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

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2018

November 7, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the condensed consolidated interim financial results of Starlight U.S. Multi-Family (No. 1) Value-Add Fund (the "Fund") dated November 7, 2018, for the three and nine months ended September 30, 2018 should be read in conjunction with the Fund's audited annual consolidated financial statements for the year ended December 31, 2017 and the unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 and accompanying notes thereto. These documents are available on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, average monthly rents ("AMR"), taxes, and plans and objectives of or involving the Fund. Particularly, matters described at "Future Outlook" are forward-looking information. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking information necessarily involves known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, assumptions may not be correct and objectives, strategic goals and priorities may not be achieved. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the inventory of multi-family real estate properties; the availability of properties for acquisition and the price at which such properties may be acquired; the availability of mortgage financing and current interest rates; the extent of competition for properties; the ability of the Fund to benefit from its value-add program; the population of multi-family real estate market participants; assumptions about the markets in which the Fund operates; the ability of Starlight Investments US AM Group LP or its affiliates (the "Manager") to manage and operate the properties of the Fund; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws.

Although the Fund believes the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing for such properties, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws. See "Risks and Uncertainties". The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

The forward-looking information included in this MD&A relate only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian securities law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether because of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

BASIS OF PRESENTATION

The Fund's unaudited condensed consolidated interim financial statements for the three and nine months ended September 30, 2018 have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("unit" or "units") and AMR information. All references to "C$" are to Canadian dollars.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as adjusted funds from operations ("AFFO"), AMR, cash provided by operating activities, including interest paid, economic occupancy, funds from operations ("FFO"), gross book value ("Gross Book Value"), indebtedness ("Indebtedness"), indebtedness coverage ratio ("Indebtedness Coverage Ratio"), Indebtedness to Gross Book Value, interest coverage ratio ("Interest Coverage Ratio") and net operating income ("NOI") are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net income (loss) and comprehensive income (loss), cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. AFFO, AMR, cash provided by operating activities, including interest paid, economic occupancy, FFO, Gross Book Value, Indebtedness, Indebtedness Coverage Ratio, Interest Coverage Ratio and NOI as computed by the Fund may not be comparable to similar measures as reported by other trusts or companies in similar or different industries. The Fund uses these measures to better assess the Fund's underlying performance and provides these additional measures so that investors may do the same.

AFFO is defined as FFO subject to certain additional adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans assumed; (ii) amortization of financing costs; (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Manager; (iv) vacancy costs associated with the suite upgrade program. Other adjustments may be made to AFFO as determined by the Manager. AFFO is presented in this MD&A as the Manager considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to unitholders of the fund ("Unitholders") after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital. AFFO has not been calculated in accordance with the Real Property Association of Canada ("RPAC") definition, as the Fund adjusts for non-cash items to better measure the sustainability of future distributions. This MD&A does not include a presentation of adjusted cash flow from operations as defined by RPAC.

AMR is defined as the total in place rents divided by the total number of suites occupied as at the reporting date.

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

Economic occupancy is calculated by taking effective net rent after considering vacancy and concessions and dividing by gross potential rent. The Fund considers this an important operating metric to evaluate the extent to which revenue potential is being realized.

FFO is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS, excluding fair value adjustments of the investment properties, fair value adjustments on derivative instruments, distributions to Unitholders of units classified as financial liabilities, International Financial Reporting Interpretations Committee 21 – *Levies* ("IFRIC 21") adjustment for property taxes, deferred income tax expense and realized or unrealized foreign exchange gains and losses, and provisions for carried interest. FFO payout ratio compares distributions declared to FFO. FFO is a measure of operating performance based on the funds generated from the business before reinvestment or provision for other capital needs. FFO is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of operating performance and is calculated in accordance with RPAC.

Gross Book Value is defined as the fair market value of the Fund's investment properties (the "Properties") as described under the Portfolio Summary. Gross Book Value is presented in this MD&A as the Fund considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness is defined as the face value of mortgages payable. Indebtedness is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Indebtedness Coverage Ratio is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS before deferred taxes and provisions for carried interest plus finance costs, which include amortization of financing costs and mortgage premiums, fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest and principal payments. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the Fund's debt service obligations. Indebtedness Coverage Ratio is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

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

Interest Coverage Ratio is defined as net income (loss) and comprehensive income (loss) in accordance with IFRS before deferred taxes and provisions for carried interest plus finance costs, which includes amortization of financing costs and mortgage premiums, fair value adjustments on derivative instruments, less finance income and adjusted for other non-cash items divided by interest expense. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

NOI is defined as all property revenue, less direct property costs such as utilities, property taxes (normalized to remove the impact from IFRIC 21 for each reporting period), repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis.

Same property operating results and NOI (revenue less property operating costs and realty taxes) are presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's operating performance for Properties owned by the Fund continuously for a selected reporting period and does not take into account the impact of the operating performance of the Properties acquired during or subsequent to the reporting period.

Reconciliations of net income (loss) and comprehensive income (loss) to FFO and AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operating activities including interest paid to AFFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and property taxes is provided herein at "Financial and Operational Highlights".

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario M8X 2X3. The term of the Fund is targeted to be three years (the "Term"), with two one-year extensions available subject to approval by Starlight U.S. Multi-Family (No. 1) Value-Add GP, Inc., the general partner of the Fund ("Starlight GP"). The Fund may be extended beyond five years by special resolution of the Unitholders. After the closing of the Fund's initial public offering (the "Offering") on June 16, 2017, the Fund acquired two Properties (the "Initial Properties") consisting of a combined 943 suites. The Initial Properties were located in Austin, Texas and Phoenix, Arizona. On January 9, 2018, the Fund acquired a 50% interest in Landmark at Coventry Pointe ("Coventry Pointe"), a 250 suite property located in Atlanta, Georgia. On June 12, 2018 the Fund acquired an additional 41.5% (approximately) of Coventry Pointe providing the Fund with a controlling interest in the property.

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

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. Indirectly acquire, own, and operate a portfolio comprised of value-add, income producing multi-family properties that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management that are located primarily in the States of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas (the "Primary Markets");
2. Make stable monthly cash distributions;
3. Increase rental rates through light value-add capital expenditures and the use of revenue management software;
4. Enhance revenue through ancillary income opportunities and reduce operating expenses through active asset management with the use of best-in-class property managers to generate economies of scale with the goal of ultimately directly or indirectly disposing of its interests in the assets by the end of the Term.

INVESTMENT STRATEGY

The Fund was established for the purpose of investing indirectly in value-add, income producing multi-family properties in the U.S. multi-family real estate market that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management. The Manager believes the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate asset classes.

ACQUISITION OF VALUE-ADD U.S. MULTI-FAMILY REAL ESTATE

1. Identify value-add acquisition opportunities in the U.S. multi-family residential market by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off-market" opportunities.
2. Target multi-family assets that are:
   a. properties that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management;
   b. strategically located in the Primary Markets with strong job, population and economic growth rates;
   c. strategically located within their respective suburban submarkets with barriers to new development; and
   d. stabilized, with the potential to benefit from an active management strategy.
3. Complete a comprehensive due diligence program, including cash flow and value-add return modeling, operating expense reviews, and third-party reports including market studies, structural and environmental assessments and appraisals.
4. Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.
5. Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors.

ASSET VALUE ENHANCEMENT THROUGH ACTIVE MANAGEMENT STRATEGY

1. Utilize the Manager's network to source attractive future acquisitions from private equity funds, operators and other real estate asset managers.
2. Increase rental rates through value-add capital improvement programs, including targeted light value-add capital expenditures to rental suites (e.g. kitchen, bathrooms, fenced-in yards, etc.), clubhouse and resident amenity spaces and modernization improvements, rental rate mapping and the use of yield management software.
3. Seek ancillary income opportunities (e.g.door-to-door waste pick-up service).
4. Reduce operating expenses such as staffing, maintenance contracts, advertising and insurance through economies of scale.
5. Utilize reputable best-in-class U.S.-based property managers.

ARIZONA, COLORADO, FLORIDA, GEORGIA, NEVADA, NORTH CAROLINA, TENNESSEE AND TEXAS

The Manager targets acquisitions in the Primary Markets, where markets feature:

a) compelling population, economic and employment growth rates;

b) 'landlord friendly' legal environments; and

c) comfortable climates and quality of life.

The Fund expects to indirectly acquire additional properties in the Primary Markets and the Manager believes that each of the Primary Markets exhibits the characteristics highlighted above.

VALUE REALIZATION THROUGH STRATEGIC DISPOSITIONS

1. The Manager expects asset value increases to be realized through a combination of NOI growth, achieved by, among other things, capital expenditures resulting in increased rental rates and a pricing premium on the aggregated portfolio.
2. The Manager, on behalf of the Fund, plans to execute dispositions throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.
3. The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

PORTFOLIO SUMMARY

As at September 30, 2018, the Fund had an interest in three Properties that have an aggregate of 1,193 suites and are located in the States of Arizona, Georgia and Texas.

