**3,777**
Add / (Deduct):				
Change in non-cash operating working capital		2,025		235
Change in restricted cash		(1,407)		(358)
Realized foreign exchange gain		(477)		(506)
Sustaining capital expenditures and suite renovation reserve		(130)		(342)
AFFO	$	**1,127**	$	**2,806**

Basic and diluted AFFO and AFFO per Unit for the three months and year ended December 31, 2015 was $1,127 and $2,806 and $0.19 and $0.46, respectively. The forecasted AFFO for the three months and year ended December 31, 2015 was $1,099 and $3,128 respectively. The difference between actual AFFO and forecasted AFFO is due to the variance in FFO described above plus the variances between amortized financing costs and sustaining capital reserves with the addition of Alafaya in the actual figures for three months ended December 31, 2015. The Fund uses on an annualized basis per suite to account for sustaining capital expenditures and suite renovation reserves, for Verano $375 (actual dollars), Grand Cypress $450 (actual dollars), Pure Living $500 (actual dollars) and Alafaya $425 (actual dollars).

The Fund's AFFO payout ratio was 74.62% for the three months ended December 31, 2015, an improvement compared to the previous quarter of 82.73%. The Fund's AFFO payout ratio was 81.75% for year ended December 31 2015. The Fund began paying out a full 7% annualized distribution to Unitholders in May of 2015 (the first full month of property operations). The reduced payout ratio for the three months ended December 31, 2015 was due to contributions from Alafaya, continued rental rate growth and a stronger U.S. dollar vis-a-vis the Canadian dollar.

The Fund's distributions were not in excess of operational cash flow adjusted to AFFO and the Fund does not expect distributions to exceed operational cash flow adjusted to AFFO in 2016. See "Risks and Uncertainties".

LIQUIDITY AND CAPITAL RESOURCES

Liquidity

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders and maintenance and property capital expenditure commitments as they become due. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and mortgage debt secured by investment properties. As at December 31, 2015, the Fund was in compliance with all of its financial covenants.

Cash Flows

Cash flow from operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for the three months and year ended December 31, 2015:

		Q4 - 2015		YE - 2015
Cash provided by operating activities	$	2,156	$	6,672
Cash provided by (used in) investing activities		334		(116,099)
Cash (used in) provided by financing activities		(2,798)		111,420
(Decrease) increase in cash		(308)		1,993
Cash, beginning of year		2,301		-
Cash, end of year	$	1,993	$	1,993

Cash on hand at December 31 was $1,993.

Cash provided by operating activities for three months ended December 31, 2015 was $2,156 and related primarily to the net cash generated from property operations, as well as changes in restricted cash.

Cash provided by operating activities for the year ended December 31, 2015 was $6,672, and related primarily to the net cash generated from property operations, as well as changes in restricted cash.

Cash used in investing activities for the three months ended December 31, 2015 was $334 and was mainly used for additions to investment properties.

Cash used in investing activities for the year ended December 31, 2015 was $116,099 and was used to complete the acquisitions of Verano and Grand Cypress in addition to Pure Living and Alafaya for $115,653 and for additions to investment properties of $813, and was partially offset by cash assumed with respect to Verano and Grand Cypress of $367.

Cash provided by financing activities for the year ended December, 2015 was $111,420. The change relates primarily to net proceeds from the issuance of Units of $48,276 pursuant to the closing of the offering and proceeds from new mortgage financing of $106,668 relating to Pure Living, Alafaya and the refinancing of Grand Cypress and was partially offset by principal payments of $5,700, repayment of mortgages of $32,198, finance costs paid of $3,334, distribution payments to Unitholders of $2,294, distributions to non-controlling interests of $3, the purchase of interest rate cap of $13 and Units repurchased and cancelled under normal course Issuer Bid ("Issuer Bid") of $79.

Cash used by financing activities for the three months ended December 31, 2015 was $2,798. The change relates primarily to $32,198 of mortgage repayments, and $5,271 of mortgage principal payments, $1,446 of finance cost paid, $841 of distribution payments to Unitholders, distributions to non-controlling interests of $3, the purchase of interest rate cap of $13 and Units repurchased and cancelled under normal course Issuer Bid of $41 which were partially offset by proceeds on new financing of $36,918 and contributions from non-controlling interest of $97.

CAPITAL STRUCTURE AND DEBT PROFILE

Capital Structure

The Fund's capital is the aggregate of Indebtedness and Unitholders' equity. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, while continuing to build Unitholder value and maintaining sufficient capital contingencies. As at December 31, 2015, the total capital of the Unitholders was as follows:

		As at December 31, 2015
Indebtedness	$	142,239
Unitholders' equity		61,430
Total capital	$	203,669

Debt Profile

As at December 31 2015, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value was 67.74%. The maximum allowable ratio under the Fund's limited partnership agreement is 75%, but it is targeted between 60% and 70%. The weighted average mortgage interest rate for the Fund as at December 31, 2015 was 2.96%, reduced from 3.04% as at September 30, 2015 due to the repayment of $5,271 of mezzanine debt on Verano. The weighted average term to maturity of the mortgage portfolio was 3.48 years.

The following table summarizes key liquidity metrics:

		As at December 31, 2015
Indebtedness to Gross Book Value		67.74%
Weighted average interest rate - mortgages		2.96%
Weighted average term to maturity - mortgages		3.48 years
	Three months ended December 31, 2015	**Year ended December 31, 2015** [(1)]
Interest Coverage Ratio	2.21 x	2.09 x
Indebtedness Coverage Ratio	2.21 x	2.09 x

(1) Represents the acquisitions of Verano and Grand Cypress on April 10, 2015, the acquisition of Pure Living on May 7, 2015 and the acquisition of Alafaya on July 2, 2015.

The Interest Coverage Ratio for the three months and year ended December 31, 2015 was 2.21 times and 2.09 times respectively. The Indebtedness Coverage Ratio for the same periods was 2.21 times and 2.09 times as well, as there were no scheduled principal payments made.

Mortgages Payable

The following table sets out, as at December 31, 2015, scheduled principal and interest repayments and amounts maturing on the mortgages over each of the next four fiscal years and the weighted average interest rate of maturing mortgages based on the Fund's condensed consolidated interim financial statements.

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2016	$ 1,156	$ -	$ 1,156	0.81%	0.00%	$ 4,558
2017	1,907	-	1,907	1.34%	0.65%	$ 4,378
2018	1,362	100,972	102,334	71.95%	1.63%	$ 1,821
2019	848	-	848	0.60%	0.00%	$ 905
2020	871	-	871	0.61%	0.00%	$ 970
Thereafter	1,892	33,231	35,123	24.69%	0.68%	$ 1,901
	$ 8,036	$ 134,203	$ 142,239	100.00%	2.96%	$ 14,533
Unamortized financing costs			(1,181)			
			$ 141,058			

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries.

UNITHOLDERS' EQUITY

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net assets and net income of the Fund is divided into seven classes of Units: Class A; Class C; Class D; Class E; Class F; Class H and Class U.

UNITS

The following table summarizes the changes in Units for the period from December 1, 2014 to December 31, 2015:

	Units	Amount
Outstanding as at December 1, 2014	-	$ -
Issuance of Units (Class A, C, D, E, F, H & U), April 10, 2015, net of costs of $3,103	6,140	48,276
Class A Units repurchased and cancelled under the Issuer Bid	(10)	(79)
Adjustment to reflect Units converted to Class A	1	-
Outstanding as at December 31, 2015	6,131	48,197

As at December 31, 2015, there were 6,130,662 Units issued and outstanding.

On July 20, 2015, the Fund announced that the TSX Venture Exchange had accepted the Issuer Bid. Under the Issuer Bid, the Fund has the ability to purchase for cancellation up to a maximum of 173,341 of its Class A Units and 45,280 of its Class U Units (representing 10% of the Fund's public float of the Class A Units and Class U Units, respectively). The Issuer Bid commenced on July 24, 2015 and will remain in effect until the earlier of: (i) July 22, 2016; and (ii) the date on which the Fund has purchased the maximum number of Units permitted under the Issuer Bid.

In connection with the Issuer Bid, the Fund entered into an automatic unit purchase plan (the "Plan") with an investment advisor on July 24, 2015 in order to facilitate repurchases of the Units under the Issuer Bid. Purchases under the Plan were made by the Fund's investment advisor based on the parameters prescribed by the TSX Venture Exchange, applicable Canadian securities laws and the terms of the parties' written agreement. Under the Plan, the Fund's investment advisor was permitted to purchase Units under the Issuer Bid when the Fund would ordinarily not be permitted to do so. The Plan was terminated with this investment advisor on October 23, 2015, and the Fund announced on November 25, 2015 that it had entered into a Plan with a different investment advisor based on the same parameters. From July 24, 2015 until December 31, 2015, 9,000 Class A Units (in actual units) were purchased under the Issuer Bid.

A copy of TSX Venture Exchange Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available, without charge by contacting the Fund.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

The Fund has engaged Starlight to perform certain services, as outlined below. Starlight is a related party as it is controlled by a significant Unitholder of the Fund.

ARRANGEMENTS WITH STARLIGHT

On April 10, 2015, the Fund entered into the management agreement with Starlight. Pursuant to the management agreement, Starlight, in its capacity as the asset manager of the Fund, provides the services of a senior management team; advisory, consultation and investment management services and financial performance monitoring of the Fund.

Starlight is entitled to the following fees pursuant to the management agreement:

(a) Base annual management fee calculated and payable on a monthly basis, equal to 0.35% of the sum of:

(i) the historical purchase price of properties owned by the Fund; and

(ii) the cost of any capital expenditures incurred by the Fund or any of its affiliates in respect of properties owned by the Fund from April 10, 2015 plus an amount equal to the service fee paid to registered dealers of the Fund's Class A and Class U Units on a quarterly basis.

For the three months ended December 31, 2015 and year ended December 31, 2015, the costs of these services were $128 and $423, respectively, excluding service fees. As at December 31, 2015, $76 was included in accounts payable and accrued liabilities including service fees of $21.

(b) Acquisition fee equal to:

(i) 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;

(ii) 0.75% of the purchase price of a property on the next $100,000 of properties acquired in each calendar year; and

(iii) 0.50% of the purchase price on properties acquired in excess of $200,000 in each calendar year.

For the three months ended December 31, 2015 and year ended December 31, 2015, the costs of these services were $nil and $1,632 respectively. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition.

In addition, the Fund reimburses Starlight for all reasonable and necessary actual out-of-pocket costs and expenses incurred by Starlight in connection with the performance of the services described in the management agreement or such other services which the Fund and Starlight agree in writing are to be provided from time to time by Starlight.

The management agreement expires on the winding up or dissolution of the Fund, unless and until the management agreement is terminated in accordance with the termination provisions.

CARRIED INTEREST

After (i) payment of all expenses of Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding LP"), a subsidiary of the Fund, Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment LP"), a subsidiary of the Fund, and the Fund, (ii) payment of the minimum return of 7% by Holding LP to Investment LP, and (iii) repayment of Investment LP's invested capital by Holding LP, the general partner who is related to Starlight, is entitled to receive 25% of all distributions made by Holding LP (the "Carried Interest").

There is no guarantee that the Carried Interest will be paid and no distribution has been declared by Holding LP. Accordingly, no amount has been recorded as a distribution payable to the general partner of Holding LP.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in accordance with applicable laws including reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, oversight of the work and review of the independence of the external auditors of the Fund and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this MD&A as "Schedule A".

