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

STARLIGHT U.S. MULTI-FAMILY (NO. 1) CORE PLUS FUND

For the three months ended March 31, 2021 and 2020 (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 interim 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) Core Plus Fund have been prepared by and are the responsibility of Starlight U.S. Multi-Family (No.1) Core Plus Fund's management.

Starlight U.S. Multi-Family (No.1) Core Plus 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) CORE PLUS FUND

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

	Note		March 31, 2021		December 31, 2020
ASSETS					
Non-current assets:					
Investment properties	6	$	539,561	$	508,403
Derivative financial instruments	7		81		106
Utility deposits			155		142
Total non-current assets			539,797		508,651
Current assets:					
Tenant and other receivables	8		502		509
Prepaid expenses and other assets	9		864		99
Restricted cash	10		2,434		3,358
Cash			2,720		6,291
Total current assets			6,520		10,257
TOTAL ASSETS		**$**	**546,317**	**$**	**518,908**
LIABILITIES					
Non-current liabilities:					
Loans payable	11	$	285,309	$	330,364
Preferred shares – U.S. REIT series A	12		125		125
Provision for carried interest	13(b)		10,900		3,514
Deferred income tax			13,489		7,280
Total non-current liabilities excluding net liabilities attributable to Unitholders			309,823		341,283
Current liabilities:					
Loans payable	11		48,278		6,400
Tenant rental deposits			652		623
Accounts payable and accrued liabilities	14		3,332		3,731
Finance costs payable			671		364
Distributions payable			648		640
Total current liabilities excluding net liabilities attributable to Unitholders			53,581		11,758
TOTAL LIABILITIES		**$**	**363,404**	**$**	**353,041**
Net liabilities attributable to Unitholders	13(a)		182,913		165,867
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**546,317**	**$**	**518,908**

Commitments and contingencies (note 20).

Subsequent events (note 24).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 1) Core Plus GP, Inc., as general partner of Starlight U.S. Multi-Family (No. 1) Core Plus Fund, on May 11, 2021, and signed on its behalf:

Kelly Smith Director *Harry Rosenbaum* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 1) CORE PLUS 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, 2021	Three months ended March 31, 2020
Revenue from property operations		$ 9,043	$ 1,354
Expenses:			
Property operating costs		2,512	369
Property taxes		4,929	—
Income from rental operations		1,602	985
Finance costs	18	2,325	487
Distributions to Unitholders	13(a)	1,934	588
Dividends to preferred shareholders – U.S. REIT series A	12	4	—
Fund and trust expenses	15	533	100
Unrealized foreign exchange (gain) loss		(2)	70
Realized foreign exchange gain		(90)	—
Fair value gain on investment properties	6	(30,096)	—
Fair value adjustment IFRIC 21	14	(3,697)	175
Provision for carried interest	13(b)	7,386	—
Income (loss) before income taxes		23,305	(435)
Income taxes: - current		50	10
- deferred		6,209	107
Total income taxes		6,259	117
Net income (loss) and comprehensive income (loss)		**$ 17,046**	**$ (552)**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 1) CORE PLUS FUND

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
For the three months ended March 31, 2021 and 2020
(In thousands of U.S. dollars)
(Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class I	Class U	Total
Balance, January 1, 2021	$31,303	$13,283	$63,837	$ 4,089	$23,966	$20,012	$ 9,377	$ 165,867
Changes during the period:								
Re-allocation due to unit conversions	981	—	(944)	—	(37)	—	—	—
Net income and comprehensive income	3,245	1,337	6,338	400	2,409	2,373	944	17,046
Balance, March 31, 2021	**$35,529**	**$14,620**	**$69,231**	**$ 4,489**	**$26,338**	**$22,385**	**$10,321**	**$ 182,913**

	Class A	Class C	Class D	Class E	Class F	Class I	Class U	Total
Balance, January 1, 2020	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Changes during the period:								
Units issued on Offering (February 28, 2020), net of issuance costs	35,996	12,490	53,437	3,852	22,566	18,531	8,817	155,689
Net loss and comprehensive loss	(128)	(44)	(190)	(13)	(80)	(66)	(31)	(552)
Balance, March 31, 2020	**$35,868**	**$12,446**	**$53,247**	**$ 3,839**	**$22,486**	**$18,465**	**$ 8,786**	**$ 155,137**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 1) CORE PLUS FUND

