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

STARLIGHT U.S. RESIDENTIAL FUND

For the period from September 23, 2021 (date of formation) to December 31, 2021

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Independent Auditor's Report

To the Unitholders of Starlight U.S. Residential Fund

Opinion

We have audited the consolidated financial statements of Starlight U.S. Residential Fund and its subsidiaries (the "Fund"), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statements of net loss and comprehensive loss, changes in net liabilities attributable to unitholders and cash flows for the period from September 23, 2021 (date of formation) to December 31, 2021, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Fund as at December 31, 2021, and its consolidated financial performance and its consolidated cash flows for the period from September 23, 2021 (date of formation) to December 31, 2021 in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

BDO Canada LLP

Chartered Professional Accountants, Licensed Public Accountants

Toronto, Ontario
January 31, 2022

STARLIGHT U.S. RESIDENTIAL FUND

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

	Note		December 31, 2021
ASSETS			
Non-current assets:			
Investment properties	6	$	449,539
Derivative financial instruments	7		59
Utility deposits			10
Total non-current assets			449,608
Current assets:			
Tenant and other receivables	8		256
Prepaid expenses and other assets	9		122
Restricted cash	10		1,227
Cash			10,407
Total current assets			12,012
TOTAL ASSETS		**$**	**461,620**
LIABILITIES			
Non-current liabilities:			
Loans payable	11	$	214,258
Deferred income tax	3(h)		476
Total non-current liabilities excluding net liabilities attributable to Unitholders			214,734
Current liabilities:			
Loans payable	11		4,693
Tenant rental deposits			448
Accounts payable and accrued liabilities	13		1,852
Finance costs payable			257
Distributions payable			1,242
Total current liabilities excluding net liabilities attributable to Unitholders			8,492
TOTAL LIABILITIES		**$**	**223,226**
Net liabilities attributable to Unitholders	12(a)		238,394
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**461,620**

Commitments and contingencies (note 19).

Subsequent event (note 23).

See accompanying notes to the consolidated financial statements.

Approved by the Board of Trustees of Starlight U.S. Residential Fund on January 31, 2022, and signed on its behalf:

Kelly Smith Trustee *Harry Rosenbaum* Trustee

STARLIGHT U.S. RESIDENTIAL FUND

Consolidated Statement of Net Loss and Comprehensive Loss
For the period from September 23, 2021 (date of formation) to December 31, 2021
(In thousands of U.S. dollars)

	Note		September 23, 2021 to December 31, 2021
Revenue from property operations		$	2,692
Expenses:			
Property operating costs			561
Property taxes	13		—
Income from rental operations			2,131
Finance costs	17		750
Distributions to Unitholders	12(a)		1,224
Fund and trust expenses	14		378
Unrealized foreign exchange loss			45
Fair value adjustment IFRIC 21	13		161
Loss before income taxes			(427)
Income taxes: - current	3(h)		82
- deferred	3(h)		476
Net loss and comprehensive loss		**$**	**(985)**

See accompanying notes to the consolidated financial statements.

STARLIGHT U.S. RESIDENTIAL FUND

Consolidated Statement of Changes in Net Liabilities Attributable to Unitholders
For the period from September 23, 2021 (date of formation) to December 31, 2021
(In thousands of U.S. dollars)

	Class A	Class C	Class D	Class E	Class F	Class G	Class I	Class U	Class B LP	Total
Balance, September 23, 2021	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Changes during the period:										
Units issued on Offering (November 15, 2021), net of issuance costs	25,749	21,278	82,176	6,792	50,927	7,538	27,789	11,175	5,955	239,379
Re-allocation due to unit conversions	110	—	(15)	—	(95)	—	—	—	—	—
Net loss and comprehensive loss	(107)	(88)	(340)	(28)	(211)	(31)	(109)	(46)	(25)	(985)
Balance, December 31, 2021	**$25,752**	**$21,190**	**$81,821**	**$6,764**	**$50,621**	**$7,507**	**$27,680**	**$11,129**	**$5,930**	**$238,394**

See accompanying notes to the consolidated financial statements (including note 12 for a description of the Class B LP Units).

STARLIGHT U.S. RESIDENTIAL FUND

Consolidated Statement of Cash Flows
For the period from September 23, 2021 (date of formation) to December 31, 2021
(In thousands of U.S. dollars)

	Note		September 23, 2021 to December 31, 2021
Operating activities:			
Net loss and comprehensive loss		$	(985)
Adjustments for financing activities included in net loss and comprehensive loss:			
Finance costs	17		750
Adjustments for items not involving cash:			
Unrealized foreign exchange loss			45
Deferred income tax			476
Change in non-cash operating working capital	18(a)		1,395
Change in restricted cash			220
Cash provided by operating activities			**1,901**
Financing activities:			
Proceeds from the issuance of units, net of issuance costs			239,379
Loans payable:			
Proceeds from new financing			143,579
Proceeds from assumed financing			75,324
Draw downs on existing loans			2,743
Finance costs paid	18(b)		(3,268)
Cash provided by financing activities			**457,757**
Investing activities:			
Acquisition of investment properties	5		(448,286)
Capital additions to investment properties	6		(920)
Cash used in investing activities			**(449,206)**
Increase in cash			**10,452**
Cash, beginning of period			—
Change in cash due to foreign exchange			(45)
Cash, end of period		**$**	**10,407**

See accompanying notes to the consolidated financial statements.

