



**NORTHWEST HEALTHCARE PROPERTIES
REAL ESTATE INVESTMENT TRUST**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
OF RESULTS OF OPERATIONS AND
FINANCIAL CONDITION**

**For the three months and year ended
December 31, 2015**

March 10, 2016

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CEO'S MESSAGE

The fourth quarter of 2015 concludes a transformational year for NorthWest Healthcare Properties REIT (the "REIT") and its unitholders following its May 15, 2015 merger with NorthWest International Healthcare Properties REIT ("NWI"). The transaction has brought the REIT scale as well as internal and external growth potential; more than doubling the size of its portfolio, delivering significant earnings and NAV accretion now and for the future as well as opening up new opportunities arising from compelling global healthcare industry trends. Our focus in 2015 has been around integrating the businesses and unlocking the full potential of the combined platform. With these efforts now substantially complete and a strong foundation firmly in place, the REIT looks forward to 2016 and beyond to execute on its long-term plans of delivering accretive growth and driving unitholder value as Canada's only global healthcare REIT.

For the three months and year ended December 31, 2015, the REIT delivered strong financial and operating results with key highlights as follows:

- AFFO per unit for the fourth quarter and fiscal year 2015 of \$0.20 and \$0.82, respectively, (\$0.87 per unit on a normalized fourth quarter annualized basis)
- AFFO payout ratio of approximately 100% (92% normalized) for the fourth quarter and 98% for the year based on the REIT's annual distribution policy of \$0.80/unit;
- Recognition of a \$72.9 million and \$169.5 million valuation gains in the REIT's total investment property portfolio, in the fourth quarter and the year 2015, respectively, driven by valuation gains in the REIT's international regions of Australasia, Brazil and Germany;
- Adjusted net asset value of \$10.71/unit, an increase of approximately 12.8% from Q3 2015 as a result of positive revaluations on the REIT's assets and currency appreciation;
- Reduced leverage to 49.2% (55.5% including convertible debentures), down from 52.4% (57.1%) at the end of the third quarter and 51.6% (60.1%) at the end of 2014, respectively;
- Strong core portfolio occupancy of 95.9%, led by the international portfolio occupancy of 98.8%;
- Core weighted average lease expiry of 10.0 years, underpinned by the international portfolio with a weighted average lease expiry of 15.9 years; and
- Strong operational results, resulting in same property NOI growth, relative to the same quarter last year, in source currency, of 3.2% driven largely by inflation indexation adjustments on leases at the REIT's international assets and outperformance in Australia and New Zealand.

Since the date of the combination transaction between the REIT and NWI, the REIT has focused on executing near-term integration priorities with a goal of improving both its portfolio quality and financial profile. Key initiatives completed include:

- Completing the sale of 12 of 17 identified non-core Canadian properties totaling \$75.6M which generated approximately \$24.2M of net proceeds. We expect to complete the dispositions of the remaining 5 properties before the end of Q2 2016 for additional estimated net proceeds of approximately \$3.6M;
- Completed corporate financing initiatives including issuing \$53M of 5.50% unsecured convertible debentures and expanding the REIT's revolving credit facility by another \$30 million to \$80 million;
- Repaying or refinancing \$185.5M of property level debt with an estimated annual interest rate savings of \$4.7M (\$0.07/unit) and extended maturity profile;
- Completing or announcing \$106.7M of acquisitions and \$177.2M of developments previously announced as follows:
 - In Australia/New Zealand – 7 acquisitions totaling \$85.3M and 5 developments totaling \$127.2M;
 - In Canada – 2 developments totaling \$50M; and,
- Completing \$21.4M of new accretive acquisitions comprising the 2 building medical office complex in the REIT's core Berlin, Germany market.

For 2016, the REIT will continue executing on committed, low-risk development and expansion projects as well as making select accretive acquisitions. The REIT will also seek further capital-recycling opportunities to improve its portfolio quality, reduce debt, and fund its growth initiatives. Finally, the REIT will explore new institutional partnerships in each of its international markets as a means to leverage its platform in the on-going consolidation of the healthcare real estate globally.

In support of the REITs strategy, global healthcare trends remain buoyant, if not intimidating. We participate in the world's largest and fastest growing industry that is about to experience its peak demand over the next 30 years as populations grow and age, while at the same time demanding better and differentiated health services. To address this, we see consistent responses from policy makers, hospital operators and insurers alike - namely increasing consolidation among participants to achieve scale, efficiency and best practices as well as a shift to focusing on outcomes versus traditional fee for service reimbursement.

Together these trends translate into significant opportunity for the REIT as our tenants or potential tenants are getting bigger, more efficient and requiring improved or differentiated facilities. To achieve this, they are also requiring capital to fund growth or are increasingly likely to sell surplus assets, such as their real estate, to become more efficient. In both cases, this creates opportunities for our REIT, as a real estate capital partner to provide them long-term, cost-effective solutions that grow our portfolio. The features of these investments are particularly compelling, typically 20+ year inflation-indexed triple net leases, providing stable growing cash flows.

In fact, these opportunities are already coming from within the REITs existing portfolio and tenant base, as many of our tenants, including Rede D'Or in Brazil, Healthcare and Ramsay in Australia, and Mercy Ascot in New Zealand, are industry leaders at the forefront of this growth and consolidation wave. In 2015, each of these tenants enjoyed strong growth and record earnings, and are looking aggressively to further intensification and expansion opportunities within their markets.

