Condensed Consolidated Interim Financial Statements
(In thousands of U.S. dollars)

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

Three and nine months ended September 30, 2017
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102 – Continuous Disclosure Obligations, if an auditor has not performed a review of an entity's interim financial statements, they must be accompanied by a notice indicating that such financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed consolidated interim financial statements of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund") have been prepared by and are the responsibility of the Fund's management.

The Fund's independent auditor has not performed a review of these condensed consolidated interim financial statements in accordance with standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

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

Condensed Consolidated Interim Statement of Financial Position
(In thousands of U.S. dollars)
(Unaudited)

	Note		September 30, 2017		December 31, 2016
			(Unaudited)		(Audited)
ASSETS					
Non-current assets:					
Investment properties	7	$	1,215,443	$	1,056,414
Derivative financial instruments	14		772		8
Utility deposits			396		381
Total non-current assets			1,216,611		1,056,803
Current assets:					
Assets of property held for sale	6		14,235		-
Tenant and other receivables	8		1,362		1,007
Prepaid expenses and other assets	9		1,304		983
Restricted cash	10		15,377		11,648
Cash			10,028		7,669
Total current assets			42,306		21,307
TOTAL ASSETS		**$**	**1,258,917**	**$**	**1,078,110**
LIABILITIES					
Non-current liabilities:					
Mortgages payable	11	$	675,643	$	583,459
Preferred shares - U.S. REITs series A	13		625		625
Deferred income tax			129,059		79,961
Total non-current liabilities excluding net liabilities attributable to Unitholders			805,327		664,045
Current liabilities:					
Liabilities of property held for sale	6		9,287		-
Mortgages payable	11		69,707		92,564
Credit facility	12		14,420		8,792
Tenant rental deposits			1,392		1,232
Accounts payable and accrued liabilities	15		5,343		4,642
Finance costs payable	16		2,253		1,455
Distributions payable			2,050		2,089
Total current liabilities excluding net liabilities attributable to Unitholders			104,452		110,774
TOTAL LIABILITIES		**$**	**909,779**	**$**	**774,819**
Net liabilities attributable to Unitholders	18		349,138		303,291
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**1,258,917**	**$**	**1,078,110**

Commitments and contingencies (Note 23).

Subsequent events (Note 27).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc., as General Partner for Starlight U.S. Multi-Family (No.5) Core Fund on November 9, 2017, and signed on its behalf:

Graham Rosenberg Director *Harry Rosenbaum* Director

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

Condensed Consolidated Interim Statement of Net Income and Comprehensive Income
(In thousands of U.S. dollars)
(Unaudited)

	Note	Three months ended September 30, 2017	Nine months ended September 30, 2017
		(Unaudited)	(Unaudited)
Revenue from property operations		$ 25,450	$ 74,329
Expenses:			
Property operating costs		7,028	19,743
Property taxes		-	16,898
Income from rental operations		18,422	37,688
Finance costs	21	6,715	19,689
Distributions to Unitholders		6,150	18,410
Dividends to Preferred Shareholders – U.S. REITs series A		20	59
Fund and trust expenses	17	1,372	4,120
Transaction costs on dispositions of investment properties	5	-	1,056
Unrealized foreign exchange loss		552	1,020
Realized foreign exchange gain		(85)	(132)
Fair value adjustment investment properties	6, 7	(81,654)	(99,650)
Fair value adjustment IFRIC 21		4,267	(4,458)
Income before income taxes		81,085	97,574
Income taxes - current		48	253
- deferred		40,426	49,098
		40,474	49,351
Income before net income from property held for sale		40,611	48,223
Net Income from property held for sale		330	330
Net income and comprehensive income		**$ 40,941**	**$ 48,553**

See accompanying notes to the condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
Nine months ended September 30, 2017
(In thousands of U.S. dollars)
(Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2016	$86,599	$83,852	$78,619	$17,907	$20,985	$ 887	$14,442	$303,291
Changes during the period:								
Units repurchased and cancelled under normal course issuer bid ("NCIB")	(2,706)	-	-	-	-	-	-	(2,706)
Re-allocation due to unit conversions	(1,313)	(114)	2,838	2,194	(1,356)	(9)	(2,240)	-
Net income and comprehensive income	13,339	13,526	13,157	3,247	3,171	142	1,971	48,553
Balance, September 30, 2017	**$95,919**	**$97,264**	**$94,614**	**$23,348**	**$22,800**	**$ 1,020**	**$14,173**	**$349,138**

See accompanying notes to the condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statement of Cash Flows
Three and nine months ended September 30, 2017
(In thousands of U.S. dollars)
(Unaudited)

