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

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

For the three months ended June 30, 2021 and for the period from January 8, 2021 (date of formation) to June 30, 2021 (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 condensed consolidated interim financial statements, they must be accompanied by a notice indicating that such condensed consolidated 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. 2) Core Plus Fund have been prepared by and are the responsibility of Starlight U.S. Multi-Family (No. 2) Core Plus Fund's management.

Starlight U.S. Multi-Family (No. 2) 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 condensed consolidated interim financial statements by an entity's auditor.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

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

	Note		June 30, 2021
ASSETS			
Non-current assets:			
Investment properties	6	$	205,079
Derivative financial instruments	7		8
Utility deposits			7
Total non-current assets			205,094
Current assets:			
Tenant receivables	8		288
Prepaid expenses	9		220
Restricted cash	10		1,011
Cash			3,298
Total current assets			4,817
TOTAL ASSETS		**$**	**209,911**
LIABILITIES			
Non-current liabilities:			
Loans payable	11	$	87,700
Deferred income tax			541
Total non-current liabilities excluding net liabilities attributable to Unitholders			88,241
Current liabilities:			
Loans payable	11		38,861
Tenant rental deposits			197
Accounts payable and accrued liabilities	13		1,399
Finance costs payable			235
Distributions payable			287
Total current liabilities excluding net liabilities attributable to Unitholders			40,979
TOTAL LIABILITIES		**$**	**129,220**
Net liabilities attributable to Unitholders	12(a)		80,691
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**209,911**

Commitments and contingencies (note 19).

Subsequent events (note 23).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Directors of Starlight U.S. Multi-Family (No. 2) Core Plus GP, Inc., as general partner of Starlight U.S. Multi-Family (No. 2) Core Plus Fund, on August 10, 2021, and signed on its behalf:

Kelly Smith Director *Harry Rosenbaum* Director

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Condensed Consolidated Interim Statement of Net Loss and Comprehensive Loss
For the three months ended June 30, 2021 and period from January 8, 2021 (date of formation) to June 30, 2021 (Unaudited)
(In thousands of U.S. dollars)

	Note	Three Months Ended June 30, 2021	January 8, 2021 to June 30, 2021
Revenue from property operations		$ 3,273	$ 3,308
Expenses:			
Property operating costs		817	826
Property taxes		—	—
Income from rental operations		2,456	2,482
Finance costs	17	1,025	1,036
Distributions to Unitholders	12(a)	869	869
Fund and trust expenses	14	280	283
Unrealized foreign exchange gain		(24)	(29)
Realized foreign exchange loss		8	8
Fair value adjustment IFRIC 21	13	378	382
Loss before income taxes		(80)	(67)
Income taxes – deferred		537	541
Net loss and comprehensive loss		**$ (617)**	**$ (608)**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
For the period from January 8, 2021 (date of formation) to June 30, 2021
(In thousands of U.S. dollars)
(Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class G	Class U	Total
Balance, January 8, 2021	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Changes during the period:								
Units issued on Offering (March 31, 2021), net of issuance costs	21,360	19,145	15,636	2,282	15,084	4,999	2,793	81,299
Re-allocation due to unit conversions	(642)	—	812	—	(170)	—	—	—
Net loss and comprehensive loss	(155)	(144)	(123)	(17)	(111)	(37)	(21)	(608)
Balance, June 30, 2021	**$20,563**	**$19,001**	**$16,325**	**$ 2,265**	**$14,803**	**$ 4,962**	**$ 2,772**	**$ 80,691**

See accompanying notes to the condensed consolidated interim financial statements.

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND

Condensed Consolidated Interim Statement of Cash Flows
For the three months ended June 30, 2021 and period from January 8, 2021 (date of formation) to June 30, 2021 (Unaudited)
(In thousands of U.S. dollars)

	Note	Three Months Ended June 30, 2021	January 8, 2021 to June 30, 2021
Operating activities:			
Net loss and comprehensive loss		$ (617)	$ (608)
Adjustments for financing activities included in net loss and comprehensive loss:			
Finance costs	17	1,025	1,036
Distributions to Unitholders		869	869
Adjustments for items not involving cash:			
Unrealized foreign exchange gain		(24)	(29)
Deferred tax		537	541
Change in non-cash operating working capital	18(a)	665	654
Change in restricted cash		(218)	(551)
Cash provided by operating activities		**2,237**	**1,912**
Financing activities:			
Proceeds from the issuance of units, net of issuance costs		—	81,299
Loans payable:			
Proceeds from new financing		—	88,371
Proceeds from assumed financing		—	39,063
Finance costs paid	18(b)	(611)	(1,745)
Distributions paid to Unitholders		(869)	(869)
Cash (used in) provided by financing activities		**(1,480)**	**206,119**
Investing activity:			
Acquisition of investment properties	6	—	(204,635)
Capital additions to investment properties	6	(127)	(127)
Cash used in investing activities		**(127)**	**(204,762)**
Increase in cash		**630**	**3,269**
Cash, beginning of period		2,644	—
Change in cash due to foreign exchange		24	29
Cash, end of period		**$ 3,298**	**$ 3,298**

See accompanying notes to the condensed consolidated interim financial statements.

