Consolidated Interim Financial Statements
(In thousands of Canadian dollars)

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

For the three months ended and as at March 31, 2022 (Unaudited)

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Consolidated Interim Statement of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Note		March 31, 2022		December 31, 2021
					(note 22)
ASSETS					
Non-current assets:					
Investment properties	6	$	263,798	$	—
Total non-current assets			263,798		—
Current assets:					
Tenant and other receivables	7		71		—
Prepaid expenses and other assets	8		1,319		—
Restricted cash	9		843		—
Cash			53,017		—
Total current assets			55,250		—
TOTAL ASSETS		**$**	**319,048**	**$**	**—**
LIABILITIES					
Non-current liabilities:					
Loans payable	10	$	189,409	$	—
Total non-current liabilities excluding net liabilities attributable to unitholders			189,409		—
Current liabilities:					
Loans payable	10		1,955		—
Tenant rental deposits			1,024		—
Accounts payable and accrued liabilities	12		1,080		—
Finance costs payable			360		—
Distributions payable			416		—
Total current liabilities excluding net liabilities attributable to unitholders			4,835		—
TOTAL LIABILITIES		**$**	**194,244**	**$**	**—**
Net liabilities attributable to unitholders	11		124,804		—
TOTAL LIABILITIES, NET LIABILITIES ATTRIBUTABLE TO UNITHOLDERS		**$**	**319,048**	**$**	**—**

Commitments and contingencies (note 18).

Subsequent events (note 23).

See accompanying notes to the consolidated interim financial statements.

Approved by the Board of Trustees of Starlight Western Canada Multi-Family (No. 2) Fund, on May 5, 2022, and signed on its behalf:

Denim Smith Trustee *Lawrence D. Wilder* Trustee

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Consolidated Interim Statement of Net Loss and Comprehensive Loss
(In thousands of Canadian dollars)
(Unaudited)

	Note		Three months ended March 31, 2022
Revenue from property operations		$	1,411
Expenses:			
Property operating costs			225
Property taxes	12		76
Income from rental operations			1,110
Finance costs	16		604
Distributions to unitholders	11(a)		416
Fund and trust expenses	13		176
Net loss and comprehensive loss		**$**	**(86)**

See accompanying notes to the consolidated interim financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Consolidated Interim Statement of Changes in Net Liabilities Attributable to Unitholders
Three months ended March 31, 2022
(In thousands of Canadian dollars)
(Unaudited)

	Class A	Class B	Class C	Total
Balance, January 1, 2022 (note 22)	$ —	$ —	$ —	$ —
Changes during the period:				
Units issued on initial public offering (February 22, 2022), net of issuance costs	40,420	51,924	32,546	124,890
Net loss and comprehensive loss	(28)	(36)	(22)	(86)
Balance, March 31, 2022	**$ 40,392**	**$ 51,888**	**$ 32,524**	**$ 124,804**

See accompanying notes to the consolidated interim financial statements.

STARLIGHT WESTERN CANADA MULTI-FAMILY (NO. 2) FUND

Consolidated Interim Statement of Cash Flows
(In thousands of Canadian dollars)
(Unaudited)

	Note		Three months ended March 31, 2022
Operating activities:			
Net loss and comprehensive loss		$	(86)
Adjustments for financing activities included in net loss and comprehensive loss:			
Finance costs	16		604
Distributions to Unitholders	11(a)		416
Adjustments for items not involving cash:			
Change in non-cash operating working capital	17(a)		(448)
Change in restricted cash			(731)
Cash used in operating activities			**(245)**
Financing activities:			
Proceeds from the issuance of units, net of issuance costs			124,890
Loans payable:			
Net proceeds from new financing			114,143
Net proceeds from assumed financing			80,393
Finance costs paid	17(b)		(3,684)
Cash provided by financing activities			**315,742**
Investing activities:			
Acquisitions of investment properties	5		(262,454)
Capital additions to investment properties	6		(26)
Cash used in investing activities			**(262,480)**
Increase in cash			**53,017**
Cash, beginning of period			—
Cash, end of period		**$**	**53,017**

See accompanying notes to the consolidated interim financial statements.

1. Nature of business:

Starlight Western Canada Multi-Family (No. 2) Fund (the "Fund") is a “open-ended fund” established pursuant to an initial declaration of trust dated as of November 12, 2021, as amended and restated on January 27, 2022 (the “Declaration of Trust”), and governed by the laws of Province of Ontario. The term of the Fund is three years, with two one-year extensions available at the option of the Fund's Board of Trustees and may be further extended by special resolution of the unitholders ("Unitholders") of the Fund. The Fund was established for the primary purpose of directly or indirectly acquiring, owning, operating and stabilizing a portfolio primarily composed of income-producing multi-family real estate properties in western Canada that demonstrate value based on pricing and local supply and demand trends to achieve the Fund’s target metrics by increasing in-place rents to market rents, revenue enhancement through ancillary income opportunities and operating expense reductions as a result of active asset management, and are located primarily on Vancouver Island and the mainland of the Province of British Columbia.