	Note	Three months ended September 30, 2017	Nine months ended September 30, 2017
Operating activities:			
Net income and comprehensive income		$ 40,941	$ 48,553
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	21	6,715	19,689
Distributions to Unitholders		6,150	18,410
Distributions to Preferred Shareholders – U.S. REITs series A		20	59
Transaction costs on dispositions of investment properties	5	-	1,056
Adjustments for items not involving cash:			
Fair value adjustment of investment properties including IFRIC 21		(78,218)	(97,662)
Unrealized foreign exchange loss		552	1,020
Change in non-cash operating working capital	22	635	2,644
Change in restricted cash	10	(3,245)	(4,209)
Deferred tax		40,426	49,098
Cash provided by operating activities		13,976	38,658
Financing activities:			
Repurchase of units under NCIB	18	-	(2,706)
Proceeds from Credit facility	12	-	4,485
Mortgage payable:			
Proceeds from new financing	4,11(i)	-	78,321
Proceeds from refinancing	11(ii)	-	19,921
Principal payments		(600)	(1,601)
Purchase of interest rate cap	14	-	(54)
Finance costs paid		(6,494)	(20,163)
Distributions to Unitholders		(6,150)	(18,410)
Distributions to Preferred Shareholders – U.S. REITs series A		(20)	(59)
Cash (used in) provided by financing activities		(13,264)	59,734
Investing activities:			
Acquisitions of investment properties	4	(15,943)	(121,522)
Dispositions of investment properties	5	-	31,555
Transaction costs on dispositions of investment properties	5	-	(1,056)
Capital additions to investment properties	7	(1,780)	(4,945)
Cash used in investing activities		(17,723)	(95,968)
(Decrease) increase in cash		(17,011)	2,424
Cash, investment property held for sale		(65)	(65)
Cash, beginning of period		27,104	7,669
Cash, end of period		**$ 10,028**	**$ 10,028**

See accompanying notes to the condensed consolidated interim financial statements.

Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund") is a limited partnership formed under and governed by the laws of the Province of Ontario. The term of the Fund is targeted to be three years, with two one-year extension options available through approval by the General Partner. The Fund may be extended beyond five years by the passing of a special resolution by the unitholders of the Fund ("Unitholders"). The Fund was established for the primary purpose of indirectly owning and operating a portfolio of diversified revenue generating rental properties in the United States of America multi-family real estate market.

The Fund's initial properties were indirectly acquired through the exchange of the limited partnership units of Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, Starlight U.S. Multi-Family (No. 4) Core Fund and the exchange of common shares of Campar Capital Corporation (collectively the "Plan of Arrangement"), for limited partnership units ("units") of the Fund. Subsequent to completion of its initial public offering (the "Offering") on October 18, 2016, 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 class A units and class U units are listed on the TSX Venture Exchange under the symbols STUS.A and STUS.U, respectively.

During the three months ended June 30, 2017, the Fund acquired two properties located in Denver, Colorado and Phoenix, Arizona, with an aggregate of 502 suites and disposed of two properties in Houston, Texas and one in Charlotte, North Carolina, with an aggregate of 602 suites. On August 1, 2017 the Fund acquired one property located in Nashville, Tennessee with 288 suites. The Fund is managed by Starlight Group Property Holdings Inc. (the "Manager"), a related party. As of September 30, 2017, the Fund portfolio of properties combined consists of 23 properties and a total of 6,980 suites.

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

1. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Fund have been prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of the Fund since the last annual consolidated financial statements as at and for the period ended December 31, 2016. These condensed consolidated interim financial statements do not include all the information required for full financial statements prepared in accordance with International Financial Reporting Standards ("IFRS").

1. Basis of presentation (continued):

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties and derivative financial instruments which have been measured at fair value.

(c) Comparatives:

The Fund was established on August 26, 2016 however operations did not commence until October 15, 2016, date of the Plan of Arrangement and accordingly, no comparatives have been presented in the condensed consolidated interim statement of net income and comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statements of changes in net liabilities attributable to Unitholders or the related notes thereto.

(d) Functional and presentation currency:

These condensed consolidated interim financial statements are presented in U.S. dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

Transactions in currencies other than U.S. dollars are translated at exchange rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into U.S. dollars at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into U.S. dollars at the exchange rate at the date the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the condensed consolidated interim statement of net income and comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical costs in a foreign currency are translated using the exchange rate at the date of the transaction.

(e) Critical judgements and estimates:

The significant judgments made by management in applying accounting policies, for the preparation of these condensed consolidated interim financial statements, were the same as those applied to the consolidated financial statements as at and for year ended December 31, 2016.

1. Basis of presentation (continued):

(f) Investment property held for sale:

The Fund has classified property (or a disposal group) as held for sale in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, excluding investment property which is carried at fair value.

2. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's period ended December 31, 2016 audited consolidated financial statements. These accounting policies are based on the IFRS applicable at that time. The condensed consolidated interim financial statements do not include all of the disclosures included in the period ended December 31, 2016 audited consolidated financial statements and accordingly, should be read in conjunction with the period ended December 31, 2016 audited consolidated financial statements and notes thereto.