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee of the Fund is comprised of Daniel Drimmer, Derek Lobo and Harry Rosenbaum. Derek Lobo and Harry Rosenbaum are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent Directors and the Fund is relying on such an exemption in Section 6.1 of NI 52-110. Each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are financially literate within the meaning of applicable securities laws. Each of the audit committee members has an understanding of the accounting principles used to prepare the Fund's financial statements and possesses the ability to assess the general application of such principles in connection with the Fund's accounting for estimates, accruals and provisions. In addition, each audit committee member has experience preparing, auditing, analyzing, evaluating or actively supervising, comparable financial statements with the breadth and complexity of the Fund's financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The biographies of each of Harry Rosenbaum, Derek Lobo and Daniel Drimmer are set out below which provide a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

DANIEL DRIMMER

Daniel Drimmer, a resident of Toronto, Ontario, is the founder, President and Chief Executive Officer of the Manager, a Canadian asset management company focused on the acquisition, ownership and management of commercial and residential properties across Canada and the U.S., with a portfolio of 32,500 residential rental suites and 2,300,000 square feet of commercial properties. In addition to the formation of the Manager, Daniel Drimmer established and is the chairman of True North Commercial Real Estate Investment Trust and founded TransGlobe Investment Management Ltd., TransGlobe Property Management Services Ltd. and TransGlobe Apartment Real Estate Investment Trust ("Transglobe Apartment REIT" and, collectively, "TransGlobe") and was TransGlobe's President from November 1996 to August 2011. Under Mr. Drimmer's guidance, TransGlobe expanded its original portfolio of seven properties to a portfolio exceeding 30,000 residential suites (including those owned by Transglobe Apartment REIT, as at September 1, 2011), and approximately one million square feet of gross leasable area of commercial space. Daniel Drimmer also served as Transglobe Apartment REIT's Chairman and director from May 2010 to August 2011. Mr. Drimmer is currently a director of the Fund, Starlight U.S. Multi-Family Core Fund ("Fund No. 1"), Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund No. 2") and Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund No. 3") as well as Northview Apartment REIT. Over the last 10 years, Mr. Drimmer has sourced, acquired and financed in excess of 85,000 residential units. Over the last seven years, Daniel Drimmer has led more than C$15 billion in real estate transactions, including three initial public offerings. Daniel Drimmer was born and raised in Berlin, Germany and is the third generation of the Drimmer family to be involved in real estate. He obtained a Bachelor of Arts degree from the University of Western Ontario, and a Master of Business Administration degree and a Masters' degree in Contemporary European Policy Making from European University in Geneva, Switzerland.

DEREK LOBO

Derek Lobo is the Founder, Chairman and Chief Executive Officer of Sun Rock Advisors' Inc., a boutique commercial real estate firm with an exclusive focus on the apartment industry. Mr. Lobo has over 20 years of experience in apartment marketing across North America, with a focus on providing practical strategic solutions aimed at increasing occupancy and asset value. In 1988, Mr. Lobo founded Derek A. Lobo & Associates Inc., a multi-family consulting firm, for which he currently acts as Chief Executive Officer. Mr. Lobo has also spoken widely on real estate matters at trade shows and conferences across North America including to The National Multi-Housing Council and Ontario Real Estate Association. Mr. Lobo is currently a director of the Fund, Fund No. 1, Fund No. 2 and Fund No. 3.

HARRY ROSENBAUM

Harry Rosenbaum is a founding principal of the Great Gulf Group of Companies, one of North America's premier real estate conglomerates. He has been instrumental in manifesting such iconic projects as One Bloor East, Toronto, Ontario. Mr. Rosenbaum is a principal of Ashton Woods Homes, one of the largest private homebuilders in the United States and is currently a director of the Fund, Fund No. 1, Fund No. 2, and Fund No. 3. He is also a Trustee of WPT Industrial Real Estate Investment Trust. Prior to the creation of Great Gulf Group in 1983, Mr. Rosenbaum practiced commercial and real estate law at a Toronto law firm. Mr. Rosenbaum is active as a board member of various charitable organizations including the ACL (Advocates for Civil Liberties) and Sunnybrook Hospital Foundation. Mr. Rosenbaum attended Osgoode Hall Law School, graduating in 1974. He also holds a degree in Economics from York University, completed in 1971.

PRE-APPROVAL OF NON AUDIT SERVICES

In accordance with the independence standards for auditors, the Fund is restricted from engaging its external auditors to provide certain non-audit services to the Fund, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit.

The Fund may engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. The Audit committee reviews and approves the nature of and fees for any non-audit service performed by the Fund's external auditors in accordance with applicable requirements and Board of Directors of Starlight GP (the "Board" or "Directors") approved policies and procedures.

External Auditor Service Fees

The following table sets forth the approximate amounts of fees paid and accrued to the Fund's auditor, Collins Barrow Toronto LLP, for services rendered for the periods from January 1, 2014 to December 31, 2014 and from January 1, 2015 to December 31, 2015:

Fee Category	January 1, 2015 to December 31, 2015	Period December 1, 2014 to December 31, 2014
Audit fees	$37	$nil
Audit-related fees[(1)]	$127	$nil
Tax fees[(2)]	$21	$nil
All other fees	$nil	$nil
Total	$185	$nil

Notes:

(1) "Audit related fees" include fees paid and accrued in connection with the Fund's offering prospectus, including carve-out audit fees for the properties.

(2) "Tax fees" include fees paid and accrued for tax compliance, tax planning and tax advisory services, including the review and preparation of tax returns.

REMUNERATION OF MANAGEMENT OF THE FUND

Overview

As at the date hereof, the Fund, through its general partner, Starlight GP, does not directly employ any persons who would be considered a named executive officer ("NEO") of the Fund as such term is defined in Form 51-102F6 – Statement of Executive Compensation in National Instrument 51-102 - Continuous Disclosure Obligations. The services of Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, as Chief Executive Officer, President and Chief Financial Officer, respectively, are provided by Starlight. No compensation is paid by the Fund or its subsidiaries to those persons provided by Starlight as officers of the Fund, and the compensation received by such persons from Starlight is not within or subject to the discretion of the Board. The compensation paid by the Fund and Starlight U.S. Multi-Family Core REIT Inc. to Starlight for services rendered is calculated in accordance with the management agreement entered into on April 10, 2015. See "Related Party Transactions and Arrangements – Arrangements with Starlight". Starlight provides such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and is therefore responsible for all matters with respect to such employees and consultants. All references to the officers of the Fund named in the "Summary Compensation Table" below, namely Mr. Daniel Drimmer, Mr. Evan Kirsh and Ms. Tamara Lawson, are references to officers of Starlight GP, in its capacity as general partner of the Fund, and are either officers or employees of Starlight.

Compensation Discussion and Analysis

The Fund's executive team is employed by Starlight. The Fund is obligated to pay Starlight certain amounts pursuant to terms of the management agreement, as discussed in "Related Party Transactions and Arrangements – Arrangements with Starlight". As such, any variability in compensation paid by Starlight to the NEOs does not impact the Fund's financial obligations. The Board may hire officers and employees, but such hiring, if not of Starlight officers, consultants or employees, would be at the sole expense of the Fund. Further, any officer that is an officer, consultant or employee provided by Starlight may be removed from such position with the Fund, at the discretion of the Board. The Fund does not have a compensation committee and has not retained a compensation consultant or advisor since its commencement of operations.

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to time spent on the activities of the Fund, and supplements the more detailed information concerning executive compensation that appears in the tables below and the accompanying narrative that follows.

PRINCIPAL ELEMENTS OF COMPENSATION

The compensation of the NEOs includes two major elements: (i) base salary; and (ii) an annual cash bonus. The Fund does not have any long-term equity incentive plans, such as a Unit option plan, pursuant to which cash or non-cash compensation has been or will be paid or distributed to any NEO or Director. In addition, the Fund does not have any stock appreciation rights, incentive plans, medium term incentives or pension plans. Perquisites and personal benefits are not a significant element of compensation of the NEOs. Pursuant to the Fund's Insider Trading Policy, NEOs and Directors are prohibited from purchasing financial instruments that are designed to offset a decrease in market value of Units held by NEOs and Directors.

As a private company, Starlight's process for determining executive compensation is straightforward, with no specific formula for determining the amount of each element of compensation, and no formal approach applied by Starlight for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Fund. Objectives and performance measures may vary from year to year as determined to be appropriate by Starlight without reference to any formal benchmarking. Accordingly, the Board has not considered the implications of the risks associated with the compensation of NEOs.

These two principal elements of compensation are described below.

Base Salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Fund, the position and responsibilities of the NEOs and competitive industry pay practices for other real estate funds, real estate investment trusts and corporations of comparable size. Starlight does not engage compensation consultants for the purposes of performing benchmarking or apply specific criteria for the selection of comparable real estate businesses. Increases in base salary are at the sole discretion of Starlight. The Board may review the compensation payable to its officers by Starlight and provide recommendations to Starlight, which are considered in good faith by Starlight, but are not binding upon Starlight.

Annual Cash Bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards, and reward performance of the Fund or the NEO individually. The determination of the performance of the Fund may vary from year to year depending on economic conditions and conditions in the real estate industry, and may be based on measures such as Unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary, and may include completion of specific projects or transactions and the execution of day to day management responsibilities. The Board may review the bonuses payable to its officers by Starlight, and provide recommendations to Starlight, which are considered in good faith by Starlight but are not binding upon Starlight.

SUMMARY COMPENSATION TABLE

The following table sets out information concerning compensation to be earned by, paid to, or awarded to the persons determined to be NEOs of the Fund pursuant to applicable securities laws. All amounts below are set out in Canadian dollars.

Name and principal position	Year[1]	Salary[2] (C$)	Non-Equity Annual Incentive Plans (C$)	All other compensation[3] (C$)	Total compensation[4] (C$)
Daniel Drimmer [5], *Chief Executive Officer*	2015 2014	Nil Nil	Nil Nil	Nil Nil	Nil Nil
Evan Kirsh[6], *President*	2015 2014	52,500 Nil	Nil Nil	Nil Nil	52,500 Nil
Tamara Lawson[7], *Chief Financial Officer*	2015 2014	26,250 Nil	10,000[8] Nil	Nil Nil	36,250 Nil

(1) The Fund was established on December 1, 2014 and accordingly, information is not presented with respect to prior years.

(2) On an annualized basis, salaries paid to the NEOs for the period ended December 31, 2015 would have been as follows: Daniel Drimmer, Nil; Evan Kirsh, C$105,000; and Tamara Lawson, C$52,500. See also Note 5, Note 6 and Note 7.

(3) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over C$50,000 or over 10% of their annual base salary.

(4) Compensation is paid by Starlight and there is no charge back to the Fund for such compensation. Daniel Drimmer, Evan Kirsh and Tamara Lawson have been Directors or officers, as applicable, since the establishment of the Fund.

(5) Daniel Drimmer is not compensated by the Fund for serving as a Director and is not compensated by Starlight for providing services as the Chief Executive Officer or as a member of the Board of Directors of Fund No.1, Fund No. 2 or Fund No. 3.

(6) Evan Kirsh is the President of Starlight U.S. Multi-Family Core GP, Inc. ("Core GP No. 1"), the general partner of Fund No. 1, the president of Starlight U.S. Multi-Family (No. 2) Core GP, Inc. ("Core GP No. 2"), the general partner of Fund No. 2 and the president of Starlight U.S. Multi-Family (No. 3) Core GP Inc. ("Core GP No. 3"), the general partner of Fund No. 3. Mr. Kirsh received a portion of his annual compensation from Starlight for services provided to the Fund pursuant to the terms of a consulting agreement. Also see "Consulting Agreement".

(7) Tamara Lawson is the Chief Financial Officer of Core GP No. 1, Core GP No. 2 and Core GP No. 3, the general partners of Fund No. 1, Fund No. 2, and Fund No. 3, respectively. Ms. Lawson received a portion of her annual compensation from Starlight for services provided to the Fund.

(8) Tamara Lawson received a discretionary C$10,000 cash bonus paid during the first quarter of 2016.