The Fund completed its initial public offering (the "Offering") on February 22, 2022 and raised aggregate gross subscription proceeds of $130,000. The Fund achieved the maximum offering allowable and issued the following trust units ("Units"): 4,207,395 Class A Units, 5,404,905 Class B Units and 3,387,700 Class C Units at a price of $10.00 per Unit. Class A, B and C are Canadian dollar denominated.

Following completion of the Offering, the Fund acquired five institutional quality multi-family properties (the "Initial Portfolio") comprising a total of 495 suites located in Nanaimo, Langford and Vernon in the Province of British Columbia. Subsequent to the Offering, the Fund acquired an additional multi-family property comprising 166 suites located in Langford, British Columbia ("Subsequent Acquisition") during the three months ended March 31, 2022. The Initial Portfolio and Subsequent Acquisition are collectively the “Properties”.

The Fund is managed by Starlight Investments CDN AM Group LP (the "Manager") which is a wholly owned subsidiary of Starlight Group Property Holdings Inc. and a related party. As at March 31, 2022, the Fund’s property portfolio consisted of interests in six mullti-family properties totaling 661 suites.

The registered office of the Fund is located at 3280 Bloor Street West, Centre Tower, Suite 1400, Toronto Ontario M8X 2X3.

2. Basis of presentation:

(a) Statement of compliance:

These consolidated interim financial statements of the Fund have been prepared by management in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and using accounting policies described herein.

(b) Basis of measurement:

These consolidated interim financial statements have been prepared on a historical cost basis except for investment properties, which have been measured at fair value. All intercompany transactions and balances between the Fund and the subsidiary entities have been eliminated upon consolidation.

(c) Comparatives:

The Fund was established on November 12, 2021 (date of formation). The Offering occurred on February 22, 2022 and the acquisition of the Initial Portfolio on February 23, 2022 and as a result, there were no operating activities between November 12, 2021 (date of formation) and February 22, 2022. Accordingly, no comparatives have been presented in the consolidated interim statement of net loss and comprehensive loss, the consolidated interim statement of cash flows and the consolidated interim statement of changes in net liabilities attributable to Unitholders or the related notes thereto.

(d) Functional and presentation currency:

These consolidated interim financial statements are presented in Canadian dollars, which is the functional currency of the Fund and its subsidiaries and all amounts have been rounded to the nearest thousand except when otherwise indicated.

3. Significant accounting policies:

(a) Basis of consolidation:

The consolidated interim financial statements comprise the financial statements of the Fund and its subsidiaries. All intercompany transactions and account balances have been eliminated upon consolidation.

When the Fund is exposed to or has rights to variable returns from its involvement with an investee and has the ability to affect those returns through its power over such investee, the investee is considered a subsidiary. The existence and effect of potential substantive voting rights that are currently exercisable or convertible are considered when assessing whether the Fund controls another entity. Subsidiaries are fully consolidated from the date on which control is obtained by the Fund and are de-consolidated from the date control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the Partnership using consistent accounting policies.

The following significant entities operate as wholly owned subsidiaries of the Fund:

- Starlight Western Canada Multi-Family (No. 2) GP, Inc. (the "Holding GP"); and
- Starlight Western Canada Multi-Family (No. 2) Holding LP (the "Holding LP").

(b) Critical accounting estimates and judgments:

The preparation of consolidated interim financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

In making estimates and judgments, management relies on external information and observable conditions where possible, supplemented by internal analysis as required. Those estimates and judgments have been applied in a manner consistent with prior periods and there are no known trends, commitments, events or uncertainties that it believes will materially affect the methodology or assumptions utilized in making those estimates and judgments in these consolidated interim financial statements. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected. The significant estimates and judgments used in determining the recorded amount for assets and liabilities in the consolidated interim financial statements include the following:

(i) Accounting for acquisitions:

Management must assess whether the acquisition of a property should be accounted for as an asset purchase or business combination under IFRS 3, Business Combinations ("IFRS 3"). This assessment requires management to make judgements on whether the assets acquired and liabilities assumed (including fair values of loans assumed, if any) constitute a business as defined in IFRS 3 and if the integrated set of activities, including inputs and processes acquired, is capable of being conducted and managed as a business, and the Fund obtains control of the business. The Fund’s acquisitions are generally determined to be asset purchases as the Fund does not acquire an integrated set of activities that together significantly contribute to the ability to create outputs as part of the acquisition transaction.

(ii) 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.

