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

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

Three months ended March 31, 2018
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of Starlight U.S. Multi-Family (No.1) Value-Add Fund (the "Fund") have been prepared by and are the responsibility of the Fund's management.

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

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

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

	Note	March 31, 2018	December 31, 2017
		(Unaudited)	(Audited)
ASSETS			
Non-current assets:			
Investment properties	5	$ 173,155	$ 161,142
Investment in joint venture	6	6,852	-
Derivative financial instruments	7	-	54
Utility deposits		84	84
Total non-current assets		180,091	161,280
Current assets:			
Tenant and other receivables	8	111	128
Prepaid expenses and other assets	9	170	1,475
Restricted cash	10	1,220	2,909
Cash		2,587	7,393
Total current assets		4,088	11,905
TOTAL ASSETS		**$ 184,179**	**$ 173,185**
LIABILITIES			
Non-current liabilities:			
Mortgages payable	11	$ 105,162	$ 104,343
Preferred shares – U.S. REIT series A	12	125	-
Provision for Carried Interest	14	1,813	-
Deferred income tax		4,860	1,964
Total non-current liabilities excluding net liabilities attributable to Unitholders		111,960	106,307
Current liabilities:			
Tenant rental deposits		229	230
Accounts payable and accrued liabilities	13	717	917
Derivative financial instruments	7	4	
Finance cost payable		240	232
Distributions payable		341	337
Total current liabilities excluding net liabilities attributable to Unitholders		1,531	1,716
TOTAL LIABILITIES		**$ 113,491**	**$ 108,023**
Net liabilities attributable to Unitholders	14	70,688	65,162
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$ 184,179**	**$ 173,185**

Commitments and contingencies (note 20).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 1) Value-Add GP, Inc., as General Partner for Starlight U.S. Multi-Family (No. 1) Value-Add Fund on May 16, 2018, and signed on its behalf:

Graham Rosenberg Director *Harry Rosenbaum* Director

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

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

	Note		Three months ended March 31, 2018
Revenue from property operations		$	3,335
Expenses:			
Property operating costs			833
Property taxes			2,645
Loss from rental operations			(143)
Share of net income in joint venture	6		(1,088)
Finance costs	18		1,057
Distributions to Unitholders			1,006
Dividends to Preferred Shareholders – US REIT series A			4
Fund and trust expenses	15		285
Unrealized foreign exchange gain			(1)
Fair value adjustment investment properties	5		(9,664)
Fair value adjustment IFRIC 21			(1,984)
Provision for Carried Interest	14		1,813
Income before income taxes			8,429
Income taxes: - current			7
- deferred			2,896
Total income taxes			2,903
Net income and comprehensive income		**$**	**5,526**

See accompanying notes to the condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
For three months ended March 31, 2018
(In thousands of U.S. dollars)
(Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2017	$12,670	$12,748	$13,120	$10,663	$13,708	$ -	$2,253	$65,162
Changes during the period:								
Re-allocation due to unit conversions	(161)	-	227	-	(66)	-	-	-
Net income and comprehensive income	1,061	1,081	1,131	904	1,158	-	191	5,526
Balance, March 31, 2018	**$13,570**	**$13,829**	**$14,478**	**$11,567**	**$14,800**	**$ -**	**$2,444**	**$70,688**

See accompanying notes to the condensed consolidated interim financial statements.

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

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

	Note		Three months ended March 31, 2018
Operating activities:			
Net income and comprehensive income		$	5,526
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	18		1,057
Distributions to Unitholders			1,006
Dividends to Preferred Shareholders – U.S. REIT series A			4
Adjustments for items not involving cash:			
Share of net income in joint venture	6		(1,088)
Fair value adjustment of investment properties including IFRIC 21			(10,956)
Provision for Carried Interest	14		1,813
Change in non-cash operating working capital	19		1,133
Change in restricted cash			1,688
Deferred tax			2,896
Cash provided by operating activities			3,079
Financing activities:			
Mortgages payable:			
Proceeds from new financing			762
Proceeds from issuance of Preferred shares – U.S. REIT series A	12		125
Finance costs paid			(941)
Distributions paid to Unitholders			(1,006)
Dividends to Preferred Shareholders – U.S. REIT series A			(4)
Cash used in financing activities			**(1,064)**
Investing activities:			
Capital additions to investment properties	5		(1,057)
Investment in joint venture	6		(5,812)
Contributions to joint venture	6		(85)
Distributions from joint venture	6		133
Cash used in investing activities			**(6,821)**
Decrease in cash			(4,806)
Cash, beginning of period			7,393
Cash, end of period		**$**	**2,587**

See accompanying notes to the condensed consolidated interim financial statements.

