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

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2017

AUGUST 10, 2017

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the condensed consolidated interim financial results of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund") dated August 10, 2017, for the three and six months ended June 30, 2017, should be read in conjunction with the Fund's unaudited condensed consolidated interim financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for the period from August 26, 2016 to December 31, 2016. 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 ("AMR"), taxes, the Fund's use of its normal course issuer bid (the "NCIB"), and plans and objectives of or involving the Fund. Particularly, matters described as "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, which 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, assumptions may not be correct and 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.

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 Starlight Group Property Holdings Inc., (the "Manager" or "Starlight") 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 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. See "Risks and Uncertainties". 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.

The forward-looking information included 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 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 unaudited condensed consolidated interim financial statements for the three and six months ended June 30, 2017 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 AMR 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"), AMR, economic occupancy, 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 net income (loss) and comprehensive income (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, AMR, 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 (the "Properties" or "investment properties") as described under the Portfolio Summary. Gross Book Value is presented in this MD&A as the Manager 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 the Fund's credit facility ("Credit Facility"). Indebtedness is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness to Gross Book Value is defined as Indebtedness divided by Gross Book Value of the Properties. Indebtedness to Gross Book Value is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS before deferred taxes plus finance costs, which includes amortization of financing costs and mortgage premiums, 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 as the Manager 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 of the Fund ("Unitholders").

Indebtedness Coverage Ratio is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS before deferred taxes plus finance costs, which include amortization of financing costs and mortgage premiums, 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 debt service obligations. Indebtedness Coverage Ratio is presented in this MD&A as the Manager 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, property taxes (normalized to remove the impact from International Financial Reporting Interpretations Committee 21 ("IFRIC 21") for each reporting period), 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 as the Manager considers this non-IFRS measure to be an important measure of operating performance and uses this measure to assess property operating performance on an unlevered basis.

Same property operating results and NOI are presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of operating performance for the properties owned by the Fund and properties previously owned by Starlight U.S. Multi-Family Core Fund ("Fund No. 1"), Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund No. 2"), 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", and collectively with Fund No. 1, Fund No. 2, Fund No. 3 and Fund No. 4, (the "Arrangement Funds")) continuously for a selected reporting period and does not take into account the impact of the operating performance of the properties acquired during or subsequent to the reporting period.

Cash provided by operating activities, including interest paid, is a measure of the amount of cash generated from operating activities including interest paid and is presented in this MD&A as the Manager considers this non-IFRS measure when determining the sustainability of future distributions paid to Unitholders.

FFO is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS, excluding fair value adjustments of the investment properties, fair value adjustments on derivative instruments, distributions to Unitholders of units classified as financial liabilities, IFRIC 21 adjustment for property 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 MD&A as the Manager considers this non-IFRS measure to be an important measure of operating performance and is being calculated in accordance with Real Property Association of Canada ("RPAC").

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 financing costs; (iii) service fees; (iv) current taxes relating to withholding tax; (v) transaction costs on disposition of investment properties; (vii) loss on the early extinguishment of debt; and (viii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Manager. Other adjustments may be made to AFFO as determined by the Manager. AFFO is presented in this MD&A as the Manager 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. AFFO has not been calculated in accordance with RPAC definition, as the Fund makes adjustments for non-cash items to better measure the sustainability of future distributions. This MD&A does not include a presentation of adjusted cash flow from operations as defined by RPAC.

Reconciliations of net income (loss) and comprehensive income (loss) 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 property taxes is provided herein at "Financial and Operational Highlights".

Economic occupancy is calculated by taking effective net rent after considering vacancy and concessions and dividing by gross potential rent. The Fund considers this an important operating metric to evaluate the extent to which revenue potential is being realized. AMR is defined as the total in place rents divided by the total number of suites occupied as at the reporting date.

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 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario M8X 2X3. The term of the Fund is targeted to be three years (the "Term"), with two one-year extensions available subject to approval by Starlight U.S. Multi-Family (No. 5) Core GP, Inc., the general partner of the Fund ("Starlight GP"). The Fund may be extended beyond five years by special resolution of the Unitholders. The Fund was established for the primary purpose of indirectly owning an aggregate of 5,882 multi-family apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas, in the United States (the "Arrangement Properties"). The Arrangement Properties were indirectly acquired through the exchange of limited partnership units of the Arrangement Funds and the common shares of Campar Capital Corporation for units of the Fund (the "Plan of Arrangement").

Subsequent to the completion of the Plan of Arrangement and following completion of the Fund's public offering (the "Offering") of units, the Fund indirectly acquired three additional properties comprised of an aggregate of 910 multi-family apartment suites located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively, in the United States (the "IPO Properties").

The Fund has seven classes of units. Class A units denominated in Canadian dollars and class U units denominated in U.S. dollars are listed on the TSX Venture Exchange under the symbols STUS.A and STUS.U, respectively. The Fund also has five unlisted unit classes, class C units, class D units, class F units, and class H units, which are Canadian dollar denominated, and class E units, which are U.S. dollar denominated.

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio comprised of recently constructed, stabilized Class "A" income producing multi-family real estate properties primarily in Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas (the "Primary Markets");
2. make stable monthly cash distributions; and
3. 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.

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 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 the Properties will benefit from their locations in strong submarkets with favourable demographics, and expects the Properties held have excellent prospects for rental growth going forward. The Properties also benefit from the Manager's active asset management strategies designed to enhance rental income and reduce expenses going forward.

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

ACQUISITION OF CORE U.S. MULTI-FAMILY REAL ESTATE

1. 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.
2. Target multi-family assets that are:
   a. constructed in 2012 or later, Class "A" core, stabilized properties with the potential to benefit from active management;
   b. located in the Primary Markets, each with favourable demographics and fundamentals;
   c. located in mature areas with barriers to new development; and
   d. stabilized with the potential to benefit from an active asset management strategy.

3. 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.
4. 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.

ASSET VALUE ENHANCEMENT THROUGH ACTIVE MANAGEMENT STRATEGY

1. Acquire primarily from merchant builders and private equity funds (not operators).
2. Prepare a property-specific asset management plan to improve NOI margins by:
    a. identifying and realizing upon ancillary income opportunities; and
    b. utilizing reputable best-in-class U.S.-based property managers.
3. Perform targeted, discrete capital expenditures in order to increase asking rental rates.
4. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
5. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up services).
6. Reduce operating expense such as staffing, maintenance contracts, advertising and insurance through economies of scale.
7. 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 targets acquisitions in the Primary Markets, which 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 in the Primary Markets and the Manager believes that each of these States exhibits the characteristics above.

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Asset value increases are expected to be primarily realized through NOI growth.
2. 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.
3. 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.

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 replacing such Properties with newer vintage properties having greater potential NOI growth, while achieving improved geographical diversification of the Fund's overall portfolio and achieving a more balanced distribution of Properties within the Primary Markets.

During the three months ended June 30, 2017, the Fund disposed of two properties in Houston, Texas being Villages of Town Lake (2008 Vintage) and Residences at Cinco Ranch (2009 Vintage) as well as Belle Haven Apartments (2014 Vintage), a smaller property in the Charlotte, North Carolina market. The net proceeds were redeployed on a tax deferred basis under 1031 exchanges into Spectra North in Phoenix, Arizona (2012 Vintage) and Carrick Bend in Denver, Colorado (2014 Vintage). These properties represent the Fund's initial investments in the high growth Phoenix and Denver markets and combined with the strategic dispositions enhance the geographical diversification of the Fund's portfolio and improve the average age of completion.

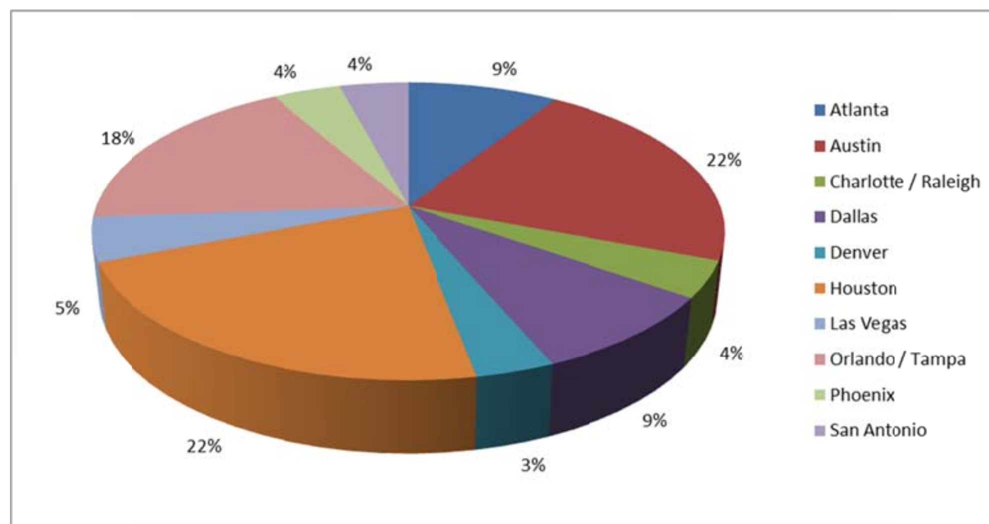
PORTFOLIO SUMMARY

The Fund as at June 30, 2017 had an aggregate of 6,692 suites located in the states of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, and Texas. The Properties are geographically diversified across Orlando and Tampa, Florida; Atlanta, Georgia; Las Vegas, Nevada; Raleigh, North Carolina; Austin, Dallas, Houston, and San Antonio, Texas; Denver, Colorado; and Phoenix, Arizona. The weighted average year of completion for the Properties is 2011.

Property	Location	Suites	Year Completed	Rentable Area (Sq. Ft)	Average Suite Size (Sq. Ft)	Land Area (Acres)	Date of Original Acquisition
Sorelle Apartments	2399 Parkland Drive, Atlanta, Georgia	401	2009	352,347	879	5.09	September 9, 2015
The Views at Coolray Field	755 Braves Avenue, Lawrenceville, Georgia	206	2015	333,576	1,042	14.25	October 20, 2016
Atlanta, Georgia		**607**	**2012**	**685,923**	**958**	**19.34**	
Palm Valley Apartments	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	2009	330,300	971	18.60	November 18, 2013
The Allure	701 N. Vista Ridge Blvd, Cedar Park, Texas	334	2013	329,104	985	19.97	July 10, 2014
Travesia Apartments	3701 Quick Hill Road, Austin, Texas	396	2008	343,332	867	19.40	March 2, 2015
City North at Sunrise Ranch	2800 Sunrise Road, Round Rock, Texas	384	2009	169,455	823	2.51	October 31, 2016
Austin, Texas		**1,454**	**2010**	**1,172,191**	**923**	**60.48**	
The Village at Marquee Station	2110 Cinema Drive, Fuquay Varina, North Carolina	265	2014	263,940	996	17.69	February 26, 2016
Raleigh, North Carolina		**265**	**2014**	**263,940**	**996**	**17.69**	
Greenhaven Apartments	8690 Virginia Parkway, McKinney, Texas	216	2009	191,540	887	11.24	July 29, 2013
Soho Parkway Apartments	6653 McKinney Ranch Parkway, McKinney, Texas	379	2008	364,383	961	15.04	April 1, 2014
Dallas, Texas		**595**	**2008**	**555,923**	**936**	**26.28**	
Carrick Bend	11525 Community Center Drive	228	2014	211,946	930	9.00	June 26, 2017
Denver, Colorado		**228**	**2008**	**211,946**	**930**	**9.00**	
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	2008	375,396	1,004	18.18	April 23, 2013
The Villages of Sunset Ridge	14807 Woodland Hills Drive, Humble, Texas	257	2013	235,465	916	11.45	May 21, 2014
Falls at Eagle Creek	9702 North Sam Houston Parkway, Humble Texas	412	2009	380,756	924	22.13	September 16, 2013
Yorktown Crossing	15903 Yorktown Crossing Parkway, Houston, Texas	312	2009	278,292	892	12.18	August 28, 2014
The Reserve at Jones Road	11925 Jones Road, Houston, Texas	114	2013	104,961	921	4.23	November 12, 2014
Houston, Texas		**1,469**	**2010**	**1,374,870**	**938**	**68.16**	
South Blvd Apartments	10200 Giles Street, Las Vegas, Nevada	320	2012	364,432	949	20.56	October 18, 2016
Las Vegas, Nevada		**320**	**2012**	**364,432**	**949**	**20.56**	
Spectra on 7th North	20425 North 7th Street ,Phoenix Arizona	274	2012	315,360	1,151	15.30	June 16, 2017
Phoenix, Arizona		**274**	**2012**	**315,360**	**1,151**	**15.30**	
Grand Cypress	1901 Cypress Preserve Dr, Tampa, Florida	304	2014	303,426	998	62.11	April 10, 2015
Verano Apartments	2200 Villa Verano Way, Orlando, Florida	384	2008	390,936	1,018	21.94	April 10, 2015
Pure Living Heathrow	740 Savory Place, Heathrow , Florida	252	2009	307,230	1,219	28.53	May 7, 2015
The Reserves at Alafaya	3715 Alafaya Heights Road, Orlando, Florida	264	2014	278,124	1,054	46.26	July 2, 2015
Orlando / Tampa, Florida		**1,204**	**2011**	**1,279,716**	**1,069**	**158.84**	
Boardwalk Med Center	7838 Huebner Road, San Antonio, Texas	276	2011/2014	241,236	874	11.91	September 30, 2016
San Antonio, Texas		**276**	**2013**	**241,236**	**874**	**11.91**	
Total (Average)	**Total**	**6,692**	**(2011)**	**6,465,537**	**(970)**	**408**	

