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

STARLIGHT U.S. MULTI-FAMILY (NO. 1) VALUE-ADD FUND

For the three months ended September 30, 2017 and period from April 24, 2017 (date of formation) to 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.1) Value-Add 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. 1) VALUE-ADD FUND

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

	Note		As at September 30, 2017
ASSETS			
Non-current assets:			
Investment properties	5	$	160,833
Utility deposits			10
Total non-current assets			160,843
Current assets:			
Tenant and other receivables	6		150
Prepaid expenses and other assets	7		187
Restricted cash	8		4,065
Cash			10,021
Total current assets			14,423
TOTAL ASSETS		**$**	**175,266**
LIABILITIES			
Non-current liabilities:			
Mortgages payable	9	$	104,525
Deferred income tax			2,663
Total non-current liabilities excluding net liabilities attributable to Unitholders			107,188
Current liabilities:			
Mortgages payable	9		(243)
Tenant rental deposits			400
Accounts payable and accrued liabilities	10		2,740
Finance cost payable			205
Distributions payable			341
Total current liabilities excluding net liabilities attributable to Unitholders			3,443
TOTAL LIABILITIES		**$**	**110,631**
Net liabilities attributable to Unitholders	12		64,635
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**175,266**

Commitments and contingencies (Note 17).
Subsequent events (Note 21).
See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 1) Value-Add GP, Inc., as General Partner for Starlight U.S. Multi-Family (No. 1) Value-Add Fund on November 9, 2017, and signed on its behalf:

Graham Rosenberg Director *Harry Rosenberg* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 1) VALUE-ADD 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	For the period from April 24, 2017 (date of formation) to September 30, 2017
Revenue from property operations		$ 3,505	$ 4,091
Property operating costs		895	1,030
Income from rental operations		2,610	3,061
Finance costs	15	918	1,063
Distributions to Unitholders		1,020	1,020
Fund and trust expenses	11	207	278
Unrealized foreign exchange gain		6	3
Fair value adjustment investment properties		(5,678)	(5,678)
Fair value adjustment IFRIC 21		614	716
Income before income taxes		5,523	5,659
Income taxes: - current		8	9
- deferred		2,591	2,663
Net income and comprehensive income		**$ 2,924**	**$ 2,987**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 1) VALUE-ADD FUND

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
For the period from April 24, 2017 (date of formation) to 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, April 24, 2017	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Changes during the period:								
Units issued on offering, net of issue costs	12,918	12,061	9,994	9,305	13,118	1,338	2,914	61,648
Re-allocation due to unit conversions	(1,013)	-	2,500	782	(149)	(1,338)	(782)	-
Net Income and comprehensive Income	577	584	606	489	628	-	103	2,987
Balance, September 30, 2017	**$12,482**	**$12,645**	**$13,100**	**$10,576**	**$13,597**	**$ -**	**$2,235**	**$64,635**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 1) VALUE-ADD FUND

Condensed Consolidated Interim Statement of Cash Flows
(In thousands of U.S. dollars)
(Unaudited)

	Note	Three months ended September 30, 2017	For the period from April 24, 2017 (date of formation) to September 30, 2017
Operating activities:			
Net income and comprehensive income		$ 2,924	$ 2,987
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	15	918	1,063
Distributions to Unitholders		1,020	1,020
Adjustments for items not involving cash:			
Fair value adjustment of investment properties including IFRIC 21		(5,055)	(6,309)
Change in non-cash operating working capital	16	813	1,241
Change in restricted cash		(752)	(752)
Deferred tax		2,591	2,663
Cash provided by operating activities		**2,459**	**1,913**
Financing activities:			
Proceeds from the issuance of units, net of issuance costs		(1)	61,648
Mortgages payable:			
Proceeds from new financing		-	104,950
Finance costs paid		(857)	(1,731)
Distributions to Unitholders		(1,020)	(1,020)
Cash (used in) provided by financing activities		**(1,878)**	**163,847**
Investing activities:			
Acquisitions of investment properties	4	-	(155,193)
Capital additions to investment properties	5	(524)	(546)
Cash used in investing activities		**(524)**	**(155,739)**
Increase in cash		57	10,021
Cash, beginning of period		9,964	-
Cash, end of period		**$ 10,021**	**$ 10,021**

See accompanying notes to the condensed consolidated interim financial statements.