3. Adoption of accounting standards:

Future Accounting Policy Changes:

Certain new standards, interpretations and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") but are not yet effective for the period ended September 30, 2017. Management is assessing the effects of the pronouncements on the Fund. The standards impacted that may be applicable to the Fund are following:

(i) Financial Instruments ("IFRS 9"):

IFRS 9 addresses the classification and measurement of financial assets. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value. The new standard also requires a single impairment method be used. Additionally, a new hedge accounting model will allow entities to better reflect their risk management activities has been included in the standard. The amendments complete the IASB's financial instruments project and the standard is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The Fund intends to adopt the amended standard on the required effective date. However, the Fund has completed an assessment of the extent to which changes will be required and does not consider the section to have a significant impact, if any, based on the current status.

3. Adoption of accounting standards (continued):

(ii) Revenue from Contracts with Customers ("IFRS 15"):

IFRS 15 is a new standard issued by the IASB. The core principle of the new standard is for companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the Fund expects to be entitled in exchange for those goods or services.

The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively (for example, service revenue and contract modifications) and improve guidance for multiple-element arrangements.

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively.

The Fund intends to adopt the amended standard on the required effective date. However, the Fund has completed an assessment of the extent to which changes will be required and does not consider the section to have a significant impact, if any, based on the current status.

(iii) Leases ("IFRS 16"):

IFRS 16 was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 has also been applied.

The Fund intends to adopt the amended standard on the required effective date. However, the Fund has completed an assessment of the extent to which changes will be required and does not consider the section to have a significant impact, if any, based on the current status.

3. Adoption of accounting standards (continued):

(iv) Investment Properties ("IAS 40"):

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted.

The Fund intends to adopt the amended standard on the required effective date. However, the Fund has completed an assessment of the extent to which changes will be required and does not consider the section to have a significant impact, if any, based on the current status.

(In thousands of U.S. dollars, unless otherwise noted)

4. Acquisitions:

The following asset acquisitions were completed during the nine months ended September 30, 2017. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Spectra North (i)	Carrick Bend (ii)	Copperfield Apartments (iii)	Total
Acquisition date:	16-Jun	28-Jun	1-Aug	
Investment properties (iv)	$ 51,014	$ 54,731	$ 47,954	$ 153,699
Add:				
Tenant and other receivables	21	25	39	85
Prepaid expenses and other assets	17	17	15	49
Restricted cash	115	58	255	428
Deduct:				
Tenant rental deposits	253	166	26	445
Accounts payable and accrued liabilities	-	-	123	123
Finance costs payable	-	-	98	98
Assumed mortgage (net of finance costs $227)	-	-	32,073	32,073
Net asset acquired	$ 50,914	$ 54,665	$ 15,943	$ 121,522
Consideration funded by:				
New financing obtained and used for acquisition	$ 36,407	$ 33,778	-	$ 70,185
Proceeds from dispositions held in escrow (note 5)	12,814	18,741	-	31,555
Cash paid	1,693	2,146	15,943	19,782
	$ 50,914	$ 54,665	$ 15,943	$ 121,522

(i) The Fund completed the acquisition of Spectra North, located in Phoenix, Arizona and comprised of 274 multi-family residential suites, from an affiliated entity of the Manager.

(ii) The Fund completed the acquisition of Carrick Bend, located in Denver, Colorado and comprised of 228 multi-family residential suites, from an affiliated entity of the Manager.

(iii) The Fund completed the acquisition of Copperfield Apartments, located in Nashville, Tennessee and comprised of 288 multi-family residential suites, from an affiliated entity of the Manager.

(iv) Investment properties are net of the IFRIC 21 Levies adjustment relating to property taxes of $326, $381 and $416, respectively for Spectra North, Carrick Bend and Copperfield Apartments.

(In thousands of U.S. dollars, unless otherwise noted)

5. Dispositions:

The following asset dispositions were completed during the nine months ended September 30, 2017. The fair value of consideration has been allocated to the identifiable assets and liabilities sold based on their fair values at the date of disposition as follows:

	Residences at Cinco Ranch (i)	Belle Haven Apartments (ii)	Villages of Towne Lake (iii)	Total
Disposition date:	1-Jun	22-Jun	27-Jun	
Investment properties (iv)	$ 36,804	$ 28,142	$ 18,456	$ 83,402
Add:				
Tenant and other receivables	18	-	-	18
Prepaid expenses and other assets	12	-	2	14
Restricted cash	422	234	-	656
Deduct:				
Mortgage payable	23,900	17,820	8,581	50,301
Tenant rental deposits	35	21	12	68
Accounts payable and accrued liabilities	507	370	1,289	2,166
Net asset disposition	$ 12,814	$ 10,165	$ 8,576	$ 31,555
Consideration received:				
Proceeds held in escrow and reinvested in acquisitions (note 4)	$ 12,814	$ 10,165	$ 8,576	$ 31,555
	$ 12,814	$ 10,165	$ 8,576	$ 31,555

(i) The Fund completed the disposition of Residences at Cinco Ranch located in Houston, Texas which is comprised of 300 multi-family residential suites.