Consulting Agreement

Pursuant to a consulting agreement between Starlight and a corporation controlled by Evan Kirsh (the "Consultant"), in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, the Manager pays the Consultant a consulting fee (the "Consulting Fees"). During the term of the consulting agreement, Starlight will determine the proportion of the Consulting Fees it pays to the Consultant that are attributable to the services to be provided by the Consultant to the Fund. In addition, upon completion of a liquidation event in respect of the Fund, the Consultant will be, generally, entitled to payment from Starlight of an amount equal to the amount, if any, by which the aggregate of: (i) 25% of the net acquisition fees and asset management fees received by Starlight during the term of the Fund (each as described in the consulting agreement), and (ii) 25% of the distributions received by Starlight U.S. Multi-Family (No. 4) Core Holding (GP) L.P. from Holding L.P. during the term of the Fund (as described in the consulting agreement) exceeds the proportion of the Consulting Fees paid or payable by Starlight to the Consultant in respect of the services provided by the Consultant to the Fund during the term of the consulting agreement and any amounts payable by the Consultant pursuant to the consulting agreement. Starlight (and not the Fund) will be responsible for any such amounts payable to the Consultant.

Neither Mr. Drimmer nor Ms. Lawson have entered into agreements or have made arrangements which entitle them to any termination or change of control benefits relating to the Fund.

REMUNERATION OF THE DIRECTORS OF STARLIGHT GP

Remuneration of Directors

Any Director who is an officer of, or is otherwise employed by the Starlight, is not entitled to any remuneration from the Fund for serving as a Director (including as Chairman of the Board, or as the Chairman or as a member of a committee). Each Director, other than Daniel Drimmer, received an annualized base retainer from the Fund in the amount of C$12,500 of which $6,250 was paid for services provided during 2015. There were no fees paid or payable for each day on which a Director attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is described in Note 2 to the audited consolidated financial statements. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

USE OF ESTIMATES

The preparation of consolidated financial statements requires management to make estimates that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

In making estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those estimates in these consolidated financial statements.

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

INVESTMENT PROPERTIES

The estimates used when determining the fair value of investment properties are capitalization rates and stabilized future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third party appraisals.

FINANCIAL INSTRUMENTS

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"); (ii) loans and receivables; (iii) held-to-maturity; (iv) available-for-sale; or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified as FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as loans and receivables, held-to-maturity, or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated as FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standard 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated as FVTPL.

Financial assets and financial liabilities are accounted for based on their classification as described below. Their classification depends on the purpose for which the financial instruments were acquired or issued, their characteristics and the designation of such instruments.

The Fund's cash, restricted cash, tenant and other receivables and utility deposits have been designated as loans and receivables and mortgages payable, tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable have been designated as other liabilities. The Fund has neither held-to-maturity nor available-for-sale instruments.

The fair values of the Fund's financial assets, which include deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance costs payable and distributions payable, approximate their recorded values due to their short-term nature.

These fair value estimates may not be necessarily indicative of the amounts that might be paid or received in actual transactions.

RISKS AND UNCERTAINTIES

The ownership of Units involves a number of risk factors. The risks described below are not the only risks and readers should carefully review the risks and uncertainties disclosed in the Fund's prospectus dated March 27, 2015, under the heading "Risk Factors", at WWW.SEDAR.COM. If any of the following risks or those outlined in the Fund's prospectus dated March 27, 2015 occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Some of these risk factors are described below:

(a) *Acquisition Risk* – The acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, the Fund will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of properties may not generate sufficient funds to make the payments of principal and interest due on the mortgage loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of properties.

(b) *Reliance on the Manager* – Prospective purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. In particular, prospective purchasers will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Tamara Lawson and/or Evan Kirsh. If the Manager loses the services of Daniel Drimmer, Tamara Lawson and Evan Kirsh, the business, financial condition and results of operations of the Fund may be materially adversely affected.

(c) *Experience of Directors and Officers* – While the officers of the Fund and the Directors have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the officers of the Fund and the directors of its general partner may not be relevant to the acquisition of multi-family real estate in the U.S. or to their achievement of the investment objectives of the Fund.

(d) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the Fund's properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, and distributable cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund was required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of its properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by tenants for space in properties. As well, certain of the leases of the properties held by the Fund may have early termination provisions which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Fund's properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

(e) *Substitutions for Residential Rental Suites* – Demand for rental suites in the Fund's properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Interest rates offered by financial institutions for financing home ownership are currently at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in its properties and on the rents charged.

(f) *Government Regulation* – Certain states in the U.S. may have enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at its properties. Limits on the Fund's ability to raise rental rates at its properties may adversely affect the Fund's ability to increase income from its properties. The State of Florida has not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in such states may provide certain rights to tenants, while imposing obligations upon landlords. Certain states may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a state's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain states may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from tenants. Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of its properties.

(g) *Financing Risks* – There is no assurance that the Manager will be able to obtain sufficient mortgage loans to finance the acquisition of properties, or, if available, that the Manager will be able to obtain mortgage loans on commercially acceptable terms. Further, there is no assurance or guarantee that any mortgage loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of properties which the Fund is able to purchase will decrease and the return from the ownership of properties (and ultimately the return on an investment in Units) will be reduced.

(h) *Interest Rate Fluctuations* – The Fund's mortgage loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

(i) *Environmental Matters* – Under various environmental and ecological laws, the Fund and/or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of its properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell such property or to borrow using the property as collateral, and could potentially also result in claims against the Fund or its subsidiaries by third parties.

(j) *Uninsured Losses* – The Fund has arranged for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those owned or to be owned by the Fund or its subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such properties.

(k) *Reliance on Property Management* – The Manager may rely upon independent management companies to perform property management functions in respect of each of the Fund's properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the properties and their other development, investment and/or management activities.

(l) *Competition for Real Property Investments or Tenants* – The Manager will compete for suitable real property investments with individuals, corporations, REITs and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease suites in its properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

(m) *Revenue Shortfalls* – Revenues from the Fund's properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the mortgage loans or to fund changes in the variable rates of interest charged in respect of such loans.

(n) *Distributions* – To date, the Fund has not paid distributions to Unitholders which have exceeded cash flow from operating activities. As a result, the Fund has not historically funded distributions from alternate sources such as debt, mortgages or other financing instruments, has not made any distributions which have included a return of capital and has not been required to amend any material contracts.

There can be no assurance in the future the Fund will continue to fund distributions entirely from cash from operating activities. In such an event, the Fund may be required to fund its distributions from sources other than operations such as debt, mortgages or other financing instruments, make distributions which include a return of capital or amend material contracts.

(o) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally so too do capitalization rates which affect the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

(p) *Co-Investors* – The Manager may explore, from time to time, potential co-investment opportunities involving the Fund and one or more co-investors. Such co-investment opportunities may involve certain additional risks relating to the need to obtain approval from such co-investors with respect to certain major decisions or fundamental changes.

(q) *Joint Ventures* – The Manager may invest in, or be a participant in, joint ventures and partnerships with third parties in respect of the properties. A joint venture or partnership involves certain additional risks, including, (i) the possibility that such co-ventures/partners may at any time have economic or business interests or goals that will be inconsistent with the Manager's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to such properties, (ii) the risk that such co-ventures/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund's subsidiaries, or for which the Fund's subsidiaries will be liable and/or result in the Fund's subsidiary suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions, (iii) the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund's subsidiary to liability, and (iv) the need to obtain co-venturers'/partners' consents with respect to certain major decisions, including the decision to distribute cash generated from such properties or to refinance or sell a property. In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to rights of first refusal or first offer and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may be triggered at a time when the Manager may not desire to sell but may be forced to do so because a Fund subsidiary does not have the cash to purchase the other party's interests. Such rights may also inhibit the Manager's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires.

(r) *U.S. Market Factors* – The properties of the Fund are and will be located in the U.S. and economic conditions since the beginning of 2008 have been challenging in the North American economy. U.S. markets are currently experiencing increased levels of volatility due to a combination of many factors, including unemployment, home prices, home foreclosures, access to credit markets, fuel prices, consumer spending, fears of a recession, and the rate of recovery. Although according to the U.S. Federal Reserve, the recession technically ended in June 2009, the U.S. economy has not returned to operating at high capacity and the effects of the current market dislocation may persist as governments wind down fiscal stimulus programs. Concern about the stability of the markets generally and the strength of the economic recovery may lead lenders to reduce or cease to provide funding to businesses and consumers, and force financial institutions to continue to take the necessary steps to restructure their business and capital structures. Although there has been a recovery in the real estate market, the Fund cannot predict the future of real estate markets. The value of properties acquired may decline if current market conditions persist or worsen.

(s) *Possible Loss of Limited Liability of Limited Partners* – Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. If limited liability is lost, there is a risk that limited partners may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the Fund's, and Starlight GP's, net assets.

(t) *Currency Exchange Rate Risk* – Although investors in the Class A Units, Class C Units, Class D Units and Class F Units are invested in Canadian dollars and receive distributions and distributions of proceeds on termination of the Fund in Canadian dollars, such distributions, and distributions of proceeds on termination of the Fund will be calculated based on the Canadian dollar equivalent of a given distribution (which calculation shall use the U.S. spot exchange rate available to the Fund in respect of such distribution at such time). The Canadian dollar is not maintained at a fixed exchange rate compared to foreign currencies but rather the value of the Canadian dollar has a floating exchange rate in relation to the U.S. dollar. Additionally, the business of the Fund's subsidiaries and its affiliates will be conducted in the U.S. Consequently, any income and gains will be earned and any expenses and losses will be incurred in U.S. dollars. As a result of fluctuations in the Canada/U.S. dollar exchange rate, the value of an investment in Class A Units, Class C Units, Class D Units and Class F Units and the distributions on such Units, when expressed in Canadian dollars, may be greater or less than that determined only with reference to U.S. dollars. Accordingly, investors who purchase Class A Units, Class C Units, Class D Units, and Class F Units are subject to currency exchange rate risk. The Fund does not intend to enter into any hedging arrangements to limit the impact of changes in the Canadian/U.S. dollar exchange rate for holders of Class A Units, Class C Units, Class D Units and Class F Units and therefore it is anticipated that holders of Class A Units, Class C Units, Class D Units and Class F Units will have full exposure to changes in the exchange rate between the Canadian and U.S. dollar.

(u) *Same Management Group for Various Entities* – Although the Manager intends for every transaction which comes to the attention of the Manager and that would be a suitable investment for the Fund to be acquired through the Fund, the Manager may acquire properties for other investment portfolios in the future. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

Because of the inherent limitations in all control systems, including well-designed and operated systems, no control system can provided complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at December 31, 2015.

SUBSEQUENT EVENTS

On January 7, 2016, the Fund refinanced the mortgage on Verano for gross proceeds of $38,000 and repaid $33,150 on the existing mortgage. The remaining proceeds on the refinancing were used to repay the remaining mezzanine loan balance associated with Verano of $1,739 and to pay down the mezzanine loan balance associated with Pure Living by $2,700. The Fund realized a foreign exchange gain of $197 on the repayment of the Verano mezzanine loan and also lowered its weighted average interest rate to 2.93% from 2.96%, as of January 7, 2016.

FUTURE OUTLOOK

Starlight believes that the Fund's properties will continue to benefit from stable demand for residential rental accommodation, reflecting demographic trends and the affordability of renting in comparison to home ownership. In addition, the supply of comparable, multi-unit residential rental properties continues to be limited in the markets in which the Fund operates. The performance of the U.S. economy and local markets continues to support improved multi-family real estate fundamentals as well as a strong U.S. dollar. The Fund's properties are performing well with strong occupancy, rental growth and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Q4-2015 (1)	Q3-2015 (2)	Q2-2015 (3)	Q1-2015 (4)	For the period from Dec 1, 2014 to Dec 31, 2014 (4)
Revenue	$4,480	$ 4,473	$ 2,752	$ -	$ -
Property operating costs	(1,840)	(1,882)	(1,145)	-	-
NOI	2,640	2,591	1,607	-	-
Fund expenses	(343)	(270)	(182)	-	-
Unrealized gain on foreign exchange	(221)	462	(64)		
Realized gain on foreign exchange	477	29	-		
Fair value adjustment of investment properties	6,886	10,163	4,530	-	-
Finance costs	(1,162)	(1,291)	(788)	-	-
Income taxes:					
Deferred	(2,368)	(4,935)	(2,234)	-	-
Net income and comprehensive income for the period	$ 5,909	$ 6,749	$ 2,869	$ -	$ -
FFO	$1,128	$1,030	$637	n/a (3)	n/a (3)
AFFO	$1,127	$1,042	$637	n/a (3)	n/a (3)
Distributions	$841	$862	$591	n/a (3)	n/a (3)
FFO per Unit - basic and diluted	$0.19	$0.17	$0.10	n/a (3)	n/a (3)
AFFO per Unit - basic and diluted	$0.19	$0.17	$0.10	n/a (3)	n/a (3)
Distributions per Unit (5)	$0.14	$0.14	$0.10	n/a (3)	n/a (3)

Notes:
(1) During the three months ended December 31, 2015, the Fund did not acquire any properties.
(2) During the three months ended September 30, 2015, the Fund acquired Alafaya.
(3) During the three months ended June 30, 2015, the Fund acquired Verano, Grand Cypress, and Pure Living.
(4) No properties were held by the Fund during this period.
(5) Distributions per Unit for each period are based on the total distributions per Unit declared during the period.

