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

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

For the three months ended March 31, 2019 and 2018
(Unaudited)

NOTICE OF NO AUDITOR REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

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

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

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

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

	Note		March 31, 2019		December 31, 2018
ASSETS					
Non-current assets:					
Investment properties	5	$	229,483	$	226,200
Derivative financial instruments	7		6		55
Utility deposits			91		91
Total non-current assets			229,580		226,346
Current assets:					
Tenant and other receivables	8		330		388
Prepaid expenses and other assets	9		316		312
Restricted cash	10		1,450		2,751
Cash			1,662		1,638
Total current assets			3,758		5,089
TOTAL ASSETS		**$**	**233,338**	**$**	**231,435**
LIABILITIES					
Non-current liabilities:					
Mortgages payable	11	$	141,385	$	140,240
Preferred shares – U.S. REIT series A	12		125		125
Provision for carried interest	13		5,991		3,875
Deferred income tax			9,986		8,868
Total non-current liabilities excluding net liabilities attributable to Unitholders and non-controlling interests			157,487		153,108
Current liabilities:					
Derivative financial instruments	7		10		79
Tenant rental deposits			283		278
Accounts payable and accrued liabilities	14		1,242		1,159
Finance costs payable			412		364
Distributions payable			326		317
Total current liabilities excluding net liabilities attributable to Unitholders and non-controlling interests			2,273		2,197
TOTAL LIABILITIES		**$**	**159,760**	**$**	**155,305**
Net liabilities attributable to Unitholders	13		72,139		74,727
Non-controlling interests	20		1,439		1,403
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTERESTS		**$**	**233,338**	**$**	**231,435**

Commitments and contingencies (note 21).

Subsequent events note (note 25).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 1) Value-Add GP, Inc., as General Partner for Starlight U.S. Multi-Family (No. 1) Value-Add Fund on May 7, 2019, and signed on its behalf:

Graham Rosenberg Director *Harry Rosenbaum* Director

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

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

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Revenue from property operations		$ 4,616	$ 3,335
Expenses:			
Property operating costs		1,148	833
Property taxes		3,129	2,645
Income from rental operations		339	(143)
Share of net income in joint venture	6	—	(1,088)
Finance costs	18	1,637	1,057
Distributions to Unitholders		972	1,006
Dividends to Preferred Shareholders – U.S. REIT series A		4	4
Fund and trust expenses	15	270	285
Unrealized foreign exchange (gain) loss		—	(1)
Realized foreign exchange (gain) loss		6	—
Fair value adjustment investment properties	5	(892)	(9,664)
Fair value adjustment IFRIC 21		(2,347)	(1,984)
Provision for carried interest	13	2,116	1,813
Income before income taxes		(1,427)	8,429
Income taxes: - current		7	7
- deferred		1,118	2,896
Total income taxes		1,125	2,903
Net (loss) income and comprehensive (loss) income		**$ (2,552)**	**$ 5,526**
Net income (loss) attributable to:			
Unitholders		(2,588)	5,526
Non-controlling interests	20	36	—
Net (loss) income and comprehensive (loss) income		**$ (2,552)**	**$ 5,526**

See accompanying notes to the condensed consolidated interim financial statements.

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

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
For the three months ended March 31,2019 and 2018
(In thousands of U.S. dollars)
(Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Balance, December 31, 2018	$ 14,789	$ 14,619	$ 15,212	$ 12,678	$ 15,296	$ —	$ 2,133	$ 74,727
Changes during the period:								
Re-allocation due to unit conversions	(24)	—	131	(424)	(107)	—	424	—
Net loss and comprehensive loss	(511)	(506)	(532)	(425)	(525)	—	(89)	(2,588)
Balance, March 31, 2019	**$ 14,254**	**$ 14,113**	**$ 14,811**	**$ 11,829**	**$ 14,664**	**$ —**	**$ 2,468**	**$ 72,139**

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

See accompanying notes to the condensed consolidated interim financial statements.