Starlight U.S. Multi-Family (No. 1) Value-Add Fund (the "Fund") is a limited partnership formed under and governed by the laws of the Province of Ontario. The term of the Fund is targeted to be three years, with two one-year extensions available subject to approval by Starlight U.S. Multi-Family (No. 1) Value-Add GP, Inc. (the "General Partner"). The Fund may be extended beyond five years by a special resolution by the unitholders of the Fund ("Unitholders"). The Fund was established for the purpose of investing in value-add, income-producing, multi-family properties in the U.S. multi-family real estate market that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management, that are located primarily in the States of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas.

Following completion of the initial public offering (the "Offering"), the Fund acquired two multi-family residential properties comprising a total of 943 suites located in the States of Arizona and Texas in the markets of Phoenix and Austin, respectively. The balance of the net proceeds of the Offering were used to subsequently acquire a 50% interest in one additional value-add income-producing, multi-family property in the above-noted target markets within the United States. During the period, the Fund was managed by Starlight Investments US AM Group LP (the "Manager") which is a wholly owned subsidiary of Starlight Group Property Holdings Inc. and a related party. As at March 31, 2018, the Fund's property portfolio consisted of three property interests in a total of 1,193 suites.

On June 16, 2017, the Fund completed the Offering and issued the following limited partnership units: 1,834,158 class A units, 1,622,500 class C units, 1,419,000 class D units, 1,805,408 class F units and 190,000 class H units at a price of C$10.00 and 312,080 class U units and 996,700 class E units, at a price of $10.00. The class A units and class U units distributed under the Offering were listed on the TSX Venture Exchange under the symbols SUVA.A and SUVU.U, respectively. The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto Ontario M8X 2X3.

1. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Fund have been prepared by management in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of the Fund since the last consolidated financial statements as at and for the period ended December 31, 2017. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, investment in joint ventures and derivative financial instruments, which have been measured at fair value. All intercompany transactions and balances between the Fund and the subsidiary entities have been eliminated upon consolidation.

1. Basis of presentation (continued):

(c) Comparatives:

The Fund was established on April 24, 2017 and accordingly, no comparatives have been presented in the condensed consolidated interim statement of net income and comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in net liabilities attributable to Unitholders or the related notes thereto.

(d) Functional and presentation currency:

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

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

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

(e) Critical judgements and estimates:

The preparation of these condensed consolidated interim financial statements in conformity with IFRS require 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. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

2. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's period ended December 31, 2017 consolidated financial statements. These accounting policies are based on the IFRS applicable at that time. The condensed consolidated interim financial statements do not include all of the disclosures included in the period ended December 31, 2017 consolidated financial statements and accordingly, should be read in conjunction with the period ended December 31, 2017 consolidated financial statements and notes thereto.

3. Adoption of accounting standards:

Certain new standards, interpretations and improvements to existing standards were issued by the International Accounting Standards Board ("IASB") or the International Financial Reporting Interpretations Committee ("IFRIC") but are not yet effective for the period ended March 31, 2018. Management is assessing the effects of the pronouncements on the Fund. The standards that may be applicable to the Fund are the following:

(a) Accounting standards implemented

The Fund implemented IFRS 9, Financial Instruments ("IFRS 9") and IFRS 15, Revenue from Contracts with Customers ("IFRS 15") on January 1, 2018. The impact on implementations are described below.

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

The Fund adopted IFRS 9 on January 1, 2018 which introduces a new expected credit loss impairment model and limited changes to the classification and measurement requirements for financial assets and liabilities. Upon transition to IFRS 9, the Fund's financial assets previously classified as loans and receivables and financial liabilities previously classified as other liabilities under IAS 39 are now classified at amortized cost. The financial assets and financial liabilities previously classified as fair value through profit or loss continue to be categorized as fair value through profit and loss.

There were no changes in the measurement attributes for any of the Fund's financial assets and financial liabilities upon transition to IFRS 9 and adoption of the new expected credit loss impairment model did not result in any change to the Fund's allowance for impairment.

