



Montane Apartments - Denver, Colorado

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2023

August 9, 2023

STARLIGHT U.S. MULTI-FAMILY (NO. 2) CORE PLUS FUND - Q2 2023 MD&A

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FUND TARGETS

- **TARGETED DISTRIBUTION YIELD: 4.0%**
- **PRE-TAX TARGETED ANNUAL TOTAL RETURN: 11%**

Montane Apartments
400 Suites
Denver, Colorado



Hudson at East
275 Suites
Orlando, Florida



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MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the condensed consolidated interim financial statements of Starlight U.S. Multi-Family (No. 2) Core Plus Fund (the "Fund") dated August 9, 2023 for the three months ended June 30, 2023 ("Q2-2023") and for the six months ended June 30, 2023 ("YTD-2023") should be read in conjunction with the Fund's condensed consolidated interim financial statements for the three months ended June 30, 2022 ("Q2-2022") and six months ended June 30, 2022 ("YTD-2022") and the audited consolidated financial statements for the year ended December 31, 2022, both of which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on SEDAR+ at www.sedarplus.ca.

The Fund's presentation currency is United States ("U.S.") dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of U.S. dollars, except for per limited partnership unit of the Fund ("Unit") and average monthly rents ("AMR")¹ information. All references to "C\$" are to Canadian dollars. Non-IFRS measures are reported throughout this MD&A. For further information on Non-IFRS measures, please refer to the "Non-IFRS Financial Measures" section.

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A 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 ("Properties"), as well as the impact of elevated levels of inflation and interest rates. 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 inflation levels and interest rates, the ability of the Fund to make and the resumption of future distributions, the trading price of the Fund's TSX Venture Exchange listed units being class A units and class U units of the Fund ("Listed Units") and the value of the Fund's unlisted units, which include all units other than the Listed Units (together with Listed Units, "Units"), 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. Particularly, matters described in "Future Outlook" are forward-looking information. 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 extent and sustainability of potential higher levels of inflation and the potential impact on the Fund's operating costs; the pace at which and degree of any changes in interest rates that impact the Fund's weighted average interest rate may occur; the ability of the Fund to make and the resumption of future distributions; the trading price of the Listed Units; 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 impact of rising interest costs, high inflation and supply chain issues have on new supply of multi-family apartments; the extent to which favorable operating conditions achieved during historical periods may continue in future periods; the applicability of any government regulation concerning the Fund's residents or rents; and the availability of debt financing as loans payable become due during the Fund's term. 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.

There are numerous risks and uncertainties which include, but are not limited to, risks related to the Units and risks related to the Fund and its business. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements. Although the Fund believes the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing, and general economic and market factors,

¹ This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "non-IFRS financial measures").

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including interest rates, inflation, business competition and changes in government regulations or in tax laws. See the “Risks and Uncertainties” section and the reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information.

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 inflation and interest rates on the Fund’s operating costs; the impact of future interest rates on the Fund’s financial performance; the availability of debt financing and as loans payable become due during the Fund’s term; the trading price of the Listed Units; the applicability of any government regulation concerning the Fund’s residents or rents; 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 potential future acquisition, if any, 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; the extent of competition for residential properties; the impact of interest costs, inflation and supply chain issues have on new supply of multi-family apartments; the extent to which favorable operating conditions achieved during historical periods may continue in future periods; the growth in net operating income (“NOI”)¹ generated and from its 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 ability of Starlight Investments US AM Group LP or its affiliates (the “Manager”) to manage and operate the Properties or achieve similar returns to previous investment funds managed by the Manager; the global and North American economic environment; foreign currency exchange rates; the ability of the Fund to realize the estimated gap in market versus in-place rents (“Estimated Gap to Market Versus In-Place Rents”)¹ through future rental rate increases; and governmental regulations or tax laws. Given this period of uncertainty, there can be no assurance regarding: (a) 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) 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 MD&A relates only to events or information as of the date on which the statements are made in this MD&A. 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.

NON-IFRS FINANCIAL MEASURES

Certain terms used in this MD&A such as adjusted funds from operations (“AFFO”), AMR, adjusted net income and comprehensive income (“Adjusted Net Income and Comprehensive Income”), cash provided by operating activities including interest costs, economic occupancy, Estimated Gap to Market Versus In-Place Rents, funds from operations (“FFO”), gross book value (“Gross Book Value”), indebtedness (“Indebtedness”), indebtedness coverage ratio (“Indebtedness Coverage Ratio”), same property NOI, indebtedness to gross book value (“Indebtedness to Gross Book Value”), interest coverage ratio (“Interest Coverage Ratio”) and NOI are not measures defined under IFRS as prescribed by the International Accounting Standards Board, do not have standardized meanings prescribed by IFRS and should not be construed as alternatives to net (loss) income and comprehensive (loss) income, cash flow from operating activities or other measures of financial performance calculated in accordance with IFRS. AFFO, AMR, cash provided by operating activities including interest costs, economic occupancy, Estimated Gap to Market Versus In-Place Rents, FFO, Gross Book Value, Indebtedness, Indebtedness Coverage Ratio, Interest Coverage Ratio and NOI as computed by the Fund may not be comparable to similar measures as reported by other issuers or companies in similar or different industries. The Fund uses these measures to better assess the Fund’s underlying performance and provides these additional measures so that investors may do the same.

Adjusted Net Income and Comprehensive Income is defined as net (loss) income and comprehensive (loss) income in accordance with IFRS before deferred taxes and provisions for carried interest plus amortization of financing costs and loan premiums, fair value adjustments on derivative instruments, distributions to unitholders of the Fund (“Unitholders”), less finance income and adjusted for other non-cash items. Other non-cash items include unrealized foreign exchange gains and losses. Adjusted Net Income and Comprehensive Income is used in calculating certain ratios described below.

AFFO is defined as FFO subject to certain additional adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans assumed; (ii) amortization of financing costs; (iii) deduction of a reserve for normalized

¹ This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see “non-IFRS financial measures”).

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maintenance capital expenditures and suite make ready costs, as determined by the Manager; and (iv) vacancy costs associated with any suite upgrade program. Other adjustments may be made to AFFO as determined by the Manager.

AFFO is presented in this MD&A as the Manager considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders after a provision for maintenance capital expenditures. AFFO should not be interpreted as an indicator of cash generated from operating activities, as it does not consider changes in working capital. AFFO has not been calculated in accordance with the Real Property Association of Canada ("RPAC") definition, as the Fund adjusts for non-cash items to better measure the sustainability of future distributions. This MD&A does not include a presentation of adjusted cash flow from operations as defined by RPAC. The most comparable IFRS measures for AFFO are cash flow from operating activities and net income (loss) and comprehensive income (loss).

AFFO payout ratio is calculated by taking distributions declared and dividing by AFFO in a given reporting period. The Fund considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders.

AMR is defined as the total in place rents divided by the total number of suites occupied as at the reporting date.

Cash provided by operating activities including interest costs, is a measure of the amount of cash generated from operating activities including interest costs and is presented in this MD&A as the Manager considers this non-IFRS measure when determining the sustainability of future distributions paid to Unitholders.

Economic occupancy is calculated by taking effective net rent after considering vacancy and concessions and dividing by gross potential rent. The Fund considers this an important operating metric to evaluate the extent to which revenue potential is being realized.

Estimated Gap to Market Versus In-Place Rents is defined as the estimated market rent for each applicable property divided by the applicable AMR for each property.

FFO is defined as net (loss) income and comprehensive (loss) income in accordance with IFRS, excluding fair value adjustments of the investment properties, fair value adjustments on derivative instruments, distributions to Unitholders of Units classified as financial liabilities, International Financial Reporting Interpretations Committee 21 – Levies ("IFRIC 21") adjustment for property taxes, deferred income tax expense and realized or unrealized foreign exchange gains and losses, and provisions for carried interest. FFO is a measure of operating performance based on the funds generated from the business before reinvestment or provision for other capital needs. FFO is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of operating performance and is calculated in accordance with RPAC. The most comparable IFRS measures for FFO are cash flow from operating activities and net (loss) income and comprehensive (loss) income.

FFO payout ratio is calculated by taking distributions declared and dividing by FFO in a given reporting period. The Fund considers this non-IFRS measure to be an important performance measure to determine the sustainability of future distributions paid to Unitholders.

Gross Book Value is defined as the fair market value of the investment properties as determined in accordance with IFRS. Gross Book Value is presented in this MD&A as the Fund considers this non-IFRS measure to be an important measure of the Fund's financial condition. The most comparable IFRS measure for Gross Book Value is investment properties.

Indebtedness is defined as the principal amount of loans payable outstanding as at a specific reporting date. Indebtedness is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition. The most comparable IFRS measure for indebtedness is loans payable.

Indebtedness Coverage Ratio is defined as Adjusted Net Income and Comprehensive Income plus interest expense divided by interest and mandatory principal payments on the Fund's loans payable for a specified reporting period. Generally, a higher Indebtedness Coverage Ratio demonstrates a stronger ability to satisfy the Fund's debt service obligations. Indebtedness Coverage Ratio is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual principal and interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

Indebtedness to Gross Book Value is defined as the Fund's Indebtedness divided by the Gross Book Value of the Properties. Indebtedness to Gross Book Value is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's financial condition.

Interest Coverage Ratio is defined as Adjusted Net Income and Comprehensive Income plus interest expense divided by interest expense. Generally, a higher Interest Coverage Ratio indicates a lower credit risk. Interest Coverage Ratio is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the amount of cash flow available to meet annual interest payments and ultimately the ability of the Fund to make cash distributions to Unitholders.

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NOI, or Adjusted Income from Operations, is defined as all property revenue, less direct property costs such as utilities, property taxes (adjusted to normalize for the IFRIC 21 impact in each reporting period), repairs and maintenance, on-site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI Margin is defined as NOI divided by revenue from property operations. NOI and NOI Margin are presented in this MD&A as the Manager considers these non-IFRS measure to be important measures of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis. The most comparable measure to IFRS is net (loss) income and comprehensive (loss) income.

Same property operating results and same property NOI (revenue less property operating costs and realty taxes) have been presented in this MD&A for the Properties continuously for the selected reporting period and does not take into account the impact of the operating performance of the Properties acquired during or subsequent to the reporting period. Same property NOI and NOI Margin are presented in this MD&A as the Manager considers these non-IFRS measures to be important measures of the Fund's operating performance.

Weighted Average Units Outstanding represent the class A equivalent Units outstanding, adjusted for conversion ratios applicable for each Unit class, as well as for the exchange rate achieved on the Fund's initial public offering (the "Offering").

Reconciliations of net (loss) income and comprehensive (loss) income to FFO and AFFO are provided herein at "Non-IFRS Financial Measures – FFO and AFFO". In addition, a reconciliation of cash provided by operating activities including interest costs to AFFO is provided herein at "Non-IFRS Financial Measures – FFO and AFFO" and a reconciliation of NOI from the financial statement presentation of revenue, property operating costs and property taxes is provided herein at "Financial and Operational Highlights".