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

	Note	Three months ended March 31, 2021	Three months ended March 31, 2020
Operating activities:			
Net income (loss) and comprehensive income (loss)		$ 17,046	$ (552)
Adjustments for financing activities included in net income (loss) and comprehensive income (loss):			
Finance costs	18	2,325	487
Distributions to Unitholders		1,934	588
Dividends to preferred shareholders – U.S. REIT series A	12	4	—
Adjustments for items not involving cash:			
Fair value gain on investment properties		(30,096)	—
Unrealized foreign exchange (gain) loss		(2)	70
Deferred tax		6,209	107
Provision for carried interest	13(b)	7,386	—
Change in non-cash operating working capital	19(a)	(1,133)	(3,216)
Change in restricted cash		924	(1,196)
Cash provided by (used in) operating activities		**4,597**	**(3,712)**
Financing activities:			
Proceeds from the issuance of units, net of issuance costs		—	155,689
Loans payable:			
Proceeds from new financing		—	29,900
Net proceeds from assumed financing		—	83,683
Draw downs on existing loans	11	1,867	—
Repayment of existing loans	11	(5,100)	—
Finance costs paid	19(b)	(1,937)	(518)
Distributions paid to Unitholders		(1,934)	—
Dividends to preferred shareholders – U.S. REIT series A	12	(4)	—
Cash (used in) provided by financing activities		**(7,108)**	**268,754**
Investing activities:			
Acquisitions of investment properties	5	—	(188,725)
Capital additions to investment properties	6	(1,062)	(51)
Cash used in investing activities		**(1,062)**	**(188,776)**
(Decrease) Increase in cash		**(3,573)**	**76,266**
Cash, beginning of period		6,291	—
Change in cash due to foreign exchange		2	(70)
Cash, end of period		**$ 2,720**	**$ 76,196**

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of business:

Starlight U.S. Multi-Family (No. 1) Core Plus 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) Core Plus GP, Inc. (the "General Partner"). The Fund was established for the purpose of indirectly investing in 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, California, Colorado, Florida, Georgia, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington.

The Fund completed its initial public offering (the "Offering") on February 28, 2020 and raised gross proceeds of $163,198 and issued the following limited partnership units: 5,125,325 class A units, 1,685,000 class C units, 7,608,790 class D units, 3,114,570 class F units and 2,500,000 class I units at a price of $10.00 Canadian dollars ("C$") and 397,500 class E units and 939,000 class U units, at a price of $10.00. The class A units distributed under the Offering are listed on the TSX Venture Exchange ("TSX-V") under the symbol SCPO.UN. Class A,C,D,F and I are Canadian dollar denominated partnership units of the Fund ("Units") and Class E and U are United States ("U.S.") dollar denominated Units. Conversions can be made between certain classes of Units based on conversion ratios calculated consistent with the Fund's second amended and restated limited partnership agreement (the "Conversion Ratios"). The weighted average Class A equivalent Units outstanding as at March 31, 2021 was 22,181,000 (assumes all outstanding Units were converted to Class A equivalent Units based on the Conversion Ratios).

Following completion of the Offering, the Fund acquired three class "A" institutional quality properties comprising a total of 950 suites located in the States of Florida, Georgia and Tennessee, in the Tampa, Atlanta and Nashville metropolitan areas, respectively (the "Initial Portfolio"). Subsequent to the Offering, the Fund acquired four additional class "A" institutional quality properties, comprised of 288 and 320 suites in Raleigh, North Carolina and Round Rock, Texas on April 30, 2020 and May 28, 2020, respectively as well as 340 suites in Denver, Colorado and 321 suites in Charlotte, North Carolina on December 15, 2020 (collectively, the "Subsequent Acquisitions").

The Fund is 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, 2021 and for the three months ended March 31, 2021, the Fund's property portfolio consisted of interests in the seven properties totaling 2,219 suites (as at March 31, 2020 - 950 suites).

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

2. 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 audited consolidated financial statements as at and for the year ended December 31, 2020. Certain information and note disclosures normally included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") have been omitted or condensed.

