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

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

For the year ended December 31, 2018 and the period from April 24, 2017 (date of formation) to December 31, 2017

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Independent Auditor's Report

To the Unitholders of
Starlight U.S. Multi-Family (No. 1) Value-Add Fund

Opinion

We have audited the consolidated financial statements of Starlight U.S. Multi-Family (No. 1) Value-Add Fund and its subsidiaries (the "Fund"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of net (loss) income and comprehensive (loss) income, changes in net liabilities attributable to unitholders and cash flows for the year ended December 31, 2018 and the period from April 24, 2017 (date of formation) to December 31, 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and for the period from April 24, 2017 (date of formation) to December 31, 2017 in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the information, included in the Management's Discussion and Analysis of Results of Operations and Financial Condition filed with the relevant Canadian Securities Commissions.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained Management's Discussion and Analysis of Results of Operations and Financial Condition prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Fund to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Jameson Bouffard.

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 6th, 2019

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

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

	Note		2018		2017
ASSETS					
Non-current assets:					
Investment properties	5	$	226,200	$	161,142
Derivative financial instruments	7		55		54
Utility deposits			91		84
Total non-current assets			226,346		161,280
Current assets:					
Tenant and other receivables	8		388		128
Prepaid expenses and other assets	9		312		1,475
Restricted cash	10		2,751		2,909
Cash			1,638		7,393
Total current assets			5,089		11,905
TOTAL ASSETS		**$**	**231,435**	**$**	**173,185**
LIABILITIES					
Non-current liabilities:					
Mortgages payable	11	$	140,240	$	104,343
Preferred shares – U.S. REIT series A	12		125		—
Provision for carried interest	13		3,875		—
Deferred income tax			8,868		1,964
Total non-current liabilities excluding net liabilities attributable to Unitholders and non-controlling interests			153,108		106,307
Current liabilities:					
Derivative financial instruments	7		79		—
Tenant rental deposits			278		230
Accounts payable and accrued liabilities	14		1,159		917
Finance costs payable			364		232
Distributions payable			317		337
Total current liabilities excluding net liabilities attributable to Unitholders and non-controlling interests			2,197		1,716
TOTAL LIABILITIES		**$**	**155,305**	**$**	**108,023**
Net liabilities attributable to Unitholders	13		74,727		65,162
Non-controlling interests	20		1,403		—
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTERESTS		**$**	**231,435**	**$**	**173,185**

Commitments and contingencies (note 21).

See accompanying notes to the consolidated 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 March 6, 2019, and signed on its behalf:

Graham Rosenberg Director   *Harry Rosenbaum* Director

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

Consolidated Statement of Net Income and Comprehensive income
For the year ended December 31, 2018 and the period from April 24, 2017 (date of formation) to December 31, 2017
(In thousands of U.S. dollars)

	Note	2018	2017
Revenue from property operations		$ 16,027	$ 7,471
Expenses:			
Property operating costs		4,434	1,905
Property taxes		2,484	—
Income from rental operations		9,109	5,566
Share of net income in joint venture	6	(960)	—
Finance costs	18	6,047	1,956
Distributions to Unitholders		3,964	2,024
Dividends to Preferred Shareholders – U.S. REIT series A		16	—
Fund and trust expenses	15	1,000	496
Unrealized foreign exchange (gain) loss		(10)	3
Realized foreign exchange (gain) loss		(5)	—
Fair value adjustment investment properties	5	(21,761)	(5,678)
Fair value adjustment IFRIC 21		168	1,270
Provision for carried interest	13	3,875	—
Income before income taxes		16,775	5,495
Income taxes: - current		28	17
- deferred		6,904	1,964
Total income taxes		6,932	1,981
Net income and comprehensive income		**$ 9,843**	**$ 3,514**
Net income attributable to:			
Unitholders		9,565	3,514
Non-controlling interests	20	278	—
Net income and comprehensive income		**$ 9,843**	**$ 3,514**