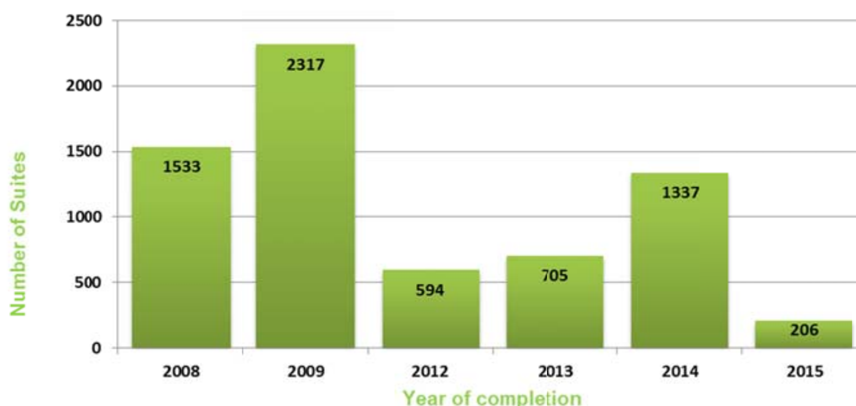
The Properties geographical diversification based on suites for the six months ended June 30, 2017 is as follows:

PROPORTION OF SUITES BY GEOGRAPHICAL MARKET



As at June 30, 2017, the Properties suites by year of completion were as follows:

NUMBER OF SUITES BY YEAR OF COMPLETION



Sorelle Apartments

Sorelle Apartments is located at 2399 Parkland Drive, Atlanta, Georgia, 11 kilometers northeast of downtown Atlanta. Completed in 2009, the property is located in an upscale neighborhood and is a mid-rise, Class "A", apartment complex comprised of a four to five-storey mid-rise building on a 5.09 acre site and offers 401 suites ranging in size from one bedroom to two bedrooms.

The Views at Coolray Field

The Views at Coolray Field ("Coolray Field") is located at 755 Braves Avenue, Lawrenceville, Georgia, approximately 56 kilometers northeast of downtown Atlanta and adjacent to the Atlanta Braves AAA baseball stadium. Completed in 2015, the property is comprised of a five-storey mid-rise building on a 2.51 acre site and offers 206 suites ranging in size from one bedroom to three bedrooms.

Palm Valley Apartments

Palm Valley Apartments is located at 1301 North A.W. Grimes Boulevard, Round Rock, Texas, approximately 31 kilometers north of downtown Austin. Completed in 2009, the property is comprised of 17, three-storey, garden style buildings on a 18.6 acre site and offers 340 suites ranging in size from one bedroom to three bedrooms.

The Allure

The Allure is located at 701 North Vista Ridge, Cedar Park, Texas, approximately 32 kilometers northwest of downtown Austin. Completed in 2013, the property is comprised of 22, three-storey buildings, including walk-up and two-storey townhouse suites, with a central clubhouse, on a 19.97 acre site and offers 334 suites ranging in size from one bedroom to three bedrooms.

Broadstone Travesia Apartments

Broadstone Travesia Apartments ("Travesia") is located at 3701 Quick Hill Road, Austin, Texas, approximately 24 kilometers north of the Austin central business district, bordering the Northwest Austin and Round Rock-Georgetown sub markets. Completed in 2008, the property is a garden style, Class "A", apartment complex comprised of 18, three-storey walk-up buildings, with a central clubhouse on a 19.4 acre site and offers 396 suites ranging in size from one, two and three bedrooms.

City North at Sunrise Ranch

City North at Sunrise Ranch ("City North") is located at 2800 Sunrise Road, Round Rock, Texas, approximately 36 kilometers north of downtown Austin. Completed in 2009, the property is comprised of 19 predominantly three-story apartment buildings, with a central clubhouse, on a 20.6 acre site and offers 384 suites in ranging in size from one bedroom to three bedrooms.

The Village at Marquee Station

The Village at Marquee Station ("Marquee Station") is located at 2110 Cinema Drive, Fuquay-Varina, North Carolina, 25 kilometers southwest of downtown Raleigh. Completed in 2014, the property is comprised of 12, three-storey walk-up buildings, with a central clubhouse, on an 18 acre site and offers 265 suites ranging in size from one, two and three bedrooms.

Greenhaven Apartments

Greenhaven Apartments is located at 8690 Virginia Parkway, McKinney, Texas, approximately 55 kilometres north of downtown Dallas. Completed in 2009, the property is a garden style, Class "A", apartment complex comprising ten, two and three-storey buildings, with a central clubhouse, on a 11.24 acre site and offers 216 suites ranging in size from one bedroom to three bedrooms.

Soho Parkway Apartments

Soho Parkway Apartments is located at 6653 McKinney Ranch Parkway in McKinney, Texas, approximately 55 kilometers north of downtown Dallas. Completed in 2008, the property is a garden style, Class "A" apartment complex comprised of 16, three storey walk-up buildings, with a central clubhouse, on a 15.04 acre site and offers 379 suites ranging in size from one bedroom to three bedrooms.

Falls at Copper Lake

Falls at Copper Lake is located at 9140 Hwy 6 N, Houston, Texas, approximately 36 kilometres north-west of downtown Houston. Completed in 2008, the property is comprised of 29, two and three-storey buildings, with a central clubhouse, on an 18.18 acre site and offers 374 suites ranging in size from one bedroom to three bedrooms.

The Villages of Sunset Ridge

The Villages at Sunset Ridge is located at 14807 Woodland Hills Drive, Humble Texas, approximately 31 kilometers northeast of downtown Houston. Completed in 2013, the property is a Class "A", garden style apartment community comprised of 9 three-storey apartment buildings, with a central clubhouse, on a 11.45 acre site and offers 257 suites ranging in size from one bedroom to three bedrooms.

Falls at Eagle Creek

Falls at Eagle Creek is located at 9702 N. Sam Houston Parkway East, Humble, Texas, approximately 26 kilometers northeast of downtown Houston and 16 kilometers southeast of George Bush Intercontinental Airport. Completed in 2009 the property is comprised of 18, three-storey, walk-up buildings, with a central clubhouse, on a 22.13 acre site and offers 412 suites ranging in size from one bedroom to two bedrooms.

Yorktown Crossing

Yorktown Crossing is located at 15903 Yorktown Crossing Parkway, Houston, Texas, northwest of downtown Houston. Completed in 2009, the property is a garden style, Class "A", apartment complex comprised of 13, three storey walk-up buildings on a 12.18 acre site and offers 312 suites ranging in size from one bedroom to two bedrooms.

The Reserve at Jones Road

The Reserve at Jones Road is located at 11925 Jones Rd, Houston, Texas, 41 kilometers north-west of downtown Houston. Completed in 2013, the property is a Class "An" apartment complex comprised of four, three-storey apartment buildings, with a central clubhouse, on a 4.23 acre site and offers 114 suites ranging in size from one bedroom to two bedrooms.

South Blvd Apartments

South Blvd Apartments ("South Blvd") is located at 10200 Giles Street, Las Vegas, Nevada, 23 kilometers south of downtown Las Vegas. Completed in 2012, the property is a Class "A", luxury rental community comprised of 29, two-storey apartment buildings, with a central clubhouse, on a 14.25 acre site and offers 320 suites ranging in size from one bedroom to three bedrooms.

Altis at Grand Cypress

Altis at Grand Cypress ("Grand Cypress") is a property located at 1901 Cypress Preserve Drive, Lutz, Florida, 31 kilometers north of downtown Tampa. Completed in 2014, the property is comprised of 20 two-storey buildings with a central clubhouse on a 62.11 acre site and offers 304 suites ranging in size from one bedroom to three bedrooms.

Verano Apartments

Verano Apartments is in a rapidly growing suburb of Orlando located at 2200 Villa Verano Way, Kissimmee, Florida, approximately 37 kilometers south of downtown Orlando. Completed in 2008, the property is comprised of 18, predominantly three-story apartment buildings on a 21.94 acre site and offers 384 suites ranging in size from one bedroom to three bedrooms.

Pure Living Heathrow

Pure Living Heathrow is located at 740 Savory Place, Heathrow, Florida, 29 kilometers north of downtown Orlando. Completed in 2009, the property is a Class "A", garden style apartment community comprised of 13, two and three-storey apartment buildings, with a central clubhouse and guardhouse, on a 28.53 acre site and offers 252 suites ranging in size from one bedroom to three bedrooms.

The Reserves at Alafaya

The Reserves at Alafaya is located at 3715 Alafaya Heights Road in Orlando, Florida. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of nine, three-storey walk-up buildings on a 46.26 acre site and offers 264 suites ranging in size from one bedroom to three bedrooms.

Boardwalk Med Center

Boardwalk Med Center is located at 7838 Huebner Road, San Antonio, Texas, 22 kilometers north-west of downtown San Antonio. Completed in 2014, the property is comprised of 14, three-storey buildings, with a central clubhouse, on a 11.91 acre site and offers 276 suites ranging in size from one bedroom to two bedrooms.

Spectra North

Spectra North is located at 20435 North 7th Street, Phoenix, Arizona, 32 kilometers north of downtown Phoenix. Completed in 2012, the property is comprised of 16 garden-style apartment buildings on a 15.3 acre site and offers 274 suites ranging in size from one to three bedrooms.

Carrick Bend

Carrick Bend is located at 11525 Community Center Drive, Northglenn, Colorado, 24 kilometers north of downtown Denver. The property is comprised of nine, three storey garden-style apartment buildings on a nine acre site and offers 228 suites ranging in size from one to three bedrooms.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at June 30, 2017, and for the three and six months ended June 30, 2017, including a comparison to the Fund's financial forecast (the "Forecast") included in the Fund's final prospectus dated October 12, 2016 (the "Prospectus").