With supportive healthcare trends and exposure to growing international markets, management believes the REIT is uniquely positioned to offer unitholders stable, growing returns through an improved, high quality portfolio of defensive international healthcare real estate. This was the rationale for its merger with NWI REIT which has delivered above expectations. Our team looks forward to executing on this differentiated strategy as it seeks to build a leading global healthcare real estate company.

Sincerely,

(signed) Paul Dalla Lana
Chief Executive Officer

SUMMARY – FOURTH QUARTER ENDED DECEMBER 31, 2015

The Combination Transaction between the REIT and NWI was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer, however, NWI has been identified as the accounting acquirer of the REIT (see **PART I - BASIS OF PRESENTATION**). Accordingly the financial results for the three months and year ending December 31, 2015 reflect the following:

- Vital Trust consolidated on a 100% basis and applicable recognition of the approximate 76% non-controlling interest;
- Financial results of the business formerly known as NorthWest Healthcare Properties Real Estate Investment Trust, and now defined as the REIT's Canada segment, on an equity accounted basis for the period January 1, 2015 to May 14, 2015 (representing NWI's former approximate 26% interest in the REIT);
- Financial results for the REIT's Canada segment from the period May 15 to December 31, 2015; and
- Any consolidation and adjustments necessary to effect the business combination, all more fully described in this MD&A and in the REIT's audited consolidated financial statements for the year ended December 31, 2015.

On the following page is a summary of the REIT's reported AFFO as well as the REIT's Normalized AFFO (both defined hereafter in **PART I - BASIS OF PRESENTATION - PERFORMANCE MEASUREMENT**). Normalized AFFO provides, in management's view, an annualized view of the REIT's AFFO, adjusted for the full year effect of transactions occurring in the current quarter and adjusted for other items management believes are non-recurring or seasonal in nature and estimated based on management's expectations on a normalized level of activity.

Adjustments to AFFO to reconcile to Normalized AFFO are as follows:

AFFO HIGHLIGHTS FOR Q4'15			
	\$000's		Per Unit
AFFO as reported	\$	14,016	\$ 0.20
Normalization adjustments:			
Run rate adjustments ⁽¹⁾		1,476	
Non-recurring items ⁽²⁾		201	
Normalized AFFO	\$	15,693	\$ 0.22
Adjusted Units Outstanding (000s)- December 31, 2015		71,690	
Normalization adjustment ⁽³⁾		316	
Normalized Units Outstanding (000s)- December 31, 2015		72,006	
Notes			
(1) Represents the full year effect of items recognized in the quarter that are seasonal and full year effect of items that will have an impact on future quarters including: 1) the estimated impact of increased revenues due to accrued indexation on Brazil's leases (\$727); (2) impact of repayment of HMB term loan (\$354); (3) impact of the repayment of Hospital Caxias term loan (\$901); (4) impact of Canadian mortgage refinancings (\$211); (5) impact of Canadian dispositions (-\$254); (6) full impact of NWH.DB.D Convertible Debentures (-\$78); (7) increases to the Vital Manager's base management fees due to the valuation increase in Vital Trust's investment properties (\$48); (8) the impact of increased revenue due to accrued indexation on Vital Trust's leases, stated at the REIT's proportionate share interest of 24% (\$26); (9) Completed Vital Trust expansion projects (\$71); and (10) Current tax normalization and G&A (-\$526).			
(2) Represents items that management views as non-recurring impacting AFFO including IOF Tax (\$177) on HMB repayment and other G&A (\$24).			
(3) Post December 31, 2015 Unit activity associated with NCIB and DUP.			

The preceding Normalized AFFO information is not necessarily indicative of what the REIT's financial position or results of operations will be in future periods. Certain of the adjustments in the table above may be considered to be forward-looking in nature, including, without limitation, the estimated impact of increased revenues due to accrued indexation in Brazil leases and Vital Trust's leases, increased management fees expected to be earned by the Vital Manager and items relating to expected amounts of general and administrative expenses and current taxes. As a result, the discussion in this section is qualified in its entirety by the forward-looking statements set out under **PART I - BASIS OF PRESENTATION - FORWARD-LOOKING INFORMATION ADVISORY**.

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest Healthcare Properties Real Estate Investment Trust ("**NorthWest REIT**" or the "**REIT**") should be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2015, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are presented in thousands of Canadian dollars, except where otherwise stated. Per unit amounts are presented in Canadian dollars, and are calculated including Class B LP Units and Class D GP Units (as defined hereafter and combined, the "**Exchangeable Units**"), except where otherwise stated.

On May 15, 2015, the REIT completed the plan of arrangement under the Business Corporations Act (Alberta) pursuant to which the REIT and NorthWest International Healthcare Properties REIT ("**NWI**") combined to create a leading global diversified healthcare real estate investment trust with over \$2 billion of assets (the "**Combination Transaction**"). The unitholders of NWI received 0.208 of a REIT Trust Unit for each NWI trust unit held, on a tax-deferred basis. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI's exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT trust units. The REIT is the legal acquirer, however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI and the outstanding units and weighted average unit amounts, and associated per unit amounts, for these periods, reflect the capital structure of NWI as adjusted for the exchange ratio of 0.208 (the "**Exchange Ratio**").

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 10, 2016 (the "**Annual Information Form**") and the REIT's Joint Management Information Circular dated April 7, 2015 (the "**Circular**"). This MD&A is current as of March 10, 2016 unless otherwise stated. Additional information relating to the REIT, including its continuous disclosure documents required by the securities regulators, is filed as required on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and can be accessed electronically at www.sedar.com.