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Changes in Net Liabilities Attributable to Unitholders
For the year ended December 31, 2018 and the period from April 24, 2017 (date of formation) to December 31, 2017
(In thousands of U.S. dollars)

	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	226	—	146	392	(371)	—	(393)	—
Net income and comprehensive income	1,893	1,871	1,946	1,623	1,959	—	273	9,565
Balance, December 31, 2018	**$ 14,789**	**$ 14,619**	**$ 15,212**	**$ 12,678**	**$ 15,296**	**$ —**	**$ 2,133**	**$ 74,727**

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, April 24, 2017	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Changes during the period:								
Units issued on offering, net of issue costs	12,918	12,061	9,994	9,305	13,118	1,338	2,914	61,648
Re-allocation due to unit conversions	(931)	—	2,418	782	(149)	(1,338)	(782)	—
Net income and comprehensive income	683	687	708	576	739	—	121	3,514
Balance, December 31, 2017	$ 12,670	$ 12,748	$ 13,120	$ 10,663	$ 13,708	$ —	$ 2,253	$ 65,162

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Cash Flows
For the year ended December 31, 2018 and the period from April 24, 2017 (date of formation) to December 31, 2017
(In thousands of U.S. dollars)

	Note	2018	2017
Operating activities:			
Net income and comprehensive income		$ 9,843	$ 3,514
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	18	6,047	1,956
Distributions to Unitholders		3,964	2,024
Dividends to Preferred Shareholders – U.S. REIT series A		16	—
Adjustments for items not involving cash:			
Share of net loss (income) in joint venture	6	(960)	—
Fair value adjustment of investment properties including IFRIC 21		(21,835)	(5,880)
Unrealized foreign exchange (gain) loss		(10)	—
Provision for carried interest	14	3,875	—
Change in non-cash operating working capital	19	1,299	(2,069)
Change in restricted cash		158	404
Deferred tax		6,904	1,964
Cash provided by operating activities		9,301	1,913
Financing activities:			
Proceeds from the issuance of units, net of issuance costs		—	61,648
Mortgages payable:			
Proceeds from new financing		—	104,211
Draw downs on existing loans		2,908	—
Proceeds from refinancing		8,300	—
Proceeds from issuance of Preferred shares – U.S REIT series A	12	125	—
Finance costs paid		(5,804)	(1,877)
Distributions paid to Unitholders		(3,964)	(2,024)
Dividends to Preferred Shareholders – U.S. REIT series A	12	(16)	—
Cash provided by financing activities		1,549	161,958
Investing activities:			
Acquisitions of investment properties	4	(5,643)	(155,330)
Non-controlling interests	4	1,125	—
Capital additions to investment properties	5	(5,635)	(1,148)
Transferred in from joint venture	6	(6,612)	
Contributions to joint venture	6	(85)	—
Distributions from joint venture	6	245	—
Cash used in investing activities		(16,605)	(156,478)
Increase (decrease) in cash		(5,755)	7,393
Cash, beginning of period		7,393	—
Cash, end of period		$ 1,638	$ 7,393

See accompanying notes to the consolidated 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 of 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 was used to subsequently acquire a 50% interest in one additional value-add income-producing, multi-family property in Atlanta, Georgia. On June 12, 2018, the Fund acquired an additional ownership interest in the Atlanta, Georgia property of 41.49295% resulting in a total controlling interest of 91.49295%. 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 December 31, 2018, the Fund's property portfolio consisted of interests in three properties totaling 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 consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the consolidated financial statements for the year ended December 31, 2018 and the period from April 24, 2017 (date of formation) to December 31, 2017 and approved by the General Partner on March 6, 2019.

1. Basis of presentation (continued):

(b) Basis of measurement:

These consolidated 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.

(c) Functional and presentation currency:

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

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

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statement of net income 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.