1. Nature of business:

Starlight U.S. Residential Fund (the “Fund”) is a “closed-end trust” formed under and governed by the laws of the Province of Ontario, pursuant to an amended and restated declaration of trust dated as of October 28, 2021 (“declaration of trust”). The term of the Fund is three years, with two one-year extensions subject to approval by the board of trustees of the Fund. The Fund was established for the primary purpose of directly or indirectly acquiring, owning and operating a portfolio primarily composed of income producing residential properties and single-family homes in the United States (“U.S.”) residential real estate market that can achieve significant increases in rental rates as a result of undertaking high return, value-add capital expenditures and active asset management, that are located primarily in the States of Arizona, California, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington (“Primary Markets”).

On November 15, 2021, the Fund completed its initial public offering (the “Offering”), together with a concurrent private placement of class I trust units of the Fund (“Units”), for aggregate gross proceeds of $249,568 by issuing Units comprised of 3,422,689 class A Units, 3,430,000 class C Units (including 750,000 class B Units of Starlight U.S. Residential (Multi-Family) Investment L.P. (“MF Investment LP”) and Starlight U.S. Residential (Single-Family) Investment L.P. (“SF Investment LP”; together with MF Investment LP, “Investment LPs”) (“Class B LP Units”)) assumed to be converted into class C Units for this purpose), 10,923,370 class D Units, 6,561,866 class F Units and 3,500,000 class I Units at a price of $10.00 Canadian dollars (“C$”) per Unit and 699,990 class E Units, 801,485 class G Units and 1,188,200 class U Units, at a price of $10.00 per Unit. The class A and class U Units distributed under the Offering were listed on the TSX Venture Exchange under the symbols SURF.A and SURF.U, respectively. Class A, C, D, F, I and Class B LP Units are Canadian dollar denominated Units and class E, G and U are U.S. dollar denominated Units. Conversions can be made between certain classes of Units based on conversion ratios calculated consistent with the Fund’s declaration of trust (the “Conversion Ratios”). The weighted average class A equivalent Units outstanding as at December 31, 2021 was 31,819,950 (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 multi-family properties comprising a total of 1,133 suites located in the States of Florida, North Carolina and Nevada, in the Tampa, Raleigh and Las Vegas metropolitan areas, respectively and 28 single-family rental homes located in Atlanta, Georgia (the “Initial SF Properties”). Subsequent to the Offering, the Fund acquired an additional multi-family property located in Austin, Texas and an additional 21 single-family rental homes in Atlanta, Georgia. The Fund’s multi-family properties (“MF Properties”) and single-family rental homes (“SF Properties) are collectively the “Properties”.

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. (“Starlight Group”) and a related party. As at December 31, 2021, the Fund’s property portfolio consisted of interests in four MF Properties with 1,437 suites and 49 SF Properties.

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 consolidated financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and using the accounting policies described herein.

(b) Basis of measurement:

These consolidated financial statements have been prepared on a historical cost basis except for investment properties of the Fund ("investment properties") as defined below and derivative financial instruments of the Fund ("derivative financial instruments") as defined below, which have been measured at fair value. All inter-company transactions and balances between the Fund and the subsidiary entities have been eliminated upon consolidation.

(c) Functional and presentation currency:

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

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

Foreign currency gains or losses arising from settlement of transactions or translations are included in the consolidated statement of net loss and comprehensive 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:

(a) Basis of consolidation:

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

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

The following significant entities operate as wholly owned subsidiaries of the Fund:

- MF Investment LP;
- SF Investment LP;
- Starlight U.S. Residential (Multi-Family) Holding L.P. ("MF Holding LP");
- Starlight U.S. Residential (Single-Family) Holding L.P. ("SF Holding LP");
- Starlight U.S. Residential (Multi-Family) REIT Inc. ("U.S. MF REIT"); and
- Starlight U.S. Residential (Single-Family) REIT Inc. ("U.S. SF REIT")

MF Investment LP and SF Investment LP are collectively referred to as the "Investment LPs". MF Holding LP and SF Holding LP are collectively referred to as the "Holding LPs". U.S. MF REIT and U.S. SF REIT are collectively referred to as the "U.S. REITs".

3. Significant accounting policies (continued):

(b) Critical judgments and estimates:

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

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

(i) Accounting for acquisitions:

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

(ii) Financial instruments:

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

(iii) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and future cash flows. The capitalization rate applied is reflective of the characteristics, location and market of each investment property. The stabilized future cash flows of each investment property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts through third-party appraisals for the MF Properties and third-party broker price opinions for the SF Properties.