Property	Location	Ownership Interest	Suites	Year Completed	Rentable Area (Sq. Ft)	Average Suite Size (Sq. Ft)	Land Area (Acres)	Date of Original Acquisition
Landing at Round Rock	7711 O'Connor Road, Round Rock, Texas	100%	583	2001	716,701	1,229	33.21	June 16, 2017
Austin, Texas			**583**	**2001**	**716,701**	**1,229**	**33.21**	
Coventry Pointe	100 Veranda Chase Drive, Lawrenceville, Georgia	91.5%	250	2002	328,558	1,314	35.50	January 9, 2018 (50%) & June 12, 2018 (41.5%)
Atlanta, Georgia			**250**	**2002**	**328,558**	**1,314**	**35.50**	
Spectra South	20425 North 7th Street, Phoenix, Arizona	100%	360	2007	315,360	876	11.35	June 16, 2017
Phoenix, Arizona			**360**	**2007**	**315,360**	**876**	**11.35**	
Total (Average)			**1,193**	**(2003)**	**1,360,619**	**1,141**	**80.06**	

THE LANDING AT ROUND ROCK

The Landing at Round Rock (the "Landing") is located at 7711 O'Connor Road, Round Rock, Texas, 30 kilometres north of downtown Austin. Completed in 2001, the property is comprised of 44 three-storey garden-style apartments on a 33.21 acre site and offers 583 suites ranging in size from one bedroom to four bedrooms.

SPECTRA SOUTH

Spectra South is located at 20425 North 7th Street, Phoenix, Arizona, 32 kilometres north of downtown Phoenix. Completed in 2007, the property is comprised of 19 three-storey garden-style apartments on a 11.35 acre site and offers 360 suites ranging in size from one bedroom to three bedrooms.

LANDMARK AT COVENTRY POINTE

Coventry Pointe is located at 100 Veranda Chase Drive, Lawrenceville, Georgia, 40 kilometres north east of downtown Atlanta. Completed in 2002, the property is comprised of 17 three and four storey garden-style buildings on a 35.5 acre site and offers 250 suites ranging in size from one bedroom to three bedrooms.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at September 30, 2018 and for the three and nine months ended September 30, 2018. Results are compared against the Fund's financial and operational performance as at December 31, 2017, the three months ended September 30, 2017 and for the period from April 24, 2017 to September 30, 2017 ("Initial Operating Period").

KEY HIGHLIGHTS:

- On June 12, 2018, the Fund acquired an additional 41.5% approximate interest in Coventry Pointe, a 250 suite value-add property located in Atlanta, Georgia for $15,596. The Fund financed the acquisition through proceeds generated from the refinancing of the Landing. The Fund now owns approximately 91.5% of Coventry Pointe.

- The Fund continued to implement its value-add capital improvement program where since inception of the Fund, 172 suites have been upgraded and re-leased achieving average rent increases of $159 per month per suite and an estimated average return on investment of 24.3%. The rental premiums and returns increased during the three months ended September 30, 2018 as the Fund completed 42 suites which were upgraded and re-leased achieving average rent increases of $170 per month per suite and an estimated average return on investment of 25.7%. The Fund's value-add initiatives continue to result in significant improvements to common areas, amenities and building exteriors.

- Revenue from property operations for the three months ended September 30, 2018, was $4,446 (2017 – $3,505), representing an increase of $941 or 26.8%. The increase in revenue was due to a 3.1% increase in revenue on a same property basis, as well as additional revenue from the acquisition of 50% of Coventry Pointe on January 9, 2018 and the additional 41.5% approximate interest acquired on June 12, 2018.

- AMR grew from $1,206 as at June 30, 2018 to $1,218 as at September 30, 2018 representing an annualized increase of 4.0% reflecting the impact of the Fund's value-add capital improvements program. On a same-property basis, AMR grew 2.5% from September 30, 2017 to September 30, 2018.

- Economic occupancy for the three months ended September 30, 2018 was 92.5% (2017 – 92.8%). Economic occupancy increased by 280bps from the three months ended June 30, 2018.

- For the three months ended September 30, 2018, NOI was $2,510 (2017 - $1,996), representing an increase of $514 mainly due to the acquisition of Coventry Pointe in 2018 as well as a 2.9% increase in same property NOI.

- The Fund recognized a fair value gain on investment properties amounting to $10,999 in the Third Quarter.

- Net income and comprehensive income attributable to Unitholders of $5,782 for the three months ended September 30, 2018 (2017 – income of $2,924).

- AFFO for the three months ended September 30, 2018 was $778 and the AFFO payout ratio was 123.2% (2017 - $865 and 117.9%). The increase in the payout ratio and AFFO was due to increases in NOI offset by increased mortgage interest expense due to increases in U.S. 30-day London Interbank Offering Rate ("LIBOR").

- As at September 30, 2018, the weighted average interest rate on mortgages payable was 4.26% and the weighted average term to maturity was 1.92 years.

- The Fund continued to have a variable rate collar contract in place to provide protection from the impact of any potential weakening of the U.S. dollar on the Fund's Canadian dollar distributions. The existing contract expires on November 30, 2018 and allows the Fund to exchange U.S. funds each month within a range of C$1.2680 to C$1.3400.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

		IFRS - As at September 30, 2018	Adjusted - As at September 30, 2018 (1)	As at December 31, 2017
Operational Information				
Number of properties		3	3	2
Total suites		1,193	1,172	943
Economic occupancy (2)		90.4%	90.4%	90.9%
Same property AMR (in actual dollars)		$ 1,248	$ 1,248	$ 1,212
Same property AMR per square foot (in actual dollars)		$ 1.15	$ 1.15	$ 1.13
Summary of Financial Information				
Gross Book Value		$225,110	$221,777	$161,142
Indebtedness		$139,653	$137,508	$104,950
Indebtedness to Gross Book Value		62.0%	62.0%	65.1%
Weighted average mortgage interest rate		4.26%	4.26%	3.41%
Weighted average mortgage term to maturity		1.92 years	1.92 years	2.50 years

	IFRS - Three months ended September 30,2018 (3)	Adjusted - Three months ended September 30, 2018 (4)	Three months ended September 30, 2017	IFRS - Nine months ended September 30, 2018 (3)	Adjusted - Nine months ended September 30, 2018 (4)	Period from April 24, 2017 to September 30, 2017
Revenue from property operations	$4,524	$4,446	$3,505	$11,456	$12,134	$4,091
Property operating costs	($1,346)	($1,310)	($895)	($3,186)	($3,389)	($1,030)
Property taxes (5)	($626)	($626)	($614)	($2,005)	($2,005)	($716)
Income from rental operations / **NOI**	$2,552	**$2,510**	**$1,996**	$6,265	**$6,740**	**$2,345**
Net income and comprehensive income	$5,782	$5,782	$2,924	$10,279	$10,279	$2,987
FFO		$743	$863		$1,669	$995
FFO per unit - basic and diluted		$0.09	$0.10		$0.20	$0.12
AFFO		$778	$865		$2,200	$997
AFFO per unit - basic and diluted		$0.10	$0.10		$0.27	$0.12
Interest coverage ratio		1.57 x	2.06 x		1.60 x	1.52 x
Indebtedness coverage ratio		1.57 x	2.06 x		1.60 x	1.52 x
FFO payout ratio		129.1%	118.2%		178.9%	102.5%
AFFO payout ratio		123.2%	117.9%		135.7%	102.3%
Weighted average units Outstanding (000s) - basic and diluted		8,182	8,180		8,181	8,180

(1) Total suites, gross book value and indebtedness include the proportionate amounts of the Fund's approximate 91.5% interest in Coventry Pointe.

(2) Economic occupancy for the nine months ended September 30, 2018 and December 31, 2017. For the the months ended June 30, 2018, economic occupancy increased by 280bps to 92.5%.

(3) Revenue from property operations, property operating costs and property taxes are those reported in the condensed consolidated interim financial statements, adjusted for the impact of IFRIC 21. Net income excludes any amounts attributable to the non-controlling interest during each period.

(4) Revenue from property operations, property operating costs, property taxes and NOI include the proportionate amounts for the Fund's 50% interest in Coventry Pointe prior to June 12, 2018 and approximate 91.5% interest in Coventry Pointe from June 12 - September 30, 2018.

(5) Property taxes w ere adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year for the purpose of calculating NOI.

