

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

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

For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016



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Independent Auditor's Report

To the Unitholders of Starlight U.S. Multi-Family (No.5) Core Fund

We have audited the accompanying consolidated financial statements of Starlight U.S. Multi-Family (No.5) Core Fund, which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of net income (loss) and comprehensive income (loss), changes in net liabilities attributable to unitholders and cash flows for the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016, and a summary of significant account policies and other explanatory information.

Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Starlight U.S. Multi-Family (No.5) Core Fund as at December 31, 2017 and 2016, and its financial performance and its cash flows for the year ended December 31, 2017 and for the period from August 26, 2016 (date of formation) to December 31, 2016 in accordance with International Financial Reporting Standards.

BDO Canada LLP [Signed]

Chartered Professional Accountants, Licensed Public Accountants

March 7, 2018
Toronto, Ontario

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

Consolidated Statement of Financial Position
As at December 31
(In thousands of U.S. dollars)

	Note	2017	2016
ASSETS			
Non-current assets:			
Investment properties	7	\$ 1,239,476	\$ 1,056,414
Derivative financial instruments	14	348	8
Utility deposits		386	381
Total non-current assets		1,240,210	1,056,803
Current assets:			
Assets of property held for sale	6	29,629	-
Tenant and other receivables	8	1,757	1,007
Prepaid expenses and other assets	9	2,145	983
Restricted cash	10	15,552	11,648
Cash		4,463	7,669
Total current assets		53,546	21,307
TOTAL ASSETS		\$ 1,293,756	\$ 1,078,110
LIABILITIES			
Non-current liabilities:			
Loans payable	11	\$ 729,155	\$ 583,459
Preferred shares - U.S. REIT's series A	12	625	625
Deferred income tax		84,317	79,961
Total non-current liabilities excluding net liabilities attributable to Unitholders		814,097	664,045
Current liabilities:			
Liabilities of property held for sale	6	21,673	-
Loans payable	11	37,710	92,564
Credit facility	13	14,322	8,792
Tenant rental deposits		1,496	1,232
Accounts payable and accrued liabilities	15	5,654	4,642
Finance costs payable	16	2,306	1,455
Distributions payable		2,053	2,089
Total current liabilities excluding net liabilities attributable to Unitholders		85,214	110,774
TOTAL LIABILITIES		\$ 899,311	\$ 774,819
Net liabilities attributable to Unitholders	18	394,445	303,291
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		\$ 1,293,756	\$ 1,078,110

Commitments and contingencies (note 23).
Subsequent events (note 27).
See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc., as General Partner for Starlight U.S. Multi-Family (No.5) Core Fund on March 7, 2018, and signed on its behalf:

Graham Rosenberg Director Harry Rosenbaum Director

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

Consolidated Statement of Net Income (Loss) and Comprehensive Income (Loss)
 For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to
 December 31, 2016
 (In thousands of U.S. dollars)

	Note	2017	2016
Revenue from property operations		\$ 99,327	\$ 19,679
Expenses:			
Property operating costs		26,493	5,241
Property taxes		15,294	-
Income from rental operations		57,540	14,438
Finance costs	21	27,273	5,273
Distributions to Unitholders		24,561	5,108
Dividends to Preferred Shareholders – U.S. REITs series A		78	31
Fund and trust expenses	17	5,470	7,906
Transaction costs on dispositions of investment properties	5	1,067	-
Unrealized foreign exchange loss (gain)		1,095	(204)
Realized foreign exchange gain		(18)	(444)
Fair value adjustment investment properties	6, 7	(100,670)	(1,090)
Fair value adjustment IFRIC 21		24	3,027
Income (loss) before income taxes		98,660	(5,169)
Income taxes - current		311	49
- deferred		4,356	2,680
Total income taxes		4,667	2,729
Income (loss) before net loss from property held for sale		93,993	(7,898)
Net loss from properties held for sale	6	(133)	-
Net income (loss) and comprehensive income (loss)		\$ 93,860	\$ (7,898)

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Changes in Net Liabilities Attributable to Unitholders
 For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to
 December 31, 2016
 (In thousands of U.S. dollars)

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2016	\$86,599	\$83,852	\$78,619	\$17,907	\$20,985	\$887	\$14,442	\$303,291
Changes during the period:								
Units repurchased and cancelled under normal course issuer bid ("NCIB")	(2,706)	-	-	-	-	-	-	(2,706)
Re-allocation due to unit conversions	(1,703)	(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
Balance, December 31, 2017	\$107,854	\$109,886	\$107,423	\$26,383	\$25,739	\$1,153	\$16,007	\$394,445

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, August 26, 2016	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Changes during the period:								
Units issued upon Plan of Arrangement (note 3), 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)
Balance, December 31, 2016	\$ 86,599	\$ 83,852	\$78,619	\$17,907	\$20,985	\$ 887	\$ 14,442	\$303,291

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

(In thousands of U.S. dollars)

	Note	2017	2016
Operating activities:			
Net income (loss) and comprehensive income (loss)		\$ 93,860	\$ (7,898)
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	21	27,273	5,273
Distributions to Unitholders		24,561	5,108
Distributions to Preferred Shareholders – U.S. REITs series A		78	31
Transaction costs on dispositions of investment properties	5	1,067	-
Adjustments for items not involving cash:			
Fair value adjustment of investment properties including IFRIC 21		(99,762)	(5,750)
Unrealized foreign exchange loss (gain)		1,095	(204)
Change in non-cash operating working capital	22	1,719	5,918
Change in restricted cash	10	(4,367)	3,148
Deferred tax		4,356	2,680
Cash provided by operating activities		49,880	8,306
Financing activities:			
Cash from Plan of Arrangement	3	-	5,185
Proceeds from the issuance of units, net of issuance costs		-	44,073
Repurchase of units under NCIB	18	(2,706)	(1,296)
Proceeds from Credit facility	13	4,485	8,782
Loans payable:			
Proceeds from new financing		70,661	261,501
Proceeds from refinancing	11(ii)	34,310	-
Repayment of mortgages		-	(137,158)
Repayment of mezzanine loans		(5,176)	(29,723)
Principal payments		(2,208)	(212)
Purchase of interest rate cap	14	(54)	-
Finance costs paid		(26,248)	(2,651)
Distributions paid to Unitholders		(22,508)	(3,019)
Distributions payable to Unitholders		(2,053)	(2,089)
Distributions to Preferred Shareholders – U.S. REITs series A		(78)	(31)
Cash provided by financing activities		48,425	143,362
Investing activities:			
Acquisitions of investment properties	4	(128,687)	(142,807)
Dispositions of investment properties	5	36,438	-
Transaction costs on dispositions of investment properties	5	(1,067)	-
Capital additions to investment properties	7	(8,029)	(1,192)
Cash used in investing activities		(101,345)	(143,999)
(Decrease) increase in cash		(3,040)	7,669
Cash, investment property held for sale	6	(166)	-
Cash, beginning of period		7,669	-
Cash, end of period		\$ 4,463	\$ 7,669

The Plan of Arrangement was a non-cash transaction (note 3).