(ii) The Fund completed the disposition of Belle Haven Apartments located in Charlotte, North Carolina which is comprised of 176 multi-family residential suites.

(iii) The Fund completed the disposition of Villages of Towne Lake located in Houston, Texas which is comprised of 126 multi-family residential suites.

(iv) The fund incurred a total of $1,057 in transaction costs during the period as a result of the dispositions of investment properties.

(In thousands of U.S. dollars, unless otherwise noted)

6. Property held for sale

The Fund entered into a purchase and sale agreement to sell The Reserve at Jones Road on September 18, 2017 (see Note 26 – Subsequent Events).

The net assets of the property held for sale as at September 30, 2017 are as follows:

		The Reserve at Jones Road
Investment properties	$	13,875
Deposits		6
Tenant and other receivables		35
Prepaid expenses and other assets		2
Restricted Cash		252
Cash		65
Assets of property held for sale		14,235
Tenant rental deposits		28
Accounts Payable and Accrued Liabilities		43
Finance Cost Payable		18
Mortgage Payable (net of finance costs $2)		9,198
Liabilities of property held for sale		9,287
Net assets held for sale	$	4,948

The net income for the property held for sale for the period from September 18, 2017 to September 30, 2017 was as follows:

		The Reserve at Jones Road
Revenue from property operations	$	57
Expenses:		
Property operating costs		20
Income from operations		37
Finance costs		12
Trust expenses		2
Fair value adjustment investment properties		(76)
Fair value adjustment IFRIC 21		(231)
		(293)
Net income from property held for sale	$	330

(In thousands of U.S. dollars, unless otherwise noted)

7. Investment properties:

The following table summarizes the change in the investment properties for the nine months ended September 30, 2017 and the period ended December 31, 2016:

Balance, August 26, 2016	$ -
Acquisitions relating to the Plan of Arrangement	909,118
Acquisitions of investment properties	141,499
Capital additions	1,192
Fair value adjustment	1,090
IFRIC 21 property tax liability adjustment	3,515
Balance, December 31, 2016	1,056,414
Acquisitions of investment properties (note 4)	153,699
Dispositions of investment properties (note 5)	(83,402)
Capital additions	4,945
Fair value adjustment	99,650
IFRIC 21 property tax liability adjustment	(1,988)
Investment property held for sale (note 6)	(13,875)
Balance, September 30, 2017	$ 1,215,443

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

	September 30, 2017	December 31, 2016
Cost	$ 1,127,051	$ 1,051,809
Cumulative fair value adjustment	100,740	1,090
Cumulative IFRIC 21 property tax liability adjustment	1,527	3,515
Investment property held for sale (note 6)	(13,875)	
Balance, September 30, 2017	$ 1,215,443	$ 1,056,414

The key valuation assumptions for investment properties are set out in the following table:

	September 30, 2017	December 31, 2016
Capitalization rates - range	4.72% to 5.25%	4.75% to 5.50%
Capitalization rate - weighted average	4.89%	5.06%

(In thousands of U.S. dollars, unless otherwise noted)

7. Investment properties (continued):

Purchase prices for acquisitions relating to the Plan of Arrangement were based on valuations prepared by independent qualified valuators. The Fund determined the fair value of each investment property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

The fair values of the Fund’s investment properties are sensitive to changes in the key valuation assumptions. Changes in the capitalization rates would result in a change to the estimated fair value of the Fund’s investment properties as set out in the following table:

Weighted average	Change		September 30, 2017		December 31, 2016
Capitalization rate	10-basis-points increase	$	(25,541)	$	(20,709)
Capitalization rate	10-basis-points decrease	$	25,197	$	21,549

The impact of a one percent change in the net operating income used to value the investment properties as at September 30, 2017 would affect the fair value by approximately $12,402 (December 31, 2016 - $10,654).

8. Tenant and other receivables:

The following table presents details of the tenant and other receivables balances:

		September 30, 2017		December 31, 2016
Tenant receivables, net	$	669	$	399
Other receivables		693		608
	$	1,362	$	1,007

The Fund holds no collateral in respect of tenant and other receivables.

9. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balances:

		September 30, 2017		December 31, 2016
Prepaid insurance	$	954	$	661
Prepaid expenses		350		322
	$	1,304	$	983

(In thousands of U.S. dollars, unless otherwise noted)

10. Restricted Cash:

The following table presents details of the restricted cash balances:

	September 30, 2017	December 31, 2016
Escrowed funds:		
Property taxes	$ 10,562	$ 8,111
Replacement / repairs	1,493	1,098
Property insurance	658	1,187
Interest rate caps	36	304
Insurance proceeds	1,929	374
Internally restricted cash:		
Security deposit	699	574
	$ 15,377	$ 11,648

Restricted cash includes cumulative amounts that are paid monthly into escrow funds with the Fund's lenders for property taxes and property insurance obligations coming due within a 12-month period. Replacement/repairs restricted cash includes cumulative amounts that are paid monthly to lenders to reserve funds for planned capital improvements and either specific repairs or non-specific operating maintenance. Escrowed interest rate caps relate to restricted funds to meet lender requirements for the purchase of interest rate caps in respect of certain mortgages with variable rates should U.S. 30-day London Interbank Offered Rate ("LIBOR") reach stipulated levels.