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

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

	Note	Three months ended March 31, 2019	Three months ended March 31, 2018
Operating activities:			
Net (loss) income and comprehensive (loss) income		(2,552)	5,526
Adjustments for financing activities included in net (loss) income and comprehensive (loss) income:			
Finance costs	18	1,637	1,057
Distributions to Unitholders		972	1,006
Dividends to Preferred Shareholders – U.S. REIT series A		4	4
Adjustments for items not involving cash:			
Share of net loss (income) in joint venture	6	—	(1,088)
Fair value adjustment of investment properties including IFRIC 21		(2,302)	(10,956)
Provision for carried interest	14	2,116	1,813
Change in non-cash operating working capital	19	142	1,121
Change in restricted cash		1,302	1,688
Deferred tax		1,118	2,896
Cash provided by operating activities		2,437	3,067
Financing activities:			
Mortgages payable:			
Draw downs on existing loans		1,081	762
Proceeds from issuance of Preferred shares – U.S REIT series A	12	—	125
Finance costs paid		(1,545)	(933)
Distributions paid to Unitholders		(963)	(1,002)
Dividends to Preferred Shareholders – U.S. REIT series A	12	(4)	(4)
Cash used in financing activities		(1,431)	(1,052)
Investing activities:			
Capital additions to investment properties	5	(982)	(1,057)
Transferred in from joint venture	6	—	(5,812)
Contributions to joint venture	6	—	(85)
Distributions from joint venture	6	—	133
Cash used in investing activities		(982)	(6,821)
Increase (decrease) in cash		24	(4,806)
Cash, beginning of period		1,638	7,393
Cash, end of period		$ 1,662	$ 2,587

See accompanying notes to the condensed consolidated interim financial statements.

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

Following completion of the initial public offering (the “Offering”), the Fund acquired two multi-family residential properties comprising a total of 943 suites located in the States of Arizona and Texas in the markets of Phoenix and Austin, respectively. The balance of the net proceeds of the Offering was used to subsequently acquire a 50% interest in one additional value-add income-producing, multi-family property in Atlanta, Georgia. On June 12, 2018, the Fund acquired an additional ownership interest in the Atlanta, Georgia property of 41.49295% resulting in a total controlling interest of 91.49295% and subsequent to March 31, 2019, the Fund acquired the remaining 8.50705% interest in the Atlanta, Georgia property (note 25).

During the period, the Fund was managed by Starlight Investments US AM Group LP (the “Manager”) which is a wholly owned subsidiary of Starlight Group Property Holdings Inc. and a related party. As at March 31, 2019, the Fund’s property portfolio consisted of interests in three properties totaling 1,193 suites.

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

1. Basis of presentation:

(a) Statement of compliance:

These condensed consolidated interim financial statements of the Fund have been prepared by management in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of the Fund since the last consolidated financial statements as at and for the year ended December 31, 2018. Certain information and note disclosures normally included in the annual consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

1. Basis of presentation (continued):

(b) Basis of measurement:

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

(c) Functional and presentation currency:

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

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

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

2. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's year ended December 31, 2018 audited consolidated financial statements. These accounting policies are based on the IFRS applicable at that time. The condensed consolidated interim financial statements do not include all of the disclosures included in the year ended December 31, 2018 audited consolidated financial statements and accordingly, should be read in conjunction with the year ended December 31, 2018 audited consolidated financial statements and notes thereto.

3. Adoption of accounting standards:

(a) Accounting standards implemented:

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") and implemented by the Fund for the three months ended March 31, 2019. The new standards that were implemented are the following:

(i) IFRS 16, Leases ("IFRS 16"):

The Fund adopted IFRS 16 on January 1, 2019, which 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 Fund has assessed the impact of the new standard and there are no significant changes as a result of the adoption of IFRS 16 to the condensed consolidated interim financial statements.

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

The Fund adopted IFRIC 23, which 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 Fund has assessed the impact of the new standard and there are no significant changes as a result of the adoption of IFRIC 23 to the condensed consolidated interim financial statements.

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

4. Acquisitions:

There were no asset acquisitions completed during the three months ended March 31, 2019. Subsequent to March 31, 2019, the Fund acquired an additional 8.50705% interest in Coventry Pointe (note 25).

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

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

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

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

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

5. Investment properties:

The following table summarizes the change in the investment properties for the three months ended March 31, 2019 and year ended December 31, 2018:

Balance, December 31, 2017	$	161,142
Acquisitions of investment properties (note 4)		37,588
Capital additions		5,635
Fair value adjustment		21,761
IFRIC 21 realty tax liability adjustment		74
Balance, December 31, 2018	$	226,200
Acquisitions of investment properties (note 4)		—
Capital additions		982
Fair value adjustment		892
IFRIC 21 realty tax liability adjustment		1,409
Balance, March 31, 2019	$	229,483
Balance, Fair Value (excluding IFRIC 21 realty tax liability adjustment)	$	230,364

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

		March 31, 2019		December 31, 2018
Cost	$	202,033	$	201,051
Cumulative fair value adjustment		28,331		27,439
Cumulative IFRIC 21 realty tax liability adjustment (i)		(881)		(2,290)
Fair Value	$	229,483	$	226,200
Fair Value (excluding IFRIC 21 realty tax liability adjustment)	$	230,364	$	228,490

(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:

	March 31, 2019	December 31, 2018
Capitalization rate - range	4.50% to 4.75%	4.50% to 4.75%
Capitalization rate - weighted average	4.61%	4.61%

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

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

5. Investment properties (continued):

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

Weighted average	Change		March 31, 2019		December 31, 2018
Capitalization rate	10 basis-point increase	$	(4,928)	$	(4,848)
Capitalization rate	10 basis-point decrease	$	5,148	$	5,063

The impact of a one percent change in the net operating income used to value the investment properties as at March 31, 2019 would affect the fair value by approximately $2,303 (December 31, 2018 - $2,285).

