

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

## **STARLIGHT U.S. RESIDENTIAL FUND**

For the three and six months ended June 30, 2022 (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. Residential Fund have been prepared by and are the responsibility of Starlight U.S. Residential Fund's management.

Starlight U.S. Residential 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. RESIDENTIAL FUND

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

	Note	June 30, 2022	December 31, 2021
<b>ASSETS</b>			
Non-current assets:			
Investment properties	6	\$ 708,793	\$ 449,539
Derivative financial instruments	7	2,930	59
Utility deposits		77	10
Total non-current assets		711,800	449,608
Current assets:			
Tenant and other receivables	8	510	256
Prepaid expenses and other assets	9	577	122
Restricted cash	10	3,809	1,227
Cash		14,836	10,407
Total current assets		19,732	12,012
<b>TOTAL ASSETS</b>		<b>\$ 731,532</b>	<b>\$ 461,620</b>
<b>LIABILITIES</b>			
Non-current liabilities:			
Loans payable	11	\$ 442,859	\$ 214,258
Preferred shares – U.S. REITs series A	12	250	—
Provision for carried interest	13(b)	2,995	—
Deferred income tax		7,859	476
Total non-current liabilities excluding net liabilities attributable to Unitholders and non-controlling interests		453,963	214,734
Current liabilities:			
Loans payable	11	18,735	4,693
Tenant rental deposits		818	448
Accounts payable and accrued liabilities	14	4,931	1,852
Finance costs payable		1,184	257
Distributions payable		810	1,242
Total current liabilities excluding net liabilities attributable to Unitholders and non-controlling interests		26,478	8,492
<b>TOTAL LIABILITIES</b>		<b>\$ 480,441</b>	<b>\$ 223,226</b>
Net liabilities attributable to Unitholders	13(a)	247,002	238,394
Non-controlling interests	20	4,089	—
<b>TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS AND NON-CONTROLLING INTERESTS</b>		<b>\$ 731,532</b>	<b>\$ 461,620</b>

Commitments and contingencies (note 21).

See accompanying notes to the condensed consolidated interim financial statements.

Approved by the Board of Trustees of Starlight U.S. Residential Fund on August 9, 2022, and signed on its behalf:

Kelly Smith Trustee

Harry Rosenbaum Trustee

# STARLIGHT U.S. RESIDENTIAL FUND

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

	Note	Three months ended June 30, 2022	Six months ended June 30, 2022
Revenue from property operations		\$ 8,270	\$ 14,847
Expenses:			
Property operating costs		1,969	3,493
Property taxes	14	—	3,778
Income from rental operations		6,301	7,576
Finance costs	18	3,670	4,675
Distributions to Unitholders	13(a)	2,438	4,900
Dividends to preferred shareholders – U.S. REITs series A	12	8	16
Fund and trust expenses	15	612	1,155
Unrealized foreign exchange gain		6	1
Realized foreign exchange loss		(2)	11
Fair value gain on investment properties	6	—	(20,573)
Fair value adjustment IFRIC 21	14	1,190	(1,644)
Provision for carried interest	13(b)	—	2,995
Income before income taxes		(1,621)	16,040
Current income taxes		24	44
Deferred income taxes		42	7,383
Total income taxes		66	7,427
<b>Net income and comprehensive income</b>		<b>\$ (1,687)</b>	<b>\$ 8,613</b>
<b>Net income attributable to:</b>			
Unitholders		(1,692)	8,608
Non-controlling interests	20	5	5
<b>Net income and comprehensive income</b>		<b>\$ (1,687)</b>	<b>\$ 8,613</b>

See accompanying notes to the condensed consolidated interim financial statements.

# STARLIGHT U.S. RESIDENTIAL FUND

Condensed Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders  
 For the six months ended June 30, 2022  
 (In thousands of U.S. dollars)  
 (Unaudited)

	Class A	Class C	Class D	Class E	Class F	Class G	Class I	Class U	Class B LP	Total
Balance, January 1, 2022	\$25,752	\$21,190	\$81,821	\$6,764	\$50,621	\$7,507	\$27,680	\$11,129	\$5,930	\$238,394
Changes during the period:										
Re-allocation due to unit conversions	(601)	—	1,026	—	(425)	—	—	—	—	—
Net income and comprehensive income	910	214	2,991	244	1,812	273	999	400	765	8,608
<b>Balance, June 30, 2022</b>	<b>\$26,061</b>	<b>\$21,404</b>	<b>\$85,838</b>	<b>\$7,008</b>	<b>\$52,008</b>	<b>\$7,780</b>	<b>\$28,679</b>	<b>\$11,529</b>	<b>\$6,695</b>	<b>\$247,002</b>

See accompanying notes to the condensed consolidated interim financial statements including note 13 for a description of the 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. (together with MF Investment LP, “Investment LPs”) (“Class B LP Units”).