2. Significant accounting policies:

(a) Basis of consolidation:

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

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

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

- Starlight U.S. Multi-Family (No.1) Value-Add Investment L.P. (“Investment L.P.”)
- Starlight U.S. Multi-Family (No.1) Value-Add Holding L.P. (“Holding L.P.”)
- Starlight U.S. Multi-Family (No.1) Value-Add REIT Inc. (“U.S. REIT”)
- Starlight Investments Acquisition (No. 6) Partnership ("SIA 6")

Non-controlling interests:

Non-controlling interests are measured at their proportionate share of the entity's identifiable net assets at the date of acquisition. The proportionate share of net income or loss during each reporting period is added or deducted from the carrying value of the the non-controlling interests presented on the Statement of Financial Position. Distributions paid to the non-controlling interests reduce the carrying value as incurred.

(b) Critical judgments and estimates:

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

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

2. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(i) Accounting for acquisitions:

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

(ii) Financial instruments

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

(iii) Investment properties:

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

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

(iv) Leases

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

2. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(v) Income taxes

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

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

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

(vi) Carried Interest:

The determination by the Fund as at each Statement of Financial Position date as to whether a provision for carried interest should be recognized to holders of the class B limited partnership units of Starlight Investments Value-Add Partnership ("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. See note 13.

(vii) Consolidation:

The Fund has determined that it controls all of its subsidiaries, including the Significant Subsidiaries. In making this determination it considered the relationships between the Fund, the Manager, and the Significant Subsidiaries including ownership interests, voting rights and management agreements. Through this analysis it was determined that the Manager is an agent of the Fund.

2. Significant accounting policies (continued):

(c) Investment properties:

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

Fair values are primarily determined by using the capitalized income approach which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts and third party appraisals. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(d) Cash and restricted cash:

Cash includes unrestricted cash and balances held in the Fund's bank accounts. Restricted cash can only be used for specified purposes. Amounts are usually held by lenders for insurance, and property taxes. Tenant security deposits held by the Fund are also deemed restricted cash.

(e) Revenue recognition:

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

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

2. Significant accounting policies (continued):

(e) Revenue recognition (continued):

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectibility is reasonably assured.

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

(f) Finance costs:

Finance costs consist of interest on mortgages payable, amortization of financing costs related to mortgages payable, distributions to Unitholders, gain/loss on extinguishment of debt and fair value changes on derivative financial instruments.

(g) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss (“FVTPL”), and (iii) fair value through other comprehensive income ("FVOCI"). Financial instruments are recognized initially at fair value. Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value. Financial assets and liabilities classified at FVTPL are subsequently measured at fair value with gains and losses recognized in profit and loss. The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire.

Financial liabilities are classified as FVTPL when the financial liability is designated as FVTPL. A financial liability may be designated at FVTPL upon initial recognition if it forms part of a contract containing one or more embedded derivatives, and IFRS 9, Financial Instruments (“IFRS 9”), permits the entire combined contract (asset or liability) to be designated at FVTPL.

The Fund adopted and implemented the new requirements for classification and measurement and impairment for IFRS 9 on January 1, 2018. 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.

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

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

	Classification/Measurement
Financial assets:	
Derivative financial instruments	FVTPL
Utility deposits	Amortized cost
Tenant and other receivables	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities:	
Mortgages payable	Amortized cost
Preferred shares – U.S. REIT's series A	Amortized cost
Carried interest	Amortized cost
Derivative financial instruments	FVTPL
Tenant rental deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost
Distributions payable	Amortized cost
Net liabilities attributable to Unitholders	Amortized cost

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

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

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

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

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

2. Significant accounting policies (continued):

(h) Income taxes:

(i) Canadian status:

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

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

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

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

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

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status

Current taxes

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

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

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

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

If the U.S. REIT fails to qualify as a real estate investment trust in any taxable year, it will be subject to U.S. federal and state income taxes at regular U.S. corporate rates, including any applicable alternative minimum tax (the federal corporate alternative minimum tax was repealed for taxable years beginning after December 31, 2017). In addition, the U.S. REIT may not be able to requalify as a real estate investment trust for the four subsequent taxable years. Even if the U.S. REIT qualifies as a real estate investment trust, the U.S. REIT may be subject to certain U.S. state and local taxes on its income and property, and to U.S. federal income and excise taxes on its undistributed taxable income and/or specified types of income in certain circumstances.