FINANCIAL PERFORMANCE

	Three months ended September 30, 2018	Adjusted - Three months ended September 30, 2018 (1)	Three months ended September 30, 2017	Nine months ended September 30, 2018	Adjusted - Nine months ended September 30, 2018 (1)	Period from April 24, 2017 to September 30, 2017
Revenue from property operations	$ 4,524	$ 4,446	$ 3,505	$ 11,456	$ 12,134	$ 4,091
Property operating costs	(1,346)	(1,310)	(895)	(3,186)	(3,389)	(1,030)
Property taxes (2)	-	-	-	(2,645)	(2,645)	-
Income from property operations	3,178	3,136	2,610	5,625	6,100	3,061
Share of income from investment in joint venture	-	-	-	960	-	-
Finance costs	(1,584)	(1,560)	(918)	(4,180)	(4,366)	(1,063)
Distributions to Unitholders	(959)	(959)	(1,020)	(2,986)	(2,986)	(1,020)
Dividends to preferred shareholders U.S. REIT series A	(4)	(4)	-	(12)	(12)	-
Fund and trust expenses	(256)	(253)	(207)	(788)	(784)	(278)
Unrealized foreign exchange gain (loss)	4	4	(6)	5	5	(3)
Fair value adj. of investment properties	10,999	10,595	5,678	21,761	21,997	5,678
Fair value adjustment IFRIC 21	(633)	(633)	(614)	673	607	(716)
Provision for carried interest	(1,552)	(1,552)	-	(3,289)	(3,289)	-
Non-controlling interest	(419)	-	-	(426)	-	-
Income taxes:						
Current	(8)	(8)	(8)	(22)	(22)	(9)
Deferred	(2,984)	(2,984)	(2,591)	(7,042)	(6,971)	(2,663)
Net income and comprehensive income	**$ 5,782**	**$ 5,782**	**$ 2,924**	**$ 10,279**	**$ 10,279**	**$ 2,987**

Notes

(1) The adjusted results for the three and nine months ended September 30, 2018 reflect the financial results assuming proportionate consolidation of Coventry Pointe during each respective reporting period. This property is not w holly ow ned by the Fund and previously had income being reported as share of income from investment in joint venture up to June 12, 2018. Subsequent to June 12, 2018, the property's revenue from property operations, property operating costs, property taxes and all other income and expenses of the Property has been fully consolidated. For periods subsequent to June 12, 2018, a portion of the income for Coventry Pointe has been allocated to the non-controlling interest w hich has an approximate 8.5% ow nership in this property. For each period presented herein, the results reflect the net income attributable to the Unitholders and excludes amounts that are attributable to any non-controlling interest ow nership during each period.

(2) As a result of the IFRIC 21 treatment of property taxes, the financial performance of the Fund includes property taxes for the full fiscal year as an expense during the three months ended March 31, 2017 and 2018. See Results of Operations for NOI excluding the impact of the IFRIC 21 adjustment during the three and nine months ended September 30, 2017 and 2018.

RESULTS OF OPERATIONS

The figures discussed below are those adjusted for the ownership of Coventry Pointe (see "Financial Performance").

	Three months ended September 30, 2018 (1)	Three months ended September 30, 2017	% Change	Nine months ended September 30, 2018 (2)	Period from April 24, 2017 to September 30, 2017
Revenue from property operations	$ 4,446	$ 3,505	26.8%	$ 12,134	4,091
Property operating costs	(1,310)	(895)	(46.4%)	(3,389)	(1,030)
Property taxes (3)	(626)	(614)	(2.0%)	(2,005)	(716)
NOI	$ 2,510	$ 1,996	25.8%	$ 6,740	$ 2,345
NOI margin	56.5%	57.0%		55.5%	57.3%

(1) Revenue from property operations, property operating costs, property taxes and NOI include the amounts relating to the Fund's approximate 91.5% interest in Coventry Pointe from July 1 - September 30, 2018.

(2) Revenue from property operations, property operating costs, property taxes and NOI include the amounts relating to the Fund's 50% interest in Coventry Pointe prior to June 12, 2018 and approximate 91.5% interest in Coventry Pointe from June 12 - June 30, 2018.

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

REVENUE FROM PROPERTY OPERATIONS

Revenue from property operations for the three months ended September 30, 2018 was $4,446 (2017 – $3,505), representing an increase of $941 or 26.8%. The increase in revenue was due to a 3.1% increase in revenue on a same property basis (see "Revenue from Property Operations – Same Property"), as well as additional revenue following the acquisition of 50% of Coventry Pointe on January 9, 2018 and the additional approximately 41.5% interest acquired on June 12, 2018.

Economic occupancy for the three months ended September 30, 2018 was 92.5% (September 30, 2017– 92.8%) (see "Occupancy"). AMR for the total portfolio was unchanged year over year due to the interests acquired in Coventry Pointe which has lower average rents and increased 2.5% on a same property basis (see "Average Monthly Rent").

Revenue from property operations for the nine months ended September 30, 2018 was $12,134 (Initial Operating Period - $4,091), representing an increase of $8,043 compared to the Initial Operating Period which included only a partial year of operations due to the formation of the Fund on April 24, 2017. Revenue also increased following the acquisition of 50% of Coventry Pointe on January 9, 2018 and the additional approximately 41.5% interest acquired on June 12, 2018.

Economic occupancy was 90.4% for the nine months ended September 30, 2018 (Initial Operating Period – 92.8%) (see "Occupancy").

The Fund continues to realize rental premiums at the Properties as a result of leasing recently upgraded units following the implementation of the value-add program (see "Value-Add Initiatives").

PROPERTY OPERATING COSTS

For the three months ended September 30, 2018, property operating costs were $1,310 (2017 - $895), representing an increase of $415 or 46.4% mainly due to the acquisition of Coventry Pointe in 2018 as well as increases in same property operating costs (see "Property Operating Costs – Same Property").

For the nine months ended September 30, 2018, property operating costs were $3,389 (Initial Operating Period - $1,030), representing an increase of $2,359 compared to the Initial Operating Period which included only a partial year of operations due to the formation of the Fund on April 24, 2017. Property operating costs also increased following the acquisition of 50% of Coventry Pointe on January 9, 2018 and the additional approximately 41.5% interest acquired on June 12, 2018.

PROPERTY TAXES

For the three months ended September 30, 2018, property taxes were $626 (2017 - $614), representing an increase of $12 or 2.0%. Property taxes include adjustments made in the three months ended September 30, 2018 and 2017 to update the Fund's estimate of property taxes for 2018 based on assessed values. Excluding the adjustments, property taxes increased for three months ended September 30, 2018 by 20.2% mainly due to the acquisition of Coventry Pointe in 2018 as well as increases in same property taxes (see Property Taxes – Same Property").

For the nine months ended September 30, 2018, property taxes were $2,005 (Initial Operating Period - $716), representing an increase of $1,289 compared to the Initial Operating Period which included only a partial year of operations due to the formation of the Fund on April 24, 2017. Property taxes reflect the acquisition of 50% of Coventry Pointe on January 9, 2018 and approximately 41.5% on June 12, 2018.

NOI

For the three months ended September 30, 2018, NOI was $2,510 (2017 - $1,996), representing an increase of $514 mainly due to the acquisition of Coventry Pointe in 2018 as well as increases in same property NOI (see "NOI – Same Property").

For the nine months ended September 30, 2018, NOI was $6,740 (Initial Operating Period - $2,345), representing an increase of $4,395 compared to the Initial Operating Period which included only a partial year of operations due to the formation of the Fund on April 24, 2017. NOI reflects the acquisition of 50% of Coventry Pointe on January 9, 2018 and approximately 41.5% on June 12, 2018.

For the three and nine months ended September 30, 2018, NOI margins were 56.5% and 55.5%, respectively (2017 – 57.0% and Initial Operating Period 57.3%).

VALUE-ADD INITIATIVES

The Fund is currently working on a number of value enhancing initiatives at the Properties.

At Spectra South, the Fund completed the full painting of the exterior buildings during the first quarter of 2018. In the second quarter of 2018 repairs and upgrades to the parking lot and entry way were completed. The Fund plans to complete the following in the near term: refinish the pool and add additional pool furniture along with the ongoing suite upgrade program that includes new plank flooring, upgraded lighting, kitchen faucets, cabinets, bathroom lighting, bathroom hardware and painting. The Fund is currently evaluating a Phase II upgrade program that would add quartz countertops, tiled backsplash and upgraded sinks to the kitchens of previously upgraded suites. The second generation program would provide an additional rent premium to the Phase I upgrades, resulting in accretive returns and providing a very high quality of suite finishes.

At the Landing, the Fund completed upgrades to the main clubhouse in the second quarter of 2018 including the relocation of the leasing office, adding a Wi-Fi café and package locker system and repurposing the movie theatre and games room. In the third quarter of 2018, the Fund completed the creation of a barbeque grilling centre. The Fund plans to complete the following in the near term: exterior painting, enhancement of the pool including pool deck redesign, landscape upgrades, new pool furniture and games area, putting green and an outdoor spin bicycle area. The Fund is in the process of completing a suite upgrade program that includes new plank flooring, stainless steel appliances, upgraded lighting, refinishing kitchen cabinets, kitchen plumbing, installing quartz countertops in kitchens and bathrooms, upgraded bathroom sinks and faucets, lighting and hardware.