Throughout this MD&A the following terms have the meanings set forth below, unless otherwise indicated. Words importing the singular include the plural and vice versa:

- "**Convertible Debentures**" has the meaning set out in the Section "**CAPITAL STRUCTURE– Convertible Debentures**" and includes the following series of convertible debentures:
 - a) NWH.DB;
 - b) NWH.DB.A;
 - c) NWH.DB.B;
 - d) NWH.DB.C;
 - e) NWH.DB.D.
- "**Class B LP Unit**" means a Class B limited partnership unit of NWI Healthcare Properties LP ("**NWI LP**"), exchangeable for Trust Units;
- "**Class D GP Unit**" means a Class D general partnership unit of NWI LP exchangeable for a trust unit of NWI. On January 28, 2015 the Class D GP Units were exchanged for Class B LP Units and the Class D GP Unit certificates were cancelled;
- "**Special Voting Unit**" means a special voting unit of the REIT attached to a Class B LP Unit;
- "**Trust Unit**" or "**REIT Trust Unit**" means a trust unit of the REIT; and
- "**Unitholder**" means a holder of Trust Units and any reference to a Unitholder in the context of such Unitholder's right to vote at a meeting of Unitholders also includes reference to a holder of Special Voting Units.

FORWARD-LOOKING INFORMATION ADVISORY

This MD&A contains forward-looking statements which reflect management's expectations regarding objectives, plans, goals, strategies, future growth, results of operations, performance and business prospects and opportunities of the REIT. The words "plans", "expects", "does not expect", "scheduled", "estimates", "intends", "anticipates", "does not anticipate", "projects", "believes", "normalized", "run rate", "contracted", "stabilized", or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to sell assets held for sale;
- the ability of the REIT to refinance maturing debt obligations;
- any projections of financial performance of the REIT for the periods set out herein; including normalized, run-rate, contracted or stabilized metrics ;
- development opportunities;
- the expected tax treatment of the REIT's distributions to Unitholders; and
- the expectations regarding real estate, the healthcare industry and demographic trends.

Forward-looking statements are necessarily based on a number of estimates and assumptions that, while considered reasonable by management of the REIT as of the date of this MD&A, are inherently subject to significant business, economic and competitive uncertainties and contingencies. The REIT's estimates, beliefs and assumptions, which may prove to be incorrect, include the various assumptions set forth herein, including, but not limited to, the REIT's future growth potential, results of operations, future prospects and opportunities, demographic and industry trends remaining unchanged, future levels of indebtedness, the ability to access debt and capital markets, the tax laws as currently in effect remaining unchanged, the current economic and political conditions in the countries in which the REIT operates remaining unchanged, anticipated capital expenditures, future general and administrative expenses (including estimated synergies resulting therefrom) and contracted acquisition, disposition and development opportunities.

When relying on forward-looking statements to make decisions, the REIT cautions readers not to place undue reliance on these statements, as forward-looking statements involve significant risks and uncertainties and should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not the times at or by which such performance or results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to, the factors discussed under "Risks and Uncertainties" in this MD&A, as well as the section titled "Risk Factors" in the Annual Information Form and the Circular, which are hereby incorporated by reference in this MD&A.

These forward-looking statements are made as of the date of this MD&A and, except as expressly required by applicable law, the REIT assumes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

NOTICE REGARDING INFORMATION CONCERNING OTHER PUBLIC ENTITIES

The information concerning Vital Healthcare Property Trust ("Vital Trust") contained in this MD&A relating to periods prior to January 1, 2015 have been taken from, or is based upon, publicly available documents and records on file with New Zealand regulatory bodies. Although the REIT has no knowledge that would indicate that any of such information is untrue or incomplete, the REIT was not directly involved in the preparation of any such publicly available documents and neither the REIT, nor any of its officers or trustees, assumes any responsibility for the

accuracy or completeness of such information or the failure by Vital Trust to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the REIT.

Effective, January 1, 2015, as a result of the Internalization Transaction (defined hereafter) NWI acquired control of Vital Trust through the acquisition of all of the rights and obligations relating to the management of Vital Trust (the “Vital Manager”) and as such the REIT is directly involved in the preparation of financial information presented, since this date.

MARKET AND INDUSTRY DATA

This MD&A includes market and industry data and forecasts that were obtained from third-party sources, industry publications and publicly available information. Third-party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information.

Although the third-party sources believe it to be reliable, we have not independently verified any of the data from third-party sources referred to in this MD&A, or analyzed or verified the underlying studies or surveys relied upon or referred to by such sources, or ascertained the underlying economic assumptions relied upon by such sources.

PERFORMANCE MEASUREMENT

The key performance indicators by which management measures the REIT’s performance are as follows:

- Funds from operations (“**FFO**”);
- Adjusted funds from operations (“**AFFO**”);
- Normalized AFFO;
- Weighted average lease expiry (“**WALE**”);
- Weighted average interest rate;
- Occupancy levels;
- Debt – Declaration of Trust;
- Debt – Including Convertible Debentures;
- Adjusted EBITDA; and
- Net operating income (“**NOI**”).

“**WALE**” is a measurement of the average term (expressed in years) remaining in each of the REIT’s leases, weighted by the size of the gross leasable area (“**GLA**”) each lease represents of the total GLA of the REIT’s portfolio. WALE is a common performance measure used in the real estate industry which is useful in measuring the vacancy risk and the stability of future cash flows of the REIT’s properties.