1. Nature of business:

Starlight U.S. Multi-Family (No. 2) 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. 2) 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 United States ("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, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington.

The Fund completed its initial public offering (the "Offering") on March 31, 2021 and raised gross proceeds of $85,408 and issued the following limited partnership units: 2,862,819 class A units, 2,436,500 class C units, 2,095,700 class D units and 1,959,606 class F units at a price of $10.00 Canadian dollars ("C$") and 236,840 class E units, 535,300 class G units and 299,120 class U units, at a price of $10.00. The class A and class U units distributed under the Offering are listed on the TSX Venture Exchange under the symbol SCPT.A and SCPT.U, respectively. Class A, C, D and F are Canadian dollar denominated partnership units of the Fund ("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 amended and restated limited partnership agreement (the "Conversion Ratios"). The weighted average class A equivalent Units outstanding as at June 30, 2021 was 10,901,931 (assumes all outstanding Units were converted to class A equivalent Units based on the Conversion Ratios).

Following completion of the Offering, the Fund acquired two class "A" institutional quality properties comprising a total of 675 suites located in the States of Colorado and Florida, in the Denver and Orlando metropolitan areas, respectively (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. and a related party. As at June 30, 2021, the Fund's property portfolio consisted of interests in the 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 condensed consolidated interim 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 accounting policies described herein.

(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) 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 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:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's unaudited condensed consolidated interim financial statements for the period from January 8, 2021 (date of formation) to March 31, 2021. 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 unaudited consolidated interim financial statements for the period from January 8, 2021 (date of formation) to March 31, 2021 and as at March 31, 2021 and accordingly, should be read in conjunction with the unaudited consolidated interim financial statements for the period from January 8, 2021 (date of formation) to March 31, 2021 and as at March 31, 2021 and notes thereto.

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 IASB or by the International Financial Reporting Interpretations Committee that have not yet been adopted by the Fund.

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

5. Acquisitions:

The following acquisitions were completed by the Fund during the period from January 8, 2021 to June 30, 2021. The Properties were acquired by directly purchasing the legal entities which owned such properties. 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:

	Hudson at East	Montane	Total
Acquisition date	31-Mar	31-Mar	
Suites	275	400	675
City, State	Orlando, FL	Parker, CO	
Investment properties[(i)]	$ 64,416	$ 140,536	$ 204,952
Add:			
Utility deposits	7	22	29
Tenant and other receivables	25	225	250
Prepaid expenses and other assets	86	197	283
Restricted cash	373	86	459
Deduct:			
Accounts payable and accrued liabilities	(308)	(793)	(1,101)
Tenant rental deposits	(92)	(82)	(174)
Finance cost payable	(57)	(6)	(63)
Net assets acquired	**$ 64,450**	**$ 140,185**	**$ 204,635**
Consideration funded by:			
New loans payable[(ii)]	—	87,649	87,649
Assumed loans payable[(ii)]	38,789	—	38,789
Cash paid, net of cash acquired[(iii)]	25,661	52,536	78,197
Total Consideration	**$ 64,450**	**$ 140,185**	**$ 204,635**

(i) Investment properties includes acquisition costs capitalized to investment properties amounting to $675 and $1,462 for Hudson at East (“Hudson”), and Montane, respectively.

(ii) New loans payable and assumed loans payable are net of finance costs incurred amounting to $274 and $722 for Hudson and Montane, respectively.

(iii) Cash residing within entities acquired by the Fund on the date of acquisition amounted to $84 and $222 for Hudson and Montane, respectively.

(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 January 8, 2021 to June 30, 2021:

Balance, January 8, 2021	**$**	**—**
Acquisition of investment properties (note 5)		204,952
Capital additions		127
Fair value adjustment		—
Balance, June 30, 2021	**$**	**205,079**

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

		June 30, 2021
Cost	$	205,079
Cumulative fair value adjustment		—
Fair Value	**$**	**205,079**

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

	June 30, 2021
Capitalization rate - weighted average	3.95 %

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 22).

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 set out in the following table:

Weighted average	Change		June 30, 2021
Capitalization rate	10 basis-point increase	$	(5,064)
Capitalization rate	10 basis-point decrease	$	5,327

The impact of a one percent change in the net operating income used to value the investment properties as at June 30, 2021 would affect the fair value by approximately $3,025.

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.

