



2699 Peatt Road, Langford, British Columbia

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

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2023

NOVEMBER 14, 2023

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

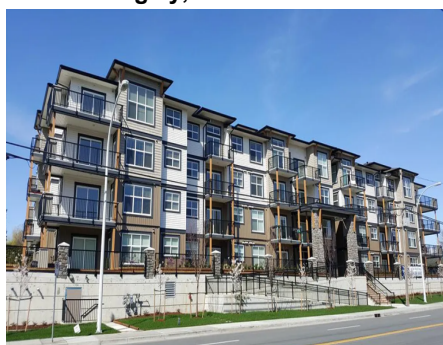
Notes to Readers | Future Outlook | Our Business | Highlights | Financial Performance | Other Disclosures

Notes to Readers	
Caution Regarding Forward-Looking Information	2
Non-IFRS Financial Measures	4
Future Outlook	5
Our Business	
Investment Overview, Objectives and Strategy	6
Portfolio Summary	8
Highlights	
Financial and Operational Highlights	10
Financial Performance	
Financial Performance	12
Results of Operations	12
Results of Operations - Same Property	15
Other Income and Expenses	16
Non-IFRS Financial Measures - FFO and AFFO	19
Liquidity and Capital Resources	21
Capital Structure and Debt Profile	22
Other Disclosures	
Related Party Transactions and Arrangements	24
Significant Accounting Policies and Changes in Accounting Policies	25
Risks and Uncertainties	26
Disclosure Controls and Procedures and Internal Controls over Financial Reporting	26
Subsequent Events	26

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 unaudited condensed consolidated interim financial statements of Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund") dated November 14, 2023 for the three months ended September 30, 2023 ("Q3-2023") and for the nine months ended September 30, 2023 ("YTD-2023") should be read in conjunction with the Fund's unaudited condensed consolidated interim financial statements for the three months ended September 30, 2022 ("Q3-2022") and nine months ended September 30, 2022 ("YTD-2022") and the audited consolidated financial statements for the year ended December 31, 2022, both of which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on SEDAR+ at www.sedarplus.ca.

The Fund's presentation currency is 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 cost inflation levels, 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 potential higher levels of cost 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, and the availability of residential properties for acquisition; the extent and pace at which any changes in interest rates that impact the Fund's weighted average interest rate may occur; the availability of debt financing; and the availability and the price at which properties may be acquired. A variety of factors, many of which are beyond the Fund's control, affect the operations, performance and results of the Fund and its business, and could cause actual results to differ materially from current expectations of estimated or anticipated events or results.

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 cost 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 cost inflation, the availability of suitable properties for purchase by the Fund, 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").

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | Highlights | Financial Performance | Other Disclosures

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 availability of residential properties for acquisition and the price at which such properties may be acquired; the ability of the Fund to benefit from any 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 acquisition and 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 cost inflation on the Fund’s operating costs; and governmental regulations or tax laws. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) cost 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 (loss) and comprehensive income (loss), 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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss).

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

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 (loss) and comprehensive income (loss) 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 (loss) and comprehensive income (loss).

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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | Highlights | Financial Performance | Other Disclosures

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 (loss) and comprehensive income (loss).

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 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 the Units that have been redeemed.

Reconciliations of net income (loss) and comprehensive income (loss) 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 cost 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 November 14, 2023. Increases in target interest rates typically lead to increases in borrowing costs. Importantly, at September 30, 2023, 81.9% of the Fund's debt was fixed rate. Although inflation in Canada persists, it has declined from its peak with improvements in global supply chains and the effects of higher interest rates moving through the economy.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | **Future Outlook** | Our Business | Highlights | Financial Performance | Other Disclosures

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. 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 September 2023 unemployment rate in Canada was 5.2% as compared to an unemployment rate of 4.9% in British Columbia, including the Vancouver Island and Coast Region. British Columbia gained approximately 48,700 jobs between September 2022 and September 2023, which demonstrates the economic strength of Vancouver Island and the mainland of the Province of British Columbia (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 2023 and 2026, Canada's target is to welcome more than 450,000 new permanent residents each year. The Primary Markets, including Langford, Nanaimo, Vernon and Langley, possess attractive qualities such as some of the fastest growing populations in British Columbia 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") and 4745 Ledgerwood Road, Nanaimo ("Nanaimo 2"), consisting of 57 and 120 multi-family suites, respectively. The Properties are all located in British Columbia with a total number of 838 multi-family suites (see "Portfolio Summary").

The acquisition of the Properties was valued at \$331,939, which was financed by Offering proceeds of \$90,213 and debt of \$241,726. The Fund had approximately \$21,336 of available liquidity as at September 30, 2023, which included cash remaining from the Offering, used primarily to acquire a ninth multi-family property on November 14, 2023, thus completing the full deployment of the proceeds from the Offering (see "Subsequent Events").

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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | **Our Business** | Highlights | Financial Performance | Other Disclosures**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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | **Our Business** | Highlights | Financial Performance | Other Disclosures**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
Ownership as at September 30, 2023			838	2019	657,921	785	16.27	
Properties Acquired Subsequently								
Langford 4	728 Meaford Avenue	Langford	106	2018	79,960	754	0.90	11/14/2023

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, British Columbia ("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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | **Our Business** | Highlights | Financial Performance | Other Disclosures

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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | **Highlights** | Financial Performance | Other Disclosures**FINANCIAL AND OPERATIONAL HIGHLIGHTS**

This section includes highlights of the financial and operating performance of the Fund as at September 30, 2023 and for the periods ending Q3-2023 and YTD-2023, including a comparison to the Fund's financial and operational performance as at December 31, 2022 and for the periods ending Q3-2022 and YTD-2022. Given the Offering was completed on February 22, 2022, the results for YTD-2022 reflect 220 days of operating activity for the Properties acquired on February 23, 2022 to September 30, 2022 (the "Initial Reporting Period"), together with 214 operating days for Langford 3 from March 1, 2022 to September 30, 2022, 116 operating days for Langley from June 7, 2022 to September 30, 2022 and 33 operating days for Nanaimo 2 from August 29, 2022 to September 30, 2022.