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

6. Investment in joint venture:

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

Entity	Principal Activity	June 11, 2018	December 31, 2017
Coventry Pointe Acquisition LP	Owns and operates an income property	50%	—%

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

Balance, as at December 31, 2017	$	—
Initial contribution		5,812
Share of net income from January 9 to June 11, 2018		960
Contributions		85
Distributions		(245)
Balance, as at June 11, 2018	$	6,612

On June 12, 2018, the Fund acquired an additional ownership interest of 41.49295% in Coventry Pointe from an affiliate of the Manager, resulting in a total controlling interest of 91.49295% (note 4). The Fund assumed $6,612 of net assets from the joint venture, and subsequently reports the investment on a consolidated basis in the condensed consolidated interim financial statements as at March 31, 2019 (note 20). Subsequent to March 31, 2019, the Fund acquired the remaining 8.50705% of Coventry Pointe (note 25).

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

6. Investment in joint venture (continued):

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

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

7. Derivative financial instruments:

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

		March 31, 2019		December 31, 2018
Variable Rate Collar (a)	$	—	$	—
Interest Rate Cap (b)		6		55
Balance, end of the period	$	6	$	55

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

		March 31, 2019		December 31, 2018
Variable Rate Collar (a)	$	10	$	79
Interest Rate Cap (b)		—		—
Balance, end of the period	$	10	$	79

(a) Variable rate collar:

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

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

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

7. Derivative financial instruments (continued):

(a) Variable rate collar (continued):

The fair value of the contract as at March 31, 2019 was a loss of $10 (December 31, 2018 - gain of $(79)), resulting in an unrealized gain of $69 for the three months ended March 31, 2019 (three months ended March 31, 2018 – unrealized loss of $58).

(b) Interest Rate Cap

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate mortgages as required by the applicable lenders. For the mortgages on The Landing at Round Rock ("The Landing") and Spectra South, the Fund purchased interest rate caps for $207 and $114, respectively. As the Fund has elected not to use hedge accounting, an unrealized fair value loss of $49 was recorded in finance costs in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss) for three months ended March 31, 2019 (three months ended March 31, 2018 - $nil).

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

	Notional Amount	Maturity Date	LIBOR Strike	Carrying Value and Fair Value as at March 31, 2019	Carrying Value and Fair Value as at December 31, 2018
The Landing - Interest rate cap	$ 78,100	10-Jul-20	3.00%	$ 4	$ 36
Spectra South - Interest rate cap	42,350	10-Jul-20	3.00%	2	19
Asset	$ 120,450			$ 6	$ 55

8. Tenant and other receivables:

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

	March 31, 2019	December 31, 2018
Tenant receivables, net	$ 176	$ 205
Other receivables	154	183
	$ 330	$ 388

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

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

9. Prepaid expenses and other assets:

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

	March 31, 2019	December 31, 2018
Prepaid insurance	$ 198	$ 274
Prepaid expenses	118	38
	$ 316	$ 312

10. Restricted cash:

The following table presents details of the restricted cash balance:

	March 31, 2019	December 31, 2018
Escrowed funds:		
Property taxes (i)	$ 1,003	$ 2,386
Property insurance (i)	74	—
Restricted cash:		
Security deposit (ii)	73	65
Cash collateral – variable rate collar	300	300
	$ 1,450	$ 2,751

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

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

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

11. Mortgages payable:

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

Property Name	Payment Terms	Maturity Date	Interest Rate		March 31, 2019		December 31, 2018
The Landing (i)	Interest only until July 2020	July 2020, with two one-year extension options	LIBOR + 2.00%	$	74,969	$	74,823
Spectra South(ii)	Interest only until July 2020	July 2020, with two one-year extension options	LIBOR + 2.00%		40,941		40,393
Coventry Pointe(iii)	Interest only until January 2021	January 2021, with two one-year extension options	LIBOR + 2.00%		25,860		25,473
Face value					141,770		140,689
Unamortized financing costs					(385)		(449)
Carrying value				$	141,385	$	140,240

(i) On June 11, 2018, the Fund refinanced The Landing and generated additional proceeds of $8,097, net of $203 in finance costs. The Landing mortgage allows the Fund to draw an additional $5,100 for approved capital expenditures. As at March 31, 2019, the Fund had drawn $1,969 on this additional available funding.