7. Derivative financial instruments:

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

		June 30, 2021
Interest Rate Cap	$	8

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

7. Derivative financial instruments (continued):

Interest Rate Cap:

The Fund utilizes an interest rate cap agreement to protect its interest costs on its variable rate loan as required by the applicable lenders. The interest rate cap typically carries 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 loss of $116 was recorded in finance costs in the condensed consolidated interim statement of net loss and comprehensive loss for the three months ended June 30, 2021 and for the period from January 8, 2021 (date of formation) to June 30, 2021. As at June 30, 2021, the fair value of the interest rate cap was $8 relating to the loans payable (note 11).

8. Tenant receivables:

The following table presents details of the tenant receivables balance:

		June 30, 2021
Tenant receivables, net	$	284
Other receivables		4
	$	288

The Fund holds no collateral in respect of tenant receivables.

9. Prepaid expenses:

The following table presents details of the prepaid expenses balance:

		June 30, 2021
Prepaid insurance	$	186
Prepaid expenses		34
	$	220

10. Restricted cash:

The following table presents details of the restricted cash balance:

		June 30, 2021
Escrowed funds:		
Property taxes (i)	$	657
Property insurance (i)		117
Replacement and repairs (i)		47
Restricted cash:		
Security deposits (ii)		190
	$	1,011

(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 index 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. A summary of the Fund's loans payable is presented below:

Property Name	Payment Terms	Maturity Date	Extension Options	Interest Rate		June 30, 2021 Principal Outstanding
Montane (i)	IO	November 2024	One 1-year	SOFR + 2.40%	$	88,371
Hudson (ii)	IO	February 2022	One 1-year	LIBOR + 2.35%	$	39,063
Face value					$	127,434
Unamortized financing costs						(873)
Carrying value					$	126,561

(i) On March 31, 2021, the Fund entered into an agreement for a $100,000 credit facility (the "Credit Facility") and was advanced an initial draw of $88,371 on the Credit Facility and also entered into a mortgage secured by Montane. The Credit Facility carries IO payments until maturity at SOFR + 2.40% and allows for a one-year extension option. In addition, the Credit Facility carries an unused commitment fee of 0.2% payable monthly on the undrawn amounts.

(ii) The interest rate on the Hudson loan payable is subject to a LIBOR floor of 0.15%.

Loans payable of $38,861 (net of $201 of deferred financing costs) 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 June 30, 2021, the loans had a weighted average term to maturity of 2.56 years and a weighted average interest rate of 2.47%.

Future principal payments on loans payable are as follows:

		Principal payments		Balloon payments		Total
2021 - remainder of year	$	—	$	—	$	—
2022		—		39,063		39,063
2023		—		—		—
2024		—		88,371		88,371
Total	$	—	$	127,434	$	127,434

12. Net liabilities attributable to unitholders of the Fund ("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 seven classes of Units: A, C, D, E, F, G 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 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 loss and comprehensive loss. For the three months ended June 30, 2021 and for the period from January 8, 2021 to June 30, 2021, distributions of $869 were declared and recorded to distribution expense.

12. Net liabilities attributable to Unitholders (continued):

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

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 U	Total Units	Net Liabilities attributable to Unitholders ($)
Outstanding as at January 8, 2021	—	—	—	—	—	—	—	—	$ —
Issuance from the Offering	2,863	2,436	2,096	237	1,960	535	299	10,426	85,408
Units reallocated due to conversions	(86)	—	109	—	(22)	—	—	1	—
Issuance Costs of the Offering	—	—	—	—	—	—	—	—	(4,109)
Net loss and comprehensive loss	—	—	—	—	—	—	—	—	(608)
Outstanding as at June 30, 2021	**2,777**	**2,436**	**2,205**	**237**	**1,938**	**535**	**299**	**10,427**	**$ 80,691**

(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 the Starlight U.S. Multi-Family (No. 2) Core Plus Holding L.P. ("Holding L.P."), a 99.99% owned subsidiary of the Fund, are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all units of the Fund of a particular class if all Distributable Cash (as defined in the Fund's final long form prospectus dated March 19, 2021 (the "Prospectus")) of the Holding L.P. were received by the Fund through the Starlight U.S. Multi-Family (No. 2) Core Plus Investment L.P. ("Investment L.P."), a 100% owned subsidiary of the Fund and Starlight U.S. Multi-Family (No. 2) 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 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 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 and class F 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 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 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.

As at June 30, 2021, the Fund did not recognize a provision for carried interest after taking into account the Minimum Return to Unitholders.

