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

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

For the years ended December 31, 2018 and 2017

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Independent Auditor's Report

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

Opinion

We have audited the consolidated financial statements of Starlight U.S. Multi-Family (No. 5) Core Fund and its subsidiaries (the "Fund"), which comprise the consolidated statements of financial position as at December 31, 2018 and 2017, and the consolidated statements of net (loss) income and comprehensive (loss) income, changes in net liabilities attributable to unitholders and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies

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

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
March 6th, 2019

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

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

	Note		2018		2017
ASSET					
Non-current assets:					
Investment properties	7	$	1,389,255	$	1,239,476
Derivative financial instruments	14		18		348
Utility deposits			420		386
Total non-current assets			1,389,693		1,240,210
Current assets:					
Assets of property held for sale	6		—		29,629
Tenant and other receivables	8		1,682		1,757
Prepaid expenses and other assets	9		2,186		2,145
Restricted cash	10		14,883		15,552
Cash			12,334		4,463
Total current assets			31,085		53,546
TOTAL ASSETS		**$**	**1,420,778**	**$**	**1,293,756**
LIABILITIES					
Non-current liabilities:					
Loans payable	11	$	793,942	$	729,155
Preferred shares - U.S. REIT's series A	12		625		625
Provision for carried interest	18		4,628		—
Deferred income tax			102,879		84,317
Total non-current liabilities excluding net liabilities attributable to Unitholders			902,074		814,097
Current liabilities:					
Liabilities of property held for sale	6		—		21,673
Loans payable	11		—		37,710
Credit facility	13		119,294		14,322
Derivative financial instruments	14		425		—
Tenant rental deposits			1,846		1,496
Accounts payable and accrued liabilities	15		8,104		5,654
Finance costs payable	16		2,927		2,306
Distributions payable			2,004		2,053
Total current liabilities excluding net liabilities attributable to Unitholders			134,600		85,214
TOTAL LIABILITIES			**1,036,674**		**899,311**
Net liabilities attributable to Unitholders	18		384,104		394,445
TOTAL LIABILITIES AND NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**1,420,778**	**$**	**1,293,756**

Commitments and contingencies (note 23).

See accompanying notes to the consolidated financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 5) Core GP, Inc., as General Partner for Starlight U.S. Multi-Family (No.5) Core Fund on March 6, 2019, and signed on its behalf:

Graham Rosenberg Director *Harry Rosenbaum* Director

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

Consolidated Statement of Net (Loss) Income and Comprehensive (Loss) Income
For the years ended December 31
(In thousands of U.S. dollars)

	Note	2018	2017
Revenue from property operations		$ 110,354	$ 99,872
Expenses:			
Property operating costs		29,219	26,760
Property taxes		18,055	15,294
Income from rental operations		63,080	57,818
Finance costs	21	59,452	27,390
Distributions to Unitholders		24,955	24,561
Dividends to Preferred Shareholders – U.S. REIT's series A		78	78
Fund and trust expenses	17	6,845	5,488
Transaction costs on dispositions of investment properties		389	1,067
Unrealized foreign exchange (gain) loss		(33)	1,095
Realized foreign exchange (gain) loss		(430)	(18)
Fair value adjustment investment properties	7	(42,653)	(100,396)
Fair value adjustment IFRIC 21		—	24
Provision for carried interest	18	4,628	—
Income before income taxes		9,849	98,529
Income taxes - current		1,232	313
- deferred		18,561	4,356
Net (loss) income and comprehensive (loss) income		$ (9,944)	$ 93,860

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Changes in Net Liabilities Attributable to Unitholders
For the years ended December 31, 2018 and 2017
(In thousands of U.S. dollars)

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2017	$ 107,854	$ 109,886	$ 107,423	$ 26,383	$ 25,739	$ 1,153	$ 16,007	$ 394,445
Changes during the period:								
Units repurchased and cancelled under normal course issuer bid ("NCIB")	(397)	—	—	—	—	—	—	(397)
Re-allocation due to unit conversions	(1,335)	19	2,428	719	(1,119)	—	(712)	—
Net loss and comprehensive loss	(2,678)	(2,774)	(2,772)	(684)	(621)	(29)	(386)	(9,944)
Balance, December 31, 2018	$ 103,444	$ 107,131	$ 107,079	$ 26,418	$ 23,999	$ 1,124	$ 14,909	$ 384,104

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2016	$ 86,599	$ 83,852	$ 78,619	$ 17,907	$ 20,985	$ 887	$ 14,442	$ 303,291
Changes during the period:								
Units repurchased and cancelled under NCIB	(2,706)	—	—	—	—	—	—	(2,706)
Re-allocation due to unit conversions	(1,703)	(114)	3,242	2,198	(1,371)	(8)	(2,244)	—
Net income and comprehensive income	25,664	26,148	25,562	6,278	6,125	274	3,809	93,860
Balance, December 31, 2017	$ 107,854	$ 109,886	$ 107,423	$ 26,383	$ 25,739	$ 1,153	$ 16,007	$ 394,445

See accompanying notes to the consolidated financial statements.