HIGHLIGHTS FOR Q3-2023

- The Fund achieved approximately 4.6% AMR growth between Q3-2022 and Q3-2023, continuing to be driven by the demand for multi-family suites due to the economic strength in Canada and the Primary Markets.
- Revenue from property operations and NOI for Q3-2023 were \$4,815 and \$3,517 (Q3-2022 - \$4,121 and \$3,067), respectively, representing an increase of \$694 and \$450 relative to Q3-2022. The significant increase is primarily due to the difference in operating days of Properties owned between Q3-2022 and Q3-2023 (see "Results of Operations").
- Same property NOI¹ for Q3-2023 was \$2,942 (Q3-2022 - \$2,821), representing an increase of \$121 or 4.3% relative to Q3-2022 driven by strong revenue growth (see "NOI - Same Property").
- On November 14, 2023, the Fund acquired a ninth multi-family property in Langford, British Columbia, for a purchase price of approximately \$43,500, which added 106 multi-family suites to the Fund's portfolio of Properties (see "Subsequent Events").
- The Fund had approximately \$21,336 of available liquidity as at September 30, 2023, which included cash remaining from the Offering, used primarily to acquire a ninth multi-family property (see "Subsequent Events").
- As at November 14, 2023, the Fund had collected approximately 99.5% of rents for Q3-2023, with further amounts expected to be collected in future periods, demonstrating the Fund's strong resident base and operating performance.
- Net income and comprehensive income attributable to Unitholders for Q3-2023 was \$772 (Q3-2022 - net loss and comprehensive loss of \$702), representing an increase of \$1,474 relative to Q3-2022, primarily due to the fair value gain on the Fund's Properties and increased NOI, partially offset by higher finance costs (see "Results of Operations").
- AFFO¹ for Q3-2023 was \$621 (Q3-2022 - \$531), representing an increase of \$90 or 16.9% relative to Q3-2022 primarily due to an increase in NOI, partially offset by higher finance costs (see "Non-IFRS Financial Measures").

HIGHLIGHTS FOR YTD-2023

- During YTD-2023, the Fund recorded a fair value gain on its Properties of \$9,726, an 8.6% 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, partially offset by capitalization rate expansion on the Properties in Langford.
- The Fund increased the amount of fixed rate debt to 81.9% as at September 30, 2023, reducing its weighted average interest rate from 4.35% to 3.74% during YTD-2023.
- Revenue from property operations and NOI for YTD-2023 were \$14,130 and \$10,137 (YTD-2022 - \$9,067 and \$6,684), respectively, representing an increase of \$5,063 and \$3,453 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 \$6,062 (YTD-2022 - net loss and comprehensive loss of \$1,363), representing an increase of \$7,425 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").
- AFFO for YTD-2023 was \$1,235 (YTD-2022 - \$1,556), representing a decrease of \$321 or 20.6% relative to YTD-2022 primarily due to higher finance costs and fund and trust expenses, partially offset by higher NOI between YTD-2022 and YTD-2023 (see "Non-IFRS Financial Measures").

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").

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | **Highlights** | Financial Performance | Other Disclosures

FINANCIAL AND OPERATIONAL HIGHLIGHTS

				September 30, 2023	December 31, 2022			
Key Multi-Family Operational Information ⁽¹⁾								
Number of multi-family properties owned ⁽¹⁾ (see "Subsequent Events")			8		8			
Total multi-family suites			838		838			
Economic occupancy ⁽²⁾⁽³⁾			95.0 %		95.2 %			
AMR (in actual dollars)	\$		1,922	\$	1,848			
AMR per square foot (in actual dollars)	\$		2.44	\$	2.35			
Summary of Financial Information								
Gross Book Value ⁽³⁾	\$		360,600	\$	350,400			
Indebtedness ⁽³⁾	\$		239,532	\$	244,227			
Indebtedness to Gross Book Value ⁽³⁾			66.4 %		69.7 %			
Weighted average interest rate - as at period end ⁽⁴⁾			3.74 %		4.35 %			
Weighted average loan term to maturity ⁽³⁾			4.81 years		3.44 years			
		Q3-2023	Q3-2022	YTD-2023	YTD-2022 ⁽⁶⁾			
Summary of Financial Information								
Revenue from property operations	\$	4,815	\$	4,121	\$	14,130	\$	9,067
Property operating costs		(979)		(781)		(3,035)		(1,762)
Property taxes		(319)		(273)		(958)		(621)
Income from rental operations / NOI	\$	3,517	\$	3,067	\$	10,137	\$	6,684
Net income (loss) and comprehensive income (loss)	\$	772	\$	(702)	\$	6,062	\$	(1,363)
Other Selected Financial Information								
FFO ⁽³⁾	\$	402	\$	297	\$	532	\$	1,051
FFO per Unit - basic and diluted ⁽³⁾	\$	0.03	\$	0.02	\$	0.04	\$	0.08
AFFO	\$	621	\$	531	\$	1,235	\$	1,556
AFFO per Unit - basic and diluted ⁽³⁾	\$	0.05	\$	0.04	\$	0.10	\$	0.12
Weighted average interest rate		3.74 %		3.80 %		3.69 %		3.46 %
Interest coverage ratio ^{(3) (5)}		1.34x		1.34x		1.24x		1.48x
Indebtedness coverage ratio ^{(3) (5)}		0.99x		1.00x		0.74x		1.09x
Weighted average Units outstanding (000s) - basic and diluted		12,980		13,000		12,991		13,000

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

(2) Economic occupancy for Q3-2023 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 September 30, 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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures

FINANCIAL PERFORMANCE

The table below presents the financial performance of the Fund in accordance with IFRS for Q3-2023 and all other quarterly reporting periods since inception:

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

(1) Figures represent the actual results of the Properties for Q3-2023, Q2-2023, Q1-2023, Q4-2022 and Q3-2022.

