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

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

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2018

AUGUST 29, 2018

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the condensed consolidated interim financial results of Starlight U.S. Multi-Family (No. 5) Core Fund (the "Fund") dated August 29, 2018, for the three and six months ended June 30, 2018, should be read in conjunction with the Fund's unaudited condensed consolidated interim financial statements and accompanying notes for the same period as well as the audited consolidated financial statements and accompanying notes for year ended December 31, 2017. These documents are available on SEDAR at www.sedar.com.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

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

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

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

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

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

BASIS OF PRESENTATION

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

NON-IFRS FINANCIAL MEASURES

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

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

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

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

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

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

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

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

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

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

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

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

Same property operating results and NOI (revenue less property operating costs and realty taxes) are presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's operating performance for Properties owned by the Fund and Properties previously owned by Starlight U.S. Multi-Family Core Fund ("Fund No. 1"), Starlight U.S. Multi-Family (No. 2) Core Fund ("Fund No. 2"), Starlight U.S. Multi-Family (No. 3) Core Fund ("Fund No. 3") and Starlight U.S. Multi-Family (No. 4) Core Fund ("Fund No. 4") and collectively with Fund No. 1, Fund No. 2, Fund No. 3 and Fund No. 4 (the "Arrangement Funds") continuously for a selected reporting period and does not take into account the impact of the operating performance of the Properties acquired during or subsequent to the reporting period.

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

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario M8X 2X3. The term of the Fund is targeted to be three years (the "Term"), with two one-year extensions available subject to approval by Starlight U.S. Multi-Family (No. 5) Core GP, Inc., the general partner of the Fund ("Starlight GP"). The Fund may be extended beyond five years by special resolution of the Unitholders. The Fund was established for the primary purpose of indirectly owning an aggregate of 5,882 multi-family apartment suites in 20 properties located in the States of Florida, Georgia, North Carolina and Texas, in the United States (the "Arrangement Properties"). The Arrangement Properties were indirectly acquired through the exchange of limited partnership units of the Arrangement Funds and the common shares of Campar Capital Corporation for limited partnership units of the Fund (the "Plan of Arrangement").

Subsequent to the completion of the Plan of Arrangement and following completion of the Fund's public offering (the "Offering") of units and the filing of the Fund's final long form prospectus (the "Prospectus") dated October 12, 2016, the Fund indirectly acquired three additional properties comprised of an aggregate of 910 suites located in the States of Georgia, Nevada and Texas in the markets of Atlanta, Las Vegas and Austin, respectively, in the United States (the "IPO Properties").

As at June 30, 2018, the Fund had an aggregate of 7,289 suites located in the states of Arizona, Colorado, Florida, Georgia, Nevada, North Carolina, Tennessee and Texas (the "Primary Markets").

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

INVESTMENT OBJECTIVES

The Fund's investment objectives are to:

1. indirectly acquire, own, and operate a portfolio comprised of recently constructed, Class "A" stabilized, income producing multi-family real estate properties in the Primary Markets;
2. make stable monthly cash distributions; and
3. enhance the operating income and property values of the Fund's assets through active management, with the goal of ultimately directly or indirectly disposing of its interests in the assets at a gain by the end of the Fund's Term.

INVESTMENT STRATEGY

The Fund was established for the primary purpose of investing indirectly in recently constructed, Class "A", core income producing rental properties in the U.S. multi-family real estate market. The Manager believes the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate asset classes. The Manager believes the Properties will benefit from their locations in strong submarkets with favourable demographics, and expects the Properties held have excellent prospects for rental growth going forward. The Properties also benefit from the Manager's active asset management strategies designed to enhance rental income and reduce expenses going forward.

In order to meet its investment objectives, the Fund's investment strategy is as follows:

ACQUISITION OF CORE U.S. MULTI-FAMILY REAL ESTATE

1. Identify additional acquisition opportunities in the U.S. multi-family residential market by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off-market" opportunities.
2. Target multi-family assets that are:
    a. constructed in 2012 or later, Class "A" core, stabilized properties with the potential to benefit from active management;
    b. located in the Primary Markets, each with favourable demographics and fundamentals;
    c. located in mature areas with barriers to new development; and

   d. stabilized with the potential to benefit from an active asset management strategy.

3. Complete a comprehensive due diligence program, including cash flow and return modeling, operating expense reviews, and third-party reports including market studies, structural and environmental assessments and appraisals.
4. Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.

ASSET VALUE ENHANCEMENT THROUGH ACTIVE MANAGEMENT STRATEGY

1. Acquire primarily from merchant builders and private equity funds (not operators).
2. Prepare a property-specific asset management plan to improve NOI margins by:
   a. identifying and realizing upon ancillary income opportunities; and
   b. utilizing reputable best-in-class U.S. based property managers.
3. Perform targeted, discrete capital expenditures in order to increase asking rental rates.
4. Strengthen tenant relationships and increase tenant retention through customer service initiatives and new service offerings.
5. Implement revenue management software and seek ancillary income opportunities (e.g. door-to-door waste pick-up services).
6. Reduce operating expense such as staffing, maintenance contracts, advertising and insurance through economies of scale.
7. Perform selective, discrete in-suite capital expenditures (e.g. faux wood flooring, granite counter tops, fenced-in yards, etc.) and cosmetic improvements to increase rental rates.

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

The Manager targets acquisitions in the Primary Markets, which feature:

a) compelling population, economic and employment growth rates;

b) 'landlord friendly' legal environments; and

c) comfortable climates and quality of life.

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

VALUE REALIZATION THROUGH DISPOSITION PROCESS

1. Asset value increases are expected to be primarily realized through NOI growth.
2. The Manager, on behalf of the Fund, will execute dispositions throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.
3. The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds on a tax efficient basis.

The Manager, on behalf of the Fund, may also consider reducing its exposure in any one of the Primary Markets by disposing of certain Properties during the Term and replacing such Properties with newer vintage properties having greater potential NOI growth, while achieving improved geographical diversification of the Fund's overall portfolio and achieving a more balanced distribution of Properties within the Primary Markets.

PORTFOLIO SUMMARY

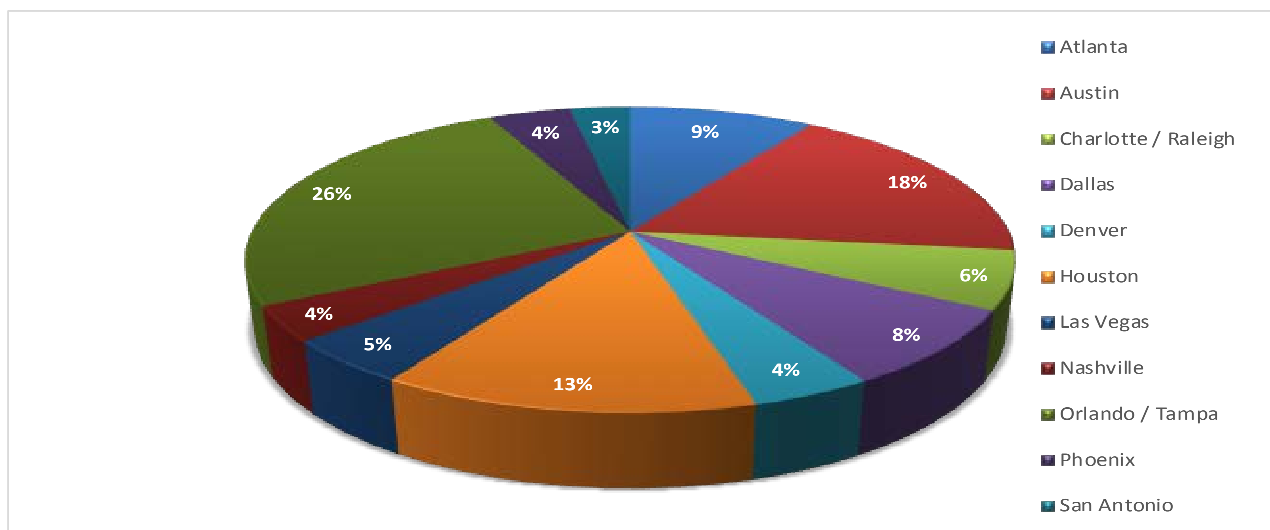
As at June 30, 2018, the Fund had an aggregate of 7,289 suites located across the Primary Markets. The Properties are geographically diversified across Atlanta, Georgia; Austin, Texas; Raleigh, North Carolina; Charlotte, North Carolina; Dallas, Texas; Denver, Colorado; Houston, Texas; Las Vegas, Nevada; Nashville, Tennessee; Phoenix, Arizona; Tampa, Florida; Orlando, Florida; and San Antonio, Texas. The weighted average year of completion for the Properties is 2012.

Property	Location	Suites	Year Completed	Rentable Area (Sq. Ft)	Average Suite Size (Sq. Ft)	Land Area (Acres)	Date of Original Acquisition
Sorelle Apartments	2399 Parkland Drive, Atlanta, Georgia	401	2009	352,347	879	5.09	September 9, 2015
The Views at Coolray Field	755 Braves Avenue, Lawrenceville, Georgia	206	2015	169,455	823	2.51	October 20, 2016
Atlanta, Georgia		**607**	**2012**	**521,802**	**860**	**7.60**	
Palm Valley Apartments	1301 North A.W. Grimes Boulevard, Round Rock, Texas	340	2009	330,300	971	18.60	November 18, 2013
The Allure	701 N. Vista Ridge Blvd, Cedar Park, Texas	334	2013	329,104	985	19.97	July 10, 2014
Broadstone Travesia Apartments	3701 Quick Hill Road, Austin, Texas	396	2008	344,286	869	19.40	March 2, 2015
City North at Sunrise Ranch	2800 Sunrise Road, Round Rock, Texas	384	2009	364,432	949	20.60	October 31, 2016
Austin, Texas		**1,454**	**2010**	**1,368,122**	**941**	**78.57**	
The Village at Marquee Station	2110 Cinema Drive, Fuquay Varina, North Carolina	265	2014	263,865	996	17.69	February 26, 2016
Raleigh, North Carolina		**265**	**2014**	**263,865**	**996**	**17.69**	
Alexander Village	9224 Graham Ridge Drive, Charlotte, North Carolina	320	2015	311,432	973	18.47	March 29, 2018
Charlotte, North Carolina		**320**	**2015**	**311,432**	**973**	**18.47**	
The Callie	8025 Forest Lane, Dallas, Texas	261	2016	224,030	858	6.54	December 8, 2017
Soho Parkway Apartments	6653 McKinney Ranch Parkway, McKinney, Texas	379	2008	366,274	966	15.04	April 1, 2014
Dallas, Texas		**640**	**2012**	**590,304**	**922**	**21.58**	
Carrick Bend	11525 Community Center Drive, North Glenn, Colorado	228	2014	211,946	930	9.00	June 26, 2017
Denver, Colorado		**228**	**2014**	**211,946**	**930**	**9.00**	
Falls at Copper Lake	9140 Highway 6 North, Houston, Texas	374	2008	375,396	1,004	18.18	April 23, 2013
Falls at Eagle Creek	9702 North Sam Houston Parkway, Humble Texas	412	2009	380,756	924	22.13	September 16, 2013
Yorktown Crossing	15903 Yorktown Crossing Parkway, Houston, Texas	312	2009	278,292	892	12.18	August 28, 2014
Houston, Texas		**1,098**	**2009**	**1,034,444**	**942**	**52.49**	
South Blvd Apartments	10200 Giles Street, Las Vegas, Nevada	320	2012	333,576	1,042	14.25	October 18, 2016
Las Vegas, Nevada		**320**	**2012**	**333,576**	**1,042**	**14.25**	
Copperfield Apartments	670 Ken Pilkerton Drive, Smyrna, Tennessee	288	2015	312,600	1,085	21.83	August 1, 2017
Nashville, Tennessee		**288**	**2015**	**312,600**	**1,085**	**21.83**	
Spectra North	20425 North 7th Street ,Phoenix Arizona	274	2012	264,684	966	15.30	June 16, 2017
Phoenix, Arizona		**274**	**2012**	**264,684**	**966**	**15.30**	
Altis at Grand Cypress	1901 Cypress Preserve Dr, Tampa, Florida	304	2014	303,426	998	62.11	April 10, 2015
Tampa, Florida		**304**	**2014**	**303,426**	**998**	**62.11**	
Verano Apartments	2200 Villa Verano Way, Orlando, Florida	384	2008	390,936	1,018	21.94	April 10, 2015
Pure Living Heathrow	740 Savory Place, Heathrow , Florida	252	2009	307,230	1,219	28.53	May 7, 2015
The Reserves at Alafaya	3715 Alafaya Heights Road, Orlando, Florida	264	2014	278,124	1,054	46.26	July 2, 2015
Altis at Sand Lake	7118 Altis Way, Orlando, Florida	315	2016	310,889	987	13.52	February 1, 2018
Orlando, Florida		**1,215**	**2012**	**1,287,179**	**1,059**	**110.25**	
Boardwalk Med Center	7838 Huebner Road, San Antonio, Texas	276	2011/2014	241,236	874	11.91	September 30, 2016
San Antonio, Texas		**276**	**2013**	**241,236**	**874**	**11.91**	
Total (Weighted Average)	**Total**	**7,289**	**(2012)**	**7,044,616**	**966**	**441**	