(iv) Income taxes:

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

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

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

3. Significant accounting policies (continued):

(b) Critical judgments and estimates (continued):

(v) Carried interest:

The determination by the Fund as at the Statement of Financial Position date as to whether a provision for carried interest should be recognized to the partners of Starlight Investment Residential Partnership ("SIRP") is based, among other criteria, on the Fund's analysis of the net liabilities attributable to unitholders of the Fund ("Unitholders"), distributions paid to Unitholders since the formation of the Fund and the Fund's ability to meet the requirement to return the initial investment amount contributed by Unitholders. The terms of the carried interest are outlined in note 12.

(c) Investment properties:

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

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are based upon rental income from current leases and assumptions about occupancy rates and market rent from future leases reflecting current conditions, less future cash outflows relating to such current and future leases. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Gains and losses arising from changes in the fair value or disposal of investment properties are included in the consolidated statement of net loss and comprehensive loss in the period in which they arise. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(d) Cash and restricted cash:

Cash includes unrestricted cash and balances held in the Fund's bank accounts. Restricted cash includes cash on hand which can only be used for specified purposes including tenant security deposits, amounts held by lenders for insurance, property taxes, repairs and replacements as well as other cash held by third parties on behalf of the Fund. The Fund may also internally restrict cash, if necessary.

(e) Revenue recognition:

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

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

3. Significant accounting policies (continued):

(e) Revenue recognition (continued):

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

The Fund uses the direct write-off method to recognize the inability of tenants to meet the contractual obligations under their lease agreements. Under this method, any amounts receivable are written off directly against revenues as bad debt once the Fund has determined such amounts to be uncollectible. As a result, the Fund does not maintain an allowance for doubtful accounts for estimated losses.

(f) Finance costs:

Finance costs consist of interest on loans payable, amortization of financing costs related to loans payable, amortization of loan premiums and discounts, distributions to Unitholders and fair value changes in derivative financial instruments. Distributions to Unitholders are separately presented on the consolidated statement of net loss and comprehensive loss.

(g) Financial instruments:

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

	Classification/Measurement
Financial assets:	
Utility deposits	Amortized cost
Tenant and other receivables	Amortized cost
Derivative financial instruments	FVTPL
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities:	
Loans payable	Amortized cost
Tenant rental deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost
Distributions payable	Amortized cost
Net liabilities attributable to Unitholders	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred. Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

3. Significant accounting policies (continued):

(g) Financial instruments (continued):

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

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

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

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

(h) Income taxes:

(i) Canadian status:

The Fund is a mutual fund trust pursuant to the Income Tax Act (Canada) (the "Tax Act"). The Fund is not a specified investment flow through ("SIFT") trust under the Tax Act provided that the Fund invests in entities or properties located outside of Canada. Under current tax legislation, a mutual fund trust that is not a SIFT trust is entitled to deduct distributions of taxable income. The Fund intends to continue to qualify as a mutual fund trust that is not a SIFT trust and to make distributions not less than the amount necessary to ensure that the Fund will not be liable to pay Canadian income taxes. Accordingly, no provision for Canadian income taxes payable is required. Provision is required for U.S. taxes in respect of the Investment LPs, as described below.

(ii) U.S. status:

Current taxes

The Fund will be treated as a corporation under the default U.S. entity classification rules for U.S. federal income tax purposes. Since the Fund will be treated as a non-U.S. corporation for U.S. federal income tax purposes, and the Fund is not expected to earn any income that will be effectively connected with a U.S. trade or business, the Fund will generally not be subject to U.S. federal income tax under the U.S. Internal Revenue Code (the "Code"). Furthermore, the U.S. REITs intend to timely make an election to be treated as real estate investment trusts under the Code. In order for the U.S. REITs to qualify as real estate investment trusts, they must meet a number of organizational and operational requirements, including a requirement to make annual distributions to their shareholders equal to a minimum of 90% of their taxable income, computed without regards to a dividends paid deduction and net capital gains.

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

The Fund intends to operate the U.S. REITs in such a manner so as to qualify as real estate investment trusts on a continuous basis in the future. However, the actual qualification as a real estate investment trust will depend upon meeting, through actual annual operating results, the various requirements imposed by the Code. If the U.S. REITs fail to qualify as real estate investment trusts in any taxable year, they will be subject to U.S. federal and state income taxes at regular U.S. corporate rates. In addition, the

3. Significant accounting policies (continued):

(h) Income taxes (continued):

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

U.S. REITs may not be able to requalify as real estate investment trusts for the four subsequent taxable years. Even if the U.S. REITs qualify for taxation as real estate investment trusts, the U.S. REITs may be subject to certain U.S. state and local taxes on their income and property, and to U.S. federal income and excise taxes on their undistributed taxable income and/or other specified types of income in certain circumstances.