At Coventry Pointe, upgrades to the fitness centre, enhancements to the pool area, new pool furniture and the addition of a grilling station were completed in the second quarter of 2018 while painting of building exterior trim and bay window repairs were completed in the third quarter of 2018. The Fund also commenced upgrades to the main clubhouse in the third quarter of 2018, including the leasing office, and expects it to be completed in the first quarter of 2019. In addition, the Fund plans to complete enhancements to landscaping, parking lot repairs and continue to work through its ongoing suite upgrade program in the near term, which includes new plank flooring, stainless steel appliances, refinished kitchen cabinets, quartz countertops, backsplashes and upgraded lighting, sinks, faucets and hardware in the kitchens and bathrooms.

The planned suite upgrades at all three Properties are expected to continue to generate significant increases in rental rates and attractive returns on the capital invested.

The Fund continued to implement its value-add capital improvement program where since inception of the Fund, 172 suites have been upgraded and re-leased achieving average rent increases of $159 per month per suite and an estimated average return on investment of 24.3%.

During the three months ended September 30, 2018, the rental premiums and returns increased as the Fund completed 42 suites which were upgraded and re-leased achieving average rent increases of $170 per month per suite and an estimated average return on investment of 25.7%. The Fund's value-add initiatives continue to result in significant improvements to common areas, amenities and building exteriors.

The following table presents the results achieved on the suite upgrade program during the three months ended September 30, 2018 and for the period from April 24, 2017 to September 30, 2018.

	Three months ended September 30, 2018			April 24, 2017 to September 30, 2018		
	Number of Suites Upgraded and Leased	Rental Premium (per suite, per month) in actual dollars	Return on Investment	Number of Suites Upgraded and Leased	Rental Premium (per suite, per month) in actual dollars	Return on Investment
The Landing	10	$ 225	22.8%	56	$ 225	22.8%
Spectra South	26	$ 129	27.5%	108	$ 118	25.2%
Coventry Pointe (1)	6	$ 255	22.7%	8	$ 254	22.6%
Total Portfolio	**42**	**$ 170**	**25.7%**	**172**	**$ 159**	**24.3%**

(1) The Fund acquired a 50% interest in Coventry Pointe on January 9, 2018 and an additional approximate 41.5% interest on June 12, 2018.

AVERAGE MONTHLY RENT

The following table presents AMR (in actual dollars) as at September 30, 2018 and September 30, 2017:

	Total Portfolio as at September 30, 2018 and September 30, 2017			
Properties	**Suites**	**2018 AMR**	**2017 AMR**	**%**
The Landing	583	$ 1,385	$ 1,354	2.3%
Spectra South	360	$ 1,028	$ 998	2.9%
Coventry Pointe	250	$ 1,102	-	N/A
Total Portfolio	**1,193**	**$ 1,218**	**$ 1,218**	**0.0%**
Same Property	**943**	**$ 1,248**	**$ 1,218**	**2.5%**

For the total portfolio, AMR was unchanged as a result of the addition of Coventry Pointe, which has a lower AMR relative to the weighted average AMR of Spectra South and the Landing. On a same property basis, AMR increased 2.5%, with increases in Spectra South and the Landing of 2.3% and 2.9%, respectively. AMR growth at the Landing was impacted by lower occupancy in the larger three and four bedroom units with higher average rents. As at September 30, 2018, Coventry Pointe AMR was $1,102, which represented an annualized 2.9% increase in rents during the three months ended September 30, 2018 (see "Quarterly AMR and Occupancy").

The Fund continues to realize rental premiums at the Properties as a result of leasing recently upgraded units following the implementation of the value-add program

OCCUPANCY

The following table presents economic occupancy of the Properties for the three and nine months ended September 30, 2018, compared to the three months ended September 30, 2017 and for the period from April 24, 2017 to September 30, 2017:

Properties	**Three months ended September 30, 2018**	**Three months ended September 30, 2017**	**Nine months ended September 30, 2018 (1)**	**April 24, 2017 to September 30, 2017**
The Landing	92.3%	94.1%	88.5%	94.1%
Spectra South	92.6%	90.1%	92.1%	90.1%
Coventry Pointe (1)	93.1%	-	93.9%	-
Total Portfolio	**92.5%**	**92.8%**	**90.4%**	**92.8%**
Total Same Property	**92.4%**	**92.8%**	N/A	N/A
(1) Economic occupancy from January 9, 2018 to September 30, 2018.				

The Fund's economic occupancy was 92.5% for the three months ended September 30, 2018 (2017 – 92.8%). On a same property basis, economic occupancy was 92.4% during the three months ended September 30, 2018 (2017 – 92.8%). The reduction in both total portfolio and same property was mainly due to lower occupancy in three and four bedroom units at The Landing, which was partly offset by higher occupancy at Spectra South. On a weighted average basis, the decline in occupancy at the Landing exceeded the increase in occupancy achieved at Spectra South as a result of the relative size of each Property.

The Fund's economic occupancy was 90.4% for the nine months ended September 30, 2018 (Initial Operating Period – 92.8%). The reduction was mainly due to lower occupancy in three and four bedroom units at the Landing, the clubhouse renovation at the Landing which occurred during the second quarter of 2018 and is now complete and was partly offset by higher occupancy of Spectra South. Coventry Pointe economic occupancy for the three months ended September 30, 2018 was 93.1% (three months ended June 30, 2018 – 93.5%). On a weighted average basis, the decline in occupancy at the Landing exceeded the increase in occupancy at Spectra South and the impact of the addition of Coventry Pointe given the relative size of each Property.

QUARTERLY AMR AND OCCUPANCY

The table below outlines the Fund's Quarterly AMR and economic occupancy results:

	September 30, 2018			June 30, 2018			March 31, 2018			December 31, 2017			September 30, 2017		
Properties	Suites	AMR	Econ. Occ %	Suites	AMR	Econ. Occ %	Suites	AMR	Econ. Occ %	Suites	AMR	Econ. Occ %	Suites	AMR	Econ. Occ %
The Landing	583	$1,385	92.3%	583	$1,367	87.9%	583	$1,354	85.3%	583	$1,348	88.3%	583	$1,354	94.1%
Spectra South	360	$1,028	92.6%	360	$1,023	90.9%	360	$ 996	92.7%	360	$1,003	89.5%	360	$ 998	90.1%
Coventry Pointe [(1)]	250	$1,102	93.1%	250	$1,094	93.5%	250	$1,077	94.9%	-	-	-	-	-	-
Total	**1,193**	**$1,218**	**92.5%**	**1,193**	**$1,206**	**89.7%**	**1,193**	**$1,188**	**88.3%**	**943**	**$1,212**	**88.7%**	**943**	**$1,223**	**92.8%**

(1) Coventry Pointe AMR for March 31, 2018, June 30, 2018 and September 30, 2018 is based on the Fund's approximate 91.5% ownership for comparability purposes.

During the three months ended September 30, 2018, the Landing's AMR increased by $18 or 5.3% on an annualized basis, Spectra South AMR increased by $5 or 2.0% on an annualized basis and Coventry Pointe's AMR increased by $8 or 2.9% on an annualized basis. Overall, the Fund's AMR growth on an annualized basis for the three months ended September 30, 2018 was 4.0% reflecting the impact of the Fund's value-add initiatives.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results include the Properties owned by the Fund for the three and nine months ended September 30, 2018 and September 30, 2017 (representing 943 suites). There are no same property results for the nine months ended September 30, 2018 given the Initial Operating Period commenced on April 24, 2017.

	Three months ended September 30, 2018	Three months ended September 30, 2017	% Change
Revenue from property operations	$ 3,612	$ 3,505	3.1%
Property operating costs	(1,006)	(895)	(12.4%)
Property taxes [(1)]	(552)	(614)	10.1%
NOI	**$ 2,054**	**$ 1,996**	2.9%
NOI margin	**56.9%**	**57.0%**	

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

REVENUE FROM PROPERTY OPERATIONS – SAME PROPERTY

Same property revenue from property operations for the three months ended September 30, 2018 of $3,612 (2017 - $3,505) represented an increase of $107 or 3.1% primarily driven by increases in same property AMR and increases in same property ancillary income, being partly offset by a slight reduction in same property economic occupancy.

Same property AMR increased by $30 or 2.5% reflecting the impact of the value-add initiatives at the Landing and Spectra South.

Same property economic occupancy was 92.4% for the three months ended September 30, 2018 (2017 – 92.8%). The reduction was due to lower occupancy at the Landing. On a weighted average basis, the decline in occupancy at the Landing exceeded the increase in occupancy achieved at Spectra South as a result of the relative size of each Property (see "Occupancy").

PROPERTY OPERATING COSTS – SAME PROPERTY

Same property operating costs for the three months ended September 30, 2018 were $1,006 (2017 – $895), an increase of $111 or 12.4%, compared to the same period in prior year. The increase was primarily due higher salaries and benefits and administration costs.