During the six-months ended June 30, 2018, the Fund disposed of two Properties, The Villages at Sunset Ridge, a 2013 vintage property located in Houston, Texas ("Sunset Ridge") and Greenhaven Apartments, a 2009 vintage property located in Dallas, Texas ("Greenhaven"). The net proceeds were redeployed on a partially tax deferred basis under the Internal Revenue Code section 1031 ("1031 exchange") to acquire Alexander Village in Charlotte, North Carolina (2015 vintage) on March 29, 2018. In addition, the Fund acquired Altis at Sand Lake in Orlando, Florida (2016 vintage) on January 31, 2018 using proceeds from the refinancing of five Properties. The disposition of Sunset Ridge and Greenhaven combined with the acquisition of Alexander Village and Altis at Sand Lake completed the Fund's strategic capital recycling initiative to improve the average vintage and geographical diversification of its Properties. The weighted average vintage of the Properties improved from 2011 to 2012 and the net acquisition activity during 2018 resulted in an additional 162 suites being added to the Fund's portfolio and enhanced geographical diversification.

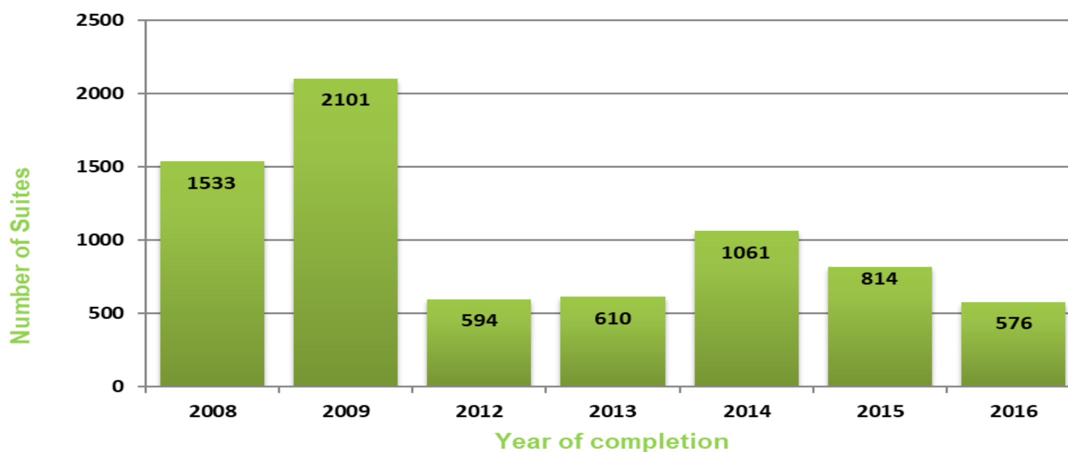
The geographical diversification of the Fund based on NOI for the six months ended June 30, 2018 is as follows:

PROPORTION OF NOI BY MARKET



As at June 30, 2018, the suite composition of the Fund by year of completion were as follows:

NUMBER OF SUITES BY YEAR OF COMPLETION



Sorelle Apartments

Sorelle Apartments is located at 2399 Parkland Drive, Atlanta, Georgia, 7 kilometers northeast of downtown Atlanta. Completed in 2009, the property is located in an upscale neighborhood and is a mid-rise, Class "A", apartment complex comprised of a four to five-storey mid-rise building, with a central clubhouse, on a 5.09-acre site and offers 401 suites ranging in size from one bedroom to two bedrooms.

The Views at Coolray Field

The Views at Coolray Field ("Coolray Field") is located at 755 Braves Avenue, Lawrenceville, Georgia, approximately 56 kilometers northeast of downtown Atlanta and adjacent to the Atlanta Braves AAA baseball stadium. Completed in 2015, the property is a Class "A", apartment complex comprised of a five-storey mid-rise building, with a central clubhouse, on a 2.51-acre site and offers 206 suites ranging in size from one bedroom to three bedrooms.

Palm Valley Apartments

Palm Valley Apartments is located at 1301 North A.W. Grimes Boulevard, Round Rock, Texas, approximately 31 kilometers north of downtown Austin. Completed in 2009, the property is a garden style, Class "A", apartment complex comprised of 17, three-storey buildings on a 18.6-acre site and offers 340 suites ranging in size from one bedroom to three bedrooms.

The Allure

The Allure is located at 701 North Vista Ridge, Cedar Park, Texas, approximately 32 kilometers northwest of downtown Austin. Completed in 2013, the property is a garden style, Class "A", apartment complex comprised of 22, three-storey buildings, including walk-up and two-storey townhouse suites, with a central clubhouse, on a 19.97-acre site and offers 334 suites ranging in size from one bedroom to three bedrooms.

Broadstone Travesia Apartments

Broadstone Travesia Apartments ("Travesia") is located at 3701 Quick Hill Road, Austin, Texas, approximately 24 kilometers north of the Austin central business district, bordering the Northwest Austin and Round Rock-Georgetown sub markets. Completed in 2008, the property is a garden style, Class "A", apartment complex comprised of 18, three-storey walk-up buildings, with a central clubhouse on a 19.4-acre site and offers 396 suites ranging in size from one bedroom to three bedrooms.

City North at Sunrise Ranch

City North at Sunrise Ranch ("City North") is located at 2800 Sunrise Road, Round Rock, Texas, approximately 31 kilometers north of downtown Austin. Completed in 2009, the property is a garden style, Class "A", apartment complex comprised of 19 predominantly three-story apartment buildings, with a central clubhouse, on a 20.6-acre site and offers 384 suites ranging in size from one bedroom to three bedrooms.

The Village at Marquee Station

The Village at Marquee Station ("Marquee Station") is located at 2110 Cinema Drive, Fuquay-Varina, North Carolina, 23 kilometers southwest of downtown Raleigh. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of 12, three-storey walk-up buildings, with a central clubhouse, on a 17.69-acre site and offers 265 suites ranging in size from one bedroom to three bedrooms.

Alexander Village

Alexander Village is located at 9224 Graham Ridge Drive, Charlotte, North Carolina, approximately 14 kilometres northeast of downtown Charlotte. Completed in 2015, the property is a garden style, Class "A", apartment complex comprised of 12, three to four-storey walk-up buildings and four, one storey cottages, with a central clubhouse, on an 18.47-acre site. Alexander Village offers 320 suites ranging in size from one bedroom to three bedrooms.

The Callie

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

Soho Parkway Apartments

Soho Parkway Apartments is located at 6653 McKinney Ranch Parkway in McKinney, Texas, approximately 43 kilometers northeast of downtown Dallas. Completed in 2008, the property is a garden style, Class "A", apartment complex comprised of 16, three storey walk-up buildings, with a central clubhouse, on a 15.04-acre site and offers 379 suites ranging in size from one bedroom to three bedrooms.

Carrick Bend

Carrick Bend is located at 11525 Community Center Drive, Northglenn, Colorado, 24 kilometers north of downtown Denver. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of nine, three storey apartment buildings, with a central clubhouse, on a nine-acre site and offers 228 suites ranging in size from one bedroom to three bedrooms.

Falls at Copper Lake

Falls at Copper Lake is located at 9140 Hwy 6 N, Houston, Texas, approximately 36 kilometres north-west of downtown Houston. Completed in 2008, the property is a garden style, Class "A", apartment complex comprised of 29, two and three-storey walk-up buildings, with a central clubhouse, on an 18.18-acre site and offers 374 suites ranging in size from one bedroom to three bedrooms.

Falls at Eagle Creek

Falls at Eagle Creek is located at 9702 N. Sam Houston Parkway East, Humble, Texas, approximately 36 kilometers northeast of downtown Houston and 16 kilometers southeast of George Bush Intercontinental Airport. Completed in 2009 the property is a garden style, Class "A", apartment complex comprised of 18, three-storey, walk-up buildings, with a central clubhouse, on a 22.13-acre site and offers 412 suites ranging in size from one bedroom to two bedrooms.

Yorktown Crossing

Yorktown Crossing is located at 15903 Yorktown Crossing Parkway, Houston, Texas, northwest of downtown Houston. Completed in 2009, the property is a garden style, Class "A", apartment complex comprised of 13, three storey garden style buildings, with a central clubhouse, on a 12.18-acre site and offers 312 suites ranging in size from one bedroom to two bedrooms.

South Blvd Apartments

South Blvd Apartments ("South Blvd") is located at 10200 Giles Street, Las Vegas, Nevada, 23 kilometers south of downtown Las Vegas. Completed in 2012, the property is a garden style, Class "A", apartment complex comprised of 29, two-storey garden style apartment buildings, with a central clubhouse, on a 14.25-acre site and offers 320 suites ranging in size from one bedroom to three bedrooms.

Copperfield Apartments

Copperfield Apartments ("Copperfield") is located at 670 Ken Pilkerton Drive, Nashville, Tennessee, 40 kilometers south-east of downtown Nashville. Completed in 2015, the property is a garden style, Class "A", apartment complex comprised of 12, three storey apartments, with a central clubhouse, on a 21.83-acre site and offers 288 suites ranging in size from one bedroom to three bedrooms.

Spectra North

Spectra North is located at 20435 North 7th Street, Phoenix, Arizona, 32 kilometers north of downtown Phoenix. Completed in 2012, the property is a garden style, Class "A", apartment complex comprised of 16 apartment buildings, with a central clubhouse, on a 15.3-acre site and offers 274 suites ranging in size from one bedroom to three bedrooms.

Altis at Grand Cypress

Altis at Grand Cypress ("Grand Cypress") is a property located at 1901 Cypress Preserve Drive, Lutz, Florida, 29 kilometers north of downtown Tampa. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of 21, three-storey garden style buildings with a central clubhouse on a 62.11-acre site and offers 304 suites ranging in size from one bedroom to three bedrooms.

VERANO APARTMENTS

Verano Apartments is in a rapidly growing suburb of Orlando located at 2200 Villa Verano Way, Kissimmee, Florida, approximately 37 kilometers south of downtown Orlando. Completed in 2008, the property is a garden style, Class "A", apartment complex comprised of 18, three-story garden style apartment buildings, with a central clubhouse, on a 21.94-acre site and offers 384 suites ranging in size from one bedroom to three bedrooms.

PURE LIVING HEATHROW

Pure Living Heathrow is located at 740 Savory Place, Heathrow, Florida, 29 kilometers north of downtown Orlando. Completed in 2009, the property is a garden style, Class "A", apartment complex comprised of 13, two and three-storey garden style apartment buildings, with a central clubhouse and guardhouse, on a 28.53-acre site and offers 252 suites ranging in size from one bedroom to three bedrooms.

