Starlight


2699 Peatt Road, Langford, British Columbia

# STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND MANAGEMENT'S DISCUSSION AND ANALYSIS

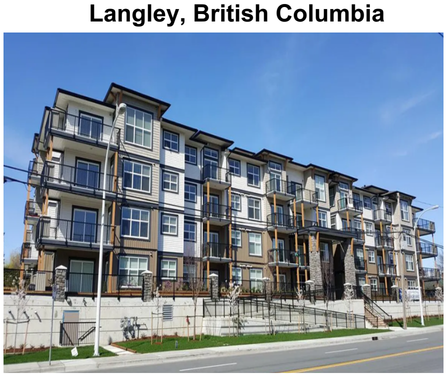
**FOR THE THREE MONTHS AND YEAR ENDED DECEMBER 31, 2023**

MARCH 19, 2024

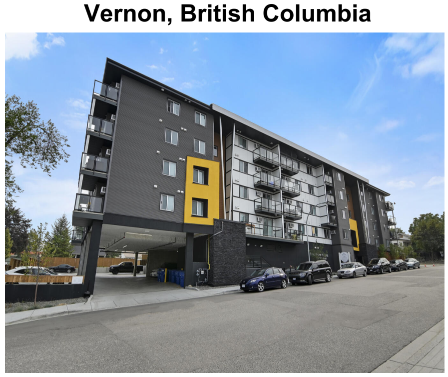
# FUND METRICS

- **ANNUAL PRE-TAX TARGETED DISTRIBUTION YIELD: 3.0% to 4.0%**
- **PRE-TAX TARGETED TOTAL RETURN: 12%**

**5477 200 Street**
**Langley, British Columbia**



**1803 31A Street**
**Vernon, British Columbia**



**1085 Goldstream Avenue**
**Langford, British Columbia**

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the consolidated financial statements, of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund") dated March 19, 2024 for the three months ended December 31, 2023 ("Q4-2023") and for the year ended December 31, 2023 ("YTD-2023") should be read in conjunction with the Fund's consolidated financial statements, for the three months ended December 31, 2022 ("Q4-2022") and audited consolidated financial statements for the year ended December 31, 2022 ("YTD-2022") and year ended December 31, 2023, 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 Canadian dollars. Unless otherwise stated, dollar amounts expressed in this MD&A are in thousands of Canadian dollars, except for per trust unit of the Fund ("Unit") and average monthly rent ("AMR")[1] information. 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 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. 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, interest rates, acquisitions, financing, performance, achievements, events, prospects or opportunities for the Fund or the real estate industry and may include statements regarding the financial position, business strategy, budgets, litigation, projected costs, capital expenditures, financial results, occupancy levels, AMR, taxes, and plans and objectives of or involving the Fund. 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 higher levels of inflation and the potential impact on the Fund's operating costs; changes in government legislation or tax laws which would impact any potential income taxes or other taxes rendered or payable with respect to the Properties or the Fund's legal entities; the applicability of any government regulation concerning the Fund's residents or rents; the realization of property value appreciation and the timing thereof; the extent and pace at which any changes in interest rates that impact the Fund's weighted average interest rate may occur; and the availability of debt financing. 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, risks related to the Fund and its business including inflation and changes in interest rates. 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 the time of issuance, 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 impact of inflation, the availability of mortgage financing and the interest rates for such financing, and general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws.

[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").

The reader is cautioned to consider those risks and uncertainties stated under “Risks and Uncertainties” 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 applicability of any government regulation concerning the Fund’s residents or rents; the realization of property value appreciation and the timing thereof; the inventory of residential real estate properties; the ability of the Fund to benefit from any asset management initiatives 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 disposition of the Properties; availability of mortgage financing and current rates and market expectations for future interest rates; the capital structure of the Fund; the extent of competition for residential properties; the growth in net operating income (“NOI”)[1] generated from asset management 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 Starlight Investments CDN AM Group LP (the “Manager”) to manage and operate the Properties; the global and Canadian economic environment; the impact, if any, of inflation on the Fund's operating costs; and governmental regulations or tax laws. There can be no assurance regarding: (a) inflation or changes in interest rates on the Fund’s business, operations or performance; (b) the Fund’s ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; (d) that the Manager or any of its affiliates, will continue its involvement as asset manager of the Fund in accordance with its current asset management agreement; and (e) other risks inherent to the Fund’s business and/or factors beyond its control which could have a material adverse effect on the Fund.

The forward-looking information included in this 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.

[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”).

## 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, 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 as well as other measures discussed elsewhere in this MD&A 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 income and comprehensive 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, FFO, Gross Book Value, Indebtedness, Indebtedness Coverage Ratio, Indebtedness to Gross Book Value, 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 its underlying performance and provides these additional measures so that investors may do the same.

Adjusted Net Income and Comprehensive Income is defined as net income and comprehensive income in accordance with IFRS before provisions for carried interest plus amortization of financing costs, fair value adjustments on investment properties and distributions to unitholders of the Fund ("Unitholders"). 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; and (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make-ready costs, as determined by the Manager. 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 and comprehensive income.

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.

AFFO payout ratio adjusted for equity deployed is calculated by taking distributions declared, adjusted for the actual equity deployed on the acquisition of the investment properties during each applicable reporting period, and dividing by AFFO. 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 multi-family 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.

FFO is defined as net income and comprehensive income in accordance with IFRS, excluding fair value adjustments on investment properties, distributions to Unitholders classified as financial liabilities, and provisions for carried interest. FFO payout ratio compares distributions declared to FFO. 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 to FFO are cash flow from operating activities and net income and comprehensive 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.

FFO payout ratio adjusted for equity deployed is calculated by taking distributions declared, adjusted for the actual equity deployed on the acquisition of the investment properties during each applicable reporting period, and dividing by FFO. 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 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 specific 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 investment 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.

NOI or Adjusted Income from Operations is defined as all property revenue, less direct property costs such as utilities, property taxes, 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 measures to be important measures of the Fund's operating performance and uses these measures to assess the Fund's property operating performance on an unlevered basis. The most comparable IFRS measure is net income and comprehensive income.

Same property operating results and same property NOI (revenue less property operating costs and property taxes) have been presented in this MD&A for the Properties continuously for a 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 Same property 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 Units adjusted for redemptions across all classes of Units of the Fund.

Reconciliations of net income and comprehensive 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

Throughout 2022 and 2023, concerns over rising inflation have contributed to a significant increase in interest rates with the Bank of Canada raising its target interest rate from 0.25% in early 2022 to 5.00% as at March 19, 2024. Increases in target interest rates typically lead to increases in borrowing costs. Importantly, at December 31, 2023, 80.6% of the Fund's debt was fixed rate. Although inflation in Canada persists, it has declined from its peak in 2022 with improvements in global supply chains and the effects of higher interest rates moving through the economy.

The significant increases in interest rates have 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, the Fund's financial results continue to be impacted by the significant increases in interest rates on variable debt while being mitigated by the Fund's debt structure. Given the Fund was formed as a "closed-end" fund with an initial term of three years, it is the Fund's intention to maintain its targeted annual yield of 3.0% to 4.0% across all classes of Units despite increasing interest rates. The Fund continues to actively monitor the current interest rate environment and any associated impact this may have on the Fund's financial performance and ability to pay distributions.

According to Statistics Canada, the December 2023 unemployment rate in Canada was 5.3%, as compared to an unemployment rate of 5.0% in the Province of British Columbia ("BC"), including Vancouver Island and the Coast Region. BC gained approximately 73,500 jobs between December 2022 and December 2023, demonstrating the economic strength of Vancouver Island and the mainland of BC (the "Primary Markets").

Each year, the Federal Department of Immigration, Refugees and Citizenship Canada ("IRCC") releases a new Immigration Levels Plan which it uses to guide its operations. In 2022, IRCC welcomed more than 437,000 immigrants to Canada. Between 2024 and 2026, Canada's target is to welcome more than 485,000 new permanent residents each year.

The above factors, including the lack of housing supply and affordability, has made it more challenging for existing residents of multi-family properties to buy homes. In addition, the construction slowdown due to higher interest rates has also continued to result in increased demand for multi-family suites.

The Primary Markets, including Langford, Nanaimo, Vernon and Langley, possess attractive qualities such as some of the fastest growing populations in BC with strong demographics of highly educated young professionals and families, diverse local job sectors, desirable dwelling locations with waterfront and mountain views, as well as significant economic growth and a limited supply of multi-family suites creating an environment for continued demand for suites which drive occupancy and rent growth. The Fund believes it is well positioned to take advantage of increasing levels of immigration and favourable conditions.

## INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

The Fund is a "closed-end" fund established pursuant to an initial declaration of trust dated as of November 12, 2021, as amended and restated on January 27, 2022 (the "Declaration of Trust"), and governed by the laws of 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 three years, with two one-year extensions available at the option of the Fund's board of trustees (the "Board") and may be further extended by special resolution of the Unitholders.

The ownership of the Fund is separated into three classes of Units. Following the closing of the Fund's initial public offering on February 22, 2022 (the "Offering"), the Fund issued the following Units: 4,207,395 Class A Units, 5,404,905 Class B Units and 3,387,700 Class C Units at a price of $10.00 per Unit (see "Capital Structure and Debt Profile - Net Liabilities Attributable to Unitholders").

The Offering raised gross subscription proceeds of $130,000. After the closing of the Offering, the Fund acquired 6035 Linley Valley Drive and 4800 Uplands Drive, Nanaimo ("Nanaimo"), 733 Goldstream Avenue, Langford ("Langford"), 3400 Centennial Drive, Vernon ("Vernon"), 1803 31A Street, Vernon ("Vernon 2") and 2699 Peatt Road, Langford ("Langford 2") on February 23, 2022, consisting of a combined 495 multi-family suites. The Fund subsequently acquired 1085 Goldstream Avenue, Langford on March 1, 2022 ("Langford 3"), together with the Properties acquired on February 23, 2022, the "Initial Properties", consisting of a combined 661 multi-family suites. Subsequent to Q1-2022, the Fund acquired 5477 200 Street, Langley ("Langley"), 4745 Ledgerwood Road, Nanaimo ("Nanaimo 2") and 728 Meaford Avenue, Langford ("Langford 4"), consisting of 57, 120 and 106 multi-family suites, respectively, during 2022 and 2023. The Properties are all located in BC with a total number of 944 multi-family suites (see "Portfolio Summary").

The acquisition of the Properties was valued at $375,860, which was financed by Offering proceeds of $105,842 and debt of $270,018. The Fund had approximately $4,814 of available liquidity as at December 31, 2023, which is expected to be used to fund existing operations.

**The Fund's investment strategy:**

The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio composed of income-producing multi-family real estate properties in Western Canada that demonstrate value based on pricing and local supply and demand trends to achieve the Fund's target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management, and that are located in the Primary Markets. The Manager believes the Western

Canadian multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate opportunities.

**The Fund's investment objectives are to:**

1. Directly or indirectly acquire, own, operate and stabilize a portfolio of newer vintage and newly constructed income-producing, multi-family real estate properties which are geographically diversified across the Primary Markets;
2. Make stable monthly cash distributions; and
3. Enhance earnings from the Properties through active asset management, which may include leasing non-stabilized properties, increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions, best-in-class property management and economies of scale.

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

1. Compelling employment, population and economic growth rates;
2. Attractive employment and other opportunities for new immigrants to Canada;
3. Consistently low rental vacancy rates and high rental growth rates; and
4. Relatively comfortable climates and quality of life.

### *ACQUISITION OF WESTERN CANADIAN MULTI-FAMILY REAL ESTATE*

1. Identify multi-family acquisition opportunities in the Primary Markets through the Manager's strong pipeline of exclusive acquisition opportunities by leveraging the Manager's relationships with principals, operators, brokers and other real estate asset managers and by its ability to source "off market" opportunities.
2. Target multi-family assets that are:
   a) Newer vintage or newly constructed properties that have not been stabilized or demonstrate the opportunity to increase in-place rents to market rents, with significant value upside; and
   b) Strategically located properties in the Primary Markets, which demonstrate a supply-demand imbalance as well as barriers to new development.
3. Complete a comprehensive due diligence program, including cash flow and 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 principals, operators, brokers and other real estate asset managers;
2. Seek ancillary income opportunities such as cable, antenna and laundry contracts as well as package handling and visitor and resident parking;
3. Reduce operating expenses such as staffing, energy and water expenses through sub-metering, maintenance contracts, general and administrative expenses, and insurance through economies of scale; and
4. Utilize reputable best-in-class property managers.

### *VALUE REALIZATION*

1. Asset value increases are expected by the Manager to be realized through a combination of NOI growth as a result of active asset management, resulting in increased rental rates and a pricing premium on the Fund's 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; and
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 value maximization.

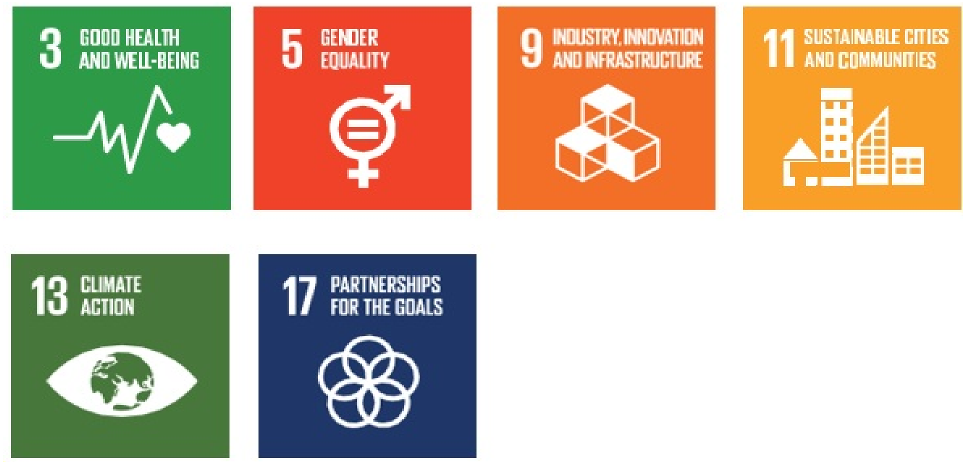
## ENVIRONMENTAL, SOCIAL AND GOVERNANCE

Starlight Group Property Holdings Inc. and the Manager, collectively referred to as "Starlight", are committed to adopting a comprehensive approach to environmental, social and governance ("ESG") practices for all entities, embedding these principles into every aspect of Manager's business, with the intention of driving long-term value. In 2022, Starlight's Canadian multi-family portfolio ranked first overall in the Global Real Estate Sustainability Benchmark (the "GRESB") Residential Peer Group. In addition, Starlight was recognized with the Environmental Excellence Award for work in addressing environmental and sustainability issues by the Federation of Rental Housing Providers of Ontario.

***ESG Disclosure Standards***

Starlight's ESG strategy and programs are aligned with external standards and best practices, including the Global Reporting Initiative Sustainability Reporting Standards, and GRESB. These standards help shape the Fund's commitments and ensure accountability in its data, initiatives and goals.

Starlight's commitments are aligned with the United Nations' Sustainable Development Goals (SDGs) – a set of integrated goals that call on countries and industries to help end poverty, protect the planet and ensure peace and prosperity. Our ESG strategy at Starlight contributes to the following UN SDGs:




***Importance of ESG***

Starlight has engaged its stakeholders to determine ESG topics that are most important to its investors and partners, affiliates and communities, and where Starlight has a significant impact. Conducting this exercise helps to determine which topics are most relevant for Starlight to address and which contribute to advancing its purpose of investing with impact. The resulting matrix is a cumulative product of extensive research, workshops, one-on-one discussions and data cross-referencing from across the real estate industry.

**Environmental impact**

- Carbon emissions and transition to zero carbon
- Resource consumption
- Low-carbon infrastructure
- Resilience
- Biodiversity
- Sustainable materials

**Social Impact**

- Community well-being and engagement
- Partnerships
- Inclusion, Diversity, Equity and Allyship (IDEA)

**Governance**

- Green building certifications
- Reporting
- Corporate governance
- Risk management
- Regulations
- Cybersecurity

This matrix has assisted the Fund to develop a strategy that embeds ESG in every aspect of its business, including operations, investment activities and corporate functions, which:

a. promote resource efficiency, savings costs and minimizes environmental degradation;
b. increase property values, contributing to stakeholder satisfaction, and drive long-term Net Asset Value ("NAV") growth for Unitholders;
c. drive the appeal of the Properties, helping to attract and retain tenants and build lasting collaborative relationships; and
d. manage risk and comply with evolving regulations, insurance requirements, enhancing operations, management, and governance practices.

***ESG Commitment***

Starlight's core ESG commitments are as follows:

**Social Impact**

The Fund aims to bring value to local communities, enhance resident well-being and help create complete communities

**Sustainable operations**

The Fund aims to improve efficiency, reduce operating costs, and future-proof its buildings by driving innovation and investing in new technologies.

**Transparency and accountability**

The Fund aims to create transparency in its governance practices and proactively respond to existing and future risks

### *ESG AS IT RELATES TO THE FUND*

Pursuant to the Board's mandate, in addition to specific governance matters, the Board oversees and monitors the Fund's general strategy, policies and initiatives related to environmental and social matters and the alignment of the strategy with the Fund's overall business objectives and at least annually reviews the same. As the Fund is a "closed-end" fund with the term expiring on November 12, 2024, the 2050 net carbon emissions target is not applicable and as a result the Fund has not disclosed long-term initiatives and targets surrounding ESG.