PROPERTY TAXES – SAME PROPERTY

Same property taxes for the three months ended September 30, 2018 were $552 (2017 - $614), a decrease of $62 or 10.1% compared to the same period in prior year. The reduction was due to adjustments made in the three months ended September 30, 2018 and 2017 to update the Fund's estimate of property taxes for 2018 based on assessed values. Excluding these adjustments, same property taxes increased for three months ended September 30, 2018 by 7.5%.

NOI – SAME PROPERTY

Same Property NOI for the three months ended September 30, 2018 was $2,054 (2017 - $1,996), representing an increase of $58 or 2.9%. The increase was mainly driven by AMR growth, higher ancillary income and reductions in reported property tax amounts being partly offset by reductions in occupancy and higher same property operating costs.

Same Property NOI margin for the three months ended September 30, 2018 was 56.9% compared to 57.0% for the same period in the prior year.

OTHER INCOME AND EXPENSES

FINANCE COSTS

The Fund's finance costs for the three and nine months ended September 30, 2018 compared to the three months ended September 30, 2017 and for the period from April 24, 2017 to September 30, 2017 are summarized below. Please note that the figures discussed below are adjusted for the ownership of Coventry Pointe (see "Financial Performance").

	Three months ended September 30, 2018 (2)	Three months ended September 30, 2017	Nine months ended September 30, 2018 (1)	Period from April 24, 2017 to September 30, 2017
Interest on mortgages payable	$ 1,434	$ 857	$ 3,683	$ 992
Amortization of financing costs	65	61	204	71
Fair value adjustments on derivative instruments	61	-	134	-
Loss on early extinguishment of debt	-	-	345	-
Total	**$ 1,560**	**$ 918**	**$ 4,366**	**$ 1,063**

(1) Interest on mortgages payable and amortization of financing costs include the respective amounts for the Fund's 50% interest in Coventry Pointe prior to June 12, 2018 and approximate 91.5% interest in Coventry Pointe from June 12 - September 30, 2018.

(2) Interest on mortgages payable and amortization of financing costs include the respective amounts for the Fund's approximate 91.5% interest in Coventry Pointe from July 1 - September 30, 2018.

Interest on Mortgages payable

Interest on mortgages payable for the three months ended September 30, 2018 was $1,434 compared to $857 for the same period in 2017. For the nine months ended September 30, 2018, interest on mortgages payable was $3,683 compared to $992 for the period from April 24, 2017 to September 30, 2017. The increase in interest costs was mainly driven by the increase in LIBOR with the remaining increase in interest on mortgages payable being due to an increase in the weighted average debt outstanding during the three months ended September 30, 2018, relative to the same period in the prior year including the increase in mortgages payable as a result of the acquisition of Coventry Pointe.

Amortization of financing costs

Amortization of financing costs for the three months ended September 30, 2018 was $65 compared to $61 for the same period in 2017. For the nine months ended September 30, 2018, amortization of financing costs was $204 compared to $71 for the period from April 24, 2017 to September 30, 2017. The increase is mainly related to the comparative period for the nine months ended September 30, 2018 representing a shorter period as a result of the Fund's formation on April 24, 2017.

Fair value adjustment on derivative instruments

The fair value adjustment on derivative instruments relates to the Fund entering into a variable rate collar contract to provide protection from the impact of any potential weakening of the U.S. dollar on the Fund's Canadian dollar distributions. The Fund entered into the contract on November 30, 2017, which will allows the Fund to exchange U.S. funds each month within a range of C$1.2680 to C$1.3400 for a period of 12-months to fund Canadian dollar distributions. For the three and nine months ended September 30, 2018, the Fund recorded an unrealized loss on derivative instruments of $61 and $134, respectively, compared to $nil and $nil for the same period in 2017.

Loss on early extinguishment of debt

Loss on early extinguishment of debt during the three and nine months ended September 30, 2018 was $345 compared to $nil for both the three months ended September 30, 2017 and the period from April 24, 2017 to September 30, 2017. The loss on early extinguishment of debt related to financing charges expensed on the refinancing of the mortgage secured on the Landing which generated additional gross proceeds of $8,300. The proceeds from the refinancing were used to acquire an additional approximately 41.5% of Coventry Pointe and for value enhancing initiatives on all three Properties.

DISTRIBUTIONS TO UNITHOLDERS

For the three months ended September 30, 2018 the Fund distributed $959 to Unitholders, compared to $1,020 for the same period in 2017. For the nine months ended September 30, 2018, the Fund distributed $2,986 to Unitholders compared to $1,020 for the period from April 24, 2017 to September 30, 2017. The Fund paid full distributions since July 1, 2017 even though the proceeds from the Offering were not fully deployed until January 9, 2018.

The Fund's distributions paid and declared per unit for the nine months ended September 30, 2018 were as follows:

Class A	Class C	Class D	Class E	Class F	Class H	Class U
C$0.45000	C$0.45000	C$0.45000	C$0.45000	C$0.45000	C$0.15003	C$0.45000

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

The Fund's U.S. real estate investment trust subsidiary ("U.S. REIT") has preferred shareholders who receive dividend payments on their preferred shares. The preferred shares, issued January 1, 2018, are to help ensure the U.S. REIT qualifies as real estate investment trust for U.S. federal tax purposes. For the three and nine months ended September 30, 2018, the Fund incurred $4 and $12, respectively, in dividends (2017 - $nil and $nil).

FUND AND TRUST EXPENSES

Fund and trust expenses include costs incurred by the Fund that are not directly attributable to the Properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors' and officers' insurance premiums, expenses relating to the administration of the Fund's distributions and other general and administrative expenses associated with the operation of the Fund. Also included in Fund expenses are asset management fees payable to the Manager (see "Related Party Transactions and Arrangements – Arrangements with the Manager").

Fund and trust expenses for the three months ended September 30, 2018 were $256 (2017 - $207) representing an increase of $49 or 23.7% primarily due to the impact of net acquisition activity on asset management fees in comparison to the same period in the prior year. Included in Fund and trust expenses are asset management fees of $166 for the three months ended September 30, 2018 compared to $136 for the same period in 2017.

Fund and trust expenses for the nine months ended September 30, 2018 were $788 compared to $278 for the period from April 24, 2017 to September 30, 2017. This represents an increase of $510 due primarily to the shorter prior year operating period and the impact of net acquisition activity on asset management fees. Included in Fund and trust expenses are asset management fees of $478 for the nine months ended September 30, 2018 compared to $158 for the period from April 24, 2017 to September 30, 2017.

UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

The Fund recognized an unrealized foreign exchange gain of $4 for the three months ended September 30, 2018 compared to an unrealized foreign exchange loss of $6 for the same period in 2017. For the nine months ended September 30, 2018, the fund recognized an unrealized foreign exchange gain of $5 compared to an unrealized foreign exchange loss of $3 for the period from April 24, 2017 to September 30, 2017. The unrealized gains for the three and nine months ended September 30, 2018 were primarily related to the impact of the exchange rate movement on the Canadian dollar denominated bank account.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

The Fund has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

The Fund recorded a fair value increase on its investment properties of $10,999 and $21,761 for the three and nine months ended September 30, 2018, respectively, including amounts relating to the non-controlling interest in Coventry Pointe. This increase in fair value was primarily related to increases in projected NOI across the Fund's portfolio.

The following table summarizes the change in investment properties held by the Fund for the nine months ended September 30, 2018.

		Amount
Opening Balance at April 24, 2017	$	-
Acquisition of investment properties		154,115
Capital additions		1,148
Fair value adjustment		5,678
IFRIC 21 property tax liability adjustment		201
Balance as at December 31, 2017	$	161,142
Acquisition of investment properties		37,588
Capital additions		4,194
Fair value adjustment on investment properties		21,761
IFRIC 21 property tax liability adjustment		425
Balance as at September 30, 2018	**$**	**225,110**

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

		As at September 30, 2018		As at December 31, 2017
Cost	$	199,541	$	157,741
Cumulative fair value adjustment		27,439		5,678
IFRIC 21 realty tax liability adjustment		(1,870)		(2,277)
	$	**225,110**	**$**	**161,142**

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

	As at September 30, 2018	As at December 31, 2017
Capitalization rate	4.50% to 4.75%	4.64% to 5.27%
Capitalization rate - Weighted average	4.61%	5.02%

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

Key assumptions	Change		As at September 30, 2018		As at December 31, 2017
Weighted average:					
Capitalization rate	10-basis-point increase	$	(4,863)	$	(3,187)
Capitalization rate	10-basis-point decrease	$	4,988	$	3,316

The impact of a 1% change in NOI used to value the investment properties as at September 30, 2018 would affect the fair value by approximately $2,268 (September 30, 2017 - $1,627).

PROVISION FOR CARRIED INTEREST

As of September 30, 2018, the Fund had recognized a provision for carried interest after taking into account the minimum return to unitholders of $3,289 (December 31, 2017 – $nil), resulting in an expense of $1,552 and $3,289 during the three and nine months ended September 30, 2018, respectively (2017 – $nil and $nil for the Initial Operating Period).