THE RESERVES AT ALAFAYA

The Reserves at Alafaya is located at 3715 Alafaya Heights Road in Orlando, Florida, 21 kilometers east of downtown Orlando. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of nine, three-storey walk-up buildings, with a central clubhouse, on a 46.26-acre site and offers 264 suites ranging in size from one bedroom to three bedrooms.

ALTIS AT SAND LAKE

Altis at Sand Lake ("Sand Lake") is located at 7118 Altis Way in Orlando, Florida. Completed in 2016, the property is a garden style, Class "A", apartment complex comprised of 13, three-storey apartment buildings, with a central clubhouse, on a 13.52-acre site and offers 315 suites ranging in size from one bedroom to three bedrooms.

BOARDWALK MED CENTER

Boardwalk Med Center ("Boardwalk") is located at 7838 Huebner Road, San Antonio, Texas, 20 kilometers northwest of downtown San Antonio. Completed in 2014, the property is a garden style, Class "A", apartment complex comprised of 14, three-storey garden style buildings, with a central clubhouse, on an 11.91-acre site and offers 276 suites ranging in size from one bedroom to two bedrooms.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operational performance of the Fund as at June 30, 2018, and for the three and six months ended June 30, 2018, including a comparison to the Fund's financial and operational performance as at June 30, 2017, and for the three and six months ended June 30, 2017.

SECOND QUARTER HIGHLIGHTS:

- Completed the program to strategically recycle capital into newer properties further enhancing the vintage and geographical diversification of its portfolio while disposing of smaller assets.
    - Disposed of two properties in Texas with an average vintage of 2011 and reinvested the proceeds on a partially tax-deferred basis into Alexander Village, a 320-suite property in Charlotte, North Carolina (2015 vintage).
    - Proceeds from the refinancing of five properties were used to acquire Sand Lake, a 315-suite property in Orlando, Florida (2016 vintage).
- Revenue from property operations for the three months ended June 30, 2018 was $27,551, a 12.1% increase over the three months ended June 30, 2017 ($24,568), reflecting growth from net acquisition activity and same property AMR growth of 2.3%.
- The Fund's economic occupancy improved by 90 basis points to 92.6% for the three months ended June 30, 2018 compared to the first quarter of 2018.
- NOI for the three months ended June 30, 2018 was $15,704, a 10.9% increase over the same period in the prior year, primarily due to new properties acquired as part of the Fund's capital recycling program.

- Net income and comprehensive income for the three months ended June 30, 2018 was $20,521, in comparison to $3,278 for the same period in the prior year. Net income and comprehensive income for the three months ended June 30, 2018 was primarily driven by a $41,734 positive fair value adjustment on investment properties compared to only $8,301 for the same period in 2017.
- AFFO for the three months ended June 30, 2018 was $4,716 (three months ended June 30, 2017 - $6,884). AFFO payout ratio was 133.3% for the three months ended June 30, 2018 (three months ended June 30, 2017 – 88.3%). The decrease in AFFO and the increase in the payout ratio was primarily related to higher interest on mortgages payable due to increases in the U.S. 30-day London Interbank Offered Rate ("LIBOR") being partly offset by NOI growth.
- Subsequent to June 30, 2018, the Fund entered into index lock agreements to fix the interest rate on a proposed new mortgage financing totaling approximately $612,000. The new fixed rate financing, which the Fund expects to close during the three months ended December 31, 2018, comprises a six year tranche at a fixed rate of 3.92% with five years of interest only payments and a seven year tranche at a fixed rate of 3.95% and five years of interest only payments.

PROPERTY LEVEL HIGHLIGHTS FOR THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2018 INCLUDING A COMPARISON TO THE THREE MONTHS AND SIX MONTHS ENDED JUNE 30, 2017:

- Portfolio AMR as at June 30, 2018 was $1,224, representing an increase of 3.7% from $1,181 at June 30, 2017. AMR growth was particularly strong in Orlando/Tampa (7.7%), Dallas (6.3%) and Houston (2.7%). Economic occupancy for the three months ended June 30, 2018 was 92.6%, in-line with the same period in 2017. The decrease in same property NOI were primarily due to property tax increases as the result of a few properties settling taxes from prior periods.
- Same property AMR as at June 30, 2018 was $1,108, representing a 2.3% increase from $1,083 at June 30, 2017. Same property AMR growth was particularly strong in Orlando/Tampa (4.7%). Same property economic occupancy for the three months ended June 30, 2018 was 93.0%, representing an 80-basis point decrease in comparison to the same period in the prior year.
- Same property NOI at $11,804 for the three months ended June 30, 2018 decreased by $280 or 2.4% in comparison to the same period in the prior year due to the impact of settlements of prior year property taxes. Excluding these amounts, same property NOI increased by 2.4%. Same property NOI at $23,569 for the six months ended June 30, 2018 decreased by $151 or 0.6% in comparison to the same period in the prior year due to the impact of settlements of prior year property taxes. Excluding these amounts, same property NOI increased by 1.8%.

FINANCIAL POSITION AS AT JUNE 30, 2018:

- Indebtedness to Gross Book Value at June 30, 2018 was 64.37% representing an increase from 63.81% at December 31, 2017. The increase in Indebtedness to Gross Book Value was primarily related to the refinancing of five of the Fund's properties during the first quarter of 2018.
- As at June 30, 2018, the weighted average interest rate on mortgages payable was 4.15% and the weighted average term to maturity was 4.18 years.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at June 30, 2018	As at December 31, 2017
Operational Information		
Number of properties	23	23
Total suites	7,289	7,127
Economic occupancy [1]	91.7%	91.8%
AMR (in actual dollars)	$ 1,224	$ 1,196
AMR per square foot (in actual dollars)	$ 1.26	$ 1.25
Summary of Financial Information		
Gross Book Value [2]	$1,386,058	$1,267,840
Indebtedness	$892,257	$787,294
Indebtedness to Gross Book Value [3]	64.37%	62.10%
Weighted average mortgage interest rate	4.15%	3.60%
Weighted average mortgage term to maturity	4.18 years	4.16 years

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018 [4]	Six months ended June 30, 2017
Summary of Financial Information				
Revenue from property operations	$27,551	$24,568	$54,084	$48,879
Property operating costs	($7,299)	($6,483)	($14,222)	($12,715)
Property taxes [5]	($4,548)	($3,919)	($9,022)	($8,172)
NOI	$15,704	$14,166	$30,840	$27,992
Net income and comprehensive income	$20,521	$3,278	$11,460	$7,612
FFO	$4,662	$3,796	$5,875	$10,447
FFO per unit - basic and diluted	$0.10	$0.08	$0.12	$0.13
AFFO	$4,716	$6,884	$9,978	$13,881
AFFO per unit - basic and diluted	$0.10	$0.14	$0.20	$0.28
Interest Coverage Ratio	1.57 x	2.16 x	1.58 x	2.45 x
Indebtness Coverage Ratio	1.57 x	1.95 x	1.55 x	2.27 x
FFO payout ratio	134.8%	160.2%	213.1%	117.4%
AFFO payout ratio	133.3%	88.3%	125.5%	88.3%
Weighted average units Outstanding (000s) - basic and diluted	49,019	49,085	49,021	49,179

Notes:

(1) Economic occupancy for the six months ended June 30, 2018 and year-ended December 31, 2017.

(2) The December 31, 2017 Gross Book Value includes Sunset Ridge which was classified as held for sale.

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

(4) Revenue from property operations, property operating costs and property taxes include amounts relating to Sunset Ridge which was classified as held for sale at December 31, 2017 and subsequently sold during the six months ended June 30, 2018.

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

FINANCIAL PERFORMANCE

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Revenue from property operations	$ 27,551	$ 24,568	$ 54,084	$ 48,879
Property operating costs	(7,299)	(6,483)	(14,222)	(12,715)
Property taxes [1]	-	-	(16,832)	(16,898)
Income from rental operations	20,252	18,085	23,030	19,266
Finance costs	(10,033)	(7,682)	(21,602)	(12,974)
Distributions to Unitholders	(6,285)	(6,082)	(12,522)	(12,260)
Dividends to Preferred Shareholders - U.S. REIT's series A	(20)	(20)	(39)	(39)
Fund and trust expenses	(1,379)	(1,327)	(2,841)	(2,748)
Transaction costs on disposition of investment properties	2	(1,056)	(389)	(1,056)
Unrealized foreign exchange gain (loss)	244	(382)	705	(468)
Realized foreign exchange gain (loss)	-	57	(208)	47
Fair value adjustment of investment properties	41,734	8,301	42,653	17,996
Fair value adjustment IFRIC 21	(4,548)	(3,919)	7,810	8,725
Provision for carried interest	(7,425)	-	(7,425)	-
Income taxes:				
Current	(168)	(99)	(1,010)	(205)
Deferred	(11,853)	(2,598)	(16,702)	(8,672)
Net income and comprehensive income	$ 20,521	3,278	$ 11,460	7,612

[1] Property taxes for the three months ended March 31, 2018 and March 31, 2017 include a full year of property tax obligations due to the IFRIC 21 adjustment.

RESULTS OF OPERATIONS

The following discussion compares the Fund's actual results for the three months and six months ended June 30, 2018 to the same period in the prior year.

	Three months ended June 30, 2018	Three months ended June 30, 2017	% Change	Six months ended June 30 2018	Six months ended June 30, 2017 [2]	% Change
Revenue from property operations	$ 27,551	$ 24,568	12.1%	$ 54,084	$ 48,879	10.6%
Property operating costs	7,299	6,483	12.6%	14,222	12,715	11.9%
Property taxes [1]	4,548	3,919	16.1%	9,022	8,172	10.4%
NOI	$ 15,704	$ 14,166	10.9%	$ 30,840	$ 27,992	10.2%
NOI margin	57.0%	57.7%		57.0%	57.3%	

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

(2) Revenue from property operations, property operating costs and property taxes include amounts relating to Sunset Ridge w hich w as held for sale at December 31, 2017 and disposed of during the six months ended June 30, 2018.

REVENUE FROM PROPERTY OPERATIONS

Revenue from property operations for the three months ended June 30, 2018 was $27,551, an increase of $2,983 or 12.1% compared to the three months ended June 30, 2017. This increase was primarily due to net acquisition activity and growth in rents and ancillary income across the portfolio. The Fund acquired an additional 47 suites during 2017 through net acquisitions and has acquired an additional 162 suites to date in 2018. Economic occupancy was 92.6% for the three months ended June 30, 2018 (June 30, 2017 – 92.6%). AMR increased by $29 or 2.5% on an annualized basis during the three months ended June 30, 2018. AMR increased by $43 to $1,224 as at June 30, 2018 reflecting a 3.7% increase from June 30, 2017.

Revenue from property operations for the six months ended June 30, 2018 was $54,084, an increase of $5,205 or 10.6% compared to the six months ended June 30, 2017. This increase was primarily due to net acquisition activity and growth in rents and ancillary income across the portfolio. Economic occupancy was 91.7% for the six months ended June 30, 2018 (six months ended June 30, 2017 – 93.3%).

PROPERTY OPERATING COSTS

Property operating costs for the three months ended June 30, 2018 were $7,299, an increase of $816 or 12.6% compared to the three months ended June 30, 2017. This increase was primarily due to the impact of net acquisitions. In addition, operating costs were higher due to increased administration, advertising and utility costs.

Property operating costs for the six months ended June 30, 2018 were $14,222, an increase of $1,507 or 11.9% compared to the three months ended June 30, 2017. This increase was primarily due to the impact of net acquisition activity during 2018 as the Fund added an additional 162 suites, along with growth in same property operating costs of 4.7% driven by increased administration.

PROPERTY TAXES

For the three months ended June 30, 2018, the Fund's property taxes were $4,548, an increase of $629 or 16.1% compared to the three months ended June 30, 2017, mainly due to the acquisition of an additional 162 suites in the first six months of 2018.