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

Consolidated Statement of Cash Flows
For the years ended December 31
(In thousands of U.S. dollars, unless otherwise noted)

	Note	2018	2017
Operating activities:			
Net (loss) income and comprehensive (loss) income		$ (9,944)	$ 93,860
Adjustments for financing activities included in net (loss) income and comprehensive (loss) income:			
Finance costs	21	59,452	27,273
Distributions to Unitholders		24,955	24,561
Dividends to Preferred Shareholders – U.S. REIT's series A		78	78
Transaction costs on disposition of investment properties	5	389	1,067
Adjustments for items not involving cash:			
Fair value adjustment of investment properties including IFRIC 21		(44,755)	(99,762)
Unrealized foreign exchange (gain) loss		(33)	1,095
Provision for carried interest	18	4,628	—
Change in non-cash operating working capital	22	3,871	1,719
Change in restricted cash		344	(4,367)
Deferred tax		18,561	4,356
Cash provided by operating activities		57,546	49,880
Financing activities:			
Repurchase of units under NCIB	18	(397)	(2,706)
Credit facility:			
Proceeds from credit facility		126,120	4,485
Paydown of credit facility		(19,877)	—
Principal payments on credit facility		(185)	—
Loans payable:			
Proceeds from new financing		40,695	70,661
Proceeds from re-financing		842,247	34,310
Repayment of mortgages		(880,115)	—
Repayment of mezzanine debt		(6,051)	(5,176)
Principal payments on mortgages payable		(260)	(2,208)
Finance costs paid		(57,540)	(26,302)
Distributions to Unitholders		(24,955)	(24,561)
Dividends to Preferred Shareholders – U.S. REIT's series A		(78)	(78)
Cash provided by financing activities		19,604	48,425
Investing activities:			
Acquisitions	4	(78,258)	(128,687)
Proceeds on the disposition of investment properties	5	19,718	36,438
Transaction costs on disposition of investment properties		(389)	(1,067)
Capital additions to investment properties	7	(10,350)	(8,029)
Cash used in investing activities		(69,279)	(101,345)
Increase (decrease) in cash		7,871	(3,040)
Cash, investment property held for sale		—	(166)
Cash, beginning of period		4,463	7,669
Cash, end of period		$ 12,334	$ 4,463

See accompanying notes to the consolidated financial statements.

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

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

During the year, the Fund was managed by Starlight Investments US AM Group LP (the "Manager") which is a wholly-owned subsidy of Starlight Group Property Holdings Inc. and a related party. As of December 31, 2018, the Fund's property portfolio consists of 23 properties and a total of 7,289 suites.

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

1. Basis of presentation:

(i) Statement of compliance:

These consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"), applicable to the preparation of the consolidated financial statements for the year ended December 31, 2018 and 2017 and approved by the General Partner on March 6, 2019.

(ii) Basis of measurement:

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

1. Basis of presentation (continued):

(iii) Functional and presentation currency:

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

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

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

(iv) Investment property held for sale:

Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell, excluding investment property which is carried at fair value in accordance with IFRS 5, Non-current Assets Held for Sale and Discontinued Operations.

2. Significant accounting policies:

(a) Basis of consolidation:

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

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

2. Significant accounting policies (continued):

(a) Basis of consolidation (continued):

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

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

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

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

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

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

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

2. Significant accounting policies (continued):

(b) Critical judgments and estimates:

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

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

(i) Accounting for acquisitions:

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

(ii) Financial instruments

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

(iii) Investment properties:

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

2. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(iii) Investment properties (continued):

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

(iv) Leases

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

(v) Income taxes

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

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

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

(vi) Carried Interest:

The determination by the Fund as at each statement of financial position date as to whether a provision for carried interest should be recognized to holders of the class B limited partnership units of SIP is based, among other criteria, on the Fund's analysis of the net liabilities attributable to Unitholders, distributions paid to Unitholders since the formation of the Fund and the Fund's ability to meet the requirement to return the initial investment amount contributed from the limited partners of the Fund. See note 18.

(vii) Consolidation:

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

2. Significant accounting policies (continued):

(c) Investment properties:

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

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

(d) Cash and restricted cash:

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

(e) Revenue recognition:

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

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

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

2. Significant accounting policies (continued):

(e) Revenue recognition (continued)

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

(f) Finance costs:

Finance costs consist of interest on mortgages payable, interest on mezzanine loans, interest and standby charges on credit facility, amortization of financing costs related to loans payable, amortization of loans payable premiums and discounts, distributions to Unitholders, gain/loss on extinguishment of debt, fair value changes on derivative financial instruments and service fees associated with class A and class U limited partnership units of the Fund.

(g) Financial instruments:

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

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

2. Significant accounting policies (continued):

(g) Financial instruments (continued):

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

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

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

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

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

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

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

2. Significant accounting policies (continued):

(h) Income taxes:

(i) Canadian status:

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

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

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

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

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

Canadian subsidiary corporations:

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

2. Significant accounting policies (continued):

(h) Income taxes (continued):

(ii) U.S. status

Current taxes

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

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

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

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

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

The Investment L.P.s and SIP are treated as partnerships for Canadian tax purposes but have elected to be treated as corporations for U.S. federal income tax purposes. As such, the Investment L.P.s and SIP are generally subject to U.S. tax in respect of their allocable share of (i) capital gains distributions made by the U.S. REITs, (ii) gain upon a sale of the shares of the U.S. REITs and (iii) distributions made by the U.S. REITs in excess of both their (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles) and (b) the adjusted tax basis in the U.S. REITs shares held by the Holding L.P.s. The Investment L.P.s and SIP are also liable for U.S. withholding taxes with respect to their allocable share of the above specified gains and/or distributions from the applicable Holding LPs and/or the applicable U.S. REITs. During the year ended December 31, 2018, the Fund distributed U.S. capital gains of $3,000 from its U.S. REITs combined to its Investment L.P.'s, resulting in a current income tax expense of $720. No capital gains distributions were incurred during the year ended December 31, 2017.