NON-CONTROLLING INTEREST

The Fund acquired a controlling interest in Coventry Pointe on June 12, 2018 when it indirectly acquired an additional approximately 41.5% interest in the property. For the three and nine months ended September 30, 2018, the non-controlling interest (approximately 8.5%) included in the Fund's statement of net income and comprehensive income was $419 and $426, respectively.

INCOME TAXES – CURRENT

The Fund's current income taxes for the three months ended September 30, 2018 were $8 compared to $8 for the same period in 2017, relating to Texas franchise taxes incurred at the Landing.

For the nine months ended September 30, 2018 income taxes were $22 compared to $9 for the period from April 24, 2017 to September 30, 2017 relating to Texas franchise taxes accrued at the Landing.

INCOME TAXES - DEFERRED

For the three and nine months ended September 30, 2018, the Fund recorded a deferred tax expense in the amount of $2,984 and $7,042, respectively (2017 - $2,591 and Initial Operating Period of $2,663), representing a increase of $393 and $4,379, respectively, relative to the same period in the prior year. The changes are primarily related to increases in fair value of investment properties as well as depreciation for tax purposes.

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three and nine months ended September 30, 2018 with a comparison to the three months ended September 30, 2017 and for the period from April 24, 2017 to September 30, 2017.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of net (loss) income and comprehensive (loss) income, determined in accordance with IFRS to FFO and AFFO is presented below for the three and nine months ended September 30, 2018 with a comparison to the three months ended September 30, 2017 and for the period from April 24, 2017 to September 30, 2017.

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Period from April 24, 2017 to September 30, 2017
Net income and comprehensive income to Unitholders	$ 5,782	$ 2,924	$ 10,279	$ 2,987
Add / (Deduct):				
Distributions to Unitholders	959	1,020	2,986	1,020
Dividends to preferred shareholders	4	-	12	-
Deferred taxes (1)	2,984	2,591	6,971	2,663
Unrealized foreign exchange gain	(4)	6	(5)	3
Fair value adjustment on derivative financial instruments	61	-	134	-
Fair value adjustment on investment in joint venture (1)	-	-	(716)	-
Fair value adjustment of investment properties (1)	(10,595)	(5,678)	(21,281)	(5,678)
Provision for carried interest	1,552	-	3,289	-
FFO	**$ 743**	**$ 863**	**$ 1,669**	**$ 995**
Add / (Deduct):				
Amortization of financing costs (1)	$ 65	$ 61	204	$ 71
Vacancy costs associated with the suite upgrade program	45	-	186	-
Loss on early extinguishment of debt	-	-	345	-
Sustaining capital expenditures and suite renovation reserves	(75)	(59)	(204)	(69)
AFFO	**$ 778**	**$ 865**	**$ 2,200**	**$ 997**
FFO per unit - basic and diluted	$0.09	$0.10	$0.20	$0.12
FFO payout ratio	129.1%	118.2%	178.9%	102.5%
AFFO per unit - basic and diluted	$0.10	$0.10	$0.27	$0.12
AFFO payout ratio	123.2%	117.9%	135.7%	102.3%
Distributions declared (2)	$ 959	$ 1,020	$ 2,986	$ 1,020
Weighted average units outstanding:				
Basic and diluted - class A, C, D, E, F, H & U - (000s)	8,182	8,180	8,181	8,180

(1) Adjusted to exclude the non-controlling interest in Coventry Pointe from June 12 - September 30, 2018 and include the joint venture interest in Coventry Pointe prior to June 12, 2018.

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

Funds from operations

Basic and diluted FFO and FFO per unit for the three months ended September 30, 2018 was $743 and $0.09, respectively (2017 - $863 and $0.10), representing a reduction of $120 related primarily to increases in interest on mortgages payable and fund and trust expenses being partly offset by higher NOI. The Fund's FFO payout ratio for the three months ended September 30, 2018 was 129.1% compared to 118.2% for the same period in the prior year.

Basic and diluted FFO and FFO per unit for the nine months ended September 30, 2018 was $1,669 and $0.20, respectively (Initial Operating Period - $995 and $0.12), with the increases reflecting the shorter Initial Operating Period in 2017.

Adjusted Funds from operations

Basic and diluted AFFO and AFFO per unit for the three months ended September 30, 2018 was $778 and $0.10, respectively (2017 - $865 and $0.10), representing a reduction in AFFO of $87 mainly related to the changes in FFO. The AFFO payout ratio for the three months ended September 30, 2018 was 123.2% (2017 – 117.9%) as a result of increases in NOI offset by higher mortgage interest expense due to increases in LIBOR.

Basic and diluted AFFO and AFFO per unit for the nine months ended September 30, 2018 was $2,200 and $0.27, respectively (2017 - $997 and $0.12), representing an increase of $1,203 mainly related to the changes in FFO excluding the increase in loss on early extinguishment of debt and vacancy costs associated with the suite upgrade program which have been excluded from AFFO, as well as the shorter Initial Operating Period in 2017. The AFFO payout ratio for the nine months ended September 30, 2018 was 135.7% (Initial Operating Period – 102.3%). The increase in the payout ratio during the nine months ended September 30, 2018 relative to the Initial Operating Period was due to increases in NOI as a result of the acquisition of Coventry Pointe and a shorter comparative period offset by increased mortgage interest expense due to increases in LIBOR.

The Fund was formed as a "closed-end" limited partnership with an initial term of three years, a target yield of 6.0% and a targeted minimum 14% pre-tax investor internal rate of return across all classes of units of the Fund. Although the payout ratio was in excess of 100%, distributions have been maintained at 6.0% while interest costs have increased as a result of increases in LIBOR since the Fund's inception. The Fund continues to focus on its active management strategy and value-add capital improvement program which the Manager expects will yield improvements in NOI in future periods. The Fund believes that maintaining the targeted distributions is in the best interests of investors based on the Fund's terminal nature as compared to a perpetual real-estate investment trust and the Fund's investment objectives and strategy (see "Investment Overview, Objectives and Strategy").

For the purposes of calculating AFFO, the Fund utilized a reserve for sustaining capital expenditures and suite renovations of $75 and $204 for the three and nine months ended September 30, 2018 (2017 - $59 and $69, respectively). The reserve is used in the calculation of AFFO as it removes fluctuations in AFFO resulting from seasonality in actual sustaining capital expenditures and suite renovation costs. The use of the reserve also eliminates any potential fluctuations in AFFO due to non-recurring or less frequent sustaining capital expenditures. Sustaining capital expenditure reserves are based on third party property condition assessment reports, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate in the Primary Markets. Actual sustaining capital expenditures and suite renovation costs incurred during the three and nine month periods ending September 30, 2018 were $118 and $290.

Cash provided by operating activities reconciliation to AFFO

Reconciliation of cash provided by operating activities determined in accordance with IFRS to AFFO for the three and nine months ended September 30, 2018 is provided below:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Period from April 24, 2017 to September 30, 2017
Cash provided by operating activities	$ 2,061	$ 2,459	$ 6,856	$ 1,913
Less: interest paid	(1,457)	(857)	(3,513)	(992)
Cash provided by operating activities - including interest paid	$ 604	$ 1,602	$ 3,343	$ 921
Add / (Deduct):				
Change in non-cash operating working capital	94	(813)	(1,354)	(1,241)
Change in restricted cash	504	752	(447)	752
Fair value adjustment of investment properties relating to IFRIC 21	25	(623)	828	631
Fair value adjustment relating to IFRIC 21 on investment in joint ventures	-	-	255	-
Amortization of financing costs related to joint venture	-	-	19	-
Net income attributable to non-controlling interests	(419)	-	(426)	-
Vacancy costs associated with the suite upgrade program	45	-	186	-
Unrealized foreign exhange loss	-	6	-	3
Sustaining capital expenditures and suite renovation reserves	(75)	(59)	(204)	(69)
AFFO	**$ 778**	**$ 865**	**$ 2,200**	**$ 997**

Distributions to Unitholders relative to Cash provided by operating activities

The Fund's cash provided by operating activities, including interest paid for the three months ended September 30, 2018 was below distributions paid to Unitholders by $355 (2017 - $582 excess over distributions) mainly due to an increase in restricted cash of $504 primarily to fund future property tax payments. The Fund covered the shortfall in cash from operating activities relative to distributions paid during the three and nine months ended September 30, 2018 through cash on hand and proceeds from refinancing. The Fund considers the shortfall to be temporary as the Manager expects that the Fund will be able to continue to capitalize on its value-add program through the achievement of rental growth, ancillary income growth and reduction in property operating costs. There was no shortfall for the nine months ended September 30, 2018.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders and property maintenance and capital improvements. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and mortgage debt secured by investment properties including availability of future funding to assist with value-enhancing initiatives. As at September 30, 2018, the Fund was in compliance with all of its financial covenants.

CASH FLOWS

Cash flow provided by operating activities represents the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section.