For the six months ended June 30, 2018, the Fund's property taxes were $9,022, an increase of $850 or 10.4% compared to the six months ended June 30, 2017 reflecting the impact of the acquisition activity. The Fund actively manages its property tax assessed values to minimize property tax expenses by utilizing third party consultants in the respective markets. Property taxes in the condensed consolidated interim financial statements for the three and six months ended June 30, 2018 have been presented under IFRS and IFRIC 21, which reflect the entire year's estimated property tax expense for all Properties during the three months ended March 31, 2018.

NOI

	Three months ended June 30, 2018		Three months ended June 30, 2017		Six months ended June 30, 2018		Six months ended June 30, 2017	
Market	NOI	Margin %	NOI	Margin %	NOI	Margin %	NOI	Margin %
Atlanta	$ 1,428	58.5%	$ 1,568	64.0%	$ 2,860	59.3%	$ 2,983	61.9%
Austin	2,704	51.2%	2,838	54.5%	5,452	52.2%	5,583	54.0%
Charlotte / Raleigh	1,295	61.2%	1,035	62.8%	1,897	60.9%	1,901	61.0%
Dallas	1,101	49.2%	1,249	58.7%	2,512	49.7%	2,396	57.6%
Denver	700	68.2%	23	69.8%	1,338	67.0%	23	69.8%
Houston	1,910	50.2%	3,147	52.0%	4,113	51.1%	6,597	52.6%
Las Vegas	736	65.1%	721	65.5%	1,464	66.0%	1,472	67.1%
Nashville	580	56.3%	N/A	N/A	1,137	56.0%	N/A	N/A
Orlando / Tampa	4,141	63.1%	3,008	61.7%	7,865	62.7%	6,001	61.8%
Phoenix	648	65.7%	115	72.1%	1,264	65.3%	115	72.1%
San Antonio	461	49.0%	462	51.0%	938	50.2%	921	51.1%
Total	$ 15,704	57.0%	$ 14,166	57.7%	$ 30,840	57.0%	$ 27,992	57.3%

NOI for the three months ended June 30, 2018 was $15,704 compared to $14,166 for the same period in the prior year. This increase of $1,538 or 10.9% was due to the impact of net acquisition activity. Rent growth across the portfolio was offset by higher operating expenses and property taxes.

NOI margin for the three months ended June 30, 2018 was 57.0% compared to 57.7% for the same period in the prior year. The decrease in NOI margin of 70 basis points was largely due to higher property taxes, particularly in Atlanta, Austin, Dallas and Orland/Tampa.

NOI for the six months ended June 30, 2018 was $30,840 compared to $27,992 for the same period in the prior year. This increase of $2,848 or 10.2% was primarily related to the Fund's net acquisition activity.

NOI margin for the six months ended June 30, 2018 was 57.0% compared 57.3% for the same period in the prior year. The decrease in NOI margin of 30 basis points was largely due to higher operating costs.

FINANCE COSTS

The Fund's finance costs for the three and six months ended June 30, 2018 and the corresponding periods in 2017 are summarized below:

	Three months ended June 30, 2018	Three months ended June 30, 2017[1]	Six months ended June 30, 2018[1]	Six months ended June 30, 2017[1]
Interest on mortgages payable	$ 8,859	$ 5,391	$ 16,524	$ 10,355
Interest on mezzanine loans payable	-	-	39	-
Interest and standby charges on credit facility	144	74	301	183
Amortization of premiums on mortgages payable	-	2	-	5
Amortization of financings costs	492	503	951	1,065
Loss on early extinguishment of debt	2	1,913	2,910	1,913
Fair value adjustments on derivative instruments	536	(208)	877	(557)
Other interest	-	7	-	10
Total	$ 10,033	$ 7,682	$ 21,602	$ 12,974

(1) Finance costs include amounts relating to Sunset Ridge which was held for sale at December 31, 2017 and disposed of during the six months ended June 30, 2018.

Interest on mortgages payable for the three months ended June 30, 2018 of $8,859 was $3,468 or 64.3% higher than the same period in the prior year. The increase is partially related to increases in LIBOR. The remainder of the increase related to increases in mortgages payable since June 30, 2017, resulting from the refinancing of 14 Properties for additional mortgage proceeds of $69,156 together with an increase of $129,062 related to financing the net acquisition activity.

Interest and standby charges on the Credit Facility for the three months ended June 30, 2018 were $144, compared to $74 for the same period in the prior year. The increase was primarily due to the higher amount drawn under the Credit Facility during the three months ended June 30, 2018, in comparison to the same period in the prior year.

Amortization of premiums on mortgages payable for the three months ended June 30, 2018 was $nil, compared to $2 for the three months ended June 30, 2017.

Amortization of financing costs for the three months ended June 30, 2018 was $492 compared to $503 for the same period in the prior year. The decrease of $11 was primarily attributable to lower amortization costs for the Properties which were refinanced throughout 2017 and on January 31, 2018 into revolving pool mortgage facilities with longer terms to maturity than the previous mortgages. These reductions were partly offset by additional amortization related to financing costs for net acquisition activity.

The loss on extinguishment of debt for the three months ended June 30, 2018 was $2, compared to $1,913 for the same period in the prior year.

Fair value adjustment on derivative instruments for the three months ended June 30, 2018 was a loss of $536 (three months ended June 30, 2017 – gain of $208). The loss for the three months ended June 30, 2018 was primarily attributable to the impact of a stronger U.S. dollar relative to the Canada dollar on the Fund's variable rate collar contract. The Fund's variable rate collar contract provides protection from the impact of any potential weakening of the U.S. dollar on the Fund's Canadian dollar distributions. On March 2, 2018, the Fund entered into a variable rate collar contract, which ensured an exchange rate between $1.2700 to C$1.3220. The variable rate collar contract will expire in December 2018.

Interest on mortgages payable for the six months ended June 30, 2018 of $16,524 was $6,169 or 59.6% higher than the same period in the prior year. The increase is partially related to increases in LIBOR. The remainder of the increase related to increases in mortgages payable since June 30, 2017, resulting from the refinancing of 14 Properties for additional mortgage proceeds of $69,156 together with an increase of $129,062 related to financing the net acquisition activity.

The interest on mezzanine loans payable of $39 for the six months ended June 30, 2018 is related to the mezzanine loan acquired on the acquisition of The Callie in December 2017. This mezzanine loan was repaid on January 31, 2018.

Interest and standby charges on the Credit Facility for the six months ended June 30, 2018 were $301, compared to $183 for the same period in the prior year. The increase was primarily due to the higher amount drawn under the Credit Facility during the six months ended June 30, 2018, in comparison to the same period in the prior year.

Amortization of premiums on mortgages payable for the six months ended June 30, 2018 was $nil, compared to $5 for the three months ended June 30, 2017.

Amortization of financing costs for the six months ended June 30, 2018 was $951 compared to $1,065 for the same period in the prior year.

The loss on extinguishment of debt for the six months ended June 30, 2018 was $2,910 compared to $1,913 for the same period in the prior year. The loss on extinguishment of debt related to the expensing of deferred financing costs on the five Properties which were refinanced on January 31, 2018 and the two Properties which were sold during the six months ended June 30, 2018. For the six months ended June 30, 2018, the loss on extinguishment of debt associated with the refinanced Properties was $2,407 (deferred financing costs - $1,003, prepayment penalties - $1,404) and the loss on extinguishment of debt associated with the sold Properties was $503 (deferred financing costs - $311, prepayment penalties - $192).

Fair value adjustment on derivative instruments for the six months ended June 30, 2018 was a loss of $877 (June 30, 2017 – gain of $557). The loss for the six months ended June 30, 2018 was primarily attributable to the impact of a stronger U.S. dollar relative to the Canada dollar on the Fund's variable rate collar contract entered into on March 2, 2018.

DISTRIBUTIONS TO UNITHOLDERS

Effective October 18, 2016, the Fund began paying distributions to Unitholders of C$0.65 or $0.65 per unit per annum depending on the corresponding denomination, except for class H Unitholders at C$0.35 per unit, per annum. Distributions declared to Unitholders were $6,285 during the three months ended June 30, 2018 (three months ended June 30, 2017 - $6,082). The increase in Unitholder distributions of $203 or 3.3% was primarily due to the weaker U.S. dollar relative to the corresponding period in 2017 resulting in a slight increase in the amount required to fund the Canadian dollar distributions.

Distributions declared to Unitholders were $12,522 during the six months ended June 30, 2018 (six months ended June 30, 2017 - $12,260). The increase in Unitholder distributions of $262 or 2.1% was primarily due to the weaker U.S. dollar relative to the corresponding period in 2017 resulting in a slight increase in the amount required to fund the Canadian dollar distributions, partly offset by a reduction in units following repurchases of 23,500 class A units under the NCIB during the six months ended June 30, 2018. (six months ended June 30, 2017 repurchased 390,400 class A units).

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

The Fund's U.S. real estate investment trusts subsidiaries ("U.S. REITs") have preferred shareholders who receive dividend payments on their preferred shares. The preferred shares are issued to help ensure the U.S. REITs qualify as real estate investment trusts for U.S. federal tax purposes. For the three and six months ended June 30, 2018, the Fund incurred $20 and $39 in dividends (three and six months ended June 30, 2017 - $20 and $39).

FUND AND TRUST EXPENSES

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

Fund and trust expenses for the three months ended June 30, 2018 were $1,379 compared to $1,327 for the same period in the prior year. This represents an increase of $52 or 3.9%. The increase was primarily due to the impact of net acquisition activity on asset management fees for the three months ended June 30, 2018, in comparison to the same period in the prior year. Fund and trust expenses for the three months ended June 30, 2018 include asset management

and service fees of $1,084 and $152, respectively, in comparison to $926 and $156, respectively, for the same period in the prior year.

Fund and trust expenses for the six months ended June 30, 2018 were $2,841 compared to $2,748 for the same period in the prior year. This represents an increase of $93 or 3.4%. The increase was primarily due to the impact of net acquisition activity on asset management fees for the three months ended June 30, 2018, in comparison to the same period in the prior year, partly offset by one-time reorganization costs of $152 in 2017. Fund and trust expenses for the six months ended June 30, 2018 include asset management and service fees of $2,132 and $301, respectively, in comparison to $1,844 and $319, respectively, for the same period in the prior year.

UNREALIZED FOREIGN EXCHANGE GAIN (LOSS)

The Fund recognized unrealized foreign exchange gains of $705 and $244 for the three and six months ended June 30, 2018 (unrealized foreign exchange loss for the three and six months ended June 30, 2017 – $382 and $468). The unrealized gains were primarily related to the impact of the exchange rate movement on the Canadian dollar denominated Credit Facility during the six months ended June 30, 2018.

REALIZED FOREIGN EXCHANGE LOSS

The realized foreign exchange loss for the three and six months ended June 30, 2018 was $nil and $208 (realized foreign exchange gain for the three and six months ended June 30, 2017 - $57 and $47). The foreign exchange loss was primarily due to the strengthening of the Canadian dollar from the date the Canadian dollar denominated mezzanine loan was acquired on the acquisition of The Callie, to the date that the mezzanine loan was repaid by the Fund. The remainder of the loss is related to operating expenses incurred in Canadian dollars.

INVESTMENT PROPERTIES – FAIR VALUE ADJUSTMENTS

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

The Fund recorded a fair value increase on its Properties of $41,734 for the three months ended June 30, 2018. This increase in fair value was primarily related to capitalization rate compression as well as increases in projected NOI across the Fund's portfolio. For the six months ended June 30, 2018 the increase in the fair value was $42,653, primarily related to capitalization rate compression across the Fund's portfolio as well as increases in projected NOI across the Fund's portfolio. The following table summarizes the change in investment properties held by the Fund for the six months ended June 30, 2018.