See accompanying notes to the consolidated financial statements.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

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

The Fund’s initial properties were indirectly acquired through the exchange of the limited partnership units of Starlight U.S. Multi-Family Core Fund, Starlight U.S. Multi-Family (No. 2) Core Fund, Starlight U.S. Multi-Family (No. 3) Core Fund, Starlight U.S. Multi-Family (No. 4) Core Fund and the exchange of common shares of Campar Capital Corporation (collectively the “Plan of Arrangement”), for limited partnership units (“units”) of the Fund. Subsequent to completion of its initial public offering (the “Offering”) on October 18, 2016, the Fund indirectly acquired three additional properties comprised of an aggregate of 910 multi-family apartment suites located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively, in the United States. The class A units and class U units are listed on the TSX Venture Exchange under the symbols STUS.A and STUS.U, respectively.

The Fund is managed by Starlight Group Property Holdings Inc. (the “Manager”), a related party. As of December 31, 2017, the Fund’s property portfolio consists of 23 properties and a total of 7,127 suites.

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

1. Basis of presentation:

(i) Statement of compliance:

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”), applicable to the preparation of the consolidated financial statements for the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016 and approved by the General Partner on March 7, 2018.

(ii) Basis of measurement:

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

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

1. Basis of presentation (continued):

(iii) Functional and presentation currency:

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

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

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

(iv) Investment property held for sale:

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

2. Significant accounting policies:

(a) Basis of consolidation:

The consolidated financial statements comprise the financial statements of the Fund and its subsidiaries. All intercompany transactions and account balances have been eliminated upon consolidation.

When the Fund is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Fund using consistent accounting policies.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

The following significant entities operate as wholly owned subsidiaries (the "Significant Subsidiaries") of the Fund:

- Starlight U.S. Multi-Family Core Fund ("Fund 1")
- Starlight U.S. Multi-Family Core Investment L.P. ("Investment L.P.")
- Starlight U.S. Multi-Family Core Holding L.P. ("Holding L.P.")
- Starlight U.S. Multi-Family Core REIT Inc. ("U.S. REIT 1")
- Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund 2")
- Starlight U.S. Multi-Family (No. 2) Core Investment L.P. ("Investment L.P. No. 2")
- Starlight U.S. Multi-Family (No. 2) Core Holding L.P. ("Holding L.P. No. 2")
- Starlight U.S. Multi-Family (No. 2) Core REIT Inc. ("U.S. REIT 2")
- Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund 3")
- Starlight U.S. Multi-Family (No. 3) Core Investment L.P. ("Investment L.P. No. 3")
- Starlight U.S. Multi-Family (No. 3) Core Holding L.P. ("Holding L.P. No. 3")
- Starlight U.S. Multi-Family (No. 3) Core REIT Inc. ("U.S. REIT 3")
- Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund 4")
- Starlight U.S. Multi-Family (No. 4) Core Investment L.P. ("Investment L.P. No. 4")
- Starlight U.S. Multi-Family (No. 4) Core Holding L.P. ("Holding L.P. No. 4")
- Starlight U.S. Multi-Family (No. 4) Core REIT Inc. ("U.S. REIT 4")
- Starlight U.S. Multi-Family (No. 5) Core Investment LP. ("Investment L.P. No. 5")
- Starlight U.S. Multi-Family (No. 5) Core Holding LP. ("Holding L.P. No. 5")
- Starlight U.S. Multi-Family (No. 5) Core U.S. REIT Inc. ("U.S. REIT 5")
- Starlight Investments Acquisition (No. 2) Partnership ("SIA 2")
- Starlight Investments Acquisition (No. 3) Partnership ("SIA 3")
- Campar Capital Corporation ("Campar")
- SOP (No. 1) Limited Partnership ("SOP 1")

Fund 1, Fund 2, Fund 3, Fund 4 and the Fund are collectively referred to as the "Funds".

Investment L.P., Investment L.P. No. 2, SIA 2, Investment L.P. No. 3, Investment L.P. No. 4, Investment L.P. No. 5, SIA 3 and SOP 1 are collectively referred to as the "Investment L.P.s".

Holding L.P., Holding L.P. No. 2, Holding L.P. No. 3, Holding L.P. No. 4 and Holding L.P. No. 5 are collectively referred to as the "Holding L.P.s".

U.S. REIT 1, U.S. REIT 2, U.S. REIT 3, U.S. REIT 4 and U.S. REIT 5 are collectively referred to as the "U.S. REITs".

Starlight Investments Partnership ("SIP") is an associate and recognized applying equity accounting and therefore excluded from consolidation. SIP class A limited partnership units and general partnership interest are owned by the Fund and its class B limited partnership units are owned 80% by the Manager and 20% by the President of the Fund.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction. The acquisition of Fund 1, Fund 2, Fund 3 and Fund 4 and their subsidiaries was considered by management to be out of the scope of IFRS 3 – Business Combinations as the Funds are commonly controlled.

(ii) 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.

(iii) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(iii) Investment properties (continued):

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

(iv) Leases

The Fund makes judgments in determining whether certain leases, in particular tenant leases, are accounted for under IFRS as either operating or finance leases. The Fund has determined that all its leases are operating leases.

(v) Income taxes

The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to apply in the year when the asset is realized, or the liability is settled.

Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values.

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

(vi) 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. See note 18.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(vii) Consolidation:

The Fund has determined that it controls all of its subsidiaries, including the Significant Subsidiaries. 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.

(c) Investment properties:

The Fund selected the fair value method to account for real estate classified as investment property. A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated statement of net income (loss) and comprehensive income (loss) in the period in which they arise.

Fair values are primarily determined by using the capitalized earnings method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Gains and losses arising from changes in the fair value or disposal of investment properties are included in the consolidated statement of net income (loss) and comprehensive income (loss) in the period in which they arise. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(d) Cash and restricted cash:

Cash includes unrestricted cash and balances with banks. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, property taxes, repairs and replacements. Tenant security deposits held by the Fund are also restricted cash.

(e) Revenue recognition:

The Fund has retained substantially all the risks and benefits of ownership of its investment properties and, therefore, accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income, laundry income, waste removal income and all other miscellaneous income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured. Revenue is recognized pursuant to the terms of the lease agreement.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases.

An allowance for doubtful accounts is maintained for estimated losses, resulting from the inability of tenants to meet the contractual obligations under their lease agreements. Such allowances are reviewed periodically based on the recovery experience of the Fund and the creditworthiness of the tenants. All amounts outstanding for greater than 90 days are provided for through the consolidated statement of net income (loss) and comprehensive income (loss).