Additional information relating to the Fund can be found on the SEDAR at WWW.SEDAR.COM.

Dated: April 12, 2016
Toronto, Ontario, Canada

SCHEDULE A – AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 Starlight U.S. Multi-Family (No. 4) Core GP, Inc. as the general partner of the Fund (the "**General Partner**") shall appoint an audit committee (the "**Committee**") to assist the board of directors (the "**Board**") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Investments Ltd., in its capacity as manager of the Fund (the "**Manager**").

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three directors of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements.

3.3 The General Partner shall appoint the members of the Committee. The General Partner may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "**Chair**"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers being necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any director of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to directors' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors the overall scope and plans for the audit, and in carrying out such oversight the Committee's duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 — *Continuous Disclosure Obligations* or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the unitholders of the Fund, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("**MD&A**") and any financial press releases before the Fund publicly discloses this information; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the General Partner's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the General Partner's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the General Partner and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund’s annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Fund’s financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund’s financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year’s financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders, annual information forms and management’s discussion and analysis as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) reviewing any related-party transactions not in the ordinary course of business;

(b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund’s external auditors;

(d) reviewing annual operating and capital budgets;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(h) reviewing any other questions or matters referred to it by the Board.

Interim Financial Statements
(In Canadian dollars)

CAMPAR CAPITAL CORPORATION

Three and six months ended June 30, 2016 and 2015

KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto ON M5H 2S5
Canada
Tel 416-777-8500
Fax 416-777-8818

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Campar Capital Corporation

We have audited the accompanying financial statements of Campar Capital Corporation, which comprise the statements of financial position as at June 30, 2016 and December 31, 2015, the statements of income (loss) and comprehensive income (loss) and cash flows for the three-month and six-month periods ended June 30, 2016 and June 30, 2015, and the statement of changes in shareholders' equity for the six-month period ended June 30, 2016 and June 30, 2015, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Campar Capital Corporation as at June 30, 2016 and December 31, 2015, and its financial performance and its cash flows for the three-month and six-month periods ended June 30, 2016 and June 30, 2015 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

October 12, 2016
Toronto, Canada

CAMPAR CAPITAL CORPORATION

Interim Statements of Financial Position
(In Canadian dollars)

	Note		June 30, 2016		December 31, 2015
ASSETS					
Cash	5	$	4,772,076	$	4,754,804
Prepaid expense			3,221		-
TOTAL ASSETS		$	4,775,297	$	4,754,804
LIABILITIES AND SHAREHOLDERS' EQUITY					
Accounts payable and accrued liabilities		$	9,608	$	19,189
Shareholders' equity			4,765,689		4,735,615
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		$	4,775,297	$	4,754,804

Subsequent events (note 10)

See accompanying notes to the interim financial statements.

The interim financial statements were approved by the Board of Directors on October 12, 2016 and signed on its behalf by:

"Daniel Drimmer" Director

"Martin Liddell" Director

CAMPAR CAPITAL CORPORATION

Interim Statements of Changes in Shareholders' Equity
Six months ended June 30, 2016 and 2015
(In Canadian dollars)

	Shareholders' Equity (Note 6)	Contributed Surplus	Accumulated losses	Total
Balance, December 31, 2015	$ 4,752,049	$ 62,236	$ (78,670)	$ 4,735,615
Changes during the period:				
Recognition of share-based compensation	-	16,141	-	16,141
Net income	-	-	13,933	13,933
Balance, June 30, 2016	$ 4,752,049	$ 78,377	$ (64,737)	$ 4,765,689

	Shareholders' Equity (Note 6)	Contributed Surplus	Accumulated losses	Total
Balance, December 31, 2014	$ 4,752,049	$ 10,879	$ (22,556)	$ 4,740,372
Changes during the period:				
Recognition of share based compensation	-	27,718	-	27,718
Net loss	-	-	(23,993)	(23,993)
Balance, June 30, 2015	$ 4,752,049	$ 38,597	$ (46,549)	$ 4,774,097

See accompanying notes to the interim financial statements.

CAMPAR CAPITAL CORPORATION

Interim Statements of Income (Loss) and Comprehensive Income (Loss)
(In Canadian dollars)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Expenses / Other income				
Share-based compensation	$ 8,655	$ 13,859	$ 16,141	$ 27,718
General and administration	6,825	3,777	11,648	8,729
Unrealized gain on foreign currency held in trust	(37,946)	-	(37,946)	-
Interest income	(890)	(5,757)	(3,776)	(12,454)
Total (income) expense	$ (23,356)	$ 11,879	$ (13,933)	$ 23,993
Net income (loss) and comprehensive income (loss)	$ 23,356	$ (11,879)	$ 13,933	$ (23,993)
Basic and diluted Income/(loss) per common share	$ -	$ -	$ -	$ -
Weighted average number of common shares outstanding for purpose of Income/(loss) per common share:				
Basic and diluted	45,000,000	45,000,000	45,000,000	45,000,000

See accompanying notes to the interim financial statements.

CAMPAR CAPITAL CORPORATION

Interim Statements of Cash Flows
(In Canadian dollars)

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Operating activities:				
Net income (loss)	$ 23,356	$ (11,879)	$ 13,933	$ (23,993)
Adjustments for items not involving cash:				
Share-based compensation expense	8,655	13,859	16,141	27,718
Change in working capital items:				
Prepaid expense	1,610	1,978	(3,221)	(3,955)
Accounts payable and accrued liabilities	(10,878)	(10,239)	(9,581)	(8,293)
Cash provided by (used in) operating activities	$ 22,743	$ (6,281)	$ 17,272	$ (8,523)
Financing activities:				
Change in accrued liabilities related to share issuance costs	$ -	$ -	$ -	$ (142,029)
Cash used in financing activities	$ -	$ -	$ -	$ (142,029)
Increase (decrease) in cash	$ 22,743	$ (6,281)	$ 17,272	$ (150,522)
Cash, beginning of period	4,749,333	4,758,130	4,754,804	4,902,401
Cash, end of period	$ 4,772,076	$ 4,751,849	$ 4,772,076	$ 4,751,849

See accompanying notes to the interim financial statements.

1. Basis of presentation:

Campar Capital Corporation (the "Corporation") was incorporated under the Business Corporations Act (Ontario) on August 20, 2014. The Corporation's common shares were listed for trading on the TSX Venture Exchange (the "Exchange") on October 24, 2014 as a Capital Pool Company, as defined by Policy 2.4 of the Exchange. The registered office of the Corporation is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Corporation filed a prospectus on October 8, 2014 and completed the initial public offering (the "Offering") of its common shares on October 21, 2014.

2. Statement of Compliance:

The financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards ("IFRS").

3. Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

4. Significant accounting policies:

(a) Share-based compensation

The Corporation has a share-based compensation plan (the "Plan"), which allows the Corporation to issue options to the directors, officers, employees and consultants to the Corporation to purchase common shares of the Corporation at a stipulated price.

4. Significant accounting policies (continued):

(a) Share-based compensation (continued)

The option grants may not exceed 10% of the issued and outstanding common shares of the Corporation. The Corporation measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period.

(b) Income/(loss) per common share

Basic income /(loss) per common share was calculated by dividing earnings attributable to common shares by the sum of the weighted average number of common shares outstanding during the three and six months ended June 30, 2016 and June 30, 2015.

Diluted earnings per common share was calculated using the basic calculation described above, and adjusting for the potentially dilutive effect of total number of additional common shares that would have been issued by the Corporation upon exercise of options.

Outstanding ordinary shares that are contingently returnable (including escrowed shares) are not treated as outstanding and are excluded from the calculation of basic earnings per share until the date the shares are no longer subject to recall. For purposes of calculating income/(loss) per common share, the 10,000,000 seed common shares were excluded as these are cancellable under Policy 2.4 of the Exchange.

(c) Critical judgments and estimates

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making judgments and estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those judgments and estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those judgments and estimates in these financial statements.

(d) Future accounting changes

Certain new standards, interpretations and improvements to existing standards were issued by the International Accounting Standards Board (“IASB”) or IFRS Interpretation Committee but are not yet effective for the three and six months ended June 30, 2016. Management is assessing the effects of the pronouncements on the Corporation. The impact of the standards that may be applicable to the Corporation are as follows:

4. Significant accounting policies (continued):

(d) Future accounting changes (continued)

(i) International Financial Reporting Standards ("IFRS") 9, Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard.

The amendments complete the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) International Financial Reporting Standards ("IFRS") 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted.

(In Canadian dollars)

4. Significant accounting policies (continued):

(d) Future accounting changes (continued)

(iii) International Financial Reporting Standards ("IFRS") 16, Leases ("IFRS 16"):

IFRS 16 was issued on January 13, 2016. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the company has adopted IFRS 15 Revenue from Contracts with Customers.

5. Cash:

The following table presents the details of cash:

	June 30, 2016	December 31, 2015
Held in trust	$ 4,668,392	$ 4,628,145
Cash	103,684	126,659
	$ 4,772,076	$ 4,754,804

On April 13, 2016, the Corporation exchanged $4,630,000 into United States currency. As at June 30, 2016, the United States currency held in trust was $3,614,146 (as at December 31, 2015 - $nil).

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment, with the exception that not more than the lesser of 30% of the gross proceeds from the issuance of shares or $210,000 may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the Exchange policy 2.4.

(In Canadian dollars)

6. Share capital:

(a) Common shares outstanding

	Shares	Amount
Authourized:		
Unlimited number of common shares		
Issued:		
Common shares issued for cash:		
Seed financing	10,000,000	$ 500,000
Private placement	41,000,000	4,100,000
Public offering	4,000,000	400,000
Common shares issued	55,000,000	$ 5,000,000
Share issuance costs		(247,951)
Balance, June 30, 2016		$ 4,752,049

On September 12, 2014, the Corporation issued 10,000,000 common shares for cash proceeds equal to $500,000 in its seed financing private placement. These common shares are held in escrow and will be released in future periods in accordance with an escrow agreement which was entered into on October 8, 2014 (the “Escrow Agreement”).

On September 12, 2014, the Corporation issued 41,000,000 common shares for cash proceeds equal to $4,100,000 pursuance to a private placement. Of these 41,000,000 common shares, 23,500,000 common shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement.

On October 8, 2014, the Corporation filed a prospectus for the sale to the public of 4,000,000 common shares at a price of $0.10 per common share, for aggregate gross proceeds of $400,000, prior to deduction of issue costs of $247,951, which included agent’s commissions of $32,000, along with legal, audit and filing fees.

The directors and officers of the Corporation beneficially own, directly or indirectly, or have control or direction over, 17,400,000 common shares (December 31, 2015 – 18,200,000) or approximately 31.6% (December 31, 2015 - 33.1%) of the issued and outstanding common shares in the capital of the Corporation as of June 30, 2016. See Subsequent Event – Note 10(a) for change after June 30, 2016.

(In Canadian dollars)

6. Share capital:

(b) Share-based compensation:

The Corporation has adopted a share-based compensation plan (the “Plan”). Under the terms of the Plan, Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant.

On October 20, 2014, in connection with the Offering, the Corporation granted 4,100,000 common share options at an exercise price of $0.10 per common share expiring October 20, 2019. These options vest 1/3 each year over a three-year period from the grant date.

