STARLIGHT U.S. RESIDENTIAL FUND ANNOUNCES VERY STRONG Q2-2022 OPERATING RESULTS DRIVEN BY 13.9% RENT GROWTH DURING Q2-2022

Starlight U.S. Residential

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Toronto – **August 9, 2022** – Starlight U.S. Residential Fund (TSXV: SURF.A and SURF.U) (the "Fund") announced today its results of operations and financial condition for the three months ended June 30, 2022 ("Q2-2022") and six months ended June 30, 2022 ("YTD-2022").

All amounts in this press release are in thousands of United States ("U.S.") dollars except for average monthly rent ("AMR") or unless otherwise stated. All references to "C$" are to Canadian dollars.

"We are pleased to announce the Fund's very strong Q2-2022 operating performance with net operating income continuing to be in line with the Fund's forecast," commented Evan Kirsh, the Fund's President. "The Fund reported strong rental growth with in-place rents at the end of Q2-2022 being approximately 4.7% ahead of forecast and annualized rent growth of approximately 13.9% during the quarter reflecting the Fund's ability to take advantage of favorable operating conditions."

Q2-2022 HIGHLIGHTS

- During Q2-2022, the Fund acquired Eight at East and a 90% partial interest in The Ventura ("Ventura"), adding interests in an additional 536 multi-family suites in Orlando, Florida and Phoenix, Arizona. The acquisitions were financed through cash on hand, first mortgage financing at each of Eight at East, Ventura and Emerson at Buda ("Emerson") as well as the net proceeds from the refinancing of Bainbridge Sunlake ("Sunlake").
- During Q2-2022, the Fund acquired 11 single-family rental homes in Atlanta, Georgia for a total of $2,495 and as at August 8, 2022, had completed capital upgrades since the date of acquisition on 89 of the Fund's 98 single-family rental homes.
- The Fund completed the deployment of the proceeds from its initial public offering on November 15, 2021 (the "Offering"), having assembled a portfolio of 1,973 multi-family suites across six markets and 98 single-family rental homes.
- For Sunlake and Indigo Apartments (the "Forecast Properties"), Q2-2022 revenue and NOI were $3,279 and $2,119, in line with the financial forecast included in the Fund's prospectus dated October 28, 2021 ("Forecast"). Q2-2022 total portfolio revenue and net operating income ("NOI") were $8,212 and $5,067, respectively, representing a 150.2% and 139.2% increase relative to the Forecast primarily as a result of Eight at East, Lyric Apartments, Ventura and Emerson (the "Non-Forecast Properties") not being included in the Forecast.
- During Q2-2022, the Fund achieved significant increases in rent growth with in-place rents at June 30, 2022 ahead of Forecast by 4.7% for the Forecast Properties and the Fund reporting 13.9% annualized rent growth for the properties owned by the Fund for the entire quarter. The strong rent growth continued to be driven by growth in demand for multi-family suites due to the economic strength following the downturn created by COVID-19 in the U.S. and the primary markets in which the Fund operates. In addition, the Fund reported an estimated gap in market versus in-place rents of 14.6% as at June 30, 2022 providing further opportunity for rental increases in future periods.

- As at August 8, 2022, the Fund had collected approximately 98.2% of rents for Q2-2022, with further amounts expected to be collected in future periods, demonstrating the Fund's strong tenant base and operating performance.
- Q2-2022 net loss and comprehensive loss was $1,692 (Forecast - loss of $272).
- Adjusted funds from operations ("AFFO") for Q2-2022 was $1,435, representing an increase of $326 relative to the Forecast primarily due to Non-Forecast Properties not being included in the Forecast, partially offset by higher fund and trust expenses and finance costs related to the Forecast Properties.
- On May 12, 2022, the Fund entered into a new variable rate collar contract which enhanced the previously existing contract 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. 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.