Highlights for the Second Quarter and Six Month Ended June 30, 2017:

- Initiated its program to strategically recycle capital into new properties intended to lower the average age of its portfolio and enhance its geographic diversification.
- Disposed of two assets in Houston, Texas with an average vintage of 2009 and a small property in Charlotte, North Carolina and reinvested the proceeds on a tax-deferred basis into properties in Denver, Colorado (2014 vintage) and Phoenix, Arizona (2012 vintage). These acquisitions represent the Fund's first investments in the high growth markets of Denver and Phoenix.
- Mortgage refinancing resulted in additional proceeds of $27,168, a portion of which was utilized to partly fund the acquisition of Copperfield.
- Entered into a variable rate collar contract to provide protection from the impact of any potential weakening of the U.S. dollar on the Fund's Canadian dollar distributions. The 12-month contract allows the Fund to exchange U.S. funds each month within a range of C$1.33 to C1.3850 to fund Canadian dollar distributions.
- Recognized a $8,301 fair value increase on its Properties for the three months ended June 30, 2017. The increase was partly driven by NOI increases across the portfolio.
- Interest Coverage Ratio was 2.16x for the three months ended June 30, 2017.

Property level highlights for the three months and six months ended June 30, 2017 including a comparison to the ownership period relating to the Arrangement Funds:

- Portfolio AMR increased by 1.7% to $1,181 driven by increases of greater than 4.0% in each of Dallas, Orlando / Tampa and Charlotte / Raleigh. Economic occupancy remained stable at 93.3%.
- Same property AMR increased by 2.0% reflecting strong growth in Dallas Orlando / Tampa and Raleigh.
- NOI at $14,166 was a 25.8% increase over the corresponding three month period in 2016 and the NOI margin at 57.7% represented a 220 basis point improvement.
- Same property NOI at $10,805 was a 5.9% increase over the corresponding period in 2016 and the NOI margin at 58.2% was a 220 basis point improvement driven by significant margin increases in the Atlanta, Dallas, Orlando / Tampa and Raleigh markets due to stable occupancy and effective management of property taxes.
- NOI at $27,992 was a 26.2% increase over the corresponding six month period in 2016 and the NOI margin at 57.3% was a 150 basis point improvement.
- Same property NOI for the six months ended June 30, 2017 at $19,995 was a 3.8% increase over the corresponding period in 2016 and the NOI margin at 57.4% was a 130 basis point improvement.
- The Fund's NOI at $14,166 for the three months ended June 30, 2017 was 2.1% lower than Forecast due to lower revenue, partly due to the timing of dispositions and acquisitions being partly offset by lower property taxes. NOI for the six months ended June 30, 2017 was $27,992 or 1.7% lower than Forecast.

- AFFO for the three months ended June 30, 2017 was $6,893 and for the six months ended June 30, 2017 was $13,872 both lower than Forecast primarily due to higher finance costs as well as lower NOI and higher Fund and trust expenses.
- AFFO payout ratio was 88.2% (Forecast - 80.2%) for the three months ended June 30, 2017 and 88.4% (Forecast – 82.3%) for the six months ended June 30, 2017.

FINANCIAL POSITION AS AT JUNE 30, 2017:

- Indebtedness to Gross Book Value was 67.5% representing an increase from 65.4% as of December 31, 2016 and within the Fund's targeted range.
- As at June 30, 2017, the weighted average interest rate on mortgages payable was 3.27% and the weighted average term to maturity was 3.94 years.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at June 30, 2017	As at December 31, 2016
Operational Information		
Number of properties	22	23
Total suites	6,692	6,792
Weighted average portfolio occupancy %	92.6%	93.1%
AMR (in actual dollars)	$ 1,181	$ 1,167
Average monthly rent per square foot (in actual dollars)	$ 1.23	$ 1.21
Summary of Financial Information		
Gross Book Value	$1,101,367	$1,056,414
Indebtedness	$743,048	$691,088
Indebtedness to Gross Book Value (1)	67.47%	65.42%
Weighted average mortgage interest rate	3.27%	2.90%
Weighted average mortgage term to maturity	3.94 years	4.23 years

	Three months ended June 30, 2017	Six months ended June 30, 2017
Summary of Financial Information		
Revenue from property operations	$24,568	$48,879
Property operating costs	$6,483	$12,715
Property taxes	$3,919	$8,172
NOI	$14,166	$27,992
Net income (loss) and comprehensive income (loss)	$3,278	$7,612
FFO	$3,797	$10,446
FFO per unit - basic and diluted	$0.08	$0.21
AFFO	$6,893	$13,872
AFFO per unit - basic and diluted	$0.14	$0.28
Interest Coverage Ratio	2.16 x	2.33 x
Indebtedness Coverage Ratio	1.95 x	2.12 x
FFO payout ratio	160.2%	117.4%
AFFO payout ratio	88.2%	88.4%
Weighted average units Outstanding (000s) - basic and diluted	49,085	49,179

Notes:
(1) Defined as Indebtedness divided by Gross Book Value.

FINANCIAL PERFORMANCE

The Fund does not, as a matter of course, publish its business plans, budgets, strategies or make external projections or forecasts, including its anticipated financial position and results of operations. Pursuant to applicable Canadian securities laws, the Fund is required to update the Forecast set out in its Prospectus 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 period from August 26, 2016 to June 30, 2017 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 Forecast assumed the Arrangement Properties and the IPO Properties were owned for the entire three and six months ended June 30, 2017. The Forecast did not assume the properties acquired and subsequent properties sold.

	Three months ended June 30, 2017	Three month Forecast	Six months ended June 30, 2017	Six month Forecast
Revenue from property operations	$ 24,568	$ 25,433	$ 48,879	$ 50,208
Property operating costs	(6,483)	(6,422)	(12,715)	(12,653)
Property taxes (1)	-	-	(16,898)	(18,140)
Income from rental operations	18,085	19,011	19,266	19,416
Finance costs	(7,682)	(5,481)	(12,974)	(10,871)
Distributions to Unitholders	(6,082)	(6,268)	(12,260)	(12,535)
Dividends to Preferred Shareholders - U.S. REIT's series A	(20)	-	(39)	
Fund and trust expenses	(1,327)	(1,286)	(2,748)	(2,572)
Transaction costs on disposition of investment properties	(1,056)	-	(1,056)	-
Unrealized foreign exchange loss	(382)	-	(468)	-
Realized foreign exchange gain	57	-	47	-
Fair value adjustment of investment properties	8,301	-	17,996	-
Fair value adjustment IFRIC 21	(3,919)	-	8,725	-
Income taxes:				
Current	(99)	(149)	(205)	(296)
Deferred	(2,598)	(2,517)	(8,672)	(5,032)
Net (loss) income and comprehensive (loss) income	$ 3,278	$ 3,310	$ 7,612	$ (11,891)

(1) Property taxes for the three months ended March 31, 2017 include a full year of property taxes due to the IFRIC 21 adjustment.

RESULTS OF OPERATIONS

The following discussion compares the Fund's actual results for the three and six months ended June 30, 2017 to the Forecast.

	Three months ended June, 2017	Three months Forecast	% Change	Six months ended June 30, 2017	Six months Forecast	% Change
Revenue from property operations	$ 24,568	$ 25,433	(3.4)%	$ 48,879	$ 50,208	(2.6)%
Property operating costs	6,483	6,422	(0.9)%	12,715	12,653	(0.5)%
Property taxes (1)	3,919	4,535	13.6%	8,172	9,070	9.9%
NOI	$ 14,166	$ 14,476	(2.1)%	$ 27,992	$ 28,485	(1.7)%
NOI margin	57.7%	56.9%		57.3%	56.7%	

(1) Property taxes w ere adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year.

REVENUE FROM PROPERTY OPERATIONS

Revenue from property operations for the three months ended June 30, 2017 was $24,568 which was $865 or 3.4% lower than Forecast. The impact on revenue from the three property dispositions net of the two property acquisitions during the three months ended June 30, 2017 was a reduction in revenue of $255. In addition, revenue was lower than Forecast primarily due to lower rental revenue and higher vacancy in Houston and Austin which was partly offset by an increase in ancillary revenue over the forecasted amount.

Economic occupancy for the three months ended June 30, 2017 was 93.3% (Forecast - 94.5%). AMR increased by $11 or 3.6% on an annualized basis during the three months ended June 30, 2017.

Revenue from property operations for the six months ended June 30, 2017 was $48,879 which was $1,329 or 2.6% lower than Forecast. In addition to lower revenues of $255 due to the net disposition activity, revenue was primarily lower due to lower rental revenue and higher vacancy in Houston and Austin being partially offset by an increase in ancillary revenue over Forecast.

Economic occupancy for the six months ended June 30, 2017 was 92.6% (Forecast – 94.2%). AMR increased by an annualized 2.4% to $1,181 during the six months ended June 30, 2017.

PROPERTY OPERATING COSTS

Property operating costs for the three months ended June 30, 2017 at $6,483 were $61 or 0.9% higher than Forecast. Increases in repair and maintenance and administration expenses were partly offset by lower expenses resulting from the timing of the property dispositions and acquisitions during the three months ended June 30, 2017.

Property operating costs for the six months ended June 30, 2017 at $12,715 were $62 or 0.5% higher than Forecast again due to higher repair and maintenance and administration expenses being partially offset by the reduction in expenses resulting from net property dispositions during the period.

PROPERTY TAXES

The Fund's property taxes for the three months ended June 30, 2017 for the purposes of calculating NOI were $3,919 compared to the forecasted amount of $4,535, a reduction of $616 or 13.6%. This resulted from the Fund successfully appealing 2016 assessed values for a number of Properties in late 2016 and early 2017, reducing prior period property tax expense. The Fund actively manages assessed values for property tax purposes in order to minimize the tax expense by utilizing third party consultants in the respective markets. The Fund's property taxes for the six months ended June 30, 2017 were $8,172 compared to the Forecast of $9,070, a reduction of $898 or 9.9%. Property taxes in the condensed consolidated interim financial statements for the three and six months ended June 30, 2017 have been presented under IFRS and IFRIC 21, which reflect the estimated tax expense for the full fiscal year for all Properties being recorded in the three months ended March 31, 2017.

NOI

For the three months ended June 30, 2017, NOI at $14,166 was $310 or 2.1% lower than Forecast primarily due to lower revenue from property operations being partly offset by lower property taxes. NOI Margin for the three months ended June 30, 2017 was 57.7%, an 80 basis point increase over Forecast driven by lower property taxes.

For the six months ended June 30, 2017, NOI at $27,992 was $493 or 1.7% lower than Forecast primarily due to lower revenue from property operations being partly offset by lower property taxes. NOI Margin for the six months ended June 30, 2017 was 57.3%, a 60 basis point increase over Forecast driven by lower property taxes.

FINANCE COSTS

	Three months ended June 30, 2017	Three month forecast	Six months ended June 30, 2017	Six month forecast
Interest on mortgages payable	$ 5,391	$ 5,014	$ 10,355	$ 9,943
Interest and standby charges on credit facility	74	-	183	-
Amortization of premiums on mortgage payable	2	-	5	-
Amortization of financings costs	503	467	1,065	928
Loss on early extinguishment of debt	1,913	-	1,913	-
Fair value adjustments on derivative instruments	(208)	-	(557)	-
Other interest	7		10	
Total	$ 7,682	$ 5,481	$ 12,974	$ 10,871

The Fund's finance costs for the three and six months ended June 30, 2017 are summarized below:

Interest on mortgages payable for the three months ended June 30, 2017 of $5,391 was $377 or 7.5% higher than Forecast. The increase was due to increases in U.S. 30-day LIBOR during the first half of 2017. Additionally, during the three months ended June 30, 2017, interest on mortgages payable increased due to mortgages on three properties being refinanced resulting in additional proceeds of $27,168 and the net increase in mortgages payable resulting from the acquisitions and dispositions which totalled $20,317.