(ii) The Spectra South mortgage allows the Fund to draw an additional $2,100 for approved capital expenditures. As at March 31, 2019, the Fund had drawn $690 on this additional available funding.

(iii) The Coventry Pointe mortgage allows the Fund to draw an additional $3,648 for approved capital expenditures. As at March 31, 2019, the Fund had drawn $1,720 on this additional available funding. Subsequent to March 31, 2019, the Fund refinanced Coventry Pointe (note 25).

All of the Fund's mortgages payable are non-current as at March 31, 2019. Future principal payments on mortgages payable are as follows:

		Principal payments		Balloon payments		Total
2019	$	—	$	—	$	—
2020		—		115,910	$	115,910
2021		—		25,860	$	25,860
Total	$	—	$	141,770	$	141,770

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

The U.S. REIT has a total of 125 series A, preferred shares issued and outstanding that are held by U.S. residents. The preferred shares were issued January 1, 2018 and are redeemable at the option of the U.S. REIT, at a redemption value of $1 per share. The preferred shares pay a cumulative dividend at 12.5% per annum, semi-annually on June 30 and December 31. The preferred shares have no voting rights.

13. Net liabilities attributable to Unitholders:

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

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

	Units (000's)	Value
Units issued, December 31, 2018	8,182	$ 74,727
Additional units on conversion	—	—
Net loss and comprehensive loss	—	(2,588)
Units as at March 31, 2019	8,182	72,139

As at March 31, 2019, the Fund had 8,182,469 total limited partnership units issued and outstanding comprised of 1,729,493 class A units, 1,622,500 class C units, 1,796,986 class D units, 1,082,800 class E units, 1,724,710 class F units and 225,980 class U units. There were no class H units outstanding.

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

	Class A	Class C	Class D	Class E	Class F	Class H	Class U	Total
Units outstanding, as at December 31, 2018	1,732	1,623	1,781	1,121	1,737	—	188	8,182
Units reallocated due to conversions	(3)	(1)	16	(38)	(12)	—	38	—
Units outstanding, as at March 31, 2019	1,729	1,622	1,797	1,083	1,725	—	226	8,182

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

13. Net liabilities attributable to Unitholders (continued):

Carried Interest:

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

As of March 31, 2019, the Fund had recognized a provision for carried interest after taking into account the Minimum Return to Unitholders of $5,991 (December 31, 2018 – $3,875), resulting in an expense of $2,116 during three months ended March 31, 2019 (three months ended March 31, 2018 – expense of $1,813).

14. Accounts payable and accrued liabilities:

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

	March 31, 2019	December 31, 2018
Tenant prepayments	$ 274	$ 258
Operating payables	139	143
Accrued property management fees, utilities, payroll, other	670	586
Accrued asset management fees (note 17)	48	58
Deferred revenue (i)	111	114
	$ 1,242	$ 1,159

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

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

15. Fund and trust expenses:

Fund and trust expenses consist of the following:

		Three months ended March 31, 2019		Three months ended March 31, 2018
Asset management fees (note 17)	$	174	$	151
General and administrative expenses		96		134
	$	270	$	285

16. Segmented disclosure:

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

17. Transactions with related parties:

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

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

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

Included in Fund and trust expenses is $174 in asset management fees charged by the Manager (note 15) for the three months ended March 31, 2019, respectively (2018 - $151). The amount payable to the Manager as at March 31, 2019 was $48 (December 31, 2018 - $58) (note 14).

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

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

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

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

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

17. Transactions with related parties (continued):

For the three months ended March 31, 2019, the Fund incurred acquisition fees of $nil. Comparatively, the Fund incurred $177 of acquisition fees during the three months ended March 31, 2018, relating to the acquisition of interests in Coventry Pointe. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. Subsequent to March 31, 2019, the Fund acquired the remaining 8.50705% interest in Coventry Pointe (note 25).

(c) Pursuant to the Management Agreement, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its wholly owned subsidiaries to indirectly acquire an interest in the properties, the Fund and the U.S. REITs will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. As of March 31, 2019, $nil guarantee fees have been paid or are payable (March 31, 2018 – $nil).