The Investment LPs are treated as partnerships for Canadian tax purposes but elected to be treated as corporations for U.S. federal income tax purposes. As such, the Investment LPs generally are subject to U.S. tax in respect of their allocable share of: (i) capital gains distributions made by the U.S. REITs; (ii) gain upon a sale of the shares of the U.S. REITs; and (iii) distributions made by the U.S. REITs in excess of both their: (a) current and/or accumulated earnings and profits (as determined under U.S. tax principles); and (b) the adjusted tax basis in the U.S. REITs shares held by the Holding LPs. The Holding LPs will be required to remit U.S. withholding tax with respect to the Investment LPs' allocable share of the above specified gains and/or distributions from the Holding LPs and/or the U.S. REITs. The Investment LPs may claim such U.S. withholding tax withheld as a credit against the Investment LPs' final U.S. federal income tax liability with respect to their allocable share of the above specified gains and/or distributions from the Holding LPs and/or the U.S. REITs.

Taxes paid or considered to have been paid by the Investment LPs will be allocated pursuant to their limited partnership agreements, provided the Fund makes appropriate designations, and the Fund's allocated share will be deemed to have been paid pro rata by Unitholders in accordance with the Fund's declaration of trust to the extent permitted under the Tax Act.

The availability of a foreign tax credit or foreign tax deduction in respect of foreign source income and associated foreign taxes designated to Unitholders by the Fund will be subject to the detailed rules contained in the Tax Act and each Unitholder's particular circumstances. Although the foreign tax credit provisions of the Tax Act are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

North Carolina imposes a franchise tax, in addition to income tax, on corporations for the privilege of doing business in the state. The franchise tax is measured by the greatest of the following: (i) a corporation's net worth apportioned to North Carolina; (ii) the corporation's actual investment in tangible property in North Carolina; and (iii) 55% of the appraised property tax value of all of the corporation's tangible property in North Carolina. The franchise tax rate is $1.50 per $1,000 of a corporation's franchise tax base. For the period from September 23, 2021 to December 31, 2021, the estimated current tax expense relating to applicable state franchise taxes was $82.

Deferred taxes

As at December 31, 2021 a deferred tax liability of $476 for the Fund was accrued based on a blended state and federal tax rate of 22.8%. The deferred tax liability relates to the difference between the fair value of the investment properties and their tax basis as of December 31, 2021. The Investment LPs will bear this tax liability on the disposition of the real estate directly or the Investment LPs' interests in their U.S. subsidiaries, avoiding any tax filing obligations or payment of U.S. taxes by the Unitholders.

3. Significant accounting policies (continued):

(i) Levies:

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

(j) Provisions:

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

4. Adoption of accounting standards:

(a) Accounting standards implemented:

Interest rate benchmark reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 16):

The Fund adopted these amendments to various IFRS standards on January 1, 2021. The amendments provide relief to the Fund in respect of loans whose contractual terms are affected by interest benchmark reform (note 11). These amendments had no impact on the consolidated financial statements of the Fund. The Fund intends to use the practical expedients in these amendments in future periods if they become applicable.

(b) Future accounting policy changes:

(i) Amendment to IAS 37 Onerous Contracts:

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of the amendments to IAS 37.

(ii) Amendment to IFRS 3 Business Combinations:

The amendments update references in IFRS 3 to refer to the 2018 Conceptual Framework instead of the 1989 Framework and otherwise do not significantly change the requirements of the standard. The amendment is effective for annual periods beginning on or after January 1, 2022 with early application permitted. The Fund is currently evaluating the impact of this amendment on future periods and does not anticipate a material impact to the Fund as a result of the amendments to IFRS 3.

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

5. Acquisitions:

The following MF Properties and SF Properties were acquired by the Fund during the period from September 23, 2021 to December 31, 2021. The Properties were acquired by purchasing the legal entities which owned such Properties or by purchasing the 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:

	Bainbridge Sunlake	Indigo Apartments	Lyric Apartments	Emerson at Buda	SF Properties	Total
Acquisition date	15-Nov	15-Nov	16-Nov	21-Dec	Various	
Number of suites	268	489	376	304	N/A	1,437
Number of homes	N/A	N/A	N/A	N/A	49	49
City, State / Region	Tampa, FL	Raleigh, NC	Las Vegas, NV	Austin, TX	Atlanta, GA	
Investment properties(i)	$ 95,514	$ 123,350	$ 137,163	$ 80,930	$ 11,662	$ 448,619
Add:						
Utility deposits	—	3	—	—	6	9
Tenant and other receivables	9	37	110	12	16	184
Prepaid expenses and other assets	38	20	74	28	70	230
Restricted cash	224	788	364	40	31	1,447
Deduct:						
Accounts payable and accrued liabilities	(255)	(963)	(293)	(179)	(57)	(1,747)
Tenant rental deposits	(85)	(111)	(188)	(40)	(11)	(435)
Finance cost payable	—	(21)	—	—	—	(21)
Net assets acquired	**$ 95,445**	**$ 123,103**	**$ 137,230**	**$ 80,791**	**$ 11,717**	**$ 448,286**
Consideration funded by:						
New loans payable(ii)	53,941	—	87,870	—	—	141,811
Assumed loans payable(ii)	—	72,524	—	—	1,926	74,450
Cash paid, net of cash acquired(iii)	41,504	50,579	49,360	80,791	9,791	232,025
Total consideration	**$ 95,445**	**$ 123,103**	**$ 137,230**	**$ 80,791**	**$ 11,717**	**$ 448,286**

