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

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

FOR THE YEAR ENDED DECEMBER 31, 2017

MARCH 7, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the consolidated financial results of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund") dated March 7, 2018, for the year ended December 31, 2017, should be read in conjunction with the Fund's audited consolidated financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for the period 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 audited consolidated financial statements for year ended December 31, 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"), cash provided by operating activities, including interest paid, 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, economic occupancy, 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 distributions and 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 including 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 Fund limited partnership units ("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 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 is not calculated in accordance with RPAC definition, as the Fund adjusts 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 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 and the filing of the Fund's final long form prospectus (the "Prospectus") dated October 12, 2016, the Fund indirectly acquired three additional properties comprised of an aggregate of 910 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").

As at December 31, 2017, the Fund had an aggregate of 7,127 suites located in the states of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas (the "Primary Markets").

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 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 year ended December 31, 2017, the Fund also disposed of three properties in Houston, Texas being Villages of Towne Lake ("Towne Lake") (2008 Vintage), Residences at Cinco Ranch ("Cinco Ranch") (2009 Vintage) and The Reserve at Jones Road ("Jones Road") (2013 Vintage), as well as Belle Haven Apartments ("Belle Haven") (2014 Vintage), a smaller property in the Charlotte, North Carolina market. The net proceeds were redeployed on a tax deferred basis under 1031 exchanges to acquire Spectra North in Phoenix, Arizona (2012 Vintage), Carrick Bend in Denver, Colorado (2014 Vintage), Copperfield Apartments in Nashville, Tennessee (2015 Vintage) and The Callie in Dallas, Texas (2016 Vintage). These Properties represent the Fund's initial investments in the high growth Phoenix, Denver and Nashville markets and combined with the strategic dispositions enhance the geographical diversification of the Fund's portfolio and improve the average age of completion.

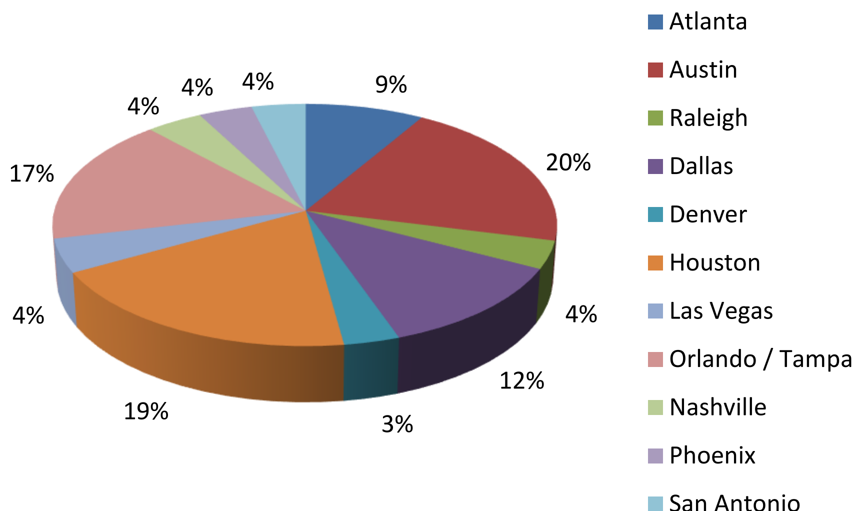
PORTFOLIO SUMMARY

The Fund as at December 31, 2017 had an aggregate of 7,127 suites located in the each of the Primary Markets. The Properties are geographically diversified across Atlanta, Georgia; Austin, Texas; Raleigh, North Carolina; Dallas, Texas; Denver, Colorado; Houston, Texas; Las Vegas, Nevada; Nashville, Tennessee; Phoenix, Arizona; Orlando and Tampa, Florida; and San Antonio, Texas. 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	2.51	October 20, 2016
Atlanta, Georgia		**607**	**2012**	**685,923**	**958**	**7.60**	
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	20.60	October 31, 2016
Austin, Texas		**1,454**	**2010**	**1,172,191**	**923**	**78.57**	
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**	
The Callie	8025 Forest Lane, Dallas, Texas	261	2016	224,030	858	6.54	December 8, 2017
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		**856**	**2011**	**779,953**	**913**	**32.82**	
Carrick Bend	11525 Community Center Drive, North Glenn, Colorado	228	2014	211,946	930	9.00	June 26, 2017
Denver, Colorado		**228**	**2014**	**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 at 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
Houston, Texas		**1,355**	**2010**	**1,269,909**	**939**	**63.94**	
South Blvd Apartments	10200 Giles Street, Las Vegas, Nevada	320	2012	364,432	949	14.25	October 18, 2016
Las Vegas, Nevada		**320**	**2012**	**364,432**	**949**	**14.25**	
Copperfield Apartments	670 Ken Pilkerton Drive, Smyrna, Tennessee	288	2015	311,459	1,081	21.83	August 1, 2017
Nashville, Tennessee		**288**	**2015**	**311,459**	**1,081**	**21.83**	
Spectra 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**	
Altis at Grand Cypress	1901 Cypress Preserve Dr, Tampa, Florida	304	2014	303,426	998	62.11	April 10, 2015
Tampa, Florida		**304**	**2014**	**303,426**	**998**	**62.11**	
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, Florida		**900**	**2010**	**976,290**	**1,092**	**96.73**	
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**	**7,127**	**(2011)**	**6,592,639**	**(970)**	**370**	

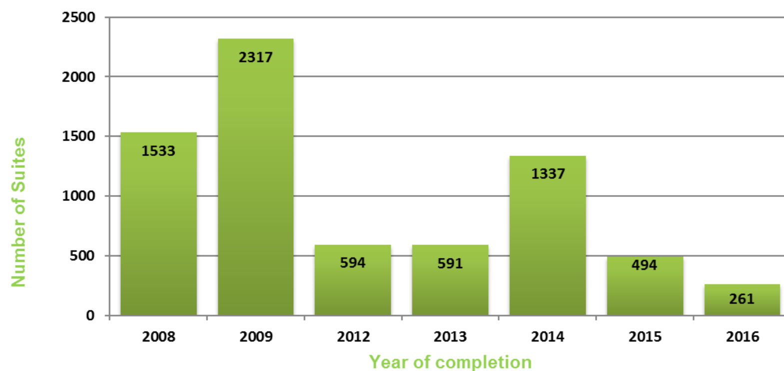
The Properties geographical diversification based on number of suites as at December 31, 2017 is as follows:

PROPORTION OF SUITES BY GEOGRAPHICAL MARKET



As at December 31, 2017, the number of 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 a Class "A", apartment complex 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 a garden style, Class "A", apartment complex 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 a garden style, Class "A", apartment complex 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 bedroom to 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 a garden style, Class "A", apartment complex 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 a garden style, Class "A", apartment complex comprised of 12, three-storey walk-up buildings, with a central clubhouse, on a 17.69 acre site and offers 265 suites ranging in size from one bedroom to three bedrooms.

THE CALLIE

The Callie is located at 8025 Forest Lane, Dallas, Texas, 16 kilometers north-east of downtown Dallas. Completed in 2016, the property is a Class "A", apartment complex comprised of two apartment buildings, with a central clubhouse, on a 6.54 acre site and offers 261 suites ranging in size from studio to 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 an 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.

CARRICK BEND

Carrick Bend is located at 11525 Community Center Drive, Northglenn, Colorado, 24 kilometers north of downtown Denver. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of nine, three storey apartment buildings on a nine acre site and offers 228 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 a garden style, Class "A", apartment complex 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 at Sunset Ridge

The Villages at Sunset Ridge ("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 garden style, Class "A", garden style apartment complex comprised of 9, three-storey apartment buildings, with a central clubhouse, on an 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 a garden style, Class "A", apartment complex 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.

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 garden style, Class "A", apartment complex 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.

Copperfield Apartments

Copperfield Apartments ("Copperfield") is located at 670 Ken Pilkerton Drive, Nashville, Tennessee, 40 kilometers south-east of downtown Nashville. Completed in 2015, the property is a garden style, Class "A", apartment complex comprised of 12, three storey apartments on a 21.83 acre site and offers 288 suites ranging in size from one bedroom to three 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 a garden style, Class "A", apartment complex comprised of 16 apartment buildings on a 15.3 acre site and offers 274 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 a garden style, Class "A", apartment complex 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 a garden style, Class "A", apartment complex 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 garden style, Class "A", apartment complex 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 ("Boardwalk") is located at 7838 Huebner Road, San Antonio, Texas, 22 kilometers north-west of downtown San Antonio. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of 14, three-storey buildings, with a central clubhouse on an 11.91 acre site and offers 276 suites ranging in size from one bedroom to two bedrooms.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at December 31, 2017 and for the three months and year ended December 31, 2017 with comparison as at December 31, 2016 and for the period from August 26, 2016 (date of formation) to December 31, 2016.

Highlights for the Three Months and Year Ended December 31, 2017:

- Continued its program to strategically recycle capital into new properties intended to improve the vintage of its portfolio and enhance its geographical diversification.
  - Disposed of three assets in Houston, Texas (including two smaller assets of 126 and 114 suites), totaling 540 suites with an average vintage of 2010 and one smaller property (176 suites) in Charlotte, North Carolina, for a total of 716 suites.
  - Reinvested the proceeds on a tax-deferred basis into properties in Denver, Colorado (2014 vintage, 228 suites), Phoenix, Arizona (2012 vintage, 274 suites), Nashville, Tennessee (2015 Vintage, 288 suites) and Dallas, Texas (2016 vintage, 261 suites), totaling 1,051 suites.
  - These acquisitions represent the Fund's first investments in the high growth markets of Denver, Phoenix and Nashville and an additional investment into the Dallas market. (See Related Party Transactions).
- 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 that began in March of 2017 allows the Fund to exchange U.S. funds each month within a range of C$1.33 to C$1.3850 to fund Canadian dollar distributions.
- Recognized a $100,670 fair value increase on its Properties for year ended December 31, 2017. The increase was driven by capitalization rate compression and NOI increases across the portfolio.
- Extended the term of its Credit Facility to October 19, 2018 and reduced the interest rate to prime rate plus 2.15% or the banker's acceptance ("BA") stamping fee plus 3.15%. The Fund completed several mortgage refinancing's during the year, resulting in additional proceeds of $34,310.
- Revenue from property operations for the three months ended December 31, 2017 was $25,486 (three months ended December 31, 2016 - $19,679) reflecting growth from acquisitions and revenue growth across the portfolio.
- Revenue from property operations for the year ended December 31, 2017 was $99,872 (period from August 26, 2016 to December 31, 2016 - $19,679).
- NOI for the year ended December 31, 2017 at $57,213 was a 21.8% increase over the corresponding period in 2016 and the NOI margin at 57.3% represented a 120 basis point improvement.

- Same property NOI for the year ended December 31, 2017 at $39,448 increased 4.0% over the corresponding period in 2016 and the same property NOI margin at 57.3% represented a 100 basis point improvement.
- Net income (loss) and comprehensive income (loss) for the three months ended December 31, 2017 was $45,307 (three months ended December 31, 2016 – ($7,898)) primarily due to a deferred tax recovery during the three months ended December 31, 2017.
- Net income and comprehensive income for the year ended December 31, 2017 was $93,860 (period from August 26, 2016 to December 31, 2016 of ($7,898)), largely driven by fair value increases during the year.
- AFFO for the three months ended December 31, 2017 was $6,634 (three months ended December 31, 2016 - $5,649) and for the year ended December 31, 2017 was $26,817 (period from August 26, 2016 to December 31, 2016 - $5,649). AFFO payout ratio was 92.7% for the three months ended December 31, 2017 (three months ended December 31, 2016 – 90.4%) and 91.6% for the year ended December 31, 2017 (period from August 26, 2016 to December 31, 2016 – 90.4%).