# STARLIGHT U.S. RESIDENTIAL FUND

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

	Note	Three months ended June 30, 2022	Six months ended June 30, 2022
<b>Operating activities:</b>			
Net income and comprehensive income		\$ (1,687)	\$ 8,613
Adjustments for financing activities included in net income and comprehensive income:			
Finance costs	18	3,670	4,675
Distributions to Unitholders	13(a)	2,438	4,900
Dividends to preferred shareholders – U.S. REITs series A	12	8	16
Adjustments for items not involving cash:			
Unrealized foreign exchange gain		6	1
Deferred income tax		42	7,383
Fair value gain on investment properties	6	—	(20,573)
Provision for carried interest	13(b)	—	2,995
Change in non-cash operating working capital	19(a)	5,246	1,996
Change in restricted cash		(1,455)	(1,712)
<b>Cash provided by operating activities</b>		<b>8,268</b>	<b>8,294</b>
<b>Financing activities:</b>			
Loans payable:			
Proceeds from new financing	11	216,725	216,725
Proceeds from refinancing	11	75,000	75,000
Repayment of existing loans payable	11	(54,672)	(54,672)
Draw downs on existing loans	11	1,914	8,963
Proceeds from issuance of preferred shares – U.S. REITs series A	12	—	250
Finance costs paid	19(b)	(8,866)	(9,993)
Distributions paid to Unitholders	13(a)	(2,438)	(4,900)
Dividends to preferred shareholders – U.S. REITs series A	12	(8)	(16)
<b>Cash provided by financing activities</b>		<b>227,655</b>	<b>231,357</b>
<b>Investing activities:</b>			
Acquisition of investment properties	5	(227,969)	(236,535)
Capital additions to investment properties	6	(1,772)	(2,775)
Non-controlling interests	20	4,089	4,089
<b>Cash used in investing activities</b>		<b>(225,652)</b>	<b>(235,221)</b>
<b>Increase in cash</b>		<b>10,271</b>	<b>4,430</b>
<b>Cash, beginning of period</b>		<b>4,571</b>	<b>10,407</b>
<b>Change in cash due to foreign exchange</b>		<b>(6)</b>	<b>(1)</b>
<b>Cash, end of period</b>		<b>\$ 14,836</b>	<b>\$ 14,836</b>

See accompanying notes to the condensed consolidated interim financial statements.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

---

## 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 rental 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, for aggregate gross proceeds of \$249,568 by issuing the following trust units of the Fund (“Units”): 3,422,689 class A Units, 3,430,000 class C Units (including 750,000 Class B 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 Declaration of Trust (the “Conversion Ratios”). The weighted average class A equivalent Units outstanding as at June 30, 2022 was 31,819,936 (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 in 2021. During the six months ended June 30, 2022, the Fund acquired a multi-family property comprising 264 suites in Orlando, Florida and a 90% interest in a multi-family property comprising 272 suites in Phoenix, Arizona, as well as an additional 49 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 June 30, 2022, the Fund’s property portfolio consisted of interests in six MF Properties with 1,973 suites and 98 SF Properties (December 31, 2021 - 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.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

---

## 2. Basis of presentation:

### (a) Statement of compliance:

These condensed consolidated interim financial statements of the Fund have been prepared by management in accordance with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. Selected explanatory notes are included to explain events and transactions significant to understand the changes in financial position and performance of the Fund since the last audited consolidated financial statements for the period from September 23, 2021 (date of formation) to December 31, 2021. Certain information and note disclosures normally included in the annual audited consolidated financial statements prepared in accordance with International Financial Reporting Standards (“IFRS”) have been omitted or condensed.