2. **Significant accounting policies (continued):**

(h) Income taxes (continued):

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

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

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

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

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

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 0.331% of a taxable entity's total revenue if the taxable entity qualifies and chooses to file using the EZ computation report; or (ii) 0.75% of the taxable entity's margin which is the lesser of 70% of total revenues or 100% of the total revenues less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REIT owns its properties indirectly through Delaware limited liability companies. For the year ended December 31, 2018, the current tax expense relating to Texas franchise tax was $28 (for the period from April 24, 2017 to December 31, 2017 - $17).

2. Significant accounting policies (continued):

(h) Income taxes (continued):

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

Deferred taxes

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

As at December 31, 2018 a deferred tax liability of $8,868 (December 31, 2017 - $1,964) for the Fund has been accrued based on a 24% tax rate and relates to differences between the fair value of the investment properties and their tax basis as of December 31, 2018. The Investment L.P. would bear this tax liability on the disposition of the real estate directly or the Fund's interest in its U.S. subsidiaries, avoiding any tax filing obligations or payment of taxes directly by the Unitholders.

(i) Levies:

Levies are outflows from the investment properties imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of International Financial Reporting Interpretations Committee interpretation 21 Levies ("IFRIC 21"), given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and based on property value. IFRIC 21, confirms that an entity must recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the time the obligation is crystallized, which is at the beginning of the fiscal year, in most cases. The liability recognized under IFRIC 21 is presented as a reduction to investment properties as at each reporting date (note 5).

2. Significant accounting policies (continued):

(j) Provisions:

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

3. Adoption of accounting standards:

(a) Accounting standards implemented:

The Fund implemented IFRS 9, IFRS 15, Revenue from Contracts with Customers (“IFRS 15”) and IAS 40, Investment Property (“IAS 40) on the effective date January 1, 2018. The impact of these implementations are described below:

(i) IFRS 9:

The Fund adopted IFRS 9 on January 1, 2018 which introduces a new expected credit loss impairment model and changes to the classification and measurement requirements for financial assets and liabilities. Upon transaction to IFRS 9, the Fund’s financial assets previously classified as other liabilities under IAS 39, Financial Instruments - Recognition and Measurement, are now 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 implementation to IFRS 9 and adoption of the new expected credit loss impairment model did not result in any changes to the Fund’s impairment allowance.

(ii) 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 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 financial statements. Service component, including the recovery of costs within lease arrangements, fall within the scope of IFRS 15, however, the Fund has concluded that the pattern of revenue recognition is unchanged.

3. Adoption of accounting standards (continued):

(a) Accounting standards implemented (continued):

(iii) IAS 40:

The Fund adopted the amendments IAS 40 on January 1, 2018 on a retrospective basis. IAS 40 requires an asset to be transferred to or from investment property only when there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. The adoption of the amendments of IAS 40 did not have an impact to the financial statements.

(b) Future accounting policy changes:

Certain new standards, interpretations and improvements to existing standards were issued by the International Accounting Standards Board (“IASB”) or the IFRIC but are not yet effective for the year ended December 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:

(i) IFRS 16, Leases (“IFRS 16”):

IFRS 16, has been issued but is not yet effective for the year ended December 31, 2018 and, accordingly has not been applied in preparing these consolidated 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.