(b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties 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) Comparatives:

The Fund was established on December 10, 2019. The Offering and the acquisition of the Initial Portfolio occurred on February 28, 2020 and as a result, there were no operating activities between December 10, 2019 and February 27, 2020. As such, the comparatives presented in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss), the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in net liabilities attributable to unitholders of the Fund ("Unitholders") reflect the operating period between February 28, 2020 to March 31, 2020.

(d) Functional and presentation currency:

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

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

Foreign currency gains or losses arising from settlement of transactions or translations are included in the condensed consolidated interim 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 (C$) are translated using the exchange rate at the date of the transaction.

3. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's audited consolidated financial statements for the year ended December 31, 2020. 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 audited consolidated financial statements for the year ended December 31, 2020 and accordingly, should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2020 and notes thereto.

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

4. Adoption of accounting standards:

Future accounting policy changes:

There were no new standards or interpretations and improvements to existing standards that were issued by the International Accounting Standards Board ("IASB") or by the International Financial Reporting Interpretations Committee that have not yet been adopted by the Fund.

5. Acquisitions:

There were no acquisitions completed during the three months ended March 31, 2021.

The following acquisitions were completed by the Fund during the year ended December 31, 2020. The Initial Portfolio was acquired by purchasing the legal entities directly which owned such properties. The Fund acquired Southpoint Crossing ("Southpoint"), 401 Teravista ("Teravista"), The Bluffs at Highlands Ranch ("The Bluffs") and LaVie Southpark ("LaVie") by purchasing these properties directly. All of the acquisitions were treated as asset acquisitions, and as a result, 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:

	Tuscany Bay Apartments	Grand Oak at Town Park	Autumn Vista Apartments	Southpoint	Teravista	The Bluffs	LaVie Southpark	Total
Acquisition date	28-Feb	28-Feb	28-Feb	30-April	28-May	15-Dec	15-Dec	
Suites	370	300	280	288	320	340	321	2,219
City, State	Tampa, FL	Nashville, TN	Atlanta, GA	Raleigh, NC	Austin, TX	Denver, CO	Charlotte, NC	
Investment properties(i)	$ 77,738	$ 65,322	$ 46,575	$ 52,024	$ 55,540	$ 109,204	$ 77,744	$484,147
Add:								
Utility deposits	59	27	41	—	—	—	—	127
Tenant and other receivables	62	56	49	23	17	—	15	222
Prepaid expenses and other assets	151	67	64	3	12	—	54	351
Restricted cash	469	102	—	210	250	411	143	1,585
Deduct:								
Accounts payable and accrued liabilities	(406)	(800)	(224)	(157)	(463)	(813)	(223)	(3,086)
Tenant rental deposits	(130)	(110)	(6)	(93)	(102)	(47)	(66)	(554)
Finance cost payable	(75)	(52)	—	—	—	—	—	(127)
Net asset acquired	**$ 77,868**	**$ 64,612**	**$ 46,499**	**$ 52,010**	**$ 55,254**	**$ 108,755**	**$ 77,667**	**$482,665**
Consideration funded by:								
New loans payable(ii)	—	—	29,665	25,599	27,356	73,984	47,710	204,314
Assumed loans payable(ii)	46,155	37,489	—	—	—	—	—	83,644
Cash paid, net of cash acquired(iii)	31,713	27,123	16,834	26,411	27,898	34,771	29,957	194,707
Total Consideration	**$ 77,868**	**$ 64,612**	**$ 46,499**	**$ 52,010**	**$ 55,254**	**$ 108,755**	**$ 77,667**	**$482,665**

(i) Investment properties includes acquisition costs capitalized to investment properties amounting to of $758, $645, $477, $524, $540, $704 and $494 for Tuscany Bay Apartments ("Tuscany Bay"), Grand Oak at Town Park ("Grand Oak"), Autumn Vista Apartments ("Autumn Vista"), Southpoint, Teravista, The Bluffs and LaVie, respectively.

(ii) New loans payable and assumed loans payable are net of finance costs incurred amounting to $28, $11, $235, $152, $150, $539 and $350 for Tuscany Bay, Grand Oak, Autumn Vista, Southpoint, Teravista, The Bluffs and LaVie, respectively.

(iii) Cash residing within entities acquired by the Fund on the date of acquisition amounted to $138, $806, $95, respectively for Tuscany Bay, Grand Oak, Autumn Vista and $nil for Southpoint, Teravista, The Bluffs and LaVie.