FUTURE OUTLOOK

Since early 2022, concerns over elevated levels of inflation have resulted in a significant increase in interest rates with the U.S. Federal Reserve raising the Federal Funds Rate by approximately 525 basis points. Interest rate increases typically lead to increases in borrowing costs for the Fund, reducing cash flow, given the Fund primarily employs a variable rate debt strategy due to the Fund's initial 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 each resident lease which has been demonstrated in the rent growth achieved at the Properties where same property AMR increased by 6.3% from Q2-2022 to Q2-2023. Furthermore, the Fund does have certain interest rate caps or swaps in place which protect the Fund from increases in interest rates beyond stipulated levels and for stipulated terms as described in detail in the Fund's condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and the audited consolidated financial statements for the year ended December 31, 2022 which are available at www.sedarplus.ca. The Fund also continues to closely monitor the U.S. employment and inflation data as well as the U.S. Federal Reserve's monetary policy decisions in relation to future interest rates and resulting impact these may have on the Fund's financial performance in future periods.

The impact of rising interest rates and higher levels of inflation have also significantly disrupted active and new construction of comparable product in the primary markets of the Fund, which include Arizona, California, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington ("Primary Markets") which may create a temporary imbalance in supply of comparable, multi-suite residential properties in future periods. This imbalance, alongside the continued economic strength and solid fundamentals may be supportive of favourable supply and demand conditions for the Properties in future periods and could result in future increases in occupancy and rent growth. The Fund believes it is well positioned to take advantage of these conditions should they transpire given the quality of its Properties and the benefit of having a resident pool employed across a diverse job base.

The significant increases in interest rates has also contributed to an increase in volatility across capital markets, leading banks and other debt providers to reduce their lending capacity while increasing the cost of new loans. Although operating fundamentals continue to be favorable as evidenced by the operating results achieved by the Fund during 2022 and 2023, the Fund's financial results continue to be impacted by the significant increases in interest rates. As a result and after consideration of various options, the Fund previously announced that the most prudent course of action was to pause the Fund's monthly distributions commencing with the November 2022 distribution, which would have been payable on December 15, 2022. The reduction in distributions amounts to approximately \$3,300 per annum and is expected to provide the Fund with additional flexibility during this period of capital markets uncertainty.

The Fund continues to closely monitor the financial impact of elevated interest rates and higher levels of inflation on the Fund's liquidity and financial performance. During this period of capital markets uncertainty, the Fund may also enter into additional financing or evaluate potential asset sales to bolster liquidity with the goal of maximizing the total return for investors during the Fund's term.

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INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a limited partnership formed under and governed by the laws of the Province of Ontario. The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto, Ontario M8X 2X3.

The term of the Fund is targeted to be three years, with two one-year extensions (the "Term") available subject to approval by Starlight U.S. Multi-Family (No. 2) Core Plus GP, Inc., the general partner of the Fund ("Starlight GP"). The Fund may be extended beyond five years by special resolution of the Unitholders (see "Subsequent Events").

The ownership of the Fund is separated into seven classes of Units. On March 31, 2021, the Fund 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 C\$10.00 and 236,840 class E Units, 535,300 class G Units and 299,120 class U Units at a price of \$10.00. Class A, C, D and F are Canadian dollar denominated Units and class E, G and U are U.S. dollar denominated Units. Conversions can be made between certain classes of Units based on conversion ratios calculated consistent with the Fund's amended and restated limited partnership agreement (the "Conversion Ratios"). The weighted average class A equivalent Units outstanding as at June 30, 2023 was 10,901,915 (assumes all outstanding Units are converted to class A equivalent Units based on the Conversion Ratios).

The Offering raised gross subscription proceeds of \$85,408. After the closing of the Offering on March 31, 2021, the Fund acquired Montane Apartments ("Montane") and Hudson at East ("Hudson") consisting of a combined 675 suites. The Properties are located in Denver, Colorado and Orlando, Florida. During the six months ended June 30, 2023, the Fund acquired Summermill at Falls River ("Summermill") a class "A" institutional quality property comprising of 320 suites in Raleigh, North Carolina (see "Portfolio Overview"). The Listed Units of the Fund are listed on the TSX Venture Exchange under the symbols SCPT.A and SCPT.U, respectively.

The Fund's investment strategy:

The Fund was established for the primary purpose of directly or indirectly acquiring, owning and operating a portfolio primarily comprised of income-producing multi-family real estate properties that demonstrate value based on pricing and local supply and demand trends to achieve the Fund's target metrics or that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management, and are located in the Primary Markets, with a particular focus on the suburban areas of the Primary Submarkets. The Manager believes the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate asset classes.

The Fund's investment objectives are to:

1. Directly or indirectly acquire, own and operate a portfolio primarily composed of income-producing multi-family properties that demonstrate value based on pricing and local supply and demand trends to achieve the Fund's target metrics or that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management, and are located in the Primary Markets, with a particular focus on the suburban areas of Primary Submarkets;
2. Make stable monthly cash distributions; and
3. Increase NOI through active asset management, which may include light value-add capital expenditures, utilizing revenue management software to increase rental rates, revenue enhancement through ancillary income opportunities and operating expense reductions through active asset management, best-in-class property management and economies of scale, with the goal of ultimately directly or indirectly disposing of its interest in the assets by the end of the Term.

The Manager targets acquisitions in the Primary Markets, where markets feature:

- a) compelling employment, population, and economic growth rates;
- b) 'landlord friendly' legal environments; and
- c) comfortable climates and quality of life.

ACQUISITION OF CORE PLUS U.S. MULTI-FAMILY REAL ESTATE

1. Identify acquisition opportunities in addition to the Properties in the U.S. multi-family residential market through the Manager's strong pipeline of exclusive acquisition opportunities by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off market" opportunities.
2. Target multi-family assets that are:
 - a) garden and wrap-style, suburban, Class "A" institutional quality properties that demonstrate value based on pricing and local supply and demand trends to achieve the Fund's target metrics or that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management;
 - b) suburban and have a vintage of 1990 or later, with no less than 200 suites to ensure economies of scale;

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- c) strategically located properties in the Primary Markets, with a particular focus on the suburban areas of the Primary Submarkets, with strong long-term job, population and economic growth rates;
 - d) strategically located properties within their respective suburban submarkets with barriers to new development; and
 - e) stabilized, with the potential to benefit from an active asset management strategy.
3. Complete a comprehensive due diligence program, including cash flow and value-add return modeling, operating expense reviews, and third-party reports including market studies, structural and environmental assessments and appraisals.
 4. Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.
 5. Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors.

ASSET VALUE ENHANCEMENT THROUGH ACTIVE MANAGEMENT STRATEGY

1. Utilize the Manager's network to source attractive future acquisitions from private equity funds, operators and other real estate asset managers.
2. Increase rental rates through value-add capital improvement programs, including targeted light value-add capital expenditures of \$2,500 to \$7,500 per rental suite (e.g. kitchens, bathrooms, flooring, etc.) and \$500,000 to \$750,000 for common area upgrades (e.g. clubhouses and resident amenity spaces), as well as modernization improvements, and the use of yield management software.
3. Implement revenue management software and seek ancillary income opportunities (e.g. ancillary fees on new leases, bulk cable, door-to-door waste pick-up service, smart home technology, pet rent, garage rent, storage rental fees, washers and dryers, implementation of identification and verification programs and package handling solutions for package delivery to residents).
4. Reduce operating expenses such as staffing, maintenance contracts, advertising, general and administrative expenses and insurance through economies of scale.
5. Utilize reputable best-in-class U.S.-based property managers.

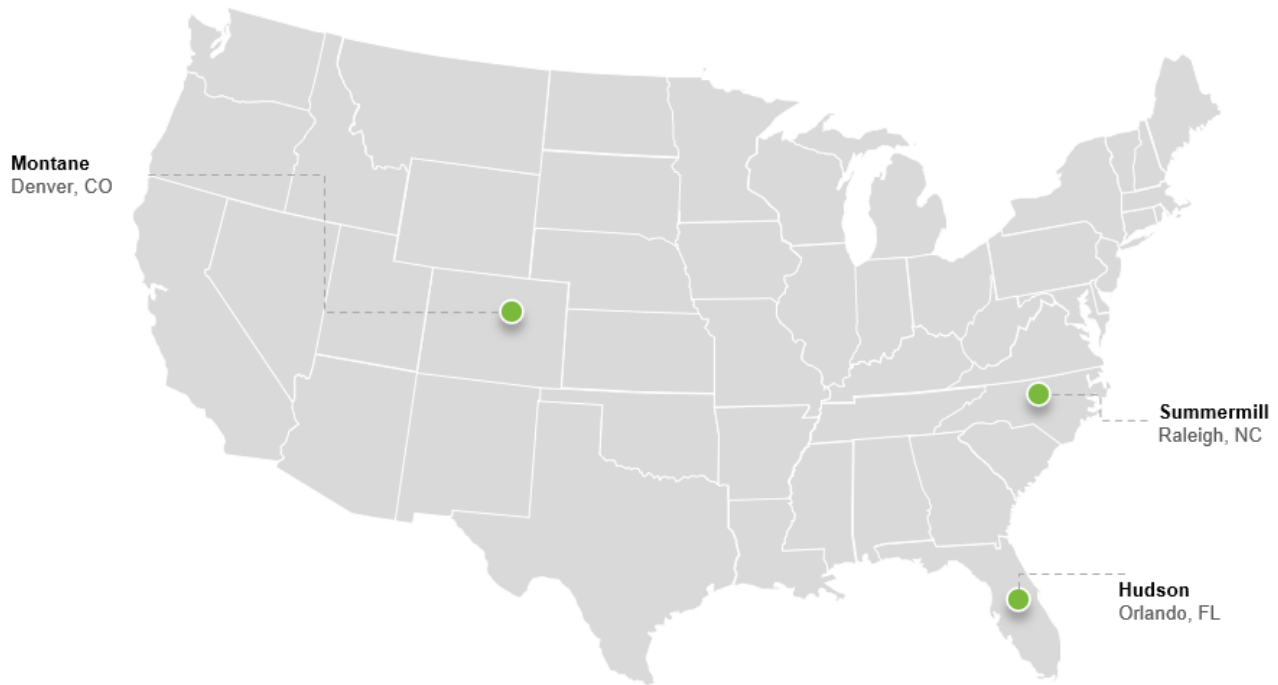
VALUE REALIZATION THROUGH STRATEGIC DISPOSITIONS

1. Asset value increases are expected by the Manager to be realized through a combination of NOI growth, through, among other things, active asset management and capital expenditures resulting in increased rental rates and a pricing premium on the aggregated portfolio.
2. The Manager, on behalf of the Fund, plans to execute dispositions throughout the Term on a single asset or portfolio basis through private and public market transactions to maximize value.
3. The private real estate investment market and the public capital markets will be monitored to seek an exit strategy that can be executed with a view towards maximizing disposition proceeds.