(f) Finance costs:

Finance costs consist of interest on mortgages payable, interest on mezzanine loans, interest and standby charges on Credit facility, amortization of financing costs related to loans payable, amortization of loans payable premiums and discounts, distributions to Unitholders, fair value changes on interest rate caps and service fees associated with class A and class U limited partnership units of the Fund.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

2. Significant accounting policies (continued):

(g) Financial instruments:

Financial instruments are classified as one of the following: (i) fair value through profit and loss ("FVTPL"), (ii) loans and receivables, (iii) held-to-maturity, (iv) available-for-sale or (v) other liabilities. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. Financial instruments classified as held-to-maturity, loans and receivables or other liabilities are subsequently measured at amortized cost. Available-for-sale financial instruments are subsequently measured at fair value and any unrealized gains and losses are recognized through other comprehensive income and presented in the fair value reserve in equity. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is either classified as held-for-trading or it is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and International Accounting Standards ("IAS") 39, Financial Instruments - Recognition and Measurement, permits the entire combined contract (asset or liability) to be designated at FVTPL.

The following table summarizes the Fund's classification and measurement of financial assets and liabilities:

	<u>Classification</u>	<u>Measurement</u>
<u>Financial assets:</u>		
Derivative financial instruments	FVTPL	Fair value
Utility deposits	Loans and receivables	Amortized cost
Tenant and other receivables	Loans and receivables	Amortized cost
Restricted cash	Loans and receivables	Amortized cost
Cash	Loans and receivables	Amortized cost
<u>Financial liabilities:</u>		
Loans payable	Other liabilities	Amortized cost
Preferred shares – U.S. REIT's series A	Other liabilities	Amortized cost
Credit facility	Other liabilities	Amortized cost
Tenant rental deposits	Other liabilities	Amortized cost
Accounts payable and accrued liabilities	Other liabilities	Amortized cost
Finance costs payable	Other liabilities	Amortized cost
Distributions payable	Other liabilities	Amortized cost
Net liabilities attributable to Unitholders	Other liabilities	Amortized cost

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Notes to the Consolidated Financial Statements

For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

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2. Significant accounting policies (continued):

(g) Financial instruments (continued):

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred. At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

All derivative instruments, including embedded derivatives, are recorded in the financial statements at fair value, except for embedded derivatives exempted from derivative accounting treatment.

The Fund's net assets attributable to Unitholders have been classified as financial liabilities under IAS 32, Financial Instruments - Presentation.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial liabilities are discharged when the contractual obligations are discharged, cancelled or expired.

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2. Significant accounting policies (continued):

(h) Income taxes:

(i) Canadian status:

The Fund is not subject to tax under Part I of the *Income Tax Act* (Canada) (the “Tax Act”). Each Unitholder of the Fund is required to include in computing the Unitholder’s income for a particular taxation year the Unitholder’s share of the income or loss of the Fund allocated to the Unitholder for its year ended in or on the Unitholder’s taxation year-end, whether or not any of that income or loss is distributed to the Unitholder in the taxation year.

Accordingly, no provision has been made for Canadian income taxes under Part I of the Tax Act.

The Tax Act contains specified investment flow-through (“SIFT”) rules regarding the taxation of certain types of publicly listed or traded trusts and partnerships and their investors (the “SIFT Measures”). A “SIFT partnership” (as defined in the Tax Act) will be subject to SIFT tax on its “taxable non-portfolio earnings” (as defined in the Tax Act) at a rate that is substantially equivalent to the general tax rate applicable to Canadian corporations.

The “taxable non-portfolio earnings” less SIFT tax payable by a SIFT partnership will also be included in computing income of the Unitholder for purposes of the Tax Act as though it were a taxable dividend from a taxable Canadian corporation, subject to the detailed provisions of the Tax Act. The SIFT Measures do not apply to a partnership that does not hold any “non-portfolio property” throughout the taxation year of the partnership.

The Fund believes that it does not hold any “non-portfolio property” and is not a SIFT partnership and therefore not subject to the SIFT Measures. Accordingly, no provision has been made for tax under the SIFT Measures. The Fund intends to continue to operate the Fund in such a manner so as to remain exempt from the SIFT Measures on a continuous basis in the future. However, the Funds continued exemption will depend upon meeting, through actual operating results, various conditions imposed by the SIFT Measures. If the Fund becomes a SIFT partnership, it will be generally subject to income taxes at regular Canadian corporate rates on its taxable non-portfolio earnings, if any.

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2. Significant accounting policies (continued):

(h) Income taxes (continued):

(i) Canadian status (continued):

Canadian subsidiary corporations:

The Fund from time to time may own certain properties in whole or in part through subsidiaries which are subject to entity-level taxation under the Tax Act. The application of entity-level tax under the Tax Act to all or a portion of the income generated by such properties could impact the Fund's ability to distribute the cash flow generated thereby to Unitholders.

(ii) U.S. status

Current taxes

The Fund is treated as a partnership for U.S. federal income tax purposes. As such, it is generally not subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code").

Furthermore, the U.S. REITs intend to make and maintain elections as real estate investment trusts under the Code. In order for the U.S. REITs to qualify, they must meet a number of organizational and operational requirements, including a requirement to make annual distributions to their Unitholders equal to a minimum of 90% of their taxable income, computed without regards to dividends paid deductions and net capital gains.

The U.S. REITs generally will not be subject to U.S. federal income tax on their taxable income to the extent such income is distributed as a dividend to their stockholders annually. Each of the U.S. REITs has elected, or intends to elect, to be treated as a real estate investment trust and believe the U.S. REITs' organization, ownership, method of operations, future assets and future income will enable the U.S. REITs to qualify as real estate investment trusts under the Code. Accordingly, no provision for U.S. federal income and excise taxes has been made with respect to the income of the U.S. REITs.

The Fund intends to operate the U.S. REITs in such a manner so as to qualify as real estate investment trusts on a continuous basis in the future. However, actual qualification as a real estate investment trust will depend upon meeting, through actual annual operating results, the various conditions imposed by the Code.

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

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status (continued):

If the U.S. REITs fail to qualify as real estate investment trusts in any taxable year, they will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax. In addition, the U.S. REITs may not be able to requalify as real estate investment trusts for the four subsequent taxable years. Even if the U.S. REITs qualify for taxation as real estate investment trusts, the U.S. REITs may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on their undistributed taxable income and/or specified types of income in certain circumstances.

The Investment L.P.s and SIP are treated as partnerships for Canadian tax purposes but have elected to be treated as corporations for U.S. federal income tax purposes. As such, the Investment L.P.s and SIP are generally subject to U.S. tax in respect of their allocable share of (i) capital gains distributions made by the U.S. REITs, (ii) gain upon a sale of the shares of the U.S. REITs and (iii) distributions made by the U.S. REITs in excess of both their (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (b) the adjusted tax basis in the U.S. REITs shares held by the Holding L.P.s. The Investment L.P.s and SIP are also liable for U.S. withholding taxes with respect to their allocable share of the above specified gains and/or distributions from the applicable Holding LPs and/or the applicable U.S. REITs.

Taxes paid or considered to have been paid by Investment L.P.s or SIP will be allocated pursuant to their limited partnership agreements and the Fund's allocated share will be allocated to Unitholders pursuant to the Fund's amended and restated limited partnership agreement. The availability of a foreign tax credit or foreign tax deduction in respect of foreign source income allocated to Unitholders by the Fund will be subject to the detailed rules contained in the Tax Act and each Unitholder's particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

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For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

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

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status (continued):

Foreign taxes paid or considered to have been paid by a subsidiary Canadian corporation will not be allocated to Unitholders and, accordingly, no foreign tax credit or foreign tax deduction will be available to Unitholders in respect of such foreign taxes. While the subsidiary Canadian corporations will generally be entitled to claim foreign tax credits or foreign tax deductions in respect of such taxes, the maximum credit available to the subsidiary Canadian corporations will generally be limited to their Canadian tax otherwise payable in respect of the underlying U.S. source income.