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

6. Investment properties:

The following table summarizes the change in the investment properties for the three months ended March 31, 2021 and year ended December 31, 2020:

Balance, January 1, 2020	**$**	**—**
Acquisitions of investment properties (note 5)		484,147
Capital additions		2,907
Fair value adjustment		21,349
Balance, December 31, 2020	$	508,403
Capital additions		1,062
Fair value adjustment		30,096
Balance, March 31, 2021	**$**	**539,561**

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

		March 31, 2021		December 31, 2020
Cost	$	488,116	$	487,054
Cumulative fair value adjustment		51,445		21,349
Fair Value	**$**	**539,561**	**$**	**508,403**

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

	March 31, 2021	December 31, 2020
Capitalization rate - range	3.70% to 4.10%	4.00% to 4.25%
Capitalization rate - weighted average	3.91 %	4.18 %

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 (note 23).

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, 2021		December 31, 2020
Capitalization rate	10 basis-point increase	$	(12,673)	$	(11,876)
Capitalization rate	10 basis-point decrease	$	13,338	$	12,458

The impact of a one percent change in the net operating income used to value the investment properties as at March 31, 2021 would affect the fair value by approximately $6,148 (December 31, 2020 - $5,425).

The Fund's investment properties are considered as Level 3 assets under IFRS 13 - Fair Value Measurement due to the extent of assumptions required beyond observable market data to derive the fair values.

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

7. Derivative financial instruments:

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

	March 31, 2021	December 31, 2020
Variable Rate Collar (a)	$ —	$ 90
Interest Rate Cap (b)	81	16
Balance, end of the period	$ 81	$ 106

(a) Variable rate collar:

The Fund entered into a variable rate collar contract on March 9, 2020 which allowed the Fund to establish a guaranteed monthly exchange rate between C$1.34 and C$1.425 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to the approximate C$752 per month required to fund the Fund's Canadian dollar distributions. The contract was entered into to protect against the potential impact of any weakening of the U.S. dollar on the amount required to fund the Fund's monthly Canadian dollar distributions and ensure a more favorable exchange rate for conversion of these funds when compared to the rate used to convert the proceeds from the Offering into U.S. dollars of C$1.3371.

The variable rate collar contract expired on March 9, 2021.

The following table presents the material terms for the variable rate collar of the Fund:

Contract Start Date	Contract Maturity	Monthly Notional Amount (C$)	Collar Floor	Collar Ceiling	March 31, 2021	December 31, 2020
July 10, 2020	March 9, 2021	$752	1.34	1.425	$ —	$ 90
Asset					$ —	$ 90

The fair value of the variable rate collar contract as at March 31, 2021 was $nil (December 31, 2020 - $90) resulting in an realized loss of $90 for the three months ended March 31, 2021 (three months ended March 31, 2020 - unrealized loss of $159). The fair value of the variable rate contract at each reporting date reflects the impact of the prevailing Canadian and US dollar exchange rate on the non-cash mark to market adjustment of the underlying contract. The actual gain or loss recognized, if any, is determined on each of the dates the monthly settlements under the contract occur.

(b) Interest Rate Cap:

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate loans as required by the applicable lenders. The interest rate caps typically carry a notional amount equal to the amount of the loan outstanding at inception and a maturity date which generally coincides with the term of the loan.

As the Fund has elected not to use hedge accounting, an unrealized fair value gain of $65 was recorded in finance costs in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss) for the three months ended March 31, 2021 (three months ended March 31, 2020 - $nil). As at March 31, 2021, the fair value of the interest rate caps was $81 (December 31, 2020 - $16).

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

8. Tenant and other receivables:

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

	March 31, 2021	December 31, 2020
Tenant receivables, net	$ 374	$ 381
Other receivables	128	128
	$ 502	$ 509

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

9. Prepaid expenses and other assets:

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

	March 31, 2021	December 31, 2020
Prepaid insurance	$ 684	$ 7
Prepaid expenses	180	67
Other deposits	—	25
	$ 864	$ 99

10. Restricted cash:

The following table presents details of the restricted cash balance:

	March 31, 2021	December 31, 2020
Escrowed funds:		
Property taxes (i)	$ 1,414	$ 2,166
Property insurance (i)	314	568
Replacement and repairs (i)	134	23
Restricted cash:		
Security deposits (ii)	572	501
Cash collateral – variable rate collar (note 7)	—	100
	$ 2,434	$ 3,358

(i) Escrowed funds include cumulative amounts that are funded monthly into escrow with the Fund's lenders. These amounts are used to pay property taxes, property insurance and property repairs 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, as well as amounts pledged as support for letters of credit required for municipal utility services at certain properties.