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PORTFOLIO SUMMARY



The Properties are located in suburban areas of the Primary Markets within close proximity to major employment centres and attractive resident amenities including shopping centres and entertainment centres. Each Property has a mix of studio, one-bedroom, two-bedroom and three-bedroom suites as well as townhomes with the mix of suite types typically varying to align with the local resident demographics at each Property. Further details on the Properties can be found on the website at www.starlightinvest.com under the Fund's profile. An overview of the Properties owned as at June 30, 2023 is presented in the table below:

Property	Address	Distance to Downtown ⁽¹⁾	Primary Market	Suites	Vintage	Rentable Area ⁽²⁾	Avg. Suite Size ⁽²⁾	Land Area (Acres)	Date Acquired
Hudson	12530 Innovation E Dr, Orlando	26	Orlando	275	2019	287,547	1,046	16.9	3/31/2021
Montane	18301 Cottonwood Dr, Parker	39	Denver	400	2018	368,174	920	22.2	3/31/2021
Summermill	10311 Falls Mill Dr, Raleigh	18	Raleigh	320	2002	350,520	1,095	16.0	4/27/2022
Total Ownership as at June 30, 2023				995	2013	1,006,241	1,011	54.9	

(1) Represents the approximate distance in kilometers from each Property to the city centre of the applicable Primary Market.

(2) Area is measured in square feet.



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FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operating performance of the Fund as at June 30, 2023 and for the periods ending Q2-2023 and YTD-2023, including a comparison to the Fund's financial and operational performance as at December 31, 2022 and for the periods ending Q2-2022 and YTD-2022.

HIGHLIGHTS FOR Q2-2023

- Q2-2023 revenue from property operations and NOI were \$5,251 and \$3,302 (Q2-2022 - \$4,565 and \$3,029), respectively, representing an increase of \$686 and \$274 relative to Q2-2022 primarily as a result of the acquisition of Summermill as well as strong same property revenue growth of 7.0% and same property NOI¹ growth of 3.2% (see "Results of Operations - Same Property").
- The Fund achieved a 6.3% increase in same property AMR from Q2-2022 to Q2-2023 and reported an Estimated Gap to Market Versus In-Place Rents of 12.0% as at the end of Q2-2023, providing further opportunity for rental increases in future periods (see "Average Monthly Rent and Occupancy").
- The Fund completed 19 in-suite value-add upgrades at Summermill during Q2-2023, which generated an average rental premium of \$299 and an average return on cost of approximately 21.0%.
- As at August 8, 2023, the Fund had collected 98.3% of rents for Q2-2023, with further amounts expected to be collected in future periods, demonstrating the Fund's high quality resident base and operating performance.
- The Fund reported a net loss and comprehensive loss for Q2-2023 of \$9,520 (Q2-2022 - net income and comprehensive income of \$180) primarily resulting from the fair value loss on investment properties reported in Q2-2023, as well as increases in finance costs, partially offset by the increases in NOI including strong same property NOI growth as well as recoveries recorded during Q2-2023 for carried interest and deferred tax provisions.
- Subsequent to Q2-2023, the Fund amended the existing loan payable to modify the Hudson loan to a fixed rate loan bearing interest only ("IO") payments at 5.75% from the date of the amendment to the initial maturity date of May 7, 2025. As part of such amendment, the Fund discharged its obligation to purchase a replacement interest rate cap in November 2023, which is expected to allow the Fund to retain substantial liquidity that otherwise would have been utilized for the purchase of a replacement interest rate cap. The Fund continues to have interest rate caps, swaps or fixed rate debt in-place for 100% of its mortgages on the Properties (see "Subsequent Events").
- On August 9, 2023, Starlight GP approved a one-year extension of the Term to January 8, 2025 to provide the Fund with the opportunity to capitalize on more robust market dynamics (see "Subsequent Events").

HIGHLIGHTS FOR YTD-2023

- Revenue from property operations and NOI for YTD-2023 were \$10,530 and \$6,573 (YTD-2022 - \$8,018 and \$5,325), respectively, representing a \$2,512 and \$1,249 increase relative to YTD-2022. The significant increases were primarily due to the acquisition of Summermill in Q2-2022, strong same property revenue growth of 9.6% and same property NOI growth of 3.9% (see "Results of Operations - Same Property").
- Net loss and comprehensive loss for YTD-2023 was \$11,392 (YTD-2022 - net income and comprehensive income of \$9,000) primarily as a result fair value loss on investment properties reported during YTD-2023 as well as increases in finance costs, partially offset by the increases in NOI including strong same property NOI growth as well as recoveries recorded during YTD-2023 for carried interest and deferred tax provisions.
- The Fund completed 35 in-suite value-add upgrades at Summermill during YTD-2023, which generated an average rental premium of \$301 and an average return on cost of approximately 21.0%.

¹ This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "non-IFRS financial measures").

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FINANCIAL AND OPERATIONAL HIGHLIGHTS

	June 30, 2023	December 31, 2022		
Operational Information⁽¹⁾				
Number of Properties	3	3		
Total suites	995	995		
Economic occupancy ⁽²⁾⁽³⁾	91.5 %	94.1 %		
AMR (in actual dollars)	\$ 1,713	\$ 1,678		
AMR per square foot (in actual dollars)	\$ 1.72	\$ 1.67		
Estimated Gap to Market Versus In-Place Rents	12.0 %	8.0 %		
Selected Financial Information				
Gross Book Value ⁽³⁾	\$ 339,000	\$ 355,500		
Indebtedness ⁽³⁾	\$ 246,494	\$ 243,684		
Indebtedness to Gross Book Value ⁽³⁾	72.7 %	68.5 %		
Weighted average interest rate - as at period end ⁽³⁾⁽⁴⁾	5.45 %	5.42 %		
Maximum weighted average interest rate - as at period end ⁽³⁾⁽⁴⁾	5.45 %	5.42 %		
Weighted average loan term to maturity ⁽³⁾	3.11 years	3.63 years		
	Q2-2023	Q2-2022	YTD-2023	YTD-2022
Summarized Income Statement				
Revenue from property operations	\$ 5,251	\$ 4,565	\$ 10,530	\$ 8,018
Property operating costs	(1,386)	(1,087)	(2,803)	(1,878)
Property taxes ⁽⁵⁾	(563)	(449)	(1,154)	(816)
Adjusted Income from Operations / NOI	\$ 3,302	\$ 3,029	\$ 6,573	\$ 5,325
Fund and trust expenses	(381)	(326)	(733)	(590)
Finance costs (including non-cash items) ⁽⁶⁾	(3,579)	(1,332)	(8,154)	(777)
Other income and expenses ⁽⁷⁾	(8,862)	(1,191)	(9,078)	5,042
Net (loss) income and comprehensive (loss) income	\$ (9,520)	\$ 180	(11,392)	\$ 9,000
Other Selected Financial Information				
FFO ⁽³⁾	\$ (746)	\$ 742	\$ (1,073)	\$ 1,875
FFO per Unit - basic and diluted	\$ (0.07)	\$ 0.07	\$ (0.10)	\$ 0.17
AFFO ⁽³⁾	\$ (546)	\$ 840	\$ (664)	\$ 1,999
AFFO per Unit - basic and diluted	\$ (0.05)	\$ 0.08	\$ (0.06)	\$ 0.18
Weighted average interest rate - average during period ⁽⁴⁾	5.45 %	3.43 %	5.45 %	3.02 %
Interest coverage ratio ⁽³⁾⁽⁸⁾	0.85 x	1.51 x	0.91 x	1.81 x
Indebtedness coverage ratio ⁽³⁾⁽⁸⁾	0.85 x	1.51 x	0.91 x	1.81 x
Distributions to Unitholders	\$ —	\$ 837	\$ —	\$ 1,681
Weighted average Units outstanding (000s) - basic/diluted	10,902	10,902	10,902	10,902

(1) The Fund commenced operations following the acquisition of Montane and Hudson on March 31, 2021 and subsequently acquired Summerhill on April 27, 2022.

(2) Economic occupancy for Q2-2023 and Q4-2022. As at June 30, 2023, the Fund had physical occupancy of 93.5% and adjusting for the vacant units undergoing in-suite upgrades at that time, the Fund's occupancy would have been 94.6%.

(3) This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "non-IFRS financial measures").

(4) Based on interest rate caps in place as at June 30, 2023, which protect the Fund from increases in U.S. 30-day New York Federal Reserve Secured Overnight Financing Rate ("NY SOFR") or one-month term Secured Overnight Financing Rate (together with NY SOFR, "SOFR") beyond stipulated levels, the Fund's maximum interest rate is approximately 5.45%. The weighted average interest rate on loans payable is presented as at June 30, 2023 based on SOFR as at that date, subject to any interest rate caps in place (see "Fair value gain on derivative financial instruments").

(5) Property taxes were adjusted to exclude the IFRIC 21 fair value adjustment and treat property taxes as an expense that is amortized during the fiscal year for the purpose of calculating NOI. These amounts have been reported under fair value adjustment IFRIC 21 under the Fund's condensed consolidated interim financial statements for Q2-2023.

(6) Finance costs include interest expense on loans payable, non-cash amortization of deferred financing costs and fair value changes in derivative financial instruments (see "Other Income and Expenses").

(7) Includes distributions to Unitholders, dividends to preferred shareholders, unrealized foreign exchange gain, realized foreign exchange loss, fair value gain/(loss) of investment properties, provision for carried interest and deferred income taxes. See "Financial Performance" for detailed income statement information as well as "Other Income and Expenses" for commentary on variances related to each significant variance included within other income and expense items.

(8) The Fund's interest and indebtedness coverage ratios were 0.85x during Q2-2023, with the Fund reporting strong operating results offset by increases in the Fund's interest costs as a result of the Fund utilizing a variable rate debt strategy which allows the Fund to maintain maximum flexibility for the potential sale of the Fund's properties at the end of, or during, the Fund's Term. The Fund also has interest rate caps on the Fund's loans payable in place as at June 30, 2023 which protect the Fund from increases in SOFR beyond approximately 3.00%. Given the Fund was also formed as a "closed-end" limited partnership with an initial term of three years (see "Subsequent Events"), a targeted yield of 4.0% and a pre-tax targeted annual total return of 11% across all classes of Units, the Fund continues to monitor the Fund's interest and indebtedness coverage ratios with the goal of maximizing the total return for investors during the Fund's term.