Although the Fund has not published long-term initiatives and targets surrounding ESG, the Manager continues to evaluate ways to integrate ESG into the Fund's performance. As a direct result of this effort, Nanaimo achieved LEED® BD+C Gold certification during YTD-2022. LEED® (@Leadership in Energy and Environmental Design) is an internationally recognized system that plays a critical role in addressing climate change in development and design. LEED-certified buildings save residents' expenses, improve efficiency, deliver lower carbon emissions and create healthier places for people to live.

The Fund is committed to strong governance practices. It continues to review and enhance its governance policies to align with the Fund's strategic direction, regulatory and ESG requirements and sound governance practices. The following are some of the highlights of its governance policies and practices:

- 1/3 of the Board are women
- Board is responsible for the oversight of the ESG strategy and ESG initiatives developed by management
- Code of business conduct and ethics that promotes honest and ethical conduct between the Trustees, officers and employees of the Fund's asset manager
- Independent Trustees are not overboarded
- Board mandate and committee charters are regularly reviewed to ensure they remain current

The Fund strives to understand and address the social impact of its business. The Fund's initiatives extend beyond financial success to encompass the well-being of its employees, residents' communities and the environment. The Fund has introduced many social initiatives through Starlight including summer internship programs, ESG workshops, resident relief programs, partnerships with humanitarian aid agencies and IDEA. During 2023, the Fund held social events at its Properties that included celebrating Pride Month, Halloween and ice cream socials for the residents.

***Risks related to ESG***

For information on detailed risks related to ESG, please refer to the "Risks and Uncertainties" section.

## PORTFOLIO SUMMARY

| Property | Address | City | Suites | Vintage | Rentable Area (Sq. Ft) | Avg. Suite Size (Sq. Ft) | Land Area (Acres) | Date Acquired |
|---|---|---|---|---|---|---|---|---|
| Nanaimo | 6035 Linley Valley Drive & 4800 Uplands Drive | Nanaimo | 251 | 2020 | 208,906 | 832 | 6.90 | 2/23/2022 |
| Langford | 733 Goldstream Avenue | Langford | 60 | 2020 | 41,618 | 694 | 0.86 | 2/23/2022 |
| Vernon | 3400 Centennial Drive | Vernon | 60 | 2018 | 52,605 | 877 | 1.20 | 2/23/2022 |
| Vernon 2 | 1803 31A Street | Vernon | 43 | 2019 | 39,331 | 915 | 0.54 | 2/23/2022 |
| Langford 2 | 2699 Peatt Road | Langford | 81 | 2017 | 60,958 | 753 | 0.74 | 2/23/2022 |
| Langford 3 | 1085 Goldstream Avenue | Langford | 166 | 2019 | 109,490 | 660 | 2.15 | 3/1/2022 |
| Langley | 5477 200 Street | Langley | 57 | 2016 | 49,428 | 867 | 0.68 | 6/7/2022 |
| Nanaimo 2 | 4745 Ledgerwood Road | Nanaimo | 120 | 2022 | 95,585 | 797 | 3.20 | 8/29/2022 |
| Langford 4 | 728 Meaford Avenue | Langford | 106 | 2018 | 79,960 | 754 | 0.90 | 11/14/2023 |
| **Ownership as at December 31, 2023** | | | **944** | **2019** | **737,881** | **782** | **17.17** | |

### NANAIMO

Nanaimo was completed in 2020 and is located approximately 86.6 kilometers west of downtown Vancouver at 6035 Linley Valley Drive & 4800 Uplands Drive, Nanaimo, BC. The property provides convenient access to the largest estuary on Vancouver Island, the Nanaimo River estuary. Built on a 6.90 acre site, Nanaimo comprises 251 multi-family suites, ranging in size from one bedroom to two bedrooms, across three mid-rise buildings.

### LANGFORD

Langford was completed in 2020 and is located approximately 12.6 kilometers west of downtown Victoria at 733 Goldstream Avenue, Langford, BC. The property provides convenient access to Goldstream Provincial Park and Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.86 acre site, Langford comprises 60 multi-family suites, ranging in size from one bedroom to two bedrooms, in one mid-rise building.

### VERNON

Vernon was completed in 2018 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna at 3400 Centennial Drive, Vernon, BC. The property provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 1.20 acre site, Vernon comprises 60 multi-family suites, ranging in size from one bedroom to three bedrooms, in one mid-rise building.

### VERNON 2

Vernon 2 was completed in 2019 and is located in Vernon, BC, approximately 50 kilometers north of Kelowna at 1803 31A Street, Vernon, BC. The property provides convenient access to Kalamaka Lake Provincial Park, Kal Beach, Kin Beach and Silver Star Provincial Park. Built on a 0.54 acre site, Vernon 2 comprises 43 multi-family suites, ranging in size from one bedroom to three bedrooms, in one mid-rise building.

### LANGFORD 2

Langford 2 was completed in 2017 and is located approximately 13.8 kilometers west of downtown Victoria at 2699 Peatt Road, Langford, BC. The property provides convenient access to Goldstream Provincial Park and Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 0.74 acre site, Langford 2 comprises 81 multi-family suites, ranging in size from bachelor to two bedrooms, in one low-rise building.

### LANGFORD 3

Langford 3 was completed in 2019 and is located approximately 14.3 kilometers west of downtown Victoria at 1085 Goldstream Avenue, Langford, BC. The property provides convenient access to Goldstream Provincial Park and Mill Hill, Mount Wells and Thetis Lake Regional Parks. Built on a 2.15 acre site, Langford 3 comprises 166 multi-family suites, ranging in size from one bedroom to three bedrooms, in one mid-rise building.

### LANGLEY

Langley was completed in 2016 and is located approximately 1.9 kilometers west of downtown Langley at 5477 200 Street, Langley, BC. The property provides convenient access to Crescent Beach, Peace Arch Hospital and Trinity Western University. Built on a 0.68 acre site, Langley comprises 57 multi-family suites, ranging in size from one bedroom to two bedrooms, in one mid-rise building.

### NANAIMO 2

Nanaimo 2 was completed in 2022 and is located approximately 85.8 kilometers west of downtown Vancouver at 4575 Ledgerwood Road, Nanaimo, BC. The property provides convenient access to the largest estuary on Vancouver Island, the Nanaimo River estuary. Built on a 3.20 acre site, Nanaimo 2 comprises 120 multi-family suites, ranging in size from bachelor to three bedrooms, across three mid-rise buildings.

### LANGFORD 4

Langford 4 was completed in 2018 and is located approximately 14 kilometers west of downtown Victoria at 728 Meaford Avenue, Langford, BC. The property is near several regional parks and golf clubs which provide a great wealth of recreational options for residents on Vancouver Island. Built on a 0.90 acre site, Langford 4 comprises 106 multi-family suites, ranging in size from bachelor to three bedrooms, in one mid-rise building.

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operating performance of the Fund as at December 31, 2023 and for the periods ending Q4-2023 and YTD-2023, including a comparison to the Fund's financial and operational performance as at December 31, 2022 and for the periods ending Q4-2022 and YTD-2022. Given the Offering was completed on February 22, 2022, the results for YTD-2022 reflect 312 days of operating activity for the Properties acquired on February 23, 2022 to December 31, 2022 (the "Initial Reporting Period"), together with 306 operating days for Langford 3 from March 1, 2022 to December 31, 2022, 208 operating days for Langley from June 7, 2022 to December 31, 2022 and 125 operating days for Nanaimo 2 from August 29, 2022 to December 31, 2022.

### *HIGHLIGHTS FOR Q4-2023*

- The Fund completed the acquisition of Langford 4, its ninth multi-family property on November 14, 2023, adding 106 multi-family suites in Langford, BC and thus completing the deployment of funds remaining from the Offering.
- The Fund commissioned independent appraisal valuations which resulted in an aggregate fair value for the Properties of $419,500 as at December 31, 2023, equating to an increase of $14,595 over Q3-2023 (see "Investment Properties - Fair Value Adjustments"). The fair value gain during Q4-2023 was due to a combination of NOI growth, which was the result of increased rental demand for multi-family properties across the Primary Markets and capitalization rate compression.
- The Fund achieved approximately 4.7% AMR growth between Q4-2022 and Q4-2023, continuing to be driven by the demand for multi-family suites due to the economic strength and increased immigration levels in Canada and the Primary Markets.
- Revenue from property operations and NOI for Q4-2023 were $5,079 and $3,617 (Q4-2022 - $4,655 and $3,339), respectively, representing an increase of $424 and $278 relative to Q4-2022. The significant increase is primarily due to the acquisition of Langford 4 during Q4-2023 (see "Results of Operations").
- Same property NOI[1] for Q4-2023 was $3,414 (Q4-2022 - $3,339), representing an increase of $75 or 2.2% relative to Q4-2022 driven primarily by strong AMR growth (see "NOI - Same Property").
- The Fund had approximately $4,814 of available liquidity as at December 31, 2023, which is expected to be used to fund existing operations. The liquidity subsequently increased to $6,665, resulting from an incremental interest of $1,851 owing on historical bank balances, which was received from the Fund's corporate banking provider, a Canadian chartered bank (see "Subsequent Events").
- As at March 19, 2024, the Fund had collected approximately 99.4% of rents for Q4-2023, with further amounts expected to be collected in future periods, demonstrating the Fund's strong resident base and operating performance.
- AFFO[1] for Q4-2023 was $601 (Q4-2022 - $202), representing an increase of $399 or 197.5% relative to Q4-2022 primarily due to an increase in NOI and a decrease in finance costs partially offset by increases in fund and trust expenses (see "Non-IFRS Financial Measures").

### *HIGHLIGHTS FOR YTD-2023*

- During YTD-2023, the Fund recorded a fair value gain on its Properties of $24,321, an 11.6% increase over the aggregate purchase price since the Properties were acquired by the Fund (see "Other Income and Expenses"). The fair value gain during YTD-2023 was entirely driven by NOI growth.
- The Fund increased the amount of fixed rate debt to 80.6% as at December 31, 2023, reducing its total weighted average interest rate from 4.35% to 3.78% during YTD-2023. As at December 31, 2023, the Fund's weighted average fixed interest rate and fixed loan term to maturity were 2.84% and 5.56 years, respectively (see "Capital Structure and Debt Profile").
- Revenue from property operations and NOI for YTD-2023 were $19,209 and $13,754 (YTD-2022 - $13,722 and $10,023), respectively, representing an increase of $5,487 and $3,731 relative to YTD-2022. The significant increase is primarily due to the difference in operating days and the number of Properties owned between YTD-2022 and YTD-2023 (see "Results of Operations").
- Net income and comprehensive income attributable to Unitholders for YTD-2023 was $16,606 (YTD-2022 - $10,418), representing an increase of $6,188 relative to YTD-2022, primarily due to the fair value gain on the Properties and increased NOI, partially offset by higher finance costs, fund and trust expenses and distributions to Unitholders (see "Results of Operations").

[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").

- AFFO for YTD-2023 was $1,836 (YTD-2022 - $1,758), representing an increase of $78 or 4.4% relative to YTD-2022 primarily due to higher NOI between YTD-2022 and YTD-2023, partially offset by higher finance costs and fund and trust expenses (see "Non-IFRS Financial Measures").

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

| | December 31, 2023 | December 31, 2022 |
|---|---|---|
| **Key Multi-Family Operational Information** (1) | | |
| Number of multi-family properties owned (1) | 9 | 8 |
| Total multi-family suites | 944 | 838 |
| Economic occupancy (2)(3) | 93.7 % | 95.2 % |
| AMR (in actual dollars) | $ 1,934 | $ 1,848 |
| AMR per square foot (in actual dollars) | $ 2.47 | $ 2.35 |
| **Summary of Financial Information** | | |
| Gross Book Value (3) | $ 419,500 | $ 350,400 |
| Indebtedness (3) | $ 267,171 | $ 244,227 |
| Indebtedness to Gross Book Value (3) | 63.7 % | 69.7 % |
| Weighted average interest rate - as at period end (4) | 3.78 % | 4.35 % |
| Weighted average loan term to maturity (3) | 4.53 years | 3.44 years |

| | Q4-2023 | Q4-2022 | YTD-2023 | YTD-2022 (6) |
|---|---|---|---|---|
| **Summary of Financial Information** | | | | |
| Revenue from property operations | $ 5,079 | $ 4,655 | $ 19,209 | $ 13,722 |
| Property operating costs | (1,124) | (1,027) | (4,159) | (2,789) |
| Property taxes | (338) | (289) | (1,296) | (910) |
| Income from rental operations / NOI | $ 3,617 | $ 3,339 | $ 13,754 | $ 10,023 |
| Net income and comprehensive income | $ 10,544 | $ 11,781 | $ 16,606 | $ 10,418 |
| **Other Selected Financial Information** | | | | |
| FFO (3) | $ 368 | $ (280) | $ 900 | $ 771 |
| FFO per Unit - basic and diluted (3) | $ 0.03 | $ (0.02) | $ 0.07 | $ 0.06 |
| AFFO | $ 601 | $ 202 | $ 1,836 | $ 1,758 |
| AFFO per Unit - basic and diluted (3) | $ 0.05 | $ 0.02 | $ 0.14 | $ 0.14 |
| Weighted average interest rate | 3.77 % | 4.19 % | 3.73 % | 3.82 % |
| Interest coverage ratio (3) (5) | 1.28x | 1.13x | 1.25x | 1.34x |
| Indebtedness coverage ratio (3) (5) | 0.95x | 0.90x | 0.79x | 1.02x |
| Weighted average Units outstanding (000s) - basic and diluted | 12,980 | 13,000 | 12,988 | 13,000 |

(1) The Fund commenced operations following the acquisition of the Properties on February 23, 2022 and subsequently acquired Langford 3, Langley, Nanaimo 2 and Langford 4 on March 1, 2022, June 7, 2022, August 29, 2022 and November 14, 2023.

(2) Economic occupancy for Q4-2023 and Q4-2022, respectively.

(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) The weighted average interest rate on loans payable is presented as at December 31, 2023 and December 31, 2022, respectively.

(5) See "Capital Structure and Debt Profile" for further commentary on the Fund's interest coverage and indebtedness coverage ratios.

(6) Figures represent the actual results for the Initial Reporting Period.

## FINANCIAL PERFORMANCE

The table below presents the financial performance of the Fund in accordance with IFRS for Q4-2023 and all other quarterly reporting periods since inception:

| | Q4-2023 (1) | Q3-2023 (2) | Q2-2023 (2) | Q1-2023 (2) | Q4-2022 (2) | Q3-2022 (2) | Q2-2022 (3) | Q1-2022 (4) |
|---|---|---|---|---|---|---|---|---|
| Revenue from property operations | $ 5,079 | $ 4,815 | $ 4,744 | $ 4,571 | $ 4,655 | $ 4,121 | $ 3,535 | $ 1,411 |
| Property operating costs | (1,124) | (979) | (991) | (1,065) | (1,027) | (781) | (756) | (225) |
| Property taxes | (338) | (319) | (351) | (288) | (289) | (273) | (272) | (76) |
| **Income from rental operations** | **3,617** | **3,517** | **3,402** | **3,218** | **3,339** | **3,067** | **2,507** | **1,110** |
| Finance costs (5) | (2,698) | (2,602) | (2,618) | (2,852) | (3,100) | (2,263) | (1,700) | (604) |
| Distributions to Unitholders | (997) | (998) | (999) | (999) | (999) | (999) | (999) | (416) |
| Fund and trust expenses | (551) | (513) | (504) | (516) | (519) | (507) | (383) | (176) |
| Fair value adjustment on investment properties | 14,595 | 2,136 | 7,238 | 352 | 16,468 | — | — | — |
| Provision for carried interest | (3,422) | (768) | (2,085) | 1,653 | (3,408) | — | — | — |
| **Net income (loss) and comprehensive income (loss)** | **$ 10,544** | **$ 772** | **$ 4,434** | **$ 856** | **$ 11,781** | **$ (702)** | **$ (575)** | **$ (86)** |
| FFO | $ 368 | $ 402 | $ 280 | $ (150) | $ (280) | $ 297 | $ 424 | $ 330 |
| AFFO | $ 601 | $ 621 | $ 511 | $ 123 | $ 202 | $ 531 | $ 633 | $ 389 |
| FFO per Unit - basic and diluted | $ 0.03 | $ 0.03 | $ 0.02 | $ (0.01) | $ (0.02) | $ 0.02 | $ 0.03 | $ 0.03 |
| AFFO per Unit - basic and diluted | $ 0.05 | $ 0.05 | $ 0.04 | $ 0.01 | $ 0.02 | $ 0.04 | $ 0.05 | $ 0.03 |

(1) Figures represent the actual results of the Properties for Q4-2023.

(2) Figures represent the actual results of the Initial Properties, Langley and Nanaimo 2 for Q3-2023, Q2-2023, Q1-2023, Q4-2022 and Q3-2022

(3) Figures represent the actual results of the Initial Properties and Langley for Q2-2022.

(4) Figures represent the actual results of the Initial Properties.

(5) Finance costs include interest expense on loans payable as well as non-cash amortization of deferred financing costs and other finance costs (see “Other Income and Expenses”).

## RESULTS OF OPERATIONS

The results for Q4-2023 reflect the operations for the three months from October 1, 2023 to December 31, 2023 for the Properties acquired during 2022 and 48 days of operating activity for Langford 4 from November 14, 2023 to December 31, 2023. In comparison, the results of operations for the Q4-2022 comparative period reflect 92 days of operating activity for the the Properties acquired during 2022 from October 1, 2022 to December 31, 2022.