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

11. Loans payable:

Loans payable are secured against the applicable investment property to which the loan relates and typically require interest only ("IO") payments until a specified date. The loans bear interest at variable rates based on U.S. 30-day London Interbank Offered Rate ("LIBOR") or U.S. 30-day Secured Overnight Financing Rate ("SOFR") plus an interest rate spread or a fixed interest rate. A summary of the Fund's loans payable is presented below:

					March 31, 2021		December 31, 2020	
Property Name	**Payment Terms**	**Maturity Date**	**Extension Options**	**Interest Rate**	**Capital Line available(iv)**	**Principal Outstanding**	**Capital Line available**	**Principal Outstanding**
Tuscany Bay	IO	March 2022	Two 1-year	LIBOR + 1.65%	$ 1,592	$ 46,998	$ 1,791	$ 46,799
Credit Facility(i)(ii)	IO	November 2024	One 1-year	SOFR + 2.37%	—	286,458	—	286,458
Unsecured Loan (iii)	IO	December 2021	None	12%	—	1,300	—	6,400
Capital Expenditure Credit Facility (iv)	IO	January 2022	Two 1-year	LIBOR + 3.00%	12,081	1,669	—	—
Face value					$ 13,673	$ 336,425	$ 1,791	$ 339,657
Unamortized financing costs						(2,838)		(2,893)
Carrying value						$ 333,587		$ 336,764

(i) On October 16, 2020, the Fund entered into an agreement for a $250,000 credit facility (the "Credit Facility") and was advanced an initial draw of $127,650 and also entered into a new pooled mortgage secured by each of Grand Oak, Southpoint and Teravista (the "Mortgage Refinancing"). The Credit Facility carries interest only payments until maturity at SOFR + 2.37%, has a four-year term with interest only payments until maturity and allows for a one-year extension option.

(ii) On December 15, 2020, the Fund expanded the committed availability on the Credit Facility by $50,000 to $300,000 and drew an additional amount of $158,808 secured by each of Autumn Vista, The Bluffs and LaVie with the proceeds being utilized to fund the acquisition of The Bluffs and LaVie as well as repay the existing mortgage of Autumn Vista. As at December 31, 2020, the Credit Facility was secured by each of the Fund's properties with the exception of Tuscany Bay and the Fund entered into interest rate caps which effectively provides a maximum interest rate of 4.10% on the total principal outstanding under the Credit Facility. The interest rate caps for Grand Oak, Teravista and Southpoint carry a three-year term while The Bluffs, LaVie and Autumn Vista carry a two-year term. In addition, the Credit Facility carries an unused commitment fee of 0.2% payable monthly on the undrawn amounts.

(iii) On December 15, 2020, the Fund entered into a loan agreement with a related party to the Fund (note 17). The $6,400 loan is unsecured, bears interest only payments at 12% per annum and has a one year term ("Unsecured Loan"). During the three months ended March 31, 2021, $5,100 of the Unsecured Loan principal balance outstanding was repaid by the Fund. Subsequent to March 31, 2021, the Fund repaid $650 of the principal balance outstanding on the Unsecured Loan. After repayment, the remaining balance outstanding is $650 (note 24).

(iv) On January 19, 2021, the Fund entered into a $15,000 credit facility to fund eligible future capital expenditures at all of the Fund's properties with the exception of Tuscany Bay (the "Capital Expenditure Credit Facility"). The Capital Expenditure Credit Facility carries a one-year term with two one-year extension options, is open to prepayment and requires interest only payments until maturity at LIBOR + 3.00%, subject to a minimum interest rate of 3.25%. The initial $15,000 of committed availability to fund future capital expenditures declines on a quarterly basis between $875 and $1,250 per quarter, subject to certain conditions of the agreement.