The following table details the changes in cash for the three and nine months ended September 30, 2018:

	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	For Period from April 24, 2017 to September 30, 2017
Cash provided by operating activities	$ 2,061	$ 2,459	$ 6,856	$ 1,913
Cash (used in) provided by financing activities	(1,688)	(1,878)	3,029	163,847
Cash used in investing activities	(1,620)	(524)	(15,164)	(155,739)
Increase (decrease) in cash	**(1,247)**	**57**	**(5,279)**	**10,021**
Cash, beginning of period	3,361	9,964	7,393	-
Cash, end of period	**$ 2,114**	**$ 10,021**	**$ 2,114**	**$ 10,021**

Cash on hand as at September 30, 2018 was $2,114 (September 30, 2017 - $10,021).

Cash provided by operating activities

Cash provided by operating activities for the three and nine months ended September 30, 2018 was $2,061 and $6,856, respectively (2017 - $2,459 and Initial Operating Period of $1,913). The decline in cash provided by operating activities for the three months ended September 30, 2018 related primarily to changes in non-cash working capital. The increase in cash provided by operating activities for the nine months ended September 30, 2018 reflected the shorter Initial Operating Period in 2017.

Cash (used in) provided by financing activities

During the three months ended September 30, 2018, financing activities used cash of $1,688 (2017 – used $1,878), representing a reduction in usage of cash of $190 as a result of additional proceeds from advances on the existing capex facilities of $1,053, partially offset by higher finance costs from increases in interest on mortgages payable.

During the nine months ended September 30, 2018, financing activities provided cash of $3,029 (Initial Operating Period – provided $163,847). The decline in cash provided from financing activities of $160,818 was primarily the result of proceeds from the issuance of units of $61,648 and proceeds from new financing of $104,950 in the 2017 Initial Operating Period. During the nine months ended September 30, 2018, proceeds from refinancing and advances on the existing capex facilities were partly offset by increases in finance costs related to increases in interest on mortgages payable.

Cash used in investing activities

Cash used in investing activities for the three and nine months ended September 30, 2018 was $1,620 (2017 – used $524), representing an increase of cash usage of $1,096 driven by an increase in capital additions at the Properties as the value-add initiatives have ramped up.

Cash used in investing activities for the nine months ended September 30, 2018 was $15,164 (Initial Operating Period – used $155,739), representing a reduction of $140,575 in cash usage driven mainly from a net decrease in cash used for acquisitions of Properties of $149,550, offset by increases in capital additions to the Properties of $3,648 and cash used to acquire the initial 50% interest in Coventry Pointe.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and net liabilities attributable to Unitholders. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, as the Fund continues to build Unitholder value and maintain sufficient capital contingency amounts.

As at September 30, 2018, the total capital of the Fund excluding the non-controlling interest in Coventry Pointe:

	As at September 30, 2018 [1]	As at December 31, 2017
Mortgages payable	$ 137,508	$ 104,950
Net liabilities attributable to Unitholders	75,441	65,165
Total capital	**$ 212,949**	**$ 170,115**

[1] Adjusted to exclude approx. 8.5% of the mortgage of Coventry Pointe.

DEBT PROFILE

As at September 30, 2018, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value was 62.0%. The maximum allowable ratio under the Fund's first amended and restated limited partnership agreement dated June 12, 2017 is 75%. The weighted average mortgage interest rate for the Fund, as at September 30, 2018 was 4.26% and the weighted average term to maturity of the mortgage portfolio was 1.92 years.

The following table summarizes key liquidity metrics:

	As at September 30, 2018	As at December 31, 2017
Indebtedness to Gross Book Value	62.0%	65.1%
Weighted average interest rate - mortgages	4.26%	3.41%
Weighted average term to maturity - mortgages	1.92 years	2.50 years

	For the three months ended September 30, 2018	For the three months ended September 30, 2017	For the nine months ended September 30, 2018	Period from April 24, 2017 to September 30, 2017
Interest Coverage Ratio	1.57 x	2.06 x	1.60 x	2.07 x
Indebtedness Coverage Ratio	1.57 x	2.06 x	1.60 x	2.07 x

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the option to enter into interest rate cap agreements for all its floating rate mortgages. Loan agreements in respect of the Properties may require the Fund to enter into interest rate cap agreements once LIBOR reaches stipulated levels.

The Interest Coverage Ratio and the Indebtedness Coverage Ratio for the three months ended September 30, 2018 were 1.57 times and for the nine months ended September 30, 2018 were 1.60 times. The reduction in the Interest Coverage Ratio and Indebtedness Coverage ratio from the 2017 comparative related to the increase in mortgages payable as a result of the acquisition of Coventry Pointe and the increase in LIBOR being partly offset by higher NOI.

The reduction in the Interest Coverage Ratio and Indebtedness Coverage ratio for the period from April 24, 2017 to September 30, 2017 to the nine months ended September 30, 2018 related to the increase in mortgages payable as a result of net acquisitions and refinancing, and the increase in LIBOR being partly offset by higher NOI.

INTEREST RATE CAPS

The Fund utilizes interest rate cap agreements to provide protection on the rate of interest payable on all of its variable rate mortgages as required by the applicable lenders. The Fund has purchased interest rate caps for the mortgages at Landing and Spectra South for $207 and $114, respectively. As the Fund has elected not to use hedge accounting, an unrealized loss of $80 relating to the fair value of the interest rate cap agreements was included in finance costs for the three and nine months ended September 30, 2018.

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

The following is a summary of the Fund's interest rate cap agreements as at September 30, 2018:

	Notional Amount	Maturity Date	LIBOR Strike	Carrying Value and Fair Value at September 30, 2018
SMBC Capital Markets, Inc.	78,100	10-Jul-20	3.00%	156
SMBC Capital Markets, Inc.	42,350	10-Jul-20	3.00%	85
Total interest rate caps	**$120,450**			**$241**

MORTGAGES PAYABLE

The following table sets out scheduled principal and interest payments and amounts maturing on the mortgages over each of the next three fiscal years and the weighted average interest rate of maturing mortgages based on the Fund's condensed consolidated financial statements as at September 30, 2018:

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2018	-	-	-	0.00%	0.00%	1,458
2019	-	-	-	0.00%	0.00%	6,569
2020	-	114,623	114,623	82.08%	4.26%	4,189
2021	-	25,030	25,030	17.92%	4.26%	-
	$ -	**$ 139,653**	**$ 139,653**	**100.00%**	**4.26%**	**$ 12,216**
Unamortized financing costs			(512)			
			$ 139,141			

In addition to the initial mortgages payable of $104,950, which partly funded the acquisitions of the Spectra South and the Landing, the loan agreements allowed for advances of up to $7,200 to fund the planned value enhancing initiatives at the Properties. The Fund refinanced the Landing during the three months ended June 30, 2018 resulting in additional mortgage proceeds of $8,300. The Coventry Pointe mortgage payable as at September 30, 2018 was $25,030 and also allows the Fund to draw amounts for value enhancing initiatives.

As at September 30, 2018, the Fund had drawn $1,872 of the available amounts for value enhancing initiatives at all properties.

COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries.

NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS

The Fund is authorized to issue an unlimited number of units. The beneficial interest in the net income and comprehensive income of the Fund is divided into seven classes of units: class A units; class C units; class D units; class E units; class F units; class H units; and class U units. Below is a summary by class of the net liabilities attributable to Unitholders for the period from April 24, 2017 to September 30, 2018:

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Net liabilities attributable to Unitholders, April 24, 2017	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Changes during the period								
Units issued pursuant to the Offering, net of issue costs	12,918	12,061	9,994	9,305	13,118	1,338	2,914	61,648
Re-allocation due to unit conversions	(931)	-	2,418	782	(149)	(1,338)	(782)	-
Net income and comprehensive income	683	687	708	576	739	-	121	3,514
Net liabilities attributable to Unitholders, December 31, 2017	$ 12,670	$ 12,748	$ 13,120	$ 10,663	$ 13,708	$ -	$ 2,253	$65,162
Re-allocation due to unit conversions	501	-	(141)	339	(360)	-	(339)	-
Net income and comprehensive income	2,078	2,011	2,046	1,735	2,107	-	302	10,279
Net liabilities attributable to Unitholders, September 30, 2018	**$ 15,249**	**$ 14,759**	**$ 15,025**	**$ 12,737**	**$ 15,455**	**$ -**	**$ 2,216**	**$75,441**

UNITS

The following table summarizes the changes in units outstanding for the period from April 24, 2017 to September 30, 2018:

(in thousands of units)	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Outstanding as at April 24, 2017	-	-	-	-	-	-	-	-
Units issued pursuant to the Offering, completed, June 16, 2017	1,834	1,623	1,419	997	1,805	190	312	8,180
Unit conversions	(132)	-	343	84	(20)	(190)	(84)	1
Outstanding, as at December 31, 2017	1,702	1,623	1,762	1,081	1,785	-	228	8,181
Unit conversions	67	-	(19)	34	(47)	-	(34)	1
Outstanding, as at September 30, 2018	**1,769**	**1,623**	**1,743**	**1,115**	**1,738**	**-**	**194**	**8,182**

As at September 30, 2018, there were 8,182,043 units issued and outstanding, comprised of 1,769,220 class A units, 1,622,500 class C units, 1,743,333 class D units, 1,114,900 class E units, 1,738,210 class F units, nil class H units and 193,880 class U units.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

ARRANGEMENTS WITH THE MANAGER

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

(a) Pursuant to the management agreement dated June 16, 2017, as assigned, (the "Management Agreement"), the Manager is to perform asset management services for annual fees equal to 0.35% of the sum of:

I. the historical purchase price of the Properties acquired in U.S. dollars; and

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

For the three months ended September 30, 2018 asset management fees of $166 were charged to Fund and trust expenses (2017 - $136). The amount payable to the Manager as at September 30, 2018 was $57 (December 31, 2017 - $46).