On December 18, 2015, the Corporation granted 375,000 common share options at an exercise price of $0.1125 per common share expiring December 18, 2020. These options vest 1/3 each year over a three year period.

As of June 30, 2016, December 31, 2015, and 2014 the number of common share options outstanding was as follows:

	Number of common share options	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number of common share options exercisable
Outstanding, December 31, 2014	4,100,000	0.10	4.81	-
Common share options granted	375,000	0.11	5.00	-
Common share options exercised	-	-	-	-
Outstanding December 31, 2015	4,475,000	0.10	3.90	1,366,667
Common share options granted	-	-	-	-
Common share options exercised	-	-	-	-
Outstanding June 30, 2016	4,475,000	0.10	3.40	1,366,667

During the six months ended June 30, 2016, no common share options in connection with the Offering became exercisable (during the year ended December 31, 2015 - 1,366,667).

As of June 30, 2016 and December 31, 2015, there were no common share options exercised.

(In Canadian dollars)

6. Share capital:

(b) Share-based compensation:

The share-based compensation expense for the common share options issued was determined based on the fair value of the options at the grant date using the Black-Sholes option pricing model with the following assumptions:

	2015	2014
Expected share option holding period	3.50 years	3.50 years
Expected volatility rate	52.75%	42.01%
Dividend yield	7.00%	7.00%
Risk-free interest rate	0.48% to 0.74%	1.01% to 1.34%

The average expected common share option holding period used is estimated to be half the life of the respective option contract applied to that common share option upon vesting. Expected volatilities are based on the historical volatility of shares. The risk-free interest rate is the yield on zero-coupon Government of Canada bonds with a term consistent with the assumed common share option life.

The fair value of the common share options at the grant date range between $0.007 and $0.017 per option.

7. Income Taxes:

A reconciliation of income taxes at statutory rates is as follows:

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Net income (loss)	$ 23,356	$ (11,879)	$ 13,933	$ (23,993)
Statutory tax rate	26.5%	26.5%	26.5%	26.5%
Expected income taxes at Canadian statutory tax rate	6,189	(3,148)	3,692	(6,358)
Non-deductible expenses	2,294	3,673	4,277	7,345
Recognition of tax effect of previously unrecognized tax/losses	(8,483)	(525)	(7,969)	(987)
Provision for income taxes	$ -	$ -	$ -	$ -

The tax losses available to carry-forward at June 30, 2016 were $84,230 (December 31, 2015 - $84,230). A portion of this loss will begin to expire in fiscal 2034. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits there from.

8. Fair value:

The Corporation uses various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable marketing data; and
- Level 3 – valuation techniques for which significant inputs are not based on observable market data. Share options granted are reflected at Level 3. The Corporation determines the fair value of the share options granted using the valuation methodology and key assumptions described in note 6(b).

  As at June 30, 2016, the Corporation has no fair values recognized in the financial statements that reflect Level 1 or Level 2 inputs.

9. Financial risk management objectives and policies:

(a) Capital management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes shareholders' equity in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of a qualifying acquisition. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment. These restrictions apply until completion of a Qualifying Transaction by the Corporation.

9. Financial risk management objectives and policies:

(b) Risk disclosures and fair values

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying amounts of accounts payable and accrued liabilities approximate their fair value due to its relatively short term maturity. It is management's opinion that the Corporation is not exposed to significant interest or credit risks arising from these financial instruments.

(c) Currency risk

The Corporation is exposed to currency risk relating to cash held in a foreign currency, the United States dollar. Management monitors the exchange rates regularly and has the ability to reduce its exposure at any time.

10. Subsequent Events:

(a) On July 19, 2016, a director and officer of the Corporation purchased 450,000 common shares of the Corporation from another shareholder. As of August 25, 2016, the directors and officers of the Corporation beneficially own, directly or indirectly, or have control or direction over, 17,850,000 common shares of the Corporation or approximately 32.5% of issued and outstanding shares.

(b) On August 9, 2016, the Corporation announced that it had agreed to indirectly acquire an approximate 80% interest in a 276 unit Class "A" apartment community located in San Antonio, Texas as its Qualifying Transaction pursuant to two purchase and sale agreements made effective August 9, 2016. The Corporation's share of the purchase price is US $28,440,000. The remaining 20% will be acquired by an affiliate entity controlled by Daniel Drimmer. The acquisition will be with an arm's length qualifying transaction as that term is defined in the Policy 2.4 of the Exchange. The acquisition closed on September 30, 2016.

The Corporation financed the property through debt financing for combined gross proceeds of US$24,966,000 and with a weighted average interest rate of approximately 4.19%. All loans are for an initial term of 120 days with one 60 day extension option.

(c) On August 13, 2016, the common share options to acquire 300,000 common shares expired, leaving 4,175,000 options under the Plan outstanding.

(d) On September 7, 2016, the Corporation, along with Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, Starlight U.S. Multi-Family (No. 4) Core Fund (collectively, the "Entities") issued a Notice of Special Meetings of Unitholders and Shareholders and Management Information Circular ("Information Circular") to shareholders/unitholders of the Entities to consider passing a special resolution approving the plan of arrangement. The special resolutions were approved on October 6, 2016.

CAMPAR CAPITAL CORPORATION

MANAGEMENT’S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2016

OCTOBER 12, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition Campar Capital Corporation (the "Corporation") dated October 12, 2016, prepared as at June 30, 2016, and for the three and six months ended June 30, 2016, should be read in conjunction with the Corporation's audited financial statements and accompanying notes for the same period..

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to prospects or opportunities for the Corporation as it relates to the identification and evaluation of assets or businesses for the purpose of completing a Qualifying Transaction (as described below), the real estate industry in general, or plans and objectives of, or involving, the Corporation. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "project", "predict", "forecast", "potential", "continue", "likely", "schedule" or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives or strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Corporation's control, affect the operations, performance and results of the Corporation and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance that actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: Canadian economy, inflation and interest rates. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made relate only to events or information as at the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Corporation's interim financial statements for the three and six months ended June 30, 2016 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Corporation's functional currency is the Canadian dollar. Unless otherwise stated, amounts expressed in this MD&A are in Canadian dollars, except common shares and per common share information.

BUSINESS OVERVIEW AND STRATEGY

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on August 20, 2014. To date there have been no operations. The Corporation's common shares were listed for trading on the TSX Venture Exchange (the "Exchange") on October 24, 2014 as a Capital Pool Company, as defined by Policy 2.4 of the Exchange. The registered office of the Corporation is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Corporation filed a prospectus on October 8, 2014 and completed the initial public offering (the "Offering") of its common shares on October 21, 2014. The Corporation's continuing operations are dependent upon its ability to identify and evaluate assets or businesses within 24 months of listing on the Exchange for the purpose of completing a Qualifying Transaction (as defined by Policy 2.4 of the Exchange). The Corporation currently intends to pursue a Qualifying Transaction through the direct or indirect acquisition of real property and the reorganization into a real estate investment trust or limited partnership structure by way of a plan of arrangement. See **Subsequent Events**.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at June 30, 2016	As at December 31, 2015
Summary of Financial Information		
Cash	$ 4,772,076	$ 4,754,804
Prepaid expenses	3,221	-
Total assets	$ 4,775,297	$ 4,754,804
Accounts payable and accrued liabilities	$ 9,608	$ 19,189
Shareholders' equity	4,765,689	4,735,615
Total liabilities and shareholders' equity	$ 4,775,297	$ 4,754,804

Cash on hand at June 30, 2016 and December 31, 2015 was $4,772,076 and $4,754,804, respectively. Cash as of June 30, 2016 included $3,614,146 in United States currency.

Cash provided in operating activities for the three months and six months ended June 30, 2016 was $22,743 and $17,273, respectively, and cash used in operating activities for the three months and six months ended June 30, 2015 was $(6,281) and $(8,523), respectively. Cash used in financing activities was $nil for the three and six months ended June 30, 2016 and three months ended June 30, 2015. Cash used in financing activities of $142,029 for the six months ended June 30, 2015 related to common share issuance costs.

Accounts payable and accrued liabilities as at June 30, 2016, and as at December 31, 2015 relate to the accrual of year-end audit fees, transfer agent fees and year-end filing fees.

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Summary of Financial Performance				
Expenses				
Share-based compensation	$ 8,655	$ 13,859	$ 16,141	$ 27,718
General and administration	6,825	3,777	11,648	8,729
Unrealized gain on foreign currency held in trust	(37,946)	-	(37,946)	-
Interest income	(890)	(5,757)	(3,776)	(12,454)
Total expenses	$ (23,356)	$ 11,879	$ (13,933)	$ 23,993
Net income (loss) and comprehensive income (loss)	$ 23,356	$ (11,879)	$ 13,933	$ (23,993)
Basic and diluted Income/(loss) per common share	$ -	$ -	$ -	$ -
Weighted average number of common shares outstanding for the purpose of Income/(loss) per common share:				
Basic and diluted	45,000,000	45,000,000	45,000,000	45,000,000

The Company has in place a share-based compensation plan (the "Plan"). Under the terms of the Plan, the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant.

In connection with the Offering, the Corporation granted 4,100,000 common share options at an exercise price of $0.10 per common share expiring October 20, 2019. These options vest 1/3 each year over a three-year period from the grant date.

On December 18, 2015, the Corporation granted 375,000 common share options at an exercise price of $0.1125 per common share expiring December 18, 2020. These options vest 1/3 each year over a three year period from the grant date.

The total number of common shares reserved under options for issuance may not exceed 10% of the common shares outstanding.

The share-based compensation expense for the October 20, 2014 common share options was determined based on the fair value of the options at the grant date using the Black-Scholes option pricing model with the following assumptions used to calculate the fair value: expected stock volatility of 42.01%; risk-free interest rate of 1.01% to 1.34%; and the expected option holding period is estimated to be half the life of the respective option contract applied to that common share option upon vesting.

The share-based compensation expense for the December 18, 2015 common share options was determined based on the fair value of the options at the grant date using the Black-Scholes option pricing model with the following assumptions used to calculate the fair value: expected stock volatility of 52.75%; risk-free interest rate of 0.48% to 0.74%; and the expected option holding period estimated to be half the life of the respective option contract applied to that common share option upon vesting.

During the three months and six months ended June 30, 2016, the Corporation recorded share-based compensation expense of $8,655 and $16,141 (for the three months and six ended June 30, 2015 - $13,859 and $27,718, respectively). The fair value of the options at the grant date range between $0.007 and $0.017 per option.

As at June 30, 2016, the number of common shares reserved under the Plan was 4,475,000, representing 8.1% of the issued and outstanding common shares, respectively.

The Company converted cash of $4,630,000 into United States currency on April 13, 2016. For the three and six months ended June 30, 2016, the Company had an unrealized foreign exchange gain of $37,946.

Shareholders' Equity

	Shares (000's)		Amount
Authourized:			
Unlimited number of common shares			
Issued:			
Common shares issued for cash:			
Seed financing	10,000	$	500,000
Private placement	41,000		4,100,000
Public offering	4,000		400,000
Common shares issued	55,000		5,000,000
Common share issuance costs	-		(247,951)
Balance, June 30, 2016	55,000	$	4,752,049

On September 12, 2014, the Corporation issued 10,000,000 common shares for cash proceeds equal to $500,000 in its seed financing private placement. These common shares are held in escrow and will be released in future periods in accordance with an escrow agreement which was entered into on October 8, 2014 (the "Escrow Agreement").

On September 12, 2014, the Corporation issued 41,000,000 common shares for cash proceeds equal to $4,100,000 in a private placement. Of these 41,000,000 common shares, 24,000,000 common shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement.

On October 8, 2014, the Corporation filed a prospectus for the sale to the public of 4,000,000 common shares at a price of $0.10 per common share, for the aggregate gross proceeds of $400,000, prior to deduction of issue costs of $247,951, which include agent's commissions of $32,000, along with legal, audit and filing fees.