3. Significant accounting policies (continued):

(b) Critical accounting estimates and judgments (continued):

(iii) Investment properties:

The estimates used when determining the fair value of investment properties are capitalization rates and 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 are 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. The Fund determines fair value internally utilizing financial information, external market data and capitalization rates provided by independent industry experts and third-party appraisals.

(iv) Income taxes:

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

(v) 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 the Holding LP is based, among other criteria, on the Fund’s analysis of the net liabilities attributable to Unitholders, distributions paid to Unitholders since the formation of the Fund and the Fund’s ability to meet the requirement to return the initial investment amount contributed from the limited partners of the Fund. The calculation of the carried interest is outlined in Note 12(b).

(c) Investment properties:

The Fund selected the fair value method to account for real estate classified as investment property under International Accounting Standard ("IAS") 40, Investment Property. A property is determined to be an investment property when it is held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties include land and building structures, as well as residential suites situated on the properties. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in the fair value of investment properties are included in the consolidated interim statement of net loss and comprehensive loss in the period in which they arise.

3. Significant accounting policies (continued):

(c) Investment properties (continued):

Fair values are primarily determined by using the capitalized net operating income method which applies a capitalization rate to the future stabilized cash flows of the property. The capitalization rate applied is reflective of the characteristics, location and market of the property. The stabilized cash flows of the property are 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. The Fund determines fair value internally utilizing internal financial information, external data and capitalization rates provided by industry experts. Gains and losses arising from changes in the fair value or disposal of investment properties are included in the consolidated interim statement of net income (loss) and comprehensive income (loss) in the period in which they arise. Subsequent capital expenditures are added to the carrying value of investment properties only when it is probable that future economic benefits will flow to the property and the cost can be measured reliably.

(d) Cash and restricted cash:

Cash includes unrestricted cash and balances held in the Fund's bank accounts. Restricted cash includes cash on hand which can only be used for specified purposes including tenant security deposits, amounts held by lenders for insurance, property taxes, as well as other cash held by third parties on behalf of the Fund. The Fund may also internally restrict cash, if necessary.

(e) Revenue recognition:

The Fund has retained substantially all the risks and benefits of ownership of its investment properties and as a result accounts for its leases with tenants as operating leases.

Revenue from investment properties includes all rental income earned from the property, including residential tenant rental income, parking income and all other incidental income paid by the tenants and other vendors under the terms of their existing leases and contracts. Revenue recognition under a lease commences when a tenant has a right to use the leased asset and collection is reasonably assured. Revenue is recognized pursuant to the terms of the lease agreement.

Amounts collected from residents are recognized as income when due, which, due to the short-term nature of the leases, approximates straight-line revenue recognition. Lease incentives granted are recognized as an integral part of the total rental revenue over the term of the leases. All other incidental income is recognized as revenue upon provision of goods and services when collectability is reasonably assured.

The Fund uses an allowance for uncollectible amounts to recognize the inability of tenants to meet the contractual obligations under their lease agreements. Under this method, all receivables from past tenants and tenant receivable balances exceeding 90 days are provided for as bad debt expense in the statement of income and comprehensive income.

(f) Finance costs:

Finance costs consist of interest on loans payable, amortization of financing costs related to loans payable, distributions to Unitholders and guarantee fees.

3. Significant accounting policies (continued):

(g) Financial instruments:

Financial assets are classified and measured based on one of the following three categories: (i) amortized cost, (ii) fair value through profit and loss ("FVTPL"), and (iii) fair value through other comprehensive income. Financial liabilities are classified and measured based on one of the following two categories: (i) amortized cost and (ii) FVTPL. Financial instruments are recognized initially at fair value.

	Classification/ Measurement
Financial assets:	
Tenant and other receivables	Amortized cost
Restricted cash	Amortized cost
Cash	Amortized cost
Financial liabilities:	
Loans payable	Amortized cost
Tenant rental deposits	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Finance costs payable	Amortized cost
Distributions payable	Amortized cost
Net liabilities attributable to Unitholders	Amortized cost

Transaction costs that are directly attributable to the acquisition or issuance of financial assets or liabilities, other than financial assets and liabilities measured at FVTPL, are accounted for as part of the carrying amount of the respective asset or liability at inception. Transaction costs related to financial instruments measured at amortized cost are amortized using the effective interest rate ("EIR") over the anticipated life of the related instrument. Transaction costs on financial assets and liabilities measured at FVTPL are expensed in the period incurred.

At each reporting date, the Fund assesses whether there is objective evidence that a financial asset is impaired. If such evidence exists, the Fund recognizes an impairment loss for financial assets carried at amortized cost as follows: the loss is the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original EIR. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

The Fund's net liabilities attributable to Unitholders have been classified as financial liabilities under IAS 32, Financial Instruments - Presentation.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Financial assets are derecognized when the contractual rights to the cash flows from financial assets expire or have been transferred.