For the nine months ended September 30, 2018 asset management fees of $478 were charged to Fund and trust expenses (2017 - $158). The amount payable to the Manager as at September 30, 2018 was $57 (December 31, 2017 - $46).

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

- 1.0% of the purchase price of a property, on the first $150,000 of properties acquired in each calendar year;
- 0.75% of the purchase price of a property, on the next $150,000 of properties acquired in each calendar year; and
- 0.50% of the purchase price on properties in excess of $300,000 of properties acquired in each calendar year.

For the three and nine months ended September 30, 2018, the Fund incurred acquisition fees of $nil and $333 (2017 - $nil and $1,535, respectively), relating to the acquisition of Coventry Pointe. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. The acquisition of a 50% interest on January 9, 2018 and an approximately 41.5% interest on June 12, 2018 in Coventry Pointe for $17,563 and $15,596, respectively was from an affiliated entity of the Manager. The total purchase price was based on third party appraised valuations and the amounts were representative of the fair value of the net assets acquired. There are no ongoing contractual commitments with the related party as a result of the interest acquired in Coventry Pointe.

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

The Management Agreement expires on the winding-up or dissolution of the Fund, unless and until the Management Agreement is terminated in accordance with the termination provisions.

Carried Interest

The partners of Starlight Investments Value-Add Partnership ("SIVAP") currently being the Manager and the President of Starlight GP, through SIVAP's indirect interest in the Starlight U.S. Multi-Family (No. 1) Value-Add Holding LP ("Holding LP"), a 99.99% owned subsidiary of the Fund, are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all units of the Fund of a particular class if all Distributable Cash (as defined in the Prospectus) of the Holding LP were received by the Fund (through Starlight U.S. Multi-Family (No. 1) Value-Add Investment LP ("Investment LP"), a 100% owned subsidiary of the Fund and Starlight U.S. Multi-Family (No. 1) Value-Add Investment GP, Inc., a 100% owned subsidiary of the Fund, together with all other amounts distributable by the Fund, and distributed by the Fund (net of any amounts required to provide for expenses and determined without reference to any applicable U.S. taxes payable by or on behalf of the Investment LP) to Unitholders of the Fund in accordance with the Fund's amended and restated limited partnership agreement, exceeds (ii) the aggregate Minimum Return (as defined in the Prospectus) in respect of such class of Units of the Fund (the calculation of which, for greater clarity includes the amount of the Investors Capital Return Base (as defined in the Prospectus), each such excess, if any, to be calculated in U.S. dollars and, in the case of Canadian Dollar Units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from the Holding LP to the Investment LP and by the Investment LP to, directly or indirectly, the Fund, provided that, to the extent that the aggregate amount of distributions which would have been paid on all units of the Fund of a particular class pursuant to the foregoing exceed the Minimum Return for such class, the partners of SIVAP, through SIVAP's indirect interest in the Holding LP, will be entitled to 50% of each such excess amount (i.e., a catch-up) until the excess, if any, which would have been distributed in respect of such class in excess of the Investors Capital Return Base (as defined in the Prospectus) is equal to three times (i.e., 75%/25%) the catch-up payment receivable by the Manager in respect of such class.

As at September 30, 2018, the Fund has recognized a liability of $3,289 for the carried interest to SIVAP.

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is available in Note 2 of the audited consolidated financial statements of the Fund as at December 31, 2017. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

CRITICAL JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

ACCOUNTING FOR ACQUISITIONS

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases, as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

INVESTMENT PROPERTIES

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

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

FINANCIAL INSTRUMENTS

Critical judgments and estimates are also made in the determination of fair value of financial instruments and include assumptions and estimates regarding future interest rates, the relative creditworthiness of the Fund to its counterparties, the credit risk of the Fund's counterparties relative to the Fund, the estimated future cash flows and discount rates.

LEASES

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

INCOME TAXES

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

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

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

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

Consolidation

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

Carried Interest

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

FUTURE ACCOUNTING POLICY CHANGES

The future accounting policy changes are discussed in the Fund's audited consolidated financial statements for the year ended December 31, 2017 and the notes contained therein as well as the Fund's condensed consolidated interim financial statements for the three and nine months ended September 30, 2018.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the units of the Fund and activities of the Fund. Risks and uncertainties are disclosed in the Fund's MD&A for the year ended December 31, 2017. The Fund's MD&A for the year ended December 31, 2017 is available on SEDAR at www.sedar.com. Current and prospective investors of the Fund should carefully consider such risk factors. Other than set out or contemplated herein, management is not aware of any significant changes in risk and uncertainties since March 7, 2018, the date of the Fund's MD&A for the period from April 24, 2017 (date of formation) to December 31, 2017.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

All control systems have inherent limitations, including well-designed and operated systems. No control system can provide complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors. As a growing enterprise, management anticipates that the Fund will be continually evolving and enhancing its systems of controls and procedures.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions.

Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at September 30, 2018.

FUTURE OUTLOOK

The Manager believes the Properties will benefit from stable demand for residential rental accommodation. The Primary Markets continue to exhibit sustained job and population growth and benefit from the on-going shift away from home ownership, including because of lifestyle choices. The supply of comparable, multi-suite residential properties continues to be at reasonable levels given the strength of the demand drivers. The strong economic performance across the U.S. and in the Primary Markets is supportive for multi-family real estate fundamentals.

The Fund has continued its value-enhancing capital expenditure program at the Properties which combined with active asset management initiatives is anticipated to drive strong occupancy, rental and NOI growth. The Fund expects to produce consistent investment returns for Unitholders while carrying out its value enhancing capital initiatives.

QUARTERLY INFORMATION

	For the three months ended September 30, 2018	For the three months ended June 30, 2018	For the three months ended March 31, 2018	For the three months ended December 31, 2017	For the three months ended September 30, 2017	Period from April 24, 2017 to June 30, 2017 (1)
Revenue from property operations	$ 4,524	$ 3,597	$ 3,335	$ 3,380	$ 3,505	$ 586
Property operating costs	(1,346)	(1,007)	(833)	(875)	(895)	(135)
Property taxes	-	-	(2,645)	-	-	-
Income (loss) from property operations	$ 3,178	$ 2,590	$ (143)	$ 2,505	$ 2,610	$ 451
Share of income from investment in joint venture	-	(128)	1,088	-	-	-
Finance costs	(1,584)	(1,539)	(1,057)	(893)	(918)	(145)
Distributions to Unitholders	(959)	(1,021)	(1,006)	(1,004)	(1,020)	-
Distributions to Preferred Shareholders	(4)	(4)	(4)	-	-	-
Fund and trust expenses	(256)	(247)	(285)	(218)	(207)	(71)
Unrealized foreign exchange gain (loss)	4	-	1	-	(6)	3
Fair value adjustment on Properties	10,999	1,098	9,664	-	5,678	-
Fair value adjustment IFRIC 21	(633)	(678)	1,984	(554)	(614)	(102)
Provision for carried interest	(1,552)	76	(1,813)	-	-	-
Non-controlling interest	(419)	(7)	-	-	-	-
Income taxes:						
Current	(8)	(7)	(7)	(8)	(8)	(1)
Deferred	(2,984)	(1,162)	(2,896)	699	(2,591)	(72)
Net income (loss) and comprehensive income (loss) attributable to Unitholders	**$ 5,782**	**$ (1,029)**	**$ 5,526**	**$ 527**	**$ 2,924**	**$ 63**
FFO	$743	$233	$693	$778	$863	$132
AFFO	$778	$620	$802	$780	$865	$132
FFO per Unit - basic and diluted	$0.09	$0.03	$0.08	$0.10	$0.10	$0.02
AFFO per Unit - basic and diluted	$0.10	$0.08	$0.10	$0.10	$0.10	$0.02
Distributions per Unit (2)	$0.12	$0.12	$0.12	$0.12	$0.12	$0.00

Notes:
(1) Represents the Initial Operating Period commencing the date the Initial Properties were acquired to September 30, 2017.
(2) Distributions per unit for each period are based on the total distributions per weighted average unit outstanding during the period.

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

Dated: November 7, 2018

Toronto, Ontario, Canada