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

(3) Figures represent the actual results of the Initial Properties for the Initial Reporting Period.

(4) 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 Q3-2023 reflect the operations for the three months from July 1, 2023 to September 30, 2023 for the Fund's portfolio of eight Properties. In comparison, the results of operations for the Q3-2022 comparative period reflect 92 days of operating activity for the Initial Properties and Langley from July 1, 2022 to September 30, 2022 and 33 days of operating activity for Nanaimo 2 from August 29, 2022 to September 30, 2022.

The results of YTD-2023 reflect the operations for the nine months from January 1, 2023 to September 30, 2023 for the Fund's portfolio of eight Properties. In comparison, the results of operations for the YTD-2022 comparative period reflect 220 days of operating activity for the Properties acquired on February 23, 2022, 214 days of operating activity for Langford 3 from March 1, 2022 to September 30, 2022, 116 days of operating activity for Langley from June 7, 2022 to September 30, 2022 and 33 days of operating activity for Nanaimo 2 from August 29, 2022 to September 30, 2022.

The variances reflected in the results of operations between Q3-2023 and Q3-2022 as well as between YTD-2023 and YTD-2022 were significantly impacted by the acquisition of Nanaimo 2 on August 29, 2022, as well as the number of operating days for the Properties in Q3-2022 and YTD-2022 (the "Primary Variance Drivers"). Operating results on a same property basis include the Initial Properties and Langley only (see "Results of Operations - Same Property").

	Q3-2023	Q3-2022	\$ Chg	% Chg	YTD-2023	YTD-2022 ⁽¹⁾	\$ Chg	% Chg
Revenue from property operations	\$ 4,815	\$ 4,121	\$ 694	16.8 %	\$ 14,130	\$ 9,067	\$ 5,063	55.8 %
Property operating costs	(979)	(781)	(198)	(25.4)%	(3,035)	(1,762)	(1,273)	(72.2)%
Property taxes	(319)	(273)	(46)	(16.8)%	(958)	(621)	(337)	(54.3)%
NOI	\$ 3,517	\$ 3,067	\$ 450	14.7 %	\$ 10,137	\$ 6,684	\$ 3,453	51.7 %
NOI margin	73.0 %	74.4 %			71.7 %	73.7 %		

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

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures**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 Q3-2023 was \$4,815 (Q3-2022 - \$4,121), representing an increase of \$694 or 16.8% relative to Q3-2022, primarily due to the Primary Variance Drivers as well as strong same property revenue growth of 5.9% (see “Results of Operations - Same Property”).

Revenue from property operations for YTD-2023 was \$14,130 (YTD-2022 - \$9,067), representing an increase of \$5,063 or 55.8% 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 4.6%, partially offset by lower occupancy levels (see “Average Monthly Rent and Occupancy”).

PROPERTY OPERATING COSTS

The main components of property operating costs are repairs and maintenance expenses (approximately 26%), administrative costs including property management fees (approximately 21%), 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 Q3-2023 were \$979 (Q3-2022 - \$781), representing an increase of \$198 or 25.4% relative to Q3-2022, 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 \$3,035 (YTD-2022 - \$1,762), representing an increase of \$1,273 or 72.2% 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 cost inflation where applicable, through active asset management.

PROPERTY TAXES

Property taxes for Q3-2023 and YTD-2023 were \$319 and \$958, respectively (Q3-2022 and YTD-2022 - \$273 and \$621), representing increases of \$46 and \$337 relative to Q3-2022 and YTD-2022, 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 Q3-2023 was \$3,517 (Q3-2022 - \$3,067), representing an increase of \$450 or 14.7% relative to Q3-2022, primarily driven by the Primary Variance Drivers as well as increases in same property NOI (see “NOI - Same Property”).

NOI for YTD-2023 was \$10,137 (YTD-2022 - \$6,684), representing an increase of \$3,453 or 51.7% relative to YTD-2022, primarily driven by the Primary Variance Drivers.

During Q3-2023, the NOI margin was 73.0% (Q3-2022 - 74.4%), representing a decrease of 140 basis points relative to Q3-2022, due to higher same property operating costs, partially offset by strong revenue growth.