Finance costs for the three months ended June 30, 2017 included interest and standby charges on the Credit Facility of $74. The Forecast included a higher amount for mortgages payable and did not include the Credit Facility. Advances of $4,473 were made during the three months ended June 30, 2017 under the Credit Facility.

Amortization of premiums on mortgages payable for the three months ended June 30, 2017 was $2 (Forecast - $nil) while amortization of financing costs for the three months ended June 30, 2017 was $503 (Forecast - $467). The increase is attributable to the amortization of financing costs related to the financing of five of the Properties under a revolving mortgage Credit Facility completed on November 21, 2016.

Loss on early extinguishment of debt for the three months ended June 30, 2017 was $1,913 (Forecast - $nil), which was attributable to cash paid on the discharge of mortgages related to Villages of Towne Lake of $881, amounts attributable to the refinancing of debt related of $883 and the remainder resulting from write-offs of deferred finance costs related to property dispositions in the quarter.

Fair value adjustment on derivative instruments for the three months ended June 30, 2017 was a gain of $208 (Forecast - $nil). This was attributable to an unrealized gain on the Fund's variable rate collar contract entered into on March 9, 2017 with a maturity date of March 12, 2018. The Fund entered into the contract with a Canadian chartered bank in order to provide protection from the impact of any potential weakening of the U.S. dollar up to the date of declaration of distributions on Canadian dollar units. The contract ensures an exchange rate between C$1.33 and C$1.385 for distributions payable until March 2018.

For the six months ended June 30, 2017, interest on mortgages payable was $10,355, a $412 or 4.1% increase over Forecast. The increase was due to increases in U.S. 30-day LIBOR during the six months ended June 30, 2017. Additionally, mortgages payable increased during the six months ended June 30, 2017, due to additional refinancing proceeds and an increase in mortgages payable resulting from property acquisitions and dispositions.

Finance costs for the six months ended June 30, 2017 were also higher than Forecast due to interest and standby charges on the Credit Facility of $183. The Forecast included a higher amount for mortgages payable and did not include the Credit Facility.

Amortization of premiums on mortgages payable for the six months ended June 30, 2017 was $5 (Forecast - $nil) while amortization of financing costs for the six months ended June 30, 2017 was $1,065 (Forecast - $928). The increase is largely attributable to the amortization of financing costs related to the financing of five of the Properties under a revolving Credit Facility completed on November 21, 2016.

Loss on early extinguishment of debt for the six months ended June 30, 2017 was $1,913 (Forecast - $nil), which was attributable to cash paid on the discharge of mortgages related to Villages of Towne Lake of $881, amounts attributable to the refinancing of debt related of $883 and the remainder resulting from write-offs of deferred finance costs related to property dispositions in the quarter.

Fair value adjustment on derivative instruments for the six months ended June 30, 2017 was a gain of $557 (Forecast - $nil). This was attributable to an unrealized gain on the Fund's variable rate collar contract entered into on March 9, 2017 with a maturity date on March 12, 2018. The Fund entered into the contract with a Canadian chartered bank in order to provide protection from the impact of any potential weakening of the U.S. dollar up to the date of declaration of distributions on Canadian dollar units. The contract ensures an exchange rate between C$1.33 and C$1.385 for distributions payable until March 2018.

Distributions to Unitholders

Effective October 18, 2016, the Fund began paying distributions to Unitholders of C$0.65 or $0.65 per unit per annum depending on the corresponding denomination, with the exception of class H Unitholders at C$0.35 per unit, per annum. Distributions declared to Unitholders were $6,082 during the three months ended June 30, 2017 (Forecast - $6,268). The reduction in Unitholder distributions of $186 or 3.0% was primarily due to the Forecast assuming a higher number of units issued in the Offering, as well as a reduction in units outstanding following purchases under the NCIB. During the three months ended June 30, 2017, 186,100 class A units were repurchased.

Distributions declared to Unitholders for the six months ended June 30, 2017 were $12,260 (Forecast - $12,535). The reduction in Unitholder distributions of $275 or 2.2% was primarily due to the Forecast assuming a higher number of units issued in the Offering, as well as a reduction in units following purchases under the NCIB the six months ended June 30, 2017, total class A units repurchased were 390,400.

DIVIDENDS TO PREFERRED SHAREHOLDERS – U.S. REITS SERIES A

The Fund's real estate investment trust subsidiaries ("REITs") have preferred shareholders who receive dividend payments on their preferred shares. The preferred shares are issued to help ensure the REITs qualify as real estate investment trusts for U.S. federal tax purposes. For the three and six months ended June 30, 2017, the Fund incurred $20 and $39, respectively in dividends (Forecast - $nil and $nil).

FUND AND TRUST EXPENSES

Fund and trust 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 relation 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 and trust expenses are asset management fees payable to Starlight. See "Related Party Transactions and Arrangements – Arrangements with Starlight".

Fund and trust expenses for the three months ended June 30, 2017 were $1,327, an increase of $41 or 3.1% over Forecast. Fund and trust expenses include asset management fees and service fees of $926 and $156, respectively (Forecast - $929 and $232, respectively). Actual service fees were $76 or 32.8% lower than Forecast as the Forecast assumed a higher number of class A units and class U units to be outstanding as at June 30, 2017. Additionally, general and administrative expenses were $121 higher than Forecast.

Fund and trust expenses for the six months ended June 30, 2017 were $2,748 an increase of $176 or 6.4% over Forecast. The increase was primarily due to one-time costs associated with the Plan of Arrangement of $152 (Forecast - $nil). Also included in Fund and trust expenses are asset management fees and service fees of $1,844 and $319, respectively (Forecast - $1,858 and $464, respectively). Actual service fees were $145 or 31.3% lower than Forecast as the Forecast assumed a higher number of class A units and class U units to be outstanding as at June 30, 2017. Additionally, general and administrative expenses were $183 higher than Forecast. Excluding the one-time costs associated with the Plan of Arrangement of $151, Fund and trust expenses were $24 lower than Forecast.

UNREALIZED FOREIGN EXCHANGE LOSS

The Fund recognized unrealized foreign exchange losses of $382 and $468 for the three and six months ended June 30, 2017, respectively, relating to the impact of the exchange rate movement on the Canadian dollar denominated Credit facility.

REALIZED FOREIGN EXCHANGE GAIN

The realized foreign exchange gain for the three and six months ended June 30, 2017 of $57 and $47, respectively related to operating expenses incurred in Canadian dollars.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. 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 fair value increase on its investment properties of $8,301 for the three months ended June 30, 2017. The fair value increase was due to increases in projected NOI across the Fund's portfolio as well as a decrease in the weighted average capitalization rate across the portfolio. For the six months ended June 30, 2017 the increase in the fair value was $17,996, resulting from increases in projected NOI across the Fund's portfolio and decrease to the Fund's weighted average capitalization rate. The following table summarizes the change in investment properties held by the Fund for the six months ended June 30, 2017.

The following table reconciles the cost base of investment properties to their fair value:

		Amount
Balance, as at December 31, 2016	$	1,056,414
Acquisitions of investment properties		105,745
Dispositions of investment properties		(83,402)
Capital additions		3,165
Fair value adjustment		17,996
IFRIC 21 realty tax liability adjustments		1,449
Fair value	$	1,101,367

		As at June 30, 2017		As at December 31, 2016
Cost	$	1,077,317	$	1,051,809
Cumulative fair value adjustment		19,086		1,090
IFRIC 21 realty tax liability adjustment		4,964		3,515
Fair value	$	1,101,367	$	1,056,414

The key assumptions for investment properties held by the Fund are set out in the following table:

	As at June 30, 2017	As at December 31, 2016
Capitalization rates - range	4.63% to 5.53%	4.75% to 5.50%
Capitalization rate - weighted average	5.00%	5.06%

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, 2017		As at December 31, 2016
Weighted average:					
Capitalization rate	10-basis-point increase	$	(22,247)	$	(20,709)
Capitalization rate	10-basis-point decrease		22,191	$	21,549

The impact of a 1% change in NOI used to value the investment properties as at June 30, 2017 would affect the fair value by approximately $11,091 (December 31, 2016 – $10,654).

Income Taxes – Current

The Fund's current income taxes for the three months ended June 30, 2017 were $99 which included $91 relating to Texas and North Carolina franchise taxes. In addition, withholding taxes of $8 were paid in relation to distributions received by a taxable Fund subsidiary. Current income taxes were lower than Forecast by $50 or 33.6% for the three months ended June 30, 2017 due to the Forecast including a higher withholding tax amount for the Funds taxable subsidiary.

For the six months ended June 30, 2017 income taxes were $205, including approximately $185 relating to Texas and North Carolina franchise taxes. In addition, withholding taxes of $20 were paid in relation to distributions received by a taxable Fund subsidiary. Current income taxes were lower than the Forecast by $91 or 30% for the six months ended June 30, 2017 due to a lower actual withholding tax amount incurred by the Fund's taxable subsidiary.

INCOME TAXES - DEFERRED

For the three months ended June 30, 2017, the Fund recognized $2,598 relating to deferred taxes (Forecast - $2,517), an increase of $81 resulting from the fair value increase on the Funds investment properties of $8,301, net of reinvested proceeds associated with the acquisitions and dispositions in June 2017. For the six months ended June 30, 2017, the Fund recognized $8,672 in deferred taxes (Forecast – $5,032) an increase in $3,640, resulting from fair value increases on investment properties of $17,996, net of reinvested proceeds associated with the acquisitions and dispositions in June 2017.

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three and six months ended June 30, 2017 with a comparison to the Forecast.

FUNDS FROM OPERATIONS

Reconciliation of net income (loss) and comprehensive income (loss), determined in accordance with IFRS to FFO is presented below for the three and six months ended June 30, 2017 with a comparison to the Forecast.

	Three months ended June 30, 2017	Three month Forecast	Six months ended June 30, 2017	Six month Forecast
Net income (loss) and comprehensive income (loss)	$ 3,278	$ 3,310	$ 7,612	$ (11,891)
Add / (Less):				
Distributions to Unitholders	6,082	6,268	12,260	12,536
Dividends to preferred shareholders	20	-	39	-
Deferred taxes	2,598	2,517	8,672	5,032
Unrealized foreign exchange loss	382	-	468	-
Realized foreign exchange gain	(57)	-	(47)	-
Fair value adjustment on derivative financial instruments	(205)	-	(562)	-
Fair value adjustment of investment properties [(1)]	(8,301)	-	(17,996)	-
IFRIC 21 adjustment for property taxes [(1)]	-	(4,535)	-	9,070
FFO	$ 3,797	$ 7,560	$ 10,446	$ 14,747
FFO per unit - basic and diluted	$0.08	$0.15	$0.21	$0.30
Distributions declared [(2)]	$ 6,082	$ 6,268	$ 12,260	$ 12,536
FFO payout ratio	160.2%	82.9%	117.4%	85.0%
Weighted average units outstanding:				
Basic and diluted - class A, C, D, E, F, H & U - (000s)	49,085	49,658	49,179	49,658

(1) The Forecast assumes no fair value adjustments of investment properties and therefore the IFRIC 21 adjustment for property taxes was deducted to calculate Forecast FFO.

(2) Distributions declared are calculated based on the monthly distribution per unit.

