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

FOR THE THREE MONTHS ENDED DECEMBER 31, 2021 AND FOR THE PERIOD FROM JANUARY 8, 2021 TO DECEMBER 31, 2021

March 8, 2022

FUND TARGETS

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

Montane
400 Suites
Denver, Colorado

Hudson at East
275 Suites
Orlando, Florida

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis ("MD&A") of the consolidated financial results of Starlight U.S. Multi-Family (No. 2) Core Plus Fund (the "Fund") dated March 8, 2022 for the period from January 8, 2021 (date of formation) to December 31, 2021 ("YTD-2021") should be read in conjunction with the Fund's audited consolidated financial statements and accompanying notes for the same period, both of which have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These documents are available on SEDAR at www.sedar.com.

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

CAUTION REGARDING FORWARD-LOOKING INFORMATION

Certain statements contained in this MD&A constitute forward-looking information within the meaning of Canadian securities laws and which reflect the Fund's current expectations regarding future events, including the overall financial performance of the Fund and its properties ("Properties"), including the impact of the coronavirus (SARS – CoV2) and its variants ("COVID-19") global pandemic on the business and operations of the Fund. Forward-looking information is provided for the purposes of assisting the reader in understanding the Fund's financial performance, financial position and cash flows as at and for the periods ended on certain dates and to present information about management's current expectations and plans relating to the future and readers are cautioned that such statements may not be appropriate for other purposes.

Forward-looking information may relate to future results, the impact of COVID-19 on the Properties as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Fund's TSX Venture Exchange ("TSX-V") listed and unlisted Units, acquisitions including a third property, financing including the refinancing of Hudson at East ("Hudson"), 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 "COVID-19" and "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 impact of COVID-19 on the Fund's Properties as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Units and unlisted Units; changes in government legislation or tax laws which would impact any potential income taxes or other taxes rendered or payable with respect to the Properties or the Fund's legal entities; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the availability of debt financing for any future financing requirements of the Fund; and the availability and price at which any potential future acquisitions may be acquired including a third property. 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, and any risks related to the uncertainties surrounding COVID-19 and the potential adverse effect or the perception of its effects, on the Fund and its Units. The reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking statements as there can be no assurance actual results will be consistent with such forward-looking statements. Although the Fund believes the expectations reflected in such forward-looking information are reasonable and represent the Fund's projections, expectations and beliefs at this time, such information involves known and unknown risks and uncertainties which may cause the Fund's actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking information. Important factors that could cause actual results to differ materially from the Fund's expectations include, among other things, the impact of COVID-19, the availability of suitable properties for purchase by the Fund, the availability of mortgage financing, and

general economic and market factors, including interest rates, business competition and changes in government regulations or in tax laws.

See the "Risks and Uncertainties" section and the reader is cautioned to consider these and other factors, uncertainties and potential events carefully and not to put undue reliance on forward-looking information, as there can be no assurance that actual results will be consistent with such forward-looking information. The Fund is actively monitoring COVID-19 closely and has proactively raised its level of preparedness and planning to adapt more quickly should risk levels rise.

Information contained in forward-looking information is based upon certain material assumptions that were applied in drawing a conclusion or making a forecast or projection, including management's perceptions of historical trends, current conditions and expected future developments, as well as other considerations that are believed to be appropriate in the circumstances, including the following: the impact of COVID-19 on the Fund's portfolio as well as the impact of COVID-19 on the markets in which the Fund operates and the trading price of the Units; the applicability of any government regulation concerning the Fund's tenants or rents as a result of COVID-19 or otherwise; the realization of property value appreciation and timing thereof; the inventory of multi-family real estate properties; the availability of properties for potential future acquisition, if any, and the price at which such properties may be acquired; the price at which Properties may be disposed and the timing thereof; closing and other transaction costs in connection with the acquisition and disposition of Properties; the availability of mortgage financing and current interest rates; the extent of competition for properties; the growth in net operating income ("NOI") and the ability of the Fund to benefit from its light value-add initiatives; the population of multi-family 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 US AM Group LP or its affiliates (the "Manager") to manage and operate the Properties; the global and North American economic environment; foreign currency exchange rates; and governmental regulations or tax laws. Given this unprecedented period of uncertainty, there can be no assurance regarding: (a) the impact of COVID-19 on the Fund's business, operations and performance or the volatility of the Units; (b) the Fund's ability to mitigate such impacts; (c) credit, market, operational, and liquidity risks generally; (d) that the Manager or any of its affiliates, will continue its involvement as asset manager of the Fund in accordance with its current asset management agreement; and (e) other risks inherent to the Fund's business and/or factors beyond its control which could have a material adverse effect on the Fund.

The forward-looking information included in this MD&A relates only to events or information as of the date on which the statements are made in this MD&A. Except as specifically required by applicable Canadian securities law, the Fund undertakes no obligation to update or revise publicly any forward-looking information, whether because of new information, future events or otherwise, after the date on which the statements are made or to reflect the occurrence of unanticipated events.

NON-IFRS FINANCIAL MEASURES

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

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

AFFO is defined as FFO subject to certain additional adjustments, including: (i) amortization of fair value mark-to-market adjustments on loans assumed; (ii) amortization of financing costs; (iii) deduction of a reserve for normalized maintenance capital expenditures and suite make ready costs, as determined by the Manager; and (iv) vacancy costs associated with the suite upgrade program. Other adjustments may be made to AFFO as determined by the Manager.

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

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

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

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

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

FFO is defined as net income and comprehensive income in accordance with IFRS, excluding fair value adjustments of the investment properties, fair value adjustments on derivative instruments, distributions to Unitholders of Units classified as financial liabilities, International Financial Reporting Interpretations Committee 21 – Levies ("IFRIC 21") adjustment for property taxes, deferred income tax expense and realized or unrealized foreign exchange gains and losses, and provisions for carried interest. FFO 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 for 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.

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

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

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

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

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

NOI, or Adjusted Income from Operations, is defined as all property revenue, less direct property costs such as utilities, property taxes (adjusted to normalize for the IFRIC 21 impact in each reporting period), repairs and maintenance, on-

site salaries, insurance, bad debt expenses, property management fees, and other property specific administrative costs. NOI Margin is defined as NOI divided by revenue from property operations. NOI and NOI Margin is presented in this MD&A as the Manager considers this non-IFRS measure to be an important measure of the Fund's operating performance and uses this measure to assess the Fund's property operating performance on an unlevered basis. The most comparable measure to IFRS is net income (loss) and comprehensive income (loss).

Same property operating results and NOI (revenue less property operating costs and realty taxes) have not been presented in this MD&A given the Properties had no comparable results in prior years under the Fund's ownership.

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

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

COVID-19

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as a global pandemic. Although COVID-19 has resulted in a volatile economy, the Fund believes it is well positioned to navigate through this challenging time and continues to undertake proactive measures at the Properties to combat the spread of COVID-19, assist tenants where needed and implement other measures to minimize business interruption.

The Fund intends to actively monitor any continued impact COVID-19 may have on the Fund's operating results in future periods specifically as they relate to rent collections, occupancy, rent growth, ancillary fees and expenses incurred for preventative measures in response to COVID-19 (see "Future Outlook").

Although positive U.S. employment and economic growth statistics, as well as strengthening rent growth, collections and occupancy statistics for multi-family properties operating in the primary markets of the Fund, which include Arizona, California, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, Oregon, South Carolina, Tennessee, Texas, Utah and Washington ("Primary Markets"), have been published in recent months, the extent to which COVID-19 impacts the Fund's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of COVID-19, any intensification of COVID-19, the actions by federal, state and local governments and others taken to contain COVID-19 or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of COVID-19 and containment measures, among others. The rapid development and fluidity of this situation impedes the Manager's ability to predict the ultimate adverse impact of COVID-19. COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to the Fund's performance, financial condition, results of operations and cash flows.

Preventative measures and risks related to COVID-19

The Fund has undertaken actions to mitigate the effect on the operations of the Fund including various preventative measures and ongoing coordination with on-site property management teams to mitigate the spread of COVID-19. This includes moving leasing to electronic platforms where possible, reduced access and increased sanitization of the common areas. The Fund is also following the directions provided by federal, state and local governments as well as public health authorities.

Notwithstanding COVID-19, such measures are not expected to have a material impact on the Fund, and management believes that the operating metrics within the Fund's portfolio will continue to be stable or strengthen in the foreseeable future and over the longer term. Nonetheless, given the unpredictable nature of COVID-19, any continuation or intensification of COVID-19 or related government measures, and any changes in levels of government financial support to individuals affected by COVID-19 or economic downturn, could in the future have an adverse material effect on the Fund's financial condition, results of operations and cash flows (see "Risks and Uncertainties").

Collections and rent relief

The Fund is working with all on-site property managers to ensure open communication with tenants regarding rent relief options available to assist tenants impacted by the outbreak of COVID-19 in a socially responsible manner wherever possible.

The Fund is also closely monitoring rent collections to assess any potential increase in bad debts at the Properties as a result of COVID-19. Tenants who may be able to return to employment based on local jurisdiction or state-wide loosening of COVID-19 related restrictions should assist with a tenant's ability to access financial resources, improving collection rates in the short term and ongoing demand for residential housing.

The Fund collected approximately 99.1% of rents for the three months ended December 31, 2021 ("Q4-2021") as at March 7, 2022. With the continued rollout of the COVID-19 vaccination program and re-opening and strengthening of the economy across the U.S., further amounts are expected to be collected in future periods. A nationwide eviction moratorium extension that was previously extended to October 3, 2021 has expired and will no longer halt evictions in the markets in which the Fund operates (see "Governmental Intervention and Legislation").

Liquidity

As at December 31, 2021, the Fund had cash on hand of $6,445 (see "Liquidity and Capital Resources"). Given the significant increase in the fair value of Hudson, the Fund is evaluating the potential refinancing of the associated loan payable whereby the net proceeds of any such refinancing along with the Fund's cash on hand as at December 31, 2021 of $6,445 may provide sufficient liquidity for the Fund to acquire a third property.

Although economic growth and employment in the U.S. have strengthened significantly in recent months, the Fund will implement and closely monitor various measures to ensure the liquidity and capital resources of the Fund are sufficient during this ongoing period of uncertainty.

Governmental Intervention and Legislation

From the onset of COVID-19, the U.S government has introduced a series of relief programs including the Coronavirus Aid, Relief and Economic Security Act ("CARES Act") on March 27, 2020 as well as a $900B stimulus package which provided further economic stimulus to assist in the recovery from the impact of COVID-19. A nationwide eviction moratorium was also implemented in 2020 that prevented evictions of tenants hurt by job loss during COVID-19. As of November 22, 2021, the nationwide eviction moratorium that was previously extended to October 3, 2021 expired. The Fund intends to closely monitor the applicability of future moratoriums to its Properties and Primary Markets.

On March 12, 2021, the U.S. government passed and signed into law the American Rescue Plan ("ARP") which will provide approximately an additional $1.9 trillion for qualified individuals, families, large and small businesses and state and local governments, including but not limited to, stimulus payments, unemployment aid, rental assistance, education and child care assistance and subsidies for health insurance premiums. In connection with the aforementioned eviction moratorium extension expiry, the extension announcement has been paired with a number of eviction mitigating measures to help keep renters stably housed, including an expedited distribution of $46 billion in emergency rental assistance appropriated by the government to residents and housing providers. Government stimulus plans will assist in mitigating risk, however there is a risk that any sustained economic hardship COVID-19 has on the Fund's tenant base may impact future collections and delinquency rates.

COVID-19 vaccination programs continue across the U.S., but in the event the vaccination program across the U.S., and globally, does not contain the spread of COVID-19 or if there are delays in the timely administration of further vaccines or shortages in the vaccine supply chain, there is the potential to cause a further economic slowdown and increased volatility in financial markets. Although the U.S. Federal Government has introduced monetary and fiscal interventions aimed at stabilizing the economy and devoted significant resources to the mass vaccination program, uncertainty remains as to the overall impact and timing of these interventions on the U.S. debt and equity markets as well as the economies of both the U.S. and the markets in which the Fund operates. In addition, these uncertain economic conditions resulting from COVID-19 may adversely impact the demand for residential housing.

Capital work

There is a risk that should COVID-19 be sustained, it may lead to an inability for the Fund to acquire materials required or labour disruptions may occur that impact the Fund's ability to complete capital work as intended by the Fund in future periods (see "Light Value-Add Initiatives: Update for Q4-2021").

Distributions

Distribution payments are expected to be based on the targeted 4.0% distribution yield for the Fund in the foreseeable future however the Manager will continue to monitor the potential impact COVID-19 may have on future distribution payments.

FUTURE OUTLOOK

COVID-19 vaccination programs continue across the U.S. to varying degrees in different states and jurisdictions with the immunization efforts widely considered to have been successful to date relative to other countries globally and the approval of a third COVID-19 dose by the U.S. Food and Drug Administration to help further advance immunization efforts in preventing the spread of COVID-19. However, there is a risk that delays in the timely administration of vaccination programs, changing strains of the virus, including the occurrence of new variants of COVID-19 (such as the Omicron variant), or reluctance to receive vaccinations could prolong the impacts of COVID-19 and have the potential to cause further adverse economic conditions. According to the U.S. Department of Labor, unemployment rates for December 2021 declined to 3.9% (from a peak of approximately 15% in April 2020) with such employment gains broadly diversified across many industries and driven by the continued economic reopening linked to the successful vaccination program across the U.S. The sustained rollout of the vaccination program is expected to continue to improve economic growth and employment throughout the U.S., although there can be no certainty with respect to the timing of these improvements.