The results of YTD-2023 reflect the operations for the year ended December 31, 2023 for the Properties acquired during 2022 and 48 days of operating activity for Langford 4 from November 14, 2023 to December 31, 2023. In comparison, the results of operations for the YTD-2022 comparative period reflect 312 days of operating activity for the Properties acquired on February 23, 2022, 306 days of operating activity for Langford 3 from March 1, 2022 to December 31, 2022, 208 days of operating activity for Langley from June 7, 2022 to December 31, 2022 and 125 days of operating activity for Nanaimo 2 from August 29, 2022 to December 31, 2022.

The variances reflected in the results of operations between Q4-2023 and Q4-2022 as well as between YTD-2023 and YTD-2022 were significantly impacted by the timing of the acquisitions and number of operating days for the eight Properties acquired during 2022 and Langford 4 which was acquired on November 14, 2023 (the “Primary Variance Drivers”). Operating results on a same property basis include the eight Properties acquired during 2022 (see “Results of Operations - Same Property”).

| | Q4-2023 | Q4-2022 | $ Chg | % Chg | YTD-2023 | YTD-2022 [1] | $ Chg | % Chg |
|---|---|---|---|---|---|---|---|---|
| Revenue from property operations | $ 5,079 | $ 4,655 | $ 424 | 9.1 % | $ 19,209 | $ 13,722 | $ 5,487 | 40.0 % |
| Property operating costs | (1,124) | (1,027) | (97) | (9.4)% | (4,159) | (2,789) | (1,370) | (49.1)% |
| Property taxes | (338) | (289) | (49) | (17.0)% | (1,296) | (910) | (386) | (42.4)% |
| **NOI** | **$ 3,617** | **$ 3,339** | **$ 278** | **8.3 %** | **$ 13,754** | **$ 10,023** | **$ 3,731** | **37.2 %** |
| NOI margin | 71.2 % | 71.7 % | | | 71.6 % | 73.0 % | | |

(1) Figures represent the actual results for the Initial Reporting Period.

## REVENUE FROM PROPERTY OPERATIONS

Revenue from property operations includes monthly rent charges for the lease of multi-family suites, other ancillary income and the reimbursement by the residents for certain utility expenses incurred. Other ancillary income may include, 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 95% thereof, with other ancillary income and utility expense reimbursements comprising the remaining approximate 5%.

Revenue from property operations for Q4-2023 was $5,079 (Q4-2022 - $4,655), representing an increase of $424 or 9.1% relative to Q4-2022, primarily due to the Primary Variance Drivers as well as same property revenue growth (see “Results of Operations - Same Property”).

Revenue from property operations for YTD-2023 was $19,209 (YTD-2022 - $13,722), representing an increase of $5,487 or 40.0% relative to YTD-2022, primarily due to the Primary Variance Drivers as well as increased in-place rents with the Fund achieving year-over-year AMR growth of 4.7%, partially offset by lower economic occupancy levels (see “Average Monthly Rent and Occupancy”).

## PROPERTY OPERATING COSTS

The main components of property operating costs are repairs and maintenance expenses (approximately 27%), administrative costs including property management fees (approximately 20%), utility costs (approximately 18%), salaries and benefits (approximately 16%) and insurance expenses (approximately 13%). Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

Property operating costs for Q4-2023 were $1,124 (Q4-2022 - $1,027), representing an increase of $97 or 9.4% relative to Q4-2022, driven primarily by the Primary Variance Drivers as well as increases in same property operating costs (see “Property Operating Costs - Same Property”).

Property operating costs for YTD-2023 were $4,159 (YTD-2022 - $2,789), representing an increase of $1,370 or 49.1% relative to YTD-2022, driven primarily by the Primary Variance Drivers. 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 Q4-2023 and YTD-2023 were $338 and $1,296, respectively (Q4-2022 and YTD-2022 - $289 and $910), representing increases of $49 and $386 relative to Q4-2022 and YTD-2022, respectively, due primarily to the Primary Variance Drivers.

The Fund actively manages the assessed values of the Properties to minimize property taxes by utilizing third party consultants, which includes appealing against the assessed values where deemed appropriate by the Manager.

## NOI AND NOI MARGIN

NOI for Q4-2023 was $3,617 (Q4-2022 - $3,339), representing an increase of $278 or 8.3% relative to Q4-2022, primarily driven by the Primary Variance Drivers as well as increases in same property NOI (see “NOI - Same Property”).

NOI for YTD-2023 was $13,754 (YTD-2022 - $10,023), representing an increase of $3,731 or 37.2% relative to YTD-2022, primarily driven by the Primary Variance Drivers.

During Q4-2023, the NOI margin was 71.2% (Q4-2022 - 71.7%), representing a decrease of 50 basis points relative to Q4-2022, due to higher same property operating costs and property taxes, partially offset by strong revenue growth.

During YTD-2023, the NOI margin was 71.6% (YTD-2022 - 73.0%), representing a decrease of 140 basis points relative to YTD-2022, due primarily to higher operating costs and lower economic occupancy levels, partially offset by strong revenue growth during YTD-2023.

For same property results and commentary, see “Results of Operations - Same Property”.

### AVERAGE MONTHLY RENT AND OCCUPANCY

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

| | | AMR (1) | | | Economic Occupancy (1) | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Properties** | **Suites** | **Q4-2023** | **Q4-2022** | **% Chg** | **Q4-2023** | **Q4-2022** | **% Chg** | **YTD-2023** | **YTD-2022 (2)** | **% Chg** |
| Nanaimo | 251 | $ 2,102 | $ 2,030 | 3.5 % | 91.3 % | 93.5 % | (2.2)% | 91.8 % | 92.7 % | (0.9)% |
| Langford | 60 | $ 1,932 | $ 1,775 | 8.8 % | 97.1 % | 96.5 % | 0.6 % | 94.4 % | 95.3 % | (0.9)% |
| Vernon | 60 | $ 1,779 | $ 1,640 | 8.5 % | 97.2 % | 95.4 % | 1.8 % | 98.0 % | 96.6 % | 1.4 % |
| Vernon 2 | 43 | $ 1,752 | $ 1,600 | 9.5 % | 96.9 % | 93.8 % | 3.1 % | 97.5 % | 96.5 % | 1.0 % |
| Langford 2 | 81 | $ 1,866 | $ 1,745 | 6.9 % | 93.7 % | 98.2 % | (4.5)% | 96.0 % | 98.1 % | (2.1)% |
| Langford 3 | 166 | $ 1,782 | $ 1,712 | 4.1 % | 94.9 % | 94.5 % | 0.4 % | 95.2 % | 95.3 % | (0.1)% |
| Langley | 57 | $ 1,879 | $ 1,792 | 4.9 % | 95.5 % | 93.9 % | 1.6 % | 94.4 % | 96.2 % | (1.8)% |
| Nanaimo 2 | 120 | $ 2,012 | $ 1,982 | 1.5 % | 92.1 % | 97.2 % | (5.1)% | 93.3 % | 97.5 % | (4.2)% |
| Langford 4 | 106 | $ 1,934 | $ — | n/a | 94.9 % | — % | n/a | 94.9 % | — % | n/a |
| **Total Properties** | **944** | **$ 1,934** | **$ 1,848** | **4.7 %** | **93.7 %** | **95.0 %** | **(1.3)%** | **94.1 %** | **95.2 %** | **(1.1)%** |
| **Same Property(3)** | **838** | **$ 1,934** | **$ 1,848** | **4.7 %** | **93.7 %** | **95.0 %** | **(1.3)%** | **n/a** | **n/a** | **n/a** |

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

(2) Figures represent the actual results for the Initial Reporting Period.

(3) Same property figures represent results for the eight Properties acquired during 2022.

Total Portfolio AMR for Q4-2023 was $1,934 or 4.7% higher than Q4-2022, driven primarily by the impact of the Fund achieving year-over-year rent growth of 4.7% on a same property basis. These increases were driven by overall demand for multi-family suites in the Primary Markets.

The Fund's economic occupancy for Q4-2023 was 93.7% (Q4-2022 - 95.0%), representing a decrease of 1.3% relative to Q4-2022, primarily as a result of the Fund focusing on maximizing rent increases at the Properties and the timing of lease expiries.

The Fund's economic occupancy for YTD-2023 was 94.1% (YTD-2022 - 95.2%), representing a decrease of 1.1% relative to YTD-2022 due to the same reasons as mentioned above. The Fund continues to focus on maximizing revenue at the Properties through optimizing rent growth.

### QUARTERLY AMR AND OCCUPANCY

The following table presents the Fund's quarterly AMR and economic occupancy results for Q4-2023 and the previous four quarters:

| | | Q4-2023 | | Q3-2023 | | Q2-2023 | | Q1-2023 | | Q4-2022 | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Properties** | **Suites** | **AMR (1)** | **Econ. Occ % (1)** | **AMR (1)** | **Econ. Occ % (1)** | **AMR (1)** | **Econ. Occ % (1)** | **AMR (1)** | **Econ. Occ % (1)** | **AMR (1)** | **Econ. Occ % (1)** |
| Nanaimo | 251 | $ 2,102 | 91.3 % | $ 2,087 | 94.9 % | $ 2,053 | 92.7 % | $ 2,027 | 88.1 % | $ 2,030 | 93.5 % |
| Langford | 60 | $ 1,932 | 97.1 % | $ 1,926 | 93.7 % | $ 1,877 | 92.0 % | $ 1,879 | 94.7 % | $ 1,775 | 96.5 % |
| Vernon | 60 | $ 1,779 | 97.2 % | $ 1,753 | 99.4 % | $ 1,702 | 99.0 % | $ 1,687 | 96.7 % | $ 1,640 | 95.4 % |
| Vernon 2 | 43 | $ 1,752 | 96.9 % | $ 1,729 | 98.7 % | $ 1,702 | 99.8 % | $ 1,685 | 94.5 % | $ 1,600 | 93.8 % |
| Langford 2 | 81 | $ 1,866 | 93.7 % | $ 1,842 | 94.6 % | $ 1,812 | 97.9 % | $ 1,801 | 97.9 % | $ 1,745 | 98.2 % |
| Langford 3 | 166 | $ 1,782 | 94.9 % | $ 1,776 | 95.0 % | $ 1,745 | 94.8 % | $ 1,734 | 96.0 % | $ 1,712 | 94.5 % |
| Langley | 57 | $ 1,879 | 95.5 % | $ 1,870 | 95.0 % | $ 1,867 | 98.2 % | $ 1,835 | 89.0 % | $ 1,792 | 93.9 % |
| Nanaimo 2 | 120 | $ 2,012 | 92.1 % | $ 2,007 | 92.9 % | $ 1,975 | 96.5 % | $ 1,969 | 91.9 % | $ 1,982 | 97.2 % |
| Langford 4 | 106 | $ 1,934 | 94.9 % | $ — | — % | $ — | — % | $ — | — % | $ — | — % |
| Total Properties | **944** | **$ 1,934** | **93.7 %** | **$ 1,922** | **95.0 %** | **$ 1,889** | **95.2 %** | **$ 1,873** | **92.4 %** | **$ 1,848** | **95.0 %** |

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

The Fund's AMR increased to $1,934 during Q4-2023 primarily as a result of achieving strong rent growth, leading to quarter-over-quarter increases over the preceding four quarters.

### CAPITAL INVESTMENTS

The Fund has capital expenditures required to be incurred in future periods in order to maintain the productive capacity of the Properties and to sustain its rental income generating potential over its useful life with such amounts estimated to be $200 per multi-family 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 Properties. 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 as their knowledge and experience with real estate.

## RESULTS OF OPERATIONS – SAME PROPERTY

Same property results include the eight Properties acquired during 2022 for Q4-2023 and Q4-2022 (representing 838 suites). Same property results are not presented for YTD-2023 and YTD-2022 as the Initial Reporting Period commenced on February 23, 2022.

| | Q4-2023 | Q4-2022 | $ Chg | % Chg |
|---|---|---|---|---|
| Revenue from property operations | $ 4,778 | $ 4,655 | $ 123 | 2.6 % |
| Property operating costs | (1,045) | (1,027) | $ (18) | (1.8)% |
| Property taxes | (319) | (289) | $ (30) | (10.4)% |
| NOI | **$ 3,414** | **$ 3,339** | **$ 75** | **2.2 %** |
| NOI margin | 71.5 % | 71.7 % | | |

### REVENUE FROM PROPERTY OPERATIONS – SAME PROPERTY

Same property revenue from property operations for Q4-2023 was $4,778 (Q4-2022 - $4,655), representing an increase of $123 or 2.6%, primarily as a result of strong AMR growth and higher economic occupancy at Vernon, Vernon 2 and Langley.

### PROPERTY OPERATING COSTS – SAME PROPERTY

Same property operating costs for Q4-2023 was $1,045 (Q4-2022 - $1,027), representing an increase of $18 or 1.8%, primarily as a result of higher repair and maintenance costs.

### PROPERTY TAXES – SAME PROPERTY

Same property taxes for Q4-2023 was $319 (Q4-2022 - $289), representing an increase of $30 or 10.4% primarily due to higher assessed income tax expense on Nanaimo 2, as a result of Nanaimo 2 property tax being applicable for the entirety of 2023, as compared to the partial year of 2022, given that Nanaimo 2 was completed during 2022.

The Fund actively manages its assessed values for property tax purposes to minimize property tax expenses by utilizing third party consultants and actively appealing increases in assessed values where these are in excess of the Manager's estimate of an appropriate increase considering comparable properties in the submarket, market conditions and the performance of the individual Property.

### NOI – SAME PROPERTY

Same Property NOI for Q4-2023 was $3,414 (Q4-2022 - $3,339), representing an increase of $75 or 2.2%, primarily as a result of strong revenue growth, partially offset by increases in same property taxes and operating costs.

Same property NOI margin for Q4-2023 decreased marginally to 71.5% when compared to Q4-2022.

## OTHER INCOME AND EXPENSES

### FINANCE COSTS

The Fund’s finance costs for Q4-2023 and YTD-2023 compared to Q4-2022 and YTD-2022 are summarized below:

| | Q4-2023 | Q4-2022 | $ Chg | % Chg | YTD-2023 | YTD-2022 [1] | $ Chg | % Chg |
|---|---|---|---|---|---|---|---|---|
| Interest expense on loans payable | $ 2,389 | $ 2,493 | $ (104) | (4.2)% | $ 9,327 | $ 6,287 | $ 3,040 | 48.4 % |
| Amortization of deferred financing costs | 276 | 503 | (227) | (45.1)% | 1,104 | 1,059 | 45 | 4.2 % |
| Other financing costs | 33 | 104 | (71) | (68.3)% | 339 | 321 | 18 | 5.6 % |
| Total | **$ 2,698** | **$ 3,100** | **$ (402)** | **(13.0)%** | **$ 10,770** | **$ 7,667** | **$ 3,103** | **40.5 %** |
| Weighted average interest rate - average during the period | 3.77 % | 4.19 % | n/a | n/a | 3.73 % | 3.82 % | n/a | n/a |
| Indebtedness - average outstanding during the period | $253,566 | $244,227 | $ 9,339 | 3.8 % | $ 243,182 | $ 217,836 | $25,346 | 11.6 % |

(1) Figures represent the actual results for the Initial Reporting Period.

#### *Interest expense on loans payable*

Interest expense on loans payable for Q4-2023 was $2,389 (Q4-2022 - $2,493), representing a decrease of $104 or 4.2% relative to Q4-2022, primarily due to the replacement of the Langley and Nanaimo 2 credit facilities with lower fixed rate mortgages during 2023, partially offset by interest expense incurred on Langford 4 following its November 14, 2023 acquisition.

Interest expense on loans payable for YTD-2023 was $9,327 (YTD-2022 - $6,287), representing an increase of $3,040 or 48.4% relative to YTD-2022, primarily due to the impact of the Primary Variance Drivers amplified by increases in the Canadian Dollar Offered Rate (“CDOR”) and a new credit facility initiated on the acquisition of Langford 4 which is subject to the Canadian Overnight Repo Rate Average (“CORRA”).

The Fund's weighted average interest rate during Q4-2023 and YTD-2023 was 3.77% and 3.73%, respectively (Q4-2022 and YTD-2022 - 4.19% and 3.82%), representing a decrease of 42 basis points and 9 basis points respectively, primarily due to the replacement of the Langley and Nanaimo 2 credit facilities with lower fixed rate mortgages during 2023, partially offset by the impact of additional debt incurred on the November 14, 2023 acquisition of Langford 4.

#### *Amortization of deferred financing costs*

Amortization of deferred financing costs for Q4-2023 was $276 (Q4-2022 - $503), representing a decrease of $227 relative to Q4-2022, primarily due to the lower amortization expense incurred following the refinancing of Langley and Nanaimo 2 as the maturities of the refinanced debt were over a longer period.

Amortization of deferred financing costs for YTD-2023 was $1,104 (YTD-2022 - $1,059), representing an increase of $45 relative to YTD-2022, primarily due to the Primary Variance Drivers, partially offset by the lower amortization expense following the refinancing as mentioned above.

#### *Other financing costs*

Other financing costs for Q4-2023 were $33 (Q4-2022 - $104), representing an decrease of $71 relative to Q4-2022, primarily due to the lower applicable guarantees on the refinanced debt for Langley and Nanaimo 2.