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FINANCIAL PERFORMANCE

The table below presents the financial performance of the Fund in accordance with IFRS for Q2-2023 and the previous seven quarters:

	Q2-2023	Q1-2023	Q4-2022	Q3-2022	Q2-2022	Q1-2022	Q4-2021	Q3-2021
Revenue from property operations	5,251	5,279	5,146	5,074	4,565	3,453	3,391	3,430
Property operating costs	(1,386)	(1,417)	(1,309)	(1,241)	(1,087)	(791)	(855)	(808)
Property taxes ⁽¹⁾	—	(2,365)	—	—	—	(1,467)	—	—
Income from property operations	\$ 3,865	\$ 1,497	\$ 3,837	\$ 3,833	\$ 3,478	\$ 1,195	\$ 2,536	\$ 2,622
Finance costs ⁽²⁾	(3,579)	(4,575)	(3,187)	(521)	(1,332)	556	(1,567)	(930)
Distributions to Unitholders	—	—	(256)	(830)	(837)	(844)	(850)	(851)
Distributions to preferred shareholders	(4)	(4)	(4)	(4)	(5)	(4)	(4)	(4)
Fund and trust expenses	(381)	(352)	(373)	(387)	(326)	(265)	(305)	(271)
Fair value adjustment IFRIC 21 ⁽¹⁾	(563)	1,774	(663)	(494)	(449)	1,100	(342)	(378)
Unrealized foreign exchange gain (loss)	—	6	19	11	(27)	1	(5)	(12)
Realized foreign exchange (loss) gain	—	—	(20)	6	3	(2)	4	7
Fair value (loss) gain on investment properties	(18,285)	—	(11,477)	(10,860)	—	12,648	11,554	37,890
Provision for carried interest recovery (expense)	5,264	—	2,540	1,841	—	(3,102)	(3,301)	(7,910)
Income tax (expense) recovery: current	(54)	—	(26)	(26)	—	—	—	—
deferred	4,217	(218)	410	1,418	(325)	(2,463)	(3,692)	(9,813)
Net (loss) income and comprehensive (loss) income	\$ (9,520)	\$ (1,872)	\$ (9,200)	\$ (6,013)	\$ 180	\$ 8,820	\$ 4,028	\$ 20,350
NOI / Adjusted Income from Operations ⁽³⁾	\$ 3,302	\$ 3,271	\$ 3,174	\$ 3,339	\$ 3,029	\$ 2,295	\$ 2,194	\$ 2,244
FFO	\$ (746)	\$ (327)	\$ (1,105)	\$ (267)	\$ 742	\$ 1,133	\$ 348	\$ 1,053
AFFO	\$ (546)	\$ (120)	\$ (923)	\$ (95)	\$ 840	\$ 1,135	\$ 1,017	\$ 1,126
FFO per Unit - basic and diluted ⁽⁴⁾	\$ (0.07)	\$ (0.03)	\$ (0.10)	\$ (0.02)	\$ 0.07	\$ 0.10	\$ 0.03	\$ 0.10
AFFO per Unit - basic and diluted ⁽⁴⁾	\$ (0.05)	\$ (0.01)	\$ (0.08)	\$ (0.01)	\$ 0.08	\$ 0.10	\$ 0.09	\$ 0.10
Distributions per Unit ⁽⁴⁾	\$ —	\$ —	\$ 0.02	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08	\$ 0.08

(1) As a result of the IFRIC 21 treatment of property taxes, the property tax expense line item of the Fund for Q1-2023 and Q1-2022 includes the full year as an expense during the first quarter of the year, with the remainder of the expenses as an offset in fair value adjustment IFRIC 21.

(2) Finance costs include interest expense on loans payable, non-cash amortization of deferred financing costs and fair value changes in derivative financial instruments (see "Other Income and Expenses").

(3) Adjusted Income from Operations is shown to exclude the impact of IFRIC 21 for property taxes by aggregating the income from property operations and the fair value adjustment IFRIC 21 amounts.

(4) Distributions, FFO and AFFO per Unit for each period are based on the total distributions per weighted average Unit outstanding during the period.

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RESULTS OF OPERATIONS

The results for Q2-2023 and YTD-2023 reflect the operations for Montane, Hudson and Summermill. In comparison, the results of operations for the Q2-2022 and YTD-2022 comparative period reflect the operations for the three and six months ended June 30, 2022 for Montane and Hudson and operations from April 27, 2022 (date of its acquisition) to June 30, 2022 for Summermill. As such, the variances reflected in the results of operations between Q2-2023 and Q2-2022 as well as YTD-2023 and YTD-2022 are primarily a result of the acquisition of Summermill and the number of operating days for the Property (the "Primary Variance Drivers"). Operating results presented on a same property basis include Montane and Hudson only (see "Results of Operations - Same Property").

	Q2-2023	Q2-2022	\$ Chg	% Chg	YTD-2023	YTD-2022	\$ Chg	% Chg
Revenue from property operations	\$ 5,251	\$ 4,565	\$ 686	15.0%	\$ 10,530	\$ 8,018	\$ 2,512	31.3 %
Property operating costs	(1,386)	(1,087)	(299)	(27.5)%	(2,803)	(1,878)	(925)	(49.3)%
Property taxes ⁽¹⁾	(563)	(449)	(114)	(25.4)%	(1,154)	(816)	(338)	(41.4)%
Adjusted Income from Operations / NOI	\$ 3,302	\$ 3,029	\$ 273	9.0%	\$ 6,573	\$ 5,325	\$ 1,248	23.4 %
NOI margin ⁽²⁾	62.9 %	66.4 %			62.4 %	66.4 %		

(1) Property taxes were adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year.

(2) This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "non-IFRS financial measures").

REVENUE FROM PROPERTY OPERATIONS

Revenue from property operations includes the monthly rent charges for the lease of suites, other ancillary income and the reimbursement by the residents for certain utility expenses incurred. Other ancillary income includes, but is not limited to, amounts from forfeited deposits, late fees, short notice fees, cleaning fees, lease termination fees, application fees and pet fees. Net rental income is the only material component of total revenue from property operations comprising approximately 90%, with other ancillary income and utility expense reimbursements comprising the remaining approximate 10%.

Revenue from property operations for Q2-2023 was \$5,251 (Q2-2022 - \$4,565), representing an increase of \$686 relative to Q2-2022 primarily due to the Primary Variance Drivers as well as strong same property revenue growth of 7.0% (see "Results of Operations - Same Property").

Revenue from property operations for YTD-2023 was \$10,530 (YTD-2022 - \$8,018), representing an increase of \$2,512 relative to YTD-2022, primarily due to the Primary Variance Drivers as well as strong same property revenue growth of 9.6%. The Fund continues to focus on maximizing revenue at the Properties through continued rent growth and optimal occupancy levels.

PROPERTY OPERATING COSTS

The main components of property operating costs are salaries and benefits (approximately 29%), insurance premiums (approximately 15%), administrative costs including property management fees (approximately 19%) and all other operating costs (ranging from approximately 0.1% to 6.9%). The Properties typically only incur utility costs in respect of the common areas of each Property, resulting in utility costs representing approximately 1.3% of property operating costs. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

Property operating costs for Q2-2023 were \$1,386 (Q2-2022 - \$1,087), representing an increase of \$299 relative to Q2-2022 primarily due to the Primary Variance Drivers and increases in same property operating costs of 15.5% (see "Results of Operations - Same Property").

Property operating costs for YTD-2023 were \$2,803 (YTD-2022 - 1,878), representing an increase of \$925 relative to YTD-2022, driven primarily by the Primary Variance Drivers and increases in same property operating costs. The Fund continues to prioritize managing operating cost increases, including the impacts of higher levels of inflation where applicable, through active asset management.

PROPERTY TAXES

Property taxes for Q2-2023 were \$563 (Q2-2022 - \$449), representing an increase of \$114 relative to Q2-2022 due to the Primary Variance Drivers and increases in same property taxes (see "Results of Operations - Same Property").

Property taxes for YTD-2023 were \$1,154 (YTD-2022 - \$816), representing an increase of \$338 relative to YTD-2022 due to the Primary Variance Drivers and increase in same property taxes. The Fund actively manages the assessed values of its Properties to minimize property taxes by utilizing third party consultants in the respective markets which

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includes appealing against the assessed values where deemed appropriate by the Manager. Property taxes in the condensed consolidated interim financial statements for Q2-2023 have been presented under IFRS and IFRIC 21.

NOI AND NOI MARGIN

NOI for Q2-2023 was \$3,302 (Q2-2022 - \$3,029), representing an increase of \$273 relative to Q2-2022 primarily driven by the Primary Variance Drivers and strong same property NOI growth of 3.2% (see “Results of Operations - Same Property”).

NOI for YTD-2023 was \$6,573 (YTD-2022 - \$5,325), representing an increase of \$1,248 relative to YTD-2022 primarily driven by the Primary Variance Drivers and same property NOI growth of 3.9%.

During Q2-2023, the NOI margin was 62.9% (Q2-2022 - 66.4%), representing a decrease of 350 basis points driven by increases in operating costs, particularly insurance premiums, property taxes and the acquisition of Summermill which has a lower NOI margin relative to Hudson and Montane (see “Results of Operations - Same Property”).

During YTD-2023, the NOI margin was 62.4% (YTD-2022 - 66.4%), representing an decrease of 400 basis points relative to YTD-2022, primarily due to the same reasons described above for the change in Q2-2023 NOI margin.

AVERAGE MONTHLY RENT AND OCCUPANCY

The following table presents AMR (in actual dollars) as well as economic occupancy for the Properties:

Properties	Suites	AMR ⁽¹⁾			Economic Occupancy ⁽¹⁾					
		Q2-2023	Q2-2022	% Chg	Q2-2023	Q2-2022	% Chg	YTD-2023	YTD-2022	% Chg
Hudson	275	\$ 1,807	\$ 1,670	8.2 %	90.8 %	94.7 %	(3.9)%	91.5 %	95.2 %	(3.7)%
Montane	400	\$ 1,830	\$ 1,742	5.1 %	92.8 %	94.4 %	(1.6)%	93.6 %	94.0 %	(0.4)%
Summermill	320	\$ 1,487	\$ 1,388	7.1 %	90.2 %	94.5 %	(4.3)%	91.0 %	94.5 %	(3.5)%
Total Portfolio	995	\$ 1,713	\$ 1,608	6.5 %	91.5 %	94.5 %	(3.0)%	92.3 %	94.5 %	(2.2)%
Same Property⁽²⁾	675	\$ 1,821	\$ 1,713	6.3 %	92.0 %	94.5 %	(2.5)%	92.8 %	94.5 %	(1.7)%

(1) Figures represent results as at the reporting period end for AMR and during the reporting period for economic occupancy.

(2) Same property figures represent results for Montane and Hudson.

Total portfolio AMR for Q2-2023 was \$1,713, or 6.5% higher than Q2-2022, including the impact of acquiring Summermill which has a lower AMR relative to Hudson and Montane. Same property AMR for Q2-2023 was \$1,821, or 6.3% higher than Q2-2022 due to the Fund achieving significant rent increases on both new and renewing resident leases since Q2-2022. These increases were driven by overall demand for multi-family suites in the U.S. and the Primary Markets in which the Fund operates. In addition, the Fund reported an Estimated Gap to Market versus In-Place Rents of 12.0% as at June 30, 2023 providing further opportunity for rental increases in future periods.