Loans payable of $48,278 were classified as current liabilities as they are due and payable within 12 months of the date of the condensed consolidated interim statement of financial position.

As at March 31, 2021, the loans had a weighted average term to maturity of 3.23 years and a weighted average interest rate of 2.38%.

Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2021 - remainder of year	$ —	$ 1,300	$ 1,300
2022	—	48,667	48,667
2023	—	—	—
2024	—	286,458	286,458
Total	$ —	$ 336,425	$ 336,425

12. Preferred shares – U.S. Real Estate Investment Trust ("REIT") series A:

The Starlight U.S Multi-Family (No.1) Core Plus REIT Inc. ("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 on October 5, 2020 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% per annum, semi-annually on June 30 and December 31. The preferred shares have no voting rights and shareholders incur a penalty if redeemed before December 31, 2022.

13. Net liabilities attributable to Unitholders:

(a) Composition of net liabilities attributable to Unitholders and beneficial ownership of the Fund:

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: A, C, D, E, F, I 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 is distributed disproportionately on a per Unit basis upon liquidation. Accordingly, these Units have been classified as a liability in the condensed consolidated interim statement of financial position and any distributions paid on each class of Units is presented in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss). For the three months ended March 31, 2021, distributions of $1,934 were declared and recorded to distribution expense (three months ended March 31, 2020 - $588).

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

	Number of Units Outstanding (000's)								
	Class A	**Class C**	**Class D**	**Class E**	**Class F**	**Class I**	**Class U**	**Total Units**	**Net Liabilities attributable to Unitholders ($)**
Outstanding as at January 1, 2021	4,184	1,685	8,554	397	3,111	2,500	939	21,370	$ 165,867
Units reallocated due to conversions	131	—	(126)	—	(5)	—	—	—	—
Net income and comprehensive income	—	—	—	—	—	—	—	—	17,046
Outstanding as at March 31, 2021	4,315	1,685	8,428	397	3,106	2,500	939	21,370	$ 182,913

(b) Carried interest:

The partners of Starlight Investments (No.1) Core Plus Partnership ("SICPP"), currently being an affiliate of the Manager and the President of the General Partner, through SICPP's indirect interest in Starlight U.S. Multi-Family (No.1) Core Plus Holding L.P. ("Holding L.P."), a 99.99% owned subsidiary of the Fund, are entitled to 25% (20% in respect of the class I Units) 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 the Fund of a particular class if all Distributable Cash (as defined in the Fund's final long form prospectus dated January 31, 2020 (the "Prospectus")) of the Holding L.P. were received by the Fund through Starlight U.S. Multi-Family (No.1) Core Plus Investment L.P. ("Investment L.P."), a 100% owned subsidiary of the Fund and Starlight U.S. Multi-Family (No. 1) Core Plus Investment GP, Inc., a 100% owned subsidiary of the Fund, together with all other amounts distributable by the Fund, and distributed by the Fund (net of any amounts required to provide for expenses and determined without reference to any applicable U.S. taxes payable by or on behalf of the Investment L.P.) to Unitholders in accordance with the Fund's second amended and restated limited partnership agreement, exceeds (ii) the aggregate Minimum Return (as defined in the Prospectus) in respect of such class of Units of the Fund (the calculation of which

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

13. Net liabilities attributable to Unitholders (continued):

(b) Carried interest (continued):

includes the amount of the Investors Capital Return Base (as defined in the Prospectus)), each such excess, if any, to be calculated in U.S. dollars and, in the case of class A Units, class C Units, class D Units, class F Units and class I 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 the Fund of a particular class (other than class I Units) pursuant to the foregoing exceed the Minimum Return for such class, the partners of SICPP, through SICPP'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 excess, if any, which would have been distributed in respect of such class (other than class I Units) in excess of the Investors Capital Return Base (as defined in the Prospectus) is equal to three times (i.e., 75%/25%) the catch-up payment receivable by the Manager in respect of such class (other than class I Units as no catch-up payment is payable in respect of class I Units).

As at March 31, 2021, the Fund had recognized a provision for carried interest after taking into account the Minimum Return to Unitholders of $10,900, resulting in an expense of $7,386 during the three months ended March 31, 2021 (three months ended March 31, 2020 - $nil).