Other financing costs for YTD-2023 were $339 (YTD-2022 - $321), representing an increase of $18 relative to YTD-2022, primarily due to the Primary Variance Drivers, largely offset by the refinanced debt as noted above.

Other financing costs primarily consists of guarantee fees (see “Related Party Transactions and Arrangements – Arrangements with the Manager”).

## DISTRIBUTIONS TO UNITHOLDERS

Consistent with the Fund's final long form prospectus dated January 27, 2022 (the "Prospectus"), the Fund declared its first prorated distribution on its Units for the period from February 22, 2022 to March 31, 2022 following the Fund's first month of operations in March 2022. The Fund's distribution is targeted to be between 3.0% to 4.0% annually on all Unit classes. The Fund intends to declare monthly cash distributions no later than seven business days prior to the end of each month, payable within 15 days following the end of the month (or the next business day if not a business day) in which the distribution is declared to Unitholders as at month-end. During YTD-2023, the Fund declared distributions as follows:

| Class A | Class B | Class C |
|---|---|---|
| $0.30948 | $0.30000 | $0.31668 |

For Q4-2023, the Fund declared distributions totaling $997 (Q4-2022 - $999).

For YTD-2023, the Fund declared distributions totaling $3,993 (YTD-2022 - $3,413), representing an increase of $580 relative to YTD-2022, primarily due to the number of operating days in the Initial Reporting Period.

Assuming the Fund had paid distributions based on the actual equity deployed on the acquisition of the Properties during Q4-2023 and YTD-2023, distributions would have been $802 and $3,019, respectively, compared to distributions of $739 and $2,525 in Q4-2022 and YTD-2022.

## 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, trustee fees, investor relations expenses, trustees' and officers' insurance premiums, expenses relating to the administration of the Fund's distributions 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 Q4-2023 and YTD-2023 were $551 and $2,084 (Q4-2022 and YTD-2022 - $519 and $1,585), representing an increase of $32 and $499 relative to Q4-2022 and YTD-2022, respectively, primarily related to the increase in asset management fees due to the Primary Variance Drivers.

## 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 YTD-2022 and YTD-2023 | | Amount |
|---|---|---|
| Balance, as at January 1, 2022 | $ | — |
| Acquisitions of investment properties | | 333,570 |
| Capital additions | | 362 |
| Fair value adjustment on investment properties | | 16,468 |
| Balance as at December 31, 2022 | | 350,400 |
| Acquisition of investment property | | 44,135 |
| Capital additions | | 644 |
| Fair value adjustment on investment properties | | 24,321 |
| **Balance as at December 31, 2023** | **$** | **419,500** |

| Reconciliation of cost base of investment properties to their fair value | | As at December 31, 2023 | | As at December 31, 2022 |
|---|---|---|---|---|
| Cost | $ | 378,711 | $ | 333,932 |
| Cumulative fair value adjustment | | 40,789 | | 16,468 |
| **Fair Value** | **$** | **419,500** | **$** | **350,400** |

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

| | As at December 31, 2023 | As at December 31, 2022 |
|---|---|---|
| Capitalization rate - range | 4.00% to 4.50% | 4.00% to 4.50% |
| Capitalization rate - weighted average | 4.28 % | 4.28 % |

The fair values of the Properties are sensitive to changes in the key valuation assumptions. Changes in the weighted average capitalization rates would result in a change to the estimated fair value of the Fund's investment properties as set out in the following table:

| Key assumptions | Change | As at December 31, 2023 | As at December 31, 2022 |
|---|---|---|---|
| Weighted average capitalization rate | 10-basis-point increase | $ (9,578) | $ (8,000) |
| Weighted average capitalization rate | 10-basis-point decrease | $ 10,036 | $ 8,383 |

During Q4-2023, the Fund recorded a fair value gain on its Properties of $14,595 (Q4-2022 - $16,468). The fair value gain during Q4-2023 was due to a combination of NOI growth and capitalization rate compression.

During YTD-2023, the Fund recorded a fair value gain on its Properties of $24,321 (YTD-2022 - $16,468). The fair value gain during YTD-2023 was entirely driven by NOI growth.

The impact of a 1% change in the NOI used to value the Properties as at December 31, 2023 would affect their fair value by approximately $4,195 (December 31, 2022 - $3,504).

## PROVISION FOR CARRIED INTEREST

As at December 31, 2023, the Fund recognized a provision for carried interest of $8,030, resulting in an expense of $3,422 and $4,622 for Q4-2023 and YTD-2023 (Q4-2022 and YTD-2022 - $3,408), respectively (see "Related Party Transactions and Arrangements").

## INCOME TAXES

The Fund qualifies as a mutual fund trust for Canadian income tax purposes pursuant to the *Income Tax Act* (Canada) (the "Tax Act"). In accordance with the terms of the Declaration of Trust, the Fund intends to distribute its income for income tax purposes each year to such an extent that it will not be liable for income taxes under Part I of the Tax Act. The Fund is eligible to claim a tax deduction for distributions paid and intends to continue to meet the requirements under the Tax Act. Accordingly, no provision for income taxes payable is required or has been made. Income tax obligations relating to distributions of the Fund are the obligations of the Unitholders.

## NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been prepared below for Q4-2023 and YTD-2023 with comparative measures for Q4-2022 and YTD-2022.

### FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

A reconciliation of net income and comprehensive income, determined in accordance with IFRS to FFO and AFFO, is presented below for Q4-2023 and YTD-2023 compared with Q4-2022 and YTD-2022:

| | Q4-2023 | Q4-2022 | YTD-2023 | YTD-2022 [1] |
|---|---|---|---|---|
| Net income and comprehensive income | $ 10,544 | $ 11,781 | $ 16,606 | $ 10,418 |
| Add / (Deduct): | | | | |
| Distributions to Unitholders | 997 | 999 | 3,993 | 3,413 |
| Fair value adjustment on investment properties | (14,595) | (16,468) | (24,321) | (16,468) |
| Provision for carried interest | 3,422 | 3,408 | 4,622 | 3,408 |
| **FFO** | **$ 368** | **$ (280)** | **$ 900** | **$ 771** |
| Add / (Deduct): | | | | |
| Amortization of deferred financing costs | 276 | 503 | 1,104 | 1,059 |
| Sustaining capital expenditures and suite renovation reserves | (43) | (21) | (168) | (72) |
| **AFFO** | **$ 601** | **$ 202** | **$ 1,836** | **$ 1,758** |
| FFO per Unit - basic and diluted | $ 0.03 | $ (0.02) | $ 0.07 | $ 0.06 |
| FFO payout ratio | 270.9 % | n/a | 443.7 % | 442.7 % |
| AFFO per Unit - basic and diluted | $ 0.05 | $ 0.02 | $ 0.14 | $ 0.14 |
| AFFO payout ratio | 165.9 % | 494.6 % | 217.5 % | 194.1 % |
| Distributions declared [2] | $ 997 | $ 999 | $ 3,993 | $ 3,413 |
| Weighted average Units outstanding: | | | | |
| Basic and diluted - class A, B & C - (000s) | 12,980 | 13,000 | 12,988 | 13,000 |
| Cash paid for acquisition of Properties [3] | $ 15,629 | $ — | $ 15,629 | $ 90,213 |
| Adjusted distributions for equity deployed [4] | $ 802 | $ 739 | $ 3,019 | $ 2,525 |
| FFO payout ratio adjusted for equity deployed [5] | 217.9 % | n/a | 335.4 % | 327.5 % |
| AFFO payout ratio adjusted for equity deployed [5] | 133.4 % | 365.9 % | 164.4 % | 143.6 % |

(1) Figures represent the actual results for the Initial Reporting Period.

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

(3) Figures represent the cash paid for the acquisitions of Properties as reported in the consolidated financial statements of the Fund for YTD-2023 and YTD-2022.

(4) The Fund elected to pay the 3.1% annualized targeted distribution on the gross subscription proceeds from the Offering during Q4-2023, Q4-2022, YTD-2023 and YTD-2022, despite the fact that all of the Offering proceeds had not been fully deployed for those periods. Adjusted distributions for equity deployed is calculated assuming the Fund had paid distributions based on the actual equity deployed on the acquisition of Properties.

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

#### *Funds from operations*

Basic and diluted FFO and FFO per Unit for Q4-2023 were $368 and $0.03, respectively (Q4-2022- $(280) and $(0.02)), representing an increase of $648 or 231.4%, primarily due to the increase in NOI and same property NOI as a result of the Primary Variance Drivers and a decrease in finance costs, partially offset by increases in fund and trust expenses.

Basic and diluted FFO and FFO per Unit for YTD-2023 were $900 and $0.07, respectively (YTD-2022 - $771 and $0.06), representing an increase of $129 or 16.7%, primarily due to increases in NOI as a result of Primary Variance Drivers, partially offset by increases in finance costs and fund and trust expenses.

To the extent that distributions exceed FFO, the Fund covers any operating shortfalls through cash on hand. Given the Fund was also formed as a "closed-end" fund with an initial term of three years, a targeted annual yield of 3.0% to 4.0% and a targeted minimum 12% pre-tax total investor internal rate of return across all classes of Units of the Fund, the Fund continues to monitor its FFO, FFO payout ratio, AFFO and AFFO payout ratio with the goal of maximizing the total return for investors during the Fund's term.

### *Adjusted Funds from operations*

Basic and diluted AFFO and AFFO per Unit for Q4-2023 were $601 and $0.05, respectively (Q4-2022 - $202 and $0.02), representing an increase in AFFO of $399 or 197.5%, due primarily to the reasons noted above under FFO.

Basic and diluted AFFO and AFFO per Unit for YTD-2023 were $1,836 and $0.14, respectively (YTD-2022 - $1,758 and $0.14), representing a decrease in AFFO of $78 or 4.4%, due primarily to the reasons noted above under FFO.

The Fund elected to pay the 3.1% annualized targeted distribution for the Fund during Q4-2023 and YTD-2023 despite the fact that all of the Offering proceeds had not yet been fully deployed for those periods. Assuming the Fund had paid distributions based on the actual equity deployed on the acquisition of the Properties during Q4-2023 and YTD-2023, distributions would have been $802 and $3,019 (Q4-2022 and YTD-2022 - $739 and $2,525) and the AFFO payout ratio would have been 133.4% and 164.4% (Q4-2022 and YTD-2022 - 365.9% and 143.6%), respectively.

### *Sustaining capital expenditures*

For the purposes of calculating AFFO, the Fund utilized a reserve for sustaining capital expenditures and suite renovations of $43 and $168 for Q4-2023 and YTD-2023 (Q4-2022 and YTD-2022 - $21 and $72), respectively. This reserve is used in the calculation of AFFO as it removes fluctuations in AFFO resulting from seasonality in actual 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 Q4-2023 and YTD-2023 were $4 and $139 (Q4-2022 and YTD-2022 - $15 and $45).

### *Cash provided by operating activities reconciliation to AFFO*

A reconciliation of cash provided by operating activities determined in accordance with IFRS to FFO and AFFO for Q4-2023, Q4-2022, YTD-2023 and YTD-2022 is provided below:

| | Q4-2023 | Q4-2022 | YTD-2023 | YTD-2022 [(1)] |
|---|---|---|---|---|
| **Cash provided by operating activities** | $ 3,480 | $ 2,924 | $ 11,793 | $ 7,545 |
| Less: interest and finance costs | (2,422) | (2,597) | (9,666) | (6,608) |
| **Cash provided by operating activities - including interest and finance costs** | **$ 1,058** | **$ 327** | **$ 2,127** | **$ 937** |
| Add / (Deduct): | | | | |
| Change in non-cash operating working capital | (508) | (58) | (256) | (216) |
| Change in restricted cash | 94 | (46) | 133 | 1,109 |
| Amortization of deferred financing costs | (276) | (503) | (1,104) | (1,059) |
| **FFO** | **$ 368** | **$ (280)** | **$ 900** | **$ 771** |
| Add / (Deduct): | | | | |
| Amortization of deferred financing costs | 276 | 503 | 1,104 | 1,059 |
| Sustaining capital expenditures and suite renovation reserves | (43) | (21) | (168) | (72) |
| **AFFO** | **$ 601** | **$ 202** | **$ 1,836** | **$ 1,758** |

(1) Figures represent the actual results for the Initial Reporting Period.

### *Distributions to Unitholders relative to cash provided by operating activities*

The Fund's cash provided by operating activities, including interest and finance costs for Q4-2023 was $1,058 (Q4-2022 - $327), which was higher than distributions declared to Unitholders by $61 (Q4-2022 - lower than distributions declared to Unitholders by - $672).

The Fund's cash provided by operating activities, including interest and finance costs for YTD-2023 was $2,127 (YTD-2022 - $937), which was lower than distributions declared to Unitholders by $1,866 (YTD-2022 - $2,476).

The shortfall for YTD-2023 was primarily due to higher interest costs related to variable rate debt and distributions to Unitholders being paid on the full proceeds from the Offering despite the fact that all of the Offering proceeds had not yet been fully deployed. The shortfall between cash provided by operating activities and distributions paid was covered by cash on hand.

## LIQUIDITY AND CAPITAL RESOURCES

### LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders and property maintenance and capital improvements. The Fund has financing sources to fulfill its commitments including cash on hand, cash flow from its operating activities and mortgage debt secured by the Properties. As at December 31, 2023, the Fund was in compliance with all of its financial covenants. The Fund continues to evaluate the changes in interest rates and the potential impacts of inflation, if any, on the liquidity and performance of the Canadian multi-family property asset class (see “Future Outlook”).

As at December 31, 2023, the Fund had cash on hand of $4,814, to fund existing operations.

The Fund was formed as a “closed-end” fund with an initial term of three years, a targeted yield of 3.0% to 4.0% and a targeted minimum 12% pre-tax total investor internal rate of return across all classes of Units. Although the AFFO payout ratio was in excess of 100% for Q4-2023 and YTD-2023, this was primarily due to the Fund electing to pay the 3.1% annualized targeted distribution for the Fund despite the fact that all of the Offering proceeds had not yet been fully deployed (see “Non-IFRS Financial Measures - Adjusted Funds From Operations” and “Subsequent events”).

### CASH FLOWS

Cash provided by operating activities is expected to represent the primary source of liquidity to fund distributions, debt service and capital improvements. The Fund’s cash flow from operating activities is dependent upon the occupancy level at the Properties, the rental rates on its leases, the collectability of rent from its residents, ancillary revenue, 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 Q4-2023, Q4-2022, YTD-2023 and YTD-2022:

| | Q4-2023 | Q4-2022 | YTD-2023 | YTD-2022 |
|---|---|---|---|---|
| Cash provided by operating activities | $ 3,480 | $ 2,924 | $ 11,793 | $ 7,545 |
| Cash provided by (used in) financing activities | 24,089 | (4,296) | 7,481 | 354,861 |
| Cash used in investing activities | (44,091) | (127) | (44,565) | (332,301) |
| **(Decrease) increase in cash** | **(16,522)** | **(1,499)** | **(25,291)** | **30,105** |
| Cash, beginning of period | 21,336 | 31,604 | 30,105 | — |
| **Cash, end of period** | **$ 4,814** | **$ 30,105** | **$ 4,814** | **$ 30,105** |

Cash provided by operating activities during Q4-2023 and YTD-2023 was $3,480 and $11,793, which primarily consisted of operating income generated by the Properties as well as changes in non-cash operating working capital.

Cash provided by operating activities during Q4-2022 and YTD-2022 was $2,924 and $7,545, which primarily consisted of operating income generated by the Properties as well as changes in non-cash operating working capital.

Cash provided by financing activities for Q4-2023 was $24,089, which primarily consisted of proceeds from new and assumed financing of $28,474, mortgage principal repayments of $836, finance costs paid of $2,552 and distributions of $997.

Cash provided by financing activities for YTD-2023 was $7,481, which primarily consisted of proceeds from new and assumed financing of $77,412, credit facility repayments of $51,413, mortgage principal repayments of $3,057, finance costs paid of $11,282, distributions of $3,993 and $186 paid for the redemption of Units.

Cash used in financing activities for Q4-2022 was $4,296, which primarily consisted of finance costs paid of $2,640, mortgage principal repayments of $682 and distributions of $999.

Cash provided by financing activities for YTD-2022 was $354,861, which primarily consisted of net proceeds from the Offering of $124,913 and net proceeds from new and assumed financing of $246,246, partially offset by finance costs paid of $11,198, mortgage principal repayments of $2,019 and distributions of $3,081.

Cash used in investing activities for Q4-2023 and YTD-2023 was $44,091 and $44,565, respectively, which primarily related to the acquisition of Langford 4 on November 14, 2023.

Cash used in investing activities for Q4-2022 was $127, which primarily related to capital additions to the Properties.

Cash used in investing activities for YTD-2022 was $332,301, which primarily related to the acquisition of the Properties during 2022.