ADDITIONAL YTD-2022 HIGHLIGHTS

- During YTD-2022, the Fund acquired 49 single-family rental homes in Atlanta, Georgia for a total of $11,042.
- During YTD-2022, the Fund recorded a fair value gain on the properties owned by the Fund ("Properties") of $20,573, a 3.5% increase over the aggregate purchase price driven by NOI growth.
- For the Forecast Properties, YTD-2022 revenue and NOI were $6,519 and $4,235, ahead of Forecast by 1.6% and 3.4%, respectively, primarily due to higher than forecasted AMR and ancillary income as well as strong cost management. YTD-2022 total portfolio revenue and NOI were $14,788 and $9,174, respectively, representing a 130.4% and 123.9% increase relative to the Forecast primarily as a result of the Non-Forecast Properties not being included in the Forecast.
- YTD-2022 net income and comprehensive income was $8,608 (Forecast - loss of $665). The variance relative to the Forecast was primarily driven by the fair value gain on investment properties net of deferred taxes.

FUTURE OUTLOOK AND COVID-19 IMPACT

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. 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. However, there is a risk that delays in the timely administration of vaccination programs, changing strains of the virus, including the occurrence of new variants of COVID-19, or reluctance to receive vaccinations could prolong the impacts of COVID-19 and have the potential to cause further adverse economic conditions. According to the U.S. Department of Labor, unemployment rates for June 2022 remained consistent with March 2022 at 3.6% and down from a peak of approximately 15% in April 2020. The employment gains during that period were broadly diversified across many industries and driven by the continued economic reopening linked to the successful vaccination program across the U.S. The sustained rollout of the vaccination program is expected to continue to improve economic growth and employment throughout the U.S., although there can be no certainty with respect to the timing of these improvements.

Since early 2022, concerns over rising inflation have resulted in a significant increase in interest rates with the U.S. Federal Reserve raising the overnight rate by 225 basis points, with further increases anticipated for the duration of 2022. Interest rate increases typically lead to increases in borrowing costs for the Fund, reducing cashflow, given that the Fund employs a variable rate debt strategy due to the Fund's three-year term in order to provide maximum flexibility upon the eventual sale of the Properties during or at the end of the Fund's term. Historically, investments in multi-family properties have provided an effective hedge against inflation given the short-term nature of the lease term which was reflected in the rent growth achieved at the Properties during Q2-2022. Given the Fund was formed as a "closed-end" fund with an initial term of three years, it is the Fund's intention to maintain its targeted yield of 4.0% across all classes of Units despite potential periods of increasing interest rates. Furthermore, the Fund does have certain interest rate caps in place which protect the Fund from increases in interest rates beyond stipulated levels and for stipulated terms as described in full detail in the Fund's condensed consolidated interim financial statements for the three and six months ended June 30, 2022 and for the period from September 23, 2021 to December 31, 2021 that is available at www.sedar.com.

Further disclosure surrounding the Future Outlook is included in the Fund's management's discussion and analysis in the "COVID-19" and "Future Outlook" sections for Q2-2022 under the Fund's profile, which is available on www.sedar.com.

FINANCIAL CONDITION AND OPERATING RESULTS

Highlights of the financial and operating performance of the Fund as at June 30, 2022 and December 31, 2021 and for Q2-2022 and YTD-2022 are provided below:

			June 30, 2022	December 31, 2021
Key Multi-Family Operational Information[1]				
Number of multi-family properties owned [1]			6	4
Total multi-family suites			1,973	1,437
Economic occupancy [2]			93.7%	95.6%
AMR (in actual dollars)			$ 1,541	$ 1,412
AMR per square foot (in actual dollars)			$ 1.62	$ 1.49
Estimated gap in market versus in-place rents			14.6%	n/a
Number of Single-Family Rental Homes [1]			98	49
			June 30, 2022	**December 31, 2021**
	Single-Family	**Multi-Family**	**Total**	**Total**
Selected Financial Information				
Gross book value	$ 25,126	$ 683,667	$ 708,793	$ 449,539
Indebtedness	$ 13,890	$ 453,772	$ 467,662	$ 221,646
Indebtedness to gross book value	55.3%	66.4%	66.0%	49.3%
Weighted average interest rate - as at period end [3]	4.54%	4.16%	4.17%	1.97%
Weighted average loan term to maturity	0.33 years	2.25 years	2.2 years	2.84 years
	Q2-2022	**Forecast Q2-2022 [4]**	**YTD-2022**	**Forecast YTD-2022[4]**
Summarized Income Statement (excluding Non-Controlling Interest)[5]				
Revenue from property operations	$ 8,212	$ 3,282	$ 14,788	$ 6,419
Property operating costs	(1,958)	(716)	(3,482)	(1,426)
Property taxes [6]	(1,187)	(448)	(2,132)	(896)
Adjusted Income from operations / NOI	$ 5,067	$ 2,118	$ 9,174	$ 4,097
Fund and trust expenses	(612)	(271)	(1,155)	(542)
Finance costs [7]	(3,630)	(760)	(4,635)	(1,504)
Other income and expenses [8]	(2,517)	(1,359)	5,224	(2,716)
Net income (loss) and comprehensive income (loss) - attributable to Unitholders [5]	$ (1,692)	$ (272)	$ 8,608	$ (665)
Other Selected Financial Information				
Funds from operations ("FFO")	$ 267	$ 1,087	$ 2,346	$ 2,051
FFO per Unit - basic and diluted	$ 0.01	$ 0.09	$ 0.07	$ 0.16
AFFO	$ 1,435	$ 1,109	$ 3,934	$ 2,151
AFFO per Unit - basic and diluted	$ 0.05	$ 0.09	$ 0.12	$ 0.17
Weighted average interest rate - average during period [9]	3.24%	2.12%	2.75%	2.12%
Interest coverage ratio	1.44 x	2.71 x	1.88 x	2.64 x
Indebtedness coverage ratio	1.44 x	2.71 x	1.88 x	2.64 x
Distributions to Unitholders	$ 2,438	$ 993	$ 4,900	$ 1,986
Weighted average Units outstanding (000s) - basic/diluted	31,820	12,520	31,820	12,520

(1) The Fund commenced operations following the acquisition of Sunlake, Indigo, and 28 single-family homes on November 15, 2021. The number of multi-family properties and single-family rental homes presented is as at each reporting date above.
(2) Economic occupancy for Q2-2022 and Q4-2021.
(3) The weighted average interest rate on loans payable is presented as at June 30, 2022 reflecting the prevailing index rate, U.S. 30-day London Interbank Offered Rate, 30-day New York Federal Reserve Secured Overnight Financing Rate, or one-month term Secured Overnight Financing Rate, as at that date or based on the average rate for the applicable periods as it relates to quarterly rates.
(4) Forecast Q2-2022 and Forecast YTD-2022 only include results related to the Forecast Properties.
(5) The Fund acquired a 90% interest in Ventura on May 25, 2022, with the remaining non-controlling interest owned by an affiliate of Starlight Investments US AM Group LP or its affiliates ("the Manager"). The summarized income statement figures presented above reflect the net income (loss) attributable to Unitholders only, and excludes any amounts attributable to the non-controlling interest.
(6) Property taxes were adjusted to exclude the International Financial Reporting Interpretations Committee interpretations 21, Levies fair value adjustment and treat property taxes as an expense that is amortized during the fiscal year for the purpose of calculating NOI.
(7) Finance costs include interest expense on loans payable, non-cash amortization of deferred financing costs, loss on early extinguishment of debt as well as fair value changes in derivative financial instruments.
(8) Includes distributions to Unitholders, dividends to preferred shareholders, unrealized foreign exchange gain (loss), realized foreign exchange gain, fair value adjustment of investment properties, provision for carried interest and deferred income taxes.
(9) The weighted average interest rate on loans payable reflects the average prevailing index rate applicable to each of the loans payable throughout each period presented.