3. Adoption of accounting standards (continued):

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

The Fund adopted IFRS 15 on January 1, 2018 on a modified retrospective basis. IFRS 15 provides a comprehensive framework for recognition, measurement and disclosure of revenue from contracts with customers, excluding contracts within the scope of the standard on leases, insurance contracts and financial instruments. As the Fund's most material revenue stream, rental revenue, is outside the scope of the new standard, the adoption of IFRS 15 did not have a material impact to the unaudited condensed consolidated interim financial statements. Service components, including the recovery of costs, fall within the scope of IFRS 15; however the Fund has concluded that the pattern of revenue recognition is unchanged.

The Fund implemented this standard and there is no significant impact on the Fund's revenue.

(b) Future accounting policy changes:

Leases ("IFRS 16"):

IFRS 16, Leases, has been issued but is not yet effective for the three months ended March 31, 2018 and, accordingly has not been applied in preparing these condensed consolidated interim financial statements. The Fund intends to adopt this standard on its effective date.

IFRS 16 supersedes IAS 17 Leases, IFRS Interpretations Committee 4 Determining whether an Arrangement contains a Lease, Standards Interpretation Committee ("SIC") -15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a "right of use" asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 Leases requirements. The effective date for IFRS 16 is January 1, 2019.

The Fund has assessed the impact of the new standard and there are no significant changes expected to the consolidated financial statements.

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

4. Acquisitions:

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

	The Landing (i)	**Spectra South** (ii)	**Total**
Acquisition date	16-Jun	16-Jun	
Investment properties (iii)	$ 94,615	$ 59,500	$ 154,115
Add:			
Prepaid expenses and other assets	67	20	87
Restricted cash	1,278	2,035	3,313
Deduct:			
Accounts payable and accrued liabilities	(26)	(1,893)	(1,919)
Tenant rental deposits	(150)	(116)	(266)
Net asset acquired	$ 95,784	$ 59,546	$ 155,330
Consideration paid, funded by:			
New financing obtained and used for acquisition	$ 64,190	$ 40,021	$ 104,211
Cash paid	31,594	19,525	51,119
	$ 95,784	$ 59,546	$ 155,330

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

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

(iii) Investment properties are net of IFRIC 21 adjustments relating to property taxes of $1,953 and $388, respectively, for The Landing and Spectra South.

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

5. Investment properties:

The following table summarizes the change in the investment properties for the three months ended March 31, 2018 and the year ended December 31, 2017:

Balance, April 24, 2017	$	-
Acquisitions of investment properties (note 4)		154,115
Capital additions		1,148
Fair value adjustment		5,678
IFRIC 21 property tax liability adjustment		201
Balance, December 31, 2017	$	161,142
Capital additions		1,057
Fair value adjustment		9,664
IFRIC 21 property tax liability adjustment		1,292
Balance, March 31, 2018	$	173,155

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

		March 31, 2018		December 31, 2017
Cost	$	156,320	$	155,263
Cumulative fair value adjustment		15,342		5,678
Cumulative IFRIC 21 property tax liability adjustment		1,493		201
Balance	$	173,155	$	161,142

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

	March 31, 2018	December 31, 2017
Capitalization rate - range	4.54% to 4.86%	4.64% to 5.27%
Capitalization rate - weighted average	4.74%	5.02%

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

5. Investment properties (continued):

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

Weighted average	Change		March 31, 2018		December 31, 2017
Capitalization rate	10 basis-point increase	$	(3,576)	$	(3,187)
Capitalization rate	10 basis-point decrease	$	3,730	$	3,316

The impact of a one percent change in the net operating income used to value the investment properties as at March 31, 2018 would affect the fair value by approximately $1,731. (December 31, 2017 - $1,633)

6. Investment in joint venture:

The Fund has an equity method accounted investment in joint venture. The remaining 50% interest in the joint venture is owned by an affiliate of the Manager. The following table details the Fund's ownership interest in the equity investee:

Entity	Principal Activity	March 31, 2018	December 31, 2017
Coventry Pointe Acquisition LP	Owns and operates an income property	50%	-%

The following table presents the changes in the aggregate carrying value of the Fund's investment in joint venture:

Balance, as at December 31, 2017	$	-
Initial contribution		5,812
Share of net income		1,088
Contributions		85
Distributions		(133)
Balance, as at March 31, 2018	$	6,852

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

6. Investment in joint venture (continued):

The following tables present the financial position and results of performance of the Fund's equity accounted investee on a 100% basis:

	As at March 31, 2018
Cash	$ 84
Other current assets	239
Non-current assets	37,515
Current liabilities	(228)
Non-current mortgage payable	(23,907)
Net assets	$ 13,703
Investment in joint venture	$ 6,852