		Amount
Balance, as at December 31, 2016	$	1,056,414
Acquisitions of investment properties		200,912
Dispositions of investment properties		(97,277)
Capital additions		8,029
Fair value adjustment		100,670
IFRIC 21 property tax liability adjustment		(908)
Investment property held for sale		(28,364)
Balance, as at December 31, 2017	$	1,239,476
Acquisitons of investment properties		128,679
Dispositions of investment properties		(33,518)
Capital additions		4,739
Fair value adjustment		42,653
IFRIC 21 property tax liability adjustment		4,029
Balance, as at June 30, 2018	$	1,386,058

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

	As at June 30, 2018	As at December 31, 2017
Cost	$ 1,235,009	$ 1,163,473
Cumulative fair value adjustment	144,413	101,760
IFRIC 21 realty tax liability adjustment	6,636	2,607
Investment property held for sale	-	(28,364)
Fair value	$ 1,386,058	$ 1,239,476

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

	As at June 30, 2018	As at December 31, 2017
Capitalization rates - range	4.50% to 5.00%	4.74% to 5.25%
Capitalization rate - weighted average	4.75%	4.89%

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

Key assumptions	Change	As at June 30, 2018	As at December 31, 2017
Weighted average:			
Capitalization rate	10-basis-point increase	$ (28,763)	$ (25,628)
Capitalization rate	10-basis-point decrease	$ 30,000	$ 26,697

The impact of a 1% change in NOI used to value the Properties as at June 30, 2018 would affect the fair value by approximately $13,950 (June 30, 2017 - $11,091).

PROVISION FOR CARRIED INTEREST

The Fund recognized a provision for carried interest during the three months ended June 30, 2018 of $7,425. See "Carried Interest".

INCOME TAXES – CURRENT

The Fund's current income taxes for the three months ended June 30, 2018 were $168 (three months ended June 30, 2017 - $99). The increase over the prior period was primarily due to franchise taxes payable in respect of Properties acquired in Tennessee and North Carolina since June 30, 2017.

For the six months ended June 30, 2018 income taxes were $1,010 (six months ended June 30, 2017 - $205). The increase over the prior period was due to taxes of $720 incurred on the portion of the gain on the sales of Greenhaven and Sunset Ridge that was not reinvested into the purchase of Alexander Village under the 1031 exchange, U.S. tax deferral. The remainder of the current tax includes franchise taxes in Texas, Tennessee and North Carolina.

INCOME TAXES - DEFERRED

For the three months ended June 30, 2018, the Fund recorded a deferred tax expense in the amount of $11,853 (three months ended June 30, 2017 - $2,598). This represented an increase of $9,255 from the same period in the prior year and primarily related to the increase in fair value of investment properties of $41,734. For the six months ended June 30, 2018, the Fund recognized $16,702 in deferred taxes (six months ended June 30, 2017 - $8,672), an increase of $8,030, resulting from fair value increases on investment properties of $42,653 and the indirect acquisition of Sand Lake.

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared for the three and six months ended June 30, 2018 with a comparison to the same period in the prior year.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

A reconciliation of net (loss) income and comprehensive (loss) income, determined in accordance with IFRS to FFO and AFFO is presented below for the three and six months ended June 30, 2018, with a comparison to the three and six months ended June 30, 2017.

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Net (loss) income and comprehensive (loss) income	$ 20,521	$ 3,278	$ 11,460	$ 7,612
Add / (Deduct):				
Distributions to Unitholders	6,285	6,082	12,522	12,260
Dividends to Preferred Shareholders	20	20	39	39
Deferred taxes	11,853	2,598	16,702	8,672
Unrealized foreign exchange (gain) loss	(244)	382	(705)	468
Realized foreign exchange loss	-	(57)	208	(47)
Fair value adjustment on derivative financial instruments	536	(206)	877	(561)
Fair value adjustment of investment properties (1)	(41,734)	(8,301)	(42,653)	(17,996)
Provision for carried interest	7,425	-	7,425	-
FFO	$ 4,662	$ 3,796	$ 5,875	$ 10,447
Add / (Deduct):				
Amortization of mortgage premium	-	2	-	5
Amortization of financing costs (1)	492	503	951	1,065
Current taxes - U.S. withholding taxes and tax on dispositions	2	12	734	24
Service fees related to class A units and class U units	152	156	301	319
One-time Plan of Arrangement costs	-	-	-	152
Transaction costs on disposition of investment properties	(2)	1,056	391	1,056
Loss on early extinguishment of debt	2	1,913	2,910	1,913
Fair value adjustment on interest rate cap	-	(2)	-	4
Sustaining capital expenditures and suite renovation reserves	(592)	(552)	(1,184)	(1,104)
AFFO	$ 4,716	$ 6,884	$ 9,978	$ 13,881
FFO per unit - basic and diluted	$0.10	$0.08	$0.12	$0.21
FFO payout ratio	134.8%	160.2%	213.1%	117.4%
AFFO per unit - basic and diluted	$ 0.10	$ 0.14	$ 0.20	$ 0.28
AFFO payout ratio	133.3%	88.3%	125.5%	88.3%
Distributions declared (2)	$ 6,285	$ 6,082	$ 12,522	$ 12,260
Weighted average units outstanding:				
Basic and diluted - class A, C, D, E, F, H & U - (000s)	49,019	49,085	49,021	49,179

(1) Adjustments recognized include the impact of Sunset Ridge, which was classified as held for sale at December 31, 2017 and subsequently disposed of during the six months ended June 30, 2018.

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

Basic and diluted FFO and FFO per unit for the three months ended June 30, 2018 was $4,662 and $0.10 respectively (three months ended June 30, 2017 - $3,796 and $0.08). FFO for the three months ended June 30, 2018 was $866 higher than the same period in the prior year. The increase in FFO compared to the same period from the prior year was primarily related to a $1,538 increase in NOI, reduction in transaction costs on disposition of investment properties of $1,056 and a reduction in the loss on early extinguishment of debt of $1,913 being partly offset by the increase in interest on mortgages payable. The Fund's FFO payout ratio for the three months ended June 30, 2018 was 134.8% compared to 160.2% for the same period in the prior year.

Basic and diluted AFFO and AFFO per unit for the three months ended June 30, 2018 was $4,716 and $0.10, respectively (three months ended June 30, 2017 - $6,884 and $0.14). The $2,168 or 46.0% reduction in AFFO in comparison to the same period in the prior year was primarily due to the increase in interest on mortgages payable and being partially offset

by a $1,538 increase in NOI. The AFFO payout ratio for the three months ended June 30, 2018 was 133.3% (June 30, 2017 – 88.3%).

Basic and diluted FFO and FFO per Unit for the six months ended June 30, 2018 was $5,875 and $0.12 respectively (six months ended June 30, 2017 - $10,447 and $0.21). FFO for the six months ended June 30, 2018 was $4,572 lower than the same period in the prior year. The reduction in FFO was primarily related to a $720 current tax expense resulting from disposition activity in 2018, $6,169 increase in interest on mortgages payable, $118 increase in interest and standby charges on the Credit Facility, $39 increase in mezzanine loan interest, and a $2,910 loss on early extinguishment of debt, partially offset by a $2,848 increase in NOI and a reduction in transaction costs on disposition of investment properties of $667. The Fund's FFO payout ratio for the six months ended June 30, 2018 was 213.1% compared to 117.4% for the same period in the prior year.

Basic and diluted AFFO and AFFO per Unit for the six months ended June 30, 2018 was $9,978 and $0.20, respectively (three months ended June 30, 2017 - $13,881 and $0.28). The $3,903 or 39.1% reduction in AFFO in comparison to the same period in the prior year was primarily due to the $6,169 increase in interest on mortgages payable, partially offset by a $2,848 increase in NOI. The AFFO payout ratio for the six months ended June 30, 2018 was 125.5% (six months ended June 30, 2017 – 88.3%).

For the purposes of calculating AFFO, the Fund utilized a reserve for sustaining capital expenditures and suite renovations of $592 and $1,184 for the three and six months ended June 30, 2018, respectively (for the three and six months ended June 30, 2017 - $552, $1,104). The reserve is used in the calculation of AFFO as it removes fluctuations in AFFO resulting from seasonality in actual sustaining capital expenditures and suite renovation costs. The use of the reserve also eliminates any potential fluctuations in AFFO due to non-recurring or less frequent sustaining capital expenditures. Sustaining capital expenditure reserves are based on third party property condition assessment reports, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate in the Primary Markets. Actual sustaining capital expenditures and suite renovation costs incurred during the three and six months period ended June 30, 2018 were $409 and $988, respectively.

Net income and comprehensive income for the six months ended June 30, 2018 of $11,460 was lower than distributions paid to Unitholders of $12,522. The net income and comprehensive income amount for the six months ended June 30, 2018, is comprised of several non-cash or one-time expenses including the following: deferred taxes ($16,702), loss on extinguishment of debt ($2,910), amortization of financing costs ($951), transaction costs on disposition of properties ($391), fair value loss on derivative instruments ($877), provision for carried interest of ($7,425), unrealized foreign exchange gain of $705 and an increase in the fair value of investment properties $42,653. Net income and comprehensive income, adjusted for the beforementioned non-cash, one-time expenses and distributions paid to Unitholders resulted in a shortfall to distributions paid to Unitholders of ($2,544). This shortfall was funded by residual cash from the disposition of properties and refinancing proceeds. The Manager expects the shortfall of net income and comprehensive income to distributions to be temporary given a number of these non-cash charges were incurred during the process of strategically rebalancing its portfolio to achieve enhanced geographical diversity across the Primary Markets. The Manager expects that the Fund will be able to continue to capitalize on its active asset management strategy through the achievement of rental growth, ancillary income growth and reduction in property operating costs. These initiatives are expected to result in increases to the Fund's net income and comprehensive income.

Net income and comprehensive income for the three months ended June 30, 2017 was lower than the distribution paid to Unitholders by $2,804 due to one time transaction costs incurred on the sale of Properties of $1,056, a loss on the extinguishment of debt of $1,913 and the distribution to Unitholders of $6,082.

Net income and comprehensive income for the six months ended June 30, 2017 was lower than the distribution paid to Unitholders by $4,648 due to one time transaction costs incurred on the sale of Properties of $1,056, a loss on the extinguishment of debt of $1,913, amortization of financing costs of $1,065 and the distribution to Unitholders of $12,260.

The Fund distributions paid and declared for the six months ended June 30, 2018 per unit were as follows:

Class A	Class C	Class D	Class E	Class F	Class H	Class U
C$0.32502	C$0.32502	C$0.32502	$0.32502	C$0.32502	C$0.17502	$0.32502

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

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash provided by operating activities	$ 14,008	$ 14,235	$ 28,942	$ 24,682
Less: interest paid	(9,003)	(5,482)	(16,864)	(10,537)
Cash provided by operating activities - including interest paid	5,005	8,753	12,078	14,145
Add / (Deduct):				
Change in non-cash operating working capital (1)	(173)	(1,372)	(3,910)	(2,009)
Change in restricted cash	4,553	3,604	(1,804)	964
One-time Plan of Arrangement costs	-	-	-	152
Fair value adjustment of investment properties (including IFRIC 21) (1)	(4,231)	(4,096)	3,555	916
Realized foreign exchange loss	-	325	208	421
Current taxes - U.S. withholding taxes and tax on dispositions	2	12	734	24
Service fees related to class A and class U units	152	156	301	319
Purchase of Interest rate cap agreement	-	54	-	54
Sustaining capital expenditures and suite renovation reserve	(592)	(552)	(1,184)	(1,104)
AFFO	$ 4,716	$ 6,884	$ 9,978	$ 13,881

(1) Includes portion of fair value adjustment relating to Sunset Ridge, which was classified as held for sale at December 31, 2017 and subsequently disposed of during the six month period ended June 30, 2018.