14. Accounts payable and accrued liabilities:

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

	March 31, 2021	December 31, 2020
Tenant prepayments	$ 106	$ 98
Operating payables	1,422	1,302
Accrued property taxes(i)	1,502	2,102
Accrued asset management fees (note 17)	137	113
Excise tax and franchise tax payable	165	116
	$ 3,332	$ 3,731

(i) Accrued property taxes represent property taxes incurred but not yet paid for the properties owned by the Fund up to the date of the condensed consolidated interim statement of financial position. Property taxes are recorded to the condensed consolidated interim statement of net income (loss) and comprehensive income (loss) to either property tax expenses or fair value adjustment to the International Financial Reporting Interpretations Committee interpretation 21, Levies (" IFRIC 21") as a result of the requirements of IFRIC 21. The sum of the amounts recorded to property tax expense and fair value adjustment IFRIC 21 in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss) in any given reporting period represents the actual property taxes incurred by the Fund in such reporting period.

15. Fund and trust expenses:

Fund and trust expenses consist of the following:

	Three months ended March 31, 2021	Three months ended March 31, 2020
Asset management fees (note 17)	$ 409	$ 58
General and administrative expenses	124	42
	$ 533	$ 100

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

(a) Pursuant to the management agreement dated February 28, 2020 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the sum of: the historical purchase price of the properties acquired in U.S. dollars and the cost of any capital expenditures in respect of Fund's properties since the date of acquisition by the Fund (together the "Gross Asset Value"), less the product of 0.10% of the Gross Asset Value and the proportionate economic interest of the class I units (as defined in the Fund's second amended and restated limited partnership agreement).

Included in Fund and Trust expenses is $409 in asset management fees charged by the Manager (note 15) for the three months ended March 31, 2021 (three months ended March 31, 2020 - $58). The amount payable to the Manager as at March 31, 2021 was $137 (December 31, 2020 - $113) (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: 1.0% of the purchase price of a property, on the first $150,000 of properties acquired in each calendar year; 0.75% of the purchase price of a property, on the next $150,000 of properties acquired in each calendar year; and 0.50% of the purchase price on properties in excess of $300,000 of properties acquired in each calendar year.

For the three months ended March 31, 2021, the Fund did not incur acquisition fees (three months ended March 31, 2020 - $1,782). There are no ongoing contractual commitments with the related party as a result of the acquisition of the Initial Portfolio or the Subsequent Acquisitions in 2020.

(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 investment properties, the Fund and 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 March 31, 2021, $nil guarantee fees have been paid or are payable (December 31, 2020 - $nil).

(d) On December 15, 2020, the Fund entered into a loan agreement with a related party to the Fund (note 11) amounting to $6,400 which was used to fund a portion of the acquisition of The Bluffs. The loan is unsecured, open to prepayment and bears interest only payments at 12% per annum and has a one year term. The loan was entered into on terms consistent with market for a loan of this nature. As at March 31, 2021, the remaining balance of the loan is $1,300 (December 31, 2020 - $6,400). Subsequent to March 31, 2021, the Fund repaid an additional $650, with a remaining principal balance outstanding of $650 (note 24).

(e) Aggregate compensation to key management personnel was $nil for the three months ended March 31, 2021 as compensation of these individuals is paid by the Manager pursuant to the Management Agreement (three months ended March 31, 2020 - $nil).

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

18. Finance costs:

Finance costs consist of the following:

		Three months ended March 31, 2021		Three months ended March 31, 2020
Interest expense on loans payable	$	2,080	$	303
Amortization of deferred financing costs		220		25
Fair value loss on derivative financial instruments (note 7)		25		159
	$	2,325	$	487

19. Supplemental cash flow information:

(a) Changes in non-cash operating working capital:

The following table presents the changes in non-cash operating working capital presented within the condensed consolidated interim statement of cash flows:

		Three months ended March 31, 2021		Three months ended March 31, 2020
Utility deposits	$	(13)	$	—
Tenant and other receivables		7		(79)
Prepaid expenses and other assets		(765)		(2,570)
Tenant rental deposits		29		7
Accounts payable and accrued liabilities		(399)		(567)
Distribution payable		8		(7)
Total change in non-cash operating working capital	$	(1,133)	$	(3,216)

(b) Finance costs paid:

The following table presents the components of finance costs paid presented within the condensed consolidated interim statement of cash flows:

		Three months ended March 31, 2021		Three months ended March 31, 2020
Interest expense paid	$	(1,772)	$	(244)
Financing costs incurred on new / assumed loans payable (note 5(ii))		(165)		(274)
Total finance costs paid	$	(1,937)	$	(518)

20. Commitments and contingencies:

As at March 31, 2021, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of March 31, 2021 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

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

21. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable including capital lines available 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, 2021.