(i) Investment properties includes acquisition costs capitalized to investment properties amounting to $1,694, $1,404, $1,963, $930, and $177 for Bainbridge Sunlake ("Sunlake"), Indigo Apartments ("Indigo"), Lyric Apartments ("Lyric"), Emerson at Buda ("Emerson") and SF Properties, respectively.

(ii) New loans payable and assumed loans payable are net of finance costs incurred amounting to $731, $616, $1,220, and $258 for Sunlake, Indigo, Lyric and SF Properties, respectively, and $nil for Emerson.

(iii) Cash residing within entities acquired by the Fund on the date of acquisition amounted to $283 and $163 for Indigo and the Initial SF Properties, respectively, and $nil for Sunlake, Lyric, Emerson and all SF Properties acquired subsequent to the Initial SF Properties. Cash paid, net of cash acquired, also includes approximately $5,955 of Class B LP Units that were issued to an affiliate of the Manager by the Fund as part of the indirect acquisition of certain of the Fund's properties (see note 12).

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

6. Investment properties:

The following table summarizes the change in the investment properties for the period from September 23, 2021 to December 31, 2021:

	SF Properties	MF Properties	Total
Balance, September 23, 2021	**$ —**	**$ —**	**$ —**
Acquisition of investment properties (note 5)	11,662	436,957	448,619
Capital additions	872	48	920
Balance, December 31, 2021	**$ 12,534**	**$ 437,005**	**$ 449,539**

The following table reconciles the cost base of the investment properties to their fair value as at December 31, 2021:

	SF Properties	MF Properties	Total
Cost	$ 12,534	$ 437,005	$ 449,539
Cumulative fair value adjustment	—	—	—
Fair Value	**$ 12,534**	**$ 437,005**	**$ 449,539**

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

	SF Properties	MF Properties
Capitalization rate - range	4.73% - 6.34%	3.33% - 3.85%
Capitalization rate - weighted average	5.27 %	3.70 %

The Fund determined the fair value of each 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 21).

The fair values of the 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 Properties as at December 31, 2021 as set out in the following table:

Weighted average	Change	SF Properties	MF Properties
Capitalization rate	10 basis-point increase	$ (233)	$ (11,499)
Capitalization rate	10 basis-point decrease	$ 242	$ 12,138

The impact of a one percent change in the net operating income used to value the investment properties as at December 31, 2021 would affect the fair value of MF Properties by approximately $7,163 and the fair value of SF Properties by approximately $197.

The 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 (note 21(b)).

7. Derivative financial instruments:

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

	December 31, 2021
Interest rate cap (a)	$ 51
Variable rate collar (b)	8
	$ 59

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

7. Derivative financial instruments (continued):

(a) Interest rate cap:

The Fund utilizes interest rate cap agreements to protect its interest costs on its variable rate loans as required by 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, unrealized fair value losses of $56 were recorded in finance costs in the consolidated statement of net loss and comprehensive loss for the period from September 23, 2021 to December 31, 2021. As at December 31, 2021, the fair value of the interest rate cap was $51.

(b) Variable rate collar:

The Fund entered into a variable rate collar contract on December 15, 2021, which allows the Fund to establish a guaranteed monthly exchange rate between C$1.2575 and C$1.3200 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to C$930 per month from February 10, 2022 to July 12, 2022 and C$465 per month from August 10, 2022 to November 14, 2022. The contract was entered into to protect against the potential impact of any weakening of the U.S. dollar on the amount required to pay 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$1.2502.

Under the terms of the contract, the first monthly settlement is to occur on February 10, 2022, with each successive month settling on or about the tenth day of each month until November 14, 2022. The monthly exchange rate is determined based on the Canadian to U.S. dollar spot exchange rate on the date of settlement but provides for a minimum exchange rate of C$1.2575 and a maximum exchange rate of C$1.3200.

The following table summarizes the material terms for the variable rate collar of the Fund as well as the balance presented in the Consolidated Financial Statements as at December 31, 2021:

Contract Start Date	Contract Maturity	Collar Floor	Collar Ceiling		December 31, 2021
February 10, 2022	November 10, 2022	1.2575	1.3200	$	8

The fair value of the variable rate collar contract as at December 31, 2021 was $8. The fair value of the variable rate contract at each reporting date reflects the impact of the prevailing Canadian and U.S. dollar exchange rate on the non-cash mark-to-market adjustment of the underlying contract. The actual gain or loss recognized, if any, will be determined on each of the dates the monthly settlements under the contract occur.