Throughout 2021 and into early 2022, key multi-family fundamentals improved significantly including strengthening occupancy, rent growth and collection rates which translated into favourable operating results of various owners of multi-family properties, including those in the Primary Markets. These trends, in conjunction with the Primary Markets exhibiting sustained job and population growth historically as a result of lifestyle choices as well as positive net migration, should continue to support further demand for multi-family apartments in future periods. In addition, previous economic downturns have typically been followed by periods of above market rent growth for multi-family properties in the U.S. Consistent with this trend, the Properties achieved rent growth on new leases in excess of 10% during Q4-2021.

COVID-19 has also significantly disrupted active and new construction of comparable product in the Primary Markets which may create a temporary imbalance in supply of comparable, multi-suite residential properties. This imbalance, alongside the continued economic recovery and improving fundamental statistics, could be supportive of favourable supply and demand conditions for the Properties and could result in future increases in occupancy and rent growth. The Fund believes it is well positioned to take advantage of these conditions should they transpire given the quality of its Properties and the benefit of having a tenant pool employed across a diverse job base. Since the COVID-19 outbreak commenced, based on available investment sales information, capitalization rates in the Primary Markets have compressed on average by approximately 100-150 basis points.

INVESTMENT OVERVIEW, OBJECTIVES AND STRATEGY

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

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

The ownership of the Fund is separated into seven classes of Units. On March 31, 2021, the Fund issued the following limited partnership Units: 2,862,819 class A Units, 2,436,500 class C Units, 2,095,700 class D Units and 1,959,606 class F Units at a price of C$10.00 and 236,840 class E Units, 535,300 class G Units and 299,120 class U Units at a price of $10.00. Class A,C,D and F are Canadian dollar denominated Units and class E, G and U are U.S. dollar denominated Units. Conversions can be made between certain classes of Units based on conversion ratios calculated consistent with the Fund’s amended and restated limited partnership agreement (the “Conversion Ratios”). The weighted average class A equivalent Units outstanding as at December 31, 2021 was 10,901,930 (assumes all outstanding Units are converted to class A equivalent Units based on the Conversion Ratios).

The Offering raised gross subscription proceeds of $85,408. After the closing of the Offering on March 31, 2021, the Fund acquired Montane and Hudson consisting of a combined 675 suites. The Properties are located in Denver, Colorado and Orlando, Florida (see “Portfolio Overview”).

The class A Units and class U Units of the Fund are listed on the TSX-V under the symbols SCPT.A and SCPT.U, respectively.

The Fund’s Investment Strategy:

The Fund was established for the primary purpose of directly or indirectly acquiring, owning and operating a portfolio primarily comprised of income-producing multi-family real estate properties that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics or that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management, and are located in the Primary Markets, with a particular focus on the suburban areas of the Primary Submarkets. The Manager

believes the U.S. multi-family real estate sector presents a compelling investment opportunity and provides competitive long-term returns when compared to other real estate asset classes.

The Fund's investment objectives are to:

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

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

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

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

1. Identify acquisition opportunities in addition to the Properties in the U.S. multi-family residential market through the Manager's strong pipeline of exclusive acquisition opportunities by leveraging the Manager's relationships with principals, operators, and brokers located in the Fund's target markets and by its ability to source "off market" opportunities.
2. Target multi-family assets that are:
   a) garden- and wrap-style, suburban, Class "A" institutional quality properties that demonstrate value based on pricing and local supply and demand trends to achieve the Fund's target metrics or that can achieve significant increases in rental rates as a result of undertaking high return, light value-add capital expenditures and active asset management;
   b) suburban and have a vintage of 1990 or later, with no less than 200 suites to ensure economies of scale;
   c) strategically located properties in the Primary Markets, with a particular focus on the suburban areas of the Primary Submarkets, with strong long-term job, population and economic growth rates;
   d) strategically located properties within their respective suburban submarkets with barriers to new development; and
   e) stabilized, with the potential to benefit from an active asset management strategy.
3. Complete a comprehensive due diligence program, including cash flow and value-add return modeling, operating expense reviews, and third-party reports including market studies, structural and environmental assessments and appraisals.
4. Conduct a broad canvass of the lending community, including lenders with whom the Manager enjoys long-term relationships, to secure debt financing on competitive terms.
5. Explore, from time to time, co-investment opportunities involving the Fund and one or more co-investors.

ASSET VALUE ENHANCEMENT THROUGH ACTIVE MANAGEMENT STRATEGY

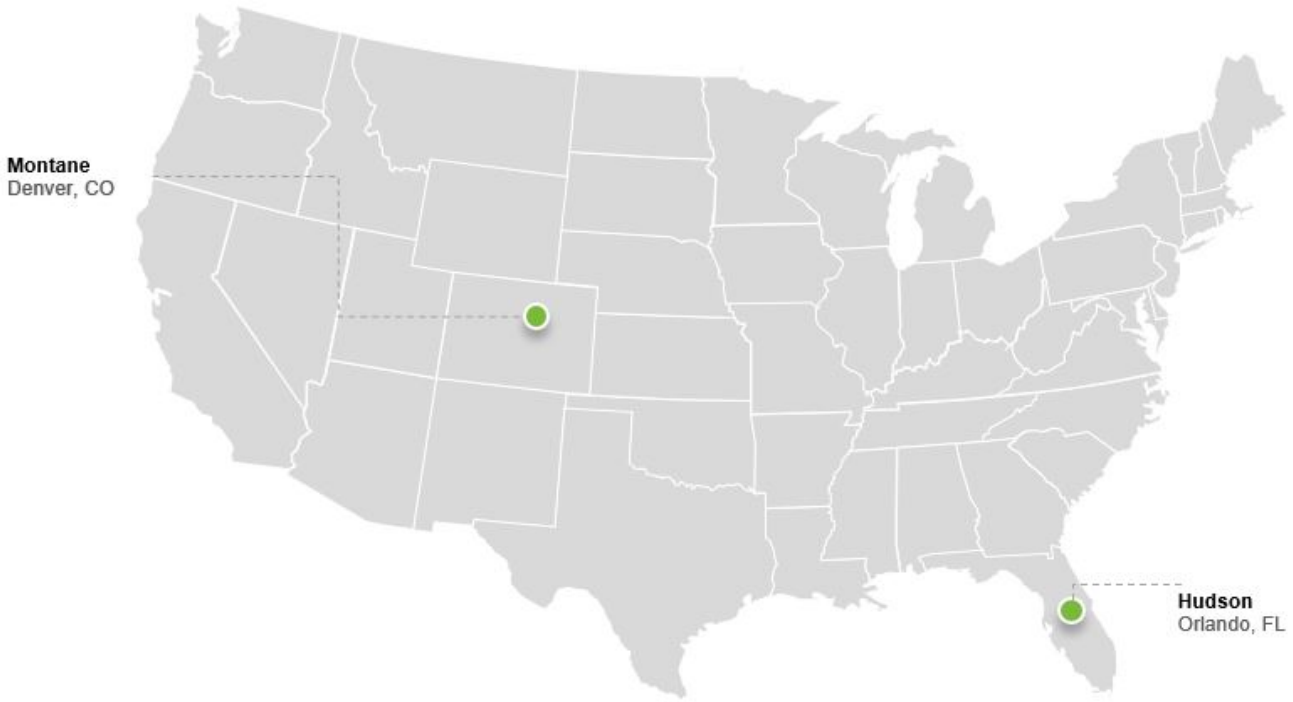
1. Utilize the Manager's network to source attractive future acquisitions from private equity funds, operators and other real estate asset managers.
2. Increase rental rates through value-add capital improvement programs, including targeted light value-add capital expenditures of $2,500 to $7,500 per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

4. Reduce operating expenses such as staffing, maintenance contracts, advertising, general and administrative expenses and insurance through economies of scale.
5. Utilize reputable best-in-class U.S.-based property managers.

VALUE REALIZATION THROUGH STRATEGIC DISPOSITIONS

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

PORTFOLIO SUMMARY



The Properties are located in suburban areas of the Primary Markets within close proximity to major employment centres and attractive tenant amenities including shopping centres and entertainment centres. Each Property has a mix of studio, one-bedroom, two-bedroom and three-bedroom suites as well as townhomes with the mix of suite types typically varying to align with the local tenant demographics at each Property. Further details on the Properties can be found on the website at www.starlightus.com under the Fund's profile. An overview of the Properties owned as at December 31, 2021 is presented in the table below:

Property	Address	Distance to Downtown (1)	Primary Market	Suites	Vintage	Rentable Area (2)	Avg. Suite Size (2)	Land Area (Acres)	Date Acquired
Hudson	12530 Innovation E Dr, Orlando	26	Orlando	275	2019	287,547	1,046	16.9	3/31/2021
Montane	18301 Cottonwood Dr, Parker	39	Denver	400	2018	368,174	920	22.2	3/31/2021
Total Ownership as at December 31, 2021				**675**	**2019**	**655,721**	**971**	**38.9**	

(1) Represents the approximate distance in kilometers from each Property to the city centre of the applicable Primary Market.
(2) Area is measured in square feet.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

This section includes highlights of the financial and operating performance of the Fund as at December 31, 2021, for the three months ended December 31, 2021 and for the period from January 8, 2021 (date of formation) to December 31, 2021. The period from January 8, 2021 to December 31, 2021 includes 276 days of operating activity for the portfolio, which includes operations of the Properties from March 31, 2021 to December 31, 2021 (the "Initial Reporting Period").

Given the Offering was completed on March 31, 2021 and there are no comparative operational results, the Fund has included a comparison of the results for the Initial Reporting Period to the financial forecast (the "Forecast") included in the Fund's final long form prospectus dated March 19, 2021 (the "Prospectus"). For the purposes of comparison to actual results, the Forecast has been adjusted to reflect the Fund's actual period of ownership of the Properties during YTD-2021. The Forecast was prepared in accordance with IFRS and was based on management's estimates and using assumptions that reflected management's intended course of action for the periods presented, given management's judgment as to the most probable set of economic conditions. The Forecast was not, when made, a historical fact, but a forward-looking statement about, among other things, the financial conditions, results of operations and business of the Fund and is subject to important risks, uncertainties and assumptions that can be found in the Prospectus.

HIGHLIGHTS FOR Q4-2021

- During Q4-2021, the Fund recorded a fair value gain on its Properties of $11,554, contributing to the cumulative $49,444 or 25.9% increase over the aggregate purchase price since the Properties were acquired by the Fund on March 31, 2021 (see "Other Income and Expenses"). The fair value gain during Q4-2021 was primarily driven by NOI growth and capitalization rate compression from increasing demand in the investment market for multi-family properties across the Primary Markets.
- Revenue from property operations and NOI for Q4-2021 were $3,391 and $2,194 (Forecast - $3,255 and $2,099), respectively, representing a 4.2% and 4.5% increase relative to the Forecast driven by strong revenue growth, partially offset by higher than forecasted operating costs.
- Significant increases in rent growth continued during Q4-2021 with the Fund achieving 7.2% annualized rent growth with in-place rents at the end of 2021 approximately 3.5% higher than forecasted. These increases were driven by growth in demand for multi-family suites due to the economic strength following the downturn created by COVID-19 in the U.S. and the Primary Markets (see "Average Monthly Rent and Occupancy").
- The Fund had collected 99.1% of rents for Q4-2021 as at March 7, 2022, demonstrating the Fund's strong tenant profile.
- Net income for Q4-2021 was $4,028 (Forecast - loss of $252), an increase of $4,280 compared to Forecast.
- AFFO for Q4-2021 was $1,017 or 1.7% ahead of Forecast with the Fund's AFFO payout ratio at 83.6%, lower than the forecasted AFFO payout ratio of 85.4%, driven primarily by higher than forecasted NOI at the Properties.
- The Fund achieved occupancy of 93.6% for Q4-2021, which was ahead of Forecast by 0.1%, and strong physical occupancy of 95.3% as at March 7, 2022, positioning the Fund well to take advantage of favorable market conditions as the economic recovery continues.
- On October 25, 2021, the Fund refinanced the loan payable on Montane by entering into a new $92,000 first mortgage at an attractive all-in rate (see "Loans Payable"). Given the significant increase in the fair value of Hudson, the Fund is evaluating the potential refinancing of the associated loan payable whereby the net proceeds of any such refinancing along with the Fund's cash on hand as at December 31, 2021 of $6,445 may provide sufficient liquidity for the Fund to acquire a third property.
- On December 16, 2021, the Fund entered into a variable rate collar contract to establish a guaranteed monthly exchange rate between C$1.2575 and C$1.3200 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to C$312 per month from February 10, 2022 to July 12, 2022 and C$156 per month from August 10, 2022 to November 14, 2022. The contract was entered into to protect against the potential impact of any weakening of the U.S. dollar on the amounts required to pay the Fund's monthly Canadian dollar distributions and ensure a more favorable exchange rate for conversion of these funds when compared to the rate used to convert the proceeds from the Offering into U.S. dollars of C$1.252.

INITIAL REPORTING PERIOD HIGHLIGHTS

- The Fund completed the Offering on March 31, 2021 and raised gross subscription proceeds of $85,408, which were used to acquire the Properties on March 31, 2021, which included a total of 675 suites in Denver, Colorado and Orlando, Florida.
- NOI for YTD-2021 was $6,538 (Forecast - $6,386), representing an increase of $152 or 2.4% compared to the Forecast, primarily due to higher than forecasted revenue at the Properties (See "Results of Operations").
- Net income for YTD-2021 was $23,770 (Forecast - loss of $696), an increase of $24,466 compared to Forecast.

- AFFO for YTD-2021 was $3,105 (Forecast - $3,072) with the Fund's AFFO payout ratio at 82.8%, lower than Forecast by approximately 90 basis points driven primarily by higher than forecasted NOI (see "Non-IFRS Financial Measures - FFO and AFFO").