## 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 capital management 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 December 31, 2023 is summarized below:

| | As at December 31, 2023 | As at December 31, 2022 |
|---|---|---|
| Loans payable (1) | $ 267,171 | $ 244,227 |
| Net liabilities attributable to Unitholders | 151,751 | 135,331 |
| **Total capital** | **$ 418,922** | **$ 379,558** |

(1) Loans payable include fixed rate mortgages and a non-revolving term credit facility.

| | | | As at December 31, 2023 | As at December 31, 2022 |
|---|---|---|---|---|
| Indebtedness to Gross Book Value | | | 63.7 % | 69.7 % |
| Weighted average term to maturity - Indebtedness | | | 4.53 years | 3.44 years |
| | **Q4-2023** | **Q4-2022** | **YTD-2023** | **YTD-2022** |
| Weighted average interest rate - Indebtedness | 3.77 % | 4.19 % | 3.73 % | 3.82 % |
| Interest Coverage Ratio | 1.28x | 1.13x | 1.25x | 1.34x |
| Indebtedness Coverage Ratio | 0.95x | 0.90x | 0.79x | 1.02x |

As at December 31, 2023, overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, was 63.7% (December 31, 2022 - 69.7%) and the weighted average term to maturity was 4.53 years (December 31, 2022 - 3.44 years). The increase in term to maturity as at December 31, 2023 as compared to December 31, 2022 was entirely due to the replacement of the credit facility related to Nanaimo 2 and Langley with fixed rate mortgages. The maximum allowable ratio under the Declaration of the Trust is 75%.

For Q4-2023 and YTD-2023, the Interest Coverage Ratio was 1.28x and 1.25x, respectively (Q4-2022 and YTD-2022 - 1.13x and 1.34x) and the Indebtedness Coverage Ratio was 0.95x and 0.79x, respectively (Q4-2022 and YTD-2022 - 0.90x and 1.02x). The decrease in both ratios during YTD-2023 relative to YTD-2022 was primarily due to increased interest rates on variable debt including the additional credit facility obtained on the acquisition of Langford 4 as well as overall impact of Primary Variance Drivers.

The Fund continues to actively monitor the interest rate environment and any associated impact this may have on the Fund's financial performance. To the extent that these ratios are below 1.0x, any shortfall is covered by cash on hand.

On February 15, 2023, the Nanaimo 2 credit facility amount outstanding of $33,863 was replaced by a fixed rate mortgage of $33,031 at 3.89%, maturing on June 1, 2033.

On May 1, 2023, the Langley credit facility amount outstanding of $17,550 was replaced by a fixed rate mortgage of $15,907 at 3.74%, maturing on June 1, 2033.

On November 14, 2023, the Fund acquired Langford 4 with a fixed rate mortgage of $20,074 at 2.43%, maturing on October 1, 2029 and a credit facility amount outstanding of $8,400 at CORRA plus 2.55%, maturing on November 14, 2024.

Subsequent to December 31, 2023, the maturities of the credit facilities relating to the Initial Properties were extended to March 25, 2024. The Fund has commitments in place from lenders for the refinancing of these facilities as at the extended maturity date, expected to increase the Fund's exposure to fixed rate debt from 80.6% to 91.4%. (see "Subsequent Events").

## 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 consolidated financial statements, as at December 31, 2023:

| | Scheduled principal payments | Debt maturing during the year | Total loans payable | Percentage of total loans payable | Weighted average interest rate of maturing loans (1) | Scheduled interest payments |
|---|---|---|---|---|---|---|
| 2024 | 3,632 | 51,879 | 55,511 | 20.8 % | 7.69 % | 7,092 |
| 2025 | 3,465 | 13,332 | 16,797 | 6.3 % | 3.91 % | 5,578 |
| 2026 | 3,471 | — | 3,471 | 1.3 % | — % | 5,315 |
| 2027 | 2,741 | 65,649 | 68,390 | 25.6 % | 2.80 % | 3,851 |
| 2028 | 2,529 | 10,355 | 12,884 | 4.8 % | 2.00 % | 3,336 |
| Thereafter | 5,163 | 104,955 | 110,118 | 41.2 % | 2.80 % | 9,103 |
| | **$ 21,001** | **$ 246,170** | **$ 267,171** | **100.0 %** | **3.78 %** | **$ 34,275** |
| Unamortized financing costs | | | (4,343) | | | |
| **Total carrying value** | | | **$ 262,828** | | | |

(1) Scheduled interest payments and interest rates on a non-revolving term credit facility are based on the one-month CDOR and CORRA as at December 31, 2023.

## COMMITMENTS AND CONTINGENCIES

From time to time in the normal course of business, the Fund may be involved in litigation and claims in relation to its 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 trustees and officers of the Fund and its subsidiaries.

## NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS

The Fund is authorized to issue an unlimited number of Units. The beneficial interest in the net income and comprehensive income of the Fund is divided into three classes of Units: Class A Units; Class B Units; and Class C Units. Below is a summary by class of the net liabilities attributable to Unitholders for YTD-2022 and YTD-2023:

| | Class A | Class B | Class C | Total |
|---|---|---|---|---|
| Net liabilities attributable to Unitholders, January 1, 2022 | $ — | $ — | $ — | $ — |
| Units issued in connection with the Offering, net of issuance costs, February 22, 2022 | 40,428 | 51,934 | 32,551 | 124,913 |
| Net income and comprehensive income | 3,372 | 4,331 | 2,715 | 10,418 |
| **Net liabilities attributable to Unitholders, December 31, 2022** | **$ 43,800** | **$ 56,265** | **$ 35,266** | **$135,331** |
| Redemption of Units | (167) | (19) | — | (186) |
| Net income and comprehensive income | 5,360 | 6,912 | 4,334 | 16,606 |
| **Net liabilities attributable to Unitholders, December 31, 2023** | **$ 48,993** | **$ 63,158** | **$ 39,600** | **$151,751** |

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

| (in thousands of Units) | Class A | Class B | Class C | Total |
|---|---|---|---|---|
| Outstanding, as at January 1, 2023 | 4,207 | 5,405 | 3,388 | 13,000 |
| Redemption of Units | (18) | (2) | — | (20) |
| **Outstanding, as at December 31, 2023** | **4,189** | **5,403** | **3,388** | **12,980** |

The Fund was formed on November 12, 2021 but commenced operations on February 23, 2022. One Class C Unit was issued to Starlight Group Property Holdings Inc. for $10.00 in cash upon Fund's formation, recorded in net liabilities attributable to Unitholders as at December 31, 2021.

During YTD-2023, pursuant to the Declaration of Trust, 17,528 Class A Units and 2,000 Class B Units were redeemed at 95% of NAV, amounting to a total of $186 (see "Subsequent Events").

## RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

### ARRANGEMENTS WITH THE MANAGER

The Fund engaged 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, Founder, Chief Executive Officer and a Unitholder of the Fund. The management agreement dated February 22, 2022 (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, the Manager is to perform asset management services for fees equal to 0.35% of the fair market value as prescribed by the most recent annual appraisals of the properties ("Gross Asset Value"), with the initial Gross Asset Value being the purchase price of the Properties paid or deemed paid by the Fund.

For Q4-2023 and YTD-2023, the Fund incurred asset management fees of $372 and $1,413 (Q4-2022 and YTD-2022 - $327 and $988), which were charged to fund and trust expenses. The increase of asset management fees for Q4-2023 and YTD-2023 relative to Q4-2022 and YTD-2022 was due to the Primary Variance Drivers. Asset management fees payable to the Manager as at December 31, 2023 was $132.

(b) **Acquisition fees**: Pursuant to the Management Agreement, as assigned, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such Properties having been presented to the Fund by the Manager, calculated as 1.0% of the purchase price of the property. 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 Q4-2023 and YTD-2023, the Fund incurred acquisition fees of $492 (Q4-2022 and YTD-2022 - $nil and $3,712) under the Management Agreement relating to the acquisition of the Properties. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition.

(c) **Guarantee fees:** Pursuant to the Management Agreement, in the event that the Manager or an affiliate is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its subsidiaries relating to a property, the Fund will, in consideration for providing such guarantee, pay the Manager, in the aggregate, 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.

For Q4-2023 and YTD-2023, guarantee fees of $33 and $339 (Q4-2022 and YTD-2022 - $104 and $316) were charged by the Manager. The increase in guarantee fees for YTD-2023 relative to YTD-2022 was due to the Primary Variance Drivers. Guarantee fees payable to the Manager as at December 31, 2023 was $nil.

*Other related party transactions*

Aggregate compensation to key management personnel was $nil for Q4-2023 and YTD-2023 (Q4-2022 and YTD-2022 - $nil), as compensation of these individuals is paid by the Manager pursuant to the Management Agreement.

### CARRIED INTEREST

Through D.D. Acquisitions Partnership ("DDAP") (as holder of the Starlight Western Canada Multi-Family (No. 2) Holding LP ("Holding LP") Class B limited partnership units), Daniel Drimmer is indirectly entitled to a carried interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all distributable cash of Holding LP was received by the Fund (including through the Starlight Western Canada Multi-Family Holding GP Inc.), together with all other amounts distributable by the Fund (including distributable cash generated by investees of the Fund not held through Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders in accordance with the Declaration of Trust, exceeds (B) the aggregate minimum return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the investors capital return base), 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 exceeds the minimum return for such class, DDAP will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the investors capital return base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by DDAP in respect of such class, and if more than one series of a class of Units is issued subsequent to the closing date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

As at December 31, 2023, the Fund had recognized a provision for carried interest of $8,030 resulting in an expense of $3,422 and $4,622 for Q4-2023 and YTD-2023 (Q4-2022 and YTD-2022 - $3,408).

## 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, 2023. 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 the consolidated financial statements, in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements,. The estimates used in determining the recorded amount for assets and liabilities in the consolidated 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 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.

**Consolidation:** The Fund has determined that it controls all of its subsidiaries, including the significant subsidiaries (as defined in the audited consolidated financial statements for the year ended December 31, 2023). 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 Holding LP 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 limited partners of the Fund and the Minimum Return (as defined in the Prospectus) (see "Related Party Transactions and Arrangements").

### FUTURE ACCOUNTING POLICY CHANGES

The future accounting policy changes are discussed in the Fund's consolidated financial statements, for the twelve months ended December 31, 2023 and the notes contained therein.

## RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units and activities of the Fund. Risks and uncertainties are disclosed in the Prospectus in the Risk Factors section that is available at www.sedar.com. Current and prospective investors of the Fund should carefully consider such risk factors. If any of the following risks or those outlined in the Prospectus occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed, and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Some of these risk factors are described below:

**Risk Factors Relating to the Fund**

a. *Acquisition Risk* - The acquisition of properties entails risks that investments will fail to perform in accordance with expectations, including the risks that the properties will not achieve anticipated occupancy levels and that expected rental increases, ancillary revenue opportunities and cost reductions may prove inaccurate. In undertaking such acquisitions, the Fund or its subsidiaries will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of the Properties once acquired may not generate sufficient funds to make the payments of principal and interest due on any mortgages or loans or second mortgages and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of the properties. The Fund has fully deployed the remaining Offering proceeds by acquiring its ninth property on November 14, 2023.

b. *Interest Rate Risk* - The Fund is exposed to interest rate risk due to the impact of increasing interest rates on certain outstanding variable interest rate debt. There is also a risk that the Fund may not obtain financing on favorable interest rates and terms required for the acquisition of additional multi-family properties. The risk of unfavorable interest rate changes is managed by the Fund through its variable rate debt exposure. The Fund's variable rate debt was 19.4% of total debt as at December 31, 2023, expected to decrease to 8.6% subsequent to December 31, 2023 (see "Subsequent Events").

c. *Inflation Risk* - Increased inflation could have a more pronounced negative impact on the Fund's operations in the future. Similarly, during periods of high inflation, annual rent increases may be less than the rate of inflation. Substantial inflationary pressures could lead to higher rates of unemployment and may have an adverse impact on residents' ability to pay rent, which could negatively affect the financial condition of the Fund. The Fund's operations and financial condition could be materially and adversely affected to the extent that an economic slowdown or downturn occurs, is prolonged or becomes more severe.

d. *General Real Estate Ownership Risks* - All real property investments are subject to a degree of risk and uncertainty including general economic conditions, local real estate markets, and various other factors. The value of real property and any improvements thereto depend on the credit and financial stability of residents and upon the vacancy rates of such properties. The Properties generate revenue through rental payments made by the residents thereof. The ability to rent vacant multi-family suites in the properties will be affected by many factors, including changes in general economic conditions (such as the availability and cost of mortgage funds), local conditions (such as an oversupply of space or a reduction in demand for real estate in the area), government regulations, changing demographics, competition from other available properties, and various other factors. If a significant number of residents are unable to meet their obligations under their leases or if a significant amount of available space in the properties becomes vacant and cannot be re-leased on economically favourable terms, the Properties may not generate revenues sufficient to meet operating expenses, including debt service, and distributable cash will be adversely affected.

   Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relationship with demand for and the perceived desirability of such investments. Such illiquidity will tend to limit the Fund's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the Fund were to be required to quickly liquidate its Properties, the proceeds might be significantly less than the aggregate carrying value of the Properties or less than what could be expected to be realized under normal circumstances. The Fund may, in the future, be exposed to a general decline of demand by residents for multi-family suites in properties. As well, certain of the leases of the Properties may have early termination provisions which, if exercised, would reduce the average lease term.

   Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the Properties or revenues to be derived therefrom. There can be no assurance that, upon the expiry or termination of existing leases, the average occupancy rates and revenues will be higher than historical occupancy rates and revenues, and it may take a significant amount of time for market rents to be recognized by the Fund due to internal and external limitations on its ability to charge these new market-based rents in the short-term.

e. *Catastrophic Events, Natural Disasters, Severe Weather and Disease* - The Fund's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including tornadoes, earthquakes, fires, floods, ice storms, cyber-attacks, unauthorized access, energy blackouts, pandemics, outbreaks of infectious disease, other public health crises affecting the markets where the Fund operates, terrorist attacks, acts of war, or other natural or manmade catastrophes. While the Fund engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly, and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the Fund's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the Fund from performing its obligations to third parties. A catastrophic event, or fear associated therewith, could increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact resident demand, which could have a negative impact on the Fund's ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the Fund intends to seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the Fund's financial condition and results of operations, decrease the amount of cash available for distribution to Unitholders.

   The Fund may be exposed to the impact of events caused by climate change, including an increase in the frequency and severity of the natural disasters and serious weather conditions outlined above. Furthermore, as a real estate property owner and manager, the Fund faces the risk that its Properties will be subject to government initiatives and reforms aimed at countering climate change, such as reduction in greenhouse gas emissions. The Fund may require operational changes and/or incur financial costs to comply with any such reforms. Any failure to adhere and adapt to climate change could result in fines or adversely affect the Fund's reputation, operations or financial performance.

f. *Co-investment/Joint Ventures* - The Fund, on advice of the Manager, may invest in, or be a participant in, directly or indirectly, joint ventures and partnerships with third parties in respect of the properties. A joint venture or partnership involves certain additional risks, including:

   i. The possibility that such co-venturers/partners may at any time have economic or business interests or goals that will be inconsistent with the Fund's or take actions contrary to the Manager's instructions or requests or to the Manager's policies or objectives with respect to the properties;

   ii. The risk that such co-venturers/partners could experience financial difficulties or seek the protection of bankruptcy, insolvency or other laws, which could result in additional financial demands to maintain and operate such properties or repay the co-venturers'/partners' share of property debt guaranteed by the Fund or its subsidiaries or for which the Fund or its subsidiaries will be liable and/or result in the Fund suffering or incurring delays, expenses and other problems associated with obtaining court approval of joint venture or partnership decisions;

   iii. The risk that such co-venturers/partners may, through their activities on behalf of or in the name of the ventures or partnerships, expose or subject the Fund or its subsidiaries to liability; and

   iv. The need to obtain co-venturers'/partners' consents with respect to certain major decisions or inability to have any decision-making authority, including the decision to distribute cash generated from such properties or to refinance or sell a property.

   In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Fund's ability to sell an interest in a property or a joint venture/partnership within the time frame or otherwise on the basis the Manager desires. Additionally, drag-along rights may be triggered at a time when the Manager may not advise the Fund to sell its interest in a property, but the Fund may be forced to do so at a time when it would not otherwise be in its best interest.

g. *Substitutions for Multi-Family Rental Suites* - Demand for multi-family rental suites at the Properties is impacted by and inversely related to the relative cost of home ownership. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. Interest rates offered by financial institutions for financing home ownership have begun to rise. If the interest rates offered by financial institutions for home ownership financing are relatively low, demand for multi-family rental suites may be adversely affected. A reduction in the demand for multi-family rental suites may have an adverse effect on the Fund's ability to lease multi-family suites in the properties and on the rents charged.

h. *Government Regulation* - BC has enacted residential tenancy legislation which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at the properties. Limits on the Fund's ability to raise rental rates at the properties may adversely affect the Fund's ability to increase income from the properties.

   In addition to limiting the Fund's ability to raise rental rates, residential tenancy legislation in the Primary Markets may provide certain rights to residents, while imposing obligations upon landlords. Residential tenancy legislation may also prescribe procedures which must be followed by a landlord in order to terminate a residential tenancy. As certain proceedings may need to be brought before the respective judicial or administrative body governing residential tenancies as appointed under a province's residential tenancy legislation, it may take several months to terminate a residential lease, even where the resident's rent is in arrears.

   Further, residential tenancy legislation may provide residents with the right to bring certain claims to the respective judicial or administrative body seeking an order to, among other things, compel landlords to comply with health, safety, housing and maintenance standards. As a result, the Fund may, in the future, incur capital expenditures which may not be fully recoverable from residents.