Financial liabilities are discharged when the contractual obligations are discharged, canceled or expired.

3. Significant accounting policies (continued):

(h) Provisions:

A provision is a liability of uncertain timing or amount. Provisions are recognized when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value for the expenditures expected to settle the obligation using a discount rate that reflects current market assessment considering the time value of money and the risks specific to the obligation. Provisions are re-measured at each statement of financial position date using the current discount rate. The increase in the provision due to the passage of time is recognized as a finance cost.

4. Adoption of accounting standards:

Certain new accounting standards and interpretations that have been published are either effective and adopted or are not effective as at March 31, 2022 have not been early adopted in these financial statements.

(a) Effective January 1, 2022

Management has assessed the financial statement impact of adopting the following amendments to existing accounting standards and have determined that the impact is insignificant:

- Proceeds before intended use (Amendments to IAS 16, Property Plant & Equipment);
- Fee in the "10 per cent" test for derecognition of financial liabilities (Amendments to IFRS 9, Financial Instruments);
- Onerous contracts, cost of fulfilling a contract (Amendments to IAS 37, Provisions, Contingent Liabilities and Contingent Assets); and
- Reference to conceptual framework (Amendments to IFRS 3, Business Combinations).

(b) Effective January 1, 2023

Management is currently assessing the financial statement impact of adopting the following amendments to existing accounting standards:

- Disclosure of Accounting Policy (Amendments to IAS 1 and IFRS Practice Statement 2); and
- Definition of Accounting Estimate (Amendments to IAS 8); and
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).

(In thousands of Canadian dollars, unless otherwise noted)

5. Acquisitions:

The following acquisitions were completed by the Fund during the three months ended March 31, 2022. The Properties were acquired by purchasing the legal entities which owned such Properties.These were treated as asset acquisitions and as a result, the fair value of consideration has been allocated to the identifiable assets acquired and liabilities assumed based on their fair value at the date of acquisition as follows:

	Nanaimo	Langford	Vernon	Vernon 2	Langford 2	Langford 3	Total(i)
Acquisition date	23-Feb	23-Feb	23-Feb	23-Feb	23-Feb	01-Mar	
Units	251	60	60	43	81	166	661
City, Province	Nanaimo, BC	Langford, BC	Vernon, BC	Vernon, BC	Langford, BC	Langford, BC	
Investment properties(ii)(v)	$ 106,240	$ 25,200	$ 18,535	$ 13,313	$ 33,364	$ 67,120	$ 263,772
Add:							
Prepaid expenses and other assets	204	57	38	29	—	—	328
Deduct:							
Accounts payable and accrued liabilities	(6)	(9)	(24)	(25)	(41)	(65)	(170)
Tenant rental deposits	(540)	(102)	(88)	(67)	(129)	(459)	(1,385)
Finance cost payable	—	(27)	(18)	(10)	(36)	—	(91)
Net asset acquired	**$ 105,898**	**$ 25,119**	**$ 18,443**	**$ 13,240**	**$ 33,158**	**$ 66,596**	**$ 262,454**
Consideration funded by:							
New loans payable(iii)(v)	$ 75,653	$ 6,672	$ 4,354	$ 2,455	$ 10,171	$ 11,150	$ 110,455
Assumed loans payable(iii)(v)	—	11,904	9,210	6,845	14,230	38,072	80,261
Cash paid(iv)	30,245	6,543	4,879	3,940	8,757	17,374	71,738
Total Consideration	**$ 105,898**	**$ 25,119**	**$ 18,443**	**$ 13,240**	**$ 33,158**	**$ 66,596**	**$ 262,454**

(i) The Properties are located in the province of British Columbia at 6035 Linley Valley Drive and 4800 Uplands Drive, Nanaimo, British Columbia ("Nanaimo"), 733 Goldstream Avenue, Langford, British Columbia ("Langford"), 3400 Centennial Drive, Vernon, British Columbia ("Vernon"), 1803 31A Street, Vernon, British Columbia ("Vernon 2"), 2699 Peatt Road, Langford, British Columbia ("Langford 2") and 1085 Goldstream Avenue, Langford, British Columbia ("Langford 3").

(ii) Investment properties includes acquisition costs capitalized to investment properties amounting to of $1,212, $291, $242, $751, $431 and $819 for Nanaimo, Langford, Vernon, Vernon 2, Langford 2 and Langford 3, respectively.

(iii) New and assumed loans payable are net of finance costs incurred amounting to $3,074, $47, $32, $23, $116 and $72 for Nanaimo, Langford, Vernon, Vernon 2, Langford 2 and Langford 3, respectively.

(iv) No cash was assumed for the entities acquired by the Fund on the date of acquisition.