The directors and officers of the Corporation as at June 30, 2016 beneficially own, directly or indirectly, or have control or direction over, 17,400,000 (as at December 31 ,2015 – 18,200,000) common shares or approximately 31.6% (as at December 31, 2015 – 33.1%) of the issued and outstanding common shares in the capital of the Corporation. See Subsequent Events.

SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies are described in Note 4 to the Corporation's audited financial statements for the three and six months ended June 30, 2016.

USE OF ESTIMATES

The preparation of the Corporation's audited financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

RISKS AND UNCERTAINTIES

There are certain risks inherent in the activities of the Corporation, which current and prospective shareholders should carefully consider. If any of the following or other risks occur, the Corporation's business, prospects, financial condition, financial performance, and cash flows could be materially adversely impacted. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks:

a) the Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash and cash equivalents. It has no history of earnings, and shall not generate earnings or pay dividends until at least after completion of a Qualifying Transaction;
b) the directors and officers of the Corporation will only devote a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest, or potential or perceived conflicts of interest, may arise from time to time;

c) there can be no assurance that an active and liquid market for the Corporation's common shares will develop and an investor may find it difficult to resell the common shares;
d) until completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of a potential Qualifying Transaction;
e) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
f) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
g) completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval (each as defined by Policy 2.4 of the Exchange);
h) unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for their common shares;
i) upon public announcement of a proposed Qualifying Transaction, trading in the common shares of the Corporation will be halted and will remain halted for an indefinite period of time, typically until a sponsor has been retained and certain preliminary reviews have been conducted. The common shares of the Corporation will be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction;
j) trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required;
k) the Exchange will generally suspend trading in the Corporation's common shares or delist the Corporation in the event that the Exchange has not issued a Final Exchange Bulletin within 24 months from the date of listing;
l) neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
m) in the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts;
n) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor. Such dilution may be significant and may also result in a change of control of the Corporation; and
o) subject to prior acceptance by the Exchange, the Corporation may be permitted to loan or advance up to an aggregate of $250,000 of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover that loan.

SUBSEQUENT EVENTS

(a) On July 19, 2016, a director and officer of the Corporation purchased 450,000 common shares of the Corporation from another shareholder. As of August 25, 2016, the directors and officers of the Corporation beneficially own, directly or indirectly, or have control or direction over, 17,850,000 common shares of the Corporation or approximately 32.5% of issued and outstanding common shares.

(b) On August 9, 2016, the Corporation announced that it had agreed to indirectly acquire an approximate 80% interest in a 276 unit Class "A" apartment community located in San Antonio, Texas as its Qualifying Transaction pursuant to two purchase and sale agreements made effective August 9, 2016. The Corporations share of the purchase price is US $28,440,000. The remaining 20% will be acquired by an affiliate entity controlled by Daniel Drimmer. The acquisition will be with an arm's length qualifying transaction as that term is defined in the Policy 2.4 of the Exchange. The acquisition closed on September 30, 2016.

The Corporation financed the property through debt financing for combined gross proceeds of US$24,966,000 and with a weighted average interest rate of approximately 4.19%. All loans are for an initial term of 120 days with one 60 day extension option.

(c) On August 13, 2016, the common share options to acquire 300,000 common shares expired, leaving 4,175,000 options under the Plan outstanding.

(d) On September 7, 2016, the Corporation, along with Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, Starlight U.S. Multi-Family (No. 4) Core Fund (collectively, the "Entities") issued a Notice of Special Meetings of Unitholders and Shareholders and Management Information Circular ("Information Circular") to shareholders/unitholders of the Entities to consider passing a special resolution approving the plan of arrangement. The special resolutions were approved on October 6, 2016.

QUARTERLY INFORMATION

	Three months ended June 30, 2016	Three months ended March 31, 2016	Three months ended December 31, 2015	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015	Three months ended December 31, 2014	For the period from August 20, 2014 to September 30, 2014
Summary of Financial Performance								
Expenses								
Share-based compensation	$ 8,655	$ 7,486	$ 9,779	$ 13,860	$ 13,859	$ 13,859	$ 10,879	$ -
General and administration	6,825	4,823	3,846	11,067	3,777	4,952	20,937	-
Unrealized gain on foreign currency held in trust	(37,946)	-	-	-	-	-	-	-
Interest income	(890)	(2,886)	(2,883)	(3,548)	(5,757)	(6,697)	(9,260)	-
Total (income) expenses	(23,356)	9,423	10,742	21,379	11,879	12,114	22,556	-
Net income (loss) and comprehensive loss	$ 23,356	$ (9,423)	$ (10,742)	$ (21,379)	$ (11,879)	$ (12,114)	$ (22,556)	$ -
Basic and diluted Income/(loss) per common share	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Weighted average number of common shares outstanding for the purpose of income/(loss) per common share:								
Basic and diluted	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	45,000,000	44,054,545	41,000,000

Additional information relating to the Corporation can be found on the SEDAR at WWW.SEDAR.COM.

Dated: October 12, 2016
Toronto, Ontario, Canada

Financial Statements
(In Canadian dollars)

CAMPAR CAPITAL CORPORATION

Year ended December 31, 2015 and period from August 20, 2014
(date of incorporation) to December 31, 2014.

KPMG LLP
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Toronto ON M5H 2S5
Canada

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of Campar Capital Corporation

We have audited the accompanying financial statements of Campar Capital Corporation, which comprise the statements of financial position as at December 31, 2015 and 2014, the statements of loss and comprehensive loss, changes in shareholders' equity and cash flows for the year ended December 31, 2015 and period from August 20, 2014 (date of incorporation) to December 31, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Page 2

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Campar Capital Corporation as at December 31, 2015 and 2014, and its financial performance and its cash flows for the year ended December 31, 2015 and period from August 20, 2014 (date of incorporation) to December 31, 2014 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1 in the financial statements which indicates that Campar Capital Corporation has not completed its qualifying transaction. This condition, along with other matters as set forth in note 1 in the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about Campar Capital Corporation's ability to continue as a going concern.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

April 21, 2016
Toronto, Canada

CAMPAR CAPITAL CORPORATION

Statements of Financial Position
(In Canadian dollars)

As at December 31		2015		2014
Assets				
Cash (note 5)	**$**	**4,754,804**	$	4,902,401
Total assets	**$**	**4,754,804**	$	4,902,401
Liabilities and Shareholders' Equity				
Accounts payable and accrued liabilities	**$**	**19,189**	$	162,029
Shareholders’ equity (note 6)	**$**	**4,735,615**	$	4,740,372
Total liabilities and shareholders’ equity	**$**	**4,754,804**	$	4,902,401

See accompanying notes to the financial statements.

The financial statements were approved by the Board of Directors on April 21, 2016 and signed on its behalf by:

“Daniel Drimmer” Director

“Tamara Lawson” Director

CAMPAR CAPITAL CORPORATION

Statements of Changes in Shareholders' Equity
(In Canadian dollars)

Year ended December 31, 2015 and period from August 20, 2014 (date of incorporation) to December 31, 2014

	Shareholders' Equity	Contributed Surplus	Accumulated losses	Total
Balance, December 31, 2014	**$ 4,752,049**	**$ 10,879**	**$ (22,556)**	**$ 4,740,372**
Changes during the period:				
Recognition of share-based compensation	**-**	**51,357**	**-**	**51,357**
Net loss	**-**	**-**	**(56,114)**	**(56,114)**
Balance, December 31, 2015	**$ 4,752,049**	**$ 62,236**	**$ (78,670)**	**$ 4,735,615**

	Shareholders' Equity	Contributed Surplus	Accumulated losses	Total
Balance, August 20, 2014 (date of incorporation)	$ -	$ -	$ -	$ -
Changes during the period:				
Common shares issued, net of issuance costs (note 6)	4,752,049		-	4,752,049
Recognition of share based compensation	-	10,879	-	10,879
Net loss	-	-	(22,556)	(22,556)
Balance, December 31, 2014	$ 4,752,049	$ 10,879	$ (22,556)	$ 4,740,372

See accompanying notes to the financial statements.

CAMPAR CAPITAL CORPORATION

Statements of Loss and Comprehensive Loss
(In Canadian dollars)

	Year ended December 31, 2015	Period from August 20, 2014 (date of incorporation) to December 31, 2014
Expenses		
Share-based compensation	**$ 51,357**	$ 10,879
General and administration	**23,642**	20,937
Interest income	**(18,885)**	(9,260)
Total expenses	**$ 56,114**	$ 22,556
Net loss and comprehensive loss	**$ (56,114)**	$ (22,556)
Basic and diluted loss per common share	**$ -**	$ -
Weighted average number of common shares outstanding:		
Basic and diluted	**55,000,000**	54,054,545

See accompanying notes to the financial statements.

CAMPAR CAPITAL CORPORATION

Statements of Cash Flows
(In Canadian dollars)

	Year ended December 31, 2015	Period from August 20, 2014 (date of incorporation) to December 31, 2014
Operating activities		
Net loss	**$ (56,114)**	$ (22,556)
Adjustments for items not involving cash:		
Share-based compensation expense	**51,357**	10,879
Change in working capital items:		
Accounts payable and accrued liabilities	**(811)**	20,000
Cash (used in) provided by operating activities	**(5,568)**	8,323
Financing activities:		
Proceeds from issuance of common shares, net of Issuance costs (note 6)	**-**	4,752,049
Change in accrued liabilities related to share issuance costs	**(142,029)**	142,029
Cash (used) provided by financing activities	**(142,029)**	4,902,078
(Decrease) increase in cash	**(147,597)**	4,902,401
Cash, beginning of year / period	**4,902,401**	-
Cash, end of year / period	**$ 4,754,804**	$ 4,902,401

See accompanying notes to the financial statements.

1. Basis of presentation:

Campar Capital Corporation (the "Corporation") was incorporated under the Business Corporations Act (Ontario) on August 20, 2014. The Corporation's common shares were listed for trading on the TSX Venture Exchange (the "Exchange") on October 24, 2014 as a Capital Pool Company, as defined by Policy 2.4 of the Exchange. The registered office of the Corporation is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Corporation filed a prospectus on October 8, 2014 and completed the initial public offering (the "Offering") of its common shares on October 21, 2014.

The Corporation's continuing operations are dependent upon its ability to identify and evaluate assets or businesses within 24 months of listing on the Exchange for the purposes of completing a Qualifying Transaction (as defined by Policy 2.4 of the Exchange). The Corporation currently intends to pursue a Qualifying Transaction through the direct or indirect acquisition of real property and the reorganization into a real estate investment trust by way of a plan of arrangement. In the event the Corporation is unable to complete its Qualifying Transaction prior to October 21, 2016, the Corporation may request an extension to the period to complete the Qualifying Transaction from the Exchange or in accordance with applicable law, wind-up and liquidate the Corporation's assets and distribute its remaining assets, on a pro rata basis, to its shareholders unless, within that 90 day period, the shareholders, pursuant to a majority vote, exclusive of the votes of non-arm's length parties to the Corporation, approve another use of the remaining assets. This condition indicates the existence of material uncertainty that may cast significant doubt about the Corporation's ability to continue as a going concern. These financial statements do not give effect to adjustment that would be necessary to the carrying amounts and classification of asset and liabilities should the Corporation be unable to continue as a going concern.

2. Statement of Compliance:

The financial statements of the Corporation have been prepared by management in accordance with International Financial Reporting Standards ("IFRS").

3. Functional and presentation currency:

These financial statements are presented in Canadian dollars, which is the Corporation's functional currency.

4. Significant accounting policies:

(a) Share-based compensation

The Corporation has a share-based compensation plan (the "Plan"), which allows the Corporation to issue options to the directors, officers, employees and consultants to the Corporation to purchase common shares of the Corporation at a stipulated price. The option grants may not exceed 10% of the issued and outstanding common shares of the Corporation. The Corporation measures these amounts at fair value at the grant date and compensation expense is recognized over the vesting period.

4. Significant accounting policies (continued):

(b) Loss per common share

Basic loss per common share was calculated by dividing earnings attributable to common shares by the sum of the weighted average number of common shares outstanding during the year ended December 31, 2015 and period from August 20, 2014 to December 31, 2014.