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	As at December 31, 2021
Operational Information[1]	
Number of Properties	2
Total suites	675
Economic occupancy[2]	93.6 %
AMR (in actual dollars)	$ 1,617
AMR per square foot (in actual dollars)	$ 1.67
Selected Financial Information as at December 31, 2021	
Gross Book Value	$ 255,200
Indebtedness	$ 131,063
Indebtedness to Gross Book Value	51.4 %
Weighted average interest rate - as at period end [3]	2.49 %
Weighted average loan term to maturity	4.86 years

	Q4-2021	Forecast Q4-2021	YTD-2021[6]	Forecast YTD-2021[6]
Summarized Income Statement				
Revenue from property operations	$ 3,391	$ 3,255	$ 10,104	$ 9,869
Property operating costs	(855)	(779)	(2,464)	(2,348)
Property taxes [4]	(342)	(377)	(1,102)	(1,135)
Adjusted Income from Operations / NOI	$ 2,194	$ 2,099	$ 6,538	$ 6,386
Fund and trust expenses	(305)	(259)	(859)	(780)
Finance costs (including non-cash items)[8]	(1,567)	(896)	(3,533)	(2,705)
Other income and expenses [9]	3,706	(1,196)	21,624	(3,597)
Net income (loss) and comprehensive income (loss)	$ 4,028	$ (252)	$ 23,770	$ (696)
Other Selected Financial Information				
FFO [7]	$ 348	$ 944	$ 2,290	$ 2,901
FFO per Unit - basic and diluted [7]	$ 0.03	$ 0.09	$ 0.21	$ 0.27
AFFO	$ 1,017	$ 1,000	$ 3,105	$ 3,072
AFFO per Unit - basic and diluted	$ 0.09	$ 0.09	$ 0.28	$ 0.28
Weighted average interest rate - average during period[5]	2.48 %	2.49 %	2.46 %	2.49 %
Interest coverage ratio	2.29 x	2.33 x	2.34 x	2.35 x
Indebtedness coverage ratio	2.29 x	2.33 x	2.34 x	2.35 x
Distributions to Unitholders	$ 850	$ 854	$ 2,570	$ 2,571
FFO payout ratio [7]	244.3 %	90.5 %	112.2 %	88.6 %
AFFO payout ratio	83.6 %	85.4 %	82.8 %	83.7 %
Weighted Average Units Outstanding (000s) - basic/diluted	10,902	10,902	10,902	10,902

(1) The Fund commenced operations following the acquisition of the Properties on March 31, 2021.

(2) Economic occupancy for Q4-2021.

(3) The weighted average interest rate on loans payable is presented as at December 31, 2021 reflecting the prevailing index rate, U.S. 30-day London Interbank Offered Rate ("LIBOR") or U.S. 30-day Secured Overnight Financing Rate ("SOFR"), as applicable to each loan, as at that date (see "Loans Payable").

(4) Property taxes were adjusted to exclude the IFRIC 21 fair value adjustment and treat property taxes as an expense that is amortized during the fiscal year for the purpose of calculating NOI. These amounts have been reported under Fair value adjustment IFRIC 21 under the Fund's consolidated financial statements for Q4-2021 and YTD-2021.

(5) The weighted average interest rate on loans payable presented reflects the average prevailing index rate, LIBOR or SOFR as applicable to each of the loans payable, throughout each period presented.

(6) Figures represent the actual results of the Initial Reporting Period and YTD-2021 Forecast adjusted for the Initial Reporting Period.

(7) Basic and diluted FFO and FFO per unit for Q4-2021 and YTD-2021 were lower than Forecast primarily due to the loss on early extinguishment of debt related to expensing the unamortized deferred financing costs associated with the refinancing of the Montane loan payable in October 2021.

(8) Finance costs include interest expense on loans payable as well as non-cash amortization of deferred financing costs, fair value changes in derivative financial instruments as well as any loss on the the early extinguishment of loans payable (see "Other Income and Expenses").

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

FINANCIAL PERFORMANCE

The Fund does not, as a matter of course, publish its business plans, budgets, strategies or make external projections or forecasts, including its anticipated financial position and results of operations. Pursuant to applicable Canadian securities laws, the Fund is required to update the Forecast set out in its Prospectus during the relevant period by identifying any material changes from the Forecast resulting from events that have occurred since it was issued and by comparing the Forecast with actual results for the periods covered.

The Fund is also required to discuss events and circumstances that occurred during the period from January 1, 2021 to December 31, 2021 that are reasonably likely to cause actual results to differ materially from the Forecast for periods that are not yet complete and their expected differences, if any. The Forecast assumed the Properties were owned for the entire twelve months ended December 31, 2021 and for comparison purposes has been adjusted to reflect the Fund's actual period of ownership of the Properties from March 31, 2021 to December 31, 2021. As a result, there may continue to be material differences between actual and Forecast results for the remaining Forecast periods consistent with such explanations throughout this MD&A.

The table below presents the financial performance of the Fund for Q4-2021 and all other quarterly reporting periods since inception:

	Q4-2021	Q3-2021	Q2-2021	Q1-2021[2]
Revenue from property operations	3,391	3,430	3,248	35
Property operating costs	(855)	(808)	(792)	(9)
Property taxes [1]	—	—	—	—
Income from property operations	**$ 2,536**	**$ 2,622**	**$ 2,456**	**$ 26**
Finance costs [3]	(1,567)	(930)	(1,025)	(11)
Distributions to Unitholders	(850)	(851)	(869)	—
Distributions to preferred shareholders	(4)	(4)	—	
Fund and trust expenses	(305)	(271)	(280)	(3)
Fair value adjustment IFRIC 21 [1]	(342)	(378)	(378)	(4)
Unrealized foreign exchange (loss) gain	(5)	(12)	24	5
Realized foreign exchange gain (loss)	4	7	(8)	—
Fair value adjustment on investment properties	11,554	37,890	—	—
Provision for carried interest	(3,301)	(7,910)	—	—
Income taxes:				
Deferred income taxes	(3,692)	(9,813)	(537)	(4)
Net income (loss) and comprehensive income (loss)	**$ 4,028**	**$ 20,350**	**$ (617)**	**$ 9**
NOI / Adjusted Income from Operations [4]	$ 2,194	$ 2,244	$ 2,078	$ 22
FFO	$ 348	$ 1,053	$ 881	$ 8
AFFO	$ 1,017	$ 1,126	$ 953	$ 10
FFO per Unit - basic and diluted [6]	$ 0.03	$ 0.10	$ 0.08	$ —
AFFO per Unit - basic and diluted [6]	$ 0.09	$ 0.10	$ 0.09	$ —
FFO payout ratio [6]	244.3 %	80.8 %	98.7 %	N/A
AFFO payout ratio [6]	83.6 %	75.6 %	91.2 %	N/A
Distributions per Unit [6] [7]	$ 0.08	$ 0.08	$ 0.08	$ —

(1) As a result of the IFRIC 21 treatment of property taxes, the property tax expense line item of the Fund would normally include property taxes for the full fiscal year as an expense during the reporting periods due to the obligating event of ownership requiring annual property taxes to be expensed January 1, 2021. However, since the Properties were acquired subsequent to January 1, 2021, IFRIC 21 requires $nil expense in the property tax expense line item of the Fund for the full fiscal year and the actual property tax expenses are reflected in the Fair value adjustment IFRIC 21 line item.

(2) Figures represent the actual results of the one day of operating activity for the Properties on March 31, 2021.

(3) Finance costs include interest expense on loans payable as well as non-cash amortization of deferred financing costs, fair value changes in derivative financial instruments as well as any loss on the the early extinguishment of loans payable (see "Other Income and Expenses").

(4) Adjusted Income from Operations is shown to exclude the impact of IFRIC 21 for property taxes by taking the sum of income from property operations and the Fair value adjustment IFRIC 21 amounts.

(5) Basic and diluted FFO and FFO per unit for Q4-2021 were lower than the prior quarter primarily due to the loss on early extinguishment of debt related to expensing the unamortized deferred financing costs associated with the refinancing of the Montane loan payable in October 2021.

(6) Distributions per Unit for each period are based on the total distributions per weighted average Unit outstanding during the period.

(7) Since the Fund's inception was on March 31, 2021 with only one operating day in Q1-2021, there were no distributions paid to Unitholders in Q1-2021. As set out in the Prospectus, the first distribution for the Fund's first full month of operations in April 2021 was paid on May 17, 2021.

RESULTS OF OPERATIONS

The results of the Fund for the Properties along with variance commentary are discussed below:

	Q4-2021	Forecast Q4-2021	$ Chg	% Chg	YTD-2021[2]	Forecast YTD-2021[3]	$ Chg	% Chg
Revenue from property operations	$ 3,391	$ 3,255	$ 136	4.2%	$ 10,104	$ 9,869	$ 235	2.4 %
Property operating costs	(855)	(779)	(76)	(9.8)%	(2,464)	(2,348)	(116)	(4.9)%
Property taxes [1]	(342)	(377)	35	9.3%	(1,102)	(1,135)	33	2.9 %
Adjusted Income from Operations / NOI	**$ 2,194**	**$ 2,099**	**$ 95**	**4.5%**	**$ 6,538**	**$ 6,386**	**$ 152**	**2.4 %**
NOI margin	64.7 %	64.5 %			64.7 %	64.7 %		

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

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

(3) Figures represent the YTD-2021 Forecast adjusted for the Initial Reporting Period.

REVENUE FROM PROPERTY OPERATIONS

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

Revenue from property operations for Q4-2021 was $3,391 (Forecast - $3,255), above the Forecast by $136 or 4.2%, primarily due to higher than forecasted AMR with Q4-2021 achieving 7.2% annualized rent growth, higher than forecasted ancillary income and occupancy in line with Forecast at 93.6% for Q4-2021 (see “Average Monthly Rent and Occupancy”).

Revenue from property operations for YTD-2021 was $10,104 (Forecast - $9,869), above the Forecast by $235 or 2.4%, primarily due to higher than forecasted AMR which was approximately 3.5% higher than forecasted at the end of 2021 as well as higher than forecasted ancillary income partially offset by lower than forecasted occupancy (see “Average Monthly Rent and Occupancy”). The Fund continues to focus on maximizing revenue including maintaining occupancy at targeted levels while increasing AMR for new leases and renewals at each of the Properties.

PROPERTY OPERATING COSTS

The main components of property operating costs are salaries and benefits (approximately 29%), administrative costs including property management fees (approximately 21%), repairs, maintenance and suite turnover expenses (approximately 7%) and all other operating costs (ranging from approximately 0.1% to 6.8%). The Properties typically only incur utility costs in respect of the common areas of each Property, resulting in utility costs only representing approximately 1% of property operating costs. Given each component of property operating costs is not individually material, such amounts have not been separately disclosed.

Property operating costs for Q4-2021 and YTD-2021 were $855 and $2,464 (Forecast - $779 and $2,348), above the Forecast by $76 and $116 or 9.8% or 4.9%, respectively, driven primarily by industry-wide increases in property insurance premiums as well as slightly higher than forecasted advertising and general and administration costs related to driving additional leasing velocity at the Properties, partially offset by lower than forecasted contract costs at the Properties. The Fund continues to prioritize managing operating costs through active asset management.

PROPERTY TAXES

Property taxes for Q4-2021 were $342 (Forecast - $377), representing a decrease of $35 or 9.3% compared to the Forecast. Property taxes include adjustments made in Q4-2021 to update the Fund’s estimate of property taxes for YTD-2021 based on the latest or final assessed values for 2021. Excluding the adjustments, property taxes would have been $367, a decrease of $9 or 2.7% compared to the Forecast, primarily due to lower than forecasted property taxes at Hudson resulting from a lower than forecasted assessed value for the property.

Property taxes for YTD-2021 were $1,102 (Forecast - $1,135), representing a decrease of $33 or 2.9% compared to the Forecast, primarily due to the same reasons described above for Q4-2021.

The Fund actively manages the assessed values of its Properties to minimize property taxes by utilizing third party consultants in the respective markets which includes appealing against the assessed values where deemed appropriate

by the Manager. Property taxes in the consolidated financial statements for Q4-2021 have been presented under IFRS and IFRIC 21.

NOI AND NOI MARGIN

NOI for Q4-2021 was $2,194 (Forecast - $2,099), representing an increase of $95 or 4.5% compared to the Forecast, primarily driven by higher than forecasted revenue as well as lower than forecasted property taxes, partially offset by higher than forecasted operating costs.

NOI for YTD-2021 was $6,538 (Forecast - $6,386), representing an increase of $152 or 2.4% compared to the Forecast, primarily due to the same reasons described above for Q4-2021.

During Q4-2021 and YTD-2021, the NOI margin was 64.7% and 64.7% (Forecast - 64.5% and 64.7%), respectively, primarily in-line with Forecast for both periods.

AVERAGE MONTHLY RENT AND OCCUPANCY

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

		AMR[1]			Economic Occupancy[1]					
Properties	**Suites**	**Q4-2021**	**Forecast Q4-2021**	**% Chg**	**Q4-2021**	**Forecast Q4-2021**	**% Chg**	**YTD-2021[2]**	**Forecast YTD-2021[3]**	**% Chg**
Hudson	275	$ 1,581	$ 1,492	6.0 %	94.1 %	92.8 %	1.4 %	93.9 %	94.1 %	(0.2)%
Montane	400	$ 1,642	$ 1,610	2.0 %	93.3 %	93.9 %	(0.6)%	94.8 %	95.3 %	(0.5)%
Total Portfolio	**675**	**$ 1,617**	**$ 1,562**	**3.5 %**	**93.6 %**	**93.5 %**	**0.1 %**	**94.4 %**	**94.8 %**	**(0.4)%**

(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 of the Initial Reporting Period.

(3) Figures represent the YTD-2021 Forecast adjusted for the Initial Reporting Period.