2. Significant accounting policies (continued):

(h) Income taxes (continued):

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

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

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

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

Texas imposes an annual franchise tax on modified gross income of taxable entities known as the Texas Margin Tax, which is equal to one percent of the lesser of: (i) 0.331% of a taxable entity's total revenue if the taxable entity qualifies and chooses to file using the EZ computation; or (ii) 0.75% of the taxable entity's margin which is the lesser of 70% of total revenues or 100% of the total revenues less, at the election of the taxpayer: (a) cost of goods sold; (b) compensation; or (c) one million dollars. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The U.S. REITs own their properties indirectly through Delaware limited liability companies. For the year ended December 31, 2018, the current tax expense relating to Texas franchise tax was $210 (2017 - $186).

North Carolina imposes a franchise tax, in addition to income tax, on corporations for the privilege of doing business in the state. The franchise tax is measured by the greatest of the following: (i) a corporation's net worth apportioned to North Carolina; (ii) the corporation's actual investment in tangible property in North Carolina; and (iii) 55% of the appraised property tax value of all of the corporation's tangible property in North Carolina. The franchise tax rate is $1.50 per $1,000 of a corporation's franchise tax base. For the year ended December 31, 2018, the current tax expense relating to North Carolina franchise tax was $165 (2017 - $89).

Tennessee imposes an annual franchise tax calculated as 0.25% on the greater of Tennessee apportioned net worth (assets less liabilities) or the book value of the real and tangible property owner's use in Tennessee. A taxable entity is defined to include partnerships, corporations, limited liability companies and other legal entities. The Fund owns the real and tangible property used in Tennessee indirectly through SIA 3. For the year ended December 31, 2018, the current tax expense relating to Tennessee franchise tax was $138 (2017 - $nil).

2. Significant accounting policies (continued):

(h) Income taxes (continued):

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

Deferred taxes

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

As at December 31, 2018 a deferred tax liability of $102,879 (December 31, 2017 - $84,317) for the Fund has been accrued based on the expected future tax rates and relates to differences between the fair value of the investment properties and their tax basis as of December 31, 2018. The provision for deferred tax expense included a one-time benefit of $nil (December 31, 2017 - $49,185) from the revaluation of net deferred tax liabilities as at December 31, 2017 as a result of the U.S. tax law changes. The Investment LPs would bear this tax liability on the disposition of the real estate directly or the Fund’s interest in its U.S. subsidiaries, avoiding any tax filing obligations or payment of taxes by the Unitholders.

(i) Levies:

Levies are outflows from the properties imposed by a government in accordance with legislation. The Fund has assessed property taxes as being in the scope of IFRS Interpretation Committee (“IFRIC”) 21, Levies, given that property taxes are non-reciprocal charges imposed by a government, in accordance with the legislation, and based on property value. IFRIC 21, confirms that an entity must recognize an asset if it has a prepaid levy but does not yet have a present obligation to pay that levy. The Fund has determined that the liability to pay property taxes is an obligating event to pay a levy at a point in time and therefore recognizes the liability and the expense at the time the obligation is crystallized, which is at the beginning of the fiscal year, in most cases. The liability recognized under IFRIC 21 is presented as a reduction to investment properties as at each reporting date (note 7).

2. Significant accounting policies (continued):

(j) Provisions:

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

3. Adoption of accounting standards:

(a) Accounting standards implemented:

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

(i) IFRS 9:

The Fund adopted IFRS 9 on January 1, 2018 which introduces a new expected credit loss impairment model and changes to the classification and measurement requirements for financial assets and liabilities. Upon transaction to IFRS 9, the Funds’s financial assets previously classified as other liabilities under IAS 39, Financial Instruments - Recognition and Measurement, are now classified as fair value through profit or loss continue to be categorized as fair value through profit and loss.

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

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

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

3. Adoption of accounting standards (continued):

(a) Accounting standards implemented (continued):

(iii) IAS 40:

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

(b) Future accounting policy changes:

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

(i) IFRS 16, Leases (“IFRS 16”):

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

IFRS 16 supersedes IAS 17 Leases, IFRS Interpretations Committee 4 Determining whether an Arrangement contains a Lease, Standards Interpretation Committee (“SIC”) - 15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. It eliminates the distinction between operating and finance leases from the perspective of the lessee. All contracts that meet the definition of a lease will be recorded in the statement of financial position with a “right of use” asset and a corresponding liability. The asset is subsequently accounted for as property, plant and equipment or investment property and the liability is unwound using the interest rate inherent in the lease. The accounting requirements from the perspective of the lessor remain largely in line with previous IAS 17 Leases requirements. The effective date for IFRS 16 is January 1, 2019. The Fund has assessed the impact of the new standard and there are no significant changes expected to the consolidated financial statements.

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

IFRIC 23 provides interpretation on how the recognition and measurement requirements of IAS 12, Income Taxes, are applied where there is uncertainty over income tax treatments. The effective date for IFRIC 23 is January 1, 2019. The Fund has assessed the impact of the new standard and there are no significant changes expected to the consolidated financial statements.