(v) Investment properties include $112 related to amounts held by third parties to be incurred. New and assumed loans payable include $678 held by lenders and third parties to be incurred.

Subsequent to March 31, 2022, the Fund agreed to acquire an additional multi-family property in Nanaimo, British Columbia (note 23).

6. Investment properties:

The following table summarizes the change in the investment properties for three months ended March 31, 2022:

Balance, January 1, 2022	$	—
Acquisitions of investment properties (note 5)		263,772
Capital additions		26
Balance, March 31, 2022	**$**	**263,798**

(In thousands of Canadian dollars, unless otherwise noted)

6. Investment properties (continued):

The following table reconciles the cost base of investment properties to their fair value:

		March 31, 2022
Cost	$	263,798
Cumulative fair value adjustment		—
Fair Value	**$**	**263,798**

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

	March 31, 2022
Capitalization rate - range	3.50% to 4.25%
Capitalization rate - weighted average	3.85 %

The Fund determined the fair value of each investment property using the direct income capitalization approach. The capitalized earnings reflect rental income from current leases and assumptions about rental income from future leases and occupancy reflecting market conditions at the reporting date, less future cash outflows in respect of such leases (note 20 (b)).

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

Weighted average	Change		March 31, 2022
Capitalization rate	10 basis-point increase	$	(6,678)
Capitalization rate	10 basis-point decrease	$	7,035

The impact of a one percent change in the net operating income used to value the investment properties as at March 31, 2022 would affect the fair value by approximately $2,640. See Note 20(b) for potential impacts to the fair value as a result of the novel coronavirus ("COVID-19") global pandemic.

The Fund's investment properties are considered as Level 3 assets under under fair value hierarchy due to the extent of assumptions required beyond observable market data to derive the fair values.

7. Tenant and other receivables:

The following table presents details of the tenant and other receivables balance:

		March 31, 2022
Tenant receivables, net	$	45
Other receivables		26
	$	71

The Fund holds no collateral in respect of tenant and other receivables.

8. Prepaid expenses and other assets:

The following table presents details of the prepaid expenses and other assets balance:

		March 31, 2022
Prepaid insurance	$	108
Prepaid expenses		211
Acquisition deposits (i)		1,000
	$	1,319

(i) Acquisition deposits represent deposits paid by the Fund for the acquisition of a multi-family property subsequent to March 31, 2022 (note 23).

(In thousands of Canadian dollars, unless otherwise noted)

9. Restricted cash:

The following table presents details of the restricted cash balance:

		March 31, 2022
Escrowed funds:		
Property taxes (i)	$	36
Restricted cash:		
Other deposits (ii)		807
	$	843

(i) Escrowed funds include cumulative amounts that are funded monthly into escrow to the Fund's lenders. These amounts are used to pay property taxes coming due within a 12-month period.

(ii) Other deposits represent amounts held by lenders and third parties to be incurred for Investment properties.

10. Loans payable:

Mortgages payable are secured against the applicable investment properties and bear interests at fixed rates. Mortgages payable are classified as current liabilities if they are due and payable within 12 months from the date of the statement of financial position.

The Fund has a non-revolving term credit facility with a Canadian chartered bank with $43,479 drawn as at March 31, 2022, classified as a non-current liability. The undrawn portion of the credit facility was $nil as at March 31, 2022. The credit facility is secured by a second charge against the applicable investment properties. The credit facility is subject to interest at the bank's prime rate plus 1.25% or, at the borrower's option at the time of advance, at the Canadian Dollar Offered Rate ("CDOR") plus 2.25%.

A summary of the Fund's loans payable is presented below:

Property Name	Payment Terms	Maturity Date	Extension Options	Interest Rate		March 31, 2022 Principal Outstanding
Mortgages						
Nanaimo	Principal + Interest	March 1, 2027	None	2.80%	$	70,770
Langford	Principal + Interest	December 1, 2028	6 months	3.52%		11,931
Vernon	Principal + Interest	August 1, 2029	None	3.34%		9,218
Vernon 2	Principal + Interest	August 1, 2030	None	2.35%		6,857
Langford 2	Principal + Interest	April 1, 2025	None	3.91%		14,344
Langford 3	Principal + Interest	June 1, 2030	1 year	1.63%		38,155
Credit facility	Interest only	February 23 - March 1, 2024	None	CDOR + 2.25%		43,479
Face value					$	194,754
Unamortized financing costs						(3,390)
Carrying value					$	191,364
Loans payable classified as (net of unamortized financing costs):						
Current					$	1,955
Non-current						189,409
Total					$	191,364

10. Loans payable (continued):

As at March 31, 2022, the loans had a weighted average term to maturity of 5.51 years and a weighted average interest rate of 3.40%.

During the three months ended March 31, 2022, the Fund incurred interest expense on loans payable of $490, which is included in the finance costs (note 16).