	Three months ended March 31, 2018
Revenues from property operations	$ 821
Property operating costs	(245)
Finance costs	(217)
Fair value adjustment on investment property	1,890
Fair value adjustment IFRIC 21	(73)
Net income	$ 2,176
Share of net income in joint venture	$ 1,088

7. Derivative financial instruments:

Variable rate collar:

On November 27, 2017, the Fund entered into a variable rate collar contract with a Canadian chartered bank with a maturity date of November 9, 2018. The contract allows the Fund to exchange U.S. dollar funds for C$4,140 in aggregate or C$345 each month to provide the holders of Canadian dollar units with some protection against the weakening of the U.S. dollar up to the date of declaration of distributions. The contract provides the Fund with protection at a low of C$1.2680 per U.S. dollar while participating to a high of C$1.3400 per U.S dollar. The fair value of the contract as at March 31, 2018 was ($4) (December 31, 2017 - $54), resulting in an unrealized loss of $58 for the three months ended March 31, 2018.

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

8. Tenant and other receivables:

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

	March 31, 2018	December 31, 2017
Tenant receivables, net	$ 76	$ 98
Other receivables	35	30
	$ 111	$ 128

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

9. Prepaid expenses and other assets:

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

	March 31, 2018	December 31, 2017
Prepaid insurance	$ 102	$ 140
Prepaid expenses	68	35
Acquisition deposits	-	1,300
	$ 170	$ 1,475

10. Restricted cash:

The following table presents details of the restricted cash balance:

	March 31, 2018	December 31, 2017
Escrowed funds:		
Property taxes	$ 866	$ 2,588
Property insurance	54	21
Restricted cash:		
Cash collateral – variable rate collar	300	300
	$ 1,220	$ 2,909

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

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

11. Mortgages payable:

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

Property Name	Payment Terms	Maturity Date	Interest Rate	March 31, 2018	December 31, 2017
The Landing (i)	Interest only until July 2020	July 2020, with two one-year extension options	LIBOR + 2.00%	$ 65,319	$ 64,700
Spectra South (ii)	Interest only until July 2020	July 2020, with two one-year extension options	LIBOR + 2.00%	$ 40,393	40,250
Face value				$ 105,712	104,950
Unamortized financing costs				(550)	(607)
Carrying value				$ 105,162	$ 104,343

(i) The Landing mortgage allows the Fund to draw an additional $5,100 for approved capital expenditures. As at March 31, 2018, the Fund had drawn $619 on this additional available funding.

(ii) The Spectra South mortgage allows the Fund to draw an additional $2,100 for approved capital expenditures. As at March 31, 2018, the Fund had drawn $143 on this additional available funding.

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

	March 31, 2018	December 31, 2017
Mortgages payable	$ 105,712	$ 104,950
Unamortized financing costs	(550)	(607)
Balance	$ 105,162	$ 104,343

Future principal payments on mortgages payable are as follows:

	Principal payments	Balloon payments	Total
2018	$ -	$ -	$ -
2019	-	-	-
2020	-	105,712	105,712
Total	$ -	$ 105,712	$ 105,712

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

12. Preferred shares – U.S. REIT series A

The Fund subsidiary, Starlight U.S. Multi-Family (No. 1) Value-Add REIT Inc. ("U.S REIT"), has issued and outstanding 125 series A, preferred shares ("shares") that are held by U.S. residents. The shares are redeemable at the option of the U.S. REIT, at a redemption value of $1 per share. The shares pay a cumulative dividend at 12.5% per annum, semi-annually on June 30 and December 31. The shares have no voting rights.

13. Accounts payable and accrued liabilities:

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

	March 31, 2018	December 31, 2017
Tenant prepayments	$ 190	$ 163
Operating payables	269	266
Accrued property management fees, utilities, payroll, other	207	442
Accrued asset management fees (note 17)	51	46
	$ 717	$ 917

14. Net liabilities attributable to Unitholders:

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

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

	Units (000's)	Value
Units as at December 31, 2017	8,181	$ 65,162
Net income and comprehensive loss	-	5,526
Units as at March 31, 2018	8,181	$ 70,688

As at March 31, 2018, the Fund had 8,180,834 total limited partnership units issued and outstanding comprised of 1,680,274 class A units, 1,622,500 class C units, 1,792,800 class D units, 1,080,500 class E units, 1,776,480 class F units, and 228,280 class U units. There were no class H units outstanding.