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

13. Accounts payable and accrued liabilities:

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

		June 30, 2021
Tenant prepayments	$	80
Operating payables		493
Accrued property taxes(i)		767
Accrued asset management fees (note 16)		59
	$	1,399

(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 loss and comprehensive loss to either property tax expenses or fair value adjustment to 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 loss and comprehensive loss in any given reporting period represents the actual property taxes incurred by the Fund

14. Fund and trust expenses:

Fund and trust expenses consist of the following:

		Three months ended June 30, 2021		January 8, 2021 to June 30, 2021
Asset management fees (note 16)	$	177	$	179
General and administrative expenses		103		104
	$	280	$	283

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 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.

16. 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 and 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 March 31, 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 Fund's properties since the date of acquisition by the Fund. Included in Fund and trust expenses is $177 and $179 in asset management fees charged by the Manager (note 14) for the three months ended June 30, 2021 and for the period from January 8, 2021 to June 30, 2021, respectively. The amount payable to the Manager as at June 30, 2021 was $59 (note 14).

(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 property acquired in each calendar year.

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

16. Transactions with related parties (continued):

For the three months ended June 30, 2021, the Fund did not incur acquisition fees. For the period from January 8, 2021 to June 30, 2021, the Fund incurred acquisition fees of $2,027 relating to the acquisition of the Properties. The acquisition of the Properties was from affiliate entities of owned or controlled by the Manager. The total purchase price paid for each property was based on third party appraisals and the amounts are 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 the Starlight U.S. Multi-Family (No. 2) Core Plus REIT Inc. ("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 June 30, 2021, $nil guarantee fees have been paid or are payable.

(e) Aggregate compensation to key management personnel was $nil for the three months ended June 30, 2021 and for the period from January 8, 2021 to June 30, 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:

	Three months ended June 30, 2021	January 8, 2021 to June 30, 2021
Interest expense on loans payable	$ 787	$ 796
Amortization of deferred financing costs	122	124
Fair value loss on derivative financial instruments (note 7)	116	116
	$ 1,025	$ 1,036

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 condensed consolidated interim statement of cash flows:

	Three months ended June 30, 2021	January 8, 2021 to June 30, 2021
Utility deposits	$ 22	$ 22
Tenant and other receivables	(3)	$ (38)
Prepaid expenses and other assets	98	62
Tenant rental deposits	23	23
Accounts payable and accrued liabilities	238	298
Distribution payable	287	287
Total change in non-cash operating working capital	$ 665	$ 654

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

18. Supplemental cash flow information (continued):

(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 June 30, 2021	January 8, 2021 to June 30, 2021
Interest expense paid	$ (611)	$ (624)
Financing costs incurred on new / assumed loans payable (note 5(ii))	—	(1,121)
Total finance costs paid	$ (611)	$ (1,745)

19. Commitments and contingencies:

At June 30, 2021, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of June 30, 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 June 30, 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 condensed consolidated interim statement of net loss and comprehensive loss.

21. Risk management (continued):

At June 30, 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 June 30, 2021 and the period from January 8, 2021 to June 30, 2021, the Fund recorded $25 and $25 respectively to bad debt expense within property operating costs in the condensed consolidated interim statement of net loss and comprehensive loss.

The Fund is actively monitoring the potential impact on credit risk of the novel coronavirus ("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 June 30, 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 COVID-19 may have on the future cash flows of its investment properties. During the period from January 8, 2021 to June 30, 2021, the Fund reflected the capitalization rates used in the purchase price valuation of the Properties to ensure the appropriate fair values are reflected as at June 30, 2021 (note 6). The 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 June 30, 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 or SOFR index rates beyond stipulated levels. For the three months ended June 30, 2021 and for the period from January 8, 2021 to June 30, 2021, all else being equal, an increase of ten basis points in LIBOR or SOFR index rates would impact net loss and comprehensive loss by $32 in both periods, and a decrease of ten basis points in LIBOR or SOFR index rates would impact net loss and comprehensive loss by $21 in both periods.

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)).

21. Risk management (continued):

(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 continues to actively monitor the potential impact that the COVID-19 global pandemic 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.

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.

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 condensed consolidated interim financial statements, the Fund's rent collection rate for the properties was approximately 98.9% for the three months ended June 30, 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 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 distribution payable, approximate their carrying amounts due to their short-term nature (Level 1).

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

- 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 June 30, 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. REIT:

Subsequent to June 30, 2021, the U.S. REIT issued 125 series A, preferred shares ("shares") that are redeemable at the option of the U.S. 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, 2023.

(b) Variable rate contract:

Subsequent to June 30, 2021, the Fund entered into a variable rate collar contract which allows the Fund to establish a guaranteed monthly exchange rate between C$1.2550 and C$1.3135 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to approximately C$156 per month, representing half of the required amount to fund the Fund's Canadian dollar distributions. Under the terms of the contract, the first monthly settlement occurs on August 10, 2021, with each successive month settling on or about the tenth day of each month until January 19, 2022.