Future principal payments on loans payable are as follows:

	Principal payments	Balloon payments	Total
2022 - remainder of year	$ 1,941	$ —	$ 1,941
2023	2,661	—	2,661
2024	2,732	43,479	46,211
2025	2,535	13,332	15,867
2026	2,510	—	2,510
Thereafter	4,129	121,435	125,564
Total	$ 16,508	$ 178,246	$ 194,754

11. Net liabilities attributable to Unitholders:

(a) Composition of net liabilities attributable to Unitholders and beneficial ownership of the Fund:

The beneficial interests in the net liabilities and net loss and comprehensive loss of the Fund are held in three classes of Units: Class A, B and C. The Fund is authorized to issue an unlimited number of Units of each class. Each Unitholder of the Fund is entitled to one vote per Unit held. Each class of Units entitles the holder to the same rights as a Unitholder in another class of Unit and no Unitholder is entitled to any privilege, priority or preference in relation to any other holder of Units' rights. As there are varying economic values per class of Units, the net liabilities attributable to Unitholders will be distributed disproportionately on a per Unit basis upon liquidation. Accordingly, these Units have been classified as a liability in the consolidated interim statement of financial position and any distributions paid on each class of Units is presented in the consolidated interim statement of net loss and comprehensive loss. For the three months ended March 31, 2022, distributions of $416 were declared and recorded to distribution expense.

The following table represents a summary of the changes in thousands of Units by class:

	Number of Units Outstanding (000's)				
	Class A	**Class B**	**Class C**	**Total Units**	**Net Liabilities attributable to Unitholders ($)**
Outstanding as at January 1, 2022	—	—	—	—	$ —
Issuance from the Offering	4,207	5,405	3,388	13,000	130,000
Issuance Costs of the Offering	—	—	—	—	(5,110)
Net loss and comprehensive loss	—	—	—	—	(86)
Outstanding as at March 31, 2022	**4,207**	**5,405**	**3,388**	**13,000**	**$ 124,804**

(In thousands of Canadian dollars, unless otherwise noted)

11. Net liabilities attributable to Unitholders (continued):

(b) Carried Interest:

Through D.D. Acquisitions Partnership (“DDAP”) (as holder of the Holding LP class B limited partnership units), Daniel Drimmer is indirectly entitled to a carried interest, being (i) an aggregate amount equal to 25% of the total of all amounts each of which is the amount, if any, by which (A) the aggregate amount of distributions which would have been paid on all Units of a particular class if all distributable cash of the Holding LP was received by the Fund (including through the Holding GP), together with all other amounts distributable by the Fund (including distributable cash generated by investees of the Fund not held through the Holding LP, if any), and distributed by the Fund (net of any amounts required to provide for expenses) to Unitholders in accordance with the Declaration of Trust, exceeds (B) the aggregate minimum return (being 7.0%) in respect of such class of Units (the calculation of which includes the amount of the investors capital return base), provided that, to the extent that the aggregate amount of distributions which would have been paid on all Units of a particular class pursuant to the foregoing exceeds the minimum return for such class, DDAP will first be entitled to an aggregate amount equal to 50% of each such excess amount (i.e., a catch-up) until the amounts, if any, distributable to Unitholders of each class in excess of the investors capital return base is equal to three times (i.e., 75%/25%) the catch-up payment receivable by DDAP in respect of such class, and if more than one series of a class of Units is issued subsequent to the closing date, the foregoing calculations and distributions will be separately determined on the basis of each such series.

As at March 31, 2022, the Fund did not recognize a provision for carried interest after taking into account the minimum return to Unitholders.

12. Accounts payable and accrued liabilities:

The following table presents the details of accounts payable and accrued liabilities:

		March 31, 2022
Operating payables		840
Accrued property taxes(i)		76
Fund payables		77
Accrued asset management fees (note 15)		87
	$	1,080

(i) Accrued property taxes represent property taxes incurred but not yet paid for the properties owned by the Fund up to the date of the consolidated interim statement of financial position. Property taxes are recorded to the consolidated interim statement of net loss and comprehensive loss.

13. Fund and trust expenses:

Fund and trust expenses consist of the following:

		Three months ended March 31, 2022
Asset management fees (note 15)	$	100
General and administrative expenses		76
	$	176

14. Segmented disclosure:

All of the Fund’s assets and liabilities are in, and its revenues are derived from, the British Columbia real estate industry segment. The Fund’s investment properties are, therefore, considered by management to have similar economic characteristics. No single tenant accounts for 10% or more of the Fund’s rental revenue.