The Fund's economic occupancy for Q2-2023 and YTD-2023 was 91.5% and 92.3% (Q2-2022 and YTD-2022 - 94.5%), representing a decrease of approximately 320 and 240 basis points relative to Q2-2022 and YTD-2022, primarily as a result of the Fund focusing on maximizing rent increases at these Properties as well as the impact of in-suite upgrades completed during Q2-2023 and YTD-2023 which are vacant while the upgrades are being completed. As at June 30, 2023, the Fund had physical occupancy of 93.5% and adjusting for the vacant units undergoing in-suite upgrades at that time, the Fund's occupancy would have been 94.6%. The Fund continues to focus on maximizing revenue at the Properties through optimizing rent growth while maintaining occupancy levels within the Fund's targeted range.

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QUARTERLY AMR AND OCCUPANCY

The table below outlines the Fund's quarterly AMR and economic occupancy results for Q2-2023 and the previous four quarters:

Properties	Suites	Q2-2023		Q1-2023		Q4-2022		Q3-2022		Q2-2022	
		AMR	Econ. Occ %	AMR	Econ. Occ %	AMR	Econ. Occ %	AMR	Econ. Occ %	AMR	Econ. Occ %
Hudson	275	\$ 1,807	90.8 %	\$ 1,786	92.3 %	\$ 1,767	93.5 %	\$ 1,748	94.3 %	\$ 1,670	94.7 %
Montane	400	\$ 1,830	92.8 %	\$ 1,807	94.4 %	\$ 1,795	96.3 %	\$ 1,797	96.2 %	\$ 1,742	94.4 %
Summerville	320	\$ 1,487	90.2 %	\$ 1,463	91.7 %	\$ 1,455	91.2 %	\$ 1,435	89.0 %	\$ 1,388	94.5 %
Total Portfolio	995	\$ 1,713	91.5 %	\$ 1,691	93.1 %	\$ 1,678	94.1 %	\$ 1,667	93.7 %	\$ 1,608	94.5 %
Same Property	675	\$ 1,821	92.0 %	\$ 1,798	93.5 %	\$ 1,784	95.2 %	\$ 1,777	95.4 %	\$ 1,713	94.5 %

(1) Figures represent results as at the reporting period end for AMR and during the reporting period for economic occupancy.

Total portfolio AMR increased to \$1,713 during Q2-2023, representing a 5.4% annualized increase during the quarter as a result of the Fund achieving significant rent increases on both new and renewing resident leases, reflecting strong leasing demand for the suites. As in-suite units upgrades are completed, substantial rental increases are generated when the suites are re-leased. These suites are not available to lease, which decreases occupancy during the period when suites are upgraded at Summerville (see "Light Value-Add Initiatives")

The Fund's economic occupancy for Q2-2023 was 91.5%, representing a decrease of approximately 160 basis points during the quarter as the Fund continues to focus on maximizing revenue at the Properties through optimizing rent growth, including through its in-suite upgrade program, while maintaining occupancy levels within the Fund's targeted range.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results include Montane and Hudson for Q2-2023, Q2-2022, YTD-2023 and YTD-2022 representing 675 suites:

	Q2-2023	Q2-2022	\$ Chg	% Chg	YTD-2023	YTD-2022	\$ Chg	% Chg
Revenue from property operations	\$ 3,860	\$ 3,607	\$ 253	7.0 %	\$ 7,739	\$ 7,061	\$ 678	9.6 %
Property operating costs	(974)	(843)	\$ (131)	(15.5)%	\$ (1,994)	(1,634)	\$ (360)	(22.0)%
Property taxes ⁽¹⁾	(431)	(385)	\$ (46)	(11.9)%	\$ (889)	(752)	\$ (137)	(18.2)%
NOI	\$ 2,455	\$ 2,379	\$ 76	3.2 %	\$ 4,856	\$ 4,675	\$ 181	3.9 %
NOI margin	63.6 %	66.0 %			62.7 %	66.2 %		

(1) Property taxes were adjusted to exclude the IFRIC 21 adjustment and treat property taxes as an expense that is amortized during the fiscal year.

REVENUE FROM PROPERTY OPERATIONS – SAME PROPERTY

Same property revenue from property operations for Q2-2023 and YTD-2023 was \$3,860 and \$7,739 (Q2-2022 and YTD-2022 - \$3,607 and \$7,061), representing an increase of \$253 or 7.0% and \$678 or 9.6%, respectively, primarily as a result of an increase in same property AMR of 6.3% and strong ancillary income growth, partially offset by a reduction in same property occupancy (see "Average Monthly Rent and Occupancy").

PROPERTY OPERATING COSTS – SAME PROPERTY

Same property operating costs for Q2-2023 and YTD-2023 were \$974 and \$1,994 (Q2-2022 and YTD-2022 - \$843 and \$1,634), representing an increase of \$131 or 15.5% and \$360 or 22.0%, respectively, primarily as a result of significant increases in insurance premiums, experienced market wide for multi-family properties as well as inflationary increases in the Fund's other operating costs. The Fund renews its insurance coverage annually with premium increases typically taking effect in December of each year. The Fund engages third party experts to assist with the insurance renewals and continues to diligently monitor the insurance market to identify any opportunities to manage annual premium increases. Excluding insurance, same property operating costs were in line with management's expectations given current market conditions.

PROPERTY TAXES – SAME PROPERTY

Same property taxes for Q2-2023 and YTD-2023 were \$431 and \$889 (Q2-2022 and YTD-2022 - \$385 and 752), representing an increase of \$46 or 11.9% and \$137 or 18.2%, respectively, primarily due to increases in the assessed values of Hudson and Montane as well as the full year property taxes estimated to determine the Q2-2022 and

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YTD-2022 property tax expense being lower than the final 2022 property taxes for those properties. Q2-2023 and YTD-2023 represents the Fund's best estimate of 2023 property taxes.

NOI – SAME PROPERTY

Same property NOI for Q2-2023 and YTD-2023 was \$2,455 and \$4,856 (Q2-2022 and YTD-2022 - \$2,379 and \$4,675), representing an increase of \$76 or 3.2% and \$181 or 3.9%, respectively, primarily as a result of strong revenue growth, partially offset by increases in same property operating costs and same property taxes as described above.

Same property NOI margin for Q2-2023 and YTD-2023 decreased by 240 and 350 basis points to 63.6% and 62.7%, respectively from Q2-2022 and YTD-2022, primarily as a result of the increase in same property taxes and insurance premiums as described above.

LIGHT VALUE-ADD INITIATIVES:

Common Area and Suite Capital Expenditures

The Fund plans to complete certain minor common area and suite capital projects at the Properties, which typically include preventative and deferred maintenance projects to maintain or enhance the productive capacity of the Properties as well as common area upgrades to enhance the tenant experience and offered amenities at each Property. The Fund's light value-add initiatives are expected to result in improvements to common areas, amenities and building exteriors. Despite the Properties being recently constructed and newer vintage, the Fund's capital projects may include targeted rental suite upgrades or enhancements to generate rent premiums. The Fund did not complete any significant common area capital expenditure projects during Q2-2023, but commenced the remodeling of the Summermill clubhouse which upon completion is expected to improve the amenities available to tenants at the Property.

The Fund has capital expenditures required to be incurred in future periods in order to maintain the productive capacity of the Properties to sustain its rental income generating potential over its useful life with such amounts estimated to be \$300 per suite per annum. In accordance with IFRS, the Fund capitalizes all capital improvement expenditures which enhance the service potential of the Properties and extend the useful life of the assets. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and loan payables secured by investment properties.

In-Suite Value-Add Upgrades

The Fund completes in-suite upgrades at the Properties which typically include quartz countertops, stainless steel appliances and tile backsplashes in the kitchens as well as upgraded cabinetry, kitchen sinks and faucets. The program also typically consists of the addition of framed mirrors to the bathrooms as well as plank flooring and lighting upgrades throughout the suites.

During Q2-2023, the Fund upgraded and re-leased 19 suites, achieving average rent increases of \$299 per month per suite and an estimated average return on investment of 21.0%.

The following table presents the results achieved on the suite upgrade program during Q2-2023 and YTD-2023.

Property	Q2-2023			YTD-2023		
	Number of Suites Upgraded and Leased	Rental Premium (per suite, per month) in actual dollars	Return on Investment	Number of Suites Upgraded and Leased	Rental Premium (per suite, per month) in actual dollars	Return on Investment
Summermill	19	\$299	21.0 %	35	\$301	21.0 %

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OTHER INCOME AND EXPENSES

FINANCE COSTS

The Fund's finance costs for Q2-2023 and YTD-2023 compared to Q2-2022 and YTD-2022 are summarized below:

	Q2-2023	Q2-2022	\$ Chg	% Chg	YTD-2023	YTD-2022	\$ Chg	% Chg
Interest expense on loans payable	\$ 3,367	\$ 1,791	\$ 1,576	88.0%	\$ 6,355	\$ 2,611	\$ 3,744	143.4%
Amortization of financing costs	246	172	74	43.0%	504	248	256	103.2%
Fair value (gain) loss on derivative instruments	(34)	(631)	597	n/a	1,295	(2,082)	3,377	n/a
Total finance costs	\$ 3,579	\$ 1,332	\$ 2,247	169%	\$ 8,154	\$ 777	\$ 7,377	949%
Weighted average interest rate - average during period	5.45 %	3.43 %	n/a	n/a	5.45 %	3.02 %	n/a	n/a
Indebtedness - average outstanding during period	\$246,494	\$201,556	\$44,938	22.3%	\$245,905	\$166,309	\$79,596	47.9%

Interest expense on loans payable

Interest expense on loans payable for Q2-2023 was \$3,367 (Q2-2022 - \$1,791), representing an increase of \$1,576 relative to Q2-2022, primarily related to a higher average indebtedness amount outstanding during Q2-2023 relative to Q2-2022 as well as a higher weighted average interest rate. The higher average indebtedness outstanding was primarily due to the refinancing of Hudson and new loans payable related to Summermill entered into by the Fund in Q2-2022. The Fund's weighted average interest rate was 5.45% during Q2-2023 (Q2-2022 - 3.43%) with the increase relative to Q2-2022 primarily attributable to increases in SOFR, partially offset by the impact of settlements received under interest rate caps owned which protect the Fund from increases in SOFR past stipulated levels (see "Fair value gain on derivative instruments" below).

Interest expense on loans payable for YTD-2023 was \$6,355 (YTD-2022 - \$2,611), representing an increase of \$3,744 relative to YTD-2022, primarily due to the Primary Variance Drivers as well as a higher weighted average interest rate and higher average indebtedness, relative to YTD-2022, as described for Q2-2023 above.

As at June 30, 2023, Term SOFR was approximately 5.09% with the SOFR strike rate on the Fund's interest rate caps owned as at that date ranging from 2.07% to 3.00%. As a result, any further increases in SOFR would not lead to an increase in the Fund's weighted average interest rate during the remaining term of such caps.

Amortization of financing costs

Amortization of financing costs for Q2-2023 was \$246 (Q2-2022 - \$172), representing an increase of \$74 relative to Q2-2022 due to the refinancing of Hudson and the new financing at Summermill as described above.

Amortization of financing costs for YTD-2023 was \$504 (YTD-2022 - \$248), representing an increase of \$256 relative to YTD-2022 due to the Primary Variance Drivers as well as the refinancing of Hudson.