During YTD-2023, the NOI margin was 71.7% (YTD-2022 - 73.7%), representing a decrease of 200 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”.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures

AVERAGE MONTHLY RENT AND OCCUPANCY

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

Properties	Suites	AMR ⁽¹⁾			Economic Occupancy ⁽¹⁾					
		Q3-2023	Q3-2022	% Chg	Q3-2023	Q3-2022	% Chg	YTD-2023	YTD-2022 ⁽²⁾	% Chg
Nanaimo	251	\$ 2,087	\$ 2,021	3.3 %	94.9 %	91.9 %	3.0 %	91.9 %	92.4 %	(0.5)%
Langford	60	\$ 1,926	\$ 1,797	7.2 %	93.7 %	98.0 %	(4.3)%	93.5 %	95.7 %	(2.2)%
Vernon	60	\$ 1,753	\$ 1,598	9.7 %	99.4 %	95.8 %	3.6 %	98.4 %	97.1 %	1.3 %
Vernon 2	43	\$ 1,729	\$ 1,620	6.7 %	98.7 %	96.9 %	1.8 %	97.7 %	97.6 %	0.1 %
Langford 2	81	\$ 1,842	\$ 1,729	6.5 %	94.6 %	97.3 %	(2.7)%	96.8 %	98.0 %	(1.2)%
Langford 3	166	\$ 1,776	\$ 1,688	5.2 %	95.0 %	95.2 %	(0.2)%	95.2 %	95.7 %	(0.5)%
Langley	57	\$ 1,870	\$ 1,769	5.7 %	95.0 %	97.5 %	(2.5)%	94.2 %	98.0 %	(3.8)%
Nanaimo 2	120	\$ 2,007	\$ 1,983	1.2 %	92.9 %	98.2 %	(5.3)%	93.7 %	98.2 %	(4.5)%
Total Properties	838	\$ 1,922	\$ 1,837	4.6 %	95.0 %	94.9 %	0.1 %	94.2 %	95.2 %	(1.0)%
Same Property ⁽³⁾	718	\$ 1,907	\$ 1,813	5.2 %	95.3 %	94.7 %	0.6 %	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 Initial Properties and Langley.

Total Portfolio AMR for Q3-2023 was \$1,922 or 4.6% higher than Q3-2022, driven primarily by the impact of acquiring Nanaimo 2 on August 29, 2022 and the Fund achieving rent growth of 5.2% on a same property basis. These increases were driven by overall demand for multi-family suites in the Primary Markets in which the Fund operates.

The Fund's economic occupancy for Q3-2023 was 95.0% (Q3-2022 - 94.9%), representing an increase of 0.1% relative to Q3-2022.

The Fund's economic occupancy for YTD-2023 was 94.2% (YTD-2022 - 95.2%), representing a decrease of 1.0% relative to YTD-2022, primarily due to the timing of lease expiries and the Fund focusing on achieving strong rent growth during 2023 with the Properties achieving year-over-year AMR growth of 4.6%. 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 Q3-2023 and the previous four quarters:

Properties	Suites	Q3-2023		Q2-2023		Q1-2023		Q4-2022		Q3-2022	
		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	\$ 2,087	94.9 %	\$ 2,053	92.7 %	\$ 2,027	88.1 %	\$ 2,030	93.5 %	\$ 2,021	91.9 %
Langford	60	\$ 1,926	93.7 %	\$ 1,877	92.0 %	\$ 1,879	94.7 %	\$ 1,775	96.5 %	\$ 1,797	98.0 %
Vernon	60	\$ 1,753	99.4 %	\$ 1,702	99.0 %	\$ 1,687	96.7 %	\$ 1,640	95.4 %	\$ 1,598	95.8 %
Vernon 2	43	\$ 1,729	98.7 %	\$ 1,702	99.8 %	\$ 1,685	94.5 %	\$ 1,600	93.8 %	\$ 1,620	96.9 %
Langford 2	81	\$ 1,842	94.6 %	\$ 1,812	97.9 %	\$ 1,801	97.9 %	\$ 1,745	98.2 %	\$ 1,729	97.3 %
Langford 3	166	\$ 1,776	95.0 %	\$ 1,745	94.8 %	\$ 1,734	96.0 %	\$ 1,712	94.5 %	\$ 1,688	95.2 %
Langley	57	\$ 1,870	95.0 %	\$ 1,867	98.2 %	\$ 1,835	89.0 %	\$ 1,792	93.9 %	\$ 1,769	97.5 %
Nanaimo 2	120	\$ 2,007	92.9 %	\$ 1,975	96.5 %	\$ 1,969	91.9 %	\$ 1,982	97.2 %	\$ 1,983	98.2 %
Total Properties	838	\$ 1,922	95.0 %	\$ 1,889	95.2 %	\$ 1,873	92.4 %	\$ 1,848	95.0 %	\$ 1,837	94.9 %

(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 \$1,922 during Q3-2023 primarily as a result of strong rent growth achieved, leading to quarter-over-quarter increases over the preceding four quarters.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures**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 assets. These amounts may differ each period due to the seasonality and the cyclical nature of such costs and are estimated based on a combination of third party property condition assessment reports and management's expertise, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well as their knowledge and experience with real estate.

RESULTS OF OPERATIONS – SAME PROPERTY

Same property results include the Initial Properties and Langley for Q3-2023 and Q3-2022 (representing 718 suites). Same property results are not presented for YTD-2023 and YTD-2022 as the Initial Reporting Period commenced on February 23, 2022.

	Q3-2023	Q3-2022	\$ Chg	% Chg
Revenue from property operations	\$ 4,108	\$ 3,879	\$ 229	5.9 %
Property operating costs	(899)	(794)	\$ (105)	(13.2)%
Property taxes	(267)	(264)	\$ (3)	(1.1)%
NOI	\$ 2,942	\$ 2,821	\$ 121	4.3 %
NOI margin	71.6 %	72.7 %		

REVENUE FROM PROPERTY OPERATIONS – SAME PROPERTY

Same property revenue from property operations for Q3-2023 was \$4,108 (Q3-2022 - \$3,879), representing an increase of \$229 or 5.9%, primarily as a result of strong AMR growth and higher economic occupancy levels at Nanaimo, Vernon and Vernon 2.