PROPERTY LEVEL HIGHLIGHTS FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2017 INCLUDING A COMPARISON TO THE OWNERSHIP PERIOD RELATING TO THE ARRANGEMENT FUNDS:

- Same property AMR as at December 31, 2017 increased by 1.5% to $1,187 from $1,170 at December 31, 2016, reflecting strong growth in Orlando / Tampa (4.4%), Raleigh (2.8%) and Atlanta (2.1%). Same property economic occupancy for the year ended December 31, 2017 decreased by 30 basis points to 93.0%, compared to the year ended December 31, 2016, but remained within the Fund's target occupancy range.
- Portfolio AMR as at December 31, 2017 increased by 2.5% to $1,196 from $1,167 at December 31, 2016, driven by the strong increases in Dallas (6.3%), Charlotte / Raleigh (5.5%) and Orlando / Tampa (4.4%). Economic occupancy for the year ended December 31, 2017 decreased by 80 basis points to 92.3%, compared to the year ended December 31, 2016, but remained within the target occupancy range.
- Same property NOI at $11,075 for the three months ended December 31, 2017 was a 1.2% increase over the corresponding period in 2016 and the same property NOI margin at 57.6% was a 30 basis point decrease from the same period in 2016.
- NOI at $15,030 for the three months ended December 31, 2017 increased 10.8% over the corresponding three-month period in 2016 and the NOI margin at 59.0% represented a 110 basis point increase from the same period in 2016.

FINANCIAL POSITION AS AT DECEMBER 31, 2017:

- Indebtedness to Gross Book Value at December 31, 2017 was 63.81% representing a reduction from 65.42% at December 31, 2016. Interest Coverage Ratio was 2.06 times for the three months ended December 31, 2017 and 2.19 times for the year ended December 31, 2017. As at December 31, 2017, the weighted average interest rate on mortgages payable was 3.60% and the weighted average term to maturity was 4.16 years.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

		As at December 31, 2017	As at December 31, 2016
Operational Information			
Number of properties		23	23
Total suites		7,127	6,792
Weighted average portfolio occupancy		91.8%	93.1%
AMR (in actual dollars)		$ 1,196	$ 1,167
AMR per square foot (in actual dollars)		$ 1.25	$ 1.21
Summary of Financial Information			
Gross Book Value [(1)]		$1,267,840	$1,056,414
Indebtedness		$808,989	$691,090
Indebtedness to Gross Book Value [(2)]		63.81%	65.42%
Weighted average mortgage interest rate		3.60%	2.90%
Weighted average mortgage term to maturity		4.16 years	4.23 years
	Three months ended December 31, 2017 [(3)]	**Year ended December 31, 2017 [(3)]**	**Period from August 26 to December 31, 2016 [(4)]**
Summary of Financial Information			
Revenue from property operations	$25,486	$99,872	$19,679
Property operating costs	$6,997	$26,760	$5,241
Property taxes[(5)]	$3,459	$15,899	$3,027
NOI	$15,030	$57,213	$11,411
Net income (loss) and comprehensive income (loss)	$45,307	$93,860	($7,898)
FFO	$6,592	$23,209	($1,854)
FFO per unit - basic and diluted	$0.13	$0.47	($0.04)
AFFO	$6,634	$26,817	$5,649
AFFO per unit - basic and diluted	$0.14	$0.55	$0.11
Interest Coverage Ratio	2.06 x	2.19 x	2.99 x
Indebtedness Coverage Ratio	1.89 x	2.00 x	2.84 x
FFO payout ratio	93.3%	105.8%	n/a
AFFO payout ratio	92.7%	91.6%	90.4%
Weighted average units Outstanding (000s) - basic and diluted	49,024	49,101	49,469

Notes:

(1) Includes Sunset Ridge held for sale as of December 31, 2017.

(2) Defined as Indebtedness divided by Gross Book Value.

(3) Revenue from property operations, property operating costs and property taxes include amounts relating to Jones Road and Sunset Ridge which were held for sale during the three months and year ended December 31, 2017.

(4) 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).

(5) Property taxes were adjusted to exclude the International Financial Reporting Interpretations Committee 21 - *Levies* ("IFRIC 21") adjustment and treat property taxes as an expense that is amortized during the fiscal year for purposes of calculating NOI.

FINANCIAL PERFORMANCE

	Three months ended December 30, 2017	Three months ended December 30, 2016	Year ended December 31, 2017	Period from August 26, 2016 to December 31, 2016
Revenue from property operations	$ 24,998	$ 19,679	$ 99,327	$ 19,679
Property operating costs	(6,750)	(5,241)	(26,493)	(5,241)
Property taxes (1)	1,604	-	(15,294)	-
Income from rental operations	19,852	14,438	57,540	14,438
Finance costs	(7,584)	(5,273)	(27,273)	(5,273)
Distributions to Unitholders	(6,151)	(5,108)	(24,561)	(5,108)
Dividends to Preferred Shareholders - U.S. REIT's series A	(19)	(31)	(78)	(31)
Fund and trust expenses	(1,350)	(7,906)	(5,470)	(7,906)
Transaction costs on disposition of investment properties	(11)	-	(1,067)	-
Unrealized foreign exchange (loss) gain	(75)	204	(1,095)	204
Realized foreign exchange (loss) gain	(114)	444	18	444
Fair value adjustment of investment properties	1,020	1,090	100,670	1,090
Fair value adjustment IFRIC 21	(4,482)	(3,027)	(24)	(3,027)
Income taxes:				
Current	(58)	(49)	(311)	(49)
Deferred	44,742	(2,680)	(4,356)	(2,680)
Net income (loss) and comprehensive income (loss)	$ 45,770	$ (7,898)	$ 93,993	$ (7,898)
Net loss from property held for sale	(463)	-	(133)	-
Net income (loss) and comprehensive income (loss)	$ 45,307	$ (7,898)	$ 93,860	$ (7,898)

(1) Property taxes for the three months ended March 31, 2017 included a full year of property tax obligations due to the IFRIC 21 adjustment and for the three months ended December 31, 2017 include adjustments to reflect the impact of properties held for sale and properties acquired during the year on the annual tax expense.

RESULTS OF OPERATIONS

The following discussion compares the Fund's actual results for the three months and year ended December 31, 2017 to the three months ended December 31, 2016 and the period from August 26, 2016 to December 31, 2016.

	Three months ended December 31, 2017 (2)	Three months ended December 31, 2016 (3)	% Change	Year ended December 31, 2017 (2)	Period from August 26 to December 31, 2016 (3)	% Change
Revenue from property operations	$ 25,486	$ 19,679	29.5%	$ 99,872	$ 19,679	407.5%
Property operating costs	6,997	5,241	(33.5)%	26,760	5,241	(410.6)%
Property taxes (1)	3,459	3,027	(14.3)%	15,899	3,027	(425.2)%
NOI	$ 15,030	$ 11,411	31.7%	$ 57,213	$ 11,411	401.4%
NOI margin	59.0%	58.0%		57.3%	58.0%	

(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.

(2) Revenue from property operations, property operating costs and property taxes include amounts relating to Jones Road and Sunset Ridge which were held for sale during the three months and year ended December 31, 2017.

(3) 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).

REVENUE FROM PROPERTY OPERATIONS

Revenue from property operations for the three months ended December 31, 2017 was $25,486 which was $5,807 or 29.5% higher than the same period in 2016. The increase was mainly due to revenue increases from property acquisitions net of dispositions during the year and growth in rents and ancillary income across the portfolio. In addition, the three months ended December 31, 2016 included a shorter operating period following the Plan of Arrangement on October 16, 2016.

The Fund's AMR increased from $1,167 at December 31, 2016 to $1,196 at December 31, 2017, an increase of 2.5%. Economic occupancy for the three months ended December 31, 2017 was 91.6% (three months ended December 31, 2016 – 92.3%).

Revenue from property operations for the year ended December 31, 2017 was $99,872 which was $80,193 higher than the period from August 26, 2016 to December 31, 2016, primarily due to a shorter operating period in 2016 and the net acquisition activity in 2017.

Economic occupancy for the year ended December 31, 2017 was 92.3% (year ended December 31, 2016 – 93.1%).

PROPERTY OPERATING COSTS

Property operating costs for the three months ended December 31, 2017 at $6,997 were $1,756 or 33.5% higher than the three months ended December 31, 2016. The increase in costs was primarily due to the net acquisition activity in 2017 as well as the shorter period of operations during the three months ended December 31, 2016.

Property operating costs for the year ended December 31, 2017 at $26,760 were $21,519 higher than the period from August 26, 2016 to December 31, 2016. Costs were higher mainly due to a shorter operating period in 2016 as well as the Fund adding additional properties in 2017 net of dispositions.

PROPERTY TAXES

The Fund's property taxes for the three months ended December 31, 2017 for the purposes of calculating NOI were $3,459 compared to the three months ended December 31, 2016 of $3,027. This increase of $432 or 14.3% was primarily due to the net acquisition activity during 2017 and the shorter period of operations during the corresponding period in 2016.

The Fund's property taxes for the year ended December 31, 2017 were $15,899 compared to the period from August 26, 2016 to December 31, 2016 of $3,027. The increase was mainly due to the 2016 period representing a shorter operating period as well as the net acquisition activity during 2017.

NOI

For the three months ended December 31, 2017, NOI at $15,030 was $3,619 or 31.7% higher than the three months ended December 31, 2016 due to higher revenue from property operations offset by increased property operating costs and property taxes. NOI margin for the three months ended December 30, 2017 was 59.0%, 100 basis points higher than the same period in 2016.

For the year ended December 31, 2017, NOI at $57,213 was $45,802 or 404.4% higher than the period from August 26, 2016 to December 31, 2016 mainly due to the 2016 period representing a shorter operating period. NOI margin for the year ended December 31, 2017 was 57.3%, a 70 basis point decrease from 2016 mainly due to the increase in property taxes in 2017.

FINANCE COSTS

The Fund's finance costs for the three months and year ended December 31, 2017 are summarized below and compared to the three months ended December 31, 2016 and the period from August 26 to December 31, 2016:

	Three months ended December 31, 2017	Three months ended December 31, 2016	Year ended December 31, 2017	Period from August 26, 2016 - December 31, 2016
Interest on mortgages payable	$ 6,499	$ 3,790	$ 23,052	$ 3,790
Interest on mezzanine loan payable	59	240	59	240
Interest and standby charges on Credit Facility	165	69	524	69
Amortization of premiums on mortgage payable	1	(7)	6	(7)
Amortization of financings costs	434	591	1,987	591
Loss on early extinguishment of debt	-	596	1,915	596
Fair value adjustments on derivative instruments	424	(6)	(286)	(6)
Other interest	2	-	16	-
Total	$ 7,584	$ 5,273	$ 27,273	$ 5,273

Interest on mortgages payable for the three months ended December 31, 2017 of $6,499 was $2,709 or 71.5% higher than the three months ended December 31, 2016. The increase was partly due to increases in U.S. 30-day London Interbank Offered Rate ("LIBOR") since the Fund's formation as well as the three months ended December 31, 2016 including a shorter period of operating activity commencing on October 15, 2016, the Plan of Arrangement date. Additionally, refinancing activity and acquisition related financings resulted in a net increase to mortgages payable of $84,368 which contributed to the increase in interest expense.

The Fund incurred $59 in interest on a mezzanine loan payable associated with The Callie acquisition on December 8, 2017. The Fund repaid the mezzanine loan in full on January 31, 2018. See Subsequent Events. During the three months ended December 31, 2016 the Fund incurred $240 relating to the mezzanine loans on Sorelle, Belle Haven, Marquee Station and Boardwalk which were all repaid on November 21, 2016 when the Fund refinanced 5 properties into a revolving credit facility.

Finance costs for the three months ended December 31, 2017 included interest and standby charges on the Credit Facility of $165 which was a $96 increase as compared to the three months ended December 31, 2016. The increase was due to additional drawdowns during 2017 of C$6,000 resulting in higher interest expense, as well as the shorter period of operations in the three months ended December 31, 2016.

Amortization of financing costs for the three months ended December 31, 2017 was $434 (three months ended December 31, 2016 - $591). The decrease is primarily attributable to lower amortization costs for the Properties which were refinanced during 2017 into a revolving credit facility with a longer term to maturity than the previous mortgages. These reductions were partly offset by additional amortization of financing costs relating to the net acquisition activity.

Loss on early extinguishment of debt for the three months ended December 31, 2017 was $nil as compared to $596 for the three months ended December 31, 2016, attributable to the Fund refinancing five Properties in a revolving pooled mortgage facility on November 21, 2016 and expensing the unamortized financing costs associated with those discharged mortgages.

Fair value adjustment on derivative instruments for the three months ended December 31, 2017 was a loss of $424 compared to a gain of $6 for the three months ended December 31, 2016. The loss in the three months ended December 31, 2017 was attributable to 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 year ended December 31, 2017, interest on mortgages payable of $23,052 was $19,262 higher than the period from August 26, 2016 to December 31, 2016. The increase was primarily due to the shorter operating period in 2016, interest expense related to the increase in mortgages payable during the year associated with the net acquisition activity and property refinancings and increases in U.S. 30-day LIBOR since the Fund's formation.