Basic and diluted FFO and FFO per unit for the three months ended June 30, 2017 was $3,797 and $0.08, respectively, (Forecast - $7,560 and $0.15). For the three months ended June 30, 2017 FFO was $3,763 lower than Forecast, primarily due to disposition costs of $1,056 and loss on early extinguishment of debt of $1,913. In addition FFO was lower due to lower NOI and higher finance costs and Fund and trust expenses.

During the six months ending June 30, 2017, FFO was $4,303 lower than Forecast primarily due to disposition costs of $1,056 and the loss on early extinguishment of debt of $1,913. In addition FFO was lower due to lower NOI and higher finance costs and Fund and trust expenses.

The Fund distributions paid and declared for the six months ended June 30, 2017 per unit were as follows:

Class A	Class C	Class D	Class E	Class F	Class H	Class U
C$0.32502	C$0.32502	C$0.32502	0.32502	0.32502	C$0.17502	0.32502

ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of FFO to AFFO for the three and six months ended June 30, 2017 with a comparison to Forecast.

	Three months ended June 30, 2017	Three month Forecast	Six months ended June, 2017	Six month Forecast
FFO	$ 3,797	$ 7,560	$ 10,446	$ 14,747
Add / (Deduct):				
Amortization of mortgage premium	2	-	5	-
Amortization of financing costs	503	467	1,065	928
Current taxes - U.S. withholding taxes	12	96	24	192
Service fees related to class A units and class U units	156	232	319	464
One-time Plan of Arrangement costs	-	-	152	-
Transaction costs on disposition of investment properties	1,056	-	1,056	-
Loss on early extinguishment of debt	1,913	-	1,913	-
Fair value adjustment on interest rate cap	6	-	(4)	-
Sustaining capital expenditures and suite renovation reserves	(552)	(552)	(1,104)	(1,104)
AFFO	$ 6,893	$ 7,804	$ 13,872	$ 15,227
AFFO per unit - basic and diluted	$ 0.14	$ 0.16	$ 0.28	$ 0.31
Distributions declared [(1)]	$ 6,082	$ 6,268	$ 12,260	$ 12,536
AFFO payout ratio	88.2%	80.3%	88.4%	82.3%
Weighted average Units outstanding:				
Basic and diluted - Class A, C, D, E, F, H & U - (000s)	49,085	49,658	49,179	49,658

Notes:

(1) Distributions declared is calculated based on the monthly distribution per unit.

Reconciliation of cash provided by operating activities determined in accordance with IFRS to AFFO for the three and six months ended June 30, 2017 is provided below:

	Three months ended June 30, 2017	Six months ended June 30, 2017
Cash provided by operating activities	$ 14,235	$ 24,683
Less: interest paid	(5,472)	(10,548)
Cash provided by operating activities - including interest paid	8,763	14,135
Add / (Deduct):		
Change in non-cash operating working capital	(1,372)	(2,009)
Change in restricted cash	3,604	964
One-time Plan of Arrangement costs	-	152
Fair value adjustment of investment properties including IFRIC 21	(4,096)	916
Realized foreign exchange gain	382	468
Unrealized foreign exchange loss	(57)	(47)
Current taxes - U.S. withholding taxes	12	24
Service fees related to class A and class U units	156	319
Purchase of Interest rate cap agreement	54	54
Sustaining capital expenditures and suite renovation reserve	(552)	(1,104)
AFFO	$ 6,893	$ 13,872

Basic and diluted AFFO and AFFO per unit for the three months ended June 30, 2017 was $6,893 and $0.14, respectively (Forecast - $7,773 and $0.16). The $880 or 11.3% reduction in AFFO compared to Forecast was primarily due to an increase in finance costs driven by increases in the U.S. 30-day LIBOR and an increase to interest expense due to the increase in mortgages payable resulting from the Fund's acquisition and disposition activity and refinancing initiatives during the three months ended June 30, 2017. In addition, AFFO was lower than Forecast due to lower NOI, partly due to the timing of dispositions and acquisitions during the three months ended June 30, 2017 and Fund and trust expenses being above Forecast. The AFFO payout ratio for the three months ended June 30, 2017 was 88.2% (Forecast – 80.2%).

The Fund's distributions to Unitholders of $6,082 for the three months ended June 30, 2017 were in excess of net income (loss) and comprehensive income (loss) due to the inclusion of transaction costs of $1,056, losses on

extinguishment of debt of $1,913, distributions to Unitholders of $6,082 and non cash amortization charges included in net income (loss) and comprehensive income (loss). As a result, distributions to Unitholders during 2017 may exceed the Fund's net income (loss) and comprehensive income (loss), however, for the three months ended June 30, 2017, cash provided by operating activities including interest was in excess of total distributions to Unitholders. See "Risks and Uncertainties".

For the six months ended June 30, 2017, AFFO and AFFO per unit were $13,872 and $0.28, as compared to Forecast of $15,228 and $0.31, respectively. The $1,356 or 8.9% reduction was primarily due to higher finance costs in the period as a result of increases in the U.S. 30-day LIBOR and an increase to interest expense due to the increase in mortgages payable resulting from the refinancing and net acquisition activity. In addition, AFFO was lower than Forecast due to lower NOI partly due to the timing of dispositions and acquisitions during the six months ended June 30, 2017 and Fund and trust expenses being above Forecast.

The Fund's distributions to Unitholders of $12,260 for the six months ended June 30, 2017 was in excess of net income (loss) and comprehensive income (loss) due to the inclusion of one-time costs of $151, transaction costs of $1,056, losses on extinguishment of debt of $1,913, distributions to Unitholders of $12,260 and non cash amortization charges in net income (loss) and comprehensive income (loss). As a result, distributions to Unitholders during 2017 may exceed the Fund's net income (loss) and comprehensive income (loss), however, for the six months ended June 30, 2017, cash provided by operating activities including interest was in excess of total distributions to Unitholders. See "Risks and Uncertainties".

AVERAGE MONTHLY RENT

The following table presents AMR (in actual dollars) as at June 30, 2017 and June 30, 2016. Same property AMR has been presented for those properties that were owned by the Arrangement Funds as at June 30, 2016 (representing 5,004 suites).

	Total Portfolio as at June 30, 2017 and June 30, 2016				Same Property as at June 30, 2017 and June 30, 2016			
Market	Suites	2017 AMR	2016 AMR	%	Suites	2017 AMR	2016 AMR	%
Atlanta	607	$ 1,315	$ 1,287	2.2%	401	1,328	1,287	3.2%
Austin	1,454	1,132	1,142	(0.8)%	1,070	1,158	1,142	1.5%
Charlotte / Raleigh [(1)]	265	1,175	1,104	6.5%	265	1,175	1,108	6.0%
Dallas	595	1,120	1,077	4.0%	595	1,120	1,077	4.0%
Denver	228	1,396	-	0.0%	-	-	-	0.0%
Houston	1,469	1,112	1,142	(2.6)%	1,469	1,112	1,135	(2.0)%
Las Vegas	320	1,126	-	0.0%	-	-	-	0.0%
Phoenix	274	1,114	-	0.0%	-	-	-	0.0%
Orlando / Tampa	1,204	1,286	1,233	4.3%	1,204	1,286	1,233	4.3%
San Antonio	276	1,109	-	0.0%	-	-	-	0.0%
Total	6,692	1,181	1,162	1.7%	5,004	1,187	1,164	2.0%

(1) The Fund owns one property in Raleigh following the sale of Belle Haven in Charlotte on June 22, 2017.

Portfolio AMR as at June 30, 2017 was $1,181 compared to $1,162 as at June 30, 2016, an increase of $19 or 1.7%. Increases in AMR were realized in all markets with the exception of Austin and Houston. The slight reduction in Austin was due to the acquisition of a property in late 2016 with lower average rent levels. AMR growth was particularly strong in Charlotte / Raleigh (6.5%), Dallas (4.0%) and Orlando / Tampa (4.3%).

Same property AMR as at June 30, 2017 was $1,187, an increase of $23 or 2.0% compared to June 30, 2016. Raleigh recorded very strong AMR growth at 6.0%, while the Dallas and Orlando / Tampa markets also achieved strong same property AMR increases of 4.0% and 4.3%, respectively. Solid same property AMR increases were also achieved in Atlanta and Austin of 3.2% and 1.5%, respectively, but were partly offset by a 2.0% reduction in same property AMR in Houston. Excluding Houston, same property AMR increased 3.5% across the Fund's portfolio

OCCUPANCY

The following tables present economic occupancy as at June 30, 2017 and June 30, 2016. Same property economic occupancy has been presented for those properties that were owned by the Arrangement Funds for the three and six months ended June 30, 2017 representing 5,004 suites and 4,739 suites, respectively.

	Total Portfolio for the three months ended June 30, 2017 and June 30, 2016			Same Property for the three months ended June 30, 2017 and June 30, 2016		
Market	Suites	2017 Occ. %	2016 Occ. %	Suites	2017 Occ. %	2016 Occ. %
Atlanta	607	94.0%	92.2%	401	92.7%	92.2%
Austin	1,454	92.5%	95.5%	1,070	92.3%	95.5%
Charlotte / Raleigh	265	94.3%	93.0%	265	93.5%	93.2%
Dallas	595	94.3%	95.8%	595	94.3%	95.8%
Denver	228	100.0%	-	-	-	-
Houston	1,469	91.9%	91.8%	1,469	92.0%	91.9%
Las Vegas	320	93.0%	-	-	-	-
Phoenix	274	91.2%	-	-	-	-
Orlando / Tampa	1,204	94.6%	93.9%	1,204	94.6%	93.9%
San Antonio	276	95.1%	-	-	-	-
Total	6,692	93.3%	93.5%	5,004	93.1%	93.7%

The Fund's economic occupancy remained stable at 93.3% for the three months ended June 30, 2017 compared to 93.5% for the three months ended June 30, 2016. Economic occupancy showed strong increases in Atlanta of 180 basis points, 130 basis points in Charlotte / Raleigh and 70 basis points in Orlando / Tampa.

Same property economic occupancy for the three months ended June 30, 2017 was 93.1%, 60 basis points below the comparable period in 2016 at 93.7%. Same property economic occupancy increased in the Atlanta, Orlando / Tampa, Raleigh and Houston markets while the other markets showed reductions in comparison to the three months ended June 30, 2016.

	Total Portfolio for the six months ended June 30, 2017 and June 30, 2016			Same Property for the six months ended June 30, 2017 and June 30, 2016		
Market	Suites	2017 Occ. %	2016 Occ. %	Suites	2017 Occ. %	2016 Occ. %
Atlanta	607	92.7%	94.0%	401	92.3%	94.0%
Austin	1,454	92.0%	95.5%	1,070	92.1%	95.5%
Charlotte / Raleigh	265	93.0%	93.2%	-	-	-
Dallas	595	93.2%	94.5%	595	93.2%	94.5%
Denver	228	100.0%	-	-	-	-
Houston	1,469	91.5%	91.5%	1,469	91.4%	91.7%
Las Vegas	320	93.1%	-	-	-	-
Phoenix	274	91.2%	-	-	-	-
Orlando / Tampa	1,204	94.3%	93.4%	1,204	94.3%	93.4%
San Antonio	276	92.5%	-	-	-	-
Total	6,692	92.6%	93.3%	4,739	92.7%	93.5%

For the six months ended June 30, 2016, economic occupancy for the portfolio was 92.6% as compared to 93.3% in the same period in 2016. While economic occupancy in Houston remained stable, occupancy reductions in Atlanta, Austin, Charlotte / Raleigh and Dallas were partly offset by an increase in Orlando / Tampa.