Diluted earnings per common share was calculated using the basic calculation described above, and adjusting for the potentially dilutive effect of total number of additional common shares that would have been issued by the Corporation upon exercise of options.

(c) Critical judgments and estimates

The preparation of financial statements requires management to make critical judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Actual results could differ from those estimates.

In making judgments and estimates, management relies on external information and observable conditions where possible, supplemented by internal analysis as required.

Those judgments and estimates have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that management believes will materially affect the methodology or assumptions utilized in making those judgments and estimates in these financial statements.

(d) Future accounting changes

Certain new standards, interpretations and improvements to existing standards were issued by the International Accounting Standards Board (“IASB”) or IFRS Interpretation Committee but are not yet effective for the year ended December 31, 2015. Management is assessing the effects of the pronouncements on the Corporation. The impact of the standards that may be applicable to the Corporation are as follows:

(i) Presentation of Financial Statements (“IAS 1”):

IAS 1, Presentation of Financial Statements was amended by the IASB in December of 2014. The amendments are designed to further encourage presenters of financial statements to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that presenters should use professional judgement in determining where and in what order information is presented in their financial disclosure. The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier application is permitted.

(In Canadian dollars)

4. Significant accounting policies (continued):

(d) Future accounting changes (continued)

(i) International Financial Reporting Standards ("IFRS") 9, Financial Instruments ("IFRS 9"):

IFRS 9, Financial Instruments, addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model that will allow entities to better reflect their risk management activities has been included in the standard.

The amendments complete the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

(ii) International Financial Reporting Standards ("IFRS") 15, Revenue from Contracts with Customers ("IFRS 15"):

In May 2014, the IASB issued IFRS 15 - Revenue from Contracts with Customers. The new standard provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2017, and is to be applied retrospectively. Early adoption is permitted. The Corporation is currently assessing the impact of the new standard on its consolidated financial statements.

(iii) International Financial Reporting Standards ("IFRS") 16, Leases ("IFRS 16"):

IFRS 16 was issued on January 13, 2016. The new standard will replace existing lease guidance in IFRS and related interpretations, and requires lessees to bring most leases on-balance sheet. The financial reporting impact of adopting IFRS 16 is being assessed. The new standard is effective for years beginning on or after January 1, 2019. Early adoption will be permitted only if the company has adopted IFRS 15 Revenue from Contracts with Customers. The Corporation has not yet determined the impact of the new standard on its consolidated financial statements.

5. Cash:

The following table presents the details of cash

	2015	2014
Held in trust	**$ 4,628,145**	$ 4,609,260
Cash	**126,659**	293,141
	$ 4,754,804	$ 4,902,401

(In Canadian dollars)

6. Share capital:

(a) Common shares outstanding

	Shares	Amount
Authourized:		
Unlimited number of common shares		
Issued:		
Common shares issued for cash:		
Seed financing	10,000,000	$ 500,000
Private placement	41,000,000	4,100,000
Public offering	4,000,000	400,000
Common shares issued	55,000,000	$ 5,000,000
Share issuance costs	-	(247,951)
Balance, December 31, 2015	55,000,000	$ 4,752,049

On September 12, 2014, the Corporation issued 10,000,000 common shares for cash proceeds equal to $500,000 in its seed financing private placement. These common shares are held in escrow and will be released in future periods in accordance with an escrow agreement which was entered into on October 8, 2014 (the “Escrow Agreement”).

On September 12, 2014, the Corporation issued 41,000,000 common shares for cash proceeds equal to $4,100,000 pursuance to a private placement. Of these 41,000,000 common shares, 23,500,000 common shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement.

On October 8, 2014, the Corporation filed a prospectus for the sale to the public of 4,000,000 common shares at a price of $0.10 per common share, for aggregate gross proceeds of $400,000, prior to deduction of issue costs of $247,951, which includes agent’s commissions of $32,000, along with legal, audit and filing fees.

The directors and officers of the Corporation beneficially own, directly or indirectly, or have control or direction over, 18,200,000 common shares (2014 - 17,300,000) or approximately 33.1% (2014 - 31.5%) of the issued and outstanding common shares in the capital of the Corporation as of December 31, 2015

(b) Share-based compensation:

The Corporation has adopted a share-based compensation plan (the “Plan”). Under the terms of the Plan, Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant.

On October 20, 2014, in connection with the Offering, the Corporation granted 4,100,000 common share options at an exercise price of $0.10 per common share expiring October 20, 2019. These options vest 1/3 each year over a three-year period from the grant date.

(In Canadian dollars)

6. Share capital (continued):

(b) Share-based compensation (continued):

On December 18, 2015, the Corporation granted 375,000 common share options at an exercise price of $0.1125 per common share expiring December 18, 2020. These options vest 1/3 each year over a three year period.

As of December 31, 2015 and 2014, the number of common share options outstanding is as follows:

	Number of common share options	Weighted average exercise price	Weighted average remaining contractual life (in years)	Number of common share options exercisable
Outstanding, August 20, 2014	-	$ -	-	-
Common share options granted	4,100,000	0.10	5.00	-
Common share options exercised	-	-	-	-
Outstanding, December 31, 2014	4,100,000	0.10	4.81	-
Common share options granted	375,000	0.11	5.00	-
Common share options exercised	-	-	-	-
Outstanding December 31, 2015	4,475,000	0.11	3.90	1,366,667

During the year ended December 31, 2015, 1,366,667 common share options in connection with the Offering became exercisable.

As of December 31, 2015 and 2014, there were no common share options exercised.

The share-based compensation expense for the common share options issued was determined based on the fair value of the options at the grant date using the Black-Sholes option pricing model with the following assumptions:

	2015	2014
Expected share option holding period	3.50 years	3.50 years
Expected volatility rate	52.75%	42.01%
Dividend yield	7.00%	7.00%
Risk-free interest rate	0.48% to 0.74%	1.01% to 1.34%

The average expected common share option holding period used is estimated to be half the life of the respective option contract applied to that common share option upon vesting. Expected volatilities are based on the historical volatility of shares. The risk-free interest rate is the yield on zero-coupon Government of Canada bonds with a term consistent with the assumed common share option life.

The fair value of the common share options granted during the year ranges between $0.044 and $0.050 per option at the grant date.

(In Canadian dollars)

7. Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	2015	2014
Net loss	$ (56,114)	$ (22,556)
Statutory tax rate	26.5%	26.5%
Statutory income	(14,870)	(5,977)
Current year losses for which no deferred tax asset recognized	14,402	7,919
Non-deductible expenses	13,610	2,883
Change in unrecognized temporary differences	(13,142)	(4,825)
Provision for income taxes	-	-

The tax losses available to carryforward at December 31, 2015 were $84,230 (2014 - $29,883). A portion of this loss will begin to expire in fiscal 2034. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the Corporation can utilize the benefits therefrom.

8. Fair value:

The Corporation uses various methods in estimating the fair values recognized in the financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values.

- Level 1 – quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable marketing data; and
- Level 3 – valuation techniques for which significant inputs are not based on observable market data. Share options granted are reflected at Level 3. The Corporation determines the fair value of the share options granted using the valuation methodology and key assumptions described in note 2 and note 3.

  As at year end, the Corporation has no fair values recognized in the financial statements that reflect Level 1 or Level 2 inputs.

9. Financial risk management objectives and policies:

(a) Capital management

The Corporation's objective when managing capital is to maintain its ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders.

The Corporation includes shareholders' equity in the definition of capital.

The Corporation's primary objective with respect to its capital management is to ensure that it has sufficient cash resources to fund the identification and evaluation of a qualifying acquisition. To secure the additional capital necessary to pursue these plans, the Corporation may attempt to raise additional funds through the issuance of equity or by securing strategic partners.

The proceeds raised from the issuance of common shares may only be used to identify and evaluate assets or businesses for future investment. These restrictions apply until completion of a Qualifying Transaction by the Corporation.

(a) Risk disclosures and fair values

The Corporation's financial instruments consist of cash and accounts payable and accrued liabilities. The carrying amounts of accounts payable and accrued liabilities approximate their fair value due to its relatively short term maturity. It is management's opinion that the Corporation is not exposed to significant interest, currency or credit risks arising from these financial instruments.

10. Subsequent Event:

On April 13, 2016, the Corporation exchanged cash holdings of $4,630,000 into United States currency.

CAMPAR CAPITAL CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

FOR THE YEAR ENDED DECEMBER 31, 2015

April 21, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") of the results of operations and financial condition of Campar Capital Corporation (the "Corporation") dated April 21, 2016 for the year ended December 31, 2015 should be read in conjunction with the Corporation's audited financial statements and accompanying notes for the same period.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking statements are provided for the purposes of assisting the reader in understanding the Corporation's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to prospects or opportunities for the Corporation as it relates to the identification and evaluation of assets or businesses for the purpose of completing a Qualifying Transaction (as described below), the real estate industry in general, or plans and objectives of, or involving, the Corporation. In some cases, forward-looking information can be identified by such terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "project", "predict", "forecast", "potential", "continue", "likely", "schedule" or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements necessarily involve known and unknown risks and uncertainties, that may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives or strategic goals and priorities will not be achieved. A variety of factors, many of which are beyond the Corporation's control, affect the operations, performance and results of the Corporation and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance that actual results will be consistent with such forward-looking statements.

Information contained in forward-looking statements is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances. While management considers these assumptions to be reasonable based on currently available information, they may prove to be incorrect.

The forward-looking statements made in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian law, the Corporation undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Corporation's audited financial statements for the year ended December 31, 2015 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Corporation's functional currency is the Canadian dollar. Unless otherwise stated, amounts expressed in this MD&A are in Canadian dollars.

BUSINESS OVERVIEW AND STRATEGY

The Corporation was incorporated under the *Business Corporations Act (Ontario)* on August 20, 2014. To date there have been no operations. The Corporation's common shares were listed for trading on the TSX Venture Exchange (the "Exchange") on October 24, 2014 as a Capital Pool Company, as defined by Policy 2.4 of the Exchange. The registered office of the Corporation is located at 3300 Bloor Street West, West Tower, Suite 1801, Toronto, Ontario. The Corporation filed a prospectus on October 8, 2014 and completed the initial public offering (the "Offering") of its common shares on October 21, 2014. The Corporation's continuing operations are dependent upon its ability to identify and evaluate assets or businesses within 24 months of listing on the Exchange for the purpose of completing a Qualifying Transaction (as defined by Policy 2.4 of the Exchange). The Corporation currently intends to pursue a Qualifying Transaction through the direct or indirect acquisition of real property and the reorganization into a real estate investment trust by way of a plan of arrangement.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at December 31, 2015	As at December 31, 2014
Summary of Financial Information		
Cash	$ 4,754,804	$ 4,902,401
Total assets	$ 4,754,804	$ 4,902,401
Accounts payable and accrued liabilities	$ 19,189	$ 162,029
Shareholders' equity	$ 4,735,615	$ 4,740,372
Total liabilities and shareholders' equity	$ 4,754,804	$ 4,902,401

	Three months ended December 31, 2015	Year ended December 31, 2015
Summary of Financial Performance		
Expenses		
Share-based compensation	$ 9,779	$ 51,357
General and administration	3,846	23,642
Interest income	(2,883)	(18,885)
	10,742	56,114
Net loss and comprehensive loss	$ (10,742)	$ (56,114)
Basic and diluted loss per common share	$ -	$ -
Weighted average number of common shares outstanding:		
Basic and diluted	55,000,000	55,000,000

Cash on hand at December 31, 2015 and December 31, 2014 was $4,754,804 and $4,902,401, respectively. Cash provided (used) by operating activities for the three and twelve months ended December 31, 2015 was $1,617 and ($5,568), respectively and cash used by financing activities was $nil and $142,029, respectively. Cash used by financing activities related to common share issuance costs paid during the twelve months ended December 31, 2015 of $142,029.