The Fund's cash provided by operating activities, including interest paid for the three and six months ended June 30, 2018 was below the distributions paid to Unitholders by $1,280 and $444, respectively. The Fund covered the shortfall through refinancing proceeds and proceeds from net dispositions.net disposition activity resulting in approximately $3,000. The Fund considers the shortage in cash to be temporary as the Fund has initiated a process to reduce its indebtedness and lower its weighted average mortgage interest rate. See "Subsequent Events".

AVERAGE MONTHLY RENT

The following table presents AMR (in actual dollars) as at June 30, 2018 and June 30, 2017. Same property AMR has been presented for those Properties that were owned by the Fund for the six months ended June 30, 2018 and the six months ended June 30, 2017 (representing 5,603 suites).

	Total Portfolio as at June 30, 2018 and June 30, 2017			Same Property as at June 30, 2018 and June 30, 2017			
Market	2018 AMR	2017 AMR	%	Suites	2018 AMR	2017 AMR	%
Atlanta	$ 1,332	$ 1,315	1.3%	607	$ 1,332	$ 1,315	1.3%
Austin	1,150	1,132	1.6%	1,454	1,150	1,132	1.6%
Charlotte/Raleigh	1,178	1,175	0.3%	265	1,190	1,175	1.3%
Dallas	1,190	1,120	6.3%	379	1,127	1,112	1.3%
Denver	1,402	1,396	0.4%	-	-	-	N/A
Houston	1,142	1,112	2.7%	1,098	1,142	1,122	1.8%
Las Vegas	1,140	1,126	1.3%	320	1,140	1,126	N/A
Nashville	1,170	-	N/A	-	-	-	N/A
Orlando/Tampa	1,385	1,286	7.7%	1,204	1,347	1,286	4.7%
Phoenix	1,119	1,114	0.4%	-	-	-	N/A
San Antonio	1,106	1,109	(0.3%)	276	1,106	1,109	N/A
Total	$ 1,224	$ 1,181	3.7%	5,603	$ 1,108	$ 1,083	2.3%

Portfolio AMR as at June 30, 2018 was $1,224 compared to $1,181 as at June 30, 2017, an increase of $43 or 3.6%. Increases in AMR were realized in all markets with the exception of San Antonio. AMR growth was particularly strong in Dallas (6.3%) and Orlando/Tampa (7.7%) partly due to the acquisition of Properties with higher average rents and also in Houston (2.7%) which was partly due to disposition of Properties with lower average rents.

Same property AMR as at June 30, 2018 was $1,108, an increase of $25 or 2.3% compared to June 30, 2017. Same property AMR growth was strongest in Orlando/Tampa (4.7%).

OCCUPANCY

The following tables present economic occupancy for the three and six months ended June 30, 2018 and June 30, 2017. Same property economic occupancy has been presented for those Properties that were owned by the Fund for the three and six months ended June 30, 2018 and the three and six months ended June 30, 2017, representing 5,603 suites.

	Total Portfolio for the three months ended June 30, 2018 and June 30, 2017		Same Property for the three months ended June 30, 2018 and June 30, 2017		
Market	2018 Occ. %	2017 Occ. %	Suites	2018 Occ. %	2017 Occ. %
Atlanta	91.7%	92.7%	607	91.7%	94.0%
Austin	92.8%	92.0%	1,454	92.8%	92.5%
Charlotte/Raleigh	90.3%	93.0%	265	88.5%	93.5%
Dallas	89.0%	93.2%	379	94.0%	94.6%
Denver	93.9%	94.0%	N/A	N/A	N/A
Houston	91.8%	91.5%	1,098	91.8%	92.6%
Las Vegas	94.6%	93.1%	320	94.6%	93.0%
Nashville	93.5%	N/A	N/A	N/A	N/A
Orlando/Tampa	94.2%	94.3%	1,204	95.5%	94.1%
Phoenix	94.3%	91.2%	N/A	N/A	N/A
San Antonio	93.9%	92.5%	276	93.9%	95.1%
Total	92.6%	92.6%	5,603	93.0%	93.8%

The Fund's economic occupancy remained stable for the three months ended June 30, 2018 at 92.6% compared to 92.6% for the three months ended June 30, 2017. Economic occupancy increased in Austin, Houston, Las Vegas, Phoenix, and San Antonio. These increases were offset by economic occupancy reductions in Atlanta, Charlotte/Raleigh, Dallas, Denver, and Orlando/Tampa.

Same property economic occupancy for the three months ended June 30, 2018 was 93.0% compared to 93.8% for the three months ended June 30, 2017, a reduction of 80 basis points. Same property economic occupancy increased in the Austin, Las Vegas, and Orlando/Tampa markets with the Atlanta, Charlotte/Raleigh and San Antonio markets showing reductions in comparison to the three months ended June 30, 2017.

	Total Portfolio for the six months ended June 30, 2018 and June 30, 2017		Same Property for the six months ended June 30, 2018 and June 30, 2017		
Market	2018 Occ. %	2017 Occ. %	Suites	2018 Occ. %	2017 Occ. %
Atlanta	91.2%	94.0%	607	91.2%	92.8%
Austin	91.6%	92.5%	1,454	91.6%	92.0%
Charlotte/Raleigh	89.4%	94.3%	265	87.8%	92.4%
Dallas	87.5%	94.3%	379	91.5%	91.5%
Denver	91.0%	N/A	N/A	N/A	N/A
Houston	91.3%	91.9%	1,098	91.0%	91.8%
Las Vegas	92.3%	93.0%	320	92.3%	93.1%
Nashville	91.8%	N/A	N/A	N/A	N/A
Orlando/Tampa	93.9%	94.6%	1,204	94.0%	94.3%
Phoenix	92.9%	N/A	N/A	N/A	N/A
San Antonio	94.2%	95.1%	276	94.2%	92.5%
Total	91.7%	93.3%	5,603	92.0%	92.9%

For the six months ended June 30, 2018, economic occupancy for the portfolio was 91.7% compared to 93.3% in the same period in 2017. The lower economic occupancy reflects a slower leasing period during the first few months of 2018 with improving occupancy levels during the three months ended June 30, 2018.

Same property economic occupancy for the six months ended June 30, 2018 was 92.0% as compared to 92.9% in the same period in 2017, a 90 basis point reduction, caused by lower economic occupancy in Atlanta, Austin, Charlotte/Raleigh, Houston, Las Vegas and Orlando / Tampa being partly offset by an increase in San Antonio.

QUARTERLY AMR AND OCCUPANCY

The following table presents AMR (in actual dollars) as at June 30, 2018, March 31, 2018, December 31, 2017, September 30, 2017 and the economic occupancy for the Properties for the three-month periods ended June 30, 2018, March 31, 2016, December 31, 2017 and September 30, 2017.

	As at June 30, 2018			As at March 31, 2018			As at December 31, 2017			As at September 30, 2017		
Market	Suites	AMR	Occ %	Suites	AMR	Occ %	Suites	AMR	Occ %	Suites	AMR	Occ %
Atlanta	607	$1,332	91.7%	607	$ 1,328	90.7%	607	$ 1,334	91.8%	607	$ 1,329	93.4%
Austin	1,454	1,150	92.8%	1,454	1,137	90.5%	1,454	1,139	90.3%	1,454	1,146	92.3%
Charlotte / Raleigh	585	1,178	90.3%	585	1,173	87.7%	265	1,194	93.5%	265	1,196	95.1%
Dallas	640	1,190	89.0%	640	1,190	86.4%	856	1,180	88.5%	595	1,123	94.2%
Denver	228	1,402	93.9%	228	1,387	88.1%	228	1,388	88.0%	228	1,398	92.4%
Houston	1,098	1,142	91.8%	1,098	1,131	90.9%	1,355	1,114	95.1%	1,469	1,109	92.9%
Las Vegas	320	1,140	94.6%	320	1,129	90.0%	320	1,126	91.6%	320	1,138	90.7%
Nashville	288	1,170	93.5%	288	1,176	90.2%	288	1,181	86.5%	288	1,186	92.0%
Phoenix	274	1,119	94.2%	274	1,122	93.5%	274	1,127	89.4%	274	1,113	90.8%
Orlando / Tampa	1,519	1,385	94.3%	1,519	1,366	91.5%	1,204	1,314	93.6%	1,204	1,302	94.0%
San Antonio	276	1,106	93.9%	276	1,098	94.6%	276	1,099	91.4%	276	1,108	94.4%
Total	7,289	$1,224	92.6%	7,289	$ 1,214	91.7%	7,127	$ 1,196	91.8%	6,980	$ 1,188	93.1%

As at June 30, 2018, the portfolio AMR was $1,224, which was an increase of $10 from March 31, 2018, or an annualized increase of 3.3%. Austin, Denver, Houston and Orlando/Tampa all achieved annualized AMR increases in excess of 4.0% during the three months ended June 30, 2018. Economic occupancy increased by 90 basis points to 92.6% from March 31, 2018 to June 30, 2018 and remained within the Fund's targeted range. The Fund anticipates economic occupancy will further increase during the summer leasing season.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results include the Properties owned by the Fund for the entire three and six months ended June 30, 2018 and June 30, 2017 (representing 5,603 suites).

	Three months ended June 30, 2018	Three months ended June 30, 2017	% Change	Six months ended June 30 2018	Six months ended June 30 2017	% Change
Revenue from property operations	$ 20,980	$ 20,574	2.0%	$ 41,518	$ 40,803	1.8%
Property operating costs	$ 5,571	5,261	(5.9%)	10,813	10,337	4.6%
Property taxes [(1)]	$ 3,605	3,229	(11.7%)	7,136	6,746	5.8%
NOI	$ 11,804	$ 12,084	(2.3%)	$ 23,569	$ 23,720	(0.6%)
NOI margin	56.3%	58.2%		56.8%	57.4%	

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

REVENUE FROM PROPERTY OPERATIONS – SAME PROPERTY

Same property revenue from property operations for the three months ended June 30, 2018 of $20,980 was $406 or 2.0% higher than the three months ended June 30, 2017. This increase was attributable to the increase in same property AMR and increases in ancillary income. These increases were partly offset by lower economic occupancy.

Same property revenue from property operations for the six months ended June 30, 2018 of $41,518 was $715 or 1.8% higher than the six months ended June 30, 2017. This increase was attributable to the increase in same property AMR including particularly strong rental rate growth in Orlando/Tampa and increases in ancillary income. These increases were partly offset by lower economic occupancy.

PROPERTY OPERATING COSTS – SAME PROPERTY

Same property operating costs for the three months ended June 30, 2018 of $5,571 were $310 or 5.9% higher than the same period in the prior year. These increases were primarily due to higher administration, advertising and utility expenses.

Same property operating costs for the six months ended June 30, 2018 of $10,813 were $476 or 4.6% higher than the same period in the prior year. These increases were primarily due to higher administration, advertising and utility expenses.

PROPERTY TAXES – SAME PROPERTY

Same property, property taxes for the three months ended June 30, 2018 at $3,605 were $376 or 11.6% higher than the same period in the prior year. The increase in property taxes was due to the impact of adjustments made to reflect settlement of tax amounts for the prior tax year in both 2018 and 2017. Excluding the adjustments for prior year taxes, a decrease in same property, property taxes for the three months ended June 30, 2018 was 5.1%.

Same property, property taxes for the six months ended June 30, 2018 at $7,136 were $390 or 5.8% higher than the same period in the prior year. The increase in property taxes was due to the impact of adjustments made to reflect settlement of tax amounts for the prior tax year in both 2018 and 2017. Excluding the adjustments for prior year taxes, a decrease in same property, property taxes for the six months ended June 30, 2018 was 2.4%.

NOI – SAME PROPERTY

The following table shows the same property NOI and NOI margin by market for the three and six months ended June 30, 2018 and comparative 2017 figures.