Total portfolio AMR for Q4-2021 was 3.5% above the Forecast as the Fund continued to achieve significant rent increases on both new and renewing tenant leases. During Q4-2021, the Fund achieved 7.2% annualized rent growth and continued to achieve significant increases over in-place leases. These increases were driven by overall demand for multi-family suites as well as the continued economic recovery after the initial downturn created by COVID-19 in the U.S. and the Primary Markets in which the Fund operates.

The Fund's economic occupancy for Q4-2021 and YTD-2021 was 93.6% and 94.4% (Forecast - 93.5% and 94.8%), respectively, which was marginally ahead of Forecast for Q4-2021 and slightly lower for YTD-2021 as the Fund continued to focus on capturing rent increases on new and renewing tenant leases while running at a slightly lower occupancy rate than prior quarters during 2021. Economic occupancy typically follows a seasonal pattern with higher occupancy starting in the spring months and continuing into the summer when leasing demand for multi-family suites typically reaches its peak. The Fund's key focus is to maintain occupancy at targeted levels and maximize rent growth at the Properties prior to the slower leasing season in the fall and winter months.

QUARTERLY AMR AND OCCUPANCY

The table below outlines the Fund's quarterly AMR and economic occupancy results:

	Q4-2021			Q3-2021			Q2-2021			Q1-2021		
Properties	**Suites**	**AMR**	**Econ. Occ %**	**Suites**	**AMR**	**Econ. Occ %**	**Suites**	**AMR**	**Econ. Occ %**	**Suites**	**AMR**	**Econ. Occ %**
Hudson	275	$ 1,581	94.1 %	275	$ 1,547	96.9 %	275	$ 1,488	92.9 %	275	$ 1,476	91.5 %
Montane	400	$ 1,642	93.3 %	400	$ 1,617	94.9 %	400	$ 1,578	96.2 %	400	$ 1,564	94.5 %
Total Portfolio	**675**	**$ 1,617**	**93.6 %**	**675**	**$ 1,588**	**95.7 %**	**675**	**$ 1,541**	**94.9 %**	**675**	**$ 1,528**	**93.3 %**

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

Total portfolio AMR increased to $1,617 during Q4-2021 representing 7.2% annualized rent growth and both Properties reporting strong growth during Q4-2021. The Fund's economic occupancy for Q4-2021 was 93.6%, which decreased relative to the prior quarter due to the expected seasonal patterns noted above and the Fund strategically focusing on capturing significant rent increases on new tenant leases (see "Average Monthly Rent and Occupancy"). The Fund continues to focus on maximizing revenue at the Properties through continued rent growth and optimal occupancy levels.

LIGHT VALUE-ADD INITIATIVES: UPDATE FOR Q4-2021

Common Area and Suite Capital Expenditures

The Fund plans to complete certain minor common area and suite capital projects at the Properties, which typically include preventative and deferred maintenance projects to maintain or enhance the productive capacity of the Properties as well as common area upgrades to enhance the tenant experience and offered aenities at each Property. The Fund's light value-add initiatives are expected to result in improvements to common areas, amenities and building exteriors. Despite the Properties being recently constructed and newer vintage, the Fund's capital projects may include targeted rental suite upgrades or enhancements to generate rent premiums. The capital expenditure projects completed during Q4-2021 are presented in the table below.

Property	Completed during Q4-2021
Hudson	• Upgraded access gates
Montane	• Upgraded pool and pool infrastructure • HVAC upgrades • Upgraded garage and common area doors

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

OTHER INCOME AND EXPENSES

FINANCE COSTS

The Fund's finance costs for Q4-2021 and YTD-2021 in comparison to the Forecast are summarized below:

	Q4-2021	Forecast Q4-2021	$ Chg	% Chg	YTD-2021[1]	Forecast YTD-2021[2]	$ Chg	% Chg
Interest expense on loans payable	$ 825	$ 789	$ 36	4.6%	$ 2,424	$ 2,381	$ 43	1.8%
Amortization of financing costs	103	107	(4)	(3.7)%	351	324	27	8.3%
Fair value adjustment on derivative instruments	22	—	22	100.0%	141	—	141	100.0%
Loss on early extinguishment of debt	617	—	617	100.0%	617	—	617	100.0%
Total finance costs	**$ 1,567**	**$ 896**	**$671**	**74.9%**	**$ 3,533**	**$ 2,705**	**$828**	**30.6%**
Weighted average interest rate - average during period	2.48 %	2.49 %		(0.4)%	2.46 %	2.49 %		(1.2)%
Indebtedness - Average outstanding during period	$ 130,471	$ 127,363		2.4%	$ 128,446	$ 127,363		0.9%

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

(2) Figures represent the YTD-2021 Forecast adjusted for the Initial Reporting Period.

Interest expense on loans payable

Interest expense on loans payable for Q4-2021 and YTD-2021 was $825 and $2,424 (Forecast - $789 and $2,381), respectively, representing an increase of $36 and $43 relative to Forecast, respectively, primarily due to a higher than forecasted average indebtedness during Q4-2021 related to the refinancing of the loan payable at Montane (see "Loans Payable").

The Fund's weighted average interest rate during Q4-2021 and YTD-2021 was 2.48% and 2.46% (Forecast - 2.49% and 2.49%), respectively.

Amortization of financing costs

Amortization of financing costs for Q4-2021 was $103 (Forecast - $107), representing a decrease of $4 to the Forecast for Q4-2021 due to lower than forecasted financing costs in place for Montane and a longer than forecasted term to maturity which such upfront financing costs are amortized over for the refinanced loan payable on Montane, partially offset by higher than forecasted upfront financing costs at Hudson (see “Loans Payable”).

Amortization of financing costs for YTD-2021 was $351 (Forecast - $324), representing an increase of $27 to the Forecast for YTD-2021, due to higher than forecasted financing costs associated with the loan payable entered into for Hudson, partially offset by lower than forecasted upfront financing costs associated with loans payables at Montane.

Fair value adjustment on derivative instruments

The Fund entered into a variable rate collar contract on July 19, 2021 which allows the Fund to establish a guaranteed monthly exchange rate between C$1.255 and C$1.3135 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to approximately C$156 per month, representing half of the required amount to fund the Fund's Canadian dollar distributions. Under the terms of the contract, the first monthly settlement occurred on August 10, 2021, with each successive month settling on or about the tenth day of each month until January 2022.

On December 16, 2021, the Fund entered into a variable rate collar contract to establish a guaranteed monthly exchange rate between C$1.2575 and C$1.3200 for the conversion of U.S. dollar funds to Canadian dollar funds amounting to C$312 per month from February 10, 2022 to July 12, 2022 and C$156 per month from August 10, 2022 to November 14, 2022. Under the terms of the contract, the first monthly settlement is to occur on February 10, 2022, with each successive month settling on or about the tenth day of each month until November 14, 2022. The monthly exchange rate is determined based on the Canadian to U.S. dollar spot exchange rate on the date of settlement but provides for a minimum exchange rate of C$1.2575 and a maximum exchange rate of C$1.3200.

The contracts were entered into to protect against the potential impact of any weakening of the U.S. dollar on the amounts required to pay the Fund’s monthly Canadian dollar distributions and ensure a more favorable exchange rate for conversion of these funds when compared to the rate used to convert the proceeds from the Offering into U.S. dollars of C$1.2517.

Part of the fair value adjustment on derivative instruments relates to the non-cash fair value change in the Fund’s variable rate collar as a result of the change in the underlying foreign currency exchange rate since the date the Fund entered into the contract. The fair value of the variable rate collar contract reflects the impact of the prevailing Canadian dollar to U.S. dollar exchange rate on the underlying contract through a non-cash mark to market adjustment at each reporting date. The actual gain or loss recognized, if any, is determined at the time each monthly settlement under the contract occurs. The fair value adjustment on derivative instruments also relates to the Fund utilizing interest rate cap agreements to provide some level of protection against rising interest rates on its variable rate loans as required by the applicable lenders.

During Q4-2021, the Fund paid $399 to purchase an interest rate cap in respect of the refinanced loan secured on Montane. The interest rate cap carries a notional loan amount equal to the amount of the loan outstanding at inception and a maturity date which generally coincides with the maturity of the loan. Subsequent to the refinancing, in November 2021 the Fund terminated such interest rate cap associated with the previously outstanding loan payable at Montane for proceeds of $25 with such amounts recorded against finance costs in the consolidated income statement (see "Loans Payable").

For Q4-2021 and YTD-2021, the Fund recorded an unrealized loss on derivative instruments of $22 and $141, respectively, related to an unrealized loss of $25 and $144 for the change in fair value of the interest rate cap during Q4-2021 and YTD-2021, respectively. In addition, the Fund recorded an unrealized gain of $3 for the change in fair value of the variable rate contract for both Q4-2021 and YTD-2021. The Forecast did not contemplate the use of derivative instruments and as a result, there are no comparable amounts in the Forecast.

Loss on early extinguishment of debt

Loss on early extinguishment of debt during Q4-2021 and YTD-2021 was $617 and related to expensing the unamortized deferred financing costs associated with the extinguishment and repayment of the previously outstanding loan payable for Montane prior to refinancing the loan in October 2021 (see “Loans Payable”).

DISTRIBUTIONS TO UNITHOLDERS

The Fund declared its first distribution on April 30, 2021 following the Fund’s first full month of operations in April 2021. The distribution amount is targeted to be 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. During the Initial Reporting Period, the Fund declared distributions as follows:

Class A (C$)	Class C(C$)	Class D (C$)	Class E	Class F (C$)	Class G	Class U
$0.30	$0.30	$0.30	$0.30	$0.30	$0.30	$0.30

For Q4-2021 and YTD-2021, the Fund declared distributions totaling $850 and $2,570 (Forecast - $854 and $2,571), respectively, representing a decrease of $4 to Forecast for Q4-2021 and a decrease of $1 to Forecast for YTD-2021, primarily due to variances in the actual exchange rates used in the conversion of funding Canadian dollar distributions compared to the exchange rate used in the Forecast.

DISTRIBUTIONS TO PREFERRED SHAREHOLDERS - U.S REIT SERIES A

Starlight U.S Multi-Family (No. 2) Core Plus REIT Inc. ("U.S. REIT") has a total of 125 series A, preferred shares issued and outstanding that are held by U.S. residents. The preferred shares were issued on July 2, 2021 and are redeemable at the option of the U.S. REIT, at a redemption value of $1 per share. The shares pay a cumulative dividend at 12% per annum, semi-annually on June 30 and December 31, have no voting rights and the U.S. REIT incurs a penalty if redeemed before December 31, 2023. For Q4-2021 and YTD-2021, the Fund paid dividends of $4 and $8 (Forecast - $4 and $8), respectively.

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 Q4-2021 and YTD-2021 were $305 and $859 (Forecast - $259 and $780), respectively, representing an increase of $46 compared to the Forecast for Q4-2021 and an increase of $79 compared to the Forecast for YTD-2021. The higher than forecasted costs during Q4-2021 and YTD-2021 are primarily due to the Fund incurring annual compliance costs despite the Fund's shortened 276 day operating period in 2021, as well as higher than forecasted costs associated with the issuance of preferred shares.

INVESTMENT PROPERTIES

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

Change in investment properties for YTD-2021:		**Amount**
Balance, as at January 8, 2021	$	—
Acquisition of investment properties		204,952
Capital additions		804
Fair value adjustment		49,444
Balance as at December 31, 2021	**$**	**255,200**
Reconciliation of cost base of investment properties to their fair value:		**As at December 31, 2021**
Cost	$	205,756
Cumulative fair value adjustment		49,444
Balance as at December 31, 2021	**$**	**255,200**
Key assumptions for investment properties held by the Fund:		**As at December 31, 2021**
Capitalization rate - weighted average		3.58%
Weighted average capitalization rate - 10 basis point increase(1)	$	(6,928)
Weighted average capitalization rate - 10 basis point decrease(1)	$	7,326

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

During Q4-2021 and YTD-2021, the Fund recorded a fair value gain on its Properties of $11,554 and $49,444 (Forecast - $nil), respectively. The fair value gain was primarily a result of continued capitalization rate compression and NOI growth.

The impact of a 1% change in NOI used to value the investment properties as at December 31, 2021 would affect the fair value by approximately $3,042.

PROVISION FOR CARRIED INTEREST

As at December 31, 2021, the Fund recognized a provision for carried interest after taking into account the minimum return to Unitholders of $11,211, resulting in an expense of $3,301 and $11,211 during Q4-2021 and YTD-2021 (Forecast - $nil), respectively (see "Related Party Transactions and Arrangements"). The Forecast did not contemplate or include a provision for carried interest or fair value gains associated with increases in the value of the properties and as a result, there are no comparable amounts in the Forecast.

INCOME TAXES - DEFERRED

For Q4-2021 and YTD-2021, the Fund recorded deferred income tax expense of $3,692 and $14,046 (Forecast - $338 and $1,018), respectively, representing an increase of $3,354 compared to the Forecast for Q4-2021 and an increase of $13,028 compared to the Forecast for YTD-2021. The deferred income tax expense relates to differences between the fair value of the investment properties and their tax basis as of December 31, 2021 for both U.S federal and state tax purposes, as applicable. The higher than forecasted deferred tax expense was primarily as a result of the Forecast not contemplating fair value gains associated with increases in the value of the properties.

DISTRIBUTIONS TO UNITHOLDERS RELATIVE TO NET INCOME AND COMPREHENSIVE INCOME

	Q4-2021	Forecast Q4-2021	YTD-2021[1]	Forecast YTD-2021[2]
Net income (loss) and comprehensive income (loss)	$ 4,028	$ (252)	$ 23,770	$ (696)
Add: non-cash or one-time items including distributions	(2,964)	1,299	(20,519)	3,913
Adjusted Net Income and Comprehensive Income	$ 1,064	$ 1,047	$ 3,251	$ 3,217
Distributions	$ 850	$ 854	$ 2,570	$ 2,571
Excess of net income and comprehensive income over distributions	**$ 214**	**$ 193**	**$ 681**	**$ 646**

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

(2) Figures represent the YTD-2021 Forecast adjusted for the Initial Reporting Period.