8. Tenant receivables:

The following table presents details of the tenant receivables balance:

		December 31, 2021
Tenant receivables, net (i)	$	213
Other receivables (i)		43
	$	256

(i) 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 balance:

		December 31, 2021
Prepaid insurance	$	77
Prepaid expenses		24
Other deposits (i)		21
	$	122

(i) Other deposits represents deposits paid by the Fund for the acquisition of single-family rental homes (note 23).

10. Restricted cash:

The following table presents details of the restricted cash balance:

		December 31, 2021
Escrowed funds:		
Property taxes (i)	$	277
Property insurance (i)		424
Interest and other reserves (i)		71
Restricted cash:		
Security deposits (ii)		455
	$	1,227

(i) Escrowed funds include cumulative amounts that are funded on a monthly basis into escrow with the Fund's lenders. These amounts are used to pay property taxes, property insurance and interest 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. Loans payable:

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

					December 31, 2021	
Property Name	**Payment Terms**	**Maturity Date**	**Extension Options**	**Interest Rate (ii)**	**Capital Line Available**	**Principal Outstanding**
Sunlake	IO	December 10, 2024	Two 1-year	LIBOR + 1.95%	$ —	$ 54,672
Indigo	IO	November 12, 2024	Two 1-year	LIBOR + 1.95%	$ 2,862	73,140
Lyric	IO	November 9, 2024	Two 1-year	LIBOR + 1.70%	$ 2,468	88,907
SFR Credit Facility (i)	IO	October 27, 2022	N/A	LIBOR + 2.75%	$ —	4,927
Face value					$ 5,330	$ 221,646
Unamortized financing costs						(2,695)
Carrying value						$ 218,951

(i) On November 15, 2021, the Fund assumed a $25,000 credit facility (the "SFR Credit Facility") to help fund the acquisition of the single-family rental homes, of which $2,184 was drawn and assumed as part of the acquisition of the Initial SF Properties. During the period from November 15, 2021 to December 31, 2021, the Fund drew an additional amount of $2,743 on the SFR Credit Facility to fund single-family rental homes acquired during that period. The SFR Credit Facility carries an unused commitment fee on undrawn amounts of 0.25% per annum if the facility is less than 50% drawn and 0.20% per annum if the facility is more than 50% drawn.

(ii) The Fund utilizes interest rate cap agreements to protect its interest costs on variable rate loans as required by certain lenders for the Fund's loans payable (note 7(a)). Interest rate caps carry a notional amount and maturity date equivalent to that of each associated loan payable and effectively secures a maximum interest rate the Fund would pay for each loan in the event the index rate increases above defined levels as applicable to each individual interest rate cap and loan. The interest rate cap on the Lyric loan payable has a strike rate of 3.00% which effectively provides for a maximum interest rate of 4.70% relating to the Lyric loan payable in the event LIBOR exceeds 3.00%.

Loans payable of $4,693 (net of $234 of deferred financing costs) were classified as current liabilities as they are due and payable within 12 months of the date of the consolidated statement of financial position.

As at December 31, 2021, the loans had a weighted average term to maturity of 2.84 years and a weighted average interest rate of 1.97%.

As at 31 December 2021, the Fund is exposed to risks arising from interest rate benchmark reform once LIBOR is replaced with alternative benchmark interest rates. The Fund has early adopted Interest Rate Benchmark Reform – IBOR 'phase 2' (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and 16). Applying the practical expedient introduced by the amendments, when LIBOR is replaced, the adjustments to the contractual cash flows will be reflected as an adjustment to the effective interest rate. Therefore, the replacement of LIBOR will not result in an immediate gain or loss recorded in profit or loss, which may have been required if the practical expedient was not available or adopted.

Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2022	$ —	$ 4,927	$ 4,927
2023	—	—	—
2024	—	216,719	216,719
Total	$ —	$ 221,646	$ 221,646

12. 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 loss and comprehensive loss of the Fund is held in nine classes of Units: A, C, D, E, F, G, I, U and Class B LP Units. The Fund is authorized to issue an unlimited number of Units in classes A, C, D, E, F, G, I, U. The Class B LP Units are exchangeable into, and economically equivalent to, class C Units where such Units have been included as part of the net liabilities attributable to Unitholders in the Fund's Consolidated Financial Statements. In the event of a liquidation, dissolution or wind-up of the Fund, or an Investment LP in an insolvency scenario, the Class B LP Units will automatically exchange into class C Units. Each Unitholder is entitled to one vote for each Unit (including Class B LP Units) 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 consolidated statement of financial position and any distributions paid on each class of Units is presented in the consolidated statement of net loss and comprehensive loss. For the period from September 23, 2021 to December 31, 2021, distributions of $1,224 were declared and recorded to distribution expense.