Starlight U.S. Multi-Family (No. 1) Value-Add 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 extensions available subject to approval by the General Partner. The Fund may be extended beyond five years by a special resolution by the unitholders ("Unitholders") of the Fund.

The Fund was established for the purpose of investing in value-add, income-producing, multi-family properties in the U.S. multi-family real estate market that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management, that are located primarily in the States of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas. Following completion of the initial public offering (the "Offering"), the Fund acquired two multi-family residential properties comprising a total of 943 suites located in the States of Arizona and Texas in the markets of Phoenix and Austin, respectively. The balance of the net proceeds of the Offering will be used to subsequently acquire one or more additional value-add income-producing, multi-family properties in the above-noted target markets within the United States. The Fund is managed by Starlight Group Property Holdings Inc. (the "Manager") and is a related party. See Subsequent events.

On June 16, 2017, the Fund completed the Offering and issued the following limited partnership units: 1,834,158 Class A units, 1,622,500 Class C units, 1,419,000 Class D units, 1,805,408 Class F units and 190,000 Class H units at a price of C$10.00 and 312,080 Class U units and 996,700 Class E units, at a price of $10.00. The class A units and class U units distributed under the Offering were listed on the TSX Venture Exchange (the "Exchange") under the symbols SUVA.A and SUVU.U, respectively.

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 consolidated interim financial statements as at and for the period ended June 30, 2017. 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").

(b) Basis of measurement:

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

1. Basis of presentation (continued):

(c) Comparatives:

The Fund was established on April 24, 2017 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 statement 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 that the fair value was determined.

Foreign currency gains or losses arising from settlement of transactions or translations are included in the condensed consolidated 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 interim financial statements as at and for the period from April 24, 2017 to June 30, 2017.

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 June 30, 2017 unaudited consolidated interim 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 June 30, 2017 unaudited consolidated interim financial statements and accordingly, should be read in conjunction with the period ended June 30, 2017 unaudited consolidated interim 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.

(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.

3. Adoption of accounting standards (continued):

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

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

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

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.

(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 period 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:

	The Landing (i)	**Spectra South** (ii)	**Total**
Acquisition date	16-Jun	16-Jun	
Investment properties (iii)	$ 94,478	$ 59,500	$ 153,978
Add:			
Prepaid expenses and other assets	67	20	87
Restricted cash	1,278	2,035	3,313
Deduct:			
Accounts Payable and accrued liabilities	26	1,893	1,919
Tenant rental deposits	150	116	266
Net asset acquired	$ 95,647	$ 59,546	$ 155,193
Consideration paid, funded by:			
New financing obtained and used for acquisition	$ 64,190	$ 40,021	$ 104,211
Cash paid	31,457	19,525	50,982
	$ 95,647	$ 59,546	$ 155,193

(i) The Fund completed the acquisition of The Landing at Round Rock (“The Landing”), located in Austin, Texas, which is comprised of 583 multi-family residential suites.

(ii) The Fund completed the acquisition of Spectra South, located in Phoenix, Arizona which is comprised of 360 multi-family residential suites, from an affiliated entity of the Manager.

(iii) Investment properties are net of IFRIC 21 adjustment relating to property taxes of $2,090 and $388, respectively, for The Landing and Spectra South.

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

5. Investment properties:

The following table summarizes the change in the investment properties for the period from April 24, 2017 to September 30, 2017:

Balance, April 24, 2017	$	-
Acquisitions of investment properties (Note 4)		153,978
Capital additions		546
Fair value adjustment		5,678
IFRIC 21 property tax liability adjustment		631
Balance, September 30, 2017	$	160,833

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

		September 30, 2017
Cost	$	154,524
Cumulative fair value adjustment		5,678
Cumulative IFRIC 21 property tax liability adjustment		631
Balance, September 30, 2017	$	160,833

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

	September 30, 2017
Capitalization rate	4.75%
Capitalization rate - weighted average	4.75%

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
Capitalization rate	10 basis-point increase	$	(3,354)
Capitalization rate	10 basis-point decrease	$	3,499

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 $1,627.