### (b) Basis of measurement:

These condensed consolidated interim financial statements have been prepared on a historical cost basis except for investment properties of the Fund and derivative financial instruments of the Fund, 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) Comparatives:

The Fund was formed on September 23, 2021 and the Offering occurred on November 15, 2021. Accordingly, no comparatives have been presented in the condensed consolidated interim statement of net income and comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in net liabilities attributable to unitholders of the Fund (“Unitholders”) or the related notes thereto.

### (d) Functional and presentation currency:

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

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

Foreign currency gains or losses arising from settlement of transactions or translations are included in the condensed consolidated interim statement of net income and comprehensive income. 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.

### (e) Non-controlling interests:

Non-controlling interests are measured at their proportionate share of the entity's identifiable net assets at the date of acquisition. The proportionate share of net income or loss during each reporting period is added or deducted from the carrying value of the non-controlling interests presented on the statement of financial position. Distributions paid to the non-controlling interests reduce the carrying value as incurred.



# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

---

### 3. Significant accounting policies:

The condensed consolidated interim financial statements have been prepared in accordance with the accounting policies included in the Fund's audited consolidated financial statements for the period from September 23, 2021 (date of formation) to December 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 the audited consolidated financial statements for the period from September 23, 2021 (date of formation) to December 31, 2021 and accordingly, should be read in conjunction with the audited consolidated financial statements for the period from September 23, 2021 (date of formation) to December 31, 2021 and notes thereto.

### 4. Adoption of accounting standards:

#### (a) Accounting standards implemented:

##### (i) Amendment to IFRS 3 Business Combinations ("IFRS 3"):

The Fund adopted this amendment on January 1, 2022. 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. This amendment had no impact on the condensed consolidated interim financial statements of the Fund.

#### (b) Future accounting policy changes:

##### (i) Amendment to IAS 37 Onerous Contracts ("IAS 37"):

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, 2023 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 IAS 1 Presentation of Financial Statements ("IAS 1"):

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by expectations of the entity or events after the reporting date. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after January 1, 2023 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 1.

##### (iii) Amendment to IAS 8 Definition of Accounting Estimates ("IAS 8"):

The amendments introduce a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. The amendments are effective for annual periods beginning on or after January 1, 2023 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 8.

##### (iv) Amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements ("IFRS Practice Statement 2"):

The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies. The amendments provide guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual periods beginning on or after January 1, 2023 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 1 and IFRS Practice Statement 2.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 5. Acquisitions:

The following MF Properties and SF Properties were acquired by the Fund during the six months ended June 30, 2022. The Properties were acquired indirectly through the Fund's subsidiary entities. The acquisitions were treated as asset acquisitions, and as a result, the fair value of consideration was allocated to the identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition as follows:

	<b>Eight at East</b>	<b>The Ventura</b>	<b>SF Properties</b>	<b>Total</b>
Acquisition date	27-Apr	25-May	Various	
Number of suites	264	272	N/A	536
Number of homes	N/A	N/A	49	49
City, State / Region	Orlando, FL	Phoenix, AZ	Atlanta, GA	
Investment properties <sup>(ii)</sup>	\$ 92,838	\$ 132,026	\$ 11,042	\$ 235,906
Add:				
Utility deposits	—	—	—	—
Tenant and other receivables	—	—	—	—
Prepaid expenses and other assets	97	220	—	317
Restricted cash	730	140	—	870
Deduct:				
Accounts payable and accrued liabilities	(245)	(98)	—	(343)
Tenant rental deposits	(109)	(106)	—	(215)
Finance cost payable	—	—	—	—
<b>Net assets acquired</b>	<b>\$ 93,311</b>	<b>\$ 132,182</b>	<b>\$ 11,042</b>	<b>\$ 236,535</b>
<b>Consideration funded by:</b>				
New loans payable <sup>(iii)</sup>	63,167	90,300	—	153,467
Non-controlling interests (note 20)		4,084		4,084
Cash paid	30,144	37,798	11,042	78,984
<b>Total consideration</b>	<b>\$ 93,311</b>	<b>\$ 132,182</b>	<b>\$ 11,042</b>	<b>\$ 236,535</b>

(i) On May 25, 2022, the Fund acquired a 90% interest in Ventura Mezz LLC, which indirectly owns 100% of The Ventura ("Ventura"). The remaining 10% in Ventura Mezz LLC is owned by an affiliate of the Manager (note 20).