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

4. Acquisitions:

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

	Altis at Sand Lake	Alexander Village	Total
Acquisition date:	1-Feb	29-Mar	
Units	315	320	635
City, State	Orlando, Florida	Charlotte, North Carolina	
Investment properties (i)	$ 69,389	$ 59,290	$ 128,679
Add:			
Utility deposits	34	—	34
Tenant and other receivables	—	13	13
Prepaid expenses and other assets	5	21	26
Restricted cash	471	196	667
Deduct:			
Tenant rental deposits	199	118	317
Accounts payable and accrued liabilities	714	59	773
Assumed mortgage (net of finance costs of $346)	50,071	—	50,071
Net asset acquired	$ 18,915	$ 59,343	$ 78,258
Consideration funded by:			
New financing obtained and used for acquisition	$ —	$ 39,434	$ 39,434
Proceeds from dispositions held in escrow	—	19,716	19,716
Cash paid	18,915	193	19,108
	$ 18,915	$ 59,343	$ 78,258

(i) Investment properties are net of the IFRIC 21, Levies adjustment for property taxes of $898 and $504, respectively for Altis at Sand Lake and Alexander Village.

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

4. Acquisitions (continued):

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

	Spectra North	Carrick Bend	Copperfield Apartments	The Callie	Total
Acquisition date:	16-Jun	28-Jun	1-Aug	8-Dec	
Units	274	228	288	261	1,051
City, State	Phoenix, Arizona	Denver, Colorado	Nashville, Tennessee	Dallas, Texas	
Investment properties (i)	$ 50,984	$ 54,772	$ 47,948	$ 47,208	$ 200,912
Add:					
Utility deposits	—	—	—	12	12
Tenant and other receivables	21	25	39	21	106
Prepaid expenses and other assets	17	17	15	2	51
Restricted cash	115	58	255	1,008	1,436
Deduct:					
Tenant rental deposits	253	166	26	57	502
Accounts payable and accrued liabilities	—	—	123	108	231
Finance costs payable	—	—	98	77	175
Assumed mortgage (net of finance costs of $227)	—	—	32,073	30,500	62,573
Assumed mezzanine loan	—	—	—	10,349	10,349
Net asset acquired	$ 50,884	$ 54,706	$ 15,937	$ 7,160	$ 128,687
Consideration funded by:					
New financing obtained and used for acquisition	$ 36,407	$ 33,778	—	—	$ 70,185
Proceeds from dispositions held in escrow	12,814	18,738	—	4,869	36,421
Cash paid	1,663	2,190	15,937	2,291	22,081
	$ 50,884	$ 54,706	$ 15,937	$ 7,160	$ 128,687

(i) Investment properties are net of the IFRIC 21, Levies adjustment for property taxes of $356, $341, $422 and $887, respectively for Spectra North, Carrick Bend, Copperfield Apartments and The Callie.

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

5. Dispositions:

The following asset dispositions were completed during the year ended December 31, 2018. The fair value of consideration has been allocated to the identifiable assets and liabilities sold based on their fair values at the date of disposition as follows:

	The Villages at Sunset Ridge	Greenhaven Apartments	Total
Disposition date:	13-Feb	15-Mar	
Units	257	216	473
City, State	Houston, Texas	Dallas, Texas	
Investment properties (i)	$ 29,407	$ 32,475	$ 61,882
Add:			
Tenant and other receivables	—	14	14
Prepaid expenses and other assets	56	4	60
Deduct:			
Mortgage payable	21,695	19,199	40,894
Tenant rental deposits	15	50	65
Accounts payable and accrued liabilities	469	724	1,193
Finance cost payable	26	60	86
Net assets disposed	$ 7,258	$ 12,460	$ 19,718
Consideration received:			
Proceeds held in escrow and reinvested in acquisitions	$ 7,258	$ 12,460	$ 19,718

(i) The Fund incurred a total of $389 in transaction costs during the period as a result of the disposition of investment properties.

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

5. Dispositions (continued):

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

	Residences at Cinco Ranch	Belle Haven Apartments	Villages of Towne Lake	The Reserve at Jones Road	Total
Disposition date:	1-Jun	22-Jun	27-Jun	27-Oct	
Units	300	176	126	114	716
City, State	Houston, Texas	Charlotte, North Carolina	Houston, Texas	Houston, Texas	
Investment properties (i)	$ 36,804	$ 28,142	$ 18,456	$ 13,875	$ 97,277
Add:					
Utility deposits	—	—	—	6	6
Tenant and other receivables	18	—	—	35	53
Prepaid expenses and other assets	12	—	2	2	16
Restricted cash	422	234	—	252	908
Deduct:					
Mortgage payable	23,900	17,820	8,581	9,198	59,499
Tenant rental deposits	35	21	12	28	96
Accounts payable and accrued liabilities	507	370	1,289	43	2,209
Finance cost payable	—	—	—	18	18
Net assets disposed	$ 12,814	$ 10,165	$ 8,576	$ 4,883	$ 36,438
Consideration received:					
Proceeds held in escrow and reinvested in acquisitions	$ 12,814	$ 10,165	$ 8,576	$ 4,883	$ 36,438
	$ 12,814	$ 10,165	$ 8,576	$ 4,883	$ 36,438

(i) The Fund incurred a total of $1,067 in transaction costs during the period as a result of the disposition of investment properties.

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

6. Properties held for sale:

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

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

There are no properties held for sale as at December 31, 2018.