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 G	Class I	Class U	Class B LP	Total Units	Net Liabilities attributable to Unitholders ($)
Outstanding as at September 23, 2021	—	—	—	—	—	—	—	—	—	—	$ —
Issuance from the Offering	3,423	2,680	10,923	700	6,562	802	3,500	1,188	750	30,528	249,568
Units reallocated due to conversions	14	—	(2)	—	(12)	—	—	—	—	—	—
Issuance costs of the Offering	—	—	—	—	—	—	—	—	—	—	(10,189)
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	—	—	(985)
Outstanding as at December 31, 2021	**3,437**	**2,680**	**10,921**	**700**	**6,550**	**802**	**3,500**	**1,188**	**750**	**30,528**	**$ 238,394**

(b) Carried interest:

The partners of SIRP (currently being Starlight Group and the President of the Fund), through SIRP's indirect interest in the Holding LPs, are entitled to the carried interest, being an aggregate amount equal 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 (assuming all Class B LP Units were exchanged for class C Units) of a particular class if all distributable cash of the Holding LPs were received by the Fund (through the Investment LPs, Starlight U.S Residential (Multi-Family) Investment GP, Inc., and Starlight U.S. Residential (Single-Family) Investment GP, Inc.), together with all other amounts distributable by the Fund (including distributable cash generated by investees of the Fund not held through the Holding LPs, if any), 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 Fund, the Investment LPs or any other investee partnership that is treated as a corporation for U.S. federal income tax purposes) to Unitholders in accordance with the declaration of trust, exceeds (ii) the aggregate minimum return in respect of such class of Units (including, in the case of class C Units, the class C Units issuable upon exchange of Class B LP Units), the calculation of which includes the amount of the investors capital return base, each such excess, if any, to be calculated in U.S. dollars and, in the case of Canadian dollar Units, based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date

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

12. Net liabilities attributable to Unitholders (continued):

(b) Carried interest (continued):

of the applicable distribution by any relevant investee to the Fund, provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units (assuming all Class B LP Units were exchanged for class C Units) of a particular class pursuant to the foregoing exceeds the minimum return for such class, the partners of SIRP, through SIRP's indirect interest in the Holding LPs, will be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders in excess of the investors capital return base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by the partners of SIRP in respect of such class. Pursuant to a side letter to be entered into between the partners of SIRP and the holders of class I Units, the partners of SIRP will pay a percentage of the carried interest received to the holders of class I Units in an amount that is intended to result in the carried interest retained by the partners of SIRP being reduced to 20% in respect of the class I Units, with no catch-up amount.

As at December 31, 2021, the Fund did not recognize a provision for carried interest.

13. Accounts payable and accrued liabilities:

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

		December 31, 2021
Tenant prepayments	$	84
Operating payables		1,547
Accrued property taxes (i)		14
Accrued asset management fees (note 16)		125
Excise tax and franchise tax payable		82
	$	1,852

(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 consolidated statement of financial position. Property taxes are recorded to the consolidated statement of net loss and comprehensive loss to either property tax expenses or fair value adjustment to 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 consolidated statement of net loss and comprehensive loss in any given reporting period represents the actual property taxes incurred by the Fund in such reporting period.

14. Fund and trust expenses:

Fund and trust expenses consist of the following:

		September 23, 2021 to December 31, 2021
Asset management fees (note 16)	$	167
General and administrative expenses		211
	$	378

15. Segmented disclosure:

All of the Fund's assets and liabilities are in, and its revenues are derived from the U.S. real estate industry. No single tenant accounts for 10% or more of the Fund's rental revenue.

15. Segmented disclosure (continued):

The Fund consists of two operating segments which comprise one reportable segment. The following two operating segments have been determined by the Fund's chief operating decision makers:

- **Multi-family rental business** which includes owning and operating suburban garden- and wrap-style multi-family rental homes in the Primary Markets.
- **Single-family rental business** which includes owning and operating suburban single-family rental homes in the Primary Markets.

The Fund evaluates the performance of each operating segment using a number of measures, including revenues and net income. The multi-family and single-family rental businesses operate in the same Primary Markets using similar methods to distribute rental services and are considered by management to have similar economic characteristics, and the single-family rental business does not meet the quantitative thresholds under IFRS 8 to be classified as a separate reportable segment. The multi-family and single-family rental businesses are therefore considered to be one reportable segment for the purposes of these financial statements.

16. Transactions with related parties:

The consolidated 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 and President and Chief Executive Officer of Starlight Group and Unitholder and Chief Executive Officer of the Fund. The Fund engaged the Manager to perform certain management services, as outlined below.

(a) Pursuant to the management agreement dated November 15, 2021 (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 the Fund's properties since the date of acquisition by the Fund. Included in Fund and trust expenses is $167 in asset management fees charged by the Manager (note 14) for the period from September 23, 2021 to December 31, 2021. The amount payable to the Manager as at December 31, 2021 was $125 (note 13).