(ii) IFRIC 23, Uncertainty over Income Tax Treatments ("IFRIC 23")

IFRIC 23 provides interpretation on how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments. The effective date for IFRIC 23 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 stated)

4. Acquisitions:

The following asset acquisition was completed during the year ended December 31, 2018. The fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition as follows:

			Coventry Pointe (i)
Acquisition date:			12-June
Units			250
City, State			Atlanta, Georgia
Investment properties (ii)		$	37,588
Add:			
Utility deposits			6
Tenant and other receivables			70
Prepaid expenses and other assets			19
Restricted cash			261
Deduct:			
Tenant rental deposits			55
Accounts payable and accrued liabilities			189
Finance cost payable			11
Assumed mortgage (net of finance costs of $223)			24,309
Net asset acquired		$	13,380
Consideration funded by:			
Assumed from joint venture (note 6)	50.0%	$	6,612
Non-controlling interests (note 20)	8.5%		1,125
Cash paid	41.5%		5,643
		$	13,380

(i) The Fund acquired an additional interest of 41.49295% in Coventry Pointe from an affiliated entity of the Manager, resulting in an increase in its ownership of a controlling interest of 91.49295%.

(ii) Investment properties are net of the IFRIC 21 levies adjustment for property taxes of $152 for Coventry Pointe.

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

4. Acquisitions (continued):

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

		The Landing		Spectra South		Total
Acquisition date:		16-Jun		16-Jun		
Units		583		360		943
City, State		Austin, Texas		Phoenix, Arizona		
Investment property (i)	$	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) Investment property is net of IFRIC 21 adjustments relating to property taxes of $1,953 and $388, respectively, for The Landing at Round Rock ("The Landing") and Spectra South.

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

5. Investment properties:

The following table summarizes the change in the investment properties for the year ended December 31, 2018 and for the period from April 24, 2017 (date of formation) to 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 realty tax liability adjustment		201
Balance, December 31, 2017	$	161,142
Acquisitions of investment properties (note 4)		37,588
Capital additions		5,635
Fair value adjustment		21,761
IFRIC 21 realty tax liability adjustment		74
Balance, December 31, 2018	$	226,200
Balance, Fair Value (excluding IFRIC 21 realty tax liability adjustment)	$	228,490

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

		December 31, 2018		December 31, 2017
Cost	$	201,051	$	157,741
Cumulative fair value adjustment		27,439		5,678
Cumulative IFRIC 21 realty tax liability adjustment (i)		(2,290)		(2,277)
Balance	$	226,200	$	161,142

(i) The cumulative IFRIC 21 realty tax liability adjustment reflects the estimated property taxes payable by the Fund as at the reporting date.

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

	December 31, 2018	December 31, 2017
Capitalization rate - range	4.50% to 4.75%	4.64% to 5.27%
Capitalization rate - weighted average	4.61%	5.02%

The Fund determined the fair value of each investment property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases.

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

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	December 31, 2018	December 31, 2017
Capitalization rate	10 basis-point increase	$ (4,848)	$ (3,187)
Capitalization rate	10 basis-point decrease	$ 5,063	$ 3,316

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2018 would affect the fair value by approximately $2,285 (December 31, 2017 - $1,633).

Investment properties are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

6. Investment in joint venture:

The Fund had an investment in a joint venture during the period from January 9, 2018 to June 11, 2018 and applied equity accounting to report its interest. The remaining 50% interest in the joint venture was owned by an affiliate of the Manager. The following table details the Fund's ownership interest in the equity investee as of June 11, 2018:

Entity	Principal Activity	June 11, 2018	December 3 1, 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 from January 9 to June 11, 2018		960
Contributions		85
Distributions		(245)
Balance, as at June 11, 2018	$	6,612

On June 12, 2018, the Fund acquired an additional ownership interest of 41.49295% in Coventry Pointe from an affiliate of the Manager, resulting in a total controlling interest of 91.49295% (note 4). The Fund assumed $6,612 of net assets from the joint venture, and subsequently reports the investment on a consolidated basis in the consolidated financial statements as at December 31, 2018 (note 20).