   Residential tenancy legislation may be subject to further regulations or may be amended, repealed or enforced, or new legislation may be enacted, in a manner which will materially adversely affect the ability of the Fund to maintain the historical level of earnings of the Properties.

i. *Changes in Applicable Laws* - The Fund's operations must comply with numerous federal, provincial and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord resident laws and other laws generally applicable to business operations. Non-compliance with laws could expose the Fund to liability. Lower revenue growth or significant unanticipated expenditures may result from the Fund's need to comply with changes in applicable laws, including (i) laws imposing environmental remedial requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, or (ii) other governmental rules and regulations or enforcement policies affecting the use and operation of the Properties, including changes to building codes and fire and life-safety codes.

j. *Financing Risks* - There is no assurance that the Manager will be able to obtain sufficient mortgages or loans to finance the acquisition of properties, or, if available, that the Manager will be able to obtain mortgages or loans on commercially acceptable terms. Further, there is no assurance or guarantee that the mortgages or loans, if obtained, will be renewed when they mature or, if renewed, renewed on the same terms and conditions (including the rate of interest). In the absence of mortgage financing, the number of properties which the Fund is able to purchase will decrease and the return from the ownership of properties (and ultimately the return on an investment in Units) will be reduced. The Fund is subject to the risks associated with debt financing, including the risk that the existing mortgages or loans secured by the properties will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing indebtedness. In order to minimize this risk, the Fund will attempt to appropriately structure the timing of the renewal of significant resident leases on the properties in relation to the time at which mortgages or loans on such properties becomes due for refinancing (see "Subsequent Events").

k. *Interest Rate Fluctuations* - mortgages or loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing. The Fund does not currently have any hedging arrangements on its variable interest rate debt due to the primarily short term and revolving nature of the amounts.

l. *Potential Undisclosed Liabilities Associated with Acquisitions* - The Fund fully deployed the Offering proceeds during 2023. The acquired properties may be subject to existing liabilities, some of which might have been unknown at the time of the acquisition which the Fund might have failed to uncover in its due diligence. Unknown liabilities might include liabilities for claims by residents, vendors or other persons dealing with the vendor or predecessor entities (that have not been asserted or threatened to date), tax liabilities, accrued but unpaid liabilities incurred in the ordinary course of business and cleanup and remediation of undisclosed environmental conditions. While in some instances the Fund may, indirectly have the right to seek reimbursement against an insurer or another third party for certain of these liabilities, the Fund may not have recourse to the vendor of the properties for any of these liabilities.

m. *Environmental Matters* - The Fund is subject to various other requirements (including federal, provincial and municipal laws, as applicable) relating to environmental matters. Such requirements provide that the Fund could be, or become, liable for environmental or other harm, damage or costs, including with respect to the release of hazardous, toxic or other regulated substances into the environment and/or affecting persons, and the removal or other remediation of hazardous, toxic or other regulated substances that may be present at or under its properties, including lead-based paint, asbestos, polychlorinated biphenyls, petroleum-based fuels, mercury, volatile organic compounds, underground storage tanks, pesticides and other miscellaneous materials. Such requirements often impose liability without regard to whether the owner or operator knew of, or was responsible for, the release or presence of such materials. Additional liability may be incurred by the Fund with respect to the release of such substances from the Properties to properties owned by third parties, including properties adjacent to the Properties or with respect to the exposure of persons to regulated substances.

   The failure to remove or otherwise address such substances may materially adversely affect the Fund's ability to sell such property, maximize the value of such property or borrow using such property as collateral security, and could potentially result in claims or other proceedings against the Fund. It is the Fund's operating policy to obtain or be entitled to rely on an environmental site assessment prior to acquiring a property. Where an environmental site assessment warrants further investigation, it is the Fund's operating policy to conduct further environmental assessments. Although such environmental assessments provide the Fund with some level of assurance about the condition of the properties, the Fund may become subject to liability for undetected contamination or other environmental conditions of its Properties against which it cannot have insurance, or against which the Fund may elect not to have insurance where insurance premium costs are considered to be disproportionate to the assessed risk, which could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Environmental laws and other requirements can change and the Fund may become subject to more stringent environmental laws and other requirements in the future. Compliance with more stringent environmental requirements, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

n. *Scrutiny and perception gaps regarding ESG matters* - Evolving Unitholders expectations with respect to ESG matters may pose risks to the Fund's brand and reputation, ability to attract and retain talent, financial outlook, cost of capital and global supply chain and business continuity, which may impact Fund's ability to achieve business objectives. Increased public awareness and growing concerns about climate change and the global transition to a low carbon economy could result in a broad range of impacts. Significant capital is required to monitor emerging risks in a rapidly changing ecosystem and to sufficiently address evolving expectations related to corporate culture, business conduct and ethics, responsible management of our supply chain, transparency, respect for human rights, working and safety conditions, as well as diversity and inclusion, among other factors, which could affect profitability and reputation. Additional ESG-related regulations, changes in reporting frameworks and guidance, emergence of "greenwashing" legal actions by activist groups, and increasing regulatory expectations, as well as continuing reforms pertaining to mandatory disclosure create new and evolving compliance risks. Gaps in perception and acceptability of how ESG factors into Unitholder value also require increased vigilance surrounding ESG reporting and communication. As ESG performance is assessed by proxy advisory agencies, we could also face governance issues if we do not meet their expectations.

o. *Uninsured Losses* - The Fund or its subsidiaries arrange for comprehensive insurance, including cyber, fire, liability and extended coverage, of the type and in the amounts customarily obtained for Properties similar to those to be owned by the Fund or its subsidiaries and will endeavour to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the Properties, the Fund could suffer a loss of capital invested and not realize any profits which might be anticipated from the disposition of such Properties.

p. *Risk Related to Insurance Renewals* - Certain events could make it more difficult and expensive to obtain property and casualty insurance, including coverage for catastrophic risks. When the Fund's or its subsidiaries' current insurance policies expire, the Fund or its subsidiaries may encounter difficulty in obtaining or renewing property, cyber, trustee and officers insurance or casualty insurance on its properties at the same levels of coverage and under similar terms. Even if the Fund is able to renew its policies at levels and with limitations consistent with its current policies, the Fund cannot be sure that it will be able to obtain such insurance at premiums that are reasonable. If the Fund or its subsidiaries are unable to obtain adequate insurance for certain risks, it could cause the Fund or its subsidiaries to be in default under specific covenants on certain of their respective indebtedness or other contractual commitments that they have which require the Fund or its subsidiaries to maintain adequate insurance on its properties to protect against the risk of loss. If this were to occur, or if the Fund or its subsidiaries were unable to obtain adequate insurance, and their properties experienced damages that would otherwise have been covered by insurance, it could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations.

q. *Reliance on Third Party Property Management* - The Manager relies upon independent management companies to perform property management functions in respect of each of the Properties. To the extent the Manager relies upon such management companies, the employees of such management companies devote as much of their time to the management of the properties as in their judgment is reasonably required and may have conflicts of interest in allocating management's time, services and functions among the properties and their other development, investment and/or management activities.

r. *Competition for Real Property Investments or Residents* - The Manager competes for suitable real property investments with individuals, corporations, real estate investment trusts and similar vehicles and institutions (both Canadian and foreign) which are presently seeking or which may seek in the future real property investments or residents similar to those sought by the Manager. Such competition could have an impact on the Fund's ability to lease multi-family suites in the Properties and on the rents charged. An increased availability of investment funds allocated for investment in real estate would tend to increase competition for real property investments and increase purchase prices, reducing the yield on such investments. There is a risk that continuing increased competition for real property acquisitions may increase purchase prices to levels that are not accretive.

s. *Holding Entity Structure* - As a holding entity, the Fund's ability to meet its obligations, including payment of interest, other operating expenses and distributions, and to complete current or desirable future enhancement opportunities or acquisitions generally depends on the receipt by the Fund of dividends, distributions and/or interest payments from its subsidiaries as the principal source of cash flow to pay such expenses and to pay distributions on the Units. As a result, the Fund's cash flows and ability to pay distributions, including on the Units, are dependent upon the earnings of its subsidiaries and the distribution of those earnings and other funds by its subsidiaries to it. The payment of interest, dividends and/or distributions by certain of the Fund's subsidiaries may be subject to restrictions set out in relevant tax or corporate laws and regulations, constating documents or other governing provisions, which may require that certain subsidiaries remain solvent following payment of any such interest, dividends and/or distributions. Substantially all of the Fund's business is currently conducted through its subsidiaries, and the Fund expects this to continue.

t. *Revenue Shortfalls* - Revenues from the Properties may not increase sufficiently or in some instances may decline, to meet increases in operating expenses or debt service payments under any mortgages or loans or to fund changes in the variable rates of interest charged in respect of such loans. The Fund's variable rate debt was $51,879 as at December 31, 2023.

u. *Fluctuations in Capitalization Rates* - The fair market valuation process for the Properties is dependent on several inputs, including the current market capitalization rates. As interest rates fluctuate in the lending market, generally capitalization rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally capitalization rates may rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

v. *Reliance on the Manager* - Prospective investors assessing the risks and rewards of this investment rely, in large part, on the expertise of the Manager, its principal, Daniel Drimmer, and certain of its executives. In particular, prospective investors rely on the discretion and ability of the Manager in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of properties. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Glen Hirsh, Martin Liddell and/or David Hanick. If the Manager loses the services of Daniel Drimmer, Glen Hirsh, Martin Liddell and/or David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected.

w. *Distributions May be Reduced or Suspended* - Although the Fund intends to distribute its available cash to Unitholders, such cash distributions may be reduced or suspended. The ability of the Fund to pay Unitholders a targeted annual pre-tax distribution yield of 3.0% to 4.0% across all Unit classes and the actual amount distributed or paid to Unitholders on termination of the Fund will vary as between the classes of Units based on the proportionate entitlements of each class (or series, as applicable) of Unit, applicable Unit class expenses and other adjustments. The 7.0% minimum return is a preferred return, but is not guaranteed and may not be paid on a current basis in each year or at all. As a result, the cash distributions payable to Unitholders may not be paid on a current basis in each year or at all. The return on an investment in the Units is not comparable to the return on an investment in a fixed income security. Cash distributions, including a return of a Unitholder's original investment, are not guaranteed and their recovery by an investor is at risk and the anticipated return on investment is based upon many performance assumptions. It is important for purchasers to consider the particular risk factors that may affect the real estate investment markets generally and therefore the availability and stability of the distributions to Unitholders.

x. *Payment of the Minimum Return and the Carried Interest and Catch-Up* - The amounts calculated as being distributable to Unitholders for purposes of determining the carried interest are not the same as the amounts that will be distributed to Unitholders pursuant to the Declaration of Trust. It is possible that the persons entitled to the carried interest will receive amounts even if one or more classes of Units have not received the minimum return (see "Carried Interest").

y. *Fixed Costs and Increased Expenses* - The failure to maintain stable or increasing average rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Fund is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. The Fund is also subject to utility and property tax risk relating to increased costs that the Fund may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of properties and their adherent tax rates. In some instances, enhancements to Properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Fund cannot charge back to the resident may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Distributions may be reduced, or even eliminated, at times when the Fund deems it necessary to make significant capital or other expenditures.

z. *Trust Unitholder Liability* - Recourse for any liability of the Fund is intended to be limited to the assets of the Fund. The Declaration of Trust provides that no Unitholder or annuitant under a plan of which a Unitholder acts as trustee or carrier will be held to have any personal liability as such, and that no resort shall be had to the private property of any Unitholder or annuitant for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the Fund or its Board. The Board intends to cause the Fund's operations to be conducted in such a way as to minimize any such risk, including by obtaining appropriate insurance and, where feasible, attempting to have material written contracts or commitments of the Fund contain an express disavowal of liability against the Unitholders. In conducting its affairs, the Fund owns and will be acquiring real property investments, subject to existing contractual obligations, including obligations under mortgages and leases. The Board will use all reasonable efforts to have any such obligations under mortgages on the Properties and other acquired properties, and material contracts, other than leases, modified so as not to have such obligations binding upon any of the Unitholders or annuitants personally. However, the Fund may not be able to obtain such modification in all cases. To the extent that claims are not satisfied by the Fund, there is a risk that a Unitholder or annuitant will be held personally liable for obligations of the Fund where the liability is not disavowed as described above.

aa. *Reliance on Assumptions* - The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in Primary Markets and the future status of the western Canadian multi-family real estate markets generally. Such analysis may be incorrect and such expectations may not be realized, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 3.0% to 4.0% across all Unit classes and the pre-tax investor internal rate of return to be less than 12% across all Unit classes.

bb. *Timing for Investment of Net Subscription Proceeds* - Although the Manager targeted deployment of the unallocated proceeds from the Offering within nine months following the closing of the Offering, the Fund invested in eight multi-family properties during 2022 and fully deployed proceeds from the Offering by acquiring a ninth multi-family property on November 14, 2023. The timing of such investments depends, among other things, upon the identification of properties meeting the Fund's criteria for acquisition.

cc. *Acquisition of Future Properties from Related Parties* - The Fund does not have any arrangements with the Manager or its affiliates (e.g., a strategic alliance agreement or right of first opportunity) that would govern any acquisitions. Accordingly, there is no assurance that any acquisition opportunities will be presented to the Fund by the Manager or its affiliates or that such opportunities presented will be opportunities the Fund is able to secure or do so on terms favourable to the Fund.

In addition, if the Fund or Holding LP acquires properties from a person that does not deal at arm's length with the Fund or the Holding LP for purposes of the Tax Act, the Fund's ability to claim capital cost allowance in respect of such properties may be subject to limitations in the Tax Act that would not apply to an acquisition from an arm's length party.

dd. *Potential Conflict of Interest* - The Fund may be subject to various conflicts of interest because certain affiliates, and their respective trustees, officers and associates, as well as the Board, executive officers and the Manager, are engaged in a wide range of real estate and other business activities.

The Board may, from time to time, in their individual capacities, deal with parties with whom the Fund may be dealing. The interests of these persons could conflict with those of the Fund. The Declaration of Trust contains conflict of interest provisions requiring the Board to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. There can be no assurance that the provisions of the Declaration of Trust will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund.

The Manager, its affiliates, and their respective directors, officers and associates may, from time to time, deal with the Fund or with parties with whom the Fund may be dealing. The Management Agreement contains conflict of interest provisions requiring the Manager to deal in good faith and in a fair, equitable and even-handed manner in respect of any conflict of interest that may exist between the interests of the Fund and the interests of the Manager or any of its affiliates, including the Manager and its affiliates. There can be no assurance that the provisions of the Management Agreement will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund.

ee. *Same Management Group for Various Entities* - The services of the Manager as manager of the Fund are not exclusive to the Fund. The Manager or any of its affiliates and associates may, at any time, engage in the promotion, management or administration of other investment portfolios and realty trusts in similar asset classes to those in which the Fund invests. Accordingly, the Manager may face conflicts of interest in the day-to-day operations, selection of real estate investments, and allocation of investment opportunities. In such circumstances, there is a risk that conflicts may arise regarding the allocation of properties among the various entities managed by the Manager and in connection with the exit from those properties. While the Manager owes fiduciary, legal and financial duties to the Fund and its Unitholders, these duties may from time-to-time conflict with the duties owed to the Manager's other real estate joint ventures and funds.

ff. *Degree of Leverage* - The Fund's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the Fund's ability to obtain additional financing in the future for working capital, acquisitions or other general purposes, making the Fund more vulnerable to a downturn in business or the economy in general. Under the Declaration of Trust, total indebtedness of the Fund can be no more than 75% provided that, if approved by the Board, the appraised value of the properties may be used.

gg. *Litigation at the Property Level* - The acquisition, ownership and disposition of real property carries certain specific litigation risks. Litigation may be commenced with respect to a property acquired by the Fund or its subsidiaries in relation to activities that took place prior to the Fund's acquisition of such property. In addition, at the time of disposition of an individual property, a potential buyer may claim that it should have been afforded the opportunity to purchase the asset or alternatively that such buyer should be awarded due diligence expenses incurred or damages for misrepresentation relating to disclosures made, if such buyer is passed over in favour of another as part of the Fund's efforts to maximize sale proceeds. Similarly, successful buyers may later sue the Fund under various damage theories, including those sounding in tort, for losses associated with latent defects or other problems not uncovered in due diligence.

hh. *General Litigation Risks* - In the normal course of the Fund's operations, whether directly or indirectly, it may become involved in, named as a party to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Fund and as a result, could have a material adverse effect of the Fund's assets, liabilities, business, financial condition and results of operations. Even if the Fund prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Fund's business operations, which could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders.

ii. *Asset Class Diversification* - The Fund will make a relatively limited number of real estate investments and the Fund’s investments will not be widely diversified by asset class. All of the Fund’s investments will be in multi-family real estate properties. A lack of asset class diversification increases risk because multi-family real estate is subject to its own set of risks, such as adverse housing pattern changes and uses, increased real estate taxes, vacancies, rent controls, rising operating costs and changes in financing rates.

jj. *Geographic Concentration of the Fund's Portfolio* - The Properties are geographically concentrated in the Primary Markets, and the Fund’s portfolio as a whole will be concentrated in only the Primary Markets. As such, the Fund is susceptible to local economic conditions, other regulations, the supply of and demand for multi-family real estate properties, and natural disasters in these areas. If there is a downturn in the local economies, an oversupply of or decrease in demand for multi-family real estate properties in these markets or natural disasters in these geographical areas, the Fund’s business could be materially adversely affected to a greater extent than if it owned a more geographically diversified real estate portfolio. An important part of the Fund’s business plan is based on the belief that property values for multi-family real estate properties in the markets in which it operates will continue to improve over the next several years. However, the markets in which the Fund operates could experience economic downturns in the future. There can be no assurance as to the extent property values in these markets will improve, if at all. If these markets experience economic downturn in the future, the value of the properties could decline and its ability to execute its business plan may be adversely affected, which could adversely affect the Fund’s financial condition and operating results.

kk. *Cyber Security* - A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the Fund’s information. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information.