“**Occupancy levels**” are presented in different manners depending on its context. It could be presented as a weighted average portfolio occupancy, based on the area weightings, when analyzing the overall operating performance of the REIT’s portfolio, or as a point-in-time reference when analyzing future lease expiries, or as an assessment of the performance of each property period over period. Management considers this a useful measure in assessing the overall performance of its portfolio and is an essential tool to determine which properties require further investigation if performance lags.

Explanation of Non-IFRS measures used in this MD&A

FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS and therefore may not be comparable to similarly titled measures presented by other publicly traded companies. FFO and AFFO are supplemental measures of a Canadian real estate investment trust’s performance and the REIT believes that FFO and AFFO are relevant measures of its ability to earn and distribute cash returns to Unitholders.

FFO and AFFO should not be construed as alternatives to net income (loss), or cash flow from operating activities, determined in accordance with IFRS as indicators of the REIT's performance. The IFRS measurement most directly comparable to FFO and AFFO is net income (loss). The REIT's method of calculating FFO and AFFO may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

"FFO" is defined as net income (computed in accordance with IFRS), excluding: (i) fair value adjustments on investment properties; (ii) gains (or losses) from sales of investment properties; (iii) amortization of tenant incentives; (iv) fair value adjustments and other effects of redeemable units classified as liabilities; (v) revaluation adjustments of financial liabilities; (vi) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vii) deferred income tax expense; (viii) Convertible Debentures issuance costs; (ix) goodwill impairment; (x) internal leasing costs; and (xi) strategic transaction costs, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

"AFFO" is defined as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of deferred financing charges; (iii) compensation expense related to deferred unit incentive plans; (iv) differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, (v) asset management fees, including any incentive amounts, paid through the issuance of units rather than cash; (vi) amortization and adjustments relating to assets expected to provide an economic benefit to the REIT; (vii) adjusting for differences, if any, resulting from recognizing acquired contracts at fair value rather than the contracted rate; (viii) incentive amount expense, and (viii) deducting amounts for tenant inducements, leasing costs, and sustaining capital expenditures, as determined by the REIT. Other adjustments may be made to AFFO as determined by management at their discretion.

We have provided an analysis of FFO and AFFO under **PART III – RESULTS FROM OPERATIONS - ADJUSTED FUNDS FROM OPERATIONS ("AFFO")**.

"Normalized AFFO" is a non-IFRS measure which management believes is relevant in representing its ability to earn and distribute cash returns to Unitholders. In addition to the adjusting items to arrive at AFFO, Normalized AFFO also adjusts for the full year effect of transactions occurring in the reporting period and adjusts for other items management believes were non-recurring or seasonal in nature and estimated based on management's expectations on a normalized level of activity. The REIT considers Normalized AFFO to be a meaningful measure because it provides, in management's view, an estimate of AFFO on a stabilized basis. There is no standard industry-defined measure of Normalized AFFO. As such, the REIT's method of calculating Normalized AFFO will differ from other issuers' methods and, accordingly, will not be comparable to such amounts reported by other issuers.

The REIT's **"Weighted average interest rate"** in Table 2: Financial and Operational Highlights includes secured debt with fixed interest rates and excludes secured debt with floating interest rates. This calculation is a useful measure because it allows management to compare movements in interest rates period over period and to compare the average rate to the current market rates at that point in time.

"Debt – Declaration of Trust" is a non-IFRS financial measure that represents the indebtedness definition outlined in the REIT's Declaration of Trust. It includes the sum of the principal balance of mortgages, securities lending agreements, margin facilities, term loans, line of credit, and deferred consideration and excludes the Class B LP Units and Class D GP Units and the REIT's Convertible Debentures. The Debt – Declaration of Trust is measured as a percentage of total assets or Gross Book Value. The REIT's Declaration of Trust provides an operating guideline that sets a maximum level of indebtedness relative to Gross Book Value of 65%. The REIT measures Debt-Declaration of Trust each reporting period to ensure that the REIT remains compliant with the operating guidelines of the REIT's Declaration of Trust in respect of indebtedness. The definition of indebtedness and maximum indebtedness ratio relative to Gross Book Value of the REIT's declaration of trust may differ from the declarations of trust of other issuers and accordingly may not be comparable to similar measures used by other issuers.

“Debt – Including Convertible Debentures” is a non-IFRS financial measure and represents the sum of the REIT’s indebtedness as defined by the REIT’s declaration of Trust (Debt – Declaration of Trust, defined above) plus the amount of Convertible Debentures outstanding stated at fair value. The Debt – Including Convertible Debentures amount is intended to measure total leverage which is commonly reported by other issuers in the industry and is used an important measure in the management of debt levels. The Debt – Including Convertible Debentures is also stated as a ratio to total assets or Gross Book Value. The ratio is an important measure in determining the REITs capacity for incremental indebtedness to finance operations, maturing obligations or capital expenditures, as required. The definition of Debt – Including Convertible Debentures and its ratio relative to Gross Book Value of the REIT’s Declaration of Trust may differ and may not be comparable to similar measures used by other issuers.

“EBITDA” is a non-IFRS measure that is comprised of income (loss) before taxes, excluding mortgage and loan interest expense, distributions on Exchangeable Units and depreciation expense and amortization expense.