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

6. Investment in joint venture (continued):

The following table presents the results of the Fund's equity accounted investee on a 100% basis up to the June 11, 2018 transaction date:

		Period from January 9 to June 11, 2018
Revenue from property operations	$	1,533
Property operating costs		(486)
Finance costs		(425)
Fair value adjustment on investment property		1,434
Fair value adjustment IFRIC 21		(137)
Net income		1,919
Share of net income in joint venture	$	960

7. Derivative financial instruments:

The following table represents derivative financial instruments presented as assets of the Fund:

	December 31, 2018	December 31, 2017
Variable Rate Collar (a)	$ —	$ 54
Interest Rate Cap (b)	55	—
Balance, end of the period	$ 55	$ 54

The following table represents derivative financial instruments presented as liabilities of the Fund:

	December 31, 2018	December 31, 2017
Variable Rate Collar (a)	$ 79	$ —
Interest Rate Cap (b)	—	—
Balance, end of the period	$ 79	$ —

(a) Variable rate collar:

The Fund utilizes variable rate collar contracts that allows the Fund to exchange U.S. dollar funds 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 following table represents the variable rate collars of the Fund:

Contract Start Date	Contract Maturity	Monthly Notional Amount (C$)	Collar Floor	Collar Ceiling	December 31, 2018	December 31, 2017
November 27, 2017	November 9, 2018	$345	C$1.2680	C$1.3400	$ —	$ 54
November 8, 2018	December 10, 2019	$345	C$1.3125	C$1.3725	$ (79)	$ —
Asset/(Liability)					$ (79)	$ 54

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

7. Derivative financial instruments (continued):

(a) Variable rate collar (continued):

The fair value of the contract as at December 31, 2018 was a loss of $79 (December 31, 2017 - gain of $54), resulting in an unrealized loss of $134 for the year ended December 31, 2018 (2017 – unrealized gain of $54).

(b) Interest Rate Cap

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate mortgages as required by the applicable lenders. For the mortgages on The Landing and Spectra South, the Fund purchased interest rate caps for $207 and $114, respectively. As the Fund has elected not to use hedge accounting, an unrealized fair value loss of $266 was recorded in finance costs in the consolidated statement of net income and comprehensive income for the year ended December 31, 2018 (2017 – $nil).

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

					Carrying Value and Fair Value as at			
		Notional Amount	Maturity Date	LIBOR Strike		December 31, 2018		December 31, 2017
SMBC Capital Markets, Inc.	$	78,100	10-Jul-20	3.00%	$	36	$	—
SMBC Capital Markets, Inc.		42,350	10-Jul-20	3.00%		19		—
Asset	$	120,450			$	55	$	—

8. Tenant and other receivables:

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

		December 31, 2018		December 31, 2017
Tenant receivables, net	$	205	$	98
Other receivables		183		30
	$	388	$	128

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

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

9. Prepaid expenses and other assets:

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

	December 31, 2018	December 31, 2017
Prepaid insurance	$ 274	$ 140
Prepaid expenses	38	35
Acquisition deposits	—	1,300
	$ 312	$ 1,475

10. Restricted cash:

The following table presents details of the restricted cash balance:

	December 31, 2018	December 31, 2017
Escrowed funds:		
Property taxes (i)	$ 2,386	$ 2,588
Property insurance (i)	—	21
Restricted cash:		
Security deposit (ii)	65	—
Cash collateral – variable rate collar	300	300
	$ 2,751	$ 2,909

(i) Restricted cash includes cumulative amounts that are funded monthly into escrow to the Fund's lender. These amounts are used to pay property taxes and property insurance obligations coming due within a 12-month period.