The Fund incurred $59 in interest on a mezzanine loan payable assumed in connection with The Callie acquisition on December 8, 2017 during the year ended December 31, 2017 and for the period from August 26, 2016 to December 31, 2016 incurred $240 of interest on mezzanine loans payable that were repaid on November 21, 2016 with the proceeds from the revolving pooled mortgage facility.

Finance costs for the year ended December 31, 2017 were also higher due to interest and standby charges on the Credit Facility of $524 as compared to $69 for the period from August 26, 2016 to December 31, 2016. This increase was due to the shorter operating period in 2016 as well as additional Credit Facility drawdowns of C$6,000 during 2017 resulting in higher interest expense.

Amortization of premiums on mortgages payable for the year ended December 31, 2017 was $6 compared to $(7) for the period from August 26, 2016 to December 31, 2016.

Amortization of financing costs for the year ended December 31, 2017 was $1,987 (period from August 26, 2016 to December 31, 2016 - $591). The increase is largely attributable to the shorter operating period in 2016.

Loss on early extinguishment of debt for the year ended December 31, 2017 was $1,915 compared to the period from August 26, 2016 to December 31, 2016 of $596. The 2017 amount was attributable to cash paid on the discharge of the mortgage secured on Towne Lake of $881, a total of $883 attributable to the refinancing of various mortgage payables and the remainder resulting from deferred finance costs being expensed on the discharge of mortgage payables on the disposition of properties. The 2016 amount was due to refinancing of five properties on November 21, 2016.

Fair value adjustment on derivative instruments for the year ended December 31, 2017 was a gain of $286 (the period from August 26, 2016 to December 31, 2016 – ($6)) attributable to an unrealized gain on the Fund's variable rate collar contract.

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 $6,151 during the three months ended December 31, 2017 compared to the $5,108 for the three months ended December 31, 2016. The three months ended December 31, 2016 was a lower distribution as the October 2016 distribution represented a 16-day period commencing after the completion of the Plan of Arrangement.

Distributions declared to Unitholders for the year ended December 31, 2017 were $24,561 compared to $5,108 for the period from August 26, 2016 to December 31, 2016.

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 months and year ended December 31, 2017, the Fund incurred $19 and $78, respectively in dividends (three months ended December 31, 2016 and the period from August 26, 2016 to December 31, 2016, $31 and $31 respectively).

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 December 31, 2017 were $1,350, a decrease of $6,556 from the three months ended December 31, 2016 due to one-time costs associated with the Plan of Arrangement of $6,633 being incurred during 2016. Fund and trust expenses include asset management fees and service fees of $1,021 and $155, respectively (2016 - $386 and $134). Asset management fees for the three months ended December 31, 2017 were higher than the corresponding period in 2016 due to net acquisition activity during 2017 and a shorter period of operations in 2016.

Fund and trust expenses for the year ended December 31, 2017 were $5,470 a decrease of $2,436 compared to the period from August 26, 2016 to December 31, 2016. The decrease was primarily due to one-time costs associated with the Plan of Arrangement of $6,633 in 2016. Also included in Fund and trust expenses are asset management fees and service fees of $3,849 and $628, respectively (for the period from August 26, 2016 to December 31, 2016 - $386 and $134). Asset management fees and service fees were higher for the year ended December 31, 2017 due to the shorter period of operations during 2016.

UNREALIZED FOREIGN EXCHANGE (LOSS) GAIN

The Fund recognized unrealized foreign exchange losses of $75 and $1,095 for the three months and year ended December 31, 2017, respectively, relating to the impact of the exchange rate movement on the Canadian dollar denominated Credit Facility. For the three months ended December 31, 2016 and for the period from August 26, 2016 to December 31, 2016 the unrealized foreign exchange gain was $204 and $204 respectively and was due to the impact of the exchange rate movement on the Canadian dollar denominated Credit Facility.

REALIZED FOREIGN EXCHANGE (LOSS) GAIN

The realized foreign exchange (loss)/gain for the three months and year ended December 31, 2017 of ($114) and $18, respectively related to operating expenses incurred in Canadian dollars. The realized foreign exchange gain for the three months ended December 31, 2016 and for the period from August 26, 2016 to December 31, 2016 was $444 and related to repayments on the mezzanine loans denominated in Canadian dollars following the pooled mortgage refinancing on November 21, 2016.

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 $1,020 for the three months ended December 31, 2017. The fair value increase was due to capitalization rate compression as well as increases in projected NOI across the Fund's portfolio. For the year ended December 31, 2017 the increase in the fair value was $100,670, resulting from capitalization rate compression and increases in projected NOI across the investment properties.

The following table summarizes the change in investment properties held by the Fund for the period from August 26, 2016 to December 31, 2016 and for the year ended December 31, 2017.

		Amount
Balance, August 26, 2016	$	-
Acquisitions relating to Plan of Arranagement		909,118
Acquisitions of investment properties		141,499
Capital additions		1,192
Fair value adjustment		1,090
IFRIC 21 property tax liablity adjustment		3,515
Balance, as at December 31, 2016	$	1,056,414
Acquisitions of investment properties		200,912
Dispositions of investment properties		(97,277)
Capital additions		8,029
Fair value adjustment		100,670
IFRIC 21 property tax liability adjustments		(908)
Investment property held for sale		(28,364)
Balance, as at December 31, 2017	$	1,239,476

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

		As at December 31, 2017		As at December 31, 2016
Cost	$	1,163,473	$	1,051,809
Cumulative fair value adjustment		101,760		1,090
IFRIC 21 realty tax liability adjustment		2,607		3,515
Investment property held for sale		(28,364)		-
	$	1,239,476	$	1,056,414

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

	As at December 31, 2017	As at December 31, 2016
Capitalization rates - range	4.74% to 5.25%	4.75% to 5.50%
Capitalization rate - w eighted average	4.89%	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 December 31, 2017	As at December 31, 2016
Weighted average:			
Capitalization rate	10-basis-point increase	$ (25,628)	$ (20,709)
Capitalization rate	10-basis-point decrease	$ 26,697	$ 21,549

The impact of a 1% change in NOI used to value the investment properties as at December 31, 2017 would affect the fair value by approximately $12,798 (December 31, 2016 – $10,654).

INCOME TAXES – CURRENT

The Fund's current income taxes for the three months ended December 31, 2017 were $58 which included $42 relating to Texas and North Carolina franchise taxes. In addition, withholding taxes of $12 were paid in relation to distributions received by a taxable Fund subsidiary. Current income taxes were higher than the three months ended December 2016 by $9 due to an increase in taxes attributable to the net acquisition activity and the shorter operating period during the three months ended December 31, 2016.

For the year ended December 31, 2017 income taxes were $311, including approximately $263 relating to Texas and North Carolina franchise taxes. In addition, withholding taxes of $48 were paid in relation to distributions received by a taxable Fund subsidiary. Current income taxes were higher than the period from August 26, 2016 to December 31, 2016 by $262 primarily due to the shorter operating period in 2016.

INCOME TAXES - DEFERRED

For the three months ended December 31, 2017, the Fund recognized a deferred tax recovery of $44,742 as a result of the approved U.S. tax reform (December 22, 2017) which resulted in the Fund lowering its estimated all-in corporate tax rate from 38% to 24% on the timing differences between the Fund's fair value of investment properties and the tax basis of the investment properties. For the year ended December 31, 2017, the Fund recognized $4,356 in deferred tax expense as a result of the increase in fair values of its investment properties and tax depreciation which was partially offset by the decrease in the corporate tax rate.

NET LOSS FROM PROPERTY HELD FOR SALE

During the year ended December 31, 2017, the Fund held Sunset Ridge and Jones Road for sale and incurred a net loss of $133.

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three months and year ended December 31, 2017 with a comparison to the periods ended December 31, 2016.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of net income (loss) and comprehensive income (loss), determined in accordance with IFRS to FFO and AFFO is presented below for the three months and year ended December 31, 2017 with a comparison to three months ended December 31, 2016 and the period from August 26, 2016 to December 31, 2016.

	Three months ended December 31, 2017	Three months ended December 31, 2016	Year ended December 31, 2017	Period from August 26, 2016 to December 31, 2016
Net income (loss) and comprehensive income (loss)	$ 45,307	$ (7,898)	$ 93,860	$ (7,898)
Add / (Deduct):				
Distributions to Unitholders	6,151	5,108	24,561	5,108
Dividends to preferred shareholders	19	-	78	-
Deferred taxes	(44,742)	2,680	4,356	2,680
Unrealized foreign exchange loss (gain)	75	(204)	1,095	(204)
Realized foreign exchange loss (gain)	114	(444)	(18)	(444)
Fair value adjustment on derivative financial instruments	414	(6)	(327)	(6)
Fair value adjustment of investment properties [1]	(746)	(1,090)	(100,396)	(1,090)
IFRIC 21 adjustment for property taxes	-	-	-	-
FFO	$ 6,592	$ (1,854)	$ 23,209	$ (1,854)
Add / (Deduct):				
Amortization of mortgage premium	1	(7)	6	(7)
Amortization of financing costs [1]	440	591	1,993	591
Current taxes - U.S. withholding taxes	12	10	48	10
Service fees related to class A units and class U units	154	134	628	134
One-time Plan of Arrangement costs	-	6,633	152	6,633
Transaction costs on disposition of investment properties	11	-	1,067	-
Loss on early extinguishment of debt	-	596	1,915	596
Fair value adjustment on interest rate cap	10	-	41	-
Sustaining capital expenditures and suite renovation reserves	(586)	(454)	(2,242)	(454)
AFFO	$ 6,634	$ 5,649	$ 26,817	$ 5,649
FFO per unit - basic and diluted	$0.13	($0.04)	$0.47	($0.04)
FFO payout ratio	93.3%	n/a	105.8%	n/a
AFFO per unit - basic and diluted	$ 0.14	$ 0.11	$ 0.55	$ 0.11
AFFO payout ratio	92.7%	90.4%	91.6%	90.4%
Distributions declared [2]	$ 6,151	$ 5,108	$ 24,561	$ 5,108
Weighted average units outstanding:				
Basic and diluted - class A, C, D, E, F, H & U - (000s)	49,024	49,469	49,101	49,469

(1) Adjustments recognized to include the impact of held for sale properties, Jones Road and Sunset Ridge.

(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 December 31, 2017 was $6,592 and $0.13, respectively, as compared to ($1,854) and ($0.04) the three months ended December 31, 2016. For the three months ended December 31, 2017, FFO was $8,446 higher than the previous period mainly due to one-time Plan of Arrangement costs incurred during the three months ended December 31, 2016 of $6,633, loss on early extinguishment of debt of $596 and the shorter operating period during the three months ended December 31, 2016.

Basic and diluted FFO and FFO per unit for the year ended December 31, 2017 was $23,209 and $0.47, respectively, as compared to ($1,854) and ($0.04) for the period from August 26, 2016 to December 31, 2016. For the year ended December 31, 2017, FFO was $25,063 higher than the prior period mainly due to the shorter operating period in 2016 that commenced on October 15, 2016, along with one-time Plan of Arrangement costs incurred of $6,633 during the period from August 26, 2016 to December 31, 2016.

Basic and diluted AFFO and AFFO per unit for the three months ended December 31, 2017 was $6,634 and $0.14, respectively (three months ended December 31, 2016 - $5,649 and $0.11). The $985 or 17.4% increase in AFFO compared to the same period in the prior year was primarily due to the higher NOI being partly offset by higher finance costs. The AFFO payout ratio for the three months ended December 31, 2017 was 92.7% (three months ended December 31, 2016– 90.4%).

For the purposes of calculating AFFO, the Fund utilizes a reserve for sustaining capital expenditures and suite renovations of $586 for the three months ended December 31, 2017. Actual sustaining capital expenditures and suite renovation costs incurred during the three months ended December 31, 2017 were $689.

For the year ended December 31, 2017, AFFO and AFFO per unit were $26,817 and $0.55, respectively, compared to $5,649 and $0.11 for the period from August 26, 2016 to December 31, 2016. The $21,168 increase was due to the shorter operating period in 2016 commencing on October 15, 2016.

The sustaining capital expenditures and suite renovations reserves for the year ended December 31, 2017 were $2,242 and the actual amount incurred by the Fund was $2,346.