(ii) Investment properties includes acquisition costs capitalized to investment properties amounting to \$1,088 for Eight at East, \$1,449 for Ventura and \$441 for SF Properties.

(iii) New loans payable are net of finance costs incurred amounting to \$1,058 for Eight and East and \$1,200 for Ventura.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 5. Acquisitions (continued):

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 indirectly by purchasing the legal entities which owned such Properties or through the Fund's subsidiary entities. The acquisitions were treated as asset acquisitions, and as a result, the fair value of consideration was 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 <sup>(i)</sup>	\$ 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)
<b>Net assets acquired</b>	<b>\$ 95,445</b>	<b>\$ 123,103</b>	<b>\$ 137,230</b>	<b>\$ 80,791</b>	<b>\$ 11,717</b>	<b>\$ 448,286</b>
<b>Consideration funded by:</b>						
New loans payable <sup>(ii)</sup>	53,941	—	87,870	—	—	141,811
Assumed loans payable <sup>(ii)</sup>	—	72,524	—	—	1,926	74,450
Cash paid, net of cash acquired <sup>(iii)</sup>	41,504	50,579	49,360	80,791	9,791	232,025
<b>Total consideration</b>	<b>\$ 95,445</b>	<b>\$ 123,103</b>	<b>\$ 137,230</b>	<b>\$ 80,791</b>	<b>\$ 11,717</b>	<b>\$ 448,286</b>

(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 Fund properties (note 12).

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 6. Investment properties:

The following table summarizes the change in the investment properties for the six months ended June 30, 2022:

	SF Properties		MF Properties		Total
<b>Balance, September 23, 2021</b>	\$	—	\$	—	\$ —
Acquisitions of investment properties (note 5)		11,662		436,957	448,619
Capital additions		872		48	920
<b>Balance, January 1, 2022</b>	\$	<b>12,534</b>	\$	<b>437,005</b>	\$ <b>449,539</b>
Acquisitions of investment properties (note 5)		11,042		224,864	235,906
Capital additions		1,550		1,225	2,775
Fair value adjustment		—		20,573	20,573
<b>Balance, June 30, 2022</b>	\$	<b>25,126</b>	\$	<b>683,667</b>	\$ <b>708,793</b>

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

	June 30, 2022			December 31, 2021		
	SF Properties	MF Properties	Total	SF Properties	MF Properties	Total
Cost	\$ 25,126	\$ 663,094	\$ 688,220	\$ 12,534	\$ 437,005	\$ 449,539
Cumulative fair value adjustment	—	20,573	20,573	—	—	—
<b>Fair Value</b>	<b>\$ 25,126</b>	<b>\$ 683,667</b>	<b>\$ 708,793</b>	<b>\$ 12,534</b>	<b>\$ 437,005</b>	<b>\$ 449,539</b>

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

	June 30, 2022		December 31, 2021	
	SF Properties	MF Properties	SF Properties	MF Properties
Capitalization rate - range	4.66% - 6.54%	3.25% - 4.00%	4.73% - 6.34%	3.33% - 3.85%
Capitalization rate - weighted average	5.25 %	3.70 %	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 23).

The fair values of the Properties are sensitive to changes in the key valuation assumptions. A 10 basis-point (“bps”) change in the capitalization rates would result in a change to the estimated fair value of the Properties as at June 30, 2022 as set out in the following table:

Weighted average	Change	June 30, 2022		December 31, 2021	
		SF Properties	MF Properties	SF Properties	MF Properties
Capitalization rate	10 bps increase	\$ (470)	\$ (18,005)	\$ (233)	\$ (11,499)
Capitalization rate	10 bps decrease	\$ 488	\$ 19,006	\$ 242	\$ 12,138

The impact of a one percent change in the net operating income used to value the investment properties as at June 30, 2022 would affect the fair value of MF Properties by approximately \$9,013 and the fair value of SF Properties by approximately \$396.

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 23(b)).

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 7. Derivative financial instruments:

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

		June 30, 2022	December 31, 2021
Interest rate caps (a)	\$	2,852	\$ 51
Variable rate collar (b)		78	8
	\$	2,930	\$ 59

### (a) Interest rate caps:

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 gains of \$515 and \$923 were recorded in finance costs in the condensed consolidated interim statement of net income and comprehensive income for the three and six months ended June 30, 2022.