PROPERTY OPERATING COSTS – SAME PROPERTY

Same property operating costs for Q3-2023 was \$899 (Q3-2022 - \$794), representing an increase of \$105 or 13.2%, primarily as a result of annual increases in property insurance premiums and increases in property management fees due to increases in revenue from property operations. Excluding the impacts of property insurance and property management expenses, same property operating costs would have increased by approximately 6.9% in Q3-2023, relative to Q3-2022.

PROPERTY TAXES – SAME PROPERTY

Same property taxes for Q3-2023 was \$267 (Q3-2022 - \$264), representing an increase of \$3 or 1.1%.

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 Q3-2023 was \$2,942 (Q3-2022 - \$2,821), representing an increase of \$121 or 4.3%, primarily as a result of strong revenue growth, partially offset by increases in same property operating costs.

Same property NOI margin for Q3-2023 decreased by 110 basis points to 71.6% compared to Q3-2022, primarily due to the impact of higher property insurance and property management expenses.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures**OTHER INCOME AND EXPENSES****FINANCE COSTS**

The Fund's finance costs for Q3-2023 and YTD-2023 compared to Q3-2022 and YTD-2022 are summarized below:

	Q3-2023	Q3-2022	\$ Chg	% Chg	YTD-2023	YTD-2022 ⁽¹⁾	\$ Chg	% Chg
Interest expense on loans payable	\$ 2,239	\$ 1,912	\$ 327	17.1 %	\$ 6,938	\$ 3,794	\$ 3,144	82.9 %
Amortization of deferred financing costs	261	255	6	2.4 %	828	556	272	48.9 %
Other financing costs	102	96	6	6.3 %	306	217	89	41.0 %
Total	\$ 2,602	\$ 2,263	\$ 339	15.0 %	\$ 8,072	\$ 4,567	\$ 3,505	76.7 %
Weighted average interest rate - average during the period	3.74 %	3.80 %	n/a	n/a	3.69 %	3.46 %	n/a	n/a
Indebtedness - average outstanding during the period	\$239,532	\$223,167	\$16,365	7.3 %	\$ 240,455	\$ 206,440	\$34,015	16.5 %

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

Interest expense on loans payable

Interest expense on loans payable for Q3-2023 was \$2,239 (Q3-2022 - \$1,912), representing an increase of \$327 or 17.1% relative to Q3-2022, primarily due to the Primary Variance Drivers.

Interest expense on loans payable for YTD-2023 was \$6,938 (YTD-2022 - \$3,794), representing an increase of \$3,144 or 82.9% relative to YTD-2022, primarily due to the same reasons as described above for Q3-2023.

The Fund's weighted average interest rate during Q3-2023 was 3.74% (Q3-2022 - 3.80%), representing a decrease of 6 basis points, primarily due to the replacement of the Langley and Nanaimo 2 credit facilities with lower fixed rate mortgages.

The Fund's weighted average interest rate during YTD-2023 was 3.69% (YTD-2022 - 3.46%), representing an increase of 23 basis points, primarily due to increases in the Canadian Dollar Offered Rate ("CDOR") between YTD-2022 and YTD-2023, which increased interest rate expense on the credit facility.

Amortization of deferred financing costs

Amortization of deferred financing costs for Q3-2023 was \$261 (Q3-2022 - \$255), representing an increase of \$6 relative to Q3-2022, primarily due to the refinancing of Langley and Nanaimo 2.

Amortization of deferred financing costs for YTD-2023 was \$828 (YTD-2022 - \$556), representing an increase of \$272 relative to YTD-2022, primarily due to the Primary Variance Drivers as well as the refinancing of Langley and Nanaimo 2.

Other financing costs

Other financing costs for Q3-2023 and YTD-2023 were \$102 and \$306, respectively (Q3-2022 and YTD-2022 - \$96 and \$217), representing an increase of \$6 and \$89 relative to Q3-2022 and YTD-2022, primarily due to the Primary Variance Drivers. Other finance 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
\$0.23211	\$0.22500	\$0.23751

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures

For Q3-2023, the Fund declared distributions totaling \$998 (Q3-2022 - \$999).

For YTD-2023, the Fund declared distributions totaling \$2,996 (YTD-2022 - \$2,414), representing an increase of \$582 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 Q3-2023 and YTD-2023, distributions would have been \$739 and \$2,217, respectively, compared to distributions of \$678 and \$1,586 in Q3-2022 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, director fees, investor relations expenses, directors' 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 Q3-2023 and YTD-2023 were \$513 and \$1,533 (Q3-2022 and YTD-2022 - \$507 and \$1,066), representing an increase of \$6 and \$467 relative to Q3-2022 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 the year ended December 31, 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
Capital additions		474
Fair value adjustment on investment properties		9,726
Balance as at September 30, 2023	\$	360,600

Reconciliation of cost base of investment properties to their fair value	As at September 30, 2023	As at December 31, 2022
Cost	\$ 334,406	\$ 333,932
Cumulative fair value adjustment	26,194	16,468
Fair Value	\$ 360,600	\$ 350,400

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

	As at September 30, 2023	As at December 31, 2022
Capitalization rate - range	4.00% to 4.50%	4.00% to 4.50%
Capitalization rate - weighted average	4.37 %	4.28 %

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures

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 September 30, 2023	As at December 31, 2022
Weighted average capitalization rate	10-basis-point increase	\$ (8,067)	\$ (8,000)
Weighted average capitalization rate	10-basis-point decrease	\$ 8,445	\$ 8,383

During Q3-2023 and YTD-2023, the Fund recorded a fair value gain on its Properties of \$2,136 and \$9,726 (Q3-2022 and YTD-2022 - \$nil and \$nil), respectively. The fair value gain was entirely driven by NOI growth, partially offset by capitalization rate expansion on Properties in Langford.