“Adjusted EBITDA” is a non-IFRS measure, defined by the REIT as, income (loss) before taxes excluding mortgage and loan interest expense, distributions on Exchangeable Units, other finance costs, depreciation expense and amortization expense, IFRS fair value changes associated with investment properties and financial instruments, DUP Compensation Expense, foreign exchange gains and losses, gains and losses on disposal of investment properties, adjustments for equity accounted associates, as well as, other items that management considers non-operating or non-recurring in nature. It is a metric that can be used to determine the REIT’s ability to satisfy its obligations, including servicing its debt.

Explanation of additional IFRS measure used in this MD&A

“NOI” is an industry term in widespread use. The REIT includes NOI as an additional IFRS measure in its consolidated statement of income and comprehensive income. NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers. The REIT considers NOI a meaningful additional measure of operating performance of its property assets, prior to financing considerations. NOI is defined as income from properties after operating expenses have been deducted, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and external leasing costs, and unrecoverable capital costs.

We have provided an analysis of NOI under **PART III – RESULTS FROM OPERATIONS**.

KEY PERFORMANCE DRIVERS

In addition to monitoring and analyzing the performance of operations through such measures as NOI, FFO and AFFO, management considers the following to be key drivers of current and future financial performance:

- the ability to access equity capital at a competitive/reasonable cost;
- the ability to access debt with terms and conditions that are cost effective; and
- the ability to acquire new properties on a yield accretive basis that enhance the REIT’s portfolio.

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

The REIT is a Canadian open-ended trust created pursuant to an amended and restated Declaration of Trust dated May 15, 2015, under the laws of the Province of Ontario (the “**Declaration of Trust**” or “**DOT**”). The REIT completed its initial public offering (“**IPO**”) on March 25, 2010. The REIT Trust Units are listed and publicly traded on the Toronto Stock Exchange (“**TSX**”) under the symbol NWH.UN. The REIT’s Convertible Debentures are listed and publicly traded on the TSX under the symbols NWH.DB, NWH.DB.A, NWH.DB.B, NWH.DB.C and NWH.DB.D.

On May 15, 2015, pursuant to the Combination Transaction, the REIT acquired, among other things, all the assets of NWI and its subsidiaries became direct or indirect subsidiaries of the REIT, in accordance with the plan of arrangement. The unitholders of NWI received 0.208 of a REIT Trust Unit for each NWI trust unit held, other than dissenting unitholders. All outstanding NWI deferred units were exchanged on the same basis for REIT deferred units. In addition, NWI’s exchangeable units were converted into a new class of limited partnership units using the same exchange ratio of 0.208, which are redeemable, at the option of the holder, for REIT trust units. NWI’s trust units which were traded on the TSX Venture Exchange (“**TSXV**”) under the symbol MOB.UN ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015. NWI’s convertible debentures, previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT, ceased to trade on the TSXV at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015.

The REIT’s objectives are to:

- manage its investments to provide stable, sustainable and growing cash flows through investments in healthcare real estate globally;
- build a diversified, growth-oriented global portfolio of healthcare properties based on an initial portfolio of investments in Australasia, Brazil, Germany and Canada;
- capitalize on internal growth and seek accretive healthcare real estate acquisition opportunities in its target international markets, with a focus primarily on Australasia, Brazil, Germany and Canada;
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management; and
- provide predictable and growing cash distributions per unit, on a tax-efficient basis.

Declaration of Trust

Investment Guidelines

The Declaration of Trust provides certain guidelines on investments that may be made directly or indirectly by the REIT. The assets of the REIT may be invested only in accordance with the following restrictions:

- a) the REIT may only invest, directly or indirectly, in interests (including fee ownership and leasehold interests) in income-producing real estate and assets ancillary thereto necessary for the operation of such real estate and such other activities as are consistent with the other investment guidelines of the REIT;
- b) notwithstanding anything else contained in the Declaration of Trust, the REIT shall not make or hold any investment, take any action or omit to take any action or permit a subsidiary to make or hold any investment or take any action or omit to take any action that would result in:
 - i. the REIT not qualifying as a “mutual fund trust” or “unit trust” both within the meaning of the Tax Act; or
 - ii. Units not qualifying as qualified investments for Exempt Plans;

- c) the REIT may make its investments and conduct its activities, directly or indirectly, through an investment in one or more persons on such terms as the Trustees may from time to time determine, including by way of joint ventures, partnerships (general or limited) and limited liability companies;
- d) the REIT shall not invest in rights to or interests in mineral or other natural resources, including oil or gas, except as incidental to an investment in real property;
- e) the REIT shall not invest in raw land for development, except for the development of new properties which may become capital property of the REIT, provided that the aggregate value of the investments of the REIT in raw land, excluding raw land under development which may be capital property, after giving effect to the proposed investment, will not exceed 10% of GBV, as defined; and
- f) the REIT may invest an amount (which, in the case of an amount invested to acquire real property, is the purchase price less the amount of any debt incurred or assumed in connection with such investment) up to 25% of the GBV, as defined, of the REIT in investments which do not comply with the investment guidelines set forth in Declaration of trust, so long as the investment does not contravene subparagraph (b) above.