### (b) Variable rate collar:

The Fund entered into a variable rate collar contract on December 15, 2021, which allowed 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. On May 12, 2022, the Fund entered into a new variable rate collar contract which replaced the provisions in the remaining term of the previously existing contract. This new contract allows the Fund to establish a guaranteed monthly exchange rate between C\$1.2700 and C\$1.3400 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to C\$930 per month from June 10, 2022 to November 10, 2022 and C\$465 per month from December 10, 2022 to May 10, 2023.

Under the terms of the new contract, the first monthly settlement occurred on June 10, 2022, with each successive month settling on or about the tenth day of each month until May 11, 2023. 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\$1.2700 and a maximum exchange rate of C\$1.3400.

The following table summarizes the material terms for the variable rate collar of the Fund as well as the balance presented in the condensed consolidated interim financial statements as at June 30, 2022:

Contract Start Date	Contract Maturity	Collar Floor	Collar Ceiling	June 30, 2022
June 10, 2022	May 10, 2023	\$1.2700	\$1.3400	\$ 78

Unrealized fair value gains of \$30 and \$70 were recorded in finance costs in the condensed consolidated interim statement of net income and comprehensive income for the three and six months ended June 30, 2022.

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.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 8. Tenant receivables:

The following table presents details of the tenant receivables balance:

		June 30, 2022	December 31, 2021
Tenant receivables, net <sup>(i)</sup>	\$	490	\$ 213
Other receivables <sup>(i)</sup>		20	43
	\$	510	\$ 256

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

## 9. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses balance:

		June 30, 2022	December 31, 2021
Prepaid insurance	\$	412	\$ 77
Prepaid expenses		152	24
Other deposits		13	21
	\$	577	\$ 122

## 10. Restricted cash:

The following table presents details of the restricted cash balance:

		June 30, 2022	December 31, 2021
Escrowed funds:			
Property taxes <sup>(i)</sup>	\$	2,369	\$ 277
Property insurance <sup>(i)</sup>		317	424
Interest and other reserves <sup>(i)</sup>		304	71
Replacement and repairs <sup>(i)</sup>		11	—
Restricted cash:			
Security deposits <sup>(ii)</sup>		808	455
	\$	3,809	\$ 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, repairs 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.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 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”), 30-day New York Federal Reserve Secured Overnight Financing Rate (“NY SOFR”), or one-month term Secured Overnight Financing Rate (“Term SOFR”) in each case plus an interest rate spread. A summary of the Fund’s loans payable is presented below:

Property Name <sup>(i)</sup>	Payment Terms	Maturity Date	Extension Options	Interest Rate <sup>(ii)</sup>	June 30, 2022		December 31, 2021	
					Capital Line Available	Principal Outstanding	Capital Line Available	Principal Outstanding
Sunlake <sup>(iii)</sup>	IO	June 2025	Two 1-year	NY SOFR + 2.75%	\$ —	\$ 75,000	\$ —	\$ 54,672
Indigo	IO	November 2024	Two 1-year	LIBOR + 1.95%	2,862	73,140	2,862	73,140
Lyric	IO	November 2024	Two 1-year	LIBOR + 1.70%	2,468	88,907	2,468	88,907
SFR Facility <sup>(iv)</sup>	IO	October 2022	N/A	LIBOR + 2.75%	—	13,890	—	4,927
Emerson <sup>(v)</sup>	IO	April 2024	Three 1-year	Term SOFR + 2.60%	1,687	56,000	—	—
Eight at East	IO	May 2025	Two 1-year	Term SOFR + 2.60%	—	64,225	—	—
Ventura	IO	June 2024	Two 1-year	Term SOFR + 3.50%	—	91,500	—	—
Unsecured loan <sup>(vi)</sup>	IO	May 2023	One 6-month	9.0%	—	5,000	—	—
Face value					\$ 7,017	\$ 467,662	\$ 5,330	\$ 221,646
Unamortized financing costs						(6,068)		(2,695)
Carrying value						\$ 461,594		\$ 218,951

(i) The loans payable in the table above were entered into on the date of acquisition of each respective property owned by the Fund, with the exception of the SFR Credit Facility, Emerson and the unsecured loan.