22. Risk management:

The Fund's activities expose it to credit risk, market risk, liquidity risk, currency risk and other risks. 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 at least a weekly 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 condensed consolidated interim statement of net income (loss) and comprehensive income (loss).

At March 31, 2021, the Fund had accrued no allowance for uncollectible amounts as such amounts are written off directly to bad debt expense at that time. During the three months ended March 31, 2021, the Fund recorded $108 to bad debt expense within property operating costs in the condensed consolidated interim statement of net income (loss) and comprehensive income (loss) (three months ended March 31, 2020 - $22).

The Fund is actively monitoring the potential impact on credit risk of the novel coronavirus ("COVID-19") global pandemic (note 22(e)).

(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 certain loans may not be refinanced on terms as favourable as those of the existing indebtedness, in the event that such refinancings occur in future periods. As at March 31, 2021, the Fund's investment properties have been reported at fair value which reflects the Fund's best estimate of future cash flows and capitalization rates applicable to the investment properties. The Fund continues to monitor and review the potential impact that the COVID-19 global pandemic may have on the future cash flows of its investment properties. During the three months ended March 31, 2021, the Fund reduced the capitalization rates used in the valuation of its investment properties to ensure the appropriate fair values are reflected as at March 31, 2021 (note 6). The reduction in capitalization rates are reflective of third party appraisals as well as consideration of comparable sales transactions and changes which have occurred in the overall investment market for multi-family properties up to March 31, 2021.

22. Risk management (continued):

(b) Market risk (continued):

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 the variable rate loans which protect the Fund from increases in LIBOR or SOFR index rates beyond stipulated levels. For the three months ended March 31, 2021, all else being equal, an increase of ten basis points in LIBOR or SOFR index rates would impact net income (loss) and comprehensive income (loss) by ($77), and a decrease of ten basis points in LIBOR or SOFR index rates would impact net income (loss) and comprehensive income (loss) by $68 (three months ended March 31, 2020 - $114).

The Fund continues to actively monitor the potential impact that the COVID-19 global pandemic has on market risks applicable to the Fund (note 22(e)).

(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 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. The Fund continues to actively monitor the potential impact that the COVID-19 global pandemic has on liquidity risks applicable to the Fund (note 22(e)).

(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 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 utilized 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).

The Fund continues to actively monitor the potential impact that the COVID-19 global pandemic may have on currency risks applicable to the Fund (note 22(e)).

(e) Other Risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus.

Any future changes due to COVID-19 could materially impact the financial results of the Fund, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Fund in future periods. Other impacts of COVID-19 may include the Fund's ability to access capital in future periods on terms consistent with those achieved in the past.

22. Risk management (continued):

(e) Other risk (continued):

The Fund has undertaken actions to mitigate the effect on the operations of the Fund, with established responses to COVID-19 including various preventative measures and ongoing coordination with on-site property management teams to mitigate the spread of the virus.

Rent relief programs have been provided by the Fund to tenants experiencing financial hardship as a result of COVID-19, including rent deferral and payment plans for future scheduled collection. The Fund continues to monitor collection rates and as at the date of approval of these condensed consolidated interim financial statements, the Fund's rent collection rate for the properties was approximately 98.2% for the three months ended March 31, 2021, with the Fund expecting further rent collections in future periods relating to these rent amounts. The Fund is also continuing to actively monitor liquidity to ensure appropriate capital is available to fund the ongoing operations of the Fund.

23. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the condensed consolidated interim 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:

- 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, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).
- Derivative financial instruments are considered as Level 2 financial instruments.
- The fair value of loans 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 loans payable as at March 31, 2021 approximated their carrying value.
- 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.

24. Subsequent events:

Subsequent to March 31, 2021, the Fund repaid $650 of the principal balance outstanding on the Unsecured Loan. After repayment, the remaining principal balance outstanding is $650.