For the purpose of the foregoing restrictions, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Operating Policies

The Declaration of Trust provides that operations and affairs of the REIT are to be conducted in accordance with the following policies:

- a) (i) any written instrument creating an obligation which is or includes the granting by the REIT of a mortgage; and
(ii) to the extent the Trustees determine to be practicable and consistent with their fiduciary duties to act in the best interest of the Unitholders, any written instrument which is, in the judgment of the Trustees, a material obligation,
- b) shall contain a provision, or be subject to an acknowledgement to the effect, that the obligation being created is not personally binding upon, and that resort must not be had to, nor will recourse or satisfaction be sought from, by lawsuit or otherwise, the private property of any of the Trustees, Unitholders, annuitants or beneficiaries under a plan of which a Unitholder acts as a trustee or carrier, or officers, employees or agents of the REIT, but that only property of the REIT or a specific portion thereof is bound; the REIT, however, is not required, but must use all reasonable efforts, to comply with this requirement in respect of obligations assumed by the REIT upon the acquisition of real property;
- c) subsidiaries of the REIT may engage in construction or development of real property provided such real property meets the REIT's investment guidelines and operating policies;
- d) title to each real property shall be held by and registered in the name of the REIT, NWI LP, the Trustees or a corporation or other entity majority-owned, directly or indirectly, by the REIT or NWI LP or jointly-owned, directly or indirectly, by the REIT or NWI LP, with joint venturers;
- e) the REIT shall not incur or assume any Indebtedness, as defined, if, after giving effect to the incurrence or assumption of such Indebtedness, the total Indebtedness of the REIT would be more than 65% of GBV, as defined;
- f) the REIT shall not directly or indirectly guarantee any Indebtedness or liabilities of any kind of a third party, except Indebtedness or liabilities assumed or incurred by an entity in which the REIT holds an interest, directly or indirectly, or by an entity jointly owned by the REIT with joint venturers and operated solely for the purpose of holding a particular property or properties, where such Indebtedness, if granted by the REIT directly, would cause the REIT to contravene its investment guidelines or operating policies. The REIT is not required but shall use its reasonable best efforts to comply with this requirement (i) in respect of obligations assumed by the REIT pursuant to the acquisition of real property or (ii) if doing so is necessary or desirable in order to further the initiatives of the REIT permitted under the Declaration of Trust; and

- g) the REIT shall directly or indirectly obtain and maintain at all times property insurance coverage in respect of potential liabilities of the REIT and the accidental loss of value of the assets of the REIT from risks, in amounts, with such insurers, and on such terms as the Trustees consider appropriate, taking into account all relevant factors including the practice of owners of comparable properties.

For the purpose of the foregoing investment guidelines and operating policies, the assets, liabilities and transactions of a corporation or other entity wholly or partially-owned by the REIT will be deemed to be those of the REIT on a proportionate consolidation basis. In addition, any references in the foregoing investment guidelines and operating policies to investment in real property will be deemed to include an investment in a joint venture arrangement that invests in real property.

Strategic Direction

Market Opportunity

The REIT provides an opportunity for investors to gain exposure to healthcare real estate internationally. The REIT intends to provide sustainable monthly cash distributions, while allowing investors to not only participate in the large stable Canadian market but also to diversify their real estate holdings beyond Canada and into the international marketplace. The REIT is the only publicly-listed real estate investment trust in Canada dedicated to investing in healthcare real estate globally.

Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate sector. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia, and South America. The REIT believes that it is providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done, by investing in an entity that will pursue investment opportunities in international commercial real estate while retaining a significant interest in the Canadian market.

In particular, the REIT believes that healthcare real estate represents a compelling asset class within commercial real estate, serving as a defensive asset class with both scale and growth. The REIT believes that international markets will continue to offer attractive healthcare real estate acquisition opportunities into the future. To select international markets in which to expand, the REIT identifies key market characteristics that lead to growth in demand which may be similar to those occurring in Canada, specifically:

- Demographics: growing or aging population and increasing life expectancy, each of which are key drivers in the demand for healthcare services;
- Economics: a balance of economic growth and stability, stabilized and/or increasing GDP per capita, and increasing healthcare spending as % of GDP or on an absolute basis; and
- Real estate and healthcare trends: fragmented healthcare real estate markets, healthcare operators focusing on "core business", demand for new infrastructure, and growing public and private healthcare services.

Target Markets

Within the landscape of international healthcare real estate markets, the REIT has identified the following markets as the REIT's focus areas:

- **Canada:** an established market with selective, incremental growth opportunities and the stability of a government backed tenant base;

- **Brazil:** a high-growth market with experienced hospital operators, where the REIT has investments through long-term inflation indexed triple-net sale leaseback structure;
- **Germany:** a fragmented market with available first mover advantage, NOI growth through active management and the building of scale, which is similar to the REIT’s experiences growing in Canada; and
- **Australasia:** an established market with consolidation opportunities and inflation indexed triple net rents, where the REIT has exposure through an investment in Vital Trust;

The following table highlights certain key market data in connection with the REIT’s target markets:

TABLE 1 - KEY MARKET DATA				
	Canada	Brazil	Germany	Australasia
Population	35.6 Million	198.2 Million	81.9 Million	28.2 Million
GDP Growth ⁽¹⁾	2.30%	-4.50%	1.70%	2.50%
Inflation ⁽²⁾	1.60%	10.67%	0.30%	1.70%
5 Yr. Government Bond Yield ⁽²⁾	0.73%	16.56%	-0.04%	2.31%
Health Care System	Publicly-funded healthcare system	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare
Notes				
(1) Annualized, as at September 30, 2015 other than Germany as at December 31, 2015				
(2) As at December 31, 2015				
Sources: Trading Economics; Bloomberg; investing.com				

RELATIONSHIP WITH NWVP

As at December 31, 2015, NorthWest Value Partners Inc. (“**NWVP**”) indirectly owned approximately 34% (approximately 29% on a fully-diluted basis assuming conversion of the REIT’s Convertible Debentures and redemption of its deferred Trust Units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Affiliates of NWVP served as the NWI’s asset manager (the “**Asset Manager**”), property manager and developer up to December 31, 2014, pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Established in 1994, Toronto-based NWVP is one of Canada’s leading privately owned healthcare real estate companies. The scope of its business includes real estate, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. The Principal of NWVP serves as an officer and trustee of the REIT. On January 28, 2015 NWI announced that it had completed the transaction with NWVP to internalize the external management of NWI with an effective date of January 1, 2015 (the “**Internalization Transaction**”).