(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 (except as noted below) 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 caps in place are as follows:

a) Lyric interest rate cap 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%.

b) Emerson interest rate cap has a strike rate of 2.75% which effectively provides for a maximum interest rate of 5.35% relating to the Emerson loan payable in the event Term SOFR exceeds 2.75%.

c) Ventura interest rate cap has a one year term and strike rate of 3.00% which effectively provides for a maximum interest rate of 6.50% relating to the Ventura loan payable in the event Term SOFR exceeds 3.00%.

d) Sunlake interest rate cap has a two year term with a strike rate of 2.25% for the first year and 2.50% for the second year which effectively provides for a maximum interest rate of 5.25% or 5.50% relating to the Sunlake loan payable in the event NY SOFR exceeds 2.25% or 2.50%, respectively.

e) Subsequent to June 30, 2022, the Fund acquired an interest rate cap on the Eight at East loan payable carrying an 18-month term and strike rate of 3.00%, effectively providing a maximum interest rate of 5.60% in the event Term SOFR exceeds 3.00%.

(iii) On May 19, 2022, the Fund refinanced the loan payable on Sunlake, entering into a new loan payable with principal outstanding of \$75,000, requiring interest-only payments until maturity in June 2025. The proceeds of the new loan payable were used to repay the previously outstanding loan payable of \$54,672 and any costs associated with entering into the new financing, with the remaining proceeds used to partially fund the acquisition of Ventura. As a result of the refinancing, the Fund recorded a loss on early extinguishment of debt related to the unamortized financing costs of the previously outstanding Sunlake loan in the amount of \$618 for the three and six months ended June 30, 2022. Such amounts were included in finance costs in the condensed consolidated interim statement of net income and comprehensive income.

(iv) 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 and January 1, 2022 to June 30, 2022, the Fund drew additional amounts of \$2,743 and \$8,963, respectively, on the SFR Credit Facility to fund the acquisition of single-family rental homes during those periods. 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.

(v) On April 6, 2022, the Fund entered into a loan payable of \$56,000 secured by Emerson. The loan payable bears interest-only payments at Term SOFR + 2.60% per annum and has a one-year term plus three one-year extension options.

(vi) On May 6, 2022, the Fund entered into an unsecured loan for \$5,000 bearing interest-only payments at 9.0% per annum for a one-year term plus a six-month extension option.

Loans payable of \$18,735 (net of \$155 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, 2022, the loans had a weighted average term to maturity of 2.2 years and a weighted average interest rate of 4.17%.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 11. Loans payable (continued):

Future principal payments on loans payable are as follows:

	Principal payments		Balloon payments		Total
2022 – remainder of year	\$	—	\$	13,890,000	\$ 13,890,000
2023		—		5,000,000	\$ 5,000,000
2024		—		384,547,000	\$ 384,547,000
2025		—		64,225,000	\$ 64,225,000
Total	\$	—	\$	467,662,000	\$ 467,662,000

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

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”; together with U.S. MF REIT, the “U.S. REITs”) each have 125 series A, preferred shares issued and outstanding that are held by U.S. residents. The U.S. MF REIT and U.S. SF REIT preferred shares were issued on January 6, 2022 and January 20, 2022, respectively, and are redeemable at the option of the REIT at a redemption value of \$1 per share. The preferred shares pay a cumulative dividend at 12% per annum, semi-annually on June 30 and December 31. The preferred shares have no voting rights.

## 13. Net liabilities attributable to Unitholders:

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

The beneficial limited partnership interest in the net liabilities and net income and comprehensive income 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 condensed consolidated interim 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 condensed consolidated interim statement of net income and comprehensive income. For the three and six months ended June 30, 2022, distributions of \$2,438 and \$4,900 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)										Net Liabilities attributable to Unitholders (\$)	
	Class A	Class C	Class D	Class E	Class F	Class G	Class I	Class U	Class B LP	Total Units		
Outstanding as at January 1, 2022	3,437	2,680	10,921	700	6,550	802	3,500	1,188	750	30,528	\$	238,394
Units reallocated due to conversions	(80)	—	137	—	(55)	6	—	(6)	—	2		—
Net income and comprehensive income	—	—	—	—	—	—	—	—	—	—		8,608
<b>Outstanding as at June 30, 2022</b>	<b>3,357</b>	<b>2,680</b>	<b>11,058</b>	<b>700</b>	<b>6,495</b>	<b>808</b>	<b>3,500</b>	<b>1,182</b>	<b>750</b>	<b>30,530</b>	<b>\$</b>	<b>247,002</b>



# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 13. Net liabilities attributable to Unitholders (continued):

(b) Carried interest:

The partners of Starlight Investments Residential Partnership (“SIRP”) (currently being Starlight Group and the President of the Fund), through SIRP’s indirect interest in Starlight U.S. Residential (Multi-Family) Holding L.P. and Starlight U.S. Residential (Single-Family) Holding L.P. (together, 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 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 June 30, 2022, the Fund had recognized a provision for carried interest of \$2,995, resulting in an expense of \$nil and \$2,995 for the three and six months ended June 30, 2022, respectively.

## 14. Accounts payable and accrued liabilities:

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

	June 30, 2022	December 31, 2021
Tenant prepayments	\$ 175	\$ 84
Operating payables	2,253	1,547
Accrued property taxes <sup>(i)</sup>	2,299	14
Accrued asset management fees (note 17)	194	125
Excise tax and franchise tax payable	10	82
	\$ 4,931	\$ 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 condensed consolidated interim statement of financial position. As a result of the requirements of International Financial Reporting Interpretations Committee Interpretation 21, Levies (“IFRIC 21”), property taxes are recorded to the condensed consolidated interim statement of net income and comprehensive income to either property tax expenses or fair value adjustment to IFRIC 21. The sum of the amounts recorded to property tax expense and fair value adjustment IFRIC 21 in the condensed consolidated interim statement of net income and comprehensive income in any given reporting period represents the actual property taxes incurred by the Fund in such reporting period.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 15. Fund and trust expenses:

Fund and trust expenses consist of the following:

	Three months ended June 30, 2022	Six months ended June 30, 2022
Asset management fees (note 17)	\$ 446	\$ 834
General and administrative expenses	166	321
	\$ 612	\$ 1,155

## 16. Segmented disclosure:

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

## 17. Transactions with related parties:

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

The Manager is a related party to the Fund as the Manager is owned and controlled by Daniel Drimmer, a director 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.

- 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 are \$446 and \$834 in asset management fees charged by the Manager (note 15) for the three and six months ended June 30, 2022. The amount payable to the Manager as at June 30, 2022 was \$194 (December 31, 2021 - \$125) (note 14).
- 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 three and six months ended June 30, 2022, the Fund incurred acquisition fees of \$2,337 and \$2,503 relating to the acquisition of additional multi-family properties and single-family rental homes (note 5).

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 17. Transactions with related parties (continued):

- (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 June 30, 2022, \$nil guarantee fees have been paid or are payable.
- (d) Aggregate compensation to key management personnel was \$nil for the three and six months ended June 30, 2022 as compensation of these individuals is paid by the Manager pursuant to the Management Agreement.

On May 20, 2022, the Fund acquired a 90% interest in Ventura Mezz LLC, an entity indirectly owning Ventura, with the remaining 10% ownership of Ventura Mezz LLC acquired by an entity controlled by Daniel Drimmer, a director and President and Chief Executive Officer of Starlight Group and Unitholder and Chief Executive Officer of the Fund ("Ventura Minority Owner"). There are no ongoing contractual commitments with the Ventura Minority Owner other than typical governing legal documents for Ventura Mezz LLC which outline that all decision making in respect of such entity, including day-to-day and material decisions, will be proportionately made by the Fund, including its subsidiaries, and the Ventura Minority Owner through established governance practices. The purchase price of Ventura, including the 10% acquired by the Ventura Minority Owner was determined based on the agreed upon purchase price with the third party seller and represents the fair value of the property acquired at that time. Note 20 of these condensed consolidated interim financial statements include details on the accounting for the non-controlling interest.