The impact of a 1% change in the NOI used to value the investment properties as at September 30, 2023 would affect their fair value by approximately \$3,606 (December 31, 2022 - \$3,504).

PROVISION FOR CARRIED INTEREST

As at September 30, 2023, the Fund recognized a provision for carried interest of \$4,608, resulting in an expense of \$768 and \$1,200 for Q3-2023 and YTD-2023 (Q3-2022 and YTD-2022 - \$nil and \$nil), 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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures**NON-IFRS FINANCIAL MEASURES – FFO AND AFFO**

Non-IFRS financial measures have been prepared below for Q3-2023 and YTD-2023 with comparative measures for Q3-2022 and YTD-2022.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

A reconciliation of net income (loss) and comprehensive income (loss), determined in accordance with IFRS to FFO and AFFO, is presented below for Q3-2023 and YTD-2023 compared with Q3-2022 and YTD-2022:

	Q3-2023	Q3-2022	YTD-2023	YTD-2022 ⁽²⁾
Net income (loss) and comprehensive income (loss)	\$ 772	\$ (702)	\$ 6,062	\$ (1,363)
Add / (Deduct):				
Distributions to Unitholders	998	999	2,996	2,414
Fair value adjustment on investment properties	(2,136)	—	(9,726)	—
Provision for carried interest	768	—	1,200	—
FFO	\$ 402	\$ 297	\$ 532	\$ 1,051
Add / (Deduct):				
Amortization of deferred financing costs	261	255	828	556
Sustaining capital expenditures and suite renovation reserves	(42)	(21)	(125)	(51)
AFFO	\$ 621	\$ 531	\$ 1,235	\$ 1,556
FFO per Unit - basic and diluted	\$ 0.03	\$ 0.02	\$ 0.04	\$ 0.08
FFO payout ratio	248.3 %	336.4 %	563.2 %	229.7 %
AFFO per Unit - basic and diluted	\$ 0.05	\$ 0.04	\$ 0.10	\$ 0.12
AFFO payout ratio	160.7 %	188.1 %	242.6 %	155.1 %
Distributions declared ⁽¹⁾	\$ 998	\$ 999	\$ 2,996	\$ 2,414
Weighted average Units outstanding:				
Basic and diluted - class A, B & C - (000s)	12,980	13,000	12,991	13,000
Cash paid for acquisition of Properties ⁽³⁾	\$ —	\$ 12,230	\$ —	\$ 90,200
Adjusted distributions for equity deployed ⁽⁴⁾	\$ 739	\$ 678	\$ 2,217	\$ 1,586
FFO payout ratio adjusted for equity deployed ⁽⁵⁾	183.8 %	228.2 %	416.7 %	150.9 %
AFFO payout ratio adjusted for equity deployed ⁽⁵⁾	119.0 %	127.7 %	179.5 %	101.9 %

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

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

(3) Figures represent the cash paid for the acquisitions of Properties as well as costs incurred for the Offering as reported in the consolidated financial statements of the Fund for Q3-2023 and Q3-2022.

(4) The Fund elected to pay the 3.1% annualized targeted distribution on the gross subscription proceeds from the Offering during Q3-2023, Q3-2022, YTD-2023 and YTD-2022, despite the fact that all of the Offering proceeds had not yet been fully deployed (see "Subsequent Events"). 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 Q3-2023 were \$402 and \$0.03, respectively (Q3-2022- \$297 and \$0.02), representing an increase of \$105 or 35.4%, primarily due to increase in NOI as a result of the Primary Variance Drivers as well as same property NOI, partially offset by increases in interest costs.

Basic and diluted FFO and FFO per Unit for YTD-2023 were \$532 and \$0.04, respectively (YTD-2022 - \$1,051 and \$0.08), representing a decrease of \$519 or 49.4%, primarily due to increases in finance costs as a result of the Primary Variance Drivers, partially offset by higher NOI due to Primary Variance Drivers.

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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures

Adjusted Funds from operations

Basic and diluted AFFO and AFFO per Unit for Q3-2023 were \$621 and \$0.05, respectively (Q3-2022 - \$531 and \$0.04), representing an increase in AFFO of \$90 or 16.9%, due primarily to the reasons noted above under FFO.

Basic and diluted AFFO and AFFO per Unit for YTD-2023 were \$1,235 and \$0.10, respectively (YTD-2022 - \$1,556 and \$0.12), representing a decrease in AFFO of \$321 or 20.6%, due primarily to the reasons noted above under FFO.

The Manager elected to pay the 3.1% annualized targeted distribution for the Fund during Q3-2023 and YTD-2023 despite the fact that all of the Offering proceeds had not yet been fully deployed (see "Subsequent Events"). Assuming the Fund had paid distributions based on the actual equity deployed on the acquisition of the Properties during Q3-2023 and YTD-2023, distributions would have been \$739 and \$2,217 (Q3-2022 and YTD-2022 - \$678 and \$1,586) and the AFFO payout ratio would have been 119.0% and 179.5% (Q3-2022 and YTD-2022 - 127.7% and 101.9%), respectively.