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

7. Investment properties:

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

Balance, December 31, 2016	$	1,056,414
Acquisitions of investment properties (note 4)		200,912
Dispositions of investment properties (note 5)		(97,277)
Capital additions		8,029
Fair value adjustment		100,670
IFRIC 21 realty tax liability adjustment		(908)
Investment property held for sale (note 6)		(28,364)
Balance, December 31, 2017		1,239,476
Acquisitions of investment properties (note 4)		128,679
Dispositions of investment properties (i)		(33,518)
Capital additions		10,350
Fair value adjustment		42,653
IFRIC 21 realty tax liability adjustment		1,615
Balance, December 31, 2018	$	1,389,255
Balance, Fair Value (excluding IFRIC 21 realty tax liability adjustment)	$	1,400,611

(i) Total dispositions of investment properties during the year ended December 31, 2018 was $61,882 (note 5). The Villages at Sunset Ridge, amounting to $28,364, was reclassified as properties held for sale as at December 31, 2017 and as a result, the net reduction to investment properties during the year ended December 31, 2018 was $33,518.

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

		December 31, 2018		December 31, 2017
Cost	$	1,256,198	$	1,177,674
Cumulative fair value adjustment		144,413		101,760
Cumulative IFRIC 21 realty tax liability adjustment (i)		(11,356)		(11,594)
Investment property held for sale (note 6)		—		(28,364)
Fair value	$	1,389,255	$	1,239,476
Fair Value (excluding IFRIC 21 realty tax liability adjustment)	$	1,400,611	$	1,251,070

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

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

	December 31, 2018	December 31, 2017
Capitalization rates - range	4.50% to 5.00%	4.74% to 5.25%
Capitalization rate - weighted average	4.81%	4.89%

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

7. Investment properties (continued):

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

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

Weighted average	Change	December 31, 2018	December 31, 2017
Capitalization rate	10-basis-points increase	$ (28,521)	$ (25,628)
Capitalization rate	10-basis-points decrease	$ 29,732	$ 26,697

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2018 would affect the fair value by approximately $14,006 (December 31, 2017 - $12,798).

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

8. Tenant and other receivables:

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

	December 31, 2018	December 31, 2017
Tenant receivables, net	$ 659	$ 741
Other receivables	1,023	1,016
	$ 1,682	$ 1,757

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

9. Prepaid expenses and other assets:

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

	December 31, 2018	December 31, 2017
Prepaid insurance	$ 1,832	$ 1,355
Prepaid expenses	354	790
	$ 2,186	$ 2,145

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

10. Restricted cash:

The following table presents details of the restricted cash balances:

	December 31, 2018	December 31, 2017
Escrowed funds:		
Property taxes (i)	$ 12,868	$ 11,045
Replacement / repairs (i)	937	1,512
Property insurance	—	595
Interest rate caps	—	39
Insurance proceeds (ii)	—	1,631
Internally restricted cash:		
Security deposits (iii)	1,078	730
	$ 14,883	$ 15,552

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

(ii) Insurance proceeds relate to settlement funds received in connection with remediation expenses at Yorktown Crossing caused by a fire that occurred on August 17, 2016 as a result of a lightning strike. One of the 13 buildings comprising 24 suites at the property was impacted. For the year ended December 31, 2018, $161 (year ended December 31, 2017 - $240) has been recognized in revenue from property operations relating to the insurance claim for loss of income since the fire occurred and $2,055 was received in total insurance proceeds to replace the subject building. The Fund completed the rebuilding of the 24 suites impacted on March 19, 2018 and as of December 31, 2018, $2,132 has been incurred relating to the rebuild since the incident.

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

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

11. Loans payable:

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

Property Name	Payment Terms	Maturity Date	Interest Rate	December 31, 2018	December 31, 2017
Mortgages Payable:					
Portfolio Mortgage - Tranche A (i)	IO until October 2023	October 2024	3.92%	$ 400,225	$ —
Portfolio Mortgage - Tranche B (i)	IO until October 2023	October 2025	3.95%	240,135	—
Portfolio Mortgage - Tranche C (i)	IO until October 2021	October 2023	LIBOR + 1.15%	160,090	—
Falls at Eagle Creek	MBPI	December 2021	LIBOR + 1.94%	—	33,641
Greenhaven Apartments	MBPI	December 2021	LIBOR + 1.97%	—	19,296
Sorelle Apartments (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	—	51,750
Palm Valley Apartments	IO until April 2017	March 2025	LIBOR + 1.84%	—	31,074
Soho Parkway Apartments	IO until July 2017	June 2022	LIBOR + 1.96%	—	33,567
Broadstone Travesia	IO	April 2018 (1)	LIBOR + 1.75%	—	36,000
The Allure	IO until July 2019	July 2025	LIBOR + 1.98%	—	36,909
Altis at Grand Cypress	IO until Feb. 2018	January 2023	LIBOR + 2.25%	—	37,600
Verano Apartments (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	—	46,950
South Boulevard Apartments (ii)	IO until July 2020	June 2024	LIBOR + 2.10%	—	38,540
City North at Sunrise Ranch	IO	November 2019 (2)	LIBOR + 2.00%	—	35,496
The Views at Coolray Field	IO	November 2019 (2)	LIBOR + 1.90%	—	23,075
Pooled Mortgage One (iii)	IO	November 2021 (1)	LIBOR + 2.15%	—	279,968
Copperfield Apartments	IO	Jul 2020 (2)	LIBOR + 2.00%	—	32,300
The Callie	IO	June 2020	LIBOR + 2.00%	—	30,500
Pooled Mortgage Two (iv)	IO	February 2023 (1)	LIBOR + 2.00%	—	—
Total mortgages payable				800,450	766,666
Mezzanine Loan:					
The Callie (v)	IO	June 2020	9.25%	—	6,306
Total loans payable face value				800,450	772,972
Unamortized financing costs				(6,508)	(6,107)
Total loans payable carrying value				$ 793,942	$ 766,865

(1) One-year extension option.