## 18. Finance costs:

Finance costs consist of the following:

	Three months ended June 30, 2022	Six months ended June 30, 2022
Interest expense on loans payable	\$ 3,108	\$ 4,280
Amortization of deferred financing costs	489	770
Loss on early extinguishment of debt	618	618
Fair value gain on derivative financial instruments (note 7)	(545)	(993)
	\$ 3,670	\$ 4,675

## 19. Supplemental cash flow information:

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

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

	Three months ended June 30, 2022	Six months ended June 30, 2022
Utility deposits	\$ (13)	\$ (67)
Tenant and other receivables	(146)	(254)
Prepaid expenses and other assets	4,129	(141)
Tenant rental deposits	103	155
Accounts payable and accrued liabilities	1,196	2,736
Distribution payable	(23)	(433)
Total change in non-cash operating working capital	\$ 5,246	\$ 1,996

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

## 19. 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, 2022	Six months ended June 30, 2022
Interest expense paid	\$ (2,846)	\$ (3,971)
Financing costs incurred on loans payable	(6,020)	(6,022)
Total finance costs paid	\$ (8,866)	\$ (9,993)

## 20. Non-controlling interests:

The following table summarizes the change in non-controlling interests for the six months ended June 30, 2022:

Ventura Non-Controlling Interest at May 25, 2022 - 10% <sup>(i)</sup>	\$	4,084
Net income attributable to Ventura Non-Controlling Interest <sup>(ii)</sup>		5
<b>Balance, June 30, 2022</b>	<b>\$</b>	<b>4,089</b>

(i) Given the Fund's 90% indirect ownership interest in Ventura, the Fund has control over Ventura and has wholly consolidated its financial position and results of operations in these condensed consolidated interim financial statements (note 5). The initial purchase price paid for the Ventura non-controlling interest by the Ventura Minority Owner has been reflected in the table above in accordance with the Fund's basis of presentation as outlined in note 2(e).

(ii) During the three and six months ended June 30, 2022, the Ventura non-controlling interest revenues from property operations were \$58, property operating expenses were \$11 and finance costs were \$40. Net income and comprehensive income for the three and six months ended June 30, 2022 was \$5.

## 21. Commitments and contingencies:

At June 30, 2022, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of June 30, 2022 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

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

## 22. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of 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, 2022.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

---

## 23. Risk management:

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

### (a) Credit risk:

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

At June 30, 2022, the Fund had accrued no allowance for uncollectible amounts as such amounts are written off directly against revenues at that time. During the three and six months ended June 30, 2022, the Fund recorded \$80 and \$148 of bad debts against revenues in the condensed consolidated interim statement of net income and comprehensive income.

The Fund is actively monitoring the potential impact on credit risk of the coronavirus (SARS – CoV2) and its variants ("COVID-19") global pandemic (note 23(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, 2022, 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 has on the future cash flows of its investment properties (note 22(e)).

During the six months ended June 30, 2022, the Fund has adjusted the capitalization rates used in the valuation of its investment properties to ensure the appropriate fair values are reflected as at June 30, 2022. The adjustment in 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 June 30, 2022.

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, Term SOFR, or NY SOFR index rates beyond stipulated levels. For certain loans payable, the Fund is required to purchase an interest rate cap if LIBOR, Term SOFR, or NY SOFR index rates increase above certain levels in accordance with terms in the loan agreements. For the three and six months ended June 30, 2022, all else being equal, a change of ten bps in LIBOR, Term SOFR, or NY SOFR index rates would impact net income and comprehensive income by \$118 and \$235

The Fund continues to actively monitor the potential impact that COVID-19 has on market risks applicable to the Fund (note 23(e)).

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

---

## 23. Risk management (continued):

### (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 as well as potential increases in interest rates has on liquidity risks applicable to the Fund (note 23(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 has on market risks applicable to the Fund (note 23(e)).

### (e) Other risk – COVID-19:

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 and fourth COVID-19 dose 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 could materially impact the financial results of the Fund, which include potential decreases in occupancy, 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 including debt in future periods on terms consistent with those achieved in the past.

The Fund continues to monitor collection rates and as at the date of approval of these condensed consolidated interim financial statements, the Fund's rent collection rate for the Properties was approximately 98.2% for the three months ended June 30, 2022, 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.

# STARLIGHT U.S. RESIDENTIAL FUND

Notes to the Condensed Consolidated Interim Financial Statements  
For the three and six months ended June 30, 2022  
(In thousands of U.S. dollars, unless otherwise noted)  
(Unaudited)

---

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

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

- The fair value of the Fund's financial assets, which include utility deposits, tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).
- Derivative financial instruments are considered as Level 2 financial instruments.
- The fair value of loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's loans payable as at June 30, 2022 approximated their carrying value.
- Provision for carried interest and net liabilities attributable to Unitholders are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.