Same property economic occupancy for the six months ended June 30, 2017 was 92.7%, an 80 basis point reduction from the same period in 2016, caused by lower economic occupancy in Atlanta, Austin, Dallas and Houston being partly offset by a 90 basis point increase in Orlando / Tampa.

QUARTERLY AMR AND OCCUPANCY

The following table presents AMR (in actual dollars) as at June 30, 2017, March 31, 2017, December 31, 2016 and September 30, 2016 and the economic occupancy for the Properties for the three month periods ended June 30, 2017, March 31, 2016. December 31, 2016, and September 30, 2016.

	As at June 30, 2017			As at March 31, 2017			As at December 31, 2016			As at September 30, 2016		
Market	Suites	AMR	Occ %	Suites	AMR	Occ %	Suites	AMR	Occ %	Suites	AMR	Occ %
Atlanta	607	$ 1,315	92.7%	607	$ 1,311	91.5%	607	$1,306	93.9%	401	$1,312	95.0%
Austin	1,454	1,132	92.7%	1,454	1,128	91.6%	1,454	1,128	92.3%	1,070	1,156	94.8%
Charlotte / Raleigh	265	1,175	93.0%	441	1,130	91.8%	441	1,131	92.6%	441	1,129	93.6%
Dallas	595	1,120	93.2%	595	1,113	92.0%	595	1,111	92.3%	595	1,094	94.4%
Denver	228	1,396	100.0%	-	-	-	-	-	-	-	-	-
Houston	1,469	1,112	91.5%	1,895	1,131	91.2%	1,895	1,133	90.5%	1,895	1,140	92.3%
Las Vegas	320	1,126	93.1%	320	1,112	93.2%	320	1,112	94.2%	-	-	NA
Phoenix	274	1,114	91.2%	-	-	-	-	-	-	-	-	-
Orlando / Tampa	1,204	1,286	94.3%	1,204	1,276	94.1%	1,204	1,260	93.9%	1,204	1,250	93.8%
San Antonio	276	1,109	92.5%	276	1,115	90.1%	276	1,113	93.4%	267	1,102	NA
Total	6,692	$ 1,181	92.6%	6,792	$ 1,170	92.0%	6,792	$1,167	92.4%	5,873	$1,170	93.6%

As at June 30, 2017, the portfolio AMR was $1,181, which was an increase of $11 or 0.9% from March 31, 2017. This represents a 3.8% annualized increase. Typically, the majority of AMR growth is achieved in the peak leasing months during the spring and summer. AMR increased across all markets during the three months ended June 30, 2017, except for Houston and San Antonio. Charlotte / Raleigh achieved AMR growth of 4.0% during the three months ended June 30, 2017, an annualized increase of 15.9% reflecting the strong growth in Raleigh as well as the sale of the Charlotte property. The Fund is optimizing property revenues in Houston by maintaining net effective rent levels in a concession driven market. Excluding Houston, AMR increased by 5.1% on an annualized basis during the three months ended June 30, 2017.

RESULTS OF OPERATIONS – ALL PROPERTIES

The following discussion highlights operational performance of the Properties for the three and six months ended June 30, 2017 and June 30, 2016, which include periods in which the Arrangement Properties were owned by the Arrangement Funds.

	Three months ended June 30, 2017	Three months ended June 30, 2016	% Change	Six months ended June 30, 2017	Six months ended June 30, 2016	% Change
Revenue from property operations	$ 24,568	$ 20,284	21.1%	$ 48,879	$ 39,723	23.1%
Property operating costs	6,483	5,444	(19.1)%	12,715	10,437	(21.8)%
Property taxes [(1)]	3,919	3,583	(9.4)%	8,172	7,111	(14.9)%
NOI	$ 14,166	$ 11,257	25.8%	$ 27,992	$ 22,175	26.2%
NOI margin	57.7%	55.5%		57.3%	55.8%	

(1) Property taxes were adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year.

PROPERTY REVENUE FROM PROPERTY OPERATIONS – ALL PROPERTIES

For the three months ended June 30, 2017, revenue from property operations was $24,568 which was $4,284 or 21.1% higher than the three months ended June 30, 2016. Increases in revenues were primarily driven by additional revenue from acquisitions in Austin, Atlanta, Las Vegas and San Antonio in October 2016. In addition, revenue increased due to acquisitions in Denver and Phoenix, which were offset by lower revenue due to the dispositions in Houston and Charlotte, during the three months ended June 30, 2017. The Fund's revenue from property operations also increased due to rental growth and ancillary revenue growth across the portfolio which was partly offset by lower occupancy.

Revenue from property operations for the six months ended June 30, 2017 was $48,879 which was $9,156 or 23.1% higher than the six months ended June 30, 2016. The increase in revenue was primarily due to the four property acquisitions in October 2016 together with the acquisition net of disposition activity in the three months ended June 30, 2017. The Fund's revenue from property operations also increased due to rental growth and ancillary revenue growth across the portfolio which was partly offset by lower occupancy.

PROPERTY OPERATING COSTS – ALL PROPERTIES

Property operating costs for the three months ended June 30, 2017 at $6,483 represented an increase of $1,039 or 19.1% compared to the three months ended June 30, 2016. The increase in operating costs was due to the impact of the acquisitions, net of dispositions undertaken by the Fund since June 30, 2016. Excluding the impact of the acquisition growth, operating costs were $40 or 0.8% lower than the three months ended June 30, 2016 primarily due to a reduction in salary and administration costs.

For the six months ended June 30, 2017 property operating costs were $12,715, an increase of $2,278 or 21.8% over the same period in 2016. Again, this increase was largely due to the acquisition growth with operating costs at existing properties of $13 or 0.2% lower than the six months ended June 30, 2016.

PROPERTY TAXES – ALL PROPERTIES

The following discussion of results of operations treats property taxes as an expense that is amortized during the fiscal year. Realty taxes do not reflect the IFRIC 21 adjustment.

Property taxes for the three months ended June 30, 2017 were $3,919, an increase of $336 or 9.4% compared to the three months ended June 30, 2016. The increase in property taxes was due to the acquisitions partly offset by reductions in tax expense across the portfolio primarily relating to final settlements for assessed values that resulted in reductions to prior year assessments for some of the Properties.

Property taxes for six months ended June 30, 2017 were $8,172, an increase of $1,061 or 14.9% compared to the six months ended June 30, 2016. The increase in property taxes was primarily attributable to the new acquisitions and partly offset by lower property taxes across the portfolio due to reductions in prior period tax expense following a successful appeal process for a number of the Properties.

NOI – ALL PROPERTIES

NOI includes revenue from property operations, less direct property operating costs such as salaries, utilities, repairs and maintenance, administrative and advertising expense and realty taxes.

The following tables present NOI and NOI margin for the Properties by market for the three and six months ended June 30, 2017 and 2016. NOI and NOI margin are included for periods in which the Arrangement Properties were owned by the Arrangement Funds.

	Three months ended June 30, 2017			Three months ended June 30, 2016		
Market	**NOI**	**Revenues**	**Margin %**	**NOI**	**Revenues**	**Margin %**
Atlanta	$ 1,568	$ 2,451	64.0%	$ 906	$ 1,576	57.5%
Austin	2,838	5,210	54.5%	2,237	3,962	56.5%
Charlotte / Raleigh	1,035	1,648	62.8%	916	1,547	59.2%
Dallas	1,249	2,128	58.7%	1,146	2,030	56.4%
Denver	23	34	69.8%	-	-	-
Houston	3,147	6,053	52.0%	3,364	6,540	51.4%
Las Vegas	721	1,102	65.5%	-	-	-
Phoenix	115	159	72.1%	-	-	-
Orlando / Tampa	3,008	4,877	61.7%	2,688	4,629	58.1%
San Antonio	462	906	51.0%	-	-	-
Total	$ 14,166	$ 24,568	57.7%	$ 11,257	$ 20,284	55.5%

NOI for the three months ended June 30, 2017 was $14,166, an increase of $2,909 or 25.8% compared to the three months ended June 30, 2016. The increase was primarily attributable to the acquisitions in Atlanta, Austin, Las Vegas and San Antonio, as well as NOI growth in Atlanta, Raleigh, Dallas and Orlando / Tampa.

NOI Margin for the three months ended June 30, 2017 was 57.7%, an increase of 220 basis points compared to the three months ended June 30, 2016 driven by strong margin increases in Atlanta, Charlotte / Raleigh, Dallas, Houston and Orlando / Tampa.

	Six months ended June 30, 2017			Six months ended June 30, 2016		
Market	NOI	Revenues	Margin %	NOI	Revenues	Margin %
Atlanta	$ 2,983	$ 4,818	61.9%	$ 1,871	$ 3,173	59.0%
Austin	5,583	10,334	54.0%	4,467	7,873	56.7%
Charlotte / Raleigh	1,901	3,117	61.0%	1,480	2,484	59.6%
Dallas	2,396	4,159	57.6%	2,195	3,967	55.3%
Denver	23	34	69.8%	-	-	-
Houston	6,597	12,552	52.6%	6,844	13,077	52.3%
Las Vegas	1,472	2,195	67.1%	-	-	-
Phoenix	115	159	72.1%	-	-	-
Orlando / Tampa	6,001	9,708	61.8%	5,318	9,149	58.1%
San Antonio	921	1,803	51.1%	-	-	-
Total	$ 27,992	$ 48,879	57.3%	$ 22,175	$ 39,723	55.8%

NOI for the six months ended June 30, 2017 was $27,992, an increase of $5,818 or 26.2% compared to the six months ended June 30, 2016. The increase was primarily attributable to the acquisitions noted above as well as NOI growth in Atlanta, Dallas and Orlando / Tampa.

NOI Margin for the six months ended June 30, 2017 was 57.3%, an increase of 150 basis points compared to the six months ended June 30, 2016 driven by margin increases in Atlanta, Charlotte / Raleigh, Dallas, Houston and Orlando / Tampa.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results for the three and six months ended June 30, 2017 include the Arrangement Properties owned by the Arrangement Funds for the entire three and six months ended June 30, 2016 (representing 5,004 suites for the three months ended June 30, 2017 and 4,739 for the six months ended June 30, 2017).

	Three months ended June, 2017	Three months ended June, 2016	% Change	Six months ended June 30, 2017	Six months ended June 30, 2016	% Change
Revenue from property operations	$ 18,560	$ 18,226	1.8%	$ 34,843	$ 34,340	1.5%
Property operating costs	4,770	4,810	0.8%	8,810	8,823	0.2%
Property taxes [(1)]	2,985	3,213	7.1%	6,038	6,261	3.6%
NOI	$ 10,805	$ 10,203	5.9%	$ 19,995	$ 19,256	3.8%
NOI margin	58.2%	56.0%		57.4%	56.1%	

(1) Property taxes w ere adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year.

REVENUE FROM PROPERTY OPERATIONS – SAME PROPERTY

For the three months ended June 30, 2017, same property revenue from property operations was $18,560, an increase of $334 or 1.8% over the three months ended June 30, 2017. The increase in same property revenue was primarily driven by an increase in rental revenues in markets excluding Houston. In addition, increases in ancillary revenue were offset by a decrease in occupancy.

For the six months ended June 30, 2017, same property revenue from property operations were $34,843 which was $503 or 1.5% higher than the six months ended June 30, 2016. This increase was driven by increases in rental and ancillary revenue being partly offset by lower occupancy.

PROPERTY OPERATING COSTS – SAME PROPERTY

Same property operating costs for the three months ended June 30, 2017 at $4,770 were $40 or 0.8% lower than the three months ended June 30, 2016 primarily due to reductions in salary and administrative expenses.

For the six months ended June 30, 2017, same property operating costs at $8,810 were $13 or 0.2% lower than the six months ended June 30, 2016 primarily due to lower salary and administrative expenses.