Accounts payable and accrued liabilities as at December 31, 2015 relate to year-end audit fees, transfer agent fees and year-end filing fees. Accounts payable and accrued liabilities as at December 31, 2014 relate to the Offering, audit fees, transfer agent fees and year-end filing fees.

The Company has in place a share-based compensation plan (the “Plan”). Under the terms of the Plan, the Board of Directors of the Corporation may from time to time, in its discretion, and in accordance with Exchange requirements, grant directors, officers, employees and consultants to the Corporation, non-transferable options to purchase common shares, exercisable for a period of up to five years from the date of grant.

In connection with the Offering, the Corporation granted 4,100,000 options at an exercise price of $0.10 per common share expiring October 20, 2019. These options vest over a three-year period from the grant date.

On December 18, 2015, the Corporation granted 375,000 common share options at an exercise price of $0.1125 per common share expiring December 18, 2020. These options vest 1/3 each year over a three year period.

The total number of common shares reserved under options for issuance may not exceed 10% of the common shares outstanding.

The share-based compensation expense for the October 20, 2014 common share options was determined based on the fair value of the options at the grant date using the Black-Scholes option pricing model with the following assumptions used to calculate the fair value: expected stock volatility of 42.01%; risk-free interest rate of 1.01% to 1.34%; and the expected option holding period is estimated to be half the life of the respective option contract applied to that common share option upon vesting.

The share-based compensation expense for the December 18, 2015 common share options was determined based on the fair value of the options at the grant date using the Black-Scholes option pricing model with the following assumptions used to calculate the fair value: expected stock volatility of 52.75%; risk-free interest rate of 0.48% to 0.74%; and the expected option holding period estimated to be half the life of the respective option contract applied to that common share option upon vesting.

During the three months and twelve months ended December 31, 2015, the Corporation recorded share-based compensation expense of $9,779 and $51,357, respectively. The fair value of the options at the grant date range between $0.007 and $0.050 per option.

As of December 31, 2015 and December 31, 2014, the number of common shares reserved under the Plan were 4,475,000 and 4,100,000, representing 8.1% and 7.5% of the issued and outstanding common shares, respectively.

Shareholders’ Equity

	Shares (000’s)	Amount
Authourized:		
Unlimited number of common shares		
Issued:		
Common shares issued for cash:		
Seed financing	10,000	$ 500,000
Private placement	41,000	4,100,000
Public offering	4,000	400,000
Common shares issued	55,000	5,000,000
Common share issuance costs	-	(247,951)
Balance, December 31, 2015 December 31, 2014	55,000	$ 4,752,049

On September 12, 2014, the Corporation issued 10,000,000 common shares for cash proceeds equal to $500,000 in its seed financing private placement. These common shares are held in escrow and will be released in future periods in accordance with an escrow agreement which was entered into on October 8, 2014 (the “Escrow Agreement”).

On September 12, 2014, the Corporation issued 41,000,000 common shares for cash proceeds equal to $4,100,000 in a private placement. Of these 41,000,000 common shares, 24,000,000 common shares are held in escrow and will be released in future periods in accordance with the Escrow Agreement.

On October 8, 2014, the Corporation filed a prospectus for the sale to the public of 4,000,000 common shares at a price of $0.10 per common share, for the aggregate gross proceeds of $400,000, prior to deduction of issue costs of $247,951, which includes agent's commissions of $32,000, along with legal, audit and filing fees.

The directors and officers of the Corporation beneficially own, directly or indirectly, or have control or direction over, 18,200,000 common shares (2014 - 17,300,000) or approximately 33.1% (2014 - 31.5%) of the issued and outstanding common shares in the capital of the Corporation as of December 31, 2015.

SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies are described in Note 3 to the Corporation's audited financial statements for the year ended December 31, 2015.

USE OF ESTIMATES

The preparation of the Corporation's audited financial statements in accordance with IFRS requires estimates and assumptions that affect the carrying amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and disclosure of the reported amounts of revenues and expenses during the reporting period. Actual results could differ from estimates.

RISKS AND UNCERTAINTIES

There are certain risks inherent in the activities of the Corporation, which current and prospective shareholders should carefully consider. If any of the following or other risks occur, the Corporation's business, prospects, financial condition, financial performance, and cash flows could be materially adversely impacted. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks:

a) the Corporation was only recently incorporated, has not commenced commercial operations and has no assets other than cash and cash equivalents. It has no history of earnings, and shall not generate earnings or pay dividends until at least after completion of a Qualifying Transaction;
b) the directors and officers of the Corporation will only devote a portion of their time to the business and affairs of the Corporation and some of them are or will be engaged in other projects or businesses such that conflicts of interest, or potential or perceived conflicts of interest, may arise from time to time;
c) there can be no assurance that an active and liquid market for the Corporation's common shares will develop and an investor may find it difficult to resell the common shares;
d) until completion of a Qualifying Transaction, the Corporation is not permitted to carry on any business other than the identification and evaluation of a potential Qualifying Transaction;
e) the Corporation has only limited funds with which to identify and evaluate potential Qualifying Transactions and there can be no assurance that the Corporation will be able to identify a suitable Qualifying Transaction;
f) even if a proposed Qualifying Transaction is identified, there can be no assurance that the Corporation will be able to successfully complete the transaction;
g) completion of a Qualifying Transaction is subject to a number of conditions including acceptance by the Exchange and in the case of a Non Arm's Length Qualifying Transaction, Majority of the Minority Approval (each as defined by Policy 2.4 of the Exchange);
h) unless the shareholder has the right to dissent and be paid fair value in accordance with applicable corporate or other law, a shareholder who votes against a proposed Non Arm's Length Qualifying Transaction for which Majority of the Minority Approval by shareholders has been given, will have no rights of dissent and no entitlement to payment by the Corporation of fair value for their common shares;
i) upon public announcement of a proposed Qualifying Transaction, trading in the common shares of the Corporation will be halted and will remain halted for an indefinite period of time, typically until a sponsor has been retained and certain preliminary reviews have been conducted. The common shares of the Corporation will be reinstated to trading before the Exchange has reviewed the transaction and before the Sponsor has completed its full review. Reinstatement to trading provides no assurance with respect to the merits of the transaction or the likelihood of the Corporation completing the proposed Qualifying Transaction;

j) trading in the common shares of the Corporation may be halted at other times for other reasons, including for failure by the Corporation to submit documents to the Exchange in the time periods required;
k) the Exchange will generally suspend trading in the Corporation's common shares or delist the Corporation in the event that the Exchange has not issued a Final Exchange Bulletin within 24 months from the date of listing;
l) neither the Exchange nor any securities regulatory authority passes upon the merits of the proposed Qualifying Transaction;
m) in the event that management of the Corporation resides outside of Canada or the Corporation identifies a foreign business as a proposed Qualifying Transaction, investors may find it difficult or impossible to effect service or notice to commence legal proceedings upon any management resident outside of Canada or upon the foreign business and may find it difficult or impossible to enforce against such persons, judgments obtained in Canadian courts;
n) the Qualifying Transaction may be financed in all or part by the issuance of additional securities by the Corporation and this may result in further dilution to the investor. Such dilution may be significant and may also result in a change of control of the Corporation; and
o) subject to prior acceptance by the Exchange, the Corporation may be permitted to loan or advance up to an aggregate of $250,000 of its proceeds to a target business without requiring shareholder approval and there can be no assurance that the Corporation will be able to recover that loan.

SUBSEQUENT EVENT

On April 13, 2016, the Corporation exchanged $4,630,000 into United States currency.

QUARTERLY INFORMATION

	Three months ended December 31, 2015	Three months ended September 30, 2015	Three months ended June 30, 2015	Three months ended March 31, 2015	Three months ended December 31, 2014	For the period from August 20, 2014 to September 30, 2014
Summary of Financial Performance						
Expenses						
Share-based compensation	$ 9,779	$ 13,860	$ 13,859	$ 13,859	$ 10,879	$ -
General and administration	3,846	11,067	3,777	4,952	20,937	-
Interest income	(2,883)	(3,548)	(5,757)	(6,697)	(9,260)	-
Total expenses	10,742	21,379	11,879	12,114	22,556	-
Net loss and comprehensive loss	$ (10,742)	$ (21,379)	$ (11,879)	$ (12,114)	$ (22,556)	$ -
Basic and diluted loss per common share	$ -	$ -	$ -	$ -	$ -	$ -
Weighted average number of common shares outstanding:						
Basic and diluted	55,000,000	55,000,000	55,000,000	55,000,000	54,054,545	51,000,000

Additional information relating to the Corporation can be found on the SEDAR at WWW.SEDAR.COM.

Dated: April 21, 2016
Toronto, Ontario, Canada

SCHEDULE A
AUDIT COMMITTEE CHARTER

Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund")

1. PURPOSE

1.1 Starlight U.S. Multi-Family (No. 5) Core GP, Inc. as the general partner of the Fund (the "**General Partner**") shall appoint an audit committee (the "**Committee**") to assist the board of directors (the "**Board**") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Investments Ltd., in its capacity as manager of the Fund (the "**Manager**").

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three directors of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements.

3.3 The General Partner shall appoint the members of the Committee. The General Partner may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "**Chair**"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any director of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to directors' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors and the overall scope and plans for the audit, and in carrying out such oversight, the Committee's duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under NI 51-102 or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the unitholders of the Fund, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("**MD&A**") and any financial press releases before the Fund publicly discloses this information; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the General Partner's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the General Partner's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the General Partner and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders and annual information forms, as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) reviewing any related-party transactions not in the ordinary course of business;

(b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;

(d) reviewing annual operating and capital budgets;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies which are likely to have a significant financial impact;

(f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(h) reviewing any other questions or matters referred to it by the Board.

CERTIFICATE OF THE FUND AND THE PROMOTER

Dated: October 12, 2016

This prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE FUND

By: (Signed) DANIEL DRIMMER
Chief Executive Officer

By: (Signed) MARTIN LIDDELL
Chief Financial Officer

STARLIGHT U.S. MULTI-FAMILY (NO. 5) CORE GP, INC.
as General Partner

By: (Signed) DANIEL DRIMMER
Chief Executive Officer of the General Partner

By: (Signed) MARTIN LIDDELL
Chief Financial Officer of the General Partner

By: (Signed) DANIEL DRIMMER
Director

By: (Signed) MARTIN LIDDELL
Director

By: (Signed) DAVID HANICK
Director

STARLIGHT INVESTMENTS LTD.
as Promoter

By: (Signed) DANIEL DRIMMER
Director

CERTIFICATE OF THE AGENTS

Dated: October 12, 2016

To the best of our knowledge, information and belief, this prospectus constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada.

CIBC WORLD MARKETS INC.

By: (Signed) VALERIE TAN

SCOTIA CAPITAL INC.

By: (Signed) ROBERT HALL

BMO NESBITT BURNS INC.	**GMP SECURITIES L.P.**	**NATIONAL BANK FINANCIAL INC.**	**RAYMOND JAMES LTD.**	**TD SECURITIES INC.**
By: (Signed) ROBIN G. TESSIER	By: (Signed) ANDREW KIGUEL	By: (Signed) TIMOTHY D. EVANS	By: (Signed) LUCAS ATKINS	By: (Signed) ADAM LUCHINI

CANACCORD GENUITY CORP.	**DESJARDINS SECURITIES INC.**
By: (Signed) RON SEDRAN	By: (Signed) MARK EDWARDS

Starlight™
U.S. Multi-Family

South Blvd Apartments (2012)

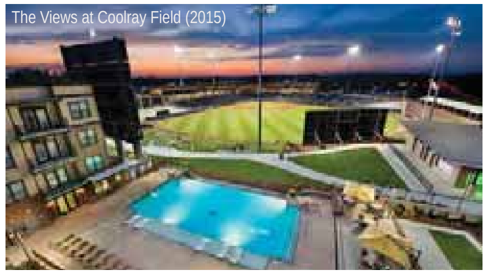

South Blvd Apartments (2012)


The Views at Coolray Field (2015)


The Views at Coolray Field (2015)


City North at Sunrise Ranch (2009)

South Blvd Apartments (2012)


The Views at Coolray Field (2015)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