Accordingly, if the Canadian tax rate applicable to such income is less than the applicable foreign tax rate, double taxation may arise.

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 0.331% of a taxable entity's total revenue if the taxable entity qualifies and chooses to file using the EZ computation; or (ii) 0.75% of the taxable entity's margin which is the lesser of 70% of total revenues or 100% of the total revenues less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REITs own their properties indirectly through Delaware limited liability companies. For the year ended December 31, 2017, the current tax expense relating to Texas franchise tax was \$186 (for the period August 26, 2016 to December 31, 2016 - \$39).

North Carolina imposes a franchise tax, in addition to income tax, on corporations for the privilege of doing business in the state. The franchise tax is measured by the greatest of the following: (i) a corporation's net worth apportioned to North Carolina; (ii) the corporation's actual investment in tangible property in North Carolina; and (iii) 55% of the appraised property tax value of all of the corporation's tangible property in North Carolina. The franchise tax rate is \$1.50 per \$1,000.00 of a corporation's franchise tax base. For the year ended December 31, 2017, the current tax expense relating to North Carolina franchise tax was \$89 (For the period August 26, 2016 to December 31, 2016 - \$nil).

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

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status (continued):

Deferred taxes

On December 22, 2017, the President of the United States signed into law H.R. 1, originally known as the "Tax Cuts and Jobs Act." The new law permanently reduces the U.S. federal corporate income tax rate to 21% from 35%, effective January 1, 2018, among other changes. IAS 12, *Income Taxes*, requires companies to recognize the effect of tax law changes in the period that they are enacted or substantially enacted. In the U.S. the new tax law was both enacted and substantively enacted on December 22, 2017, and this change requires calendar year-end companies to remeasure their deferred tax balances at December 31, 2017. The Fund remeasured its net deferred tax liabilities based on the effective tax rates at which it expects to reverse in the future, which is estimated to be 24% for the reporting period ended December 31, 2017 (December 31, 2016 – 38%).

As at December 31, 2017 a deferred tax liability of \$84,317 (December 31, 2016 - \$79,961) for the Fund has been accrued based on the expected future tax rates and relates to differences between the fair value of the investment properties and their tax basis as of December 31, 2017. The provision for deferred tax expense included a one-time benefit of \$49,185 from the revaluation of net deferred tax liabilities as at December 31, 2017 as a result of the U.S. tax law changes. The Investment LPs would bear this tax liability on the disposition of the real estate directly or the Fund's interest in its U.S. subsidiaries, avoiding any tax filing obligations or payment of taxes by the Unitholders.

(i) Levies:

Levies are outflows from the properties imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee ("IFRIC") 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and based on property value. IFRIC 21, Levies, confirms that an entity shall recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the time the obligation is crystallized, which is at the beginning of the fiscal year, in most cases.

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2. Significant accounting policies (continued):

(j) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment considering the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as a finance cost.

(k) Future accounting changes:

Certain new standards, interpretations and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC") but are not yet effective for the year ended December 31, 2017. The standards impacted that may be applicable to the Fund are following:

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

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

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

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2. Significant accounting policies (continued):

(k) Future accounting changes (continued):

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

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

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

IFRS 15 supersedes the following standards: IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue - Barter Transactions Involving Advertising Services. IFRS 15 becomes effective for annual periods beginning on or after January 1, 2018 and is to be applied retrospectively. The Fund intends to adopt the amended standard on the required effective date. However, the Fund has completed an assessment of the extent to which changes will be required and does not consider the section to have a significant impact, if any, based on the current status.

(iii) Leases ("IFRS 16"):

IFRS 16 was issued by the IASB in January 2016. IFRS 16 brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however, remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15, Revenue from Contracts with Customers, has also been applied. The Fund intends to adopt the amended standard on the required effective date. However, the Fund has completed an assessment of the extent to which changes will be required and does not consider the section to have a significant impact, if any, based on the current status.

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2. Significant accounting policies (continued):

(k) Future accounting changes (continued):

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

During December 2016, the IASB issued an amendment to IAS 40 clarifying certain existing requirements. The amendment requires that an asset be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. These amendments are effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. The Fund intends to adopt the amended standard on the required effective date. However, the Fund has completed an assessment of the extent to which changes will be required and does not consider the section to have a significant impact, if any, based on the current status.

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3. Plan of Arrangement:

On October 15, 2016, the Plan of Arrangement was completed. See below for assets and liabilities assumed and consideration paid.

	Fund 1	Fund 2	Fund 3	Fund 4	Campar / Boardwalk Acquisition Partnership	Total
Investment properties	\$ 264,701	\$ 187,856	\$ 207,584	\$ 211,566	\$ 37,411	\$ 909,118
Derivative financial instruments	-	-	-	2	-	2
Utility deposits	114	28	65	107	8	322
Tenant and other receivables	243	193	254	87	15	792
Prepaid expenses and other assets	1,041	79	716	752	26	2,614
Restricted cash	4,455	1,683	3,613	3,641	-	13,392
Cash	1,108	1,233	733	697	1,414	5,185
Loans payable	171,221	92,264	146,191	140,765	30,029	580,470
Preferred Shares – U.S. REIT's Series A	125	125	125	125	-	500
Deferred income tax	28,580	19,520	16,120	12,267	794	77,281
Tenant rental deposits	236	154	240	369	24	1,023
Accounts payable and accrued liabilities	813	403	676	543	78	2,513
Finance cost payable	181	111	228	199	19	738
Distributions payable	121	85	129	153	-	488
Net assets acquired	\$ 70,385	\$ 78,410	\$ 49,256	\$ 62,431	\$ 7,930	\$ 268,412
Consideration paid:						
The exchange of units held by unitholders pursuant to the Plan of Arrangement (i)	\$ 70,385	\$ 78,410	\$ 49,256	\$ 62,431	\$ 7,930	\$ 268,412

- (i) The exchange consideration for limited partnership units of Fund 1, Fund 2, Fund 3, Fund 4, Boardwalk Acquisition Partnership and shares of Campar for limited partnership units of the Fund was determined as the amount equal to (i) the aggregate appraised value of the investment properties owned, plus (ii) the cash on hand and net working capital (excluding any deferred tax liability), less the aggregate of (iii) the total outstanding debt and (iv) the pro rata share of the costs associated with the Plan of Arrangement.