18. Finance costs:

Finance costs consist of the following:

		Three months ended March 31, 2019		Three months ended March 31, 2018
Interest on mortgages payable	$	1,589	$	939
Amortization of financing costs		68		60
Fair value loss (gain) on derivative financial instrument (note 7)		(20)		58
	$	1,637	$	1,057

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

19. Change in non-cash operating working capital:

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

	Three months ended March 31, 2019	Three months ended March 31, 2018
Utility deposits	$ —	$ —
Tenant and other receivables	58	17
Prepaid expenses and other assets	(4)	1,305
Tenant rental deposits	5	(1)
Accounts payable and accrued liabilities	83	(200)
	$ 142	$ 1,121

20. Non-controlling interests:

The following table summarizes the change in non-controlling interests for the period from June 12, 2018 March 31, 2019:

Non-controlling interest at June 12, 2018 of Coventry Pointe - 8.50705% (a)	$ 1,125
Net income attributable to non-controlling interests	278
Balance, December 31, 2018	$ 1,403
Net Income attributable to non-controlling interests (b)	36
Balance, March 31, 2019	$ 1,439

(a) On June 12, 2018 (“Date of Acquisition”), the Fund acquired an additional ownership of 41.49295% of Coventry Pointe from an affiliate of the Manager, resulting in a total and controlling interest of 91.49295%. All decision making in respect of the Coventry Pointe, including day-to-day and material decisions are made exclusively by the Fund through its established governance practices in accordance with the limited liability agreement of Coventry Pointe Multi-Family Holding LLC and Starlight Investments Acquisition (No. 6) Partnership. Accordingly, the Fund has control over Coventry Pointe and has wholly consolidated its financial position and results of operations. Coventry Pointe was valued at $37,588 as of June 12, 2018 and had mortgages payable of $24,309, net of finance costs of $223. Coventry Pointe had total assets of $37,944 and liabilities of $24,564.

(b) For Coventry Pointe non-controlling interests of 8.50705% for the three months ended March 31, 2019, revenues from property operations were $79, with property operating expenses of $37, finance costs of $27, fund and trust expenses of $3 and a fair value adjustment of investment properties of $24. Net income and comprehensive income for the three months ended March 31, 2019 was $36.

Subsequent to March 31, 2019, the non-controlling interest of 8.50705% was acquired by the Fund (note 25).

21. Commitments and contingencies:

At March 31, 2019, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of March 31, 2019 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

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

22. Capital management:

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

The Fund was in compliance with all financial covenants as at March 31, 2019.

23. Risk management:

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

(a) Credit risk:

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

23. Risk management (continued):

(b) Market risk:

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

The Fund's objective in managing interest rate risk is to minimize the volatility of the Fund's income. The Fund has the ability to enter into interest rate cap agreements for all its variable rate mortgages once LIBOR reaches stipulated levels. For the three months ended March 31, 2019, all else being equal, an increase or decrease of ten basis points in LIBOR would impact net income and comprehensive income by $35 (three months ended March 31, 2018 - $26).

(c) Liquidity risk:

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

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

(d) Currency risk:

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

The Fund utilizes variable rate collar arrangements to provide some protection against the impact of changes in the Canadian/U.S. dollar exchange rate on the Fund's monthly distributions on Canadian dollar units (note 7).

24. Fair value measurement of financial instruments:

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

- Level 1 - quoted prices in active markets;

24. Fair value measurement of financial instruments (continued):

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

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

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

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

(iii) The fair value of mortgages payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's mortgages payable as at March 31, 2019 approximated their carrying value.

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

25. Subsequent events:

On April 12, 2019, the Fund refinanced the mortgage at Coventry Pointe for net proceeds of approximately $2,600. After completion of the refinancing, the property's mortgage payable was $28,540 with an additional $3,800 capital advance line which can be drawn to fund future value-add initiatives at Coventry Pointe (the "Refinancing"). The mortgage bears interest at LIBOR + 2.00% and requires interest only payments until maturity in January 2021. The Fund also purchased an interest rate cap for $5 as required by the lender to protect against increases in interest costs.

On April 12, 2019, the Fund used a portion of the Refinancing proceeds to acquire the remaining 8.50705% interest in Coventry Pointe from an affiliate entity of the Manager for $1,310, which includes the Fund assuming the affiliates pro-rata share of liabilities of Coventry Pointe outstanding at the time of acquisition. Upon closing of the acquisition, the Fund owns 100% of Coventry Pointe. The total purchase price of this property was based on third party appraisals and the amount was representative of the fair value of the net assets acquired. There are no ongoing contractual commitments with the related party as a result of the interest acquired in Coventry Pointe.

26. Comparative figures:

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