The Fund's distributions paid and declared for the year ended December 31, 2017 per unit were as follows:

Class A	Class C	Class D	Class E	Class F	Class H	Class U
C$0.65004	C$0.65004	C$0.65004	0.65004	0.65004	C$0.35004	0.65004

Reconciliation of cash provided by operating activities determined in accordance with IFRS to AFFO for the three months and year ended December 31, 2017 along with the comparative periods in 2016 is provided below:

	Three months ended December 31, 2017	Three months ended December 31, 2016	Year ended December 31, 2017	Period from August 26 to December 31, 2016
Cash provided by operating activities	$ 11,222	$ 8,306	$ 49,880	$ 8,306
Less: interest paid	(6,725)	(4,099)	(23,651)	(4,099)
Cash provided by operating activities - including interest paid	4,497	4,207	26,229	4,207
Add / (Deduct):				
Change in non-cash operating working capital	(1,084)	(5,918)	(1,719)	(5,918)
Change in restricted cash	1,122	(3,148)	4,367	(3,148)
One-time Plan of Arrangement costs	-	6,633	152	6,633
Fair value adjustment of investment properties including IFRIC 21	2,627	4,629	(634)	4,629
Realized foreign exchange gain	(114)	(444)	(18)	(444)
Current taxes - U.S. withholding taxes	12	10	48	10
Amortization of financing costs (1)	6	-	6	-
Service fees related to class A and class U units	154	134	628	134
Sustaining capital expenditures and suite renovation reserve	(586)	(454)	(2,242)	(454)
AFFO	$ 6,634	$ 5,649	$ 26,817	$ 5,649

(1) For portion relating to held for sale properties, Jones Road and Sunset Ridge only.

The Fund's cash provided by operating activities – including interest paid for the three months ended December 31, 2017, was lower than the distributions to Unitholders by $1,654 due to the timing of property tax payments. For the year ended December 31, 2017, the cash provided by operating activities – including interest paid was in excess of the distributions to Unitholders. For the three months ended December 31, 2016 and for the period from August 26 to December 31, 2016 the cash provided by operating activities – including interest paid was lower than distributions to Unitholders by $901 mainly due to one-time Plan of Arrangement costs of $6,633.

AVERAGE MONTHLY RENT

The following table presents AMR (in actual dollars) as at December 31, 2017 and December 31, 2016. Same property AMR has been presented for those properties that were owned by the Arrangement Funds as at December 31, 2016 (representing 6,076 suites).

	Total Portfolio as at December 31, 2017 and December			Same Property as at December 31, 2017 and December 31, 2016			
Market	2017 AMR	2016 AMR	%	Suites	2017 AMR	2016 AMR	%
Atlanta	$ 1,334	$ 1,306	2.1%	607	1,334	1,306	2.1%
Austin	1,139	1,128	1.0%	1,454	1,139	1,128	1.0%
Charlotte / Raleigh (1)	1,194	1,131	5.5%	265	1,194	1,161	2.8%
Dallas	1,180	1,111	6.3%	595	1,122	1,111	1.0%
Denver	1,388	-	-	-	-	-	-
Houston	1,114	1,133	(1.7)%	1,355	1,114	1,125	(0.9)%
Las Vegas	1,126	1,112	1.3%	320	1,126	1,112	1.3%
Nashville	1,181	-	-	-	-	-	-
Phoenix	1,127	-	-	-	-	-	-
Orlando / Tampa	1,314	1,260	4.4%	1,204	1,314	1,260	4.4%
San Antonio	1,099	1,113	(1.3)%	276	1,099	1,113	(1.3)%
Total	1,196	1,167	2.5%	6,076	1,187	1,170	1.5%

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

Portfolio AMR as at December 31, 2017 was $1,196 compared to $1,167 as at December 31, 2016, an increase of $29 or 2.5%. Increases in AMR were realized in all markets with the exception of Houston and San Antonio, Texas. AMR growth was particularly strong in Dallas at 6.3%, Charlotte/Raleigh at 5.5% and Orlando / Tampa at 4.4%.

Same property AMR as at December 31, 2017 was $1,187, an increase of $17 or 1.5% compared to December 31, 2016. The Orlando / Tampa markets recorded very strong AMR growth at 4.4%, while the Atlanta and Raleigh markets also achieved solid same property AMR increases of 2.1% and 2.8%, respectively. These AMR increases were partly offset by a 0.9% and 1.3% reduction in same property AMR in Houston and San Antonio, Texas, respectively.

OCCUPANCY

The following table presents economic occupancy for the three months ended December 31, 2017 and December 31, 2016. Same property economic occupancy has been presented for those properties that were owned by the Arrangement Funds for the three months ended December 31, 2017 and the three months ended December 31, 2016 representing 5,166 suites.

	Total Portfolio for the three months ended December 31, 2017 and December 31, 2016		Same Property for the three months ended December 31, 2017 and December 31, 2016		
Market	2017 Occ. %	2016 Occ. %	Suites	2017 Occ. %	2016 Occ. %
Atlanta	91.8%	93.9%	401	92.2%	93.5%
Austin	90.3%	92.3%	1,070	90.4%	92.6%
Charlotte / Raleigh	93.5%	92.6%	265	93.5%	95.4%
Dallas	88.5%	92.3%	595	91.1%	92.3%
Denver	88.0%	-	-	-	-
Houston	95.1%	90.3%	1,355	95.2%	90.2%
Las Vegas	91.6%	94.2%	-	-	-
Nashville	86.5%	-	-	-	-
Phoenix	89.4%	-	-	-	-
Orlando / Tampa	93.6%	93.9%	1,204	93.6%	93.9%
San Antonio	91.4%	93.4%	276	91.4%	93.4%
Total	91.6%	92.3%	5,166	92.8%	92.5%

The Fund's economic occupancy for the three months ended December 31, 2017 at 91.6% was within the Fund's targeted range however economic occupancy was 70 basis points lower than the corresponding period in the prior year. Occupancy improved at the Properties in Houston in the aftermath of Hurricane Harvey in August of 2017.

Same property economic occupancy for the three months ended December 31, 2017 was 92.8%, 30 basis points above the comparable period in 2016. Same property economic occupancy increased in the Houston market, while the other markets showed reductions in comparison to the three months ended December 31, 2016.

The following table presents economic occupancy for the year ended December 31, 2017 and December 31, 2016. Same property economic occupancy has been presented for those Properties that were owned by the Arrangement Funds for the year ended December 31, 2017 and the year ended December 31, 2016 representing 4,625 suites.

	Total Portfolio for the year ended December 31, 2017 and December 31, 2016		Same Property for the year ended December 31, 2017 and December 31, 2016		
Market	2017 Occ. %	2016 Occ. %	Suites	2017 Occ. %	2016 Occ. %
Atlanta	92.7%	94.2%	401	92.6%	94.1%
Austin	91.6%	94.4%	1,070	91.9%	94.6%
Charlotte / Raleigh	93.5%	93.1%	-	-	-
Dallas	90.2%	93.9%	595	92.9%	93.9%
Denver	90.4%	-	-	-	-
Houston	92.6%	91.4%	1,355	93.0%	91.2%
Las Vegas	92.1%	94.2%	-	-	-
Nashville	89.5%	-	-	-	-
Phoenix	90.2%	-	-	-	-
Orlando / Tampa	94.1%	93.6%	1,204	94.1%	93.6%
San Antonio	92.7%	93.4%	-	-	-
Total	92.3%	93.1%	4,625	93.0%	93.3%

For the year ended December 31, 2017, economic occupancy for the portfolio was 92.3% as compared to 93.1% in the same period in 2016. Economic occupancy in Charlotte / Raleigh, Houston and Orlando / Tampa improved in 2017, however these were partly offset by occupancy reductions in Atlanta, Austin and Dallas.

Same property economic occupancy for the year ended December 31, 2017 was 93.0%, a 30 basis point reduction from the same period in 2016, caused by lower economic occupancy in Atlanta, Austin and Dallas being partly offset by a 180 basis point increase in Houston and a 50 basis point increase in Orlando / Tampa.

QUARTERLY AMR AND OCCUPANCY

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

	As at December 31, 2017			As at September 30, 2017			As at June 30, 2017			As at March 31, 2017		
Market	Suites	AMR	Occ %	Suites	AMR	Occ %	Suites	AMR	Occ %	Suites	AMR	Occ %
Atlanta	607	$ 1,334	91.8%	607	$ 1,329	93.4%	607	$ 1,315	92.7%	607	$ 1,311	91.5%
Austin	1,454	1,139	90.3%	1,454	1,146	92.3%	1,454	1,132	92.7%	1,454	1,128	91.6%
Charlotte / Raleigh	265	1,194	93.5%	265	1,196	95.1%	265	1,175	93.0%	441	1,130	91.8%
Dallas	856	1,180	88.5%	595	1,123	94.2%	595	1,120	93.2%	595	1,113	92.0%
Denver	228	1,388	88.0%	228	1,398	92.4%	228	1,396	100.0%	-	-	-
Houston	1,355	1,114	95.1%	1,469	1,109	92.9%	1,469	1,112	91.5%	1,895	1,131	91.2%
Las Vegas	320	1,126	91.6%	320	1,138	90.7%	320	1,126	93.1%	320	1,112	93.2%
Nashville	288	1,181	86.5%	288	1,186	92.0%	-	-	-	-	-	-
Phoenix	274	1,127	89.4%	274	1,113	90.8%	274	1,114	91.2%	-	-	-
Orlando / Tampa	1,204	1,314	93.6%	1,204	1,302	94.0%	1,204	1,286	94.3%	1,204	1,276	94.1%
San Antonio	276	1,099	91.4%	276	1,108	94.4%	276	1,109	92.5%	276	1,115	90.1%
Total	7,127	$ 1,196	91.6%	6,980	$ 1,188	93.1%	6,692	$ 1,181	92.6%	6,792	$ 1,170	92.0%

As at December 31, 2017, the portfolio AMR was $1,196, which was an increase of $8 or an annualized 2.7% from September 30, 2017. The Fund has maintained stable economic occupancy across the portfolio during 2017 while achieving rent growth of 2.5% (same property – 1.5%).

RESULTS OF OPERATIONS – ALL PROPERTIES

The following discussion highlights operational performance of the Properties for the three months and year ended December 31, 2017 and December 31, 2016, which include periods in which the Arrangement Properties were owned by the Arrangement Funds.

	Three months ended December 31, 2017 (2)	Three months ended December 31, 2016	% Change	Year ended December 31, 2017 (2)	Year ended December 31, 2016	% Change
Revenue from property operations	$ 25,486	23,457	8.6%	$ 99,872	$ 83,681	19.3%
Property operating costs	6,997	6,289	(11.3)%	26,760	22,490	(19.0)%
Property taxes (1)	3,459	3,599	3.9%	15,899	14,232	(11.7)%
NOI	$ 15,030	$ 13,569	10.8%	$ 57,213	$ 46,959	21.8%
NOI margin	59.0%	57.9%		57.3%	56.1%	

(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.

(2) Revenue from property operations, property operating costs and property taxes include amounts relating to Jones Road and Sunset Ridge which were held for sale during the three months and year ended December 31, 2017.

PROPERTY REVENUE FROM PROPERTY OPERATIONS – ALL PROPERTIES

For the three months ended December 31, 2017, revenue from property operations was $25,486 which was $2,029 or 8.6% higher than the three months ended December 31, 2016. The increase in revenue was primarily driven by the acquisitions of City North, Coolray Field, South Blvd, and Boardwalk in October of 2016 and Spectra North, Carrick Bend, Copperfield and The Callie in 2017. These increases were offset by revenue reductions following the dispositions of Cinco Ranch, Towne Lake, Belle Haven, and Jones Road during 2017. Revenue also increased due to rental rate growth and ancillary revenue growth across the portfolio.

Revenue from property operations for the year ended December 31, 2017 was $99,872 which was $16,191 or 19.3% higher than the year ended December 31, 2016. The increase in revenue was primarily due to the four Properties acquired in October 2016, together with the net acquisition activity in 2017. The Fund's revenue from property operations also increased due to rental rate 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 December 31, 2017 at $6,997 represented an increase of $708 or 11.3% compared to the three months ended December 31, 2016. The increase in operating costs was due to the impact of the acquisitions, net of dispositions undertaken by the Fund since September 30, 2016. Excluding the impact of the acquisition growth, operating costs were higher primarily due to higher repair and maintenance expenses across the portfolio.