FINANCIAL AND OPERATIONAL SUMMARY

The following is a summary of key financial and operational information for the periods indicated:

TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS				
Expressed in thousands of Canadian dollars, except per unit amounts				
		As at		
		December 31, 2015	December 31, 2014	
		(Unaudited)	(Unaudited)	
Operational Information ⁽¹⁾				
Number of Properties - 100% of associates		122	122	
Gross Leasable Area (sf) - 100% of associates		8,034,498	7,841,695	
Occupancy % - 100% of associates		94.3%	94.8%	
WALE (Years) - 100% of associates		9.6	9.0	
Summary of Financial Information				
Gross Book Value ⁽²⁾	\$	2,700,009	\$	846,270
Debt - Declaration of Trust ⁽³⁾	\$	1,329,514	\$	436,432
Debt to Gross Book Value - Declaration of Trust		49.2%		51.6%
Debt - Including Convertible Debentures ⁽³⁾	\$	1,499,608	\$	508,352
Debt to Gross Book Value - Including Convertible Debentures		55.5%		60.1%
Percentage of Mortgages and Loans Payable at Fixed Rates ⁽¹⁰⁾		81%		65%
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable		4.46%		5.82%
Adjusted Units Outstanding - period end ⁽⁵⁾⁽⁶⁾				
Basic		71,690,008		37,228,606
Diluted ⁽⁹⁾		74,920,197		37,306,038
		For the three months ended	For the three months ended	For the three months ended
		December 31, 2015	December 31, 2014	September 30, 2015
		(Unaudited)	(Unaudited)	(Unaudited)
Operating Results				
Net Income / (Loss)	\$	43,984	\$	21,164
NOI ⁽⁷⁾	\$	44,250	\$	10,527
Funds From Operations ("FFO") ⁽⁷⁾	\$	13,199	\$	3,217
Adjusted Funds From Operations ("AFFO") ⁽⁷⁾	\$	14,016	\$	7,847
Distributions ⁽⁸⁾	\$	14,345	\$	9,578
Interest Coverage ⁽⁴⁾		2.30		1.69
				2.26
Per Unit Amounts ⁽⁵⁾⁽⁶⁾				
FFO per unit - Basic ⁽¹⁰⁾	\$	0.18	\$	0.09
FFO per unit - fully diluted ⁽⁹⁾	\$	0.18	\$	0.09
AFFO per unit - Basic	\$	0.20	\$	0.22
AFFO per unit - fully diluted ⁽⁹⁾	\$	0.19	\$	0.22
Distributions per unit	\$	0.20	\$	0.26
AFFO Payout Ratio		102%		
AFFO Payout Ratio - fully diluted ⁽⁹⁾		104%		
Adjusted Weighted Average Units Outstanding ⁽⁵⁾⁽⁶⁾				
Basic		71,715,369		35,449,014
Diluted - FFO ⁽⁹⁾		76,404,966		35,500,984
Diluted - AFFO ⁽⁹⁾		79,239,473		37,017,448

TABLE 2 - FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.**Notes**

- (1) Operational information includes 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust.
- (2) Gross Book Value is defined as total assets.
- (3) As defined in Non-IFRS measures used in this MD&A.
- (4) See Ratios and Covenants for the REIT's calculation of Interest Coverage.
- (5) Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.
- (6) Under IFRS the REIT's Class B LP Units and Class D GP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units and Class D GP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at December 31, 2015 and 18,942,211 Class B LP Units and 231,000 Class D GP Units outstanding as at December 31, 2014.
- (7) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.
- (8) Represents distributions to Unitholders and Class B LP Units and Class D GP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.
- (9) Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.
- (10) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

HIGHLIGHTS FOR THE QUARTER**Acquisitions**

On November 25, 2015, Vital Trust completed the acquisition of a 29,000 square foot property at 27 Hopkins Street, Merewether, Newcastle in NSW. 27 Hopkins Street is immediately adjacent to Vital Trust's Lingard Private Hospital property and comprises 16 leased residential units. Vital Trust expects that the strong performance at Lingard Private Hospital and forecast growth in demand will drive the development of the Hopkins Street site for medical and healthcare activities in the medium term. 27 Hopkins Street was acquired for of \$7,842 (NZ\$8,801) including transaction costs.

On December 4, 2015 Vital Trust settled the acquisition of 6 Lingard Street, Merewether, Newcastle in NSW, opposite Lingard Private Hospital for \$3,151 (NZ\$3,536). The hospital operator, Health Care, has undertaken a master-planning exercise to determine potential expansion options at Lingard Private Hospital. Until initial concept designs are prepared and finalized, Health Care has agreed to a commercial lease over the property for car parking purposes.