Insurance proceeds relate to settlement funds received in connection with remediation expenses at Yorktown Crossing caused by a fire that occurred on August 17, 2016 as a result of a lightning strike. One of the 13 buildings comprising 24 multi-family suites at the property was impacted. For the three and nine months ended September 30, 2017, $83 and $240 respectively (period from August 17, 2016 to December 31, 2016 - $101) has been recognized in revenue from property operations in connection with the insurance claim for loss of income since the fire occurred and $2,055 was received in total insurance proceeds to replace the subject building (period from August 26, 2016 to December 31, 2016 - $500). The Fund is currently in the process of rebuilding the 24 suites and expects the proceeds to be sufficient to cover the entire rebuild. As of September 30, 2017, $243 has been incurred relating to the rebuild since the incident.

Security deposits relate to funds paid by tenants that are specifically restricted until a tenant exits a lease and are either refunded or applied to their lease, as applicable.

(In thousands of U.S. dollars, unless otherwise noted)

11. Mortgages payable:

Mortgages payable are secured by investment properties and bear interest at various fixed and variable rates with payment terms of either monthly blended principal and interest payments (“MBPI”) or interest only (“IO”). The Fund’s variable rate mortgages are based on LIBOR plus an interest rate spread.

Property Name	Payment Terms	Maturity Date	Interest Rate	September 30, 2017	December 31, 2016
Falls at Eagle Creek	MBPI	December 2021	LIBOR + 1.94%	$ 33,814	$ 34,350
Greenhaven Apartments	MBPI	December 2021	LIBOR + 1.97%	19,394	19,700
Villages of Towne Lake	MBPI	November 2022	4.02%	-	8,670
Sorelle Apartments (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	51,750	44,651
Belle Haven Apartments	IO	March 2018 + two one-year extension options	LIBOR + 2.00%	-	17,820
The Villages of Sunset Ridge	IO until August 2019	July 2025	LIBOR + 1.98%	21,695	21,695
Palm Valley	IO until April 2017	March 2025	LIBOR + 1.84%	31,242	31,575
Soho Parkway Apartments	IO until July 2017	June 2022	LIBOR + 1.96%	33,735	33,900
Broadstone Travesia	IO	April 2018 + one-year extension option	LIBOR + 1.75%	36,000	36,000
The Allure	IO until July 2019	July 2025	LIBOR + 1.98%	36,909	36,909
Residences at Cinco Ranch	IO	July 2017 + two one-year extension options	LIBOR + 2.00%	-	23,900
The Reserve at Jones Road	IO	December 2017 + two one-year extension options	LIBOR + 2.00%	-	9,200
Altis at Grand Cypress	IO until February 2018	January 2023	LIBOR + 2.25%	37,600	37,600
Verano Apartments (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	46,950	38,000
Boardwalk Med Center	IO	August 2017 + two-month extension option	LIBOR + 1.75%	23,238	23,238
South Boulevard (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	38,540	34,840
City North at Sunrise Ranch	IO	November 2019 + two one-year extension options	LIBOR + 2.00%	35,496	35,496
The Views at Coolray Field	IO	November 2019 + two one-year extension options	LIBOR + 1.90%	23,075	23,075
Pooled Mortgage (i)	IO	November 2021 + one-year extension option	LIBOR + 2.15%	250,000	171,679
Copperfield Apartments	IO	Jul 2020 + two one-year extension option	LIBOR + 2.00%	32,300	-
Face value				751,738	682,298
Mortgage discount				-	(80)
Unamortized financing costs				(6,388)	(6,195)
Carrying value				$ 745,350	$ 676,023

(i) The Pooled Mortgage includes seven properties: The Village at Marquee Station, Falls at Copper Lake, Yorktown Crossing, The Reserves at Alafaya and Pure Living Heathrow, as well as Carrick Bend and Spectra North following their acquisition during the period. With the expansion of the pooled debt from its original principal amount, the spread was reduced from 2.40% to 2.15%.

(ii) On June 27, 2017, the Fund refinanced Sorelle Apartments, Verano Apartments and South Blvd Apartments and generated additional proceeds of $18,617, net of $1,304 in finance costs.