The Fund’s primary risks that could directly result from the occurrence of a cyber-incident include financial loss, operational interruption, damage to its reputation and business relationships with its tenants and Unitholders. The Fund has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident. As cyber threats evolve and become more difficult to detect and successfully defend against, one or more cyber threats might defeat the Fund’s security measures. Moreover, employee error or malfeasance, faulty password management or other irregularities may result in a breach of the Fund’s security measures, which could result in a breach of confidential information.

If the Fund does not allocate and effectively manage the resources necessary to build and sustain a reliable information technology infrastructure, fails to timely identify or appropriately respond to cybersecurity incidents, or the Fund's information systems are damaged, destroyed, shut down, interrupted or cease to function properly, the Fund's business could be disrupted and the Fund could, among other things, be subject to: the loss of or failure to attract new tenants; the loss of revenue; the loss or unauthorized access to confidential information or other assets; the loss of or damage to trade secrets; damage to its reputation; litigation; regulatory enforcement actions; violation of privacy, security or other laws and regulations; and remediation costs.

The Fund has secured cyber liability insurance coverage, however there can be no guarantee that such coverage will respond or be sufficient to all cyber-security threats incurred by the Fund. A cyber-security incident may result in increased premiums and deductibles for cyber liability coverage.

ll. *Data Governance and Decision Support* - The Fund depends on relevant and reliable information to operate its business. As the volume of data being generated and reported continues to increase across the Fund, data accuracy, quality and governance are required for effective decision making. Failure by the Fund to leverage data in a timely manner may adversely affect its ability to execute its strategy and therefore its financial performance.

mm. *Unitholders' Legal Rights* - The Units represent a fractional interest in the Fund. Corporate law does not govern the Fund and the rights of Unitholders. Unitholders will not have all of the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative actions”. The rights of Unitholders are specifically set forth in the Declaration of Trust. The Units are not “deposits” within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of that act or any other legislation.

**Risk Factors Relating to Redemptions**

nn. *Use of Available Cash* - The payment in cash by the Fund of the redemption price of Units will reduce the amount of cash available to the Fund for the payment of distributions to Unitholders, as the payment of the amount due in respect of redemptions will take priority over the payment of cash distributions.

oo. *Payment of Redemption Price in Kind* - In the event that the total amount payable by the Fund in respect of the redemption of Units for a particular calendar quarter exceeds $100,000 and/or the total amount payable by the Fund in respect of the redemption of Units in any 12-month period ending at the end of that calendar quarter exceeds 1% of the aggregate NAV of the Fund at the start of such 12-month period, the redemption price of Units may be paid and satisfied by way of an *in specie* distribution of property of the Fund, and/or unsecured subordinated notes of the Fund, as determined by the trustees in their discretion, to the redeeming Unitholder. Such property is not expected to be liquid and may not be a qualified investment for trusts governed by registered plans. Adverse tax consequences generally may apply to a Unitholder, or registered plan and/or the annuitant, holder, subscriber or beneficiary thereunder or thereof, as a result of the redemption of Units held in a trust governed by a registered plan. Accordingly, investors that propose to invest in Units through registered plans should consult their own tax advisors before doing so to understand the potential tax consequences of exercising their redemption rights attached to such Units.

**Risk Factors Relating to Canadian Income Taxes**

pp. *Changes in Tax Laws* - There can be no assurance that Canadian federal income tax laws, the judicial interpretation thereof, or the administrative policies and assessing practices of the Canada Revenue Agency ("CRA") will not be changed in a manner that adversely affects the Fund or Unitholders, including with respect to the Fund's qualification as a "mutual fund trust" and requirements to not be a "SIFT trust". Any such change could increase the amount of tax payable by the Fund or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of distributions.

qq. *Mutual Fund Trust Status* - The Fund intends to comply with the requirements under the Tax Act such that it will qualify at all times as a "mutual fund trust" for purposes of the Tax Act, however no assurances can be given in this regard. Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. There is no way of rectifying such a loss of mutual fund trust status such that if, at any time, the Fund were to lose mutual fund trust status in this manner, the Fund would permanently cease to be a mutual fund trust. The Fund may also cease to qualify as a "mutual fund trust" for purposes of the Tax Act if a sufficient number of Unitholders were to redeem their Units.

rr. *Restrictions on Non-Resident Ownership* - In order to comply with the limitations on ownership by non-residents, the Declaration of Trust includes restrictions on the ownership of Units intended to limit the number of Units held by non-residents, such that non-residents of Canada for purposes of the Tax Act, partnerships that are not "Canadian partnerships" (as defined in the Tax Act) or any combination of the foregoing may not own Units representing more than 49% of the fair market value of all Units. The restrictions on the issuance of Units by the Fund to non-residents may negatively affect the Fund's ability to raise financing for future acquisitions or operations.

ss. *SIFT Rules* - Although, as of the date hereof, management expects that the Fund will not be a SIFT trust and the Holding LP will not be a SIFT partnership because the Units are not and will not be listed or traded on a stock exchange or other public market (within the meaning of the SIFT Rules) at all relevant times, there can be no assurance that the Fund will be able to meet the requirements in order for the Fund and Unitholders not to be subject to the tax imposed by the SIFT Rules in 2022 or future years. In the event that the SIFT Rules were to apply to the Fund, the impact to a Unitholder would depend, among other factors, on the particular circumstances of the holder, on the amount of the "non-portfolio earnings" (as defined in the Tax Act) of the Fund and on the amount of income distributed which would not be deductible by the Fund in computing its income in a particular year and what portions of the Fund's distributions constitute "non-portfolio earnings" (as defined in the Tax Act), other income and returns of capital. If the SIFT Rules were to apply to the Fund or the Holding LP, the SIFT Rules may have an adverse impact on the Fund and the Unitholders, on the value of the Units, and on the ability of the Fund to undertake financings and acquisitions; and the distributable cash of the Fund may be materially reduced.

tt. *Taxable Income Exceeding Cash Distribution* - Whether or not a Fund pays cash distributions in a particular year, it is expected that the Fund will make sufficient distributions (in the form of additional Units if cash distributions are not paid) to ensure that the Fund is not subject to non-refundable tax under Part I of the Tax Act for the year. Accordingly, Unitholders may be subject to tax under the Tax Act on their share of the Fund's income regardless of whether cash distributions are paid.

uu. *Non-Resident Unitholders* - The Tax Act may impose additional withholding or other taxes on distributions made by the Fund to Unitholders who are non-residents. Such taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. In addition, this MD&A does not describe the tax consequences under the Tax Act to non-residents of acquiring, holding or disposing of Units, which may be materially and adversely different than the consequences to Canadian resident Unitholders. Prospective purchasers who are Non-Residents should consult their own tax advisors.

vv. *Loss Restriction Event* - Pursuant to rules in the Tax Act, if the Fund experiences a “loss restriction event” (i) it will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of undistributed net income and net realized capital gains, if any, at such time to Unitholders to the extent necessary so that the Fund is not liable for non-refundable tax on such amounts under Part I of the Tax Act), and (ii) it will become subject to the loss restriction rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, the Fund will be subject to a loss restriction event if a person becomes a “majority-interest beneficiary”, or a group of persons becomes a “majority-interest group of beneficiaries”, of the Fund, each as defined in the affiliated persons rules contained in the Tax Act, with certain modifications. Generally, a majority-interest beneficiary of a trust is a beneficiary of the trust whose beneficial interests in the income or capital of the trust, as the case may be, together with the beneficial interests in the income or capital of the trust, as the case may be, of persons and partnerships with whom such beneficiary is affiliated for the purposes of the Tax Act, represent greater than 50% of the fair market value of all the interests in the income or capital of the trust, as the case may be.

ww. *Gains and Losses on Capital Account* - The tax treatment of gains and losses realized by the Fund will depend on whether such gains or losses are treated as being on income or capital account, as described in this paragraph. The Fund generally will treat gains (or losses) on the disposition of its properties as capital gains (or capital losses). Designations with respect to the Fund’s income and capital gains will be made and reported to Unitholders on the foregoing basis. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained. If any transactions of the Fund are determined not to be on capital account, the net income of the Fund for tax purposes and the taxable component of distributions to its Unitholders could increase. Any such determination by the CRA may result in the Fund being liable for unremitted withholding taxes on prior distributions made to its Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV and NAV per Unit of the Fund.

## 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 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 Founder and 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 December 31, 2023.

## AUDIT COMMITTEE

### *AUDIT COMMITTEE CHARTER*

The Board has adopted a written charter for the audit committee which sets out the audit committee's responsibility in reviewing the financial statements of the Fund and public disclosure documents containing financial information and reporting on such review to the Board, review of the Fund's public disclosure documents that contain financial information, oversight of the work and review of the independence of the external auditors and reviewing, evaluating and approving the internal control procedures that are implemented and maintained by management. A copy of the audit committee charter is attached to this MD&A as "Schedule A".

### *COMPOSITION OF THE AUDIT COMMITTEE*

The audit committee of the Board comprises Denim Smith (Chair), Lawrence D. Wilder and Tracy Sherren with the former two individuals being "independent" and all members "financially literate" within the meanings of sections 1.4 and 1.6 of *National Instrument 52-110-Audit Committees* ("NI 52-110"), respectively. Denim Smith and Lawrence D. Wilder, being a majority of the audit committee of the Board, are also "independent" within the meaning of section 1.5 of NI 52-110.

### *DENIM SMITH*

Mr. Smith is currently Managing Director, Investment Banking (Real Estate) at Echelon Wealth Partners and is a trustee of Starlight Private Global Real Assets Trust. Previously, Mr. Smith was the Managing Director of Real Estate Investment Banking at Laurentian Bank Securities since 2019. From 2014 to 2016 Mr. Smith was the interim Chief Financial Officer and Chief Investment Officer at The Nationwide Group of Companies, responsible for the overall accounting, finance, and HR departments for an international conglomerate with over 120 employees across five operating companies in over 18 countries, as well as strategic investments, mergers and acquisitions, and business development. Mr. Smith also led the real estate investment banking practice at Blackmont Capital which completed over $300 million of capital markets transactions and over $3 billion of advisory and valuation mandates. Prior to that, Mr. Smith was a founding member of KeyBanc Capital Markets Real Estate Group in Boston which was responsible for over US$3.5 billion of capital markets transactions and US$600 million of successful sell–side advisory mandates; after starting his career at RBC Capital Markets in Canada and joining the inaugural US Real Estate Group. Mr. Smith was also a trustee on the board of TSX-listed True North Apartment REIT from its formation to its merger with Northern Properties Real Estate Investment Trust to become Canada's third largest apartment REIT with greater than $1B market cap; Mr. Smith also served as a Trustee for TSXV-listed GT Canada Medical Properties REIT which was acquired by Northwest Healthcare REIT. Mr. Smith is a graduate of the University of Western Ontario and has completed the CFA Level 2.

### *LAWRENCE D. WILDER*

Mr. Wilder is a partner at Miller Thomson LLP and serves as Chair of the Firm's national Securities and Capital Markets Group. Mr. Wilder has practiced corporate and securities law for over 30 years and has advised Canadian public issuers and their boards on a variety of corporate governance and securities law compliance matters. His specialties include corporate finance, mergers and acquisitions and private equity. Mr. Wilder is nationally recognized by Chambers Canada, Best Lawyers, Lexpert and Martindale-Hubbell. He holds an LLB from Osgoode Hall Law School. Mr. Wilder is the lead trustee of TSX-listed Northview Fund (TSX: NHF.UN).

### *TRACY SHERREN*

Ms. Sherren is currently a Corporate Director. Ms. Sherren retired as the President and Chief Financial Officer of TSX listed True North Commercial Real Estate Investment Trust and the President, Canadian Commercial of Starlight Group Property Holdings Inc. in 2023. Since 2019, Ms. Sherren is a trustee of True North Commercial REIT and is a former director of TSX-listed VM Hotel Acquisition Corp. and TSX-listed Tricon Capital Group Inc. Mr. Sherren was the Chief Financial Officer of Pacrim Hospitality Services Inc. from January 2005 to September 2012 and the Chief Financial Officer of TSX-listed Holloway Lodging Corp. from its inception in 2005 until July 2011, where she was responsible for construction and long-term financing of commercial properties, operations management, financial reporting, investor relations and corporate tax planning. With over 25 years of experience, Ms. Sherren has participated in over $1 billion financings and led asset management teams, acquisition due diligence, real estate development and has extensive experience in transaction structuring and risk management. Ms. Sherren is a CPA, CA and obtained her Bachelor of Business Administration from Acadia University.

### *PRE-APPROVAL OF NON AUDIT SERVICES*

In accordance with the independence standards for auditors, the Fund is restricted from engaging its external auditors to provide certain non-audit services to the Fund, including bookkeeping or other services related to the accounting records or financial statements, financial information systems design and implementation, valuation services, actuarial services, internal audit services, corporate finance services, management functions, human resources functions, legal services and expert services unrelated to the audit.

The Fund may engage its external auditors from time to time, to provide certain non-audit services other than the restricted services. The Audit committee reviews and approves the nature of and fees for any non-audit service performed by the Fund's external auditors in accordance with applicable requirements.

### *EXTERNAL AUDITOR SERVICE FEES*

The following table sets forth the approximate amounts of fees accrued to the Fund's auditor, BDO Canada LLP, for services rendered.

| Fee Category | YTD-2023 | YTD-2022 |
|---|---|---|
| Audit fees | $ 107 | $ 121 |

## REMUNERATION OF MANAGEMENT OF THE FUND

### OVERVIEW

As at the date hereof, the Fund does not directly employ any persons who would be considered a named executive officer ("NEO") of the Fund as such term is defined in Form 51-102F6V – *Statement of Executive Compensation – Venture Issuers* in National Instrument 51-102 - *Continuous Disclosure Obligations*. The services of Messrs. Daniel Drimmer and Martin Liddell, as Founder and Chief Executive Officer and Chief Financial Officer, respectively, are provided by the Manager. No compensation is paid by the Fund or its subsidiaries to those persons provided by the Manager as officers of the Fund, and the compensation received by such persons from the Manager is not within or subject to the discretion of the Board. The compensation paid by the Fund or its subsidiaries to the Manager for services rendered is calculated in accordance with the Management Agreement. See "Related Party Transactions and Arrangements – Arrangements with the Manager". The Manager provides such administrative, executive and management personnel as may be reasonably necessary to perform its obligations by using its own employees and consultants and is therefore responsible for all matters with respect to such employees and consultants. All references to the officers of the Fund named in the "Table of Compensation Excluding Compensation Securities" below, namely Messrs. Daniel Drimmer and Martin Liddell are references to officers of, or consultants to, the Fund, and are either officers or employees of, or consultants to, the Manager.

### COMPENSATION DISCUSSION AND ANALYSIS

The Fund's NEOs are employed by the Manager. The Fund is obligated to pay the Manager certain amounts pursuant to terms of the Management Agreement, as discussed in "Related Party Transactions and Arrangements – Arrangements with the Manager". As such, any variability in compensation paid by the Manager to the NEOs does not impact the Fund's financial obligations. The Board may hire officers and employees, but such hiring, if not of the Manager officers, consultants or employees, would be at the sole expense of the Fund. Further, any officer that is an officer, consultant or employee provided by the Manager may be removed from such position with the Fund, at the discretion of the Board. The Fund is not responsible for any change of control, severance, termination or constructive dismissal payments that may be provided, or required to be provided, by the Manager to the NEOs.

The following discussion is intended to describe the portion of the compensation of the NEOs that is attributable to time spent on the activities of the Fund, and supplements the more detailed information concerning compensation that appears in the table below and the accompanying narrative that follows.

### PRINCIPAL ELEMENTS OF COMPENSATION

As a private company, the Manager's process for determining executive compensation is straightforward, with no specific formula for determining the amount of each element of compensation, and no formal approach applied by the Manager for determining how one element of compensation fits into the overall compensation objectives in respect of the activities of the Fund. Objectives and performance measures may vary from year to year as determined to be appropriate by the Manager without reference to any formal benchmarking.

The compensation of the NEOs includes two major elements: (i) base salary; and (ii) an annual cash bonus. The Fund does not have any long-term equity incentive plans, such as a Unit option plan, pursuant to which cash or non-cash compensation has been or will be paid or distributed to any NEO or trustee. In addition, the Fund does not have any stock appreciation rights, incentive plans, medium term incentives or pension plans. Perquisites and personal benefits are not a significant element of compensation of the NEOs. These two principal elements of compensation are described below.

*Base Salaries.* Base salaries are intended to provide an appropriate level of fixed compensation that assists in retention and recruitment. Base salaries are determined on an individual basis, taking into consideration the past, current and potential contribution to the success of the Fund, the position and responsibilities of the NEOs and competitive industry pay practices for other real estate funds, real estate investment trusts and corporations of comparable size. The Manager does not benchmark compensation to a specific peer group. Increases in base salary are at the sole discretion of the Manager. The Board may review the compensation payable to its officers by the Manager and provide recommendations to the Manager, which are considered in good faith by the Manager, but are not binding upon the Manager.

*Annual Cash Bonuses*. Annual cash bonuses are discretionary and are not awarded pursuant to a formal incentive plan. Annual cash bonuses are awarded based on qualitative and quantitative performance standards, and reward performance of the Fund or the NEO individually. The determination of the performance of the Fund may vary from year to year depending on economic conditions and conditions in the real estate industry and may be based on measures such as Unit price performance, the meeting of financial targets against budget, the meeting of acquisition objectives and balance sheet performance. Individual performance factors vary and may include completion of specific projects or transactions and the execution of day-to-day management responsibilities. The Board may review the bonuses payable to its officers by the Manager, and provide recommendations to the Manager, which are considered in good faith by the Manager but are not binding upon the Manager.

## TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES

The following table sets out compensation information concerning the persons determined to be NEOs and Trustees of the Fund pursuant to applicable securities laws. All amounts below are set out in Canadian dollars.

| Name and position | Year | Salary, consulting fee, retainer or commission(1) (C$) | Bonus (C$) | Committee or meeting fees (C$) | Value of perquisites(2) (C$) | Value of all other compensation (C$) | Total compensation (C$) |
|---|---|---|---|---|---|---|---|
| Daniel Drimmer(3), *Founder and Chief Executive Officer* | 2023 | Nil | Nil | Nil | Nil | Nil | Nil |
| | 2022 | Nil | Nil | Nil | Nil | Nil | Nil |
| Martin Liddell(4), *Chief Financial Officer* | 2023 | $ 15.0 | Nil | Nil | Nil | Nil | $ 15.0 |
| | 2022 | $ 15.0 | Nil | Nil | Nil | Nil | $ 15.0 |
| Mandy Abramsohn(5)(6), *Independent Trustee* | 2022 | $ 12.5 | Nil | Nil | Nil | Nil | $ 12.5 |
| Denim Smith(5), *Independent Trustee* | 2023 | $ 12.5 | Nil | Nil | Nil | Nil | $ 12.5 |
| | 2022 | $ 12.5 | Nil | Nil | Nil | Nil | $ 12.5 |
| Lawrence D. Wilder(5), *Independent Trustee* | 2023 | $ 12.5 | Nil | Nil | Nil | Nil | $ 12.5 |
| | 2022 | $ 12.5 | Nil | Nil | Nil | Nil | $ 12.5 |
| Tracy Sherren(5)(7), *Trustee* | 2023 | $ 12.5 | Nil | Nil | Nil | Nil | $ 12.5 |
| | 2022 | Nil | Nil | Nil | Nil | Nil | Nil |

(1) On an annualized basis, salaries, consulting fees, retainers or commissions expected to be paid to the NEOs and trustees for the year ended December 31, 2023 are as follows: Daniel Drimmer, C$Nil; Martin Liddell, C$15,000; Tracy Sherren, C$12,500; Denim Smith, C$12,500; and Lawrence D. Wilder, C$12,500.

(2) None of the NEOs or the trustees are entitled to perquisites, which, in the aggregate, are more than C$15,000.

(3) Mr. Drimmer receives no compensation from the Manager.

(4) Martin Liddell is the Chief Financial Officer of the Fund, as appointed by the Board. Mr. Liddell receives compensation from the Manager for services provided to the Fund.

(5) Trustee compensation is determined by the Board. The Fund pays its non-executive Trustees annual compensation in the amount of C$12,500 per annum which amount was set on establishment of the Fund, is reviewed annually by the Board and is expected to be unchanged for the duration of the Fund.

(6) Effective May 5, 2022, Mandy Abramsohn resigned from the Board and audit committee and was paid C$2.5 as prorated compensation for the services provided.

(7) No compensation was paid to Tracy Sherren for 2022 given Ms. Sherren was an employee of the Manager. Ms. Sherren resigned as an employee of the Manager on June 30, 2023 and joined as a Trustee of the Fund on July 1, 2023.

## REMUNERATION OF THE TRUSTEES OF THE FUND

### *REMUNERATION OF TRUSTEES*

Each independent trustee receives an annualized base retainer from the Fund in the amount for C$12,500 for services provided. There were no fees paid or payable for each day on which a Trustee attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

## SUBSEQUENT EVENTS

Subsequent to December 31, 2023, 3,409 Class A units and 1,089 Class B units were redeemed in accordance with the Declaration of Trust at 95% of NAV, amounting to $43.

On March 5, 2024, $1,851 was received from the Fund's corporate banking provider, a Canadian chartered bank, related to incremental interest owing on historical bank balances.

Subsequent to December 31, 2023, the maturities of the credit facilities relating to the Initial Properties were extended to March 25, 2024. The Fund has commitments in place from lenders for the refinancing of these facilities as at the extended maturity date, expected to increase the Fund’s exposure to fixed rate debt from 80.6% to 91.4%.

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

Dated: March 19, 2024

Toronto, Ontario, Canada

## SCHEDULE A – AUDIT COMMITTEE CHARTER

### 1. PURPOSE

1.1 The Board shall appoint an audit committee (the "Committee") to assist the Board in fulfilling its responsibilities. The overall purpose of the Committee of the Fund is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

### 2. PRIMARY DUTIES AND RESPONSIBILITIES

2.1 The Committee's primary duties and responsibilities are to:

(a) serve as an objective party to monitor the Fund's financial reporting and internal control system and review the Fund's financial statements;

(b) review the performance of the Fund's external auditors; and

(c) provide an open avenue of communication among the Fund's external auditors, the Board and senior management of Starlight Investments CDN AM Group LP, in its capacity as Manager of the Fund.

### 3. COMPOSITION, PROCEDURES AND ORGANIZATION

3.1 The Committee shall be comprised of at least three trustees of the Fund as determined by the Board, two of whom shall be free from any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Committee.

3.2 At least one member of the Committee shall have accounting or related financial management expertise. All members of the Committee that are not financially literate will work towards becoming financially literate to obtain a working familiarity with basic finance and accounting practices. For the purposes of this Audit Committee Charter, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Fund's financial statements.

3.3 The Board shall appoint the members of the Committee. The Board may at any time remove or replace any member of the Committee and may fill any vacancy in the Committee. Any member of the Committee ceasing to be a trustee of the Fund shall cease to be a member of the Committee.

3.4 Unless a chair is elected by the Board, the members of the Committee shall elect a chair from among their number (the "Chair"). The Chair shall be responsible for leadership of the Committee, including preparing the agenda, presiding over the meetings and reporting to the Board.

3.5 The Committee, through its Chair, shall have access to such officers and employees of the Fund and the Manager and to the Fund's external auditors and its legal counsel, and to such information respecting the Fund as it considers to be necessary or advisable in order to perform its duties.

3.6 Notice of every meeting shall be given to the external auditors, who shall, at the expense of the Fund, be entitled to attend and to be heard thereat.

3.7 Meetings of the Committee shall be conducted as follows:

(a) the Committee shall meet four times annually, or more frequently as circumstances dictate, at such times and at such locations as the Chair shall determine;

(b) the external auditors or any member of the Committee may call a meeting of the Committee;

(c) any trustee of the Fund may request the Chair to call a meeting of the Committee and may attend such meeting to inform the Committee of a specific matter of concern to such trustee, and may participate in such meeting to the extent permitted by the Chair; and

(d) the external auditors and the Manager shall, when required by the Committee, attend any meeting of the Committee.

3.8 The external auditors shall be entitled to communicate directly with the Chair and may meet separately with the Committee. The Committee, through the Chair, may contact directly any employee in the Manager as it deems necessary, and any employee may bring before the Committee any matter involving questionable, illegal or improper practices or transactions.

3.9 Compensation to members of the Committee shall be limited to trustees' fees, either in the form of cash or equity, and members shall not accept consulting, advisory or other compensatory fees from the Fund.

3.10 The Committee is granted the authority to investigate any matter brought to its attention, with full access to all books, records, facilities and personnel of the Fund. The Committee has the power to engage and determine funding for outside and independent counsel or other experts or advisors as the Committee deems necessary for these purposes and as otherwise necessary or appropriate to carry out its duties and to set Committee members compensation. The Committee is further granted the authority to communicate directly with internal and external auditors.

**4. DUTIES**

4.1 The overall duties of the Committee shall be to:

(a) assist the Board in the discharge of their duties relating to the Fund's accounting policies and practices, reporting practices and internal controls and the Fund's compliance with legal and regulatory requirements;

(b) establish and maintain a direct line of communication with the Fund's external auditors and assess their performance and oversee the co-ordination of the activities of the external auditors; and

(c) be aware of the risks of the business and ensure the Manager has adequate processes in place to assess, monitor, manage and mitigate these risks as they arise.

4.2 The Committee shall be directly responsible for overseeing the work of the external auditor, who shall report directly to the Committee, engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Fund, including the resolution of disagreements between the Manager and the external auditors and the overall scope and plans for the audit, and in carrying out such oversight, the Committee's duties shall include:

(a) recommending to the Board the selection and compensation and, where applicable, the replacement of the external auditor nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Fund;

(b) reviewing, where there is to be a change of external auditors, all issues related to the change, including the information to be included in the notice of change of auditor called for under National Instrument 51-102 - Continuous Disclosure Obligations ("NI 51-102") or any successor legislation, and the planned steps for an orderly transition;

(c) reviewing all reportable events, including disagreements, unresolved issues and consultations, as defined in NI 51-102 or any successor legislation, on a routine basis, whether or not there is to be a change of external auditor;

(d) reviewing and pre-approving all audit and audit-related services and the fees and other compensation related thereto, and any non-audit services, provided by the Fund's external auditors to the Fund or any subsidiary entities;

(e) reviewing the engagement letters of the external auditors, both for audit and non-audit services;

(f) consulting with the external auditor, without the presence of the Manager about the quality of the Fund's accounting principles, internal controls and the completeness and accuracy of the Fund's financial statements;

(g) reviewing annually the performance of the external auditors, who shall be ultimately accountable to the Board and the Committee as representatives of the Unitholders, including the fee, scope and timing of the audit and other related services and any non-audit services provided by the external auditors; and

(h) reviewing and approving the nature of and fees for any non-audit services performed for the Fund by the external auditors and consider whether the nature and extent of such services could detract from the firm's independence in carrying out the audit function.

4.3 The duties of the Committee as they relate to document and reports reviews shall be to:

(a) review the Fund's financial statements, MD&A and any financial press releases before the Fund publicly discloses this information including in respect of disclosure aligned with applicable frameworks, and recommendations to the Board in respect of the approval of such disclosure; and

(b) review and periodically assess the adequacy of procedures in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the Fund's financial statements, MD&A and financial press releases.

4.4 The duties of the Committee as they relate to audits and financial reporting shall be to:

(a) in consultation with the external auditor, review with the Manager the integrity of the Fund's financial reporting process, both internal and external, and approve, if appropriate, changes to the Fund's auditing and accounting practices;

(b) review the audit plan with the external auditor and the Manager;

(c) review with the external auditor and the Manager any proposed changes in accounting policies, the presentation of the impact of significant risks and uncertainties, and key estimates and judgments of the Manager that may in any such case be material to financial reporting;

(d) review the contents of the audit report;

(e) question the external auditor and the Manager regarding significant financial reporting issues discussed during the fiscal period and the method of resolution;

(f) review the scope and quality of the audit work performed;

(g) review the adequacy of the Fund's financial and auditing personnel;

(h) review the co-operation received by the external auditor from the Manager's and the Fund's personnel during the audit, any problems encountered by the external auditors and any restrictions on the external auditor's work;

(i) review the internal resources used;

(j) review the evaluation of internal controls by the internal auditor (or persons performing the internal audit function) and the external auditors, together with the Manager's response to the recommendations, including subsequent follow-up of any identified weaknesses;

(k) review the appointments of the chief financial officer, internal auditor (or persons performing the internal audit function) of the Fund and any key financial executives involved in the financial reporting process;

(l) review and approve the Fund's annual audited financial statements and those of any subsidiaries in conjunction with the report of the external auditors thereon, and obtain an explanation from the Manager of all significant variances between comparative reporting periods before release to the public;

(m) establish procedures for (A) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters; and (B) the confidential, anonymous submission of concerns regarding questionable accounting or auditing matters; and

(n) review the terms of reference for an internal auditor or internal audit function.

4.5 The duties of the Committee as they relate to accounting and disclosure policies and practices shall be to:

(a) review changes to accounting principles of the Chartered Professional Accountants of Canada which would have a significant impact on the Fund's financial reporting as reported to the Committee by the Manager and the external auditors;

(b) review the appropriateness of the accounting policies used in the preparation of the Fund's financial statements and consider recommendations for any material change to such policies;

(c) review the status of material contingent liabilities as reported to the Committee by the Manager or the external auditors;

(d) review the status of income tax returns and potentially significant tax problems as reported to the Committee by the Manager;

(e) review any errors or omissions in the current or prior year's financial statements;

(f) review, and approve before their release, all public disclosure documents containing audited or unaudited financial information including all earnings, press releases, MD&A, prospectuses, annual reports to unitholders and annual information forms, as applicable; and

(g) oversee and review all financial information and earnings guidance provided to analysts and rating agencies.

4.6 The other duties of the Committee shall include:

(a) at least annually, review with management the adequacy and effectiveness of applicable controls related to the Fund's environmental, social and governance disclosures;

(b) reviewing any related-party transactions not in the ordinary course of business;

(c) reviewing any inquires, investigations or audits of a financial nature by governmental, regulatory or taxing authorities;

(d) formulating clear hiring policies for partners, employees or former partners and employees of the Fund's external auditors;

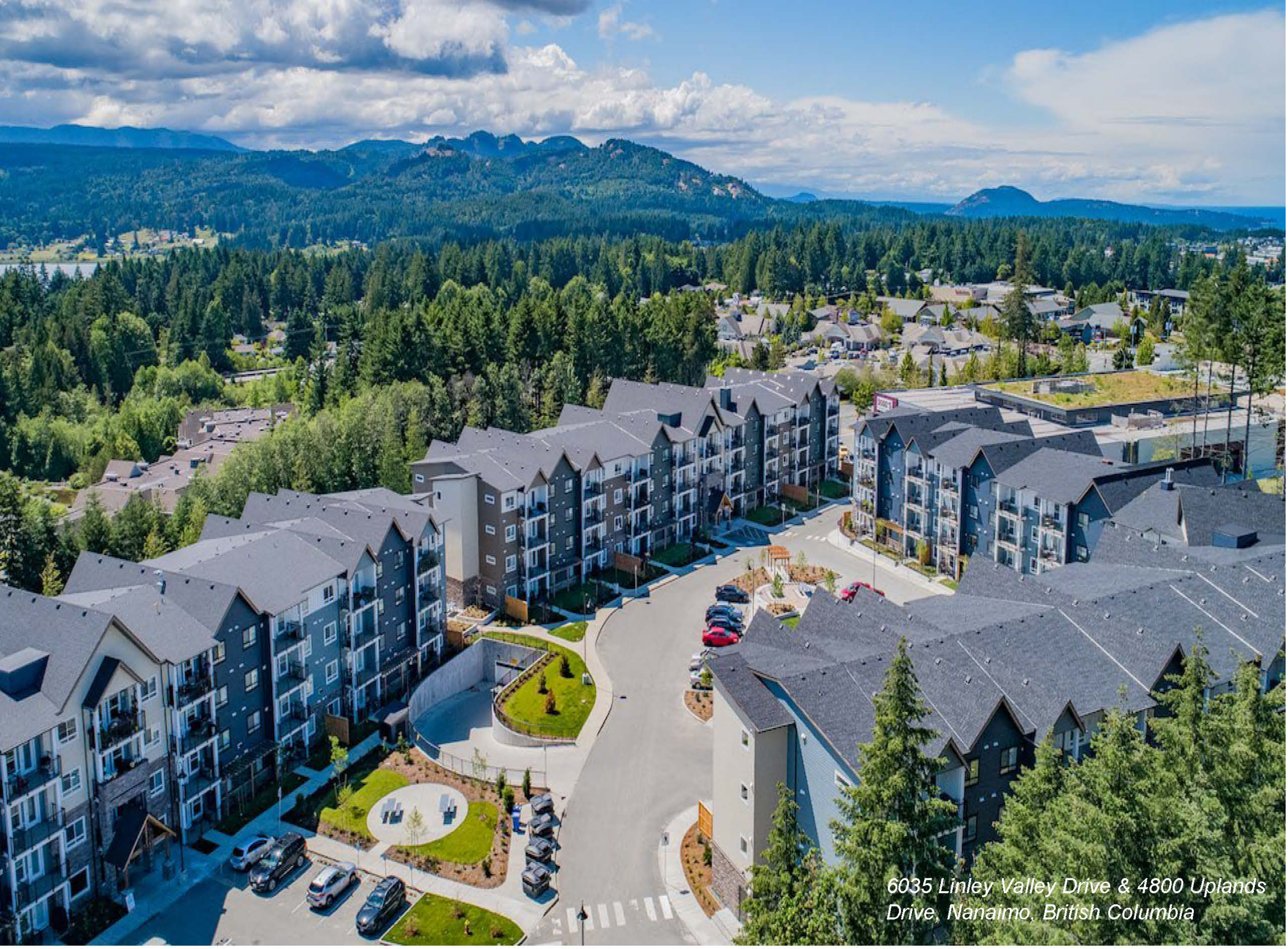
(e) reviewing annual operating and capital budgets;

(f) reviewing and reporting to the Board on difficulties and problems with regulatory agencies, which are likely to have a significant financial impact;

(g) inquiring of Manager and the external auditors as to any activities that may be or may appear to be illegal or unethical;

(h) ensuring procedures are in place for the receipt, retention and treatment of complaints and employee concerns received regarding accounting or auditing matters and the confidential, anonymous submission by employees of the Fund of concerns regarding such; and

(i) reviewing any other questions or matters referred to it by the Board.





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