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4. Acquisitions:

The following asset acquisitions were completed during the year ended December 31, 2017. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	Spectra North (i)	Carrick Bend (ii)	Copperfield Apartments (iii)	The Callie (iv)	Total
Acquisition date:	16-Jun	28-Jun	1-Aug	8-Dec	
Investment properties (v)	\$ 50,984	\$ 54,772	\$ 47,948	\$ 47,208	\$ 200,912
Add:					
Utility Deposits	-	-	-	12	12
Tenant and other receivables	21	25	39	21	106
Prepaid expenses and other assets	17	17	15	2	51
Restricted cash	115	58	255	1,008	1,436
Deduct:					
Tenant rental deposits	253	166	26	57	502
Accounts payable and accrued liabilities	-	-	123	108	231
Finance costs payable	-	-	98	77	175
Assumed mortgage (net of finance costs of \$227)	-	-	32,073	30,500	62,573
Assumed mezzanine loan	-	-	-	10,349	10,349
Net asset acquired	\$ 50,884	\$ 54,706	\$ 15,937	\$ 7,160	\$ 128,687
Consideration funded by:					
New financing obtained and used for acquisition	\$ 36,407	\$ 33,778	-	-	\$ 70,185
Proceeds from dispositions held in escrow (note 5)	12,814	18,738	-	4,869	36,421
Cash paid	1,663	2,190	15,937	2,291	22,081
	\$ 50,884	\$ 54,706	\$ 15,937	\$ 7,160	\$ 128,687

- (i) The Fund completed the acquisition of Spectra North, located in Phoenix, Arizona and comprised of 274 multi-family residential suites, from an affiliated entity of the Manager.
- (ii) The Fund completed the acquisition of Carrick Bend, located in Denver, Colorado and comprised of 228 multi-family residential suites, from an affiliated entity of the Manager.
- (iii) The Fund completed the acquisition of Copperfield Apartments, located in Nashville, Tennessee and comprised of 288 multi-family residential suites, from an affiliated entity of the Manager.
- (iv) The Fund completed the acquisition of The Callie, located in Dallas, Texas and comprised of 261 multi-family residential suites, from an affiliated entity of the Manager.
- (v) Investment properties are net of the IFRIC 21 Levies adjustment for property taxes of \$356, \$341, \$422 and \$887, respectively for Spectra North, Carrick Bend, Copperfield Apartments and The Callie.

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4. Acquisitions (continued):

The following asset acquisitions were completed during the period ended December 31, 2016. The fair value consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair values at the date of acquisition as follows:

	South Blvd (i)	Coolray (ii)	City North (iii)	Total
Acquisition date	18-Oct	20-Oct	31-Oct	
	\$			
Investment properties (iv)	53,873	\$ 35,956	\$ 51,670	\$ 141,499
Tenant rental deposits	(85)	(61)	(47)	(193)
Prepaid expenses and other assets	-	94	4	98
Restricted Cash	-	77	1,326	1,403
	\$			
Net assets acquired	53,788	\$ 36,066	\$ 52,953	\$ 142,807
Consideration paid, funded by:				
New financing obtained and used for acquisition	\$ 34,615	\$ 22,638	\$ 35,201	\$ 92,454
Cash Paid	19,173	13,428	17,752	50,353
	\$			
	53,788	\$ 36,066	\$ 52,953	\$ 142,807

- (i) The Fund completed the acquisition of South Blvd located in Las Vegas, Nevada, which is comprised of 320 multi-family residential suites.
- (ii) The Fund completed the acquisition of Coolray located in Atlanta, Georgia which is comprised of 206 multi-family residential suites.
- (iii) The Fund completed the acquisition of City North located in Austin, Texas which is comprised of 384 multi-family residential suites.
- (iv) Investment properties are net of IFRIC 21 adjustment relating to property taxes of \$142 and \$1,003, respectively, for South Blvd and City North.

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5. Dispositions:

The following asset dispositions were completed during the year ended December 31, 2017. The fair value of consideration has been allocated to the identifiable assets and liabilities sold based on their fair values at the date of disposition as follows:

	Residences at Cinco Ranch (i)	Belle Haven Apartments (ii)	Villages of Towne Lake (iii)	The Reserve at Jones Road (iv)	Total
Disposition date:	1-Jun	22-Jun	27-Jun	27-Oct	
Investment properties (iv)	\$ 36,804	\$ 28,142	\$ 18,456	\$ 13,875	\$ 97,277
Add:					
Utility deposits	-	-	-	6	6
Tenant and other receivables	18	-	-	35	53
Prepaid expenses and other assets	12	-	2	2	16
Restricted cash	422	234	-	252	908
Deduct:					
Mortgage payable	23,900	17,820	8,581	9,198	59,499
Tenant rental deposits	35	21	12	28	96
Accounts payable and accrued liabilities	507	370	1,289	43	2,209
Finance cost payable	-	-	-	18	18
Net assets disposed	\$ 12,814	\$ 10,165	\$ 8,576	\$ 4,883	\$ 36,438
Consideration received:					
Proceeds held in escrow and reinvested in acquisitions (note 4)	\$ 12,814	\$ 10,165	\$ 8,576	\$ 4,883	\$ 36,438
	\$ 12,814	\$ 10,165	\$ 8,576	\$ 4,883	\$ 36,438

- (i) The Fund completed the disposition of Residences at Cinco Ranch located in Houston, Texas, comprised of 300 multi-family residential suites.
- (ii) The Fund completed the disposition of Belle Haven Apartments located in Charlotte, North Carolina, comprised of 176 multi-family residential suites.
- (iii) The Fund completed the disposition of Villages of Towne Lake located in Houston, Texas, comprised of 126 multi-family residential suites.
- (iv) The Fund completed the disposition of The Reserve at Jones Road located in Houston, Texas, comprised of 114 multi-family residential suites.
- (v) The Fund incurred a total of \$1,067 in transaction costs during the period as a result of the dispositions of investment properties.

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6. Properties held for sale

The Fund entered into a purchase and sale agreement to sell Villages at Sunset Ridge on November 22, 2017 (see note 27 – Subsequent events).

The net assets of Villages at Sunset Ridge as at December 31, 2017 were as follows:

	Villages at Sunset Ridge	
Investment properties	\$	28,364
Deposits		16
Tenant and other receivables		78
Prepaid expenses and other assets		14
Restricted cash		991
Cash		166
Assets of property held for sale		29,629
Tenant rental deposits		14
Accounts payable and accrued liabilities		68
Finance cost payable		63
Mortgage payable (net of finance costs of \$2)		21,528
Liabilities of property held for sale		21,673
Net assets held for sale	\$	7,956

The net loss for Villages at Sunset Ridge for the period from November 22, 2017 to December 31, 2017 was as follows:

	Villages at Sunset Ridge	
Revenue from property operations	\$	376
Expenses:		
Property operating costs		155
Income from operations		221
Finance costs		81
Trust expenses		12
Fair value adjustment investment properties		350
Loss before income taxes		(222)
Income Taxes - current		1
Net loss from property held for sale	\$	(223)

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

6. Properties held for sale (continued):

The Fund entered into a purchase and sale agreement to sell The Reserve at Jones Road on September 18, 2017 and on October 27, 2017 sold the property for \$14,350 less transaction costs of \$243 (see note 5 – Dispositions).