For the year ended December 31, 2017 property operating costs were $26,760, an increase of $4,270 or 19.0% over the same period in 2016. This increase was largely due to expense increases following the net acquisition activity.

PROPERTY TAXES – ALL PROPERTIES

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

Property taxes for the three months ended December 31, 2017 were $3,459, a decrease of $140 or 3.9% compared to the three months ended December 31, 2016. The decrease in property taxes was due to the Fund recognizing reduced property taxes during the three months ended December 31, 2017 as assessments were lowered following successful appeals.

Property taxes for year ended December 31, 2017 were $15,899, an increase of $1,667 or 11.7% compared to the year ended December 31, 2016. The increase in property taxes was attributable to the increase in property taxes associated with the new acquisitions, net of the dispositions in 2017. Overall, the Fund has been very successful in appealing assessed values and minimizing increases in property taxes.

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 property taxes.

The following tables present NOI and NOI margin for the Properties by market for the three months and year ending December 31, 2017 and 2016. NOI and NOI margin are included for periods in which the Arrangement Properties were owned by the Arrangement Funds.

Market	Three months ended December 31, 2017			Three months ended December 31, 2016		
	NOI	Revenues	Margin %	NOI	Revenues	Margin %
Atlanta	$ 1,423	$ 2,362	60.2%	$ 1,385	$ 2,204	62.8%
Austin	2,797	5,139	54.4%	2,608	4,768	54.7%
Charlotte / Raleigh	651	1,025	63.5%	882	1,560	56.5%
Dallas	1,305	2,341	55.7%	1,103	2,045	53.9%
Denver	639	962	66.5%	-	-	-
Houston	2,873	4,849	59.2%	3,288	6,344	51.8%
Las Vegas	722	1,085	66.6%	597	838	71.2%
Nashville	513	927	55.3%	-	-	-
Phoenix	594	941	63.1%	-	-	-
Orlando / Tampa	3,057	4,957	61.7%	3,187	4,776	66.7%
San Antonio	456	898	50.8%	520	924	56.3%
Total	$ 15,030	$ 25,486	59.0%	$ 13,569	$ 23,457	57.9%

NOI for the three months ended December 31, 2017 was $15,030, an increase of $1,461 or 10.8% compared to the three months ended December 31, 2016. The increase was primarily attributable to the acquisitions in Atlanta, Austin, Las Vegas and San Antonio during the three months ended December 31, 2016 along with the acquisitions in Denver, Nashville and Phoenix in 2017 partially offset by a reduction following dispositions in Charlotte, Houston and Dallas.

In addition, NOI growth across the portfolio was driven by increases in rental rates and ancillary revenue being partly offset by an increase in operating expenses.

NOI Margin for the three months ended December 31, 2017 was 59.0%, an increase of 110 basis points compared to the three months ended December 31, 2016. The increase was driven by the acquisitions in Denver and Phoenix which both generated above average margins as well as a strong margin improvement in Houston.

Market	Year ended December 31, 2017			Year ended December 31, 2016		
	NOI	Revenues	Margin %	NOI	Revenues	Margin %
Atlanta	$ 5,985	$ 9,608	62.3%	$ 4,193	$ 6,974	60.1%
Austin	11,116	20,746	53.6%	9,325	16,685	55.9%
Charlotte / Raleigh	3,170	5,181	61.2%	3,294	5,618	58.6%
Dallas	4,913	8,544	57.5%	4,446	8,079	55.0%
Denver	1,360	2,005	67.8%	-	-	-
Houston	11,578	22,524	51.4%	13,325	25,905	51.4%
Las Vegas	2,900	4,363	66.5%	597	838	-
Nashville	956	1,622	58.9%	-	-	-
Phoenix	1,306	2,041	64.0%	-	-	-
Orlando / Tampa	12,070	19,602	61.6%	11,248	18,649	60.3%
San Antonio	1,859	3,637	51.1%	531	934	-
Total	$ 57,213	$ 99,872	57.3%	$ 46,959	$ 83,681	56.1%

NOI for the year ended December 31, 2017 was $57,213, an increase of $10,254 or 21.8% compared to the year ended December 31, 2016. The increase was driven by the net acquisitions in 2017, which represented a total of 1,051 suites acquired and 716 suites sold (net addition of 335 suites). The Fund also achieved NOI growth across the existing portfolio mainly driven by growth in AMR and ancillary revenue being partly offset by lower occupancy.

NOI margin for the year ended December 31, 2017 was 57.3%, an increase of 120 basis points compared to the year ended December 31, 2016 driven by higher operating margins at the acquired properties in Denver and Phoenix as well as margin increases in Atlanta, Raleigh, Dallas and Orlando/Tampa.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results for the three months and year ended December 31, 2017 include the Arrangement Properties owned by the Arrangement Funds for the entire three months and year ended December 31, 2016 (representing 5,166 suites for the three months ended December 31, 2017 and 4,625 for the year ended December 31, 2017).

	Three months ended December 31, 2017	Three months ended December 31, 2016	% Change	Year ended December 31, 2017	Year ended December 31, 2016	% Change
Revenue from property operations	$ 19,239	$ 18,901	1.8%	$ 68,814	$ 67,432	2.1%
Property operating costs	5,142	4,990	(3.0)%	18,024	17,951	(0.4)%
Property taxes (1)	3,022	2,964	(1.9)%	11,342	11,540	1.7%
NOI	$ 11,075	$ 10,947	1.2%	$ 39,448	$ 37,941	4.0%
NOI margin	57.6%	57.9%		57.3%	56.3%	

(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.

REVENUE FROM PROPERTY OPERATIONS – SAME PROPERTY

For the three months ended December 31, 2017, same property revenue from property operations was $19,239, an increase of $338 or 1.8% over the three months ended December 31, 2016. The increase in same property revenue was primarily driven by increases in rental revenue across Atlanta, Austin and Orlando/Tampa. In addition, same property revenue increased due to ancillary revenue growth while occupancy remained stable.

For the year ended December 31, 2017, same property revenue from property operations was $68,814 which was $1,382 or 2.1% higher than the year ended December 31, 2016. This increase was driven by increases in rental rates and ancillary revenue which were partly offset by lower occupancy. The Orlando / Tampa market had a particularly strong growth in revenue at 5.1%.

PROPERTY OPERATING COSTS – SAME PROPERTY

Same property operating costs for the three months ended December 31, 2017 at $5,142 were $152 or 3.0% higher than the three months ended December 31, 2016 primarily due to higher repair and maintenance costs particularly in Atlanta and Houston.

For the year ended December 31, 2017, same property operating costs at $18,024 were $73 or 0.4% higher than the year ended December 31, 2016 primarily due to higher repair and maintenance costs.

PROPERTY TAXES – SAME PROPERTY

Property taxes – same property for the three months ended December 31, 2017 at $3,022 were $58 or 1.9% higher than the same period in 2016 primarily due to increasing property taxes in Orlando, reflecting asset value growth being partly offset by the Fund's success in appealing assessed valuations in other markets.

Property taxes – same property for the year ended December 31, 2017 at $11,342 were $198 or 1.7% lower than the year ended December 31, 2016, reflecting the Fund's success in appealing assessed valuations, particularly in the Houston and Atlanta markets.

NOI – Same Property

The following tables show the same property NOI and NOI margin by market for the three months and year ended December 31, 2017 and 2016.

	Three months ended December 31, 2017			Three months ended December 31, 2016		
Market	NOI	Revenues	Margin %	NOI	Revenues	Margin %
Atlanta	$ 979	$ 1,611	60.8%	$ 969	$ 1,577	61.5%
Austin	2,203	3,919	56.2%	2,142	3,931	54.5%
Raleigh	651	1,025	63.5%	590	1,014	58.2%
Dallas	1,141	2,019	56.5%	1,103	2,045	53.9%
Houston	2,589	4,810	53.8%	2,437	4,636	52.6%
San Antonio	455	898	50.7%	520	924	56.3%
Orlando / Tampa	3,059	4,958	61.7%	3,188	4,773	66.8%
Total	$ 11,075	$ 19,239	57.6%	$ 10,947	$ 18,901	57.9%

For the three months ended December 31, 2017, same property NOI at $11,075 was $128 or 1.2% higher than the corresponding period in 2016. The increase to same property NOI was primarily due to rental and ancillary revenue growth being partly offset by higher operating expenses.

Same property NOI margin decreased to 57.6% during the three months ended December 31, 2017 from 57.9% during the three months ended December 31, 2016. Same property margins for the entire portfolio remained consistent with increases in Austin, Raleigh, Dallas and Houston being offset by decreases in San Antonio and Orlando /Tampa.

	Year ended December 31, 2017			Year ended December 31, 2016		
Market	NOI	Revenues	Margin %	NOI	Revenues	Margin %
Atlanta	$ 4,089	$ 6,452	63.4%	$ 3,778	$ 6,348	59.5%
Austin	8,666	15,778	54.9%	8,859	15,848	55.9%
Dallas	4,749	8,294	57.3%	4,446	8,079	55.0%
Houston	9,873	18,688	52.8%	9,610	18,508	51.9%
Orlando / Tampa	12,071	19,601	61.6%	11,246	18,649	60.3%
Total	$ 39,448	$ 68,814	57.3%	$ 37,941	$ 67,432	56.3%

For the year ended December 31, 2017, same property NOI was $39,448 which was $1,507 or 4.0% higher than the same period in 2016. The increase to same property NOI was due to rental and ancillary revenue growth across the portfolio being partly offset by lower occupancy.

Same property NOI margin increased to 57.3% during the year ended December 31, 2017 in comparison to 56.3% during the year ended December 31, 2016. The improvement was driven by margin increases in all markets except for Austin. The increases are attributed to both revenue growth, effective control of operating costs and successful appeals of assessed values for property tax purposes.

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 December 31, 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 months and year ended December 31, 2017 and for the period from August 26, 2016 to December 31, 2016:

	Three months ended December 31, 2017	Year ended December 31, 2017	Period from August 26, 2016 to December 31, 2016
Cash provided by operating activities	$ 11,222	$ 49,880	$ 8,306
Cash (used in) provided by financing activities	(11,309)	48,425	143,362
Cash used in investing activities	(5,377)	(101,345)	(143,999)
(Decrease) increase in cash	(5,464)	(3,040)	7,669
Cash, beginning of period	10,093	7,669	-
Cash, investment property held for sale	(166)	(166)	-
Cash, end of period	$ 4,463	$ 4,463	$ 7,669

Cash on hand as at December 31, 2017 was $4,463 (December 31, 2016 – $7,669).

For the three months ended December 31, 2017, cash provided by operating activities was $11,222 and related primarily to the net cash generated from property operations, as well as changes in non-cash working capital.

Cash used in financing activities for the three months ended December 31, 2017 was $11,309 and included distributions to Unitholders of $6,151, distributions to Preferred Shareholders of the U.S. REITs series A shares of $19, finance costs paid of $6,142, principal payments on mortgages of $607 and a partial repayment of a mezzanine loan of $5,176. These amounts were partly offset by cash provided from The Callie mezzanine loan assumption of $6,786.

Cash used in investing activities for the three months ended December 31, 2017 was $5,377 relating to property acquisitions of $7,165, capital additions to investment properties of $3,084 and transaction costs on disposition of investment properties of $11, being partly offset by cash generated from the disposition of Jones Road of $4,883.

For the year ended December 31, 2017, cash provided by operating activities was $49,880 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 year ended December 31, 2017 was $48,425. These amounts included new financing proceeds of $70,661, refinancing proceeds of $34,367 and proceeds from the Credit Facility of $4,485 which were partly offset by distributions to Unitholders of $24,561, distributions to preferred shareholders of the U.S. REITs series A shares of $78, finance costs paid of $26,305, class A unit purchases for cancellation under the NCIB of $2,706, principal payments on mortgages of $2,208 and the purchase of interest rate caps of $54.

Cash used in investing activities for the year ended December 31, 2017 was $101,345 and related to property acquisitions of $128,687, capital additions to investment properties of $8,029, and transaction costs on the disposition of investment properties of $1,067 being partly offset by cash received from dispositions of $36,438.

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 December 31, 2017 the total capital of the Fund was as follows:

	As at December 31, 2017	As at December 31, 2016
Mortgages payable [1]	$ 794,667	$ 682,296
Credit Facility	14,322	8,792
Net liabilities attributable to Unitholders	394,445	303,291
Total capital	$ 1,203,434	$ 994,379

(1) Includes Sunset Ridge held for sale as of December 31, 2017.