	Three months ended June 30, 2018		Three months ended June 30, 2017		Six months ended June 30, 2018		Six months ended June 30, 2017	
Market	**NOI**	**Margin %**	**NOI**	**Margin %**	**NOI**	**Margin %**	**NOI**	**Margin %**
Atlanta	$ 1,428	58.5%	$ 1,568	64.0%	$ 2,860	59.3%	$ 2,983	61.9%
Austin	2,703	51.2%	$ 2,838	54.5%	5,451	52.2%	5,583	54.0%
Charlotte / Raleigh	549	58.3%	$ 627	62.4%	1,127	59.3%	1,222	61.6%
Dallas	779	58.4%	$ 776	58.6%	1,514	58.4%	1,529	58.7%
Houston	1,919	50.4%	$ 2,085	56.4%	3,855	51.2%	3,994	54.3%
Las Vegas	736	65.1%	$ 721	65.5%	1,464	66.0%	1,472	67.1%
Orlando / Tampa	3,229	63.2%	$ 3,008	61.7%	6,360	62.7%	6,016	62.0%
San Antonio	461	49.0%	$ 461	51.0%	938	50.2%	921	51.1%
Total	$ 11,804	56.3%	12,084	58.2%	$ 23,569	56.8%	$ 23,720	57.4%

For the three months ended June 30, 2018, same property NOI was $11,804, $280 or 2.3% lower than the same period in the prior year due to an increase in property taxes. Excluding the impact of tax settlements for prior year taxes, same property NOI increased by 2.4% during the three months ended June 30, 2018. NOI increased by 7.3% in Orlando/Tampa driven by strong rent growth and efficient expense management. Same property NOI growth in Dallas, Las Vegas and Orlando/Tampa was offset by reductions in Atlanta, Austin, Charlotte/Raleigh and Houston. Same property NOI margin during the three months ended June 30, 2018 was 56.3% compared to 58.2% during the three months ended June 30, 2017 with the reduction being primarily due to higher property taxes.

For the six months ended June 30, 2018, same property NOI was $23,569, $151 or 0.6% lower than the same period in the prior year due, again due to the increase in property taxes. Excluding the impact of tax settlements for prior year taxes, same property NOI increased by 1.8% during the six months ended June 30, 2018. NOI increased by 5.7% in Orlando/Tampa driven by strong rent growth and expense management.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all its obligations, including distributions to Unitholders and property maintenance and capital expenditure commitments as they become due. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities, mortgage debt secured by investment properties and its Credit Facility. As at June 30, 2018, the Fund was compliant with all financial covenants.

CASH FLOWS

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

The following table details the changes in cash for the three and six months ended June 30, 2018 and the three and six months ended June 30, 2017:

	Three months ended June 30, 2018	Three months ended June 30, 2017	Six months ended June 30, 2018	Six months ended June 30, 2017
Cash provided by operating activities	$ 14,008	$ 14,235	$ 28,942	$ 24,682
Cash provided by (used in) financing activities	(15,744)	86,102	39,886	72,998
Cash used in investing activities	(2,661)	(76,888)	(63,668)	(78,245)
Increase (decrease) in cash	(4,397)	23,449	5,160	19,435
Cash, beginning of period	14,020	3,655	4,463	7,669
Cash, end of period	$ 9,623	$ 27,104	$ 9,623	$ 27,104

Cash on hand at June 30, 2018 was $9,623 (June 30, 2017 - $27,104).

Cash provided by operating activities for the three and six months ended June 30, 2018 was $14,008 and $28,942 and related primarily to the net cash generated from property operations, as well as changes in restricted cash and non-cash working capital. Cash provided by operating activities for the three and six months ended June 30, 2017 was $14,235 and $24,682.

Cash used in financing activities for the three months ended June 30, 2018 was $15,744, and related to finance costs paid of $9,283, distributions to Unitholders of $6,285, class A unit purchases under the NCIB of $156 and distributions paid on U.S. REIT's series A preferred shares of $20. Cash provided by financing activities for the six months ended June 30, 2018 was $39,886, including proceeds from new financing of $40,695 and proceeds from refinancing of $41,797 being partly offset by finance costs paid of $21,988, repayment of mezzanine debt of $6,051, paydown of Credit Facility of $1,590, distributions to Unitholders of $12,522, principal payments on mortgages of $260, class A unit purchases under the NCIB of $156 and distributions to paid on U.S. REIT's series A preferred shares of $39.

Cash provided by financing activities for the three months ended June 30, 2017 was $86,102. These amounts included proceeds from new financing of $78,321, proceeds from refinancing's of $19,921 and proceeds from Credit Facility $4,485, partly offset by distributions to Unitholders of $6,082, distributions paid on U.S. REITs Series A preferred shares of $20, purchase of interest rate caps of $54, finance costs paid of $8,572, class A unit purchases under the NCIB of $1,295 and principal payments on mortgages of $602. Cash provided by financing activities for the six months ended June 30, 2017 was $72,998. These amounts included proceeds from new financing of $78,321, proceeds from refinancing's of $19,921 and proceeds from Credit Facility of $4,485, partly offset by distributions to Unitholders of $12,260, distributions paid on U.S. REITs Series A preferred shares of $39, purchase of interest rate caps of $54, finance costs paid of $13,669, class A unit purchases under the NCIB of $2,706 and principal payments on mortgages of $1,001.

Cash used in investing activities for the three months ended June 30, 2018 was $2,661 relating primarily to capital additions to Properties. Cash used in investing activities for the six months ended June 30, 2018 was $63,668 relating to property acquisitions of $78,258, capital additions to properties of $4,739 and transaction costs on the disposition of properties of $389, being partly offset by property dispositions of $19,718.

Cash used in investing activities for the three months ended June 30, 2017 was $76,888 relating to property acquisitions of $105,579 being partly offset by property dispositions of $31,555, transaction costs on disposition of Properties of $1,056 and capital additions to Properties of $1,808. Cash used in investing activities for the six months ended June 30, 2017 was $78,245 relating to property acquisition of $105,579 being partly offset by property dispositions of $31,555, transaction costs on disposition of Properties of $1,056 and capital additions to Properties of $3,165.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of indebtedness and net liabilities attributable to Unitholders. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, as the Fund continues to build Unitholder value and maintain sufficient capital contingency amounts. As at June 30, 2018 the total capital of the Fund was as follows:

	As at June 30, 2018	As at December 31, 2017
Mortgages payable / loans payable	$ 880,117	$ 772,972
Credit facility	12,140	14,322
Net liabilities attributable to Unitholders	405,749	394,445
Total capital	$ 1,298,006	$ 1,181,739

Mortgages payable increased during the six months ended June 30, 2018 as a result of new or assumed mortgages totalling $91,111 which were used to partly fund property acquisitions. In addition, there was an increase to mortgages payable of $41,797 resulting from the refinancing of existing Properties. The increase to mortgages payable was partly offset by the repayment of the mezzanine loan ($6,051) and mortgages discharged ($40,894).

As at June 30, 2018, $12,140 was drawn on the Credit Facility, reflecting a repayment of $1,590 since December 31, 2017 and an unrealized foreign exchange gain of $592.

DEBT PROFILE

As at June 30, 2018, the Fund's overall leverage, as represented by the ratio of Indebtedness to Gross Book Value was 64.37%. The maximum allowable under the Fund's first amended and restated limited partnership agreement dated October 12, 2016 is 75%. The weighted average mortgage interest rate for the Fund, as at June 30, 2018, was 4.15% and the weighted average term to maturity of the mortgage portfolio was 4.18 years.

The following table summarizes key liquidity metrics:

	As at June 30, 2018	As at December 31, 2017
Indebtedness to Gross Book Value	64.37%	63.81%
Weighted average interest rate - mortgages	4.15%	3.60%
Weighted average term to maturity - mortgages	4.18 years	4.16 years

	For the three months ended June 30, 2018	For the three months ended June 30, 2017	For the six months ended June 30, 2018	For the six months ended June 30, 2017
Interest Coverage Ratio	1.57 x	2.16 x	1.58 x	2.33 x
Indebtedness Coverage Ratio	1.57 x	1.95 x	1.55 x	2.12 x

The Interest Coverage Ratio and the Indebtedness Coverage Ratio for the three months ended June 30, 2018 were 1.57 times and for the six months ended June 30, 2018 were 1.58 times and 1.55 times, respectively. The reduction in the Interest Coverage Ratio and Indebtedness Coverage ratio from the three and six months ended June 30, 2017 to the three and six months ended June 30, 2018 related to the increase in mortgages payable as a result of net acquisitions and refinancing's, and an increase in LIBOR being partly offset by higher NOI.

The Fund utilizes interest rate cap agreements and interest rate collar agreements to provide protection on the rate of interest payable on all of its variable rate mortgages as required by the applicable lenders. As the Fund has elected not

to use hedge accounting, an unrealized loss of $244 relating to the fair value of the interest rate cap and collar agreements/collars was included in finance costs for the three months ended June 30, 2018. For six months ended June 30, 2018, an unrealized loss of $303 relating to the fair value of the interest rate cap and collar agreements was recorded in finance costs.

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

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

	Notional Amount	Maturity Date	Interest Rate Cap / Collar	Carrying Value and Fair Value at June 30, 2018
Commonwealth Bank of Australia	21,695	01-Jul-18	4.08%	$ -
Commonwealth Bank of Australia	36,909	01-Jul-18	4.00%	-
The Bank of New York Mellon	19,330	02-Nov-18	3.78%	-
Commonwealth Bank of Australia	37,600	01-Jan-19	4.00%	-
SMBC Capital Markets, Inc.	38,000	01-Feb-19	3.75%	-
Federal Home Loan and Mortgage Coporation	305,000	26-Mar-20	3.90%	1,051
Federal Home Loan and Mortgage Coporation	280,000	23-Apr-20	4.05%	1,050
SMBC Capital Markets, Inc.	38,540	01-Jul-20	3.65%	9
SMBC Capital Markets, Inc.	46,950	01-Jul-20	3.90%	6
SMBC Capital Markets, Inc.	51,750	01-Jul-20	3.90%	6
	$875,774			$2,122

The Fund utilizes interest rate collar agreements to provide protection on the rate of interest payable on its pooled mortgage facilities. On March 29, 2018 the fund entered into an interest rate collar agreement on its second pooled mortgage facility. This agreement provides for a LIBOR floor rate of 1.9% and a LIBOR ceiling rate of 2.5% and covers approximately $305,000 face value of mortgages payable across seven properties. This contract expires in March 2020.

On April 24, 2018 the Fund entered into an interest rate collar agreement on its first pooled mortgage facility. This agreement provides for a LIBOR floor rate of 1.9% and a LIBOR ceiling rate of 2.5% and covers approximately $280,000 face value of mortgages payable across eight properties. This contract expires in April 2020.

As a result of the interest rate cap and collar contracts identified above, the Fund has successfully hedged the variable interest rate risk on $875,774 of the face value on its mortgages payable.

MORTGAGES PAYABLE

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

	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Percentage of total mortgages payable	Weighted average interest rate of maturing mortgages	Scheduled interest payments
2018	$ -	$ -	$ -	0.00%	0.00%	$ 19,962
2019	288	58,571	58,859	6.69%	4.05%	41,363
2020	1,515	62,800	64,315	7.31%	4.09%	38,483
2021	2,759	279,968	282,727	32.12%	4.24%	35,644
2022	2,868	-	2,868	0.33%	0.00%	23,095
Thereafter	5,256	466,092	471,348	53.56%	4.12%	15,022
	$ 12,686	$ 867,431	$ 880,117	100.00%	4.15%	$ 173,569
Unamortized financing costs			(7,313)			
			$ 872,804			

CREDIT FACILITY

On October 19, 2016, the Fund entered into an unsecured Credit Facility agreement with a Canadian chartered bank with a maturity date of October 19, 2017. The lender has a general charge over all the Fund's Properties, assets and undertakings which subordinate to any permitted liens. The Credit Facility has two tranches: Tranche A allows the Fund to borrow up to C$10,000 and Tranche B initially allowed the Fund to borrow up to C$13,000.