PROPERTY TAXES – SAME PROPERTY

Same property - property taxes for the three months ended June 30, 2017 at $2,985 were $228 or 7.1% lower than the same period in 2016 reflecting the Fund's success in appealing assessed valuations in certain markets.

Same property - property taxes for the six months ended June 30, 2017 at $6,038 were $223 or 3.6% lower than the six months ended June 30, 2016, reflecting the Fund's success in appealing assessed valuations in certain markets.

NOI – SAME PROPERTY

The following table shows the same property NOI and NOI margin by market for the three and six months ended June 30, 2017 and 2016.

	Three months ended June 30, 2017			Three months ended June 30, 2016		
Market	NOI	Revenues	Margin %	NOI	Revenues	Margin %
Atlanta	$ 1,091	$ 1,618	67.4%	$ 906	$ 1,576	57.5%
Austin	2,189	3,949	55.4%	2,237	3,962	56.5%
Raleigh	694	1,087	63.9%	576	953	60.4%
Dallas	1,249	2,128	58.7%	1,146	2,030	56.4%
Houston	2,573	4,900	52.5%	2,649	5,075	52.2%
Orlando / Tampa	3,009	4,878	61.7%	2,689	4,626	58.1%
Total	$ 10,805	$ 18,560	58.2%	$ 10,203	$ 18,226	56.0%

For the three months ended June 30, 2017, same property NOI was $10,805 which was $602 or 5.9% higher than the corresponding period in 2016. The increase to same property NOI was primarily due to rental revenue growth across all markets excluding Houston as well as efficient cost management and lower property tax expense.

Same property NOI margin increased to 58.2% during the three months ended June 30, 2017 from 56.0% during the three months ended June 30, 2016. The improvement was driven by margin increases in the Dallas, Orlando / Tampa, Atlanta Houston and Raleigh markets due to revenue growth and efficient cost management.

	Six months ended June 30, 2017			Six months ended June 30, 2016		
Market	NOI	Revenues	Margin %	NOI	Revenues	Margin %
Atlanta	$ 2,062	$ 3,212	64.2%	$ 1,871	$ 3,173	59.0%
Austin	4,297	7,829	54.9%	4,467	7,873	56.7%
Dallas	2,396	4,159	57.6%	2,195	3,967	55.3%
Houston	5,224	9,934	52.6%	5,405	10,178	53.1%
Orlando / Tampa	6,016	9,707	62.0%	5,314	9,149	58.1%
Total	$ 19,995	$ 34,843	56.4%	$ 19,256	$ 34,340	56.1%

For the six months ended June 30, 2017, same property NOI was $19,995 which was $739 or 3.8% higher than the same period in 2016. The increase to same property NOI was due to rental revenue growth, efficient management of operating expenses and the reduction in property taxes.

Same property NOI margin increased to 56.4% during the six months ended June 30, 2017 from 56.1% during the six months ended June 30, 2016. The improvement was driven by margin increases in the Dallas, Orlando / Tampa and Atlanta markets primarily due to rental revenue growth and efficient cost management.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders and property maintenance and capital expenditure commitments as they become due. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities, mortgage debt secured by investment properties and its Credit facility. As at June 30, 2017, the Fund was in compliance with all of its financial covenants.

CASH FLOWS

Cash flow provided by 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, 2017:

	Three months ended June 30, 2017	Six months ended June 30, 2017	Period from August 26, 2016 to December 31, 2016
Cash provided by operating activities	$ 14,235	$ 24,682	$ 8,306
Cash provided by financing activities	86,102	72,998	143,362
Cash used in investing activities	(76,888)	(78,245)	(143,999)
Increase in cash	23,449	19,435	7,669
Cash, beginning of period	3,655	7,669	-
Cash, end of period	$ 27,104	$ 27,104	$ 7,669

Cash on hand as at June 30, 2017 was $27,104.

For the three months ended June 30, 2017, cash provided by operating activities was $14,235 and related primarily to the net cash generated from property operations, as well as changes in non-cash working capital.

Cash provided by financing activities for the three months ended June 30, 2017 was $86,102. These amounts included proceeds from new financing of $70,661, proceeds from refinancings of $27,168, partly offset by distributions to Unitholders of $6,082, distributions to preferred shareholders of the U.S. REITs Series A shares of $20, finance costs paid of $8,071, class A unit purchases under the NCIB of $1,294 and principal payments on mortgages of $602.

Cash used in investing activities for the three months ended June 30, 2017 was $76,888 relating to property acquisitions of $105,579 and dispositions of $31,555 partly offset by capital additions to investment properties of $1,808.

For the six months ended June 30, 2017, cash provided by operating activities was $24,682 and related primarily to the net cash generated from property operations, as well as changes in non-cash working capital.

Cash provided by financing activities for the six months ended June 30, 2017 was $72,998. These amounts included proceeds from new financing of $70,661 and proceeds from refinancings of $27,168, partly offset by distributions to Unitholders of $12,260, distributions to preferred shareholders of the U.S. REITs Series A shares of $39, finance costs paid of $13,168, class A unit purchases under the NCIB of $2,705 and principal payments on mortgages of $1,001.

Cash used in investing activities for the six months ended June 30, 2017 was $78,245 relating to property acquisition of $105,579 and dispositions of $31,555 partly offset by capital additions to investment properties of $3,165.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and net liabilities attributable to Unitholders. 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, as the Fund continues to build Unitholder value and maintain sufficient capital contingency amounts. As at June 30, 2017 the total capital of the Fund was as follows:

	As at June 30, 2017	As at December 31, 2016
Mortgages payable	$ 729,237	$ 682,296
Credit facility	13,811	8,792
Net liabilities attributable to Unitholders	303,987	303,291
Total capital	$ 1,047,035	$ 994,379

Mortgages payable increased during the six months ended June 30, 2017 as a result of new mortgages totalling $70,661 for property acquisitions being partly offset by mortgages discharged of $50,344 on the disposition of properties. In addition to this, properties were refinanced for an increase to mortgages payable of $27,168.

As at June 30, 2017 $13,811 was drawn on the Credit Facility, which was an increase of $5,019 over December 31, 2016. The Fund had unused capacity on its Credit Facility of C$5,000 of which C$2,300 was available for drawdown as C$2,700 was provided as collateral for the Fund's variable rate collar agreement that was entered into with a Canadian chartered bank. This derivative instrument allows the Fund to provide some protection for the holders of Canadian dollar units against the potential weakening of the U.S. dollar to the date of declaration of distributions. The Fund is obligated to purchase a monthly amount of C$2,450 over a twelve-month period between a floor exchange rate of C$1.33 to $1.00 and a ceiling rate of C$1.3850 to $1.00. See "Financing Costs".

DEBT PROFILE

As at June 30, 2017, the Fund's overall leverage, as represented by the ratio of Indebtedness to Gross Book Value was 67.47%. The maximum allowable ratio under the Fund's first/amended and restated limited partnership agreement dated October 12, 2016 is 75%. The weighted average mortgage interest rate for the Fund, as at June 30, 2017, was 3.27% and the weighted average term to maturity of the mortgage portfolio was 3.94 years.

The following table summarizes key liquidity metrics:

		As at June 30, 2017	As at December 31, 2016
Indebtedness to Gross Book Value		67.47%	65.42%
Weighted average interest rate - mortgages		3.27%	2.90%
Weighted average term to maturity - mortgages		3.94 years	4.23 years
	For the three months ended June 30, 2017	**For the six months ended June 30, 2017**	**Period from August 26 to December 31, 2016 (1)**
Interest Coverage Ratio	2.16 x	2.33 x	2.99 x
Indebtedness Coverage Ratio	1.95 x	2.12 x	2.84 x

(1) Includes the Arrangement Properties from October 18, 2016 and the IPO Properties from the dates of acquisition (South Blvd - October 18, 2016, Coolray Field - October 20, 2016 and City North - October 31, 2016).

The Fund invested approximately $15,700 of net proceeds from refinancing three properties during the three months ended June 30, 2017 into the acquisition of Copperfield on August 1, 2017 (see "Subsequent Events").

The Interest Coverage Ratio and the Indebtedness Coverage Ratio for the three months ended June 30, 2017 were 2.16 times and 1.95 times, respectively, and for the six months ended June 30, 2017, were 2.33 times and 2.12 times. The reduction in coverage ratios during the three months ended June 30, 2017 was primarily due to increases in the U.S. 30-day LIBOR rate and the increase in mortgages payable related to the acquisition and refinancing activity.

The Fund utilizes interest rate cap agreements to provide protection on the rate of interest payable on eleven of its variable rate mortgages as required by the applicable lenders. As the Fund has elected not to use hedge accounting, an unrealized gain of $2 relating to fair value on the interest rate cap agreements was included in finance costs for the three months ended June 30, 2017. For the six months ended June 30, 2017, an unrealized loss of $4 relating to the fair value of the interest rate cap agreements was recorded in finance costs in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss).

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for all its variable rate mortgages. Loan agreements for some of the Properties may require the Fund to enter into an interest rate cap agreement once 30-day U.S. LIBOR reaches stipulated levels.

The following is a summary of the Fund's interest rate cap agreements as at June 30, 2017:

	Notional Amount	Maturity Date	Interest Rate Cap	Carrying Value and Fair Value at June 30, 2017	Carrying Value and Fair Value at December 31, 2016
Commonwealth Bank of Australia	$19,700	1-Nov-17	3.78%	$0	$0
Commonwealth Bank of Australia	34,350	1-Nov-17	4.06%	0	0
SMBC Capital Markets, Inc.	31,575	1-Mar-18	4.00%	0	0
Commonwealth Bank of Australia	33,900	1-Jun-18	3.54%	0	0
Commonwealth Bank of Australia	21,695	1-Jul-18	4.08%	0	0
Commonwealth Bank of Australia	36,909	1-Jul-18	4.00%	0	0
Commonwealth Bank of Australia	37,600	1-Jan-19	4.00%	0	3
SMBC Capital Markets, Inc.	38,000	1-Feb-19	3.75%	0	5
SMBC Capital Markets, Inc.	38,540	1-Jul-20	3.65%	20	0
SMBC Capital Markets, Inc.	46,950	1-Jul-20	3.90%	18	0
SMBC Capital Markets, Inc.	51,750	1-Jul-20	3.90%	20	0
	$390,969			$58	$8

MORTGAGES PAYABLE

The following table sets out scheduled principal and interest payments and amounts maturing on mortgages over each of the next five fiscal years and the weighted average interest rate of maturing mortgages based on the Fund's condensed consolidated interim financial statements as at June 30, 2017:

	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
2017	$ 1,251	$ 32,438	$ 33,689	4.62%	3.00%	$ 9,887
2018	3,290	36,000	39,290	5.39%	3.12%	18,480
2019	3,852	58,571	62,423	8.56%	3.18%	17,748
2020	7,108	-	7,108	0.97%	-	16,202
2021	8,821	296,011	304,832	41.80%	3.33%	15,096
Thereafter	17,506	264,389	281,895	38.66%	3.35%	13,355
	$ 41,828	$ 687,409	$ 729,237	100.00%	3.27%	$ 90,768
Unamortized financing costs			(6,479)			
			$ 722,758			

CREDIT FACILITY

On October 19, 2016, the Fund entered into a Credit Facility agreement with a Canadian chartered bank with a maturity date of October 19, 2017 which is secured by a general charge over the Properties, assets and undertakings and is subordinate to any permitted liens. The Credit Facility has two tranches: Tranche A allows the Fund to borrow up to C$10,000 and Tranche B allows the Fund to borrow up to C$13,000.