Mortgages payable increased during the year ended December 31, 2017 as a result of new mortgages totalling $139,767 which were used to partly fund property acquisitions. In addition to this, there was an increase to mortgages payable of $27,168 on refinancings. The increases to mortgages payable were partly offset by mortgages discharged ($68,701) and mortgages repaid ($2,208).

As at December 31, 2017 $14,322 was drawn on the Credit Facility, which was an increase of $5,530 over December 31, 2016.

Debt Profile

As at December 31, 2017, the Fund's overall leverage, as represented by the ratio of Indebtedness to Gross Book Value was 62.67%. The maximum allowable ratio under the Fund's first amended and restated limited partnership agreement dated as of October 12, 2016 is 75%. The weighted average mortgage interest rate for the Fund, as at December 31, 2017, was 3.60% and the weighted average term to maturity of the mortgage portfolio was 4.16 years.

The following table summarizes key liquidity metrics:

		As at December 31, 2017	As at December 31, 2016
Indebtedness to Gross Book Value		63.81%	65.42%
Weighted average interest rate - mortgages		3.60%	2.90%
Weighted average term to maturity - mortgages		4.16 years	4.23 years
	For the three months ended December 31, 2017	**For the year ended December 31, 2017**	**Period from August 26 to December 31, 2016 [1]**
Interest Coverage Ratio	2.06 x	2.19 x	2.99 x
Indebtedness Coverage Ratio	1.89 x	2.00 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 Interest Coverage Ratio and the Indebtedness Coverage Ratio for the three months ended December 31, 2017 were 2.06 times and 1.89 times, respectively, and for the year ended December 31, 2017, were 2.19 times and 2.00 times.

The Fund utilizes interest rate cap agreements to provide protection on the rate of interest payable on 11 of its variable rate mortgages as required by the applicable lenders. As the Fund has elected not to use hedge accounting, an unrealized loss of $9 relating to the fair value of the interest rate cap agreements was included in finance costs for the three months ended December 31, 2017. For the year ended December 31, 2017, an unrealized gain of $13 relating to the fair value of the interest rate cap agreements was recorded in finance costs in the consolidated 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 can 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 December 31, 2017:

	Notional Amount	Maturity Date	Interest Rate Cap	Carrying Value and Fair Value at December 31, 2017
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%	-
SMBC Capital Markets, Inc.	38,000	1-Feb-19	3.75%	-
SMBC Capital Markets, Inc.	38,540	1-Jul-20	3.65%	8
SMBC Capital Markets, Inc.	46,950	1-Jul-20	3.90%	6
SMBC Capital Markets, Inc.	51,750	1-Jul-20	3.90%	7
The Bank of New York Mellon	33,700	1-May-18	4.06%	-
The Bank of New York Mellon	19,330	2-Nov-18	3.78%	-
	$389,949			$ 21

LOANS PAYABLE

The following table sets out scheduled principal and interest payments and amounts maturing on loans, mortgages and mezzanine loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on the Fund's financial statements as at December 31, 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
2018	$ 3,270	$ 36,000	$ 39,270	5.08%	3.25%	$ 29,910
2019	4,116	58,571	62,687	8.11%	3.46%	30,710
2020	5,937	67,926	73,863	9.56%	4.02%	27,443
2021	8,381	328,774	337,155	43.62%	3.61%	24,359
2022	6,990	30,241	37,231	4.82%	3.46%	9,947
Thereafter	10,036	212,730	222,766	28.82%	3.57%	9,628
	$ 38,730	$ 734,242	$ 772,972	100.00%	3.60%	$ 131,997
Unamortized financing costs			(6,107)			
			$ 766,865			

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 undertaking of the Fund 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. As at December 31, 2017, the Fund had drawn C$10,000 from tranche A and C$8,000 from tranche B, the U.S. dollar equivalent of $14,322, net of unamortized Credit Facility costs of $97. All amounts drawn were banker's acceptance ("BA") advances. A 0.50% standby fee is charged on the undrawn amount of the Credit Facility. For the three months ended December 31, 2017, finance costs included $165 related to BA advances and standby fees, while for the year ended December 31, 2017 finance costs included $524 related to the BA advances and the standby fees.

The Credit Facility was renewed on October 19, 2017 for an additional one-year term, with tranche B amended to reduce the borrowing capacity to C$8,000. In addition, the interest rate was reduced to the prime rate plus 2.15% (previously prime plus 3.39%) or BA stamping fee plus 3.15% (previously BA stamping fee plus 4.39%).

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; class C; class D; class E; class F; class H; and class U.

	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	(1,703)	(114)	3,242	2,198	(1,371)	(8)	(2,244)	-
Net income and comprehensive income	25,664	26,148	25,562	6,278	6,125	274	3,809	93,860
Net liabilities attributable to Unitholders, December 31, 2017	$ 107,854	$ 109,886	$ 107,423	$ 26,383	$ 25,739	$ 1,153	$ 16,007	$ 394,445

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 was permitted to 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 was not permitted to 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 remained in effect until the earlier of (i) October 31, 2017 or (ii) the date on which the Fund had purchased the maximum number of units permitted under the NCIB. During the three months ended December 31, 2017, no units were purchased under the NCIB. During the year ended December 31, 2017 total units repurchased were 390,400 at a total cost of $2,706.

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.

A copy of TSX-V 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 year ended December 31, 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	(341)	-	570	288	(222)	(1)	(288)	6
Units as at December 31, 2017	13,997	13,512	13,941	2,606	3,237	150	1,581	49,024

As at December 31, 2017, there were 49,024,010 units issued and outstanding, comprised of 13,996,775 class A units, 13,511,772 class C units, 13,940,826 class D units, 2,606,155 class E units, 3,237,749 class F units, 149,614 class H units and 1,581,119 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 December 31, 2017, asset management fees of $1,018 and service fees of $154 (for the three months ended December 31, 2016 – $753 and $134, respectively) were charged to Fund and trust expenses. The amount payable to the Manager as at December 31, 2017 was $502.

For the year ended December 31, 2017, asset management fees of $3,849 and service fees of $628 were charged to Fund and trust expenses (for the period from August 26, 2016 to December 31, 2016 – $753 and $134, respectively).

(c) Pursuant to the Management Agreement, Starlight is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by Starlight calculated as follows:

- 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;
- 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each calendar year; and
- 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each calendar year.

For the three months and year ended December 31, 2017, the Fund incurred acquisition fees of $360 and $1,759, respectively 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, Carrick Bend for $54,500, Copperfield for $48,000 and The Callie for $48,050 were from an affiliated entity of the Manager. Acquisition fees paid to the Manager related to these acquisitions were a total of $1,759 (Spectra North - $507, Carrick Bend - $532, Copperfield - $360 and The Callie - $360). The purchase price for these acquisitions were based on or lower than third

party appraised valuations, with the purpose of further diversifying the Fund's geographic diversity and lowering the average age of the portfolio.

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 December 31, 2017, the Fund had not recognized a liability to SIP in relation to the carried interest.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in accordance with applicable laws including reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, oversight of the work and review of the independence of the external auditors of the Fund and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this MD&A as "Schedule A".

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee of the Fund is comprised of Daniel Drimmer, Harry Rosenbaum and Graham Rosenberg (Chair). Harry Rosenbaum and Graham Rosenberg are "independent" within the meaning of National Instrument 52-110 – A*udit Committees* ("NI 52-110"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent directors and the Fund is relying on such an exemption in Section 6.1 of NI 52-110. Each of Daniel Drimmer, Harry Rosenbaum and Graham Rosenberg are financially literate within the meaning of applicable securities laws. Each of the audit committee members understands the accounting principles used to prepare the Fund's financial statements and possesses the ability to assess the general application of such principles in connection with the Fund's accounting for estimates, accruals and provisions. In addition, each audit committee member has experience preparing, auditing, analyzing, evaluating or actively supervising, comparable financial statements with the breadth and complexity of the Fund's financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The biographies of each of Daniel Drimmer, Harry Rosenbaum and Graham Rosenberg are set out below which provide a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

DANIEL DRIMMER

Daniel Drimmer is the founder, President and Chief Executive Officer of the Manager, a Canadian real estate asset management company focused on the acquisition, ownership and management of residential and commercial properties across Canada and the U.S., with a portfolio of approximately 35,000 residential suites and over 5,000,000 square feet in commercial properties. In addition to the formation of the Manager, Daniel Drimmer established and is the Chairman of the Board of True North Commercial Real Estate Investment Trust and founded TransGlobe Investment Management Ltd., TransGlobe Property Management Services Ltd. and TransGlobe Apartment Real Estate Investment Trust ("TransGlobe Apartment REIT" and, collectively, "TransGlobe") and was TransGlobe's President from November 1996

to August 2011. Under Mr. Drimmer's guidance, TransGlobe expanded its original portfolio of seven properties to a portfolio exceeding 30,000 residential suites (including those owned by TransGlobe Apartment REIT, as at September 1, 2011), and approximately one million square feet of gross leasable area of commercial space. Daniel Drimmer also served as TransGlobe Apartment REIT's Chairman and as a trustee from May 2010 to August 2011. Mr. Drimmer is currently a director of the Fund, Starlight U.S. Multi-Family (No. 1) Value-Add Fund as well as a trustee of True North Commercial Real Estate Investment Trust, Northview Apartment Real Estate Investment Trust which acquired True North Apartment Real Estate Investment Trust, founded by Mr. Drimmer. Mr. Drimmer was formerly a director of Fund No.1, Fund No.2, Fund No.3, and Fund No.4. Over the last ten years, Mr. Drimmer has sourced, acquired and financed in excess of 85,000 suites. Over the last seven years, Daniel Drimmer has led more than C$15 billion in real estate transactions, including four initial public offerings. Daniel Drimmer was born and raised in Berlin, Germany and is the third generation of the Drimmer family to be involved in real estate. He obtained a Bachelor of Arts degree from the University of Western Ontario, and a Master of Business Administration degree and a Masters' degree in Contemporary European Policy Making from European University in Geneva, Switzerland.

Harry Rosenbaum

Harry Rosenbaum is a founding principal of the Great Gulf Group of Companies, one of North America's premier real estate conglomerates. He has been instrumental in manifesting such iconic projects as One Bloor East, Toronto, Ontario. Mr. Rosenbaum is a principal of Ashton Woods Homes, one of the largest private homebuilders in the United States and was formerly a director of Fund No.1, Fund No.2, Fund No.3, and Fund No.4 as well formerly being a trustee of WPT Industrial Real Estate Investment Trust. Mr. Rosenbaum is currently also an audit committee member of Starlight U.S. Multi-Family (No. 1) Value-Add Fund. Prior to the creation of Great Gulf Group in 1983, Mr. Rosenbaum practiced commercial and real estate law at a Toronto law firm. Mr. Rosenbaum is active as a board member of various charitable organizations including the ACL (Advocates for Civil Liberties) and Sunnybrook Hospital Foundation. Mr. Rosenbaum attended Osgoode Hall Law School, graduating in 1974. He also holds a degree in Economics from York University, completed in 1971.

Graham Rosenberg

Graham Rosenberg is the Co-Chief Executive Officer and President of Dental Corporation of Canada Inc., a company that he founded in 2011 to acquire and partner with dental practices across Canada. Mr. Rosenberg is also a trustee of Northview Apartment Real Estate Investment Trust and a member of the audit committee as well as for Starlight U.S. Multi-Family (No. 1) Value-Add Fund. Prior to founding Dental Corporation of Canada Inc., Mr. Rosenberg founded and was the President of BCM Bancorp Inc., a boutique merchant bank providing mid-market North American companies with strategic and financial resources to accelerate growth and maximize value. Previously, Mr. Rosenberg was a Managing Director of MDC Partners Inc., a marketing and communications firm listed on the TSX and NASDAQ, from 2003 to 2009, holding various senior executive positions within the firm, and a former trustee and audit committee member of TransGlobe Apartment REIT. Mr. Rosenberg is qualified as a Chartered Professional Accountant.

Pre-Approval of Non Audit Services

In accordance with the independence standards for auditors, the Fund is restricted from engaging its external auditors to provide certain non-audit services to the Fund, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit.

The Fund may engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. The Audit committee reviews and approves the nature of and fees for any non-audit service performed by the Fund's external auditors in accordance with applicable requirements and board of directors of Starlight GP (the "Board" or "Directors" or "Board of Directors") approved policies and procedures.