The net income for the property held for sale for the period from September 18, 2017 to December 31, 2017 was as follows:

	The Reserve at Jones Road
Revenue from property operations	\$ 169
Expenses:	
Property operating costs	112
Income from operations	57
Finance costs	37
Trust expenses	6
Fair value adjustment investment properties	(76)
Fair value adjustment IFRIC 21	-
Net income before taxes	90
Income taxes - current	-
Net income from property held for sale	\$ 90

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For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

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

7. Investment properties:

The following table summarizes the change in the investment properties for the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016:

Balance, August 26, 2016	\$	-
Acquisitions relating to the Plan of Arrangement (note 3)		909,118
Acquisitions of investment properties (note 4)		141,499
Capital additions		1,192
Fair value adjustment		1,090
IFRIC 21 property tax liability adjustment		3,515
<hr/>		
Balance, December 31, 2016		1,056,414
Acquisitions of investment properties (note 4)		200,912
Dispositions of investment properties (note 5)		(97,277)
Capital additions		8,029
Fair value adjustment		100,670
IFRIC 21 property tax liability adjustment		(908)
Investment property held for sale (note 6)		(28,364)
<hr/>		
Balance, December 31, 2017	\$	1,239,476

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

	December 31, 2017	December 31, 2016
Cost	\$ 1,163,473	\$ 1,051,809
Cumulative fair value adjustment	101,760	1,090
Cumulative IFRIC 21 property tax liability adjustment	2,607	3,515
Investment property held for sale (note 6)	(28,364)	-
<hr/>		
Balance	\$ 1,239,476	\$ 1,056,414

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

	December 31, 2017	December 31, 2016
Capitalization rates - range	4.74% to 5.25%	4.75% to 5.50%
Capitalization rate - weighted average	4.89%	5.06%

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7. Investment properties (continued):

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

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

Weighted average	Change	December 31, 2017	December 31, 2016
Capitalization rate	10-basis-points increase	\$ (25,628)	\$ (20,709)
Capitalization rate	10-basis-points decrease	\$ 26,697	\$ 21,549

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2017 would affect the fair value by approximately \$12,798 (2016 - \$10,654).

8. Tenant and other receivables:

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

	December 31, 2017	December 31, 2016
Tenant receivables, net	\$ 741	\$ 399
Other receivables	1,016	608
	\$ 1,757	\$ 1,007

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

9. Prepaid expenses and other assets:

The following table presents details of prepaid expenses:

	December 31, 2017	December 31, 2016
Prepaid insurance	\$ 1,355	\$ 661
Prepaid expenses	790	322
	\$ 2,145	\$ 983

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10. Restricted cash:

The following table presents details of the restricted cash balances:

	December 31, 2017	December 31, 2016
Escrowed funds:		
Property taxes	\$ 11,045	\$ 8,111
Replacement / repairs	1,512	1,098
Property insurance	595	1,187
Interest rate caps	39	304
Insurance proceeds	1,631	374
Internally restricted cash:		
Security deposits	730	574
	\$ 15,552	\$ 11,648

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

Insurance proceeds relate to settlement funds received in connection with remediation expenses at Yorktown Crossing caused by a fire that occurred on August 17, 2016 as a result of a lightning strike. One of the 13 buildings comprising 24 multi-family suites at the property was impacted. For the year ended December 31, 2017, \$323 (period from August 17, 2016 to December 31, 2016 - \$101) has been recognized in revenue from property operations relating to the insurance claim for loss of income since the fire occurred and \$2,055 was received in total insurance proceeds to replace the subject building (period from August 26, 2016 to December 31, 2016 - \$500). The Fund is currently in the process of rebuilding the 24 suites and expects the proceeds to be sufficient to cover the entire rebuild. As of December 31, 2017, \$1,129 has been incurred relating to the rebuild since the incident.

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

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For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

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11. Loans payable:

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

Property Name	Payment Terms	Maturity Date	Interest Rate	December 31, 2017	December 31, 2016
Mortgages Payable:					
Falls at Eagle Creek	MBPI	December 2021	LIBOR + 1.94%	\$ 33,641	\$ 34,350
Greenhaven Apartments	MBPI	December 2021	LIBOR + 1.97%	19,296	19,700
Villages of Towne Lake	MBPI	November 2022	4.02%	-	8,670
Sorelle Apartments (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	51,750	44,651
Belle Haven Apartments	IO	March 2018 + two one-year extension options	LIBOR + 2.00%	-	17,820
The Villages of Sunset Ridge	IO until August 2019	July 2025	LIBOR + 1.98%	-	21,695
Palm Valley	IO until April 2017	March 2025	LIBOR + 1.84%	31,074	31,575
Soho Parkway Apartments	IO until July 2017	June 2022	LIBOR + 1.96%	33,567	33,900
Broadstone Travesia	IO	April 2018 + one-year extension option	LIBOR + 1.75%	36,000	36,000
The Allure	IO until July 2019	July 2025	LIBOR + 1.98%	36,909	36,909
Residences at Cinco Ranch	IO	July 2017 + two one-year extension options	LIBOR + 2.00%	-	23,900
The Reserve at Jones Road	IO	December 2017 + two one-year extension options	LIBOR + 2.00%	-	9,200
Altis at Grand Cypress	IO until February 2018	January 2023	LIBOR + 2.25%	37,600	37,600
Verano Apartments (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	46,950	38,000
Boardwalk Med Center	IO	August 2017 + two-month extension option	LIBOR + 1.75%	-	23,238
South Boulevard (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	38,540	34,840
City North at Sunrise Ranch	IO	November 2019 + two one-year extension options	LIBOR + 2.00%	35,496	35,496
The Views at Coolray Field	IO	November 2019 + two one-year extension options	LIBOR + 1.90%	23,075	23,075
Pooled Mortgage (i)	IO	November 2021 + one-year extension option	LIBOR + 2.15%	279,968	171,679
Copperfield Apartments	IO	Jul 2020 + two one-year extension option	LIBOR + 2.00%	32,300	-
The Callie	IO	June 2020	LIBOR + 2.00%	30,500	-
Total mortgages payable				766,666	682,298
Mezzanine Loan:					
The Callie	IO	June 2020	9.25%	6,306	-
Total loans payable face value				772,972	682,298
Mortgage premium				-	(80)
Unamortized financing costs				(6,107)	(6,195)
Total loans payable carrying value				\$ 766,865	\$ 676,023

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For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

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

11. Loans payable (continued):

- (i) The Pooled Mortgage includes eight properties: The Village at Marquee Station, Falls at Copper Lake, Yorktown Crossing, The Reserves at Alafaya and Pure Living Heathrow as at December 31, 2016, with the additions of Carrick Bend and Spectra North following their acquisition and Boardwalk Med Center following its refinancing during the year ended December 31, 2017. With the expansion of the Pooled Mortgage from its original principal amount, the spread was reduced from 2.40% to 2.15%.
- (ii) On June 27, 2017, the Fund refinanced Sorelle Apartments, Verano Apartments and South Blvd Apartments and generated additional proceeds of \$18,617, net of \$1,304 in finance costs.