(2) Two one-year extension options.

(i) The Portfolio Mortgage Tranche A, Tranche B and Tranche C ("Portfolio Mortgage") is secured by all 23 properties owned by the Fund. Proceeds from refinancing the portfolio totaled $800,450. On October 31, 2018, the Fund drew an initial amount of $120,000 under the amended credit facility which was used, in combination with the proceeds from the Portfolio Mortgage, to repay the existing mortgages payable of approximately $880,117 and the amounts outstanding under Tranche A, B and C of the credit facility.

(ii) On June 27, 2017, the Fund refinanced Sorelle Apartments, Verano Apartments and South Blvd Apartments and generated additional proceeds of $18,617, net of $1,304 in finance costs.

(iii) Pooled Mortgage One included eight properties: The Village at Marquee Station, Falls at Copper Lake, Yorktown Crossing, The Reserves at Alafaya and Pure Living Heathrow as at December 31, 2016, with the additions of Carrick Bend and Spectra North following their acquisition and Boardwalk Med Center following its refinancing during the year ended December 31, 2017. With the expansion of Pooled Mortgage One from its original principal amount, the credit spread was reduced from 2.40% to 2.15%.

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

11. Loans payable (continued):

(iv) Pooled Mortgage Two included seven properties: Falls at Eagle Creek, Palm Valley Apartments, Soho Parkway Apartments, Broadstone Travesia and Altis at Grand Cypress, with the additions of Altis at Sand Lake and Alexander Village following their acquisition.

(v) On February 1, 2018, the Fund repaid the mezzanine loan on The Callie.

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

	December 31, 2018	December 31, 2017
Non-current:		
Loans payable	$ 800,450	$ 733,702
Unamortized financing costs	(6,508)	(4,547)
	793,942	729,155
Current:		
Loans payable	—	39,270
Unamortized financing costs	—	(1,560)
	—	37,710
Balance	$ 793,942	$ 766,865

Future principal payments on loans payable are as follows:

	Principal payment	Debt maturing during the year	Total
2019	—	—	—
2020	—	—	—
2021	245	—	245
2022	2,828	—	2,828
2023	3,474	154,477	157,951
Thereafter	14,494	624,932	639,426
Total	$ 21,041	$ 779,409	$ 800,450

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

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

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

13. Credit facility:

The following table provides a breakdown of the Credit facility:

	Tranche A & B (i)	Tranche C (ii)	Tranche D (iii)	Total
Repayment/Maturity Date	Oct. 31, 2018	Oct. 31, 2018	Oct. 31, 2019	
Current Interest Rate	N/A	N/A	LIBOR + 3.50%	
Principal as at December 31, 2017	$ 14,348	$ —	$ —	$ 14,348
Draws	—	6,120	120,000	126,120
Repayments	(13,761)	(6,120)	(185)	(20,066)
Realized FX Gain on Credit facility	(587)	—	—	(587)
Principal as at December 31, 2018	—	—	119,815	119,815
Unamortized financing costs	—	—	(521)	(521)
Balance as at December 31, 2018	$ —	$ —	$ 119,294	$ 119,294

(i) On October 19, 2016, the Fund entered into an unsecured credit facility agreement (the "Credit facility") with a Canadian chartered bank with a maturity date of October 19, 2017 which is secured by a general charge over the Fund's property, assets and undertakings and is subordinate to any permitted liens. The Credit facility originally had two tranches: Tranche A previously allowed the Fund to borrow up to C$10,000; and Tranche B allows 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 the banker's acceptance ("BA") stamping fee plus 3.15% (previously BA stamping fee plus 4.39%).

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

(iii) On October 31, 2018, the Fund entered into a third amending agreement to its Credit facility providing for a $130,000 Tranche D facility at an initial rate of 3.50% over LIBOR with a maturity date of October 31, 2019. The Fund drew an initial amount of $120,000 from Tranche D and Tranches A, B and C of the Credit facility were repaid in full (note 11 (i)). The Credit facility carries an option to increase the total borrowing to $130,000 on or after April 30, 2019 and prior to July 31, 2019 in which case, the additional borrowing will be available until the maturity date of the Credit facility. In the event that the Credit facility is outstanding at such dates, the interest rate increases by 25 basis points on April 30, 2019 and July 31, 2019. A standby fee of 25 basis points and 30 basis points is payable on any amounts outstanding as at April 30, 2019 and July 31, 2019, respectively.

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

13. Credit facility (continued):

The Fund is required to make monthly principal payments of $185, representing an amortization of the Tranche D facility over a 25 year period commencing in December 2018.

Included in finance costs is interest of $1,778 relating to the Credit facility interest and $nil of standby fees for the year ended December 31, 2018, respectively (December 31, 2017 - $505 and $19 respectively).