(In thousands of Canadian dollars, unless otherwise noted)

15. Transactions with related parties:

The consolidated interim financial statements include the following transactions with related parties:

The Manager is a related party to the Fund as the Manager is owned and controlled by Daniel Drimmer, President, Chief Executive Officer and Unitholder of the Fund. The Fund engaged the Manager to perform certain management services, as outlined below.

(a) Pursuant to the management agreement dated February 22, 2022 (the "Management Agreement"), the Manager is to perform asset management services for fees equal to 0.35% of the fair market value as prescribed by the most recent annual appraisals of the properties (“Gross Asset Value”), with the initial Gross Asset Value being the purchase price of the properties paid or deemed paid by the Fund.

Included in Fund and trust expenses is $100 in asset management fees charged by the Manager (note 13) for the three months ended March 31, 2022. The amount payable to the Manager as at March 31, 2022 was $87 (note 12).

(b) Pursuant to the Management Agreement, the Manager is entitled to receive an acquisition fee in respect of properties acquired, directly or indirectly, by the Fund as a result of such properties having been presented to the Fund by the Manager calculated as 1.0% of the purchase price of a property.

For the three months ended March 31, 2022, the Fund incurred acquisition fees of $2,938, relating to the acquisition of the Properties. The acquisition of the Nanaimo and Langford were from affiliate entities of the Manager with the total purchase price of these properties being based on third party appraisals and the amounts being representative of the fair value of the net assets acquired. There are no ongoing contractual commitments with the related party as a result of the acquisition of the investment properties.

(c) Pursuant to the Management Agreement, 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 subsidiaries relating to a property, the Fund will, in consideration for providing such guarantee, pay the Manager, in the aggregate, a guarantee fee represented by an annual amount equal to 0.15% of the then-outstanding amount of such guaranteed funds. This fee is calculated and payable in arrears on the first day of each month. As of March 31, 2022, guarantee fees of $32 were owing to the Manager and $nil guarantee fees were paid to the Manager for the three months ended March 31, 2022.

16. Finance costs:

Finance costs consist of the following:

		Three months ended March 31, 2022
Interest expense on loans payable	$	490
Amortization of deferred financing costs		76
Other financing costs		38
	$	604

(In thousands of Canadian dollars, unless otherwise noted)

17. Supplemental cash flow information:

(a) Changes in non-cash working capital:

The following table presents the changes in non-cash operating working capital presented within the consolidated interim statement of cash flows:

		Three months ended March 31, 2022
Tenant and other receivables	$	(71)
Prepaid expenses and other assets		(898)
Tenant rental deposits		(361)
Accounts payable and accrued liabilities		882
Total change in non-cash working capital	**$**	**(448)**

(b) Finance costs paid:

The following table presents the components of finance costs paid presented within the consolidated interim statement of cash flows:

		Three months ended March 31, 2022
Interest expense paid	$	(320)
Financing costs incurred on new / assumed loans payable (note 5(iii))		(3,364)
Total finance costs paid	**$**	**(3,684)**

18. Commitments and contingencies:

At March 31, 2022, the Fund had no commitments for future minimum lease payments under non-cancellable operating leases. All future leases as of March 31, 2022 expire within 12 months. The Fund holds commitments to provide for carried interest when applicable and to distribute excess cash to Unitholders.

The Fund may be involved in litigation and claims in relation to the investment properties that arise from time to time in the normal course of business. In the opinion of management, none of these, individually or in aggregate, would result in the recognition of a liability that would have a significant adverse effect on the financial position of the Fund. The Fund has agreed to indemnify, in certain circumstances, the trustees and officers of the Fund and its subsidiaries.

19. Capital management:

The Fund's capital management objectives and policies are to maintain a strong capital base so as to support ongoing operations, maintain creditor and market confidence and to sustain future development of the business. Capital consists of loans payable including capital lines available and net liabilities attributable to Unitholders. The Fund monitors capital using tools designed to anticipate cash needs and to maintain adequate working capital, while also distributing appropriate amounts to the Unitholders on a regular basis.

The Fund was in compliance with all financial covenants as at March 31, 2022.

20. Risk management:

In the normal course of business, the Fund’s activities expose it to credit risk, market risk, liquidity risk and other risks. These risks and the actions taken to manage them are as follows:

(a) Credit risk:

Credit risk is the risk that: (i) counterparties to contractual financial obligations will default; and (ii) the possibility that the residents may experience financial difficulty and be unable to meet their rental obligations. The properties mitigate the risk of credit loss with respect to residents by evaluating creditworthiness of new residents, obtaining security deposits wherever permitted by legislation and utilizing third party collection agencies for longstanding balances due from tenants. The Fund monitors its collection experience on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. Subsequent recoveries of amounts previously written-off are credited in the consolidated interim statements of net loss and comprehensive loss.

As at March 31, 2022 the Fund had an allowance for uncollectible amounts of $13. Bad debts expensed within property operating costs for the three months ended March 31, 2022 were $13.