Fair value gain on derivative instruments - Variable rate collar

The Fund entered into a variable rate collar contract on December 16, 2021, which allowed the Fund to establish a guaranteed monthly exchange rate between the conversion of U.S. dollar funds to Canadian dollar funds amounting to \$312 per month (Canadian dollars). The contract was entered and amended to protect against the potential impact of any weakening of the U.S. dollar on potential amounts required to fund any monthly Canadian dollar distributions. Under the terms of the amended contract, monthly settlements occur each successive month settling on or about the twelfth day of each month until April 10, 2024. 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 \$1.3000 and a maximum exchange rate of \$1.3925. The variable rate collar contract was terminated by the Fund on June 23, 2023.

Fair value gain on derivative instruments - 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. For a detailed summary of the interest rate caps in place including the strike rate, term and notional amount of each interest rate cap applicable to certain loans payable protecting the Fund from increases in interest costs, please refer to the Fund's condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and June 30, 2022 that are available at www.sedarplus.ca.

For Q2-2023 and YTD-2023, the Fund recorded an unrealized gain on derivative instruments of \$34 and loss of \$1,295. The change in fair value of the interest rate caps during Q2-2023 and YTD-2023 are a result of a shorter remaining

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duration of the existing interest rate cap in place as well as changes in market expectations for SOFR interest rates which directly impact the value of such interest rate cap instruments.

DISTRIBUTIONS TO UNITHOLDERS

The Fund did not declare distributions during Q2-2023 and YTD-2023 (Q2-2022 and YTD-2022 - \$837 and \$1,681). The Fund announced that the most prudent course of action was to pause the Fund's monthly distributions effective with the November 2022 distribution, which would have been payable on December 15, 2022. The reduction in distributions amounts to approximately \$3,300 per annum and is expected to provide the Fund with additional flexibility during this period of capital markets uncertainty (see "Liquidity and Capital Resources").

DISTRIBUTIONS TO PREFERRED SHAREHOLDERS - U.S REIT SERIES A

Starlight U.S Multi-Family (No. 2) Core Plus REIT Inc. ("U.S. REIT") has a total of 125 series A, preferred shares issued and outstanding that are held by U.S. residents. The preferred shares were issued on July 2, 2021 and 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 U.S. REIT incurs a penalty if redeemed before December 31, 2023. For Q2-2023 and YTD-2023, the Fund paid dividends of \$4 and \$8 (Q2-2022 and YTD-2022 - \$5 and \$9).

FUND AND TRUST EXPENSES

Fund and trust expenses include costs incurred by the Fund that are not directly attributable to the Properties. These costs include items such as legal and audit fees, director fees, investor relations expenses, directors' and officers' insurance premiums, expenses relating to the administration of any distributions paid by the Fund and other general and administrative expenses associated with the operation of the Fund. Also included in fund and trust expenses are asset management fees payable to the Manager (see "Related Party Transactions and Arrangements – Arrangements with the Manager").

Fund and trust expenses for Q2-2023 were \$381 (Q2-2022 - \$326), representing an increase of \$54 compared to Q2-2022 primarily due to higher asset management fees relating to the acquisition of Summermill.

Fund and trust expenses for YTD-2023 were \$733 (YTD-2022 - \$590), representing an increase of \$143 compared to YTD-2022 primarily due to higher asset management fees relating to the acquisition of Summermill.

INVESTMENT PROPERTIES

The Fund has selected the fair value method to account for real estate classified as investment properties. Fair values are supported by a combination of internal financial information and market data. The determination of fair value is based on, among other things, the amount of rental income from future leases reflecting current market conditions, adjusted for assumptions of future cash flows in respect of current and future leases, capitalization rates and expected occupancy rates.

Change in investment properties for the period ended January 1, 2022 to June 30, 2023:	
Balance, January 1, 2022	\$ 255,200
Acquisition of investment properties	107,303
Capital additions	2,686
Fair value adjustment	(9,689)
Balance, December 31, 2022	\$ 355,500
Capital additions	1,785
Fair value adjustment	(18,285)
Balance, June 30, 2023	\$ 339,000

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Reconciliation of cost base of investment properties to their fair value:	June 30, 2023	December 31, 2022
Cost	\$ 317,530	\$ 315,745
Cumulative fair value adjustment	21,470	39,755
Balance	\$ 339,000	\$ 355,500

Key assumptions for investment properties held by the Fund:	June 30, 2023	December 31, 2022
Capitalization rate - weighted average	4.50%	4.08%
Weighted average capitalization rate - 10 basis point increase ⁽¹⁾	\$ (7,370)	\$ (8,505)
Weighted average capitalization rate - 10 basis point decrease ⁽¹⁾	\$ 7,705	\$ 8,932

(1) The impact of change in weighted average capitalization rate to the fair value of the Fund's investment properties.

During Q2-2023 and YTD-2023, the Fund recorded a loss on investment properties of \$18,285 (Q2-2022 and YTD-2022 - \$nil and gain of \$12,648).

The impact of a 1% change in NOI used to value the investment properties as at June 30, 2023 would affect the fair value by approximately \$3,177 (December 31, 2022 - \$3,688).

PROVISION FOR CARRIED INTEREST

As at June 30, 2023, the Fund had recognized a provision for carried interest after taking into account the minimum return to Unitholders of \$4,668, resulting in a recovery in the provision for carried interest recorded to the condensed consolidated interim statement of net income and comprehensive income of \$5,264 for Q2-2023 and YTD-2023 (Q2-2022 and YTD-2022 - \$nil and expense of \$3,102) (see "Related Party Transactions and Arrangements").

INCOME TAXES - DEFERRED

For Q2-2023 and YTD-2023, the Fund recorded a deferred income tax recovery of \$4,217 and \$3,999 (Q2-2022 and YTD-2022 - expense of \$325 and \$2,788). The deferred income tax relates to differences between the fair value of the investment properties and their tax basis as of June 30, 2023 for both U.S federal and state tax purposes, as applicable. The change during Q2-2023 and YTD-2023 is primarily the result of changes in the tax basis of the Properties due to tax depreciation as well as the change in the fair value of the Properties.

DISTRIBUTIONS TO UNITHOLDERS RELATIVE TO NET (LOSS) INCOME AND COMPREHENSIVE (LOSS) INCOME

	Q2-2023	Q2-2022	YTD-2023	YTD-2022
Net (loss) income and comprehensive (loss) income	\$ (9,520)	\$ 180	\$ (11,392)	\$ 9,000
(Deduct) / Add: non-cash or one-time items including distributions ⁽¹⁾	9,016	729	10,815	(6,886)
Adjusted net (loss) income and comprehensive (loss) income ⁽²⁾	\$ (504)	\$ 909	\$ (577)	\$ 2,114
Distributions	\$ —	\$ 837	\$ —	\$ 1,681
Excess of adjusted net (loss) income and comprehensive (loss) income over distributions	n/a	\$ 72	n/a	\$ 433

(1) Comprised of unrealized foreign exchange gain, deferred income taxes, amortization of financing costs, fair value adjustment on derivative instruments, fair value adjustment on investment properties, and provision for carried interest.

(2) This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "non-IFRS financial measures").

The Fund covered any shortfall between adjusted net (loss) income and comprehensive (loss) income and distributions using cash generated from operating activities of the Fund or through cash on hand, including any amounts derived from financing activities incurred by the Fund. On November 25, 2022, the Fund paused monthly distributions for all classes of Units, effective with the November 2022 distribution, which would have been payable on December 15, 2022 (see "Future Outlook"). The Fund was formed as a "closed-end" limited partnership with an initial term of three years, a targeted yield of 4.0% and a pre-tax targeted annual total return of 11% across all classes of Units (see "Subsequent Events"). The Fund continues to actively monitor liquidity to ensure sufficient resources are available to fund the ongoing operations of the Fund.

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NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been presented below for Q2-2023 and YTD-2023 compared to Q2-2022 and YTD-2022 summarized below:

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO and AFFO is presented below for Q2-2023 and YTD-2023 compared to Q2-2022 and YTD-2022 summarized below:

	Q2-2023	Q2-2022	YTD-2023	YTD-2022
Net (loss) income and comprehensive (loss) income to Unitholders	\$ (9,520)	\$ 180	\$ (11,392)	\$ 9,000
Add / (Deduct):				
Distributions to Unitholders	—	837	—	1,681
Dividends to preferred shareholders	4	4	8	8
Deferred tax (recovery) expense	(4,217)	325	(3,999)	2,788
Unrealized foreign exchange loss (gain)	—	27	(6)	26
Fair value (gain) loss on derivative financial instruments	(34)	(631)	1,295	(2,082)
Fair value loss (gain) on investment properties	18,285	—	18,285	(12,648)
Provision for carried interest	(5,264)	—	(5,264)	3,102
FFO	\$ (746)	\$ 742	\$ (1,073)	\$ 1,875
Add / (Deduct):				
Amortization of financing costs	246	172	504	248
Vacancy costs associated with the suite upgrade program	28	—	52	—
Sustaining capital expenditures and suite renovation reserves	(74)	(74)	(147)	(124)
AFFO	\$ (546)	\$ 840	\$ (664)	\$ 1,999
FFO per Unit - basic and diluted	\$ (0.07)	\$ 0.07	\$ (0.10)	\$ 0.17
FFO payout ratio	n/a	112.8 %	n/a	89.7 %
AFFO per Unit - basic and diluted	\$ (0.05)	\$ 0.08	\$ (0.06)	\$ 0.18
AFFO payout ratio	n/a	99.6 %	n/a	84.1 %
Distributions declared ⁽¹⁾⁽²⁾	\$ —	\$ 837	\$ —	\$ 1,681
Weighted average Units outstanding: basic and diluted - (000s)	10,902	10,902	10,902	10,902

(1) Distributions declared are calculated based on the monthly distribution per Unit.

(2) On November 25, 2022, the Fund paused monthly distributions for all classes of Units, effective with the November 2022 distribution, which would have been payable on December 15, 2022 (see "Future Outlook")

Funds from operations

Basic and diluted FFO and FFO per Unit for Q2-2023 were \$(746) and \$(0.07), respectively (Q2-2022 - \$742 and \$0.07), representing a decrease in FFO of \$1,488 relative to Q2-2022, primarily as a result of increases in the Fund's interest costs partially offset by NOI growth as a result of the Primary Variance Drivers and strong same property NOI growth.

Basic and diluted FFO and FFO per Unit for YTD-2023 were \$(1,073) and \$(0.10), respectively (YTD-2022 - \$1,875 and \$0.17), representing a decrease in FFO of \$2,948 relative to YTD-2022, primarily as a result of increases in the Fund's interest costs partially offset by NOI growth as a result of the Primary Variance Drivers and strong same property NOI growth.

Adjusted funds from operations

Basic and diluted AFFO and AFFO per Unit for Q2-2023 were \$(546) and \$(0.05), respectively (Q2-2022 - \$840 and \$0.08), representing a decrease in AFFO of \$1,386, primarily due to the reasons noted above in FFO.