NON-IFRS FINANCIAL MEASURES – FFO AND AFFO

Non-IFRS financial measures have been presented below for Q4-2021 and YTD-2021 with a comparison to the Forecast.

FUNDS FROM OPERATIONS AND ADJUSTED FUNDS FROM OPERATIONS

Reconciliation of net income (loss) and comprehensive income (loss), determined in accordance with IFRS to FFO and AFFO is presented below for Q4-2021 and YTD-2021 with a comparison to the Forecast:

	Q4-2021	Forecast Q4-2021	YTD-2021[1]	Forecast YTD-2021[2]
Net income (loss) and comprehensive income (loss) to Unitholders	$ 4,028	$ (252)	$ 23,770	$ (696)
Add / (Deduct):				
Distributions to Unitholders	850	854	2,570	2,571
Dividends to preferred shareholders	4	4	8	8
Deferred taxes	3,692	338	14,046	1,018
Unrealized foreign exchange loss (gain)	5	—	(12)	—
Fair value adjustment on derivative financial instruments	22	—	141	—
Fair value adjustment on investment properties	(11,554)	—	(49,444)	—
Provision for carried interest	3,301	—	11,211	—
FFO	**$ 348**	**$ 944**	**$ 2,290**	**$ 2,901**
Add / (Deduct):				
Amortization of financing costs	103	107	351	324
Loss on early extinguishment of debt	617	—	617	—
Sustaining capital expenditures and suite renovation reserves	(51)	(51)	(153)	(153)
AFFO	**$ 1,017**	**$ 1,000**	**$ 3,105**	**$ 3,072**
FFO per Unit - basic and diluted	$ 0.03	$ 0.09	$ 0.21	$ 0.27
FFO payout ratio	244.3 %	90.5 %	112.2 %	88.6 %
AFFO per Unit - basic and diluted	$ 0.09	$ 0.09	$ 0.28	$ 0.28
AFFO payout ratio	83.6 %	85.4 %	82.8 %	83.7 %
Distributions declared[3]	$ 850	$ 854	$ 2,570	$ 2,571
Weighted Average Units Outstanding: Basic and diluted - (000s)	10,902	10,902	10,902	10,902

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

(2) Figures represent the YTD-2021 Forecast adjusted for the Initial Reporting Period.

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

Funds from operations

Basic and diluted FFO and FFO per Unit for Q4-2021 were $348 and $0.03, respectively (Forecast - $944 and $0.09), representing a decrease in FFO of $596 or 63.1%, primarily due to the loss on early extinguishment of debt related to expensing the unamortized deferred financing costs associated with the refinancing of the Montane loan payable in October 2021 (see “Loans Payable”).

Basic and diluted FFO and FFO per Unit for YTD-2021 were $2,290 and $0.21, respectively (Forecast - $2,901 and $0.27), representing a decrease in FFO of $611 or 21.1%, primarily due to the same reasons described above for Q4-2021.

The Fund’s FFO payout ratios for Q4-2021 and YTD-2021 were 244.3% and 112.2%, respectively (Forecast - 90.5% and 88.6%), with the lower results to Forecast for Q4-2021 for YTD-2021 primarily due to the reasons noted above in basic and diluted FFO and FFO per Unit for Q4-2021 and YTD-2021.

Adjusted funds from operations

Basic and diluted AFFO and AFFO per Unit for Q4-2021 were $1,017 and $0.09, respectively (Forecast - $1,000 and $0.09), representing an increase in AFFO of $17 or 1.7%, primarily due to higher than forecasted NOI at the Properties, partially offset by higher than forecasted interest expense on the loans payable and higher than forecasted fund and trust expenses during YTD-2021 (see “NOI and NOI Margin”, “Finance Costs”, and “Fund and Trust Expenses”).

Basic and diluted AFFO and AFFO per Unit for YTD-2021 were $3,105 and $0.28, respectively (Forecast - $3,072 and $0.28), representing an increase of $33 or 1.1%, primarily due to the same reasons described above for Q4-2021.

The Fund's AFFO payout ratios for Q4-2021 and YTD-2021 were 83.6% and 82.8%, respectively (Forecast - 85.4% and 83.7%), with improvements compared to the Forecast primarily due to the reasons noted above in basic and diluted AFFO and AFFO per Unit for Q4-2021 and YTD-2021.

Sustaining capital expenditures

For the purposes of calculating AFFO, the Fund utilized a reserve for sustaining capital expenditures and suite renovations of $51 and $153 for Q4-2021 and YTD-2021, respectively. This reserve is used in the calculation of AFFO as it removes fluctuations in AFFO resulting from seasonality in actual sustaining capital expenditures and suite renovation costs. The use of the reserve also eliminates any potential fluctuations in AFFO due to non-recurring or less frequent sustaining capital expenditures. Sustaining capital expenditure reserves are based on third party property condition assessment reports, which provide an estimate of sustaining capital expenditures required based on the quality of construction, age of the building and anticipated future maintenance requirements. Management believes the use of these property assessment reports to estimate sustaining capital expenditure amounts is appropriate given the third party's engineering and structural expertise as well their knowledge and experience with real estate in the Primary Markets. Actual sustaining capital expenditures and suite renovation costs incurred during Q4-2021 and YTD-2021 were $60 and $148, respectively.

Cash provided by operating activities reconciliation to FFO and AFFO

Reconciliation of cash provided by operating activities determined in accordance with IFRS to FFO and AFFO for Q4-2021 and YTD-2021 are provided below:

		Q4-2021		YTD-2021
Cash provided by operating activities	$	2,531	$	6,276
Less: interest costs		(825)		(2,424)
Cash provided by operating activities - including interest costs	**$**	**1,706**	**$**	**3,852**
Add / (Deduct):				
Change in non-cash operating working capital		37		(978)
Change in restricted cash		(675)		384
Amortization of financing costs		(103)		(351)
Loss on early extinguishment of debt		(617)		(617)
FFO	**$**	**348**	**$**	**2,290**
Add / (Deduct):				
Amortization of financing costs		103		351
Loss on early extinguishment of debt		617		617
Sustaining capital expenditures and suite renovation reserves		(51)		(153)
AFFO	**$**	**1,017**	**$**	**3,105**

Distributions to Unitholders relative to cash provided by operating activities

The Fund's cash provided by operating activities, including interest costs, for Q4-2021 and YTD-2021 was $1,706 and $3,852, respectively, which was more than distributions paid to Unitholders by $856 and $1,282, respectively.

The Fund covers any shortfall in cash from operating activities including interest paid relative to distributions paid through cash on hand.

LIQUIDITY AND CAPITAL RESOURCES

LIQUIDITY

The Fund expects to be able to meet all of its obligations, including distributions to Unitholders and property maintenance and capital improvements. The Fund has financing sources to fulfill its commitments including cash flow from its operating activities and loans secured by the Properties including availability of future funding for value-enhancing initiatives. As at December 31, 2021, the Fund was in compliance with all of its financial covenants. The Fund is continuing to evaluate the potential impacts of COVID-19 on the liquidity and performance of the U.S. multi-family property class (see "COVID-19" and "Future Outlook").

Given the significant increase in the fair value of Hudson, the Fund is evaluating the potential refinancing of the associated loan payable whereby the net proceeds of any such refinancing along with the Fund's cash on hand as at December 31, 2021 of $6,445 may provide sufficient liquidity for the Fund to acquire a third property.

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

CASH FLOWS

Cash flow provided by operating activities represents 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 its investment properties, the rental rates on its leases, the collectability of rent from its tenants, the level of operating and other expenses and other factors. Material changes in these factors may adversely affect the Fund's net cash flow from operating activities and liquidity. A more detailed discussion of these risks is found under the "Risks and Uncertainties" section. The following table details the changes in cash for Q4-2021 and YTD-2021:

	Q4-2021	YTD-2021
Cash provided by operating activities	$ 2,531	$ 6,276
Cash provided by financing activities	1,007	205,596
Cash used in investing activities	(456)	(205,439)
Increase in cash	**3,082**	**6,433**
Cash, beginning of period	3,368	—
Exchange rate differences	(5)	12
Cash, end of period	**$ 6,445**	**$ 6,445**

Cash provided by operating activities during Q4-2021 was $2,531, which consisted primarily of the operating income generated by the Properties as well as decreases in restricted cash deposits which are held in escrow to be used to fund property taxes and insurance costs at the Properties in future periods, partially offset by changes in the non-cash working capital.

Cash provided by operating activities during YTD-2021 was $6,276, which consisted primarily of the operating income generated by the Properties as well as changes in the non-cash working capital, partially offset by increases in restricted cash deposits which are held in escrow to be used to fund property taxes and insurance costs at the Properties in future periods.

Cash provided by financing activities for Q4-2021 was $1,007, which consisted primarily of the net proceeds from the refinancing of the loan payable at Montane of $3,629, partially offset by distributions paid to Unitholders of $850 and finance costs paid of $1,768.

Cash provided by financing activities for YTD-2021 was $205,596, which consisted primarily of net proceeds from the Offering of $81,299 as well as proceeds from new and assumed financing of $131,063, partially offset by distributions paid to Unitholders of $2,570 and finance costs paid of $4,313.

Cash used in investing activities for Q4-2021 was $456, which related to capital additions to the Properties.

Cash used in investing activities for YTD-2021 was $205,439, of which $204,635 related to the acquisition of the Properties and $804 related to capital additions to the Properties subsequent to acquisition.

CAPITAL STRUCTURE AND DEBT PROFILE

CAPITAL STRUCTURE

The Fund's capital is the aggregate of Indebtedness and net liabilities attributable to Unitholders. The Fund's capital management is designed to maintain a level of capital that allows it to implement its business strategy while complying with investment and debt restrictions as well as existing debt covenants, as the Fund continues to build Unitholder value and maintain sufficient capital contingency amounts. The total capital of the Fund as at December 31, 2021 is summarized below:

	As at December 31, 2021
Loans payable	$ 131,063
Net liabilities attributable to Unitholders	105,069
Total capital	**$ 236,132**

	As at December 31, 2021
Indebtedness to Gross Book Value	51.4 %
Weighted average term to maturity – loans	4.86 years

	Q4-2021	YTD-2021
Weighted average interest rate - average during the reporting period	2.48 %	2.46 %
Interest Coverage Ratio	2.29x	2.34x
Indebtedness Coverage Ratio	2.29x	2.34x

As at December 31, 2021, the overall leverage, as represented by the ratio of Indebtedness to Gross Book Value, was 51.4% and the weighted average term to maturity was 4.86 years. The maximum allowable ratio under the Fund's amended and restated limited partnership agreement is 75%.

For Q4-2021, the Interest Coverage Ratio and the Indebtedness Coverage Ratio were both 2.29x, as there were no principal payments paid or required to be paid until November 2024. For YTD-2021, the Interest Coverage Ratio and the Indebtedness Coverage Ratio were both 2.34x, for the same reasons as Q4-2021. The Interest Coverage and Indebtedness Coverage Ratio remain strong, reflecting the solid property performance as well as the slight reduction in the Fund's weighted average interest rate compared to the Forecast.

LOANS PAYABLE

The following table sets out scheduled principal and interest payments and amounts maturing on the loans over each of the next five fiscal years and the weighted average interest rate of maturing loans based on the Fund's consolidated financial statements as at December 31, 2021:

	Scheduled principal payments	Debt maturing during the year	Total loans payable	Percentage of total loans payable	Weighted average interest rate of maturing loans	Scheduled interest payments[1]
2022	$ —	$ 39,063	$ 39,063	29.8 %	2.5 %	$ 2,466
2023	—	—	—	— %	— %	2,282
2024	345	—	345	0.3 %	— %	2,277
2025	2,102	—	2,102	1.6 %	— %	2,225
2026	2,154	—	2,154	1.6 %	— %	2,194
Thereafter	4,091	83,308	87,399	66.7 %	2.48 %	3,886
	$ 8,692	**$ 122,371**	**$ 131,063**	**100.0 %**	**2.49 %**	**$ 15,330**
Unamortized financing costs			(644)			
Total carrying value			**$ 130,419**			

(1) Scheduled interest payments and interest rates are based on the applicable one-month U.S. dollar LIBOR or SOFR rate as at December 31, 2021.

(2) The interest rate on the Hudson loan payable is subject to a LIBOR floor of 0.15%.

Financing activities during YTD-2021

On October 25, 2021, the Fund refinanced the loan payable on Montane, entering into a new first loan payable with principal outstanding of $92,000, requiring interest-only payments for the first 36 months, and payments of principal and interest thereafter until maturity in November 2028. The proceeds of the new first loan payable were used to repay the existing first loan payable of $88,371 and any costs associated with entering into the new financing. The new first loan payable bears interest at SOFR + 2.43%.

The Fund utilizes interest rate cap agreements to protect its interest costs on variable rate loans as required by certain lenders for the Fund's loans payable. Interest rate caps carry a notional amount and maturity date equivalent to that of each associated loan payable and an index strike rate (i.e. SOFR if the variable rate loan is indexed off of SOFR) which effectively secures a maximum interest rate the Fund would pay for each loan in the event the index rate increases beyond stipulated levels, if applicable. The interest rate cap on the Montane loan payable has a strike rate of 2.07% which effectively provides for a maximum interest rate of 4.50% relating to the Montane loan payable in the event SOFR exceeds 2.07%. There is no interest rate cap on the Hudson loan payable.

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 investment properties. As at the date hereof, in the opinion of management, none of the litigation or claims, individually or in aggregate, would result in a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the directors and officers of the Fund and its subsidiaries.