(In thousands of U.S. dollars, unless otherwise noted)

11. Mortgages payable (continued):

Mortgages payable are classified as current liabilities if they are due and payable within 12-months after the date of the condensed consolidated interim statement of financial position. The following table provides a breakdown of current and non-current portions of mortgages payable:

	September 30, 2017	December 31, 2016
Non-current:		
Mortgages payable	$ 680,493	$ 587,990
Mortgage premium	-	(67)
Unamortized financing costs	(4,850)	(4,464)
	675,643	583,459
Current:		
Mortgages payable	$ 71,245	$ 94,308
Mortgage premium	-	(13)
Unamortized financing costs	(1,538)	(1,731)
	69,707	92,564
Balance	$ 745,350	$ 676,023

Future principal payments on mortgages payable are as follows:

	Principal payment	Balloon payment	Total
2017 – remainder of year	$ 575	$ 23,238	$ 23,813
2018	3,005	36,000	39,005
2019	3,588	58,571	62,159
2020	3,222	32,300	35,522
2021	2,099	299,102	301,201
Thereafter	1,104	288,934	290,038
Total	$ 13,593	$ 738,145	$ 751,738

12. Credit facility:

On October 19, 2016, the Fund entered into a credit facility agreement (the "Credit facility") with a Canadian chartered bank with a maturity date of October 19, 2017 which is secured by a general charge over the Fund's 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 September 30, 2017, the Fund had drawn $14,420 (December 31, 2016 - $8,792), net of unamortized financing costs of $3 (December 31, 2016 - $145) on the Credit facility. On March 9, 2017, C$2,700 of tranche B was utilized as collateral to secure the variable rate collar (note 14(b)). All amounts drawn were BA advances, including C$10,000 from tranche A and C$8,000 from tranche B. A 0.50% standby fee is charged on any undrawn amount under the Credit facility, which was C$2,300 as at September 30, 2017 (See note 27 – Subsequent events).

Included in finance costs (note 21) is interest of $175 and $341 relating to the BA advances as well as $1 and $18 of standby fees for the three and nine months ended September 30, 2017.

13. Preferred shares – U.S. REITs Series A:

The Funds subsidiaries, Starlight U.S. Multi-Family Core REIT Inc., Starlight U.S. Multi-Family (No. 2) Core REIT Inc., Starlight U.S. Multi-Family (No. 3) Core REIT Inc., Starlight U.S. Multi-Family (No. 4) Core REIT Inc., and Starlight U.S. Multi-Family (No. 5) Core REIT Inc., collectively (the "U.S. REITs") have issued and outstanding 625 series A, preferred shares ("shares") that are held by U.S. residents. The shares are redeemable at the option of the U.S. REITs, at a redemption value of $1 per share. The shares pay a cumulative dividend at 12.5% per annum, semi-annually on June 30 and December 31. The shares have no voting rights.

14. Derivative financial instruments:

(a) Interest Rate Cap

The Fund utilizes interest rate cap agreements to protect its interest costs on 11 of its variable rate mortgages as required by the applicable lenders. Upon refinancing the mortgages on South Blvd Apartments, Verano Apartments and Sorelle Apartments, the Fund purchased interest rate caps for $19, $16 and $19, respectively. As the Fund has elected not to use hedge accounting, an unrealized fair value loss of $31 and $27 was recorded in finance costs in the condensed consolidated interim statement of net income and comprehensive income for the three and nine months ended September 30, 2017, respectively.

(In thousands of U.S. dollars, unless otherwise noted)

14. Derivative financial instruments (continued):

The following is a summary of the Fund's interest rate cap agreements:

	Notional Amount	Maturity Date	LIBOR Strike	Carrying Value and Fair Value at September 30, 2017	Carrying Value and Fair Value at December 31, 2016
Commonwealth Bank of Australia	$ 19,700	1-Nov-17	3.78%	$ -	$ -
Commonwealth Bank of Australia	34,350	1-Nov-17	4.06%	-	-
SMBC Capital Markets, Inc.	31,575	1-Mar-18	4.00%	-	-
Commonwealth Bank of Australia	33,900	1-Jun-18	3.54%	-	-
Commonwealth Bank of Australia	21,695	1-Jul-18	4.08%	-	-
Commonwealth Bank of Australia	36,909	1-Jul-18	4.00%	-	-
Commonwealth Bank of Australia	37,600	1-Jan-19	4.00%	-	3
SMBC Capital Markets, Inc.	38,000	1-Feb-19	3.75%	-	5
SMBC Capital Markets, Inc.	38,540	1-Jul-20	3.65%	11	-
SMBC Capital Markets, Inc.	46,950	1-Jul-20	3.90%	10	-
SMBC Capital Markets, Inc.	51,750	1-Jul-20	3.90%	10	-
	$ 390,969			$ 31	$ 8

The following table represents a summary of the changes in fair value for the interest rate cap agreements:

Balance, December 31, 2016	$ 8
Purchases during the period	54
Unrealized loss for the period	(31)
Balance, September 30, 2017	$ 31

(b) Variable Rate Collar

On March 9, 2017, the Fund entered into a variable rate collar contract with a Canadian chartered bank with a maturity date of March 12, 2018. The contract allows the Fund to exchange U.S. dollar funds for C$29,400 in aggregate or C$2,450 each month to provide the holders of Canadian dollar units with some protection against the weakening of the U.S. dollar up to the date of declaration of distributions. The fair value of the contract as at September 30, 2017 was $741, resulting in an unrealized gain of $179 and $385 for the three and nine months ended September 30, 2017.