External Auditor Service Fees

The following table sets forth the approximate amounts of fees paid and accrued to the Fund's auditor, BDO Canada LLP, for services rendered for the period from August 26, 2016 to December 31, 2016 and for the year ended December 31, 2017:

Fee Category	August 26, 2016 to December 31, 2016	December 31, 2017
Audit fees	$89	$99
Audit-related fees[(1)]	$384	$-
Tax fees[(2)]	$165	$199
All other fees	$nil	$-
Total	$638	$

Notes:

(1) "Audit related fees" include fees paid and accrued in connection with the Prospectus, including carve-out audit fees for the Properties.

(2) "Tax fees" include fees paid and accrued for tax compliance, tax planning and tax advisory services, including the review and preparation of tax returns.

REMUNERATION OF MANAGEMENT OF THE FUND

Overview

As at the date hereof, the Fund, through Starlight GP, does not directly employ any persons who would be considered a named executive officer ("NEO") of the Fund as such term is defined in Form 51-102F6V - Statement of Executive Compensation – Venture Issuers in National Instrument 51-102 - Continuous Disclosure Obligations. The services of Messrs. Daniel Drimmer, Evan Kirsh and Martin Liddell, as Chief Executive Officer, President and Chief Financial Officer, respectively, are provided by Starlight. No compensation is paid by the Fund or its subsidiaries to those persons provided by Starlight as officers of the Fund, and the compensation received by such persons from Starlight is not within or subject to the discretion of the Board. The compensation paid by the Fund or its subsidiaries to Starlight for services rendered is calculated in accordance with the management agreement dated October 15, 2016. See "Related Party Transactions and Arrangements – Arrangements with Starlight". Starlight provides such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and is therefore responsible for all matters with respect to such employees and consultants. All references to the officers of the Fund named in the "Summary Compensation Table" below, namely Messrs. Daniel Drimmer, Evan Kirsh and Martin Liddell, are references to officers of, or consultants to, Starlight GP, in its capacity as general partner of the Fund, and are either officers or employees of, or consultants to, Starlight.

Compensation Discussion and Analysis

The Fund's executive team is employed by Starlight. The Fund is obligated to pay Starlight certain amounts pursuant to terms of the management agreement, as discussed in "Related Party Transactions and Arrangements – Arrangements with Starlight". As such, any variability in compensation paid by Starlight to the NEOs does not impact the Fund's financial obligations. The Board may hire officers and employees, but such hiring, if not of Starlight officers, consultants or employees, would be at the sole expense of the Fund. Further, any officer that is an officer, consultant or employee provided by Starlight may be removed from such position with the Fund, at the discretion of the Board. The Fund is not responsible for any change of control, severance, termination or constructive dismissal payments that may be provided, or required to be provided, by Starlight to the NEOs.

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to time spent on the activities of the Fund and supplements the more detailed information concerning compensation that appears in the table below and the accompanying narrative that follows.

Principal Elements of Compensation

As a private company, Starlight's process for determining executive compensation is straightforward, with no specific formula for determining the amount of each element of compensation, and no formal approach applied by Starlight for

determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Fund. Objectives and performance measures may vary from year to year as determined to be appropriate by Starlight without reference to any formal benchmarking.

The compensation of the NEOs includes two major elements: (i) base salary; and (ii) an annual cash bonus. The Fund does not have any long-term equity incentive plans, such as a Unit option plan, pursuant to which cash or non-cash compensation has been or will be paid or distributed to any NEO or Director. In addition, the Fund does not have any stock appreciation rights, incentive plans, medium term incentives or pension plans. Perquisites and personal benefits are not a significant element of compensation of the NEOs.

These two principal elements of compensation are described below.

Base Salaries. Base salaries are intended to provide an appropriate level of fixed compensation that will assist in retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Fund, the position and responsibilities of the NEOs and competitive industry pay practices for other real estate funds, real estate investment trusts and corporations of comparable size. Starlight does not benchmark compensation to a specific peer group. Increases in base salary are at the sole discretion of Starlight. The Board may review the compensation payable to its officers by Starlight and provide recommendations to Starlight, which are considered in good faith by Starlight, but are not binding upon Starlight.

Annual Cash Bonuses. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards, and reward performance of the Fund or the NEO individually. The determination of the performance of the Fund may vary from year to year depending on economic conditions and conditions in the real estate industry and may be based on measures such as Unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary and may include completion of specific projects or transactions and the execution of day-to-day management responsibilities. The Board may review the bonuses payable to its officers by Starlight, and provide recommendations to Starlight, which are considered in good faith by Starlight but are not binding upon Starlight.

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES

The following table sets out compensation information concerning the persons determined to be NEOs of the Fund pursuant to applicable securities laws. All amounts below are set out in Canadian dollars.

Name and position	Year	Salary, consulting fee, retainer or commission (C$)	Bonus (C$)	Committee or meeting fees (C$)	Value of perquisites[7] (C$)	Value of all other compensation (C$)	Total compensation[8] (C$)
Daniel Drimmer[1]	2017	Nil	Nil	Nil	Nil	Nil	Nil
Chief Executive Officer, Director	2016	Nil	Nil	Nil	Nil	Nil	Nil
Evan Kirsh[2]	2017	Nil	Nil	Nil	Nil	Nil	Nil
President	2016	Nil	Nil	Nil	Nil	Nil	Nil
Martin Liddell[3][4]	2017	227,500	105,000	Nil	Nil	Nil	332,500
Chief Financial Officer	2016	95,000[5]	45,000	Nil	Nil	Nil	135,000
Graham Rosenberg[6]	2017	12.500	Nil	Nil	Nil	Nil	12,500
Director	2016	2,650[5]	Nil	Nil	Nil	Nil	2,650
Harry Rosenbaum[6]	2017	12,500	Nil	Nil	Nil	Nil	12,500
Director	2016	2,650[5]	Nil	Nil	Nil	Nil	2,650

(1) Daniel Drimmer is not compensated by the Fund for serving as a Director and is not compensated by Starlight for providing services as the Chief Executive Officer or as a member of the Board of Directors. Mr. Drimmer is the principal of Starlight. See "Related Party Transactions and Arrangements – Arrangements with Starlight".

(2) Evan Kirsh serves as the President of Starlight GP. A corporation controlled by Evan Kirsh (the "Service Provider") receives compensation from Starlight for services provided to the Fund pursuant to the terms of a fee agreement (the "Fee Agreement") among Starlight, Evan Kirsh and the Service Provider. The Fee Agreement provides that commencing on January 1, 2017 in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, Starlight pays the Service Provider a fee. Pursuant to the Fee Agreement, the Service Provider is entitled to receive the aggregate of: (i) an agreed percentage of the gross asset management fees paid by the Fund to Starlight pursuant to the management agreement; (ii) an agreed percentage of the gross acquisition fees paid by the Fund to Starlight pursuant to the management agreement; and (iii) an agreed percentage of the gross disposition transaction fees paid by the Fund to Starlight pursuant to the management agreement. Starlight (and not the Fund) is responsible for any such amounts payable to the Service Provider. Also see Related Party Transactions and Arrangements – Arrangements with Starlight" for amounts paid or payable to Starlight for the period January 1, 2017 to December 31, 2017.

(3) Martin Liddell is the Chief Financial Officer of Starlight GP. Mr. Liddell receives compensation from Starlight for services provided to the Fund. In addition, pursuant to an agreement between Mr. Liddell and Starlight, Mr. Liddell is entitled to a portion of the amount received by Starlight from or in respect of its holdings of class B partnership units of SIP. Starlight (and not the Fund) is responsible for any such amounts payable to Mr. Liddell. See "Related Party Transactions and Arrangements – Arrangements with Starlight", specifically the carried interest section.

(4) The amounts allocated in the table represent the portion of Martin Liddell's compensation that is attributable to the activities of the Fund and was determined by Starlight solely for the purposes of this table, based on the role, responsibility and time spent by Mr. Liddell to fulfill the requirements of the office of Chief Financial Officer of the Fund.

(5) The Fund was established on August 26, 2016 and accordingly, on an annualized basis, salaries, consulting fees, retainers or commissions paid to the NEOs and Directors for the period from December 31, 2016 would have been as follows: Daniel Drimmer, Nil; Evan Kirsh, Nil; Martin Liddell, C$230,000; Graham Rosenberg, C$12,500; and Harry Rosenbaum C$12,500. See also Note 5.

(6) Director compensation is determined by the Board of Directors of Starlight GP. The Fund pays its independent directors annual compensation in the amount of C$12,500 per annum which amount was set on establishment of the Fund is reviewed annually by the Board of Directors or Starlight GP and is expected to be unchanged for the duration of the Fund. See also Note 4.

(7) None of the NEOs or the Board of Directors or Starlight GP are entitled to perquisites, which, in the aggregate, are more than C$15,000.

(8) Compensation is paid by Starlight and there is no charge back to the Fund for such compensation.

REMUNERATION OF THE DIRECTORS OF STARLIGHT GP

REMUNERATION OF DIRECTORS

Any Director who is an officer of, or is otherwise employed by Starlight, is not entitled to any remuneration from the Fund for serving as a Director (including as Chair of the Board, or as the Chair or as a member of the audit committee). Each Director, other than Daniel Drimmer, receives an annualized base retainer from the Fund in the amount for C$12,500 for services provided during 2017. There were no fees paid or payable for each day on which a Director attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is provided in Note 2 to the audited consolidated financial statements of the Fund. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

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 were 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 are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. Management determines fair value internally utilizing internal financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

FINANCIAL INSTRUMENTS

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 assumes 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.

CONSOLIDATION

The Fund has determined that it controls all of its subsidiaries, including the significant subsidiaries (as defined in the audited consolidated financial statements for the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016). In making this determination it considered the relationships between the Fund, the Manager, and the significant subsidiaries including ownership interests, voting rights and management agreements. Through this analysis it was determined that the Manager is an agent of 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.

RISKS AND UNCERTAINTIES

The ownership of units involves a number of risk factors. The risks described below are not the only risks and readers should carefully review the risks and uncertainties disclosed in the Prospectus, under the heading "Risk Factors", at www.sedar.com. If any of the following risks 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. Some of these risk factors are described below:

(a) *Acquisition Risk* – The Manager intends to recommend properties for acquisition by the Fund or its subsidiaries selectively. The acquisition of properties entails risks that investments will fail to perform in accordance with expectations. In undertaking such acquisitions, Fund or its subsidiaries will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of properties may not generate sufficient funds to make the payments of principal and interest due on the mortgage loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of properties.

(b) *Experience of Directors and Officers* – While the officers of the Fund and the Directors have significant experience in multi-family real estate in Canada, their direct experience in multi-family real estate in the U.S. is more limited. Investors are cautioned that the experience of the officers of the Fund and the Directors may not be relevant to the acquisition of multi-family real estate in the U.S. or to their achievement of the investment objectives of the Fund.

(c) *General Real Estate Ownership Risks* – All real property investments are subject to a degree of risk and uncertainty. The value of real property and any improvements thereto depend on the credit and financial stability of tenants and upon the vacancy rates of such properties. The Properties generate revenue through rental payments made by the tenants thereof. The ability to rent vacant suites in the Properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of tenants are unable to meet their obligations under their leases or if a significant amount of available space in the Properties becomes vacant and cannot be re-leased on economically favourable terms, the

Properties may not generate revenues sufficient to meet operating expenses, including debt service and capital expenditures, and distributable cash will be adversely affected.

Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a Property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund were to be required to quickly liquidate its real property investments, the proceeds might be significantly less than the aggregate carrying value of the Properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by tenants for space in the Properties. As well, certain of the leases of the Properties held by the Fund or its Subsidiaries may have early termination provisions, which, if exercised, would reduce the average lease term.

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

(d) *Co-investment/Joint Ventures* – The Fund may, on advice from the Manager, invest in, or be a participant in, directly or indirectly, joint ventures and partnerships with third parties in respect of the Properties. A joint venture or partnership involves certain additional risks, including:

I. the possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with the Fund's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to the Properties;

II. the co-venturer/partner may have control over all of the day to day and fundamental decisions relating to a property;

III. the risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund or its subsidiaries or for which the Fund or its subsidiaries will be liable and/or result in the Fund suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;

IV. the risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund or its subsidiaries to liability; and

V. the need to obtain co-venturers'/partners' consents with respect to certain major decisions or inability to have any decision-making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property.