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 seven classes of Units: class A Units; class C Units; class D Units; class E Units; class F Units; class G Units; and class U Units. Below is a summary by class of the net liabilities attributable to Unitholders for YTD-2021:

	Class A	Class C	Class D	Class E	Class F	Class G	Class U	Total
Net liabilities attributable to Unitholders, January 8, 2021	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Units issued in connection with Offering, net of issuance costs, March 31, 2021	21,360	19,145	15,636	2,282	15,084	4,999	2,793	81,299
Re-allocation due to Unit conversions	1,475	—	(308)	(461)	(1,167)	(47)	508	—
Net income and comprehensive income	6,673	5,607	4,479	532	4,067	1,447	965	23,770
Net liabilities attributable to Unitholders, December 31, 2021	**$ 29,508**	**$ 24,752**	**$ 19,807**	**$ 2,353**	**$ 17,984**	**$ 6,399**	**$ 4,266**	**$105,069**

The following table summarizes the changes in Units outstanding for YTD-2021:

(in thousands of Units)	Class A	Class C	Class D	Class E	Class F	Class G	Class U	Total
Outstanding, as at January 8, 2021	—	—	—	—	—	—	—	—
Units issued in connection with Offering, March 31, 2021	2,863	2,436	2,096	237	1,960	535	299	10,426
Unit conversions	198	—	(41)	(48)	(152)	(5)	54	6
Outstanding, as at December 31, 2021	**3,061**	**2,436**	**2,055**	**189**	**1,808**	**530**	**353**	**10,432**

Classes A, C, D and F are Canadian dollar Units and classes E, G and U are U.S. dollar denominated Units. Conversions can be made between certain classes of Units based on the Conversion Ratios. The weighted average class A equivalent Units outstanding during the Initial Reporting Period was 10,901,930 (assumes all outstanding Units are converted to class A equivalent Units based on the Conversion Ratios).

RELATED PARTY TRANSACTIONS AND ARRANGEMENTS

ARRANGEMENTS WITH THE MANAGER

The Fund engaged an affiliate of the Manager to perform certain management services, as outlined below. The Manager is a related party to the Fund as the Manager is owned and controlled by Daniel Drimmer, a director and Chief Executive Officer of Starlight GP, as well as a Unitholder. The Management Agreement expires on the winding-up or dissolution of the Fund, unless and until the Management Agreement is terminated in accordance with the termination provisions.

(a) **Asset management fees:** Pursuant to the management agreement dated March 31, 2021 (the "Management Agreement"), the Manager is to perform asset management services for annual fees equal to 0.35% of the sum of: (i) the historical purchase price of the Properties acquired; and (ii) the cost of any capital expenditures in respect of the Properties since the date of acquisition by the Fund.

For Q4-2021 and YTD-2021, the Fund incurred asset management fees of $178 and $535 (Forecast - $178 and $534), respectively, which were charged to fund and trust expenses. The amount payable to the Manager as at December 31, 2021 was $59.

(b) **Acquisition fees**: Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee equal to 1% of the purchase in respect of Properties acquired, directly or indirectly, by the Fund as a result of such Properties having been presented to the Fund by the Manager.

For Q4-2021 and YTD-2021, the Fund incurred acquisition fees of $nil and $2,027, respectively, under the Management Agreement, of which the YTD-2021 fees relate to the acquisition of the Properties. There are no ongoing contractual commitments with the related party as a result of the acquisitions of the Properties. Acquisition fees are paid at the time of acquisition and are initially capitalized to investment properties on acquisition. 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.

(c) **Guarantee Fees:** Pursuant to the Management Agreement as assigned, in the event that the Manager is required by the lenders of the Fund to provide a financing guarantee in connection with the amount borrowed by the Fund or its wholly owned subsidiaries to indirectly acquire an interest in the Properties, the Fund and the U.S. REIT will, in consideration for providing such guarantee, in aggregate, pay the Manager a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. As of December 31, 2021, no guarantee fees have been paid or are payable.

Other related party transactions

Aggregate compensation to key management personnel was $nil for Q4-2021 and YTD-2021, as compensation of these individuals is paid by the Manager pursuant to the Management Agreement.

CARRIED INTEREST

The partners of Starlight Investments (No. 2) Core Plus Partnership ("SICPP") currently being an affiliate of the Manager and the President of Starlight GP, through SICPP's indirect interest in the Starlight U.S. Multi-Family (No. 2) Core Plus Holding L.P. ("Holding LP"), a 99.99% owned subsidiary of the Fund, are entitled to 25% of the total of all amounts each of which is the amount, if any, by which (i) the aggregate amount of distributions which would have been paid on all Units of the Fund of a particular class if all Distributable Cash (as defined in the Prospectus) of the Holding LP were received by the Fund (through Starlight U.S. Multi-Family (No. 2) Core Plus Investment LP ("Investment LP")), a 100% owned subsidiary of the Fund and Starlight U.S. Multi-Family (No. 2) Core Plus Investment GP, Inc., a 100% owned subsidiary of the Fund, together with all other amounts distributable by the Fund, and distributed by the Fund (net of any amounts required to provide for expenses and determined without reference to any applicable U.S. taxes payable by or on behalf of the Investment LP) to Unitholders in accordance with the Fund's amended and restated limited partnership agreement, exceeds (ii) the aggregate Minimum Return (as defined in the Prospectus) in respect of such class of Units (the calculation of which includes the amount of the Investors Capital Return Base (as defined in the Prospectus)), each such excess, if any, to be calculated in U.S. dollars and, in the case of class A Units, class C Units, class D Units and class F Units based on the applicable exchange rate on the date of distribution for actual distributions paid by the Fund and otherwise on the date of the applicable distribution from the Holding LP to the Investment LP and by the Investment LP to, directly or indirectly, the Fund, provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceed the Minimum Return for such class, the partners of SICPP, through SICPP's indirect interest in the Holding LP, are entitled to 50% of each such excess amount (i.e., a catch-up) until the excess, if any, which would have been distributed in respect of such class in excess of the Investors Capital Return Base (as defined in the Prospectus) is equal to three times (i.e., 75%/25%) the catch-up payment receivable by the Manager in respect of such class.

As at December 31, 2021, the Fund recognized a provision for carried interest after taking into account the minimum return to Unitholders of $11,211, resulting in an expense of $3,301 and $11,211 during Q4-2021 and YTD-2021 (Forecast - $nil), respectively.

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 period from January 8, 2021 to December 31, 2021. 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 consolidated financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates. In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated financial statements. The estimates used in determining the recorded amount for assets and liabilities in the consolidated financial statements include the following:

Accounting for Acquisitions: Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination. This assessment affects the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. The Fund's acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of processes as part of the acquisition transaction.

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

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

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

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

Consolidation: The Fund has determined that it controls all of its subsidiaries, including the significant subsidiaries (as defined in the consolidated financial statements for the three months ended December 31, 2021 and the period from January 8, 2021 to December 31, 2021). In making this determination, it considered the relationships between the Fund, the Manager, and the significant subsidiaries including ownership interests, voting rights and management agreements. Through this analysis, it was determined that the Manager is an agent of the Fund.

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

FUTURE ACCOUNTING POLICY CHANGES

The future accounting policy changes are discussed in the Fund's consolidated financial statements for the period from January 8, 2021 to December 31, 2021 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 Prospectus in the Risk Factors section that is available at www.sedar.com. Current and prospective investors of the Fund should carefully consider such risk factors. If any of the following risks or those outlined in the Prospectus occur, or if others occur, the Fund's business, operating results and financial condition could be seriously harmed, and investors may lose all of their investment. Risks affecting the Fund will affect its ability to make distributions on its Units. Some of these risk factors are described below:

a. *COVID-19* - On March 11, 2020, the World Health Organization officially declared the outbreak of COVID-19 a global pandemic, which has resulted in a series of public health and emergency measures that have been put in place to combat the spread of the virus. The spread of COVID-19 has had a material and substantial impact on the U.S. and global economy. While the Fund has been closely monitoring related developments, there is significant uncertainty regarding the full scope, duration and impact of COVID-19 (see "COVID-19" and "Future Outlook"). The Fund is also continuing to actively monitor liquidity to ensure appropriate capital is available to fund the ongoing operations of the Fund and is monitoring and assessing the potential impact that COVID-19 may have on any debt refinancing and associated terms as existing indebtedness becomes due.

   Given the unpredictable nature of COVID-19, any continuation or intensification of such pandemic or related government measures, and any changes in levels of government financial support to individuals affected by COVID-19 and economic downturn, could in the future have an adverse effect (which effect could be material) on the Fund's financial condition, results of operations and cash flows due to the following factors, or others:

   - Weaknesses in national, regional or local economies may prevent residents and customers from paying rent in full or on a timely basis. Federal, state, local, and industry efforts, including eviction moratoriums and requirements to reduce or waive late fees, may affect the Fund's ability to collect rent or enforce remedies for the failure to pay rent, which could lead to an increase in its recognition of credit losses related to the Fund's rent receivables. In addition, a reduction in the ability or willingness of prospective tenants to visit the Properties could impact the Fund's ability to lease suites and may result in lower rental revenue and ancillary operating revenue produced by the Properties.
   - A reduction in tenant demand for suites due to a general decline in business activity or otherwise could adversely affect the value of the Properties. This could lead to an impairment of the Fund's real estate investments. In addition, the Fund may be unable to complete capital improvement projects on a timely basis or at all due to government-mandated shutdowns or an inability by third-party contractors to continue to work on construction projects.
   - A general decline in business activity or demand for real estate transactions could adversely affect the Fund's ability or desire to acquire additional Properties.
   - The financial impact of COVID-19 could negatively impact the Fund's ability to comply with financial covenants in its credit arrangements and result in a default and potentially an acceleration of Indebtedness. Such non-compliance could negatively impact the Fund's financial position and its ability to make additional borrowings under its credit facilities.
   - A severe disruption and instability in the global financial markets or deterioration in credit and financing conditions may affect the Fund's ability to access capital necessary to fund business operations, including the acquisition or expansion of Properties, or replace or renew maturing liabilities on a timely basis, on attractive terms, or at all, and may adversely affect the valuation of financial assets and liabilities.
   - The spread of COVID-19 has the potential to cause a sustained economic slowdown and increased volatility in financial markets and the U.S. federal government has introduced monetary and fiscal interventions aimed at stabilizing the economy. However, uncertainty remains as to the overall impact and timing of these interventions on the U.S. debt and equity markets as well as the economies of both the U.S. and the markets in which the Fund operates or will operate. No lenders aside from the government sponsored agencies have granted payment relief or payment deferral options to borrowers.
   - An outbreak of COVID-19 or other contagious illness in a Property or the market in which a Property operates could negatively impact its occupancy, reputation or attractiveness.
   - COVID-19 could negatively affect the health, availability and productivity of the Fund's personnel. It could also affect the Fund's ability to recruit and attract new employees or retain current employees. An outbreak that directly affects, or threatens to directly affect, any of the Properties could also deter or prevent the Fund's property managers' on-site personnel from reporting to work.

- Governmental agencies that permit and approve the Fund's projects, suppliers, homebuilders, and other business partners and third parties may be prevented from conducting business activities in the ordinary course for an indefinite period of time, which could in turn negatively affect the Fund's business.

Other risks, including those described elsewhere in this MD&A related to changes to applicable laws and regulations, economic downturn in the Primary Markets, debt financing, financing renewal, access to capital and the Fund's reliance on information technology infrastructure, and the effects of these risks on the Fund's financial condition, results of operations, cash flows, ability to make cash distributions, operations and the market price of its securities, could be exacerbated by the effects of COVID-19 and government measures to control it, any intensification of such pandemic or measures, or any other outbreak of contagious disease.

The extent to which COVID-19 impacts the Fund's operations, financial condition and financial results will depend on future developments, which are highly uncertain and cannot be predicted with confidence. Such future developments include the severity and duration of the pandemic, any intensification of the pandemic, the actions by governments and others taken to contain the pandemic or mitigate its impact, changes in the preferences of tenants and prospective tenants, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation impedes the Fund's ability to predict the ultimate adverse impact of COVID-19. COVID-19 and the current financial, economic and capital markets environment, and future developments in these and other areas, present material uncertainty and risk with respect to the Fund's performance, financial condition, results of operations and cash flows.

b. *Acquisition Risk* - The Manager may recommend additional properties for acquisition by the Fund or its subsidiaries selectively.The acquisition of properties entails risks that investments will fail to perform in accordance with expectations, including the risks that the properties will not achieve anticipated occupancy levels and that estimates of the costs of improvements to bring an acquired property up to standards established for the market position intended for that property may prove inaccurate. In undertaking such acquisitions, the Fund or its subsidiaries will incur certain risks, including the expenditure of funds, including non-refundable deposits, due diligence costs and inspection fees, and the devotion of the Manager's time to transactions that may not come to fruition. The operation of Properties may not generate sufficient funds to make the payments of principal and interest due on any mortgage loans and, upon default, one or more lenders could exercise their rights including foreclosure or the sale of properties.

c. *Capital Expenditure Program* - If the in-suite or common area capital expenditure program for any one or more Properties is not completed as expected or at all, monthly rents may decrease, remain unchanged or not increase as expected and expected returns on the disposition of such Properties may be less than modelled. In addition, the costs associated with any capital expenditure program may reduce the funds available to pay distributions or result in an ability to pay distributions. If the costs to complete a capital expenditure program for one or more Properties exceeds the anticipated costs, the cash available for distributions may be decreased, and/or the expected value of a property upon disposition may be less than modelled.

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

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

the leases of the Properties held by the Fund or its subsidiaries may have early termination provisions which, if exercised, would reduce the average lease term.