Sustaining capital expenditures

For the purposes of calculating AFFO, the Fund utilized a reserve for sustaining capital expenditures and suite renovations of \$42 and \$125 for Q3-2023 and YTD-2023 (Q3-2022 and YTD-2022 - \$21 and \$51), 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 Q3-2023 and YTD-2023 were \$45 and \$135 (Q3-2022 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 Q3-2023, Q3-2022, YTD-2023 and YTD-2022 is provided below:

	Q3-2023	Q3-2022	YTD-2023	YTD-2022
Cash provided by operating activities	\$ 3,290	\$ 6,113	\$ 8,313	\$ 4,621
Less: interest and finance costs	(2,341)	(2,008)	(7,244)	(4,011)
Cash provided by operating activities - including interest and finance costs	\$ 949	\$ 4,105	\$ 1,069	\$ 610
Add / (Deduct):				
Change in non-cash operating working capital	(285)	(3,601)	252	(158)
Change in restricted cash	(1)	48	39	1,155
Amortization of deferred financing costs	(261)	(255)	(828)	(556)
FFO	\$ 402	\$ 297	\$ 532	\$ 1,051
Add / (Deduct):				
Amortization of deferred financing costs	261	255	828	556
Sustaining capital expenditures and suite renovation reserves	(42)	(21)	(125)	(51)
AFFO	\$ 621	\$ 531	\$ 1,235	\$ 1,556

Distributions to Unitholders relative to cash provided by operating activities

The Fund's cash provided by operating activities, including interest and finance costs for Q3-2023 was \$949 (Q3-2022 - \$4,105), which was lower than distributions declared to Unitholders by \$49 (Q3-2022 - higher than distributions declared to Unitholders by - \$3,106).

The Fund's cash provided by operating activities, including interest and finance costs for YTD-2023 was \$1,069 (YTD-2022 - \$610), which was lower than distributions declared to Unitholders by \$1,927 (YTD-2022 - \$1,804).

The shortfall for Q3-2023 and 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 (see "Subsequent Events"). The shortfall between cash provided by operating activities and distributions paid is covered by cash on hand.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures**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 Properties. As at September 30, 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 cost inflation, if any, on the liquidity and performance of the Canadian multi-family property class (see “Future Outlook”).

As at September 30, 2023, the Fund had cash on hand of \$21,336, which includes cash remaining from the Offering, used primarily to acquire a ninth multi-family property (see “Subsequent Events”).

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 Q3-2023 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 of 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 Q3-2023, Q3-2022, YTD-2023 and YTD-2022:

	Q3-2023	Q3-2022	YTD-2023	YTD-2022
Cash provided by operating activities	\$ 3,290	\$ 6,113	\$ 8,313	\$ 4,621
Cash (used in) provided by financing activities	(4,215)	29,716	(16,608)	359,157
Cash used in investing activities	(164)	(46,108)	(474)	(332,174)
(Decrease) increase in cash	(1,089)	(10,279)	(8,769)	31,604
Cash, beginning of period	22,425	41,883	30,105	—
Cash, end of period	\$ 21,336	\$ 31,604	\$ 21,336	\$ 31,604

Cash provided by operating activities during Q3-2023 and YTD-2023 was \$3,290 and \$8,313, 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 Q3-2022 was \$6,113, which primarily consisted of changes in non-cash operating working capital including recovery of acquisition deposits of \$3,000 for Nanaimo 2 as well as operating income generated by the Properties.

Cash provided by operating activities during YTD-2022 was \$4,621, which primarily consisted of operating income generated by the Properties, partially offset by changes in restricted cash relating to security deposits.

Cash used in financing activities for Q3-2023 was \$4,215, which primarily consisted of mortgage principal repayments of \$794, finance costs paid of \$2,328, distributions of \$998 and \$95 paid for the redemption of Units.

Cash used in financing activities for YTD-2023 was 16,608, which primarily consisted of credit facility repayments of \$51,413, largely offset by proceeds from new mortgage financing of \$48,938, mortgage principal repayments of \$2,221, finance costs paid of \$8,730, distributions of \$2,996 and \$186 paid for the redemption of Units.

Cash provided by financing activities for Q3-2022 was \$29,716, which primarily consisted of proceeds from the new financing of \$33,863 for Nanaimo 2, partially offset by finance costs paid of \$2,503, mortgage principal repayments of \$645 and distributions of \$999.

Cash provided by financing activities for YTD-2022 was \$359,157, which primarily consisted of net proceeds from the Offering of \$124,913 and net proceeds from new and assumed mortgage financing of \$246,220, partially offset by finance costs paid of \$8,558, mortgage principal repayments of \$1,337 and distributions of \$2,081.

Cash used in investing activities for Q3-2023 and YTD-2023 was \$164 and \$474, respectively, which primarily related to capital additions to the Properties.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&A

Notes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures

Cash used in investing activities for Q3-2022 and YTD-2022 was \$46,108 and \$332,174, respectively, which primarily related to the acquisition of the Properties.

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 September 30, 2023 is summarized below:

	As at September 30, 2023	As at December 31, 2022
Loans payable ⁽¹⁾	\$ 239,532	\$ 244,227
Net liabilities attributable to Unitholders	141,207	135,331
Total capital	\$ 380,739	\$ 379,558

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

			As at September 30, 2023	As at December 31, 2022
Indebtedness to Gross Book Value			66.4 %	69.7 %
Weighted average term to maturity - Indebtedness			4.81 years	3.44 years
	Q3-2023	Q3-2022	YTD-2023	YTD-2022
Weighted average interest rate - Indebtedness	3.74 %	3.80 %	3.69 %	3.46 %
Interest Coverage Ratio	1.34x	1.34x	1.24x	1.48x
Indebtedness Coverage Ratio	0.99x	1.00x	0.74x	1.09x

As at September 30, 2023, overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, was 66.4% (December 31, 2022 - 69.7%) and the weighted average term to maturity was 4.81 years (December 31, 2022 - 3.44 years). The increase in term to maturity as at September 30, 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 Q3-2023 and YTD-2023, the Interest Coverage Ratio was 1.34x and 1.24x, respectively (Q3-2022 and YTD-2022 - 1.34x and 1.48x) and the Indebtedness Coverage Ratio was 0.99x and 0.74x, respectively (Q3-2022 and YTD-2022 - 1.00x and 1.09x). The decrease in both ratios during YTD-2023 relative to YTD-2022 was primarily due to increased interest rates, partially offset by strong same property operating results.