In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Fund's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires. Additionally, drag-along rights may be triggered at a time when the Manager may not advise the Fund to sell its interest in a property, but the Fund may be forced to do so at a time when it would not otherwise be in its best interest.

(e) *Inability to Dispose of Properties or Geographical Diversify* – The Fund may be unable to reduce its exposure in any one of the Primary Markets by disposing of certain Properties during the term of the Fund and by replacing such Properties with new properties in the Primary Markets having greater potential NOI growth and value, or to achieve further geographical diversification of the Fund's overall portfolio or a more balanced distribution of Properties within Primary Markets through dispositions and acquisitions of Properties in the Primary Markets. As

a result, the Fund may face exposure to downturns in any one of the Primary Markets or from a lack of geographical diversification or an unbalanced distribution of properties within Primary Markets.

(f) *Substitutions for Residential Rental Suites* – Demand for rental suites in the Properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Notwithstanding recent increases in interest rates in the U.S., interest rates offered by financial institutions for financing home ownership have been at historically low levels. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in the Properties and on the rents charged.

(g) *Government Regulation* – Certain states in the U.S. have enacted residential tenancy legislation, which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at the Properties. Limits on the Fund's ability to raise rental rates at the Properties may adversely affect the Fund's ability to increase income from the Properties. The States of Arizona, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas have not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its Properties.

In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in such states may provide certain rights to tenants, while imposing obligations upon landlords. Certain states may also prescribe procedures, which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a state's residential tenancy legislation, it may take several months to terminate a residential lease, even where the tenant's rent is in arrears.

Further, residential tenancy legislation in certain states may provide tenants with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures, which may not be fully recoverable from tenants.

Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner, which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of the Properties.

(h) *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 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.

(i) *Financing Risks* – There is no assurance that the Manager will be able to obtain sufficient mortgage loans to finance the acquisition of properties, or, if available, that the Manager will be able to obtain mortgage loans on commercially acceptable terms. Further, there is no assurance or guarantee that any mortgage loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of properties, which the Fund is able, to purchase will decrease and the return from the ownership of properties (and ultimately the return on an investment in units) will be reduced.

(j) *Interest Rate Fluctuations* – The Fund's mortgage loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

(k) *Environmental Matters* – Under various environmental and ecological laws, the Fund or its subsidiaries could become liable for the costs of removal or remediation of certain hazardous or toxic substances released on or in one or more of the Properties or disposed of at other locations. The failure to deal effectively with such substances may adversely affect the Manager's ability to sell such property or to borrow using the property as collateral, and could potentially also result in claims against the Fund or its subsidiaries by third parties.

(l) *Uninsured Losses* – The Fund or its subsidiaries have comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for the Properties similar to those to be

owned by the Fund or its subsidiaries and also has obtained coverage where warranted against hail, earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the Fund could suffer a loss of capital invested and not realize any profits, which might be anticipated from the disposition of such properties.

(m) *Reliance on Property Management* – The Manager may rely upon independent management companies to perform property management functions in respect of each of the Properties. To the extent the Manager relies upon such management companies, the employees of such management companies will devote as much of their time to the management of the Properties as in their judgment is reasonably required and may have conflicts of interest in allocating management time, services and functions among the Properties and their other development, investment and/or management activities.

(n) *Competition for Real Property Investments or Tenants* – The Manager competes for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles and institutions (both Canadian, U.S. and foreign) which are presently seeking, or which may seek in the future real property investments or tenants similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease suites in the Properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

(o) *Holding Entity Structure* – As a holding entity the Fund's ability to meet its obligations, including payment of interest, other operating expenses and distributions, and to complete current or desirable future enhancement opportunities or acquisitions generally depends on the receipt by the Fund of dividends, distributions and / or interest payments from its subsidiaries as the principal source of cash flow to pay distributions on the units. As a result, the Fund's cash flow and ability to pay distributions, including on the units, are dependent upon earnings of its subsidiaries and the distribution of those earnings and other funds by its subsidiaries to it. The payment of interest, dividends and / or distributions by certain of the Fund's subsidiaries may be subject to restrictions set out in relevant corporate laws and regulations, constating documents or other governing provisions, which may require that certain subsidiaries remain solvent following payment of any such interest, dividend and/or distributions. Substantially all of the Fund's business is currently conducted through its subsidiaries, and the Fund expects this to continue.

(p) *Revenue Shortfalls* – Revenues from the Properties may not increase sufficiently to meet increases in operating expenses or debt service payments under the mortgage loans or to fund changes in the variable rates of interest charged in respect of such loans.

(q) *Fluctuations in Capitalization Rates* – As interest rates fluctuate in the lending market, generally capitalization rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

(r) *Reliance on the Manager* – Prospective purchasers assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager and its principal, Daniel Drimmer. In particular, prospective purchasers will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of Properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of Properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Martin Liddell and/or Evan Kirsh. If the Manager loses the services of Daniel Drimmer, Martin Liddell or Evan Kirsh, the business, financial condition and results of operations of the Fund may be materially adversely affected.

(s) *Distributions May be Reduced or Suspended* – Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 6.5% across all unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of units based on the proportionate entitlements of each class of unit, applicable unit class expenses, and any unhedged exposure to Canadian/U.S. dollar exchange rates and will also depend on the Fund to manage the ongoing operations of the Properties. The

minimum return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for investors to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

(t) *Assumption of Liabilities* – Pursuant to the Plan of Arrangement the Fund assumed all liabilities arising out of or related to the Arrangement Fund's and Campar Capital Corporation's past business, operations and assets. Pursuant to the Plan of Arrangement, the Fund assumed unknown liabilities that could be significant.

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

(v) *Cyber-security* – A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the Fund's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The Fund's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation and damage to the Fund's business relationships with its tenants. The Fund has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident.

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 December 31, 2017.

SUBSEQUENT EVENTS

On January 31, 2018, the Fund refinanced five Properties for gross proceeds of $36,477 through a revolving credit facility secured by the Properties with a term of five years with a one-year extension option at the Fund's discretion and at an interest rate of U.S. one-month LIBOR plus 2.00%. The revolving credit facility allows for up to $350,000 of proceeds of which the Fund has utilized $258,614. The Fund utilized the proceeds to repay the mezzanine loan on The Callie of $6,418 and fund the equity required to purchase Altis at Sand Lake for $69,300, a 315-suite property completed in 2016 and located in Orlando, Florida. The acquisition of Altis at Sand Lake was from an affiliate of the Manager who earned an acquisition fee of $693 on the closing of the transaction. The acquisition was financed with proceeds from the new revolving credit facility.

On February 13, 2018, the Fund sold Sunset Ridge for $29,500 less transaction costs of $342. The proceeds from the sale were used to repay the outstanding mortgage balance of $21,695 with the remainder expected to be utilized on a tax-deferred basis for a future acquisition.

Subsequent to the acquisition of Altis at Sand Lake and the disposition of Sunset Ridge, the Fund had ownership in 23 recently constructed Class "A" stabilized, income producing Properties with an average year of completion of 2012.

On March 2, 2018 the Fund entered into a new 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 9-month contract which will begin in April 2018 allows the Fund to exchange U.S. funds each month within a range of C$1.2700 to C$1.3220.

FUTURE OUTLOOK

Starlight believes the Properties will continue to benefit from stable demand for residential rental accommodation. The Primary Markets continue to exhibit sustained job and population growth and a shift away from home ownership, including as a result of lifestyle choice. The supply of comparable, multi-suite residential rental properties continues to be at reasonable levels given the strength of the demand drivers. The Properties are located in 12 attractive U.S. sun-belt markets and this geographical 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 as well as rental and NOI growth. The Fund expects to produce consistent investment returns for Unitholders.

QUARTERLY INFORMATION

	Three months ended December 31, 2017[(1)]	Three months ended September 30, 2017[(2)]	Three months ended June 30, 2017[(3)]	Three months ended March 31, 2017 [(4)]	Three months ended December 31, 2016 [(5)]	August 26, 2016 to September 30, 2016 [(6)]
Revenue from property operations	$ 24,998	$ 25,450	$ 24,568	$ 24,311	$ 19,679	$ -
Property operating costs	(6,750)	(7,028)	(6,483)	(6,232)	(5,241)	-
Property taxes	1,604	-	-	(16,898)	(3,027)	-
Income from rental operations	19,852	18,422	18,085	1,181	11,411	-
Distributions to Unitholders	(6,151)	(6,150)	(6,082)	(6,178)	(5,108)	-
Dividends to Preferred Shareholders - U.S. REITs series A	(19)	(20)	(20)	(19)	(31)	-
Finance costs	(7,584)	(6,715)	(7,682)	(5,292)	(5,273)	-
Fund and trust expenses	(1,350)	(1,372)	(1,327)	(1,421)	(7,906)	-
Transaction Costs	(11)	-	(1,056)	-	-	-
Unrealized foreign exchange (loss) gain	(75)	(552)	(382)	(86)	204	-
Realized foreign exchange (loss) gain	(114)	85	57	(10)	444	-
Fair value adjustment of investment properties	1,020	81,654	8,301	9,695	1,090	-
Fair value adjustment IFRIC 21	(4,482)	(4,267)	(3,919)	12,644		
Income taxes:						
Current	(58)	(48)	(99)	(106)	(49)	-
Deferred	44,742	(40,426)	(2,598)	(6,074)	(2,680)	-
Income before net (loss) income from property held for sale	$ 45,770	$ 40,611	$ 3,278	$ 4,334	$ (7,898)	$ -
Net (loss) income from properties held for sale	(463)	330	-	-	-	-
Net income (loss) and comprehensive income (loss)	**$ 45,307**	**$ 40,941**	**$ 3,278**	**$ 4,334**	**$ (7,898)**	**$ -**
FFO	$6,592	$6,170	$3,796	$6,651	($1,854)	n/a
AFFO	$6,634	$6,302	$6,884	$6,997	$5,649	n/a
Distributions	6,151	6,150	6,082	6,178	5,108	n/a
FFO per Unit - basic and diluted	$0.13	$0.13	$0.08	$0.13	($0.04)	n/a
AFFO per Unit - basic and diluted	$0.14	$0.13	$0.14	$0.14	$0.11	n/a
Distributions per Unit [(7)]	$0.13	$0.13	$0.13	$0.13	$0.10	n/a

Notes:

(1) During the three months ended December 31, 2017, the Fund sold Jones Road and acquired The Callie.

(2) During the three months ended September 30, 2017, the Fund acquired Copperfield.

(3) During the three months ended June 30, 2017, the Fund sold Cinco Ranch, Belle Haven, and Tow ne Lake and acquired Spectra North and Carrick Bend.

(4) During the three months ended March 31, 2017, the Fund did not dispose or acquire any Properties.

(5) During the three months ended December 31, 2016, the Fund acquired the Arranagement Properties - October 15, 2016 and South Blvd, Coolray Field and City North.

(6) During the period from August 26, 2016 to September 30, 2016 the Fund did not ow n any Properties.

(7) Distributions per unit for each period are based on the total distributions per w eighted average unit outstanding during the period.

Additional information relating to the Fund can be found on SEDAR at WWW.SEDAR.COM

Dated: March 7, 2018

Toronto, Ontario, Canada

SCHEDULE A – AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 Starlight U.S. Multi-Family (No. 5) Core GP, Inc. as the general partner of the Fund (the "General Partner") shall appoint an audit committee (the "Committee") to assist the board of directors (the "Board") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Group Property Holdings Inc., in its capacity as manager of the Fund (the "Manager").

3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three directors of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements.

3.3 The General Partner shall appoint the members of the Committee. The General Partner may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a director of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "Chair"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any director of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to directors' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

4. DUTIES

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors and the overall scope and plans for the audit, and in carrying out such oversight, the Committee's duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under NI 51-102 or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the unitholders of the Fund, including the fee, scope and

timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the REIT by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("MD&A") and any financial press releases before the Fund publicly discloses this information; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the General Partner's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the General Partner's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the General Partner and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Canadian Institute of Chartered Accountants which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders and annual information forms, as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) reviewing any related-party transactions not in the ordinary course of business;

(b) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(c) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;

(d) reviewing annual operating and capital budgets;

(e) reviewing and reporting to the Board on difficulties and problems with regulatory agencies, which are likely to have a significant financial impact;

(f) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(g) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(h) reviewing any other questions or matters referred to it by the Board.