Basic and diluted AFFO and AFFO per Unit for YTD-2023 were \$(664) and \$(0.06), respectively (YTD-2022 - \$1,999 and \$0.18), representing a decrease in AFFO of \$2,663, primarily due to the reasons noted above in FFO.

For Q2-2023 and YTD-2023, the Fund has not presented an FFO and AFFO payout ratio as the Fund paused distributions commencing November 2022. For Q2-2023 and YTD-2023, the FFO and AFFO achieved for such period was less than zero as a result of the impact of rising interest rates as described above. During Q2-2023 and YTD-2023, the Fund covered any operating shortfall through cash on hand (see "Liquidity and Capital Resources"). The Fund reported strong operating results offset by increases in the Fund's interest costs as a result of the Fund utilizing a variable rate debt strategy which allows the Fund to maintain maximum flexibility for the potential sale of the Properties

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at the end of, or during, the Fund's Term. SOFR as at June 30, 2023 was approximately 5.09%. As a result of such interest rate caps in place as at June 30, 2023, the Fund has a maximum interest rate of approximately 5.45%. Given the Fund was also formed as a "closed-end" limited partnership with an initial term of three years, a targeted yield of 4.0% and a pre-tax targeted annual total return of 11% across the Units, the Fund continues to monitor the Fund's FFO, FFO payout ratio, AFFO and AFFO payout ratio with the goal of maximizing the total return for investors during the Fund's Term (see "Subsequent Events").

Sustaining capital expenditures

For the purposes of calculating AFFO, the Fund utilized a reserve for sustaining capital expenditures and suite renovations of \$74 and \$147 for Q2-2023 and YTD-2023 (Q2-2022 and YTD-2022 - \$74 and \$124). This reserve is used in the calculation of AFFO as it removes fluctuations in AFFO resulting from seasonality in actual sustaining capital expenditures and suite renovation costs. The use of the reserve also eliminates any potential fluctuations in AFFO due to non-recurring or less frequent sustaining capital expenditures. Sustaining capital expenditure reserves are based on third party property condition assessment reports, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate in the Primary Markets. Actual sustaining capital expenditures and suite renovation costs incurred during Q2-2023 and YTD-2023 were \$107 and \$243 (Q2-2022 and YTD-2022 - \$75 and \$133).

Cash used in operating activities reconciliation to FFO and AFFO

Reconciliation of cash provided by operating activities determined in accordance with IFRS to FFO and AFFO for Q2-2023, Q2-2022, YTD-2023 and YTD-2022 are provided below:

	Q2-2023	Q2-2022	YTD-2023	YTD-2022
Cash provided by operating activities	\$ 2,090	\$ 3,981	\$ 4,187	\$ 4,249
Less: interest costs	(3,367)	(1,792)	(6,355)	(2,612)
Cash (used in) provided by operating activities, including interest costs⁽¹⁾	\$ (1,277)	\$ 2,189	\$ (2,168)	\$ 1,637
Add / (Deduct):				
Change in non-cash operating working capital	(193)	(1,851)	(347)	(236)
Change in restricted cash	970	576	1,946	722
Amortization of financing costs	(246)	(172)	(504)	(248)
FFO	\$ (746)	\$ 742	\$ (1,073)	\$ 1,875
Add / (Deduct):				
Amortization of financing costs	246	172	504	248
Vacancy costs associated with the Properties upgrade program	28	—	52	—
Sustaining capital expenditures and suite renovation reserves	(74)	(74)	(147)	(124)
AFFO	\$ (546)	\$ 840	\$ (664)	\$ 1,999

(1) This metric is a non-IFRS measure. Non-IFRS financial measures do not have standardized meanings prescribed by IFRS (see "non-IFRS financial measures").

Distributions to Unitholders relative to cash provided by operating activities

On November 25, 2022, the Fund announced it paused monthly distributions on the Units, effective with the November 2022 distribution, which would have been payable on December 15, 2022 (see "Distributions to Unitholders").

The Fund's cash used in operating activities, including interest costs, was \$1,277 and \$2,168 for Q2-2023 and YTD-2023 (Q2-2022 and YTD-2022 - cash provided by \$2,189 and \$1,637). The Fund covers any shortfall between cash provided by operating activities, including interest costs and distributions using cash generated from operating activities of the Fund or through cash on hand, including any proceeds from financing activities as applicable (see "Distributions to Unitholders relative to Net Income and Comprehensive Income").

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations including property maintenance and capital improvements. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities, cash on hand and loans secured by the Properties including availability of future funding for value-enhancing initiatives. As at June 30, 2023, the Fund was in compliance with all of its financial covenants.

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As at June 30, 2023, the Fund had cash on hand of \$2,732 (Q4-2022 - \$4,229) as well as \$4,401 of available credit under the capital lines associated with the loan payable at Summermill to fund future eligible capital expenditures at such Property. In addition, the Fund drew an additional \$2,000 on the unsecured credit facility during YTD-2023. During this period of capital markets uncertainty, the Fund may also enter into additional financing or evaluate potential asset sales to further enhance liquidity with the goal of maximizing the total return for investors during the Fund's Term.

CASH FLOW

Cash flow provided by operating activities represents the primary source of liquidity to fund any distributions paid, debt service and capital improvements. The Fund's cash flow from operating activities is dependent upon the occupancy level of its investment properties, the rental rates on its leases, the collectability of rent from its residents, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section. The following table details the changes in cash for Q2-2023, Q2-2022, YTD-2023 and YTD-2022:

	Q2-2023	Q2-2022	YTD-2023	YTD-2022
Cash provided by operating activities	\$ 2,090	\$ 3,981	\$ 4,187	\$ 4,249
Cash (used in) provided by financing activities	(3,059)	103,870	(3,905)	102,205
Cash used in investing activities	(812)	(108,472)	(1,785)	(108,708)
Decrease in cash	(1,781)	(621)	(1,503)	(2,254)
Cash, beginning of period	4,513	4,813	4,229	6,445
Exchange rate differences	—	(27)	6	(26)
Cash, end of period	\$ 2,732	\$ 4,165	\$ 2,732	\$ 4,165

Cash provided by operating activities during Q2-2023 and YTD-2023 was \$2,090 and \$4,187, respectively, which consisted primarily of the operating income generated by the Properties, partially offset by cash used to fund restricted cash deposits, which are held in escrow to be used to fund property taxes and insurance costs at the Properties in future periods as well as changes in non-cash working capital.

Cash provided by operating activities during Q2-2022 and YTD-2022 was \$3,981 and \$4,249 which consisted primarily of the operating income generated by the Properties and changes in non-cash working capital, partially offset by cash used to fund restricted cash deposits, which are held in escrow to be used to fund property taxes and insurance costs at the Properties in future periods.

Cash used in financing activities for Q2-2023 and YTD-2023 was \$3,059 and \$3,905, which primarily consisted of finance costs paid of \$3,424 and \$6,708, respectively, partially offset by proceeds from draw downs on payable loans.

Cash provided by financing activities for Q2-2022 and YTD-2022 was \$103,870 and \$102,205, which consisted primarily of the net proceeds from the refinancing of Hudson and new financing for Summermill, partially offset by distributions to Unitholders of \$837 and \$1,681 and finance costs paid of \$4,725 and \$5,542, respectively.

Cash used in investing activities for Q2-2023 and YTD-2023 was \$812 and \$1,785, which related to capital additions at the Properties.

Cash used in investing activities for Q2-2022 and YTD-2022 was \$108,472 and \$108,708, which related to capital additions at the Properties and the acquisition of Summermill.

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CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and net liabilities attributable to Unitholders. The Fund's management of its capital structure is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, as the Fund continues to build Unitholder value and maintain sufficient capital contingency amounts. The total capital of the Fund as at June 30, 2023 is summarized below:

As at June 30, 2023				
Loans payable	\$ 246,494			
Net liabilities attributable to Unitholders	87,463			
Total capital	\$ 333,957			

As at June 30, 2023				
Indebtedness to Gross Book Value	72.7 %			
Weighted average interest rate - as at period end	5.45 %			
Maximum weighted average interest rate - as at period end	5.45 %			
Weighted average term to maturity – loans	3.11 years			

	Q2-2023	Q2-2022	YTD-2023	YTD-2022
Weighted average interest rate - average during the reporting period	5.45 %	3.43 %	5.45 %	3.02 %
Interest Coverage Ratio	0.85x	1.51x	0.91x	1.81x
Indebtedness Coverage Ratio	0.85x	1.51x	0.91x	1.81x

As at June 30, 2023, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, was 72.7% and the weighted average term to maturity was 3.11 years. The maximum allowable ratio under the Fund's amended and restated limited partnership agreement is 75%. The Fund continues to focus on managing the Fund's capital structure, including the overall leverage.

For Q2-2023 the Interest Coverage Ratio and the Indebtedness Coverage Ratio were both 0.85x (Q2-2022 - 1.51x), as there were no principal payments paid or required to be paid during the period. For YTD-2023 the Interest Coverage Ratio and the Indebtedness Coverage Ratio were both 0.91x (YTD-2022 - 1.81x), as there were no principal payments paid or required to be paid during the period.

The decrease in both ratios during Q2-2023 and YTD-2023, relative to Q2-2022 and YTD-2022, were primarily due to increases in interest costs resulting from increases in SOFR as well as a higher average indebtedness outstanding during Q2-2023 and YTD-2023, partially offset by increases in NOI from the acquisition of Summermill and strong same property NOI growth. Although the interest coverage and indebtedness coverage ratios have been negatively impacted by the increases in SOFR, NOI growth and operating results for the Properties have remained strong and any shortfalls in debt service ratios are funded from cash on hand, including any proceeds from financing activities as applicable.

The Fund utilizes interest rate caps to limit the potential impact on the Fund's financial performance from any increases in interest rates. As a result of such interest rate caps in place as at June 30, 2023, the Fund has a maximum interest rate of approximately 5.45% (see "Fair value gain on derivative financial instruments") for further details.

The Fund also continues to actively monitor the interest rate environment and any associated impact this may have on the Fund's financial performance. Any shortfall of operating income relative to interest costs is funded from cash on hand. The Fund may also enter into additional financing or evaluate potential asset sales in the event liquidity is required to fund the ongoing operations of the Fund.

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LOANS PAYABLE

The following table sets out scheduled principal and interest payments and amounts maturing on the loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on the Fund's condensed consolidated interim financial statements as at June 30, 2023:

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans	Scheduled interest payments ⁽¹⁾
2023		9,000	9,000	3.7 %	9.00 %	6,624
2024	332	—	332	0.1 %	— %	12,629
2025	2,021	145,494	147,515	59.8 %	5.84 %	7,677
2026	2,077	—	2,077	0.8 %	— %	4,140
2027	2,134	—	2,134	0.9 %	— %	4,140
Thereafter	1,823	83,613	85,436	34.7 %	4.50 %	4,140
	\$ 8,387	\$ 238,107	\$ 246,494	100.0 %	5.45 %	\$ 39,350
Unamortized financing costs			(1,947)			
Total carrying value			\$ 244,547			

(1) Scheduled interest payments and interest rates are based on the interest rates for each applicable loan in place as at June 30, 2023, including any interest rate caps in place and required based on the terms of existing loan agreements.