(b) Pursuant to the Management Agreement, 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 multi-family property and 2.0% of the purchase price of a single-family rental home. For the period from September 23, 2021 to December 31, 2021, the Fund incurred acquisition fees of $4,539 relating to the acquisition of the Properties. The acquisition of Indigo and the Initial SF Properties were from affiliate entities owned or controlled by the Manager. In addition, a payment of $2,700 was made to affiliate entities owned or controlled by the Manager to reflect certain costs incurred by, and the risks associated with, the formation of entities ultimately acquired by the Fund. The payment was accounted for as part of the total purchase price paid for Sunlake (note 5) and the total purchase price paid for each property was based on third party appraisals, with the amounts being 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 acquisition of the Properties.

(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 each U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. As of December 31, 2021, $nil guarantee fees have been paid or are payable.

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

16. Transactions with related parties (continued):

(d) Aggregate compensation to key management personnel was $nil for the period from September 23, 2021 to December 31, 2021 as compensation of these individuals is paid by the Manager pursuant to the Management Agreement.

17. Finance costs:

Finance costs consist of the following:

		September 23, 2021 to December 31, 2021
Interest expense on loans payable	$	572
Amortization of deferred financing costs		130
Fair value loss on derivative financial instruments (note 7)		48
	$	750

18. 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 consolidated statement of cash flows:

		September 23, 2021 to December 31, 2021
Utility deposits	$	(1)
Tenant and other receivables		(72)
Prepaid expenses and other assets		107
Tenant rental deposits		12
Accounts payable and accrued liabilities		107
Distribution payable		1,242
Total change in non-cash operating working capital	$	1,395

(b) Finance costs paid:

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

		September 23, 2021 to December 31, 2021
Interest expense paid	$	(336)
Financing costs incurred on loans payable		(2,932)
Total finance costs paid	$	(3,268)

19. Commitments and contingencies:

At December 31, 2021, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of December 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.

20. 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 December 31, 2021.

21. 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 consolidated statement of net loss and comprehensive loss.

At December 31, 2021, the Fund had accrued no allowance for uncollectible amounts as such amounts are written off directly against revenues at that time. During the period from September 23, 2021 to December 31, 2021, the Fund recorded $15 of bad debts against revenues in the consolidated statement of net loss and comprehensive loss.

The Fund is actively monitoring the potential impact on credit risk of the coronavirus (SARS – CoV2) and its variants ("COVID-19") global pandemic (note 21(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 December 31, 2021, the 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 COVID-19 may have on the future cash flows of its investment properties (note 21(e)).

21. Risk management (continued):

(b) Market risk (continued):

During the period from September 23, 2021 to December 31, 2021, the Fund has reflected the capitalization rates used in the purchase price valuation of the Properties to ensure the appropriate fair values are reflected as at December 31, 2021. The capitalization rates are reflective of third party appraisals as well as consideration of comparable sales transactions for similar properties and overall changes in the investment market for residential properties up to December 31, 2021.

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 index rates beyond stipulated levels. For the period from September 23, 2021 to December 31, 2021, all else being equal, an increase of ten basis points in LIBOR index rates would impact net loss and comprehensive loss by $28, and a decrease of ten basis points in LIBOR index rates would impact net loss and comprehensive loss by $28.

The Fund continues to actively monitor the potential impact that COVID-19 has on market risks applicable to the Fund (note 21(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 COVID-19 has on liquidity risks applicable to the Fund (note 21(e)).

(d) Currency risk:

Currency risk is the risk that the Fund encounters 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 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).

The Fund continues to actively monitor the potential impact that COVID-19 may have on currency risks applicable to the Fund (note 21(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. COVID-19 vaccination programs continue across the U.S. to varying degrees in different states and jurisdictions with the immunization efforts widely considered to have been successful to date relative to other countries globally and the approval of a third COVID-19 booster by the U.S. Food and Drug Administration to help further advance immunization efforts in preventing the spread of COVID-19. Any future changes due to COVID-19 and its various variants (such as the Omicron variant) 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.

21. 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.

The Fund continues to monitor collection rates and as at the date of approval of these consolidated financial statements, the Fund's rent collection rate for the Properties was approximately 97.8% for the period from September 23, 2021 to December 31, 2021, with the Fund expecting further rent collections in future periods relating to these rents. The Fund is also continuing to actively monitor liquidity to ensure appropriate capital is available to fund the ongoing operations of the Fund.

22. Fair value measurement of financial instruments:

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

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

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

- 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 distribution 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 December 31, 2021 approximated their carrying value.
- 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.

23. Subsequent events:

(a) Preferred shares issuance - U.S. MF REIT and U.S. SF REIT:

Subsequent to December 31, 2021, U.S. MF REIT and U.S. SF REIT each issued 125 series A, preferred shares ("Shares") that are redeemable at the option of the REIT, at a redemption value of $1 per share. The Shares pay a cumulative dividend at 12% per annum, semi-annually on June 30 and December 31, have no voting rights and the Fund incurs a penalty if redeemed before December 31, 2024.

(b) Single-family rental home acquisitions:

Subsequent to December 31, 2021, the Fund acquired an additional six single-family rental homes for an aggregate purchase price of $1,102.