The Credit Facility was renewed on October 18, 2017 for an additional one-year term, with Tranche B amended to reduce the borrowing capacity to C$8,000. In addition, the interest rate was reduced to the prime rate plus 2.15% (previously prime plus 3.39%) or banker's acceptance ("BA") stamping fee plus 3.15% (previously BA stamping fee plus 4.39%).

Both tranches consist of interest and fees payable on the first day of each month in arrears, up to an including the maturity date. As at June 30, 2018, the Fund had drawn C$8,000 from tranche A and C$8,000 from tranche B, the U.S. dollar equivalent of $12,140, net of unamortized Credit Facility costs of $11 (June 30, 2017 – $97). All amounts drawn were BA advances. A 0.50% standby fee is charged on the undrawn amount of the Credit Facility. For the three months ended June 30, 2018, finance costs included $144 related to BA advances and standby fees (three months ended June 30, 2017 - $74). For the six months ended June 30, 2018, finance costs included $301 related to BA advances and standby fees (six months ended June 30, 2017 – $182).

COMMITMENTS AND CONTINGENCIES

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

NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS

The Fund is authorized to issue an unlimited number of units. The beneficial interest in the net income (loss) and comprehensive income (loss) of the Fund is divided into seven classes of Units: class A; class C; class D; class E; class F; class H; and class U.

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Net liabilities attributable to Unitholders, December 31, 2016	$ 86,599	$ 83,852	$ 78,619	$ 17,907	$ 20,985	$ 887	$ 14,442	$ 303,291
Units repurchased and cancelled under NCIB	(2,706)	-	-	-	-	-	-	(2,706)
Re-allocation due to unit conversions	(1,703)	(114)	3,242	2,198	(1,371)	(8)	(2,244)	-
Net income and comprehensive income	25,664	26,148	25,562	6,278	6,125	274	3,809	93,860
Net liabilities attributable to Unitholders, December 31, 2017	$ 107,854	$ 109,886	$ 107,423	$ 26,383	$ 25,739	$ 1,153	$ 16,007	$ 394,445
Units repurchased and cancelled under NCIB	(156)	-	-	-	-	-	-	(156)
Re-allocation due to unit conversions	(403)	(92)	987	249	(455)	(1)	(285)	-
Net income and comprehensive income	3,121	3,194	3,153	775	726	34	457	11,460
Net liabilities attributable to Unitholders, June 30, 2018	$ 110,416	$ 112,988	$ 111,563	$ 27,407	$ 26,010	$ 1,186	$ 16,179	$ 405,749

The NCIB commenced on November 1, 2016 and remained in effect until October 31, 2017. On October 26, 2017, the Fund announced the TSX-V had accepted the renewal of the existing NCIB commencing November 1, 2017, to remain in effect until the earlier of (i) October 31, 2018 or (ii) the date on which the Fund has purchased the maximum number of units permitted under the NCIB. Under the NCIB, the Fund may purchase for cancellation up to a maximum of 1,396,448 class A units and 157,189 class U units, representing 10% of the Fund's public float of class A units and class U units, respectively. The Fund may not purchase more than 2% of the issued and outstanding class A units or class U units during any 30-day period, which as at October 26, 2017, represented 281,264 class A units and 31,635 class U units, respectively. During the three and six months ended June 30, 2018, the Fund purchased and cancelled 23,500 class A units at a total cost of $156 (three and six months ended June 30, 2017, 186,100 units at a total cost of $1,293, 390,400 units as at total cost of $2,705, respectively).

A copy of TSX-V Form 5G - Notice of Intention to Make a Normal Course Issuer Bid is available without charge by contacting the Fund.

UNITS

The following table summarizes the changes in units outstanding for the six months ended June 30, 2018:

(in thousands of units)	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Outstanding, as at December 31, 2017	13,997	13,512	13,941	2,606	3,237	150	1,581	49,024
Class A units repurchased and cancelled under NCIB	(24)	-	-	-	-	-	-	(24)
Units reallocated due to conversions	(37)	-	140	27	(100)	-	(27)	3
Units as at June 30, 2018	13,936	13,512	14,081	2,633	3,137	150	1,554	49,003

As at June 30, 2018, there were 49,003,188 units issued and outstanding, comprised of 13,935,782 class A units, 13,511,772 class C units, 14,080,640 class D units, 2,632,971 class E units, 3,138,133 class F units, 149,614 class H units and 1,554,276 class U units.

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

ARRANGEMENTS WITH STARLIGHT

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

(a) Pursuant to the management agreement dated October 15, 2016 (the "Management Agreement"), as assigned, the Manager is to perform asset management services for fees equal to 0.35% of the sum of:

I. the appraised values of the properties acquired in connection with the Plan of Arrangement, or in the case of future acquisitions including the IPO Properties, the purchase price of the properties in U.S. dollars; and

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

(b) In addition, the Manager is to receive an amount equal to the service fee paid to registered dealers of the Fund's class A and class U units, paid quarterly in arrears.

For the three months ended June 30, 2018, asset management fees of $1,084 and service fees of $152 (for the three months ended June 30, 2017 – $926 and $156, respectively) were charged to Fund and trust expenses. The amount payable to the Manager as at June 30, 2018 was $512 (June 30, 2017 - $302).

For the six months ended June 30, 2018, asset management fees of $2,132 and service fees of $301 (for the six months ended June 30, 2017 – $1,844 and $319, respectively) were charged to Fund and trust expenses.

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

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

Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. The acquisitions of Sand Lake for $69,300 and Alexander Village for $59,100 were from an affiliated entity of the Manager. During the six months ended June 30, 2018, acquisition fees paid to the Manager related to acquisitions were a total of $1,213. The purchase price for these acquisitions were at or lower than third party appraised valuations, with the acquired assets continuing to improve the geographical diversification of the Fund and lowering the average age of the portfolio.

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

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

CARRIED INTEREST

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

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

As of June 30, 2018, the Fund had recognized a provision for carried interest after taking into account the Minimum Return to Unitholders of $7,425 (December 31, 2017 – $nil).

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

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

CRITICAL JUDGMENTS AND ESTIMATES

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

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

The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

ACCOUNTING FOR ACQUISITIONS

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

INVESTMENT PROPERTIES

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

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

FINANCIAL INSTRUMENTS

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

LEASES

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

Income Taxes

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

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

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

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

Consolidation

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

Carried Interest

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

FUTURE ACCOUNTING POLICY CHANGES

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

RISKS AND UNCERTAINTIES

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

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

growing enterprise, management anticipates that the Fund will be continually evolving and enhancing its systems of controls and procedures.

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

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

FUTURE OUTLOOK

The Fund has completed the strategic rebalancing of its portfolio and believes it has a high quality (2012 average vintage) portfolio with assets that are economically sized and geographically diversified. Properties will continue to benefit from stable demand for residential rental accommodation. The Primary Markets continue to exhibit sustained job and population growth and a shift away from home ownership, including as a result of lifestyle choice. The supply of comparable, multi-suite residential rental properties continues to be at reasonable levels given the strength of demand drivers. The Properties are located in 13 attractive U.S. sun-belt markets and this geographical diversification mitigates the concentration risk that could exist in any one market. The strong economic performance across the U.S. and in the Primary Markets is supportive for multi-family real estate fundamentals and the U.S. economy. The Properties are performing well with strong occupancy as well as rent and NOI growth.

SUBSEQUENT EVENTS

On July 13, 2018, the Fund entered into index lock agreements to fix the interest rate on a proposed new mortgage financing totaling approximately $612,000. The new fixed rate financing, which the Fund expects to close during the three months ended December 31, 2018, comprises a six year tranche at a fixed rate of 3.92% with five years of interest only payments and a seven year tranche at a fixed rate of 3.95% and five years of interest only payments.

On July 27, 2018, the Fund entered into a second amending agreement to its Credit facility providing for a $8,500 tranche C facility bearing interest at an interest rate spread of 3.15% over LIBOR. The tranche C facility matures on the same date as the tranche A and B facilities on October 19, 2018.

QUARTERLY INFORMATION

	Three months ended June 30, 2018	Three months ended March 31, 2018[1]	Three months ended December 31, 2017[2]	Three months ended September 30, 2017[3]	Three months ended June 30, 2017[4]	Three months ended March 31, 2017[5]	Three months ended December 31, 2016[6]	For the period August 26, 2016 to September 30, 2016[7]
Revenue from property operations	$ 27,551	$ 26,044	$ 24,998	$ 25,450	$ 24,568	$ 24,311	$ 19,679	$ -
Property operating costs	(7,299)	(6,694)	(6,750)	(7,028)	(6,483)	(6,232)	(5,241)	-
Property taxes	-	(16,739)	1,604	-	-	(16,898)	(3,027)	-
Income from rental operations	20,252	2,611	19,852	18,422	18,085	1,181	11,411	-
Distributions to Unitholders	(6,285)	(6,237)	(6,151)	(6,150)	(6,082)	(6,178)	(5,108)	-
Dividends to Preferred Shareholders - U.S. REITs series A	(20)	(19)	(19)	(20)	(20)	(19)	(31)	-
Finance costs	(10,033)	(11,310)	(7,584)	(6,715)	(7,682)	(5,292)	(5,273)	-
Fund and trust expenses	(1,379)	(1,449)	(1,350)	(1,372)	(1,327)	(1,421)	(7,906)	-
Transaction Costs	2	(391)	(11)	-	(1,056)	-	-	-
Unrealized foreign exchange gain (loss)	244	461	(75)	(552)	(382)	(86)	204	-
Realized foreign exchange (loss) gain	-	(208)	(114)	85	57	(10)	444	-
Fair value adjustment of investment properties	41,734	919	1,020	81,654	8,301	9,695	1,090	-
Fair value adjustment IFRIC 21	(4,548)	12,358	(4,482)	(4,267)	(3,919)	12,644		
Provision for carried interest	(7,425)	-	-	-	-	-	-	-
Income taxes:		-						
Current	(168)	(841)	(58)	(48)	(99)	(106)	(49)	-
Deferred	(11,853)	(4,849)	44,742	(40,426)	(2,598)	(6,074)	(2,680)	-
Income before net (loss) income from property held for sale	$ 20,521	$ (8,955)	$ 45,770	$ 40,611	$ 3,278	$ 4,334	$ (7,898)	$ -
Net (loss) income from properties held for sale	-	(106)	(463)	330	-	-	-	-
Net income (loss) and comprehensive income (loss)	**$ 20,521**	**$ (9,061)**	**$ 45,307**	**$ 40,941**	**$ 3,278**	**$ 4,334**	**$ (7,898)**	**$ -**
FFO	$4,662	$1,564	$6,592	$6,170	$3,796	$6,651	($1,854)	n/a
AFFO	$4,716	$5,611	$6,634	$6,302	$6,884	$6,997	$5,649	n/a
Distributions	6,285	6,237	6,151	6,150	6,082	6,178	5,108	n/a
FFO per Unit - basic and diluted	$0.10	$0.03	$0.13	$0.13	$0.08	$0.13	($0.04)	n/a
AFFO per Unit - basic and diluted	$0.10	$0.11	$0.14	$0.13	$0.14	$0.14	$0.11	n/a
Distributions per Unit[8]	$0.13	$0.13	$0.13	$0.13	$0.13	$0.13	$0.10	n/a

Notes:

(1) During the three months ended March 31, 2018, the Fund sold Villages at Sunset Ridge and Greenhaven Apartments. The Fund also acquired Sand Lake and Alexander Village.

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

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

(4) During the three months ended June 30, 2017, the Fund sold Residences at Cinco Ranch, Belle Haven Apartments, and Villages of Towne Lake and acquired Spectra North and Carrick Bend.

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

(6) During the three months ended December 31, 2016, the Fund acquired the Arranagement Properties - October 15, 2016 and the IPO Properties.

(7) During the period from August 26, 2016 to September 30, 2016 the Fund did not own any Properties.

(8) Distributions per unit for each period are based on the total distributions per weighted average unit outstanding during the period.

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

Dated: August 29, 2018

Toronto, Ontario, Canada