FINANCING ACTIVITIES

During YTD-2023, the Fund drew an additional \$2,000 on the Fund's unsecured credit facility bringing the total principal outstanding under such facility to \$9,000. The Fund continues to actively monitor the interest rate environment and any associated impact this may have on the Fund's financial performance in future periods.

On July 26, 2023, the Fund amended the existing Hudson loan payable to a fixed rate loan bearing IO payments at 5.75% from the date of the amendment until the initial maturity date of May 7, 2025. After May 7, 2025, during the extension periods available under the loan, the loan will convert back to a variable rate loan bearing IO payments at Term SOFR + 2.70%. As part of the amendment, the Fund was required to sell the existing interest rate cap applicable to such loan and deposit the proceeds from the sale of \$527 into an escrow account with the lender. The escrowed funds will be returned to the Fund under certain conditions or upon repayment of the associated loan payable. In addition, the Fund no longer has an obligation to purchase a replacement interest rate cap upon the expiry of the sold interest rate cap in November 2023, which is expected to allow the Fund to retain substantial liquidity that otherwise would have been utilized for the purchase of a replacement interest rate cap.

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in 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 directors and officers of the Fund and its subsidiaries.

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NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net (loss) income and comprehensive (loss) income of the Fund is divided into seven classes of Units: class A Units; class C Units; class D Units; class E Units; class F Units; class G Units; and class U Units. Below is a summary by class of the net liabilities attributable to Unitholders for the period from January 1, 2022 to June 30, 2023:

	Class A	Class C	Class D	Class E	Class F	Class G	Class U	Total
Net liabilities attributable to Unitholders, January 1, 2022	\$ 29,508	\$ 24,752	\$ 19,807	\$ 2,353	\$ 17,984	\$ 6,399	\$ 4,266	\$105,069
Units issued in connection with Offering, net of issuance costs, March 31, 2021								—
Re-allocation due to Unit conversions	(3,701)	—	3,995	(10)	(294)	47	(37)	—
Net loss and comprehensive loss	(1,462)	(1,466)	(1,476)	(138)	(1,041)	(382)	(249)	(6,214)
Net liabilities attributable to Unitholders, December 31, 2022	\$ 24,345	\$ 23,286	\$ 22,326	\$ 2,205	\$ 16,649	\$ 6,064	\$ 3,980	\$ 98,855
Re-allocation due to Unit conversions	(278)	—	514	(16)	(236)	131	(115)	—
Net loss and comprehensive loss	(2,641)	(2,687)	(2,778)	(251)	(1,875)	(719)	(441)	(11,392)
Net liabilities attributable to Unitholders, June 30, 2023	\$ 21,426	\$ 20,599	\$ 20,062	\$ 1,938	\$ 14,538	\$ 5,476	\$ 3,424	\$ 87,463

The following table summarizes the changes in Units outstanding for YTD-2023:

(in thousands of Units)	Class A	Class C	Class D	Class E	Class F	Class G	Class U	Total
Outstanding, as at January 1, 2023	2,564	2,436	2,590	188	1,770	535	349	10,432
Unit conversions	(37)	—	68	(2)	(31)	14	(12)	—
Outstanding, as at June 30, 2023	2,527	2,436	2,658	186	1,739	549	337	10,432

Classes A, C, D and F are Canadian dollar Units and classes E, G and U are U.S. dollar denominated Units. Conversions can be made between certain classes of Units based on the Conversion Ratios. The weighted average class A equivalent Units outstanding during Q2-2023 was 10,901,915 (assumes all outstanding Units are converted to class A equivalent Units based on the Conversion Ratios).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

ARRANGEMENTS WITH THE MANAGER

The Fund engaged an affiliate of the Manager to perform certain management services, as outlined below. 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 GP, as well as a Unitholder. The Management Agreement expires on the winding-up or dissolution of the Fund, unless and until the Management Agreement is terminated in accordance with the termination provisions.

- (a) **Asset management fees:** Pursuant to the management agreement dated March 31, 2021 (the “Management Agreement”), the Manager is to perform asset management services for annual fees equal to 0.35% of the sum of: (i) the historical purchase price of the Properties acquired; and (ii) the cost of any capital expenditures in respect of the Properties since the date of acquisition by the Fund. In addition, the Fund reimburses the Manager for all reasonable and necessary actual out-of-pocket costs and expenses incurred by the Manager in connection with the performance of the services described in the Management Agreement or such other services which the Fund and the Manager agree in writing are to be provided from time to time by the Manager.

For Q2-2023 and YTD-2023, the Fund incurred asset management fees of \$274 and \$548 (Q2-2022 and YTD-2022 - \$244 and \$423), which were charged to fund and trust expenses. The increase of asset management fees in Q2-2023 and YTD-2023 relative to Q2-2022 and YTD-2022 was due to the acquisition of Summermill. The amount payable to the Manager as at June 30, 2023 was \$92.

- (b) **Acquisition fees:** Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee equal to 1% of the purchase 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.

For Q2-2023 and YTD-2023, the Fund did not incur any acquisition fees (Q2-2022 and YTD-2022 - \$1,060). There are no ongoing contractual commitments with the related party as a result of the acquisitions of the Properties. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition.

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- (c) **Guarantee Fees:** Pursuant to the Management Agreement as assigned, 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 Properties, the Fund and the 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, 2023, no guarantee fees have been paid or are payable.

Other related party transactions

Aggregate compensation to key management personnel was \$nil for Q2-2023 and YTD-2023 (Q2-2022 and YTD-2022 - \$nil), as compensation of these individuals is paid by the Manager pursuant to the Management Agreement.

CARRIED INTEREST

The partners of Starlight Investments (No. 2) Core Plus Partnership ("SICPP") currently being an affiliate of the Manager and the President of Starlight GP, through SICPP's indirect interest in the Starlight U.S. Multi-Family (No. 2) Core Plus Holding L.P. ("Holding LP"), 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 Prospectus) of Holding LP were received by the Fund (through Starlight U.S. Multi-Family (No. 2) Core Plus Investment LP ("Investment LP")), 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 LP) 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 (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 Holding LP to Investment LP and by Investment LP 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 a particular class pursuant to the foregoing exceed the Minimum Return for such class, the partners of SICPP, through SICPP's indirect interest in Holding LP, are 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, 2023, the Fund has recognized a provision for carried interest of \$4,668, resulting in a recovery of \$5,264 for Q2-2023 and YTD-2023 which was recorded to provision for carried interest in the condensed consolidated interim statement of net income and comprehensive income (Q2-2022 and YTD-2022 - expense of \$nil and \$3,102).

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

A summary of the significant accounting policies is provided in Note 3 to the audited consolidated financial statements of the Fund for the year ended December 31, 2022. The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and contingent assets and liabilities at each financial statement date, and revenues and expenses for the periods indicated. Actual results could differ from those estimates.

CRITICAL JUDGMENTS AND ESTIMATES

The preparation of condensed consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these condensed consolidated interim financial statements. The estimates used in determining the recorded amount for assets and liabilities in the condensed consolidated interim financial statements include the following:

Accounting for Acquisitions: Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's

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acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

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

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

Leases: The Fund makes judgments in determining whether certain leases, in particular resident leases are accounted for under IFRS as either operating or finance leases. The Fund has determined that all of its leases are operating leases.

Income Taxes: The Fund applies judgment in determining the tax rates applicable to its subsidiaries and identifying the temporary differences in each of such legal subsidiaries in respect of which deferred income taxes are recognized. Deferred taxes relate to temporary differences arising from its subsidiaries and are measured based on tax rates that are expected to be applied in the year when the asset is realized, or the liability is settled. Temporary differences are differences that are expected to reverse in the future and arise from differences between accounting and tax asset values. The Fund's estimate of deferred taxes is based on the assumption that the Fund's liquidating event occurs either through a direct sale of the Properties or through a disposition of its ownership interests in its U.S. subsidiaries. Should the Fund's liquidating event occur through a sale of the Units, the estimated deferred taxes would not be incurred by the Fund.

Consolidation: The Fund has determined that it controls all of its subsidiaries, including the significant subsidiaries (as defined in the consolidated financial statements for the year ended December 31, 2022). In making this determination, it considered the relationships between the Fund, the Manager, and the significant subsidiaries including ownership interests, voting rights and management agreements. Through this analysis, it was determined that the Manager is an agent of the Fund.

Carried Interest: The determination by the Fund as at each Statement of Financial Position date as to whether a provision for carried interest should be recognized to the partners of SICPP is based, among other criteria, on the Fund's analysis of the net liabilities attributable to Unitholders, distributions paid to Unitholders since the formation of the Fund and the Fund's ability to meet the requirement to return the initial investment amount contributed from the Unitholders of the Fund and the Minimum Return.

FUTURE ACCOUNTING POLICY CHANGES

The future accounting policy changes are discussed in the Fund's condensed consolidated interim financial statements for the three and six months ended June 30, 2023 and the notes contained therein.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units of the Fund and activities of the Fund. Risks and uncertainties are disclosed in the Fund's MD&A for the year ended December 31, 2022 and is available at www.sedarplus.ca. Current and prospective investors of the Fund should carefully consider such risk factors. Other than set out or contemplated herein, management is not aware of any significant changes in the risk and uncertainties since March 1, 2023, the date of the Fund's MD&A for the year ended December 31, 2022.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Fund maintains information systems, procedures and controls to ensure all information disclosed externally is as complete, reliable and timely as possible. Such internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with IFRS.

All control systems have inherent limitations, including well-designed and operated systems. No control system can provide complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls

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can provide absolute assurance that all control issues, including instances of fraud, if any, will be detected or prevented. These inherent limitations include, without limitation, the possibility that management's assumptions and judgements may ultimately prove to be incorrect under varying conditions and circumstances and the impact of isolated errors. As a growing enterprise, management anticipates that the Fund will be continually evolving and enhancing its systems of controls and procedures.

Additionally, controls may be circumvented by the unauthorized acts of individuals, by collusion of two or more people, or by management override. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential conditions. Based on their evaluations, the Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at June 30, 2023.

SUBSEQUENT EVENTS

On July 26, 2023, the Fund amended the existing loan payable to modify the Hudson loan to a fixed rate loan bearing IO payments at 5.75% from the date of the amendment to the initial maturity date of May 7, 2025. After May 7, 2025, during the extension periods available under the loan, the loan will convert back to a variable rate loan bearing IO payments at Term SOFR + 2.70%.

On August 9, 2023, Starlight GP approved a one-year extension of the Term to January 8, 2025 to provide the Fund with the opportunity to capitalize on more robust market dynamics.

Additional information relating to the Fund can be found on SEDAR+ at www.sedarplus.ca.

Dated: August 9, 2023

Toronto, Ontario, Canada

Montane
Denver, CO



Starlight U.S. Multi-Family (No.2) Core Plus Fund

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