14. Derivative financial instruments:

The following is a summary of derivative financial instruments presented as assets of the Fund:

		December 31, 2018		December 31, 2017
Interest Rate Cap (a)	$	18	$	21
Variable Rate Collar (b)		—		327
Balance, end of the period	$	18	$	348

The following is a summary of derivative financial instruments presented as liabilities of the Fund:

		December 31, 2018		December 31, 2017
Interest Rate Cap (a)	$	—	$	—
Variable Rate Collar (b)		425		—
Balance, end of the period	$	425	$	—

(a) Interest Rate Cap

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate mortgages as required by the applicable lenders. The following is a summary of the Fund's interest rate cap and collar agreements:

					Carrying and Fair Value as at			
		Notional Amount	Maturity Date	LIBOR Strike		December 31, 2018		December 3 1, 2017
Retired mortgages interest rate caps		—	N/A	N/A	$	—	$	21
Portfolio Mortgage - Tranche A		160,090	1-Nov-21	5.35%		18		—
Asset/(Liability)	$	160,090			$	18	$	21

The following table represents a summary of the changes in fair value for the interest rate cap and collar agreements presented as assets of the Fund:

		December 31, 2018		December 31, 2017
Balance, beginning of the period	$	21	$	8
Purchase during the period		2,437		54
Unrealized loss for the period		(2,440)		(41)
Balance, end of the period	$	18	$	21

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

14. Derivative financial instruments (continued):

(b) Variable Rate Collar

The Fund utilizes variable rate collar contracts that allows the Fund to exchange U.S. dollar funds each month to provide the holders of Canadian dollar units with some protection against the weakening of the U.S. dollar up to the date of declaration of distributions. The following table presents the variable rate collars of the Fund:

Contract Start Date	Contract Maturity	Monthly Notional Amount (C$)	Collar Floor	Collar Ceiling	December 31, 2018	December 31, 2017
March 9, 2017	March 9, 2018	$2,450	C$1.3300	C$1.3850	$ —	$ —
March 2, 2018	December 11, 2018	$2,450	C$1.2700	C$1.3220	$ —	$ 327
November 8, 2018	June 10, 2019	$2,450	C$1.3000	C$1.3535	$ (425)	$ —
Asset/(Liability)					$ (425)	$ 327

The fair value of the contract as at December 31, 2018 was a loss of $425, resulting in an unrealized loss of $751 during the year ended December 31, 2018 (year ended December 31, 2017 – unrealized gain of $327).

15. Accounts payable and accrued liabilities:

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

	December 31, 2018	December 31, 2017
Tenant prepayments	$ 1,447	$ 908
Operating payables	421	488
Accrued liability relating to Yorktown Crossing (note 10 (ii))	—	1,247
Accrued property management fees, utilities, payroll, other (ii)	4,918	2,500
Accrued asset management fees	353	348
Accrued service fees	151	154
Deferred revenue (i)	814	9
	$ 8,104	$ 5,654

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

(ii) Accrued property management fees, utilities, payroll, other includes accrued insurance premiums of $1,731. The insurance policy covers the period from December 1, 2018 to December 1, 2019 and the amounts will be paid in eleven equal installments commencing January 2019.

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

16. Finance costs payable:

The following table presents the details of finance costs payable:

	December 31, 2018	December 31, 2017
Accrued interest on mortgages payable	$ 2,650	$ 2,161
Accrued interest on mezzanine loan	—	54
Accrued interest on Credit facility	277	1
Insurance financing	—	90
	$ 2,927	$ 2,306

17. Fund and trust expenses:

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

	December 31, 2018	December 31, 2017
Asset management fees (note 20)	$ 4,307	$ 3,849
General and administrative expenses	1,935	859
Service fees (note 20)	603	628
One-time reorganization costs	—	152
	$ 6,845	$ 5,488

18. Net liabilities attributable to Unitholders:

The beneficial limited partnership interest in the net liabilities and net income and comprehensive income of the Fund is held in seven classes of units: class A, C, D, F, H, U and E. The Fund is authorized to issue an unlimited number of units in the classes as described above. Each Unitholder is entitled to one vote for each limited partnership unit held. Each class of unit entitles the holder to the same rights as a Unitholder in another class of units and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of units' rights. As there are varying economic values per class of units, the net liabilities attributable to Unitholders will be distributed disproportionately on a per unit basis upon liquidation.

	Units (000's)	Value
Units as at December 31, 2017	49,024	$ 394,445
Class A units repurchased and cancelled under NCIB (i)	(60)	(397)
Additional units on conversion	4	—
Net income and comprehensive income	—	(9,944)
Units as at December 31, 2018	48,968	$ 384,104

(i) 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. The NCIB expired on October 31, 2018.

As at December 31, 2018, the Fund had 48,967,920 total units issued and outstanding, comprised of 13,769,570 class A units, 13,511,772 class C units, 14,253,400 class D units, 2,676,660 class E units, 3,096,398 class F units, 149,614 class H units and 1,510,506 class U units. The following table represents a summary of the changes in thousands of units by class:

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Units outstanding as at December 31, 2017	13,997	13,512	13,941	2,606	3,237	150	1,581	49,024
Units repurchased and cancelled under NCIB	(60)	—	—	—	—	—	—	(60)
Units reallocated due to conversions	(168)	—	313	71	(141)	—	(71)	4
Units as at December 31, 2018	13,769	13,512	14,254	2,677	3,096	150	1,510	48,968

18. Net liabilities attributable to Unitholders (continued):

Under the NCIB, the Fund was able to 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 was not permitted to purchase more than 2% of the issued and outstanding class A units or class U units during any 30-day period, which as at October 26, 2017, represented 281,264 class A units and 31,635 class U units, respectively.

During the year ended December 31, 2018, the Fund purchased and canceled 59,500 class A units at a total cost of C$523, the equivalent of $397 (year ended December 31, 2017 – 390,400, C$3,609, $2,706, respectively). The NCIB expired on October 31, 2018 and was not renewed.

Carried Interest:

The Manager and the President of the Fund, as holders of the class B units of 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"); and (ii) the return of the initial investment amount contributed from 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 previously, paid as a carried interest in connection with the Plan of Arrangement will be payable to the Fund from SIP.