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

	December 31, 2017		December 31, 2016	
Non-current:				
Loans payable	\$	733,702	\$	587,990
Mortgage premium		-		(67)
Unamortized financing costs		(4,547)		(4,464)
		729,155		583,459
Current:				
Loans payable	\$	39,270	\$	94,308
Mortgage premium		-		(13)
Unamortized financing costs		(1,560)		(1,731)
		37,710		92,564
Balance	\$	766,865	\$	676,023

Future principal payments on loans payable are as follows:

	Principal payments		Balloon payments		Total
2018	\$	3,270	\$	36,000	\$ 39,270
2019		4,116		58,571	62,687
2020		5,937		67,926	73,863
2021		8,381		328,774	337,155
2022		6,990		30,241	37,231
Thereafter		10,036		212,730	222,766
Total	\$	38,730	\$	734,242	\$ 772,972

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12. Preferred shares – U.S. REIT's series A:

The Funds subsidiary U.S. REITs collectively have issued and outstanding 625 Series A, Preferred shares that are held by U.S. residents. The shares are redeemable at the option of the U.S. REITs, at a redemption value of \$1 per share. The shares pay a cumulative dividend at 12.5% per annum, semi-annually on June 30 and December 31. The shares have no voting rights.

13. Credit facility:

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

Both tranches consist of interest and fees payable on the first day of each month in arrears, up to and including the maturity date, at either the prime rate plus a weighted average of 3.39% over the life of the Credit facility or the banker's acceptance ("BA") stamping fee plus a weighted average of 4.39% over the life of the Credit facility.

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

As at December 31, 2017, the Fund had drawn \$14,322 (2016 - \$8,792) net of unamortized financing costs of \$26 (2016 - \$145) on the Credit facility including C\$10,000 from Tranche A and C\$8,000 from Tranche B (2016 - C\$10,000 from Tranche A and C\$2,000 from Tranche B). All amounts drawn were BA advances. A 0.50% standby fee is charged on any undrawn amount under the Credit facility. Included in finance costs is interest of \$505 (2016 - \$62) relating to the BA advances and \$19 (2016 - \$7) of standby fees for the period ended December 31, 2017.

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For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

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14. Derivative financial instruments:

(a) Interest rate cap

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate mortgages as required by the applicable lenders. Upon refinancing the mortgages on South Blvd Apartments, Verano Apartments and Sorelle Apartments, the Fund purchased interest rate caps for \$19, \$16 and \$19, respectively. As the Fund has elected not to use hedge accounting, an unrealized fair value loss of \$41 was recorded in finance costs in the consolidated statement of net income (loss) and comprehensive income (loss) for the year ended December 31, 2017 (2016 – gain \$6).

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

	Notional Amount	Maturity Date	LIBOR Strike	Carrying Value and Fair Value at December 31, 2017	Carrying Value and Fair Value at December 31, 2016
Commonwealth Bank of Australia	\$ 19,700	1-Nov-17	3.78%	\$ -	\$ -
Commonwealth Bank of Australia	34,350	1-Nov-17	4.06%	-	-
SMBC Capital Markets, Inc.	31,575	1-Mar-18	4.00%	-	-
Commonwealth Bank of Australia	33,900	1-Jun-18	3.54%	-	-
Commonwealth Bank of Australia	21,695	1-Jul-18	4.08%	-	-
Commonwealth Bank of Australia	36,909	1-Jul-18	4.00%	-	-
Commonwealth Bank of Australia	37,600	1-Jan-19	4.00%	-	3
SMBC Capital Markets, Inc.	38,000	1-Feb-19	3.75%	-	5
SMBC Capital Markets, Inc.	38,540	1-Jul-20	3.65%	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	1-Nov-18	3.78%	-	-
	\$ 443,999			\$ 21	\$ 8

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

Opening balance	\$ -
Acquisitions during the period, attributable to the Plan of Arrangement (note 3)	2
Unrealized gain for the period (note 21)	6
Balance, December 31, 2016	\$ 8
Purchases during the period	54
Unrealized loss for the period (note 21)	(41)
Balance, December 31, 2017	\$ 21

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14. Derivative financial instruments (continued):

(b) Variable rate collar

On March 9, 2017, the Fund entered into a variable rate collar contract with a Canadian chartered bank with an expiration date of March 9, 2018. The contract allows the Fund to exchange U.S. dollar funds for C\$29,400 in aggregate or C\$2,450 each month to provide the holders of Canadian dollar units with some protection against the weakening of the U.S. dollar up to the date of declaration of distributions. The contract provides the Fund with protection at a low of C\$1.3300 per U.S. dollar while participating to a high of C\$1.3850 per U.S. dollar. The fair value of the contract as at December 31, 2017 was \$327, resulting in an unrealized gain of \$327 for the year ended December 31, 2017.

15. Accounts payable and accrued liabilities:

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

	December 31, 2017	December 31, 2016
Tenant prepayments	\$ 908	\$ 841
Operating payables	488	956
Accrued liability for Yorktown Crossing (note 10)	1,247	-
Accrued property management fees, utilities, payroll, other	2,500	2,378
Accrued asset management fees	348	316
Accrued service fees	154	134
Deferred revenue	9	17
	\$ 5,654	\$ 4,642

16. Finance costs payable:

The following table presents the details of finance costs payable:

	December 31, 2017	December 31, 2016
Accrued interest on mortgages payable	\$ 2,161	\$ 1,448
Accrued interest on mezzanine loan	54	-
Accrued interest on Credit facility	1	7
Insurance financing	90	-
	\$ 2,306	\$ 1,455

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17. Fund and trust expenses:

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

	December 31, 2017	December 31, 2016
Asset management fees (note 20)	\$ 3,831	\$ 386
General and administrative expenses	859	753
Service fees (note 20)	628	134
One-time reorganization costs	152	6,633
	\$ 5,470	\$ 7,906

18. Net liabilities attributable to Unitholders:

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

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

	Units (000s')	Value
Units issued, August 26, 2016 (date of formation)	-	\$ -
Units issued relating to the Plan of Arrangement, October 18, 2016	43,597	268,412
Units issued on initial public offering	6,003	47,020
Units issued	49,600	315,432
Less issuance costs	-	(2,947)
Class A units repurchased and cancelled under NCIB	(196)	(1,296)
Additional units on conversion	4	-
Net loss and comprehensive loss	-	(7,898)
As at December 31, 2016	49,408	\$ 303,291
Class A units repurchased and cancelled under NCIB	(390)	(2,706)
Additional units on conversion	6	-
Net income and comprehensive income	-	93,860
As at December 31, 2017	49,024	\$ 394,445

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18. Net liabilities attributable to Unitholders (continued):

As at December 31, 2017, the Fund had 49,024,010 total 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. As at December 31, 2016, the Fund had 49,407,735 total limited partnership units outstanding comprised of 14,727,721 class A units, 13,511,722 class C units, 13,370,598 class D units, 3,459,420 class F units, 150,947 class H units, 2,317,979 class E units and 1,869,298 class U units.