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

e. *Catastrophic Events, Natural Disasters, Severe Weather and Disease* - The Fund's business may be negatively impacted to varying degrees by a number of events which are beyond its control, including tornadoes, floods, ice storms, cyber-attacks, unauthorized access, energy blackouts, pandemics, outbreaks of infectious disease, such as COVID-19, other public health crises affecting the markets where the Fund operates, terrorist attacks, acts of war, or other natural or manmade catastrophes. While the Fund engages in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that the Fund's operations and ability to carry on business will not be disrupted. The occurrence of such events may not release the Fund from performing its obligations to third parties. A catastrophic event, or fear associated therewith, could increase investment costs to repair or replace damaged properties, increase future property insurance costs and negatively impact tenant demand for lots, which could have a negative impact on the Fund's ability to conduct its business and increase its costs. In addition, liquidity and volatility, credit and insurance availability and market and financial conditions generally could change at any time as a result. While the Fund will seek to maintain insurance for loss of revenue resulting from the occurrence of certain natural disasters, insurance for certain natural disasters may not be available, and any of these events in isolation or in combination, could have a material negative impact on the Fund's financial condition and results of operations, decrease the amount of cash available for distribution to Unitholders.

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

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

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

ii. the co-venturer/partner may have control over all of the day-to-day and fundamental decisions relating to a property;

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

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

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

In addition, the sale or transfer of interests in certain of the joint ventures and partnerships may be subject to certain requirements, such as rights of first refusal, rights of first offer or drag-along rights, and certain of the joint venture and partnership agreements may provide for buy-sell or similar arrangements. Such rights may inhibit the Fund's ability to sell an interest in a property or a joint venture/partnership within the time frame or

otherwise on the basis the Manager desires. Additionally, drag-along rights may be triggered at a time when the Manager may not advise the Fund to sell its interest in a Property, but the Fund may be forced to do so at a time when it would not otherwise be in its best interest.

g. *Inability to Dispose of Properties or Geographically Diversify* - The Fund may be unable to reduce its exposure in any one of the Primary Markets by disposing of certain Properties during the term of the Fund and by replacing such properties with new properties in the Primary Markets having greater potential NOI growth and value, or to achieve further geographical diversification of the Fund's overall portfolio or a more balanced distribution of properties within Primary Markets through dispositions and acquisitions of properties in the Primary Markets. As a result, the Fund may face exposure to downturns in any one of the Primary Markets or from a lack of geographical diversification or an unbalanced distribution of properties within Primary Markets.

h. *Substitutions for Residential Rental Suites* - Demand for rental suites in the Properties is impacted by and inversely related to the relative cost of home ownership and general market trends. The cost of home ownership depends upon, among other things, interest rates offered by financial institutions on mortgages and similar home financing transactions. In light of measures taken in response to COVID-19, interest rates offered by financial institutions for financing home ownership have been at historically low levels but have begun to rise. If the interest rates offered by financial institutions for home ownership financing remain low or fail to rise materially, demand for rental suites may be adversely affected. A reduction in the demand for rental suites may have an adverse effect on the Fund's ability to lease suites in the Properties and on the rents charged.

i. *Government Regulation* - Certain states in the U.S. may have enacted residential tenancy legislation, which may impose, among other things, rent control guidelines that limit the Fund's ability to raise rental rates at the Properties. Limits on the Fund's ability to raise rental rates or evict tenants for non-payment at the Properties may adversely affect the Fund's ability to increase income from the Properties. Arizona, Colorado, Florida, Georgia, Idaho, Nevada, North Carolina, South Carolina, Tennessee, Texas, Utah and Washington have not currently enacted residential tenancy legislation that imposes rent control guidelines that could limit the Fund's ability to raise rental rates at its Properties.

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

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

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

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

k. *Currency Risk* - Currency risk is the risk that the Fund encounters from fluctuations in the Canadian/U.S. dollar exchange rate. The revenues and expenses of the Properties are denominated in U.S. dollars and distributions made to Unitholders are in both Canadian and U.S. dollars. The Fund converts such distribution amounts into Canadian dollars, as applicable, before distributions are paid to Unitholders. As a consequence, distributions are impacted by the prevailing exchange rates. The Fund utilizes variable rate collar arrangements to provide some protection against the impact of changes in the Canadian/U.S. dollar exchange rate on the Fund's monthly distributions on Canadian dollar Units. There is no guarantee however that such variable rate collar arrangements can be obtained on favourable terms throughout the Fund's term.

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

m. *Interest Rate Fluctuations* - Mortgage loans may include indebtedness with interest rates based on variable lending rates that will result in fluctuations in the Fund's cost of borrowing.

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

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

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

p. *Uninsured Losses* - The Fund or its subsidiaries arrange for comprehensive insurance, including fire, liability and extended coverage, of the type and in the amounts customarily obtained for properties similar to those to be owned by the Fund or its subsidiaries and endeavors to obtain coverage where warranted against earthquakes and floods. However, in many cases certain types of losses (generally of a catastrophic nature) are either uninsurable or not economically insurable. Should such a disaster occur with respect to any of the

Properties, the Fund could suffer a loss of capital invested and not realize any profits, which might be anticipated from the disposition of such Properties.

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

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

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

t. *Holding Entity Structure* - As a holding entity the Fund's ability to meet its obligations, including payment of interest, other operating expenses and distributions, and to complete current or desirable future enhancement opportunities or acquisitions generally depends on the receipt by the Fund of dividends, distributions and/or interest payments from its subsidiaries as the principal source of cash flow to pay such expenses and to pay distributions on the Units. As a result, the Fund's cash flows and ability to pay distributions, including on the Units, are dependent upon the earnings of its subsidiaries and the distribution of those earnings and other funds by its subsidiaries to it. The payment of interest, dividends and/or distributions by certain of the Fund's subsidiaries may be subject to restrictions set out in relevant tax or corporate laws and regulations, constating documents or other governing provisions, which may require that certain subsidiaries remain solvent following payment of any such interest, dividends and/or distributions. Substantially all of the Fund's business is currently conducted through its subsidiaries, and the Fund expects this to continue.

u. *Revenue Shortfalls* - Revenues from the Properties may not increase sufficiently, or in some instances may decline, to meet increases in operating expenses or debt service payments under any mortgage loans or to fund changes in the variable rates of interest charged in respect of such loans.

v. *Fluctuations in Capitalization Rates* - As interest rates fluctuate in the lending market, generally capitalization rates will as well, which affects the underlying value of real estate. As such, when interest rates rise, generally capitalization rates should be expected to rise. Over the period of investment, capital gains and losses at the time of disposition can occur due to the increase or decrease of these capitalization rates.

w. *Reliance on the Manager* - Prospective investors assessing the risks and rewards of this investment will, in large part, be relying on the expertise of the Manager, its principal, Daniel Drimmer, and certain of its executives. In particular, prospective investors will have to rely on the discretion and ability of the Manager in determining the composition of the portfolio of properties, and in negotiating the pricing and other terms of the agreements leading to the acquisition and disposition of Properties, and implementing a capital expenditure program for each Property. The ability of the Manager to successfully implement the Fund's investment strategy will depend in large part on the continued employment of Daniel Drimmer, Evan Kirsh, Martin Liddell and/or David Hanick. If the Manager loses the services of Daniel Drimmer, Evan Kirsh, Martin Liddell and/or

David Hanick, the business, financial condition and results of operations of the Fund may be materially adversely affected.

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

y. *Payment of the Minimum Return and the Carried Interest* - The amounts calculated as being distributable to Unitholders for purposes of determining the Carried Interest are not the same as the amounts that will be distributed to Unitholders pursuant to the Fund's amended and restated limited partnership agreement. It is possible that the persons entitled to the Carried Interest will receive amounts even if one or more classes of Units have not received the Minimum Return.

z. *Possible Loss of Limited Liability of Limited Partners* - Unitholders may lose their limited liability in certain circumstances, including by taking part in the control of the Fund's business. The principles of law in the various jurisdictions of Canada recognizing the limited liability of the limited partners of limited partnerships subsisting under the laws of one province, but carrying on business in another jurisdiction, have not been authoritatively established. The limitation of liability conferred under the Limited Partnerships Act (Ontario) may be ineffective outside Ontario except to the extent it is given extra territorial recognition or effect by the laws of other jurisdictions. There may also be requirements to be satisfied in each jurisdiction to maintain limited liability. If limited liability is lost, there is a risk that Unitholders may be liable beyond their contribution and share of the Fund's undistributed net income in the event of judgment on a claim in an amount exceeding the sum of the General Partner's net assets and the Fund's net assets. A transferee of a Unit will become a Unitholder and subject to the obligations and entitled to the rights of Unitholders under the Fund's amended and restated limited partnership agreement on the date on which the Fund's record of Unitholders is amended to reflect that the transferee is a Unitholder or at such time as the general partner of the Fund, in its sole discretion, recognizes the transferee as a Unitholder.

aa. *Cyber-security* - A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity or availability of the Fund's information resources. More specifically, a cyber-incident is an intentional attack or an unintentional event that can include gaining unauthorized access to information systems to disrupt operations, corrupt data or steal confidential information. The Fund's primary risks that could directly result from the occurrence of a cyber-incident include operational interruption, damage to its reputation and damage to the Fund's business relationships with its tenants. The Fund has implemented processes, procedures and controls to help mitigate these risks, including installing firewalls and antivirus programs on its networks, servers and computers, but these measures, as well as its increased awareness of a risk of a cyber-incident, do not guarantee that its financial results will not be negatively impacted by such an incident. The Fund has secured cyber insurance coverage, however, there can be no guarantee that such coverage will respond or be sufficient to all threats incurred by the Fund.

ab. *Fixed Costs and Increased Expenses* - The failure to maintain stable or increasing average rental rates combined with acceptable occupancy levels would likely have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges, must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the Fund is unable to meet mortgage payments on any Property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. The Fund is also subject to utility and property tax risk relating to increased costs that the Fund may experience as a result of higher resource prices as well as its exposure to significant increases in property taxes. There is a risk that property taxes may be raised as a result of re-valuations of the Properties and their adherent tax rates. In some instances, enhancements to properties may result in significant increases in property assessments following a re-valuation. Additionally, utility expenses, mainly consisting of natural gas

and electricity service charges, have been subject to considerable price fluctuations over the past several years. Any significant increase in these resource costs that the Fund cannot charge back to the tenant may have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to holders of Units. The timing and amount of capital expenditures by the Fund will affect the amount of cash available for distributions to holders of Units. Distributions may be reduced, or even eliminated, at times when the Fund deems it necessary to make significant capital or other expenditures.

ac. *Reliance on Assumptions* - The Fund's investment objectives and strategy have been formulated based on the Manager's analysis and expectations regarding recent economic developments in the U.S., the future status of the U.S. real estate markets generally, and the U.S. to Canadian dollar exchange rate. Such analysis may be incorrect and such expectations may not be realized, in which case Unitholders can expect the annualized pre-tax distribution yield per Unit to be less than 4.0% on gross subscription proceeds across all Unit classes and the pre-tax investor internal rate of return to be less than 11% across all Unit classes.

ad. *Timing for Investment of Available Liquidity of the Fund* - Although the Manager is targeting deployment of any additional liquidity generated from the potential refinancing of Hudson, the time period for the investment of such amounts in Properties other than the Initial Portfolio is not certain. The availability and timing of such investment will depend, among other things, upon the identification of Properties meeting the Fund's criteria for acquisition.

ae. *Potential Conflict of Interest* - The Fund may be subject to various conflicts of interest because certain affiliates, and their respective directors, officers and associates, the executive officers and the Manager, are engaged in a wide range of real estate and other business activities. The directors may, from time to time, in their individual capacities, deal with parties with whom the Fund may be dealing. The interest of these persons could conflict with those of the Fund. The Fund's amended and restated limited partnership agreement contains conflict of interest provisions requiring the directors to disclose their interests in certain contracts and transactions and to refrain from voting on those matters. Conflicts may also exist as certain directors are nominated by the Retained Interest Holders. There can be no assurance that the provisions of the Fund's amended and restated limited partnership agreement will adequately address potential conflicts of interest or that such actual or potential conflicts of interest will be resolved in favour of the Fund.

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

ag. *Degree of Leverage* - The Fund's degree of leverage could have important consequences to Unitholders. For example, the degree of leverage could affect the Fund's ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, development or other general fund purposes, making the Fund more vulnerable to a downturn in business or the economy in general. Under the amended and restated limited partnership agreement, total Indebtedness to Gross Book Value of the Fund can be no more than 75% of the Investable Funds provided that, if approved by the General Partner, the appraised value of the Properties may be used instead of Investable Funds for the purposes of this determination.

ah. *Use of Derivatives* - In purchasing derivatives, the Fund is subject to the credit risk that its counterparty may be unable to meet its obligations. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying reference exposure. In addition, there is risk of loss by the Fund of margin deposits in the event of the bankruptcy of the dealer with whom the Fund has an open position.

ai. *Enforceability of Judgments Against Foreign Subsidiaries* - The Holding LP and the Starlight U.S. Multi-Family (No. 2) Core Plus Holding (GP) L.P. ("Holding GP") are organized under the laws of Delaware and the U.S. REIT is organized under the laws of Maryland. All of the assets of the Holding LP, the Holding GP, and the U.S. REIT are located outside of Canada and the sole director and one of two officers of the U.S. REIT and its Subsidiaries, as well as certain of the experts retained by the Fund or its Affiliates are residents of countries other than Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon such persons, or to realize against them in Canada upon judgments of courts of Canada predicated upon

the civil liability provisions of applicable Canadian provincial securities laws or otherwise. There is some doubt as to the enforceability in the United States by a court in original actions, or in actions to enforce judgments of Canadian courts, of civil liabilities predicated upon such applicable Canadian provincial securities laws or otherwise. A court in the United States may refuse to hear a claim based on a violation of Canadian provincial securities laws or otherwise on the grounds that such jurisdiction is not the most appropriate forum to bring such a claim. Even if a court in the United States agrees to hear a claim, it may determine that the local law in the United States, and not Canadian law, is applicable to the claim. If Canadian law is found to be applicable, the content of applicable Canadian law must be proven as a fact, which can be a time-consuming and costly process. Certain matters of procedure will also be governed by foreign law in such circumstances.