(In thousands of U.S. dollars, unless otherwise noted)

15. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

	September 30, 2017	December 31, 2016
Tenant prepayments	$ 880	$ 841
Operating payables	330	956
Accrued liability relating to Yorktown Crossing (note 10)	1,649	-
Accrued property management fees, utilities, payroll, other	1,989	2,378
Accrued asset management fees	327	316
Accrued service fees	155	134
Deferred revenue	13	17
	$ 5,343	$ 4,642

16. Finance costs payable:

The following table presents the details of finance costs payable:

	September 30, 2017	December 31, 2016
Accrued interest on mortgages payable	$ 1,890	$ 1,448
Accrued interest on Credit facility	2	7
Insurance financing	361	-
	$ 2,253	$ 1,455

17. Fund and trust expenses:

The following table presents the details of Fund and trust expenses:

	Three months ended September 30, 2017	Nine months ended September 30, 2017
Asset management fees	$ 985	$ 2,829
General and administrative expenses	233	666
Service fees	154	473
One-time reorganization costs	-	152
	$ 1,372	$ 4,120

18. Net liabilities attributable to Unitholders:

The beneficial limited partnership interest in the net liabilities and net income and comprehensive income of the Fund is held in seven classes of units: class A, C, D, E, F, H and U. The Fund is authorized to issue an unlimited number of units in the classes as described above.

Each Unitholder is entitled to one vote for each limited partnership unit held. Each class of unit entitles the holder to the same rights as a Unitholder in another class of unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of units' rights. As there are varying economic values per class of units, the net liabilities attributable to Unitholders will be distributed disproportionately on a per unit basis upon liquidation.

	Units (000's)	Value
As at December 31, 2016	49,408	$ 303,291
Class A units repurchased and cancelled under NCIB	(390)	(2,706)
Additional units on conversion	6	-
Net income and comprehensive income	-	48,553
As at September 30, 2017	49,024	$ 349,138

As at September 30, 2017, the Fund had 49,024,095 total units issued and outstanding, comprised of 14,063,195 class A units, 13,511,772 class C units, 13,871,988 class D units, 2,605,498 class E units, 3,240,249 class F units, 149,614 class H units and 1,581,779 class U units. The following table represents a summary of the changes in thousands of units by class:

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Units outstanding as at December 31, 2016	14,728	13,512	13,371	2,318	3,459	151	1,869	49,408
Units repurchased and cancelled under NCIB	(390)	-	-	-	-	-	-	(390)
Units reallocated due to conversions	(275)	-	501	287	(219)	(1)	(287)	6
Units outstanding as at September 30, 2017	14,063	13,512	13,872	2,605	3,240	150	1,582	49,024

18. Net liabilities attributable to Unitholders (continued):

On October 26, 2016, the Fund announced the TSX Venture Exchange ("TSX-V") 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. (See note 27 – Subsequent events)

During the nine months ended September 30, 2017, the Fund purchased and cancelled 390,400 class A units at a total cost of C$3,609, the equivalent of $2,706 (December 31, 2016 - 196,000, C$1,730, $1,296, respectively).

Carried Interest:

The Manager and the President of the Fund, as holders of the class B limited partnership units of Starlight Investments Partnership, 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 limited partnership 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 from limited partnership 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 will be payable to the Fund.

As of September 30, 2017, the Fund has not recognized a carried interest derived from the net liabilities attributable to Unitholders after considering the Minimum Return to Unitholders (December 31, 2016 – $nil).

19. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from, the U.S. real estate industry segment. The Fund's investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund's rental revenue.

20. Transactions with related parties:

The condensed consolidated interim financial statements include the following transactions with related parties:

The Fund engaged the Manager to perform certain management services, as outlined below. The Manager is considered a related party to the Fund as the Manager is owned and controlled by Daniel Drimmer who is a director and Chief Executive Officer of the General Partner and 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, the purchase price of the Fund’s properties in U.S. dollars; and
   ii. the cost of any capital expenditures in respect of Fund’s properties since the date of acquisition by the Fund in U.S. dollars.

(b) In addition, the Manager is to receive an amount equal to the service fee paid to registered dealers on the Fund’s distributions, paid quarterly in arrears.

Included in Fund and trust expenses is $985 and $2,829 in asset management fees and $154 and $473 in service fees charged by the Manager (note 17) for the three and nine months ended September 30, 2017, respectively, (for the period from August 26, 2016 to December 31, 2016 - $753 in asset management fees and $134 in service fees) of which $482 is payable (Note 15) at September 30, 2017 (December 31, 2016 - $450).