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

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

11. Mortgages payable:

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

Property Name	Payment Terms	Maturity Date	Interest Rate		December 31, 2018		December 31, 2017
The Landing (i)	Interest only until July 2020	July 2020, with two one-year extension options	LIBOR + 2.00%	$	74,823	$	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
Coventry Pointe(iii)	Interest only until January 2021	January 2021, with two one-year extension options	LIBOR + 2.00%		25,473		—
Face value					140,689		104,950
Unamortized financing costs					(449)		(607)
Carrying value				$	140,240	$	104,343

(i) On June 11, 2018, the Fund refinanced The Landing and generated additional proceeds of $8,097, net of $203 in finance costs. The Landing mortgage allows the Fund to draw an additional $5,100 for approved capital expenditures. As at December 31, 2018, the Fund had drawn $1,823 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 December 31, 2018, the Fund had drawn $143 on this additional available funding.

(iii) The Coventry Pointe mortgage allows the Fund to draw an additional $3,648 for approved capital expenditures. As at December 31, 2018, the Fund had drawn $1,333 on this additional available funding.

All of the Fund's mortgages payable are non-current as at December 31, 2018. Future principal payments on mortgages payable are as follows:

		Principal payments		Balloon payments		Total
2019	$	—	$	—	$	—
2020		—		115,216	$	115,216
2021		—		25,473	$	25,473
2022		—		—	$	—
2023		—		—	$	—
Thereafter		—		—	$	—
Total	$	—	$	140,689	$	140,689

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

The U.S. REIT has a total of 125 series A, preferred shares ("shares") issued and outstanding that are held by U.S. residents. The shares were issued January 1, 2018 and 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. 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 issued, April 24, 2017 (date of formation)	—	$ —
Units issued on Offering, June 16, 2017	8,180	64,923
Less issuance costs	—	(3,275)
Additional units on conversion	1	—
Net income and comprehensive income	—	3,514
Units as at December 31, 2017	8,181	65,162
Additional units on conversion	1	—
Net income and comprehensive income	—	9,565
Units as at December 31, 2018	8,182	$ 74,727

As at December 31, 2018, the Fund had 8,182,090 total limited partnership units issued and outstanding comprised of 1,732,267 class A units, 1,622,500 class C units, 1,781,833 class D units, 1,120,300 class E units, 1,736,710 class F units and 188,480 class U units. There were no class H units outstanding.

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	30	—	19	40	(48)	—	(40)	1
Units outstanding, as at December 31, 2018	1,732	1,623	1,781	1,121	1,737	—	188	8,182

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

13. Net liabilities attributable to Unitholders (continued):

Carried Interest:

The partners 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. (as defined in the Offering prospectus), 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, 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 Unitholders in respect of such class.

As of December 31, 2018, the Fund had recognized a provision for carried interest after taking into account the Minimum Return to Unitholders of $3,875 (December 31, 2017 – $nil), resulting in an expense $3,875 during the year ended December 31, 2018 (April 24, 2017 (date of formation) to December 31, 2017 – $nil).

14. Accounts payable and accrued liabilities:

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

	December 31, 2018	December 31, 2017
Tenant prepayments	$ 258	$ 163
Operating payables	143	266
Accrued property management fees, utilities, payroll, other	586	442
Accrued asset management fees (note 17)	58	46
Deferred revenue (i)	114	—
	$ 1,159	$ 917

(i) Deferred revenue represents payments received from third party providers of television, internet and telephone services in exchange for the Fund utilizing these providers exclusively for a fixed term at Coventry Pointe. The amounts are amortized to revenue over the ten-year term of the contracts.

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

15. Fund and trust expenses:

Fund and trust expenses consist of the following:

	December 31, 2018	April 24, 2017 to December 31, 2017
Asset management fees (note 17)	$ 651	$ 295
General and administrative expenses	349	201
	$ 1,000	$ 496

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 consolidated financial statements include the following transactions with related parties:

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

(a) Pursuant to the management agreement dated June 16, 2017 (the "Management Agreement"), as assigned, 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 $651 in asset management fees charged by the Manager (note 15) for the year ended December 31, 2018, respectively (2017 - $295). The amount payable to the Manager as at December 31, 2018 was $58 (December 31, 2017 - $46) (note 14).