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

ak. *General Litigation Risks* - In the normal course of the Fund's operations, whether directly or indirectly, it may become involved in, named as a part to or the subject of, various legal proceedings, including regulatory proceedings, tax proceedings and legal actions relation to personal injuries, property damage, property taxes, land rights, the environment and contract disputes. The outcome with respect to outstanding, pending or future proceedings cannot be predicted with certainty and may be determined in a manner adverse to the Fund and as a result, could have a material adverse effect of the Fund's assets, liabilities, business, financial condition and results of operations. Even if the Fund prevails in any such legal proceedings, the proceedings could be costly and time-consuming and may divert the attention of management and key personnel from the Fund's business operations, which could have a material adverse effect on the Fund's business, cash flows, financial condition and results of operations and ability to make distributions to Unitholders. This risk may be heightened for the Fund as compared to other Canadian companies and entities without properties located in the U.S. because the legal climate in the U.S., in comparison to that in Canada, tends to give rise to a greater number of claims and larger damages awards.

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

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

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

ao. *Investment Company Act* - The U.S. REIT is not registered as an investment company under the U.S. Investment Company Act of 1940, as amended (the "Investment Company Act"). If the U.S. REIT is required to register as an investment company, the U.S. REIT's ability to enter into certain transactions would be restricted by the Investment Company Act. Furthermore, the costs associated with registration as an investment company and compliance with such restrictions could be substantial. In addition, registration under and compliance with the Investment Company Act would require a substantial amount of time on the part of the Manager and its affiliates, thereby decreasing the time they spend managing the Fund. If the U.S. REIT were required to register as an investment company but failed to do so, the U.S. REIT would be prohibited from engaging in certain business, and criminal and civil actions could be brought against it. In addition, the U.S. REIT's contracts would be unenforceable unless a court were to require enforcement, and a court could appoint a receiver to take control of the U.S. REIT and liquidate its business.

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 Chief Executive Officer and the Chief Financial Officer have concluded that the Fund's internal controls over financial reporting were effective and do not contain any material weaknesses, as at December 31, 2021.

AUDIT COMMITTEE

AUDIT COMMITTEE CHARTER

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

COMPOSITION OF THE AUDIT COMMITTEE

The audit committee of the Fund is comprised of Daniel Drimmer, Harry Rosenbaum (Chair) and Kelly Smith. Harry Rosenbaum and Kelly Smith are "independent" within the meaning of National Instrument 52-110 – *Audit Committees* ("NI 52-110"). As a "venture issuer" under applicable securities laws, the Fund is permitted to have an audit committee not comprised exclusively of independent directors and the Fund is relying on such an exemption in Section 6.1 of NI 52-110. Each of Daniel Drimmer, Harry Rosenbaum and Kelly Smith are financially literate within the meaning of applicable securities laws. Each of the audit committee members has an understanding of the accounting principles used to prepare the Fund's financial statements and possesses the ability to assess the general application of such principles in connection with the Fund's accounting for estimates, accruals and provisions. In addition, each audit committee member has experience preparing, auditing, analyzing, evaluating or actively supervising, comparable financial statements with the breadth and complexity of the Fund's financial statements and experience as to the general application of relevant accounting principles, as well as an understanding of the internal controls and procedures necessary for financial reporting.

The biographies of each of Daniel Drimmer, Harry Rosenbaum and Kelly Smith are set out below which provide a description of the experience that is relevant to the performance of their responsibilities as audit committee members.

DANIEL DRIMMER

Daniel Drimmer is the founder, President and Chief Executive Officer of Starlight Group, a Canadian real estate asset management company focused on the acquisition, ownership and management of multi-family and commercial properties across Canada and the U.S., with a portfolio of approximately 73,000 multi-family suites and over 8,000,000 square feet in commercial properties. In addition to the formation of Starlight Group, Mr. Drimmer is currently the Chairman of the Board of TSX-listed True North Commercial REIT, a trustee and Chief Executive Officer of Starlight U.S. Residential Fund, Chief Executive Officer of Starlight Western Canada Multi-Family (No. 2) Fund, and a trustee of TSX-listed Northview Fund. Mr. Drimmer was previously a director and Chief Executive Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Core Plus Fund, a director and Chief Executive Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Value-Add Fund and a director and the Chief Executive Officer of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 5) Core Fund. Mr. Drimmer also established TSX-listed True North Apartment REIT and was the creator and sponsor of TSX-listed TransGlobe Apartment REIT. Over the last ten years, Mr. Drimmer has completed more than $50 billion worth of acquisitions and dispositions in multi-family and commercial real estate (including nine initial public offerings). Mr. Drimmer obtained a Bachelor of Arts degree from the University of Western Ontario, and both a Master of Business Administration and a Master's degree in Contemporary European Policy Making from European University in Geneva, Switzerland and is a third generation real estate investor.

HARRY ROSENBAUM

Harry Rosenbaum is Co-Founder and Principal of the Great Gulf Group of Companies (Great Gulf Residential, First Gulf Corporation, Tucker HiRise and H+ME Technology). Mr. Rosenbaum is a Principal of Ashton Woods Homes, one of the largest privately held homebuilders in the U.S. He is a trustee of Starlight Private Global Real Assets Trust; a trustee and member of the audit committee of TSX-V-listed Starlight U.S. Residential Fund; a past director and member of the audit committee of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Core Plus Fund; a trustee and member of the audit committee of TSX-listed Northview Fund; and a past board member of WPT Industrial Real Estate Investment Trust. Mr. Rosenbaum is Chair of the Real Estate and Properties Committee of UJA of Greater Toronto and a member of the board of directors of UJA of Greater Toronto. He was a director of the Sunnybrook Hospital Foundation and a director of the Advocates for Civil Liberties. Mr. Rosenbaum was formerly the Chairman of The Association for the Soldiers of Israel. Mr. Rosenbaum received his law degree from Osgoode Law School in 1974. He also holds a degree in Economics from York University.

KELLY SMITH

Kelly Smith has over 30 years of commercial real estate experience. Most recently, until January 2020, she was Chief Executive Officer for Strathallen Capital Corp., a fully integrated Canadian real estate management platform, focused on retail properties, with over C$1.4 billion in assets under management. Prior to joining Strathallen Capital Corp., Ms. Smith was President – Canada for Peaceable Street Capital, a United States based specialty finance platform operating in both Canada and the United States. Prior to the formation of Peaceable Street Capital, Ms. Smith was Managing Director, Canada Operations, for NYSE-listed Kimco Realty Corporation from 2008 to 2016, a public United States real estate investment trust and member of the S&P 500 with ownership of over 400 shopping centres. With Kimco, Ms. Smith was responsible for all aspects of Kimco's Canadian investments, including preferred equity in multiple property types and retail joint venture investments totaling more than $2 billion. Ms. Smith is currently a trustee and member of the audit committee of TSX-V-listed Starlight U.S. Residential Fund; a member of the board of trustees of TSX-listed CT REIT and an independent member of the investment committee for BRE Fund, part of BMO's Merchant Banking Group. Ms. Smith was previously a director and member of the audit committee of the general partner of the formerly TSX-V-listed Starlight U.S. Multi-Family (No. 1) Core Plus Fund and a member of the board of trustees of the formerly TSX-listed Agellan Commercial REIT. Ms. Smith holds both an M.B.A. (1991) and an H.B.A. (1986) from Western University (formerly the University of Western Ontario) and holds the ICD.D designation from the Institute of Corporate Directors.

PRE-APPROVAL OF NON AUDIT SERVICES

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

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

EXTERNAL AUDITOR SERVICE FEES

The following table sets forth the approximate amounts of fees paid and accrued to the Fund's auditor, BDO Canada LLP, for services rendered during the period presented:

Fee Category		YTD-2021
Audit fees	$	95

REMUNERATION OF MANAGEMENT OF THE FUND

OVERVIEW

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

COMPENSATION DISCUSSION AND ANALYSIS

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

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

PRINCIPAL ELEMENTS OF COMPENSATION

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

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

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

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

TABLE OF COMPENSATION EXCLUDING COMPENSATION SECURITIES

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

Name and position	Year	Salary, consulting fee, retainer or commission[1] (C$)	Bonus (C$)	Committee or meeting fees (C$)	Value of perquisites[2] (C$)	Value of all other compensation (C$)	Total compensation (C$)
Daniel Drimmer[3], *Chief Executive Officer, Director*	2021	Nil	Nil	Nil	Nil	Nil	Nil
Evan Kirsh[4], *President*	2021	Nil[4]	Nil	Nil	Nil	Nil	Nil[5]
Martin Liddell[6], *Chief Financial Officer*	2021	$ 15,000	Nil	Nil	Nil	Nil	Nil[5]
Kelly Smith[7], *Director*	2021	$ 12,500	Nil	Nil	Nil	Nil	$ 12,500
Harry Rosenbaum[7], *Director*	2021	$ 12,500	Nil	Nil	Nil	Nil	$ 12,500

(1) On an annualized basis, salaries, consulting fees, retainers or commissions expected to be paid to the NEOs and Directors for the period ended December 31, 2021 are as follows: Daniel Drimmer, C$Nil; Martin Liddell, C$15,000; Kelly Smith, C$12,500; and Harry Rosenbaum C$12,500. Kelly Smith and Harry Rosenbaum's retainers for 2021 were paid on a pro-rata basis for the Fund's operating period of April 1 to December 31, 2021, amounting to approximately $9,375 each. See also Note 4.

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

(3) Daniel Drimmer is not compensated by the Fund for serving as a Director and is not compensated by the Manager for providing services as the Chief Executive Officer or as a member of the Board of Directors of the Fund. Mr. Drimmer is the principal of the Manager. See "Related Party Transactions and Arrangements - Arrangements with the Manager".

(4) Evan Kirsh serves as the President of Starlight GP. A corporation controlled by Evan Kirsh (the "Service Provider") receives compensation from the Manager for services provided to the Fund pursuant to the terms of a fee agreement (the "Fee Agreement") among the Manager, Evan Kirsh and the Service Provider. The Fee Agreement provides that in consideration for, among other things, providing the services of Mr. Kirsh to act as President of the Fund, Starlight Group pays the Service Provider a fee. Pursuant to the Fee Agreement, the Service Provider is entitled to receive the aggregate of: (i) an agreed percentage of the gross asset management fees paid by the Fund to the Manager pursuant to the management agreement; and (ii) an agreed percentage of the gross acquisition fees paid by the Fund to the Manager pursuant to the management agreement. The Service Provider shall also be reimbursed for any reasonable out-of-pocket expenses incurred by the Service Provider and paid to third parties, subject to certain exclusions. The Manager (and not the Fund) is responsible for any such amounts payable to the Service Provider.

(5) Compensation is paid by the Manager and there is no charge back to the Fund for such compensation.

(6) Martin Liddell is the Chief Financial Officer of Starlight GP. Mr. Liddell receives compensation from the Manager for services provided to the Fund.

(7) Director compensation is determined by the Board. The Fund pays its independent Directors annual compensation in the amount of C$12,500 per annum which amount was set on establishment of the Fund is reviewed annually by the Board and is expected to be unchanged for the duration of the Fund (See also Note 4 above).

REMUNERATION OF THE DIRECTORS OF STARLIGHT GP

REMUNERATION OF DIRECTORS

Any Director who is an officer of, or is otherwise employed by the Manager, is not entitled to any remuneration from the Fund for serving as a Director (including as Chair of the Board, or as the Chair or as a member of the audit committee). Each Director, other than Daniel Drimmer, receives an annualized base retainer from the Fund in the amount for C$12,500 for services provided during 2021. There were no fees paid or payable for each day on which a Director attended a meeting of the Board, whether in person or by telephone, and the members of the audit committee did not receive any fees for services provided.

Additional information relating to the Fund can be found on SEDAR at www.sedar.com.

Dated: March 8, 2022

Toronto, Ontario, Canada

SCHEDULE A – AUDIT COMMITTEE CHARTER

1. PURPOSE

1.1 Starlight U.S. Multi-Family (No. 2) Core Plus GP, Inc. as the general partner of the Fund (the "General Partner") shall appoint an audit committee (the "Committee") to assist the board of directors (the "Board") of the General Partner in fulfilling its responsibilities. The overall purpose of the Committee of the Starlight U.S. Multi-Family (No. 2) Core Plus Fund (the "Fund") is to monitor the Fund's system of internal financial controls, to evaluate and report on the integrity of the financial statements of the Fund, to enhance the independence of the Fund's external auditors and to oversee the financial reporting process of the Fund.

2. PRIMARY DUTIES AND RESPONSIBILITIES

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

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

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

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

3. COMPOSITION, PROCEDURES AND ORGANIZATION

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

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

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

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

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

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

3.7 Meetings of the Committee shall be conducted as follows:

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

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

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

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

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

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

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

4. DUTIES

4.1 The overall duties of the Committee shall be to:

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) review the Fund's financial statements, management's discussion and analysis of financial results ("MD&A") and any financial press releases before the Fund publicly discloses this information; and

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

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

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

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

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

(d) review the contents of the audit report;

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

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

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

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

(i) review the internal resources used;

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

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

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

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

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

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

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

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

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

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

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

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

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

4.6 The other duties of the Committee shall include:

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

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

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

(d) reviewing annual operating and capital budgets;

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

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

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

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

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