The following table represents a summary of the changes in thousands of units by class:

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Units outstanding as at December 31, 2016	14,728	13,512	13,371	2,318	3,459	151	1,869	49,408
Units repurchased and cancelled under NCIB	(390)	-	-	-	-	-	-	(390)
Units reallocated due to conversions	(341)	-	570	288	(222)	(1)	(288)	6
Units outstanding as at December 31, 2017	13,997	13,512	13,941	2,606	3,237	150	1,581	49,024
	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Units outstanding, as at August 26, 2016	-	-	-	-	-	-	-	-
Units issued in the Plan of Arrangement, October 18, 2016	18,866	13,012	5,654	2,583	2,091	344	1,047	43,597
Units issued in the Offering, October 18, 2016	1,996	500	1,461	120	1,489	-	437	6,003
Units reallocated due to conversions	(5,938)	-	6,256	(385)	(121)	(193)	385	4
Units repurchased and cancelled under NCIB	(196)	-	-	-	-	-	-	(196)
Units outstanding as at December 31, 2016	14,728	13,512	13,371	2,318	3,459	151	1,869	49,408

On October 26, 2016, the Fund announced the TSX Venture Exchange ("TSX-V") had accepted the Fund's notice of intention to make the NCIB. Under the NCIB, the Fund may purchase for cancellation up to a maximum of 2,042,526 class A units and 268,912 class U units, representing 10% of the Fund's public float of class A units and class U units, respectively. The Fund may not purchase more than 2% of the issued and outstanding class A units or class U units during any 30-day period, which as at October 21, 2016, represented 417,231 class A units and 54,066 class U units, respectively.

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18. Net liabilities attributable to Unitholders (continued):

The NCIB commenced on November 1, 2016 and remained in effect until October 31, 2017. 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.

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

Carried Interest:

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

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

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

19. Segmented disclosure:

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

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20. Transactions with related parties:

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

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

- (a) Pursuant to the management agreement dated October 15, 2016 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the sum of:
 - (i) the appraised values of the Properties acquired in connection with the Plan of Arrangement, or in the case of future acquisitions, the purchase price of the Fund's properties in U.S. dollars; and
 - (ii) the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars
- (b) In addition, the Manager is to receive an amount equal to the service fee paid to registered dealers on the Fund's distributions, paid quarterly in arrears.

Included in Fund and trust expenses is \$3,849 in asset management fees and \$628 in service fees charged by the Manager (note 17) for the year ended December 31, 2017 (for the period from August 26, 2016 to December 31, 2016 - \$753 and \$134, respectively) of which \$502 is payable (note 15) at December 31, 2017 (2016 - \$450).

- (c) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by the Manager calculated as follows:
 - (i) 1.0% of the purchase price of a property, on the first \$100,000 of properties acquired in each calendar year;
 - (ii) 0.75% of the purchase price of a property, on the next \$100,000 of properties acquired in each calendar year; and
 - (iii) 0.50% of the purchase price on properties in excess of \$200,000 of properties acquired in each calendar year.

For the year ended December 31, 2017, the Fund incurred acquisition fees of \$1,759, which are paid at the time of acquisition and capitalized to investment properties (for the period from August 26, 2016 to December 31, 2016 - \$1,596).

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

20. Transactions with related parties (continued):

- (d) Pursuant to the Management Agreement, the Manager is entitled to receive an disposition fee equal to 0.5% up to a maximum of \$5,500 of the value of a "Disposition Transaction" defined as an amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund or an wholly owned subsidiaries of the Fund, whether in one transaction or a series of transactions. No such disposition fee is payable unless the value of the Disposition Transaction is greater than the aggregate appraised values at the time of acquisition by the Fund in relation to the Plan of Arrangement properties or acquisition properties as proposed in the Fund Offering. As of December 31, 2017, \$nil disposition fees have been paid or are payable.
- (e) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its wholly owned subsidiaries to indirectly acquire an interest in the properties, the Fund and each U.S. REITs will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee shall be calculated and payable in arrears on the first day of each month. As of December 31, 2017, \$nil guarantee fees have been paid or are payable.
- (f) Aggregate compensation to key management personnel was C\$358 for the year ended December 31, 2017 (for the period from August 26, 2016 to December 31, 2016 - C\$140). Compensation includes salaries and bonuses paid by the Manager, pursuant to the Management Agreement.

21. Finance costs:

	December 31, 2017	August 26, 2016 to December 31, 2016
Interest on mortgages payable	\$ 23,052	\$ 3,790
Interest on mezzanine loan payable	59	240
Interest and standby charges on Credit facility (note 13)	524	69
Amortization of mortgage premium	6	(7)
Amortization of financing costs	1,987	591
Loss on early extinguishment of debt	1,915	596
Fair value gain on derivative financial instruments (note 14)	(286)	(6)
Other interest	16	-
	\$ 27,273	\$ 5,273

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

22. Change in non-cash operating working capital:

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

	December 31, 2017	August 26, 2016 to December 31, 2016
Utility deposits	\$ (15)	\$ (59)
Tenant and other receivables	(775)	(215)
Prepaid expenses and other assets	(1,141)	1,729
Tenant rental deposits	(128)	16
Accounts payable and accrued liabilities	3,058	2,129
Finance cost payable	756	717
Distribution payable	(36)	1,601
	\$ 1,719	\$ 5,918

23. Commitments and contingencies:

At December 31, 2017, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2017 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable, to pay service fees on outstanding class A units and class U units and to distribute excess cash to Unitholders.

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

24. Capital management:

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

The Fund was in compliance with all financial covenants as at December 31, 2017 and December 31, 2016.

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

Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

25. Risk management:

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

(a) Credit risk:

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

(b) Market risk:

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

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for its variable rate mortgages. Loan agreements for some of the Fund's properties require the Fund to enter into an interest rate cap agreement once LIBOR reaches stipulated levels. As at December 31, 2017, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net income and comprehensive income on an annual basis by \$767 (for the period from August 26, 2016 to December 31, 2016 - \$138).

(c) Liquidity risk:

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

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

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Notes to the 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 thousands of U.S. dollars, unless otherwise noted)

25. Risk management (continued):

(d) Currency risk:

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

As at December 31, 2017, the Fund had entered into a variable rate collar arrangement to provide some protection against the impact of changes in the Canadian/U.S. dollar exchange rate on the Fund's monthly distributions on Canadian dollar units, see note 14(b) (2016 – no hedging or forward contracts).

26. Fair value measurement of financial instruments:

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

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

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

- (i) The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, Preferred shares – U.S. REIT's series A, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).
- (ii) Derivative financial instruments are considered as Level 2 financial instruments.
- (iii) The fair value of loans payable and Credit facility is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's loans payable and Credit facility as at December 31, 2017 and December 31, 2016 approximated their carrying value net of financing costs.

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For the year ended December 31, 2017 and the period from August 26, 2016 (date of formation) to December 31, 2016

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

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

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

27. Subsequent events:

On 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, one-year extension option at the Funds discretion and at an interest rate of 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 for \$6,418 and acquire Altis at Sand Lake for \$69,300, a 315-suite investment 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 of Atlis at Sand Lake was financed through the new revolving credit facility with proceeds of \$50,700.

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 property acquisition.

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.