(b) Pursuant to the Management Agreement, as assigned, 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.

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

17. Transactions with related parties (continued):

For the year ended December 31, 2018, the Fund incurred acquisition fees $333 (for the period from April 24, 2017 (date of formation) December 31, 2017 - $1,535), 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. On June 16, 2017, the Fund acquired Spectra South from an affiliated entity of the Manager (note 4). The total purchase price of these properties were based on third party appraisals 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.

(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 the 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 is calculated and payable in arrears on the first day of each month. As of December 31, 2018, $nil guarantee fees have been paid or are payable (December 31, 2017 – $nil).

(d) Aggregate compensation to key management personnel was C$63 for the year ended December 31, 2018 (period from April 24, 2017 (date of formation) to December 31, 2017 - C$43). Compensation includes salaries and bonuses paid by the Manager, pursuant to the Management Agreement.

18. Finance costs:

Finance costs consist of the following:

	December 31, 2018	April 24, 2017 to December 31, 2017
Interest on mortgages payable	$ 5,049	$ 1,878
Amortization of financing costs	253	132
Loss on early extinguishment of debt	345	—
Fair value loss (gain) on derivative financial instrument (note 7)	400	(54)
	$ 6,047	$ 1,956

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

19. Change in non-cash operating working capital:

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

	December 31, 2018	December 31, 2017
Utility deposits	$ (6)	$ (84)
Tenant and other receivables	(260)	(1,388)
Prepaid expenses and other assets	1,163	(128)
Tenant rental deposits	48	(36)
Accounts payable and accrued liabilities	241	(1,002)
Finance cost payable	132	232
Distribution payable	(19)	337
	$ 1,299	$ (2,069)

20. Non-controlling interests:

The following table summarizes the change in non-controlling interests for the period from June 12 to December 31, 2018:

Non-controlling interest at acquisition date of Coventry Pointe - 8.50705% (a)	$ 1,125
Net income attributable to non-controlling interests (b)	278
Balance, December 31, 2018	$ 1,403

(a) On June 12, 2018 (“Date of Acquisition”), the Fund acquired an additional ownership of 41.49295% of Coventry Pointe from an affiliate of the Manager, resulting in a total and controlling interest of 91.49295%. All decision making in respect of the Coventry Pointe, including day-to-day and material decisions are made exclusively by the Fund through its established governance practices in accordance with the limited liability agreement of Coventry Pointe Multi-Family Holding LLC and SIA 6. Accordingly, the Fund has control over Coventry Pointe and has wholly consolidated its financial position and results of operations. Coventry Pointe was valued at $37,588 as of June 12, 2018 and had mortgages payable of $24,309, net of finance costs of $223. Coventry Pointe had total assets of $37,944 and liabilities of $24,564.

(b) For Coventry Pointe non-controlling interests of 8.50705% for the period from June 12 to December 31, 2018, revenues from property operations were $165, with property operating expenses of $71, finance costs of $52, fund and trust expenses of $6, deferred taxes of $71 and a fair value adjustment of investment properties of $313. Net income and comprehensive income from Date of Acquisition to December 31, 2018 was $278.

21. Commitments and contingencies:

At December 31, 2018, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 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.

22. 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 December 31, 2018 and December 31, 2017.

23. 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, utilizing third party collection agencies for longstanding balances due from tenants 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 year ended December 31, 2018, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net income and comprehensive income by $131 (for the period from April 24, 2017 (date of formation) to December 31, 2017 - $31).

(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.

23. 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.

The Fund utilizes variable rate collar arrangements 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 (note 7).

24. 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 utility deposits, 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 December 31, 2018 approximated their carrying value.

(iv) Preferred shares – U.S. REIT's series A, provision for carried interest 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.

25. Comparative figures:

Certain comparative figures have been reclassified to conform with the current year presentation of the Consolidated Financial Statements.