(c) Pursuant to the Management Agreement, the Manager 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 the Manager calculated as follows:

   i. 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;

   ii. 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each calendar year; and

   iii. 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each calendar year.

For the three and nine months ended September 30, 2017, the Fund incurred acquisition fees of $360 and $1,399, respectively, which are paid at the time of acquisition and capitalized to investment properties (for the period from August 26, 2016 to December 31, 2016 - $1,596).

(In thousands of U.S. dollars, unless otherwise noted)

21. Finance costs:

The following table presents the details of finance costs:

	Three months ended, September 30, 2017	Nine months ended, September 30, 2017
Interest on mortgages payable	$ 6,198	$ 16,553
Interest and standby charges on Credit facility (note 12)	176	359
Amortization of mortgage discount	-	5
Amortization of financing costs	488	1,553
Loss on early extinguishment of debt	2	1,915
Fair value gain on derivative financial instruments (note 14)	(153)	(710)
Other interest	4	14
	$ 6,715	$ 19,689

22. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital:

	Three months ended, September 30, 2017	Nine months ended, September 30, 2017
Utility deposits	$ (56)	$ (21)
Tenant and other receivables	(27)	(496)
Prepaid expenses and other assets	280	(288)
Tenant rental deposits	(8)	(190)
Accounts payable and accrued liabilities	170	2,960
Finance cost payable	276	718
Distribution payable	-	(39)
	$ 635	$ 2,644

23. Commitments and contingencies:

At September 30, 2017, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of September 30, 2017 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable, to pay service fees on outstanding class A units and class U units and to distribute excess cash to Unitholders.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

24. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of mortgages payable, the Credit facility and net liabilities attributable to Unitholders. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the Unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at September 30, 2017.

25. Risk management:

The Fund's activities expose it to credit risk, market risk, liquidity risk and currency risk. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and geographically diversifying the location of the properties. The Fund monitors its collection experience monthly and ensures a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of net loss and comprehensive loss.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages and credit facilities will not be refinanced on terms as favourable as those of the existing indebtedness.

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for its variable rate mortgages. Loan agreements for some of the Fund's properties require the Fund to enter into an interest rate cap agreement once LIBOR reaches stipulated levels. For the nine months ended September 30, 2017, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net income and comprehensive income by $564 (for the period from August 26, 2016 to December 31, 2016 - $138).

25. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its mortgage portfolio over a number of years and has options to extend certain mortgages.

All of the Fund’s current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. For contractual maturities of mortgages payable, see note 11.

(d) Currency risk:

Currency risk is the risk the Fund encounters from fluctuations in the Canadian/U.S. dollar exchange rate. The revenues and expenses of the investment properties are denominated in U.S. dollars and distributions made to the Unitholders are in both Canadian and U.S. dollars. The Fund converts such distribution amounts into Canadian dollars, as applicable, before distributions are paid to Unitholders. Consequently, distributions are impacted by the prevailing exchange rates.

As at September 30, 2017, the Fund had entered into a variable rate collar arrangement to provide some protection against the impact of changes in the Canadian/U.S. dollar exchange rate on the Fund’s monthly distributions on Canadian dollar units (note 14(b)).

26. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

26. Fair value measurement of financial instruments (continued):

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

(i) The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, Preferred shares – U.S. REITs series A, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).

(ii) Derivative financial instruments are considered as Level 2 financial instruments.

(iii) The fair value of mortgages payable and Credit facility is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable and Credit facility as at September 30, 2017 approximated their carrying value.

(iv) Investment properties and net liabilities attributable to Unitholders are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

27. Subsequent events:

On October 18, 2017, the Fund extended the term of the Credit facility to October 19, 2018 and reduced tranche B available funds to C$8,000. In addition, the interest rate was reduced to the prime rate plus 2.15% or the BA stamping fee plus 3.15%.

On October 26, 2017, the Fund announced the TSX-V had accepted the renewal of the existing NCIB commencing November 1, 2017, to remain in effect until the earlier of (i) October 31, 2018 or (ii) the date on which the Fund has purchased the maximum number of units permitted under the NCIB. Under the NCIB, the Fund may purchase for cancellation up to a maximum of 1,396,448 class A units and 157,189 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 26, 2017, represented 281,264 class A units and 31,635 class U units, respectively.

On October 27, 2017, the Fund sold The Reserve at Jones Road for $14,350 less transaction costs of $243. The proceeds from the sale were used to repay the outstanding mortgage balance with the remainder expected to be utilized on a tax-deferred basis for the acquisition of a property.

On October 31, 2017, Boardwalk Med Center was refinanced within the Pooled Mortgage and the Fund received net proceeds of approximately $5,500 with the same repayment and interest rate terms as the other properties contained within the Pooled Mortgage.