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

6. Tenant and other receivables:

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

		September 30, 2017
Tenant receivables, net	$	133
Other receivables		17
	$	150

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

7. Prepaid expenses and other assets:

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

		September 30, 2017
Prepaid insurance	$	23
Prepaid expenses		164
	$	187

8. Restricted cash:

The following table presents details of the restricted cash balance:

		September 30, 2017
Escrowed funds:		
Property taxes	$	2,065
Property insurance		124
Internally restricted cash:		
Withholding taxes		1,876
	$	4,065

Restricted cash includes cumulative amounts that are paid monthly into escrow with the Fund's lender for property taxes and property insurance obligations coming due within a 12 month period.

Internally restricted cash includes an amount that was credited to the Fund as withholding agent on the closing of Spectra South. This amount was not permitted to be released until receipt of approval by the Internal Revenue Service, which was received subsequent to September 30, 2017.

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

9. Mortgages payable:

Mortgages payable are secured by investment properties and bear interest at variable rates. The Fund's variable rate mortgages were based on U.S. 30-day London Interbank Offered Rate ("LIBOR") plus an interest rate spread.

Property Name	Payment Terms	Maturity Date	Interest Rate	September 30, 2017
The Landing (i)	Interest only until June 2020	June 2020, with two one-year extension options	LIBOR + 2.00%	$ 64,700
Spectra South (ii)	Interest only until June 2020	June 2020, with two one-year extension options	LIBOR + 2.00%	40,250
Face value				104,950
Unamortized financing costs				(668)
Carrying value				$ 104,282

(i) The Landing mortgage allows the Fund to draw an additional $5,100 for approved capital expenditures.

(ii) The Spectra South mortgage allows the Fund to draw an additional $2,100 for approved capital expenditures.

The following table provides a breakdown of current and non-current portions of mortgages payable:

	September 30, 2017
Non-current:	
Mortgages payable	$ 104,950
Unamortized financing costs	(425)
	104,525
Current:	
Unamortized financing costs	(243)
	(243)
Balance	$ 104,282

Future principal payments on mortgages payable are as follows:

	Principal payments	Balloon payments	Total
2017	$ -	$ -	$ -
2018	-	-	-
2019	-	-	-
2020	-	104,950	104,950
Total	$ -	$ 104,950	$ 104,950

10. Accounts payable and accrued liabilities:

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

		September 30, 2017
Tenant prepayments	$	192
Operating payables		267
Accrued property management fees, utilities, payroll, other		360
Accrued asset management fees (Note 14)		45
Accrued withholding taxes payable (Note 8)		1,876
	$	2,740

11. Fund and trust expenses:

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

		Three months ended September 30, 2017		**For the period from April 24, 2017 (date of formation) to September 30, 2017**
Asset management fees (Note 14)	$	136	$	158
General and administrative expenses		71		120
	$	207	$	278

12. 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 (000s')		Value
As at April 24, 2017	-	$	-
Issued on Offering, June 16, 2017	8,180		64,923
Less issuance costs	-		(3,275)
Additional units on conversion	1		-
Net income and comprehensive income	-		2,987
As at September 30, 2017	8,181	$	64,635

12. Net liabilities attributable to Unitholders (continued):

As at September 30, 2017, the Fund had 8,180,566 total limited partnership units issued and outstanding comprised of 1,690,406 class A units, 1,622,500 class C units, 1,773,900 class D units, 1,080,500 class E units, 1,784,980 class F units, and 228,280 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 April 24, 2017	-	-	-	-	-	-	-	-
Units issued in connection with the Offering, June 16, 2017	1,834	1,623	1,419	997	1,805	190	312	8,180
Units reallocated due to conversions	(144)	-	355	84	(20)	(190)	(84)	1
Units outstanding, as at September 30, 2017	1,690	1,623	1,774	1,081	1,785	-	228	8,181

Carried Interest:

The partners of Starlight Investments Value-Add Partnership (“SIVAP”), currently being the Manager and the President of the General Partner, through SIVAP’s indirect interest in the Holding L.P., are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all units of a particular class if all distributable cash, as defined in the Offering prospectus, of the Holding L.P. were received by the Fund together with all other amounts distributable by the Fund, and distributed by the Fund (net of any amounts required to provide for expenses and determined without reference to any applicable U.S. taxes payable by or on behalf of the Investment L.P.) to Unitholders in accordance with the Fund`s amended and restated limited partnership agreement, exceeds (ii) the aggregate Minimum Return (as defined in the Offering prospectus), in respect of such class of units (the calculation of which, for greater clarity includes the amount of the Investors Capital Return Base, as defined in the Offering prospectus), each such excess, if any, to be calculated in U.S. dollars and, in the case of C$ units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from the Holding L.P. to the Investment L.P. and by the Investment L.P. to, directly or indirectly, the Fund, provided that, to the extent that the aggregate amount of distributions which would have been paid on all units of a particular class pursuant to the foregoing exceed the Minimum Return for such class, the partners of SIVAP (currently being the Manager and the President of the General Partner), through SIVAP’s indirect interest in the Holding L.P., will be entitled to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by the Manager in respect of such class. As of September 30, 2017, the Fund has not recognized a carried interest derived from the net liabilities attributable to Unitholders after taking into account the Minimum Return to Unitholders.

13. Segmented disclosure:

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

14. Transactions with related parties:

The condensed consolidated interim financial statements as at September 30, 2017 include the following transactions with related parties:

The Fund engaged the Manager to perform certain management services, as outlined below. The Manager is 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.

(a) Pursuant to the management agreement dated June 16, 2017 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the sum of:
  i. the historical purchase price of the Properties acquired 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

  Included in Fund and trust expenses is $158 (Note 11) in asset management fees charged by the Manager for the operating period June 16, 2017 (the date of acquisition of The Landing and Spectra South) to September 30, 2017. The amount payable to the Manager as at September 30, 2017 was $45 (Note 10).

(b) 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 $150,000 of properties acquired in each calendar year;

  ii. 0.75% of the purchase price of a property, on the next $150,000 of properties acquired in each calendar year; and

  iii. 0.50% of the purchase price on properties in excess of $300,000 of properties acquired in each calendar year.

  For the period from April 24, 2017 to September 30, 2017, the Fund incurred acquisition fees of $1,535 under the Management Agreement which were paid at the time of acquisition and are initially capitalized to investment properties, including $580 relating to the acquisition of Spectra South from an affiliate of the Manager.

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

15. Finance costs:

	Three months ended, September 30, 2017	For the period from April 24, 2017 (date of formation) to September 30, 2017
Interest on mortgages payable	$ 857	$ 992
Amortization of financing costs	61	71
	$ 918	$ 1,063

16. Change in non-cash operating working capital:

	Three months ended, September 30, 2017	For the period from April 24, 2017 (date of formation) to September 30, 2017
Utility deposits	$ -	$ (10)
Prepaid expenses and other assets	42	(100)
Tenant and other receivables	(73)	(150)
Tenant rental deposits	(17)	134
Accounts payable and accrued liabilities	450	821
Finance cost payable	70	205
Distribution payable	341	341
	$ 813	$ 1,241

17. 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 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.

18. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of mortgages payable and 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.

19. 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 on monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated statements of net income and comprehensive income.

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that mortgages 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 all its variable rate mortgages once LIBOR reaches stipulated levels. For the period April 24, 2017 to 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 $31.

19. Risk management (continued):

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in accessing capital and refinancing its financial obligations as they come due. To mitigate the risk associated with the refinancing of maturing debt, the Fund staggered the maturity dates of its mortgage portfolio over a number of years and has options to extend certain 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 9.

(d) Currency risk:

Currency risk is the risk that 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 Fund 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. As a consequence, distributions are impacted by the prevailing exchange rates. As at September 30, 2017 the Fund had not entered into any hedging or forward contract arrangements to limit the impact of the changes in the Canadian/U.S. dollar exchange rate.

20. Fair value measurement of financial instruments:

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

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

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

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

(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 and finance cost payable, approximate their carrying amounts due to their short-term nature (Level 1).

(ii) The fair value of mortgages payable 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 as at September 30, 2017 approximated their carrying value.

(iii) 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.

21. Subsequent events:

On October 27, 2017, the Fund announced it will be acquiring a 50% interest in Landmark at Coventry Pointe, a 250 suite property located in Atlanta, Georgia for $17,650. The Fund's interest will be partly financed by its share of a first mortgage of $12,070 with the balance provided by cash proceeds from the Fund's Offering.