The Fund is actively monitoring the potential impact on credit risk as a result of the COVID-19 global pandemic (note 20(d)).

(b) Market risk:

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices. The investment properties are subject to the risks associated with debt financing, including the risk that loans will not be refinanced on terms as favourable as those of the existing indebtedness.

As at March 31, 2022, the Fund’s investment properties have been reported at fair value which reflects the Fund’s best estimate of future cash flows and capitalization rates applicable to the investment properties. The Fund continues to monitor and review the potential impact COVID-19 may have on the future cash flows of its investment properties. It is not possible at the date of issuance of these consolidated interim financial statements to accurately assess the potential impact that COVID-19 may have on capitalization rates (note 20(d)).

During the three months ended March 31, 2022, the Fund has reflected the capitalization rates used in the purchase price valuation of the Properties to ensure the appropriate fair values are reflected as at March 31, 2022. The capitalization rates are reflective of third party appraisals as well as consideration of comparable sales transactions for similar properties and overall changes in the investment market for residential properties up to December 31, 2021.

(c) Liquidity risk:

Liquidity risk is the risk that the Fund may encounter difficulties in meeting its financial obligations as they come due. To mitigate the risk associated with liquidity, management's strategy is to ensure, to the extent possible, that it always has sufficient financial assets to meet its financial liabilities when they come due, by forecasting cash flows from operations and anticipated investing and financing activities.

All of the Property’s current liabilities have contractual maturities of less than 12 months and are subject to normal trade terms. The contractual maturity of the loans payable is outlined in notes 10.

The Fund is actively monitoring the potential impact on liquidity risk as a result of the COVID-19 global pandemic (note 20(d)).

20. Risk management (continued):

(d) Other risk:

On March 11, 2020, the World Health Organization characterized the outbreak of COVID-19 as 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.

Any future changes due to COVID-19 could materially impact the financial results of the Fund, which include potential decreases in collection rates and increases in bad debts. The duration and impact of COVID-19 is unknown at this time and it is not possible to reliably estimate the impact that the length and severity of these developments may have on the financial results and condition of the Fund in future periods. Other impacts of COVID-19 may include the Fund's current access to capital on terms consistent with those achieved in the past.

The Fund has undertaken actions to mitigate the effect on the operations of the Fund, with established responses to COVID-19 including various preventative measures and ongoing coordination with on-site property management teams to mitigate the spread of the virus.

21. Fair value measurement of financial instruments:

The Fund uses various methods in estimating the fair values recognized in the consolidated interim financial statements. The fair value hierarchy reflects the significance of inputs used in determining the fair values:

- Level 1 - quoted prices in active markets;
- Level 2 - inputs other than quoted prices in active markets or valuation techniques where significant inputs are based on observable market data; and
- Level 3 - valuation technique for which significant inputs are not based on observable market data.

The fair value of the investment properties is determined based on internal valuation models incorporating market evidence and management estimates of future earnings (Level 3).

The following summarizes the significant methods and assumptions used in estimating fair values of the Fund's financial instruments:

i. The fair value of the Fund's financial assets, which include tenant and other receivables, restricted cash and cash, as well as financial liabilities, which include tenant rental deposits, accounts payable and accrued liabilities, finance cost payable and distributions payable, approximate their carrying amounts due to their short-term nature (Level 1).

ii. The fair value of loans payable is estimated based on the current market rates for debt with similar terms and conditions (Level 2). The fair value of the Fund's loans payable as at March 31, 2022 approximated their carrying value.

iii. Net liabilities attributable to Unitholders are considered as Level 3 financial instruments due to the extent of assumptions required beyond observable market data to derive the fair values.

22. Comparative figures:

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

23. Subsequent events:

Subsequent to March 31, 2022, the Fund agreed to acquire a 120 unit multi-family building in Nanaimo, British Columbia for the purchase price of not more than $45,150. The acquisition is expected to be financed by mortgage debt and the balance of the purchase price is expected to be settled using a portion of the remaining cash proceeds from the Offering, net of $3,000 of acquisition deposits. The Fund had $1,000 of deposits held in escrow in connection with the acquisition as at March 31, 2022.

Effective May 5, 2022, Mandy Abramsohn resigned from the Board and audit committee and has been replaced by Tracy Sherren. Following the appointment of Ms. Sherren, two of three members of the board of trustees and audit committee are independent and the Fund continues meet the 30% Club Canada's aim for better gender balance at the board level. Ms. Sherren is currently the President and Chief Financial Officer of Toronto Stock Exchange listed True North Commercial REIT and the President of Canadian Commercial at Starlight Group Property Holdings Inc., an affiliate of the Manager. Ms. Sherren is a Chartered Accountant and obtained her Bachelor of Business Administration from Acadia University.