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.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | **Financial Performance** | Other Disclosures**LOANS PAYABLE**

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

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans ⁽¹⁾	Scheduled interest payments
2023 - remainder of the year	\$ 807	\$ —	\$ 807	0.3 %	— %	\$ 2,069
2024	3,276	43,479	46,755	19.5 %	7.64 %	6,048
2025	3,100	13,332	16,432	6.9 %	3.91 %	5,106
2026	3,097	—	3,097	1.3 %	— %	4,852
2027	2,358	65,649	68,007	28.4 %	2.80 %	3,397
Thereafter	6,967	97,467	104,434	43.6 %	2.80 %	11,631
	\$ 19,605	\$ 219,927	\$ 239,532	100.0 %	3.74 %	\$ 33,103
Unamortized financing costs			(4,435)			
Total carrying value			\$ 235,097			

(1) Scheduled interest payments and interest rates on a non-revolving term credit facility are based on the one-month CDOR as at September 30, 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 Q3-2023:

	Class A	Class B	Class C	Total
Net liabilities attributable to Unitholders, January 1, 2022	\$ —	\$ —	\$ —	\$ —
Units issued in connection with 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	1,957	2,523	1,582	6,062
Net liabilities attributable to Unitholders, September 30, 2023	\$ 45,590	\$ 58,769	\$ 36,848	\$141,207

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 September 30, 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 related Offering condition, 17,528 Class A Units and 2,000 Class B Units were redeemed at 95% of Net Assets Value, amounting to a total of \$186.

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 Q3-2023 and YTD-2023, the Fund incurred asset management fees of \$350 and \$1,041 (Q3-2022 and YTD-2022 - \$299 and \$661), which were charged to fund and trust expenses. The increase of asset management fees for Q3-2023 and YTD-2023 relative to Q3-2022 and YTD-2022 was due to the Primary Variance Drivers. Asset management fees payable to the Manager as at September 30, 2023 was \$114.

- (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 Q3-2023 and YTD-2023, the Fund did not incur acquisition fees (Q3-2022 and YTD-2022 - \$510 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 Q3-2023 and YTD-2023, guarantee fees of \$102 and \$306 (Q3-2022 and YTD-2022 - \$95 and \$212) were charged by the Manager. The increase of guarantee fees for Q3-2023 and YTD-2023 relative to Q3-2022 and YTD-2022 was due to the Primary Variance Drivers. Guarantee fees payable to the Manager as at September 30, 2023 was \$33.

Other related party transactions

Aggregate compensation to key management personnel was \$nil for Q3-2023 and YTD-2023 (Q3-2022 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

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND - Q3 2023 MD&ANotes to Readers | Future Outlook | Our Business | Highlights | Financial Performance | **Other Disclosures**

subsequent to the closing date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

As at September 30, 2023, the Fund had recognized a provision for carried interest of \$4,608 resulting in an expense of \$768 and \$1,200 for Q3-2023 and YTD-2023 (Q3-2022 and YTD-2022 - \$nil).

SIGNIFICANT ACCOUNTING POLICIES AND CHANGES IN ACCOUNTING POLICIES

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

CRITICAL JUDGMENTS AND ESTIMATES

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

Accounting for Acquisitions: Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's 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, 2022). In making this determination it considered the relationships between the Fund, the Manager, and the significant subsidiaries including ownership interests, voting rights and management agreements. Through this analysis it was determined that the Manager is an agent of the Fund.

Carried Interest: The determination by the Fund as at each Statement of Financial Position date as to whether a provision for carried interest should be recognized to the partners of 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 condensed consolidated interim financial statements for the three and nine months ended September 30, 2023 and the notes contained therein.

RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Units of the Fund and activities of the Fund. Risks and uncertainties are disclosed in the Fund's MD&A for the year ended December 31, 2022 and is available at www.sedarplus.ca. Current and prospective investors of the Fund should carefully consider such risk factors. Other than set out or contemplated herein, management is not aware of any significant changes in the risk and uncertainties since March 8, 2023, the date of the Fund's MD&A for the year ended December 31, 2022.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

All control systems have inherent limitations, including well-designed and operated systems. No control system can provide complete assurance that the objectives of the control system will be met. Furthermore, no evaluation of controls 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 September 30, 2023.

SUBSEQUENT EVENTS

Subsequent to September 30, 2023, the Fund acquired a 106 suite multi-family property located at 728 Meaford Avenue in Langford, British Columbia for the purchase price of approximately \$43,500 on November 14, 2023. The acquisition was financed by the assumption of a fixed rate mortgage loan of approximately \$20,100 bearing an interest rate of 2.43% and a new variable rate loan of approximately \$8,400. The balance of the purchase price and additional costs associated with the purchase were settled using approximately \$15,600 of the remaining cash proceeds from the Offering.

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

Dated: November 14, 2023

Toronto, Ontario, Canada



5477 200 Street, Langley, British Columbia

Starlight Western Canada Multi-Family (No. 2) Fund

1400 – 3280 Bloor Street West, Centre Tower

Toronto, Ontario, Canada

M8X 2X3

Phone: +1-416-234-8444

info@starlightinvest.com

Daniel Drimmer
Founder and Chief Executive Officer

+1-416-234-8444

ddrimmer@starlightinvest.com

Martin Liddell
Chief Financial Officer
+1-647-729-2588
mliddell@starlightinvest.com

StarlightTM