14. Net liabilities attributable to Unitholders (continued):

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

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Units outstanding, as at December 31, 2017	1,702	1,623	1,762	1,081	1,785	-	228	8,181
Units reallocated due to conversions	(22)	-	31	-	(9)	-	-	-
Units outstanding, as at March 31, 2018	1,680	1,623	1,793	1,081	1,776	-	228	8,181

Carried Interest:

The partners of SIVAP, currently being Starlight Group Property Holdings Inc. (“Starlight”) and the President of Starlight GP, through SIVAP’s indirect interest in the Holding L.P., are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all units of a particular class if all distributable cash, as defined in the Offering prospectus, of the Holding L.P. were received by the Fund together with all other amounts distributable by the Fund, and distributed by the Fund (net of any amounts required to provide for expenses and determined without reference to any applicable U.S. taxes payable by or on behalf of the Investment L.P.) to Unitholders in accordance with the Fund`s amended and restated limited partnership agreement, exceeds (ii) the aggregate Minimum Return (as defined in the Offering prospectus), in respect of such class of units (the calculation of which, for greater clarity includes the amount of the Investors Capital Return Base, as defined in the Offering prospectus), each such excess, if any, to be calculated in U.S. dollars and, in the case of C$ units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from the Holding L.P. to the Investment L.P. and by the Investment L.P. to, directly or indirectly, the Fund, provided that, to the extent that the aggregate amount of distributions which would have been paid on all units of a particular class pursuant to the foregoing exceed the Minimum Return for such class, the partners of SIVAP (currently being the Starlight and the President of the General Partner), through SIVAP’s indirect interest in the Holding L.P., will be entitled to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable in excess of the Investors Capital Return Base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by the Starlight in respect of such class.

As of March 31, 2018, the Fund had recognized a provision for carried interest after taking into account the Minimum Return to Unitholders of $1,813.

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

15. Fund and trust expenses:

Fund and trust expenses during the three months ended March 31, 2018 consist of the following:

Asset management fees (note 17)	$	151
General and administrative expenses		134
	$	285

16. Segmented disclosure:

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

17. Transactions with related parties:

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

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

(a) Pursuant to the management agreement dated June 16, 2017 (the “Management Agreement”), the Manager is to perform asset management services for fees equal to 0.35% of the sum of: the historical purchase price of the Properties acquired in U.S. dollars; and the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund in U.S. dollars.

Included in Fund and trust expenses is $151 (note 15) in asset management fees charged by the Manager for the three months ended March 31, 2018. The amount payable to the Manager as at March 31, 2018 was $51 (note 13) (as at December 31, 2017 - $46).

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

17. Transactions with related parties (continued):

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

i. 1.0% of the purchase price of a property, on the first $150,000 of properties acquired in each calendar year;

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

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

For the period from January 1, 2018 to March 31, 2018, the Fund incurred acquisition fees of $177 under the Management Agreement which were paid at the time of acquisition and are initially capitalized to investment properties

(c) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its wholly owned subsidiaries to indirectly acquire an interest in the properties, the Fund and each U.S. REITs will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee shall be calculated and payable in arrears on the first day of each month. As of March 31, 2018, $nil guarantee fees have been paid or are payable.

18. Finance costs:

Finance costs during the three months ended March 31, 2018 consist of the following:

Interest on mortgages payable	$	939
Amortization of financing costs		60
Fair value loss on derivative financial instrument (note 7)		58
	$	1,057

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

19. Change in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital during the three months ended March 31, 2018:

Prepaid expenses and other assets	1,305
Tenant and other receivables	17
Tenant rental deposits	(1)
Accounts payable and accrued liabilities	(200)
Finance cost payable	8
Distributions payable	4
	$ 1,133

20. Commitments and contingencies:

At March 31, 2018, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of March 31, 2018 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

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

21. Capital management:

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

The Fund was in compliance with all financial covenants as at March 31, 2018.

22. Risk management:

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

(a) Credit risk:

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

(b) Market risk:

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

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for all its variable rate mortgages once LIBOR reaches stipulated levels. For the three months ended March 31, 2018, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net income and comprehensive income by $26.

(c) Liquidity risk:

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

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

22. Risk management (continued):

(d) Currency risk:

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

As at March 31, 2018 the Fund had entered into a variable rate collar arrangement to provide some protection against the impact of changes in the Canadian/U.S. dollar exchange rate on the Fund's monthly distributions on Canadian dollar units, see note 7.

23. Fair value measurement of financial instruments:

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

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

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

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

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

(iii) The fair value of mortgages payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable as at March 31, 2018 approximated their carrying value.

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