NON-IFRS FINANCIAL MEASURES AND RECONCILIATIONS

The Fund's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Certain terms that may be used in this press release including AFFO, AMR, economic occupancy, estimated gap in market versus in-place rents, FFO, gross book value, indebtedness, indebtedness coverage ratio, indebtedness to gross book value, interest coverage ratio and NOI (collectively, the "Non-IFRS Measures") as well as other measures discussed elsewhere in this press release, do not have a standardized definition prescribed by IFRS and are, therefore, unlikely to be comparable to similar measures presented by other reporting issuers. The Fund uses these measures to better assess the Fund's underlying performance and financial position and provides these additional measures so that investors may do the same. Further details on Non-IFRS Measures are set out in the Fund's MD&A in the "Non-IFRS Financial Measures" section for Q2-2022 and are available on the Fund's profile on SEDAR at www.sedar.com.

A reconciliation of the Fund's interest coverage ratio and indebtedness coverage ratio are provided below:

Interest and indebtedness coverage ratios	Q2-2022	Forecast Q2-2022 (1)	YTD-2022	Forecast YTD-2022 (1)
Net income (loss) and comprehensive income (loss)	$ (1,692)	$ (272)	$ 8,608	$ (667)
Add: non-cash or one-time items and distributions (2)	3,052	1,438	(4,896)	2,873
Adjusted net income and comprehensive income	$ 1,360	$ 1,166	$ 3,712	$ 2,206
Interest coverage ratio (3)	1.44 x	2.71 x	1.88 x	2.64 x
Indebtedness coverage ratio (4)	1.44 x	2.71 x	1.88 x	2.64 x

(1) Forecast Q2-2022 and YTD-2022 only include results related to the Forecast Properties.

(2) Non-cash or one-time items consist of deferred taxes, amortization of financing costs and loan premiums, fair value adjustments on derivative instruments, provisions for carried interest, loss on early extinguishment of debt and unrealized foreign exchange losses.

(3) Interest coverage ratio is calculated as adjusted net income and comprehensive income plus interest expense divided by interest expense.

(4) Indebtedness coverage ratio is calculated as adjusted net income and comprehensive income plus interest expense divided by interest expense and mandatory principal payments on the Fund's loans payable.

CASH PROVIDED BY OPERATING ACTIVITIES RECONCILIATION TO AFFO

The Fund was formed as a "closed-end" fund with an initial term of three years, a targeted yield of 4.0% and a targeted minimum 11% pre-tax investor internal rate of return across all classes of units ("Units") of the Fund.

Basic and diluted AFFO and AFFO per Unit for Q2-2022 were $1,435 and $0.05, respectively (Forecast - $1,109 and $0.09), representing an increase of $326 relative to the Forecast primarily due to Non-Forecast Properties not being included in the Forecast, partially offset by higher fund and trust expenses and finance costs related to the Forecast Properties.

A reconciliation of the Fund's cash provided by operating activities determined in accordance with IFRS to FFO and AFFO for Q2-2022 and YTD-2022 is provided below:

	Q2-2022	YTD-2022
Cash provided by operating activities	$ 8,268	$ 8,294
Less: interest costs	(3,108)	(4,280)
Cash used in operating activities - including interest costs	**$ 5,160**	**$ 4,014**
Add / (Deduct):		
Change in non-cash operating working capital	(5,246)	(1,997)
Loss on early extinguishment of debt	(618)	(618)
Change in restricted cash	1,455	1,712
Net income attributable to non-controlling interests	5	5
Amortization of financing costs	(489)	(770)
FFO	**$ 267**	**$ 2,346**
Add / (Deduct):		
Amortization of financing costs	483	764
Loss on early extinguishment of debt	618	618
Vacancy costs associated with the single-family rental home upgrade program	221	474
Sustaining capital expenditures and suite or home renovation reserves	(154)	(268)
AFFO	**$ 1,435**	**$ 3,934**

FORWARD-LOOKING STATEMENTS

Certain statements contained in this press release constitute forward-looking information within the meaning of Canadian securities laws and which reflect the Fund's current expectations regarding future events, including the overall financial performance of the Fund and its properties, including the impact of COVID-19, inflation and interest rates on the business and operations of the Fund.

Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes. Forward-looking information may relate to future results, the impact of COVID-19 on the Properties as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Fund's TSX Venture Exchange listed and unlisted Units, inflation, interest rates, acquisitions, financing, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, AMR, taxes and plans and objectives of or involving the Fund. In some cases, forward-looking information can be identified by terms such as "may", "might", "will", "could", "should", "would", "occur", "expect", "plan", "anticipate", "believe", "intend", "seek", "aim", "estimate", "target", "goal", "project", "predict", "forecast", "potential", "continue", "likely", "schedule", or the negative thereof or other similar expressions concerning matters that are not historical facts.

Forward-looking statements involve known and unknown risks and uncertainties, which may be general or specific and which give rise to the possibility that expectations, forecasts, predictions, projections or conclusions will not prove to be accurate, that assumptions may not be correct and that objectives, strategic goals and priorities may not be achieved. Those risks and uncertainties include: the impact of COVID-19 on the Properties as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Units and unlisted Units; inflation; changes in government legislation or tax laws which would impact any potential income taxes or other taxes rendered or payable with respect to the Properties or the Fund's legal entities; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the realization of property value appreciation and timing thereof, and the availability of residential properties (including single-family rental homes) for acquisition; the extent and pace at which any changes in interest rates that impact the Fund's weighted average interest rate may occur; the availability of debt financing; and availability and the price at which properties may be acquired. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the impact of COVID-19 on the Properties as well as the impact of COVID-19 on the markets in which the Fund operates; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the realization of property value appreciation and timing thereof; the inventory of residential real estate properties (including single-family rental homes); the availability of residential properties for acquisition and the price at which such properties may be acquired; the ability of the Fund to benefit from any value-add program the Fund conducts at certain properties; the price at which the Properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of the Properties; inflation; the availability of mortgage financing and current interest rates; the capital structure of the Fund; the extent of competition for residential properties; the growth in NOI generated from value-add initiatives; the population of residential real estate market participants; assumptions about the markets in which the Fund operates; expenditures and fees in connection with the maintenance, operation and administration of the Properties; the ability of the Manager to manage and operate the Properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) the impact of COVID-19 on the Fund's business, operations and performance or the volatility of the Units; (b) the Fund's ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; (d) that the Manager or any of its affiliates, will continue its involvement as asset manager of the Fund in accordance with its current asset management agreement; and (e) other risks inherent to the Fund's business and/or factors beyond its control which could have a material adverse effect on the Fund. The forward-looking information included in this press release relate only to events or information as of the date on which the statements are made in this press release. Except as specifically required by applicable Canadian securities law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether because of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

About Starlight U.S. Residential Fund

The Fund is a "closed-end" fund formed under and governed by the laws of the Province of Ontario, pursuant to an initial declaration of trust dated September 23, 2021. 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 in the 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. As at June 30, 2022, the Fund owned interests in four multi-family properties consisting of 1,973 suites as well as 98 single-family rental homes.

For the Fund's complete unaudited condensed consolidated interim financial statements and MD&A for the three months ended June 30, 2022 and any other information related to the Fund, please visit www.sedar.com. Further details regarding the Fund's unit performance and distributions, market conditions where the Fund's properties are located, performance by the Fund's properties and a capital investment update are also available in the Fund's August 2022 Newsletter which is available on the Fund's profile at www.starlightus.com.

Please visit us at **www.starlightus.com** and connect with us on LinkedIn at **www.linkedin.com/company/starlight-investments-**

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