Both tranches consist of interest and fees payable on the first day of each month in arrears, up to and including the maturity date, at either the prime rate plus a weighted average of 3.39% over the life of the Credit Facility or the banker's acceptance ("BA") stamping fee plus a weighted average of 4.39% over the life of the Credit Facility. As at June 30, 2017, the Fund had drawn C$10,000 from Tranche A and C$8,000 from Tranche B, the U.S. dollar equivalent of $13,811, net of unamortized Credit Facility costs of $97. All amounts drawn were BA advances. A 0.50% standby fee is charged on the undrawn amount of the Credit Facility. For the three months ended June 30, 2017, finance costs included $65 related to BA advances and $9 related to standby fees, while for the six months ended June 30, 2017 finance costs included $165 related to the BA advances and $17 for the standby fees.

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.

NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS'

The Fund is authorized to issue an unlimited number of units. The beneficial interest in the net income (loss) and comprehensive income (loss) of the Fund is divided into seven classes of units: class A units; class C units; class D units; class E units; class F units; class H units; and class U units.

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Net liabilities attributable to Unitholders, August 26, 2016	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Changes during the Period								
Units issued upon Plan of Arrangement, net of issue costs	111,235	80,970	33,334	8,114	12,720	2,031	20,008	268,412
Units issued on Offering, net of issue costs	14,068	3,720	10,299	4,043	10,827	-	1,116	44,073
Units repurchased and cancelled under NCIB	(1,296)	-	-	-	-	-	-	(1,296)
Re-allocation due to unit conversions	(35,153)	1,346	37,033	6,216	(2,015)	(1,121)	(6,306)	-
Net loss and comprehensive loss	(2,255)	(2,184)	(2,047)	(466)	(547)	(23)	(376)	(7,898)
Net liabilities attributable to Unitholders, December 31, 2016	$ 86,599	$ 83,852	$ 78,619	$ 17,907	$ 20,985	$ 887	$ 14,442	$ 303,291
Units repurchased and cancelled under NCIB	(2,706)	-	-	-	-	-	-	(2,706)
Re-allocation due to unit conversions	378	(115)	954	2,249	(1,163)	(8)	(2,295)	(0)
Net income and comprehensive income	2,134	2,121	2,015	510	502	22	308	7,612
Net liabilities attributable to Unitholders, June 30, 2017	$ 86,405	$ 85,858	$ 81,588	$ 20,666	$ 20,324	$ 901	$ 12,455	$ 308,197

On October 26, 2016, the Fund announced the TSX Venture Exchange had accepted the Fund's notice of intention to make the NCIB. Under the NCIB, the Fund may purchase for cancellation up to a maximum of 2,042,526 class A units and 268,912 class U units, representing 10% of the Fund's public float of class A units and class U units, respectively. The Fund may not purchase more than 2% of the issued and outstanding class A units or class U units during any 30-day period, which as at October 21, 2016 represented 417,231 class A units and 54,066 class U units, respectively. The NCIB commenced on November 1, 2016 and will remain in effect until the earlier of (i) October 31, 2017 or (ii) the date on which the Fund has purchased the maximum number of units permitted under the NCIB. During the three months ended June 30, 2017, total units repurchased were 186,100 at a total cost of $1,293. During the six months ended June 30, 2017 total units repurchased were 390,400 at a total cost of $2,705.

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.

UNITS

The following table summarizes the changes in units outstanding for the six months ended June 30, 2017:

(in thousands of units)	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Outstanding, as at December 31, 2016	14,728	13,512	13,371	2,318	3,459	151	1,869	49,408
Class A units repurchased and cancelled under NCIB	(390)	-	-	-	-	-	-	(390)
Units reallocated due to conversions	14	-	180	295	(187)	(1)	(295)	5
Units as at June 30, 2017	14,351	13,512	13,551	2,613	3,272	150	1,574	49,023

As at June 30, 2017, there were 49,023,000 units issued and outstanding, comprised of 14,351,208 class A units, 13,511,772 class C units, 13,551,277 class D units, 2,612,716 class E units, 3,272,110 class F units, 149,614 class H units and 1,574,561 class U units.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

ARRANGEMENTS WITH STARLIGHT

The Fund engaged Starlight to perform certain management services, as outlined below. Starlight is considered a related party to the Fund as Starlight is owned and controlled by Daniel Drimmer who is a Director and Chief Executive Officer of Starlight GP and is also a significant Unitholder of the Fund.

(a) Pursuant to the management agreement dated October 15, 2016 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the sum of:

I. the appraised values of the properties acquired in connection with the Plan of Arrangement, or in the case of future acquisitions including the IPO Properties, the purchase price of the properties in U.S. dollars; and

II. the cost of any capital expenditures in respect of the Properties since the date of acquisition by the Fund in U.S. dollars.

(b) In addition, the Manager is to receive an amount equal to the service fee paid to registered dealers of the Fund's class A and class U units, paid quarterly in arrears.

For the three months ended June 30, 2017, asset management fees of $926 and service fees of $156 were charged to Fund and trust expenses. The amount payable to the Manager as at June 30, 2017 was $302.

For the six months ended June 30, 2017, asset management fees of $1,844 and service fees of $319 were charged to Fund and trust expenses.

(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, 2017, the Fund incurred acquisition fees of $1,309 under the Management Agreement. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. The acquisitions of Spectra North for $50,700 and Carrick Bend for $54,500 were from an affiliated entity of the Manager.

In addition, the Fund reimburses the Manager for all reasonable and necessary actual out-of-pocket costs and expenses incurred by the Manager in connection with the performance of the services described in the Management Agreement or such other services which the Fund and the Manager agree in writing are to be provided from time to time by the Manager.

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

The Manager and the President of the Fund, as holders of the class B partnership units of Starlight Investment Partnership ("SIP") are entitled to 25% of the excess distributable cash after returning: (i) 6.5% per annum on the initial investment amount contributed, less the aggregate agents fees payable, if any, in respect of the units of the Fund calculated on a cumulative basis from the effective date of the Plan of Arrangement (the "Minimum Return"); and (ii) the

return of the initial investment amount contributed for units of the Fund pursuant to the Plan of Arrangement and the Offering, less the aggregate agents fees payable.

In the event the Minimum Return is not received by Unitholders, an amount of up to 20% of the deemed value, net of taxes payable, paid as a carried interest in connection with the Plan of Arrangement shall be payable to the Fund.

As at June 30, 2017, the Fund had not recognized a liability to SIP in relation to the carried interest.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is available in Note 2 in the 2016 audited consolidated financial statements of the Fund for the period August 26, 2016 (date of formation) to December 31, 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.

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.

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 estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

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 affects 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. 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.

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 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

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.

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.

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.

The Fund's estimate of deferred taxes is based on the assumption that the Fund's liquidating event occurs either through a direct sale of the properties or through a disposition of its ownership interests in its U.S. subsidiaries.

Should the Fund's liquidating event occur through a sale of the Fund's limited partnership interests, the estimated deferred taxes would not be incurred by the Fund.

CARRIED INTEREST

The determination by the Fund as at each Statement of Financial Position date as to whether a provision for carried interest should be recognized to holders of the class B limited partnership units of SIP is based, among other criteria, on the Fund's analysis of the net liabilities attributable to Unitholders, distributions paid to Unitholders since the formation of the Fund and the Fund's ability to meet the requirement to return the initial investment amount contributed from the limited partners of the Fund and the Minimum Return.

FUTURE ACCOUNTING POLICY CHANGES

The future accounting policy changes are discussed in the Fund's audited consolidated financial statements for the period from August 26, 2016 (date of formation) to December 31, 2016 and the notes contained therein as well as the Fund's condensed consolidated interim financial statements for the three and six months ended June 30, 2017.

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 period from August 26, 2016 (date of formation) to December 31, 2016 in the Risks and Uncertainties section that is available at www.sedar.com. If any of the risks outlined in such disclosure or those outlined in the Prospectus 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 August 10, 2017, the date of the Fund's MD&A for the period from January 1, 2017 to June 30, 2017.

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 provide 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, 2017.

SUBSEQUENT EVENTS

The Fund completed the acquisition of Copperfield, a 288 suite Class "A" apartment community constructed in 2015 and located in Nashville, Tennessee, on August 1, 2017 for a purchase price of $48,000, from an affiliate of the Manager. The acquisition was partly funded by a $32,300 first mortgage with the balance of the consideration paid in cash generated by the Funds net proceeds from refinancings during the three months ended June 30, 2017.

FUTURE OUTLOOK

Starlight believes the Properties will continue to benefit from stable demand for residential rental accommodation. The Primary Markets exhibit sustained job and population growth and benefit from the continued shift away from home ownership, including as a result of lifestyle choice. The supply of comparable, multi-unit residential rental properties continues to be at reasonable levels given the strength of the demand drivers. The Properties are located in eleven attractive U.S. sun-belt markets and this diversification mitigates risk in any one market. The strong economic performance across the U.S. and in the Primary Markets in particular is supportive for multi-family real estate fundamentals and the U.S. economy. The Properties are performing well with strong occupancy, rental and NOI growth. The Fund expects to continue to produce consistent investment returns for Unitholders while continuing to seek opportunities to recycle capital into new properties in its Primary Markets that will reduce the average age and enhance the geographical diversification of the portfolio.

QUARTERLY INFORMATION

	Three months ended June 30, 2017[1]	Three months ended March 31, 2017	Three months ended December 31, 2016	For the period August 26, 2016 to September 30, 2016 [2]
Revenue from property operations	$ 24,568	$ 24,311	$ 19,679	$ -
Property operating costs	(6,483)	(6,232)	(5,241)	-
Property taxes	(3,919)	(4,254)	(3,027)	-
NOI	14,166	13,825	11,411	-
Distributions to Unitholders	(6,082)	(6,178)	(5,108)	-
Dividends to Preferred Shareholders - U.S. REIT's series A	(20)	(19)	(31)	-
Finance costs	(7,682)	(5,292)	(5,273)	-
Fund and trust expenses	(1,327)	(1,421)	(7,906)	-
Transaction Costs	(1,056)	-	-	-
Unrealized foreign exchange gain (loss)	(382)	(86)	204	-
Realized foreign exchange gain (loss)	57	(10)	444	-
Fair value adjustment of investment properties	8,301	9,695	1,090	-
Income taxes:				
Current	(99)	(106)	(49)	-
Deferred	(2,598)	(6,074)	(2,680)	-
Net income (loss) and comprehensive income (loss) for the period	$ 3,278	$ 4,334	$ (7,898)	$ -
FFO	$3,797	$6,632	($1,854)	n/a [2]
AFFO	$6,893	$6,978	$5,649	n/a [2]
Distributions	6,082	6,178	5,108	n/a [2]
FFO per Unit - basic and diluted	$0.08	$0.13	($0.04)	n/a [2]
AFFO per Unit - basic and diluted	$0.14	$0.14	$0.11	n/a [2]
Distributions per Unit [3]	$0.12	$0.13	$0.10	n/a [2]

Notes:
(1) Includes the Arrangement Properties from October 18, 2016 and the IPO Properties from the date of acquisitions (South Blvd - October 18, 2016, Coolray Field - October 20, 2016 and City North - October 31, 2016).
(2) During the period August 26, 2016 to September 30, 2016 no properties w ere held by the Fund.
(3) Distributions per unit for each period are based on the total distributions per w eighted average unit outstandings during the period.
(4) During the second quarter ended June 30, 2017, three properties w ere sold (Belle Haven, Cinco Ranch, Villages of Tow ne Lake) and tw o properties w ere acquired (Spectra North and Carrick Bend)

Additional information relating to the Fund can be found on SEDAR at www.sedar.com.

Dated: August 10, 2017

Toronto, Ontario, Canada