As of December 31, 2018, the Fund had recognized a provision for carried interest after taking into account the Minimum Return to Unitholders of $4,628 (December 31, 2017 – $nil), resulting in an expense of $4,628 during the year ended December 31, 2018 (year ended December 31, 2017 – $nil).

19. Segmented disclosure:

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

20. Transactions with related parties:

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

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

(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, the purchase price of the Fund’s properties in U.S. dollars; and

   ii. the cost of any capital expenditures in respect of Fund’s properties since the date of acquisition by the Fund in U.S. dollars.

(b) In addition, the Manager is to receive an amount equal to the service fee paid to registered dealers on the Fund’s distributions, paid quarterly in arrears.

Included in Fund and trust expenses is $4,307 in asset management fees and $603 in service fees (year ended December 31, 2017 - $3,849 and $628, respectively) charged by the Manager (note 17) for the year ended December 31, 2018, of which $504 is payable (note 15) at December 31, 2018 (December 31, 2017 - $502).

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

   i. 1.0% of the purchase price of a property, on the first $100,000 of properties acquired in each calendar year;

   ii. 0.75% of the purchase price of a property, on the next $100,000 of properties acquired in each calendar year; and

   iii. 0.50% of the purchase price on properties in excess of $200,000 of properties acquired in each calendar year.

For the year ended December 31, 2018, the Fund incurred acquisition fees of $1,213, which are paid at the time of acquisition and capitalized to investment properties (December 31, 2017 - $1,759). The acquisition of Spectra North, Carrick Bend, Copperfield, Altis at Sand Lake, The Callie and Alexander Village (note 4) were from an affiliated entity of the Manager. The total purchase price paid for each property was based on third party appraisals and the amounts were representative of the fair value of the net assets acquired.

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

20. Transactions with related parties (continued):

(d) Pursuant to the Management Agreement, as assigned, the Manager is entitled to receive a disposition fee equal to 0.5% up to a maximum of $5,500 of the value of a “Disposition Transaction” defined as an amalgamation, merger, arrangement, take-over bid, material transfer or sale of Units or rights or other securities of the Fund or interest therein or thereto, or sale of all or substantially all of the properties indirectly held by the Fund or a wholly owned subsidiaries of the Fund, whether in one transaction or a series of transactions. No such disposition fee is payable unless the value of the Disposition Transaction is greater than the aggregate appraised values at the time of acquisition by the Fund in relation to the Plan of Arrangement properties or acquisition properties as proposed in the Fund Offering. As of December 31, 2018, $nil disposition fees were paid or are payable (December 31, 2017 – $nil).

(e) Pursuant to the Management Agreement, as assigned, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its wholly owned subsidiaries to indirectly acquire an interest in the properties, the Fund and each U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. As of December 31, 2018, $nil guarantee fees were paid or are payable (December 31, 2017 – $nil).

(f) Aggregate compensation to key management personnel was C$324 for the year ended December 31, 2018 (December 31, 2017 - C$358). Compensation includes salaries and bonuses paid by the Manager, pursuant to the Management Agreement.

21. Finance costs:

The following table presents the details of finance costs:

	December 31, 2018	December 31, 2017
Interest on mortgages payable	$ 34,293	$ 23,164
Interest on mezzanine loans payable	39	59
Interest and standby charges on Credit facility (note 13)	1,778	524
Amortization of mortgage discount	—	6
Amortization of financing costs	1,914	1,992
Loss on early extinguishment of debt (i)	19,983	1,915
Fair value loss (gain) on derivative financial instruments	1,445	(286)
Other interest	—	16
	$ 59,452	$ 27,390

(i) As a result of the repayment and extinguishment of the mortgages payable, unamortized financing costs of $6,672 were de-recognized and included in finance costs during the year ended December 31, 2018.

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

22. Change in non-cash operating working capital:

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

	December 31, 2018	December 31, 2017
Utility deposits	$ —	$ (15)
Tenant and other receivables	75	(775)
Prepaid expenses and other assets	(19)	(1,141)
Tenant rental deposits	83	(128)
Accounts payable and accrued liabilities	2,401	3,058
Finance cost payable	682	756
Distribution payable	(49)	(36)
Held for sale change in working capital	698	—
	$ 3,871	$ 1,719

23. Commitments and contingencies:

At December 31, 2018, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 31, 2018 expire within 12-months. The Fund holds commitments to provide for carried interest when applicable, to pay service fees on outstanding class A units and class U units and to distribute excess cash to Unitholders.

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

24. Capital management:

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

The Fund was in compliance with all financial covenants as at December 31, 2018 and 2017.

25. Risk management:

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

(a) Credit risk:

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

(b) Market risk:

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

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for all its floating rate mortgages. Loan agreements for some of the Fund's properties require the Fund to enter into an interest rate cap agreement once LIBOR reaches stipulated levels. For the year ended December 31, 2018, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net (loss) income and comprehensive (loss) income by $760 (December 31, 2017 - $767).

(c) Liquidity risk:

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

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

25. Risk management (continued):

(d) Currency risk:

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

The Fund utilizes variable rate collar arrangements to provide some protection against the impact of changes in the Canadian/U.S. dollar exchange rate on the Fund's monthly distributions on Canadian dollar units, see note 14(b).

26. Fair value measurement of financial instruments:

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

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

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

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

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

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

(iv) Preferred shares – U.S. REIT's series A, provision for carried interest and net liabilities attributable to Unitholders are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

27. Comparative figures:

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