On December 24, 2015 Vital Trust announced that it had conditionally acquired the freehold real estate at Boulcott Private Hospital ("**Boulcott**") in Lower Hutt, New Zealand, from Evolution Healthcare. Boulcott is a 38 bed private surgical hospital located in the city of Lower Hutt, approximately 20 kilometres north of the Wellington CBD, servicing a catchment of approximately 145,000 people. Boulcott has three operating theatres, 29 inpatient beds, a nine-bed day surgery suite and an endoscopy unit. Approximately 45 specialist consultants and surgeons provide services across a range of surgical specialties, including orthopedics, ophthalmology and urology services. Importantly, Boulcott is directly adjacent to Hutt Hospital, the major public facility for the region and will become Vital Trust's first asset co-located with a public hospital in New Zealand. Vital Trust will acquire Boulcott for \$29,144 (NZ\$30,700), representing an initial yield of 6.85%. Boulcott is leased to Pulse Health Group, an Australian Securities Exchange listed integrated health services provider, on a 22 year lease. Separately, Vital Trust will also acquire an adjacent residential property for \$949 (NZ\$1,000) for future development. Settlement of the Boulcott acquisition is expected following receipt of regulatory approvals, which is anticipated mid-2016.

Dispositions

During the quarter, the REIT completed the sale of its Pierrefonds Family Care Centre in Montreal, Quebec and its HealthPark and Sydney Medical Arts Building properties in Sydney, Nova Scotia. The sales generated gross proceeds of \$21,126 and net proceeds of \$8,744 after repayment of debt (\$11,244) and transaction costs.

As at December 31, 2015 the REIT classified thirteen properties, with a total carrying value of \$78,194, as held for sale. Mortgages associated with these properties amount to \$52,674.

Development

During the quarter, the REIT continued work on the Canadian family health team anchored medical office building developments at 85 The East Mall, Etobicoke (Toronto) and at the Barrie Primary Care Campus in Barrie, Ontario. Construction continues to be on schedule and budget, with substantial completion and initial tenant occupancy scheduled during the second quarter of 2016.

During the period Vital Trust effectively completed and started receiving rent on two developments: Belmont Private Hospital in Queensland, Australia and Maitland Private Hospital in Newcastle, NSW, Australia.

Convertible Debenture Bought Deal

On October 9, 2015, and on November 5, 2015 pursuant to the exercise of the over-allotment option, the REIT issued a combined \$53,000 principal amount of convertible unsecured subordinated debentures (the "**NWH.DB.D Convertible Debentures**"). The net proceeds of the offering were partially used to repay the balance owing on the term loan related to the REIT's Hospital e Maternidade Brasil ("**HMB**") asset in Brazil, and for general trust purposes, thus improving its cost of debt and debt maturity profile without increasing its overall leverage.

The NWH.DB.D Convertible Debentures pay interest at 5.50% per annum, payable semi-annually on the last day of April 30 and October 31 commencing on April 30, 2016, and are convertible at the holder's option into units of the REIT at a conversion price of \$11.25 per unit. The debentures are not redeemable prior to October 31, 2018. From October 31, 2018 to October 31, 2019, the series NWH.DB.D Convertible Debentures may be redeemed in whole or in part from time to time at the REIT's option, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the units on the Toronto Stock Exchange for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. From October 31, 2019 onward, the NWH.DB.D Convertible Debentures are redeemable at the option of the REIT, in whole or in part, at a redemption price equal to par plus accrued and unpaid interest.

The NWH.DB.D Convertible Debentures are listed and publicly traded on the TSX under the symbol NWH.DB.D.

NCIB

During the quarter pursuant to its previously announced normal course issuer bid ("**NCIB**") the REIT acquired 210,300 Trust Units for cancellation at a volume weighted average price per unit of \$8.13, and a total cost of \$1,714 (including commissions and costs). The REIT intends to acquire up to a maximum of 4,762,579 of its Trust Units, or approximately 10% of its public float, for cancellation over the next 12 months. The REIT believes that the repurchase by the REIT of a portion of outstanding Trust Units is an appropriate use of resources and is in the best interests of the REIT.

Revolving Credit Facility

On November 2, 2015, the REIT increased and extended, for two years, its Revolving Credit Facility (as defined under **CAPITAL STRUCTURE – Debt**), increasing the facility to \$75,000, as at December 31, 2015, and extending the

term to November 2, 2017. The Revolving Credit Facility bears interest ranging from prime rate plus 0.85% to 1.00% or bankers' acceptance rate plus 1.85% to 2.00%. Standby fees on the undrawn portion of the facility also apply. The REIT has an option to expand the Revolving Credit Facility to \$100,000 and to extend the facility for a further one year period, each subject to terms and conditions satisfactory to the lenders.

On November 2, 2015, the REIT also repaid the mortgage outstanding on its North York Medical Arts Building property in Toronto, Ontario with an outstanding balance of \$9,634, which was financed in part through a draw from the REIT's credit facility. The mortgage bore an interest rate of 5.19% and was due to mature in September 2016. The North York Medical Arts property has been pledged as security to the Revolving Credit Facility.

The balance outstanding on the amended and restated Revolving Credit Facility as at the date of this MD&A is \$82,800 inclusive of \$8,800 of advances under the Non-Revolving Credit Facility Expansion (as noted below). On March 10, 2016 the REIT further increased the Revolving Credit Facility to provide for a maximum principal amount of \$80,000 (see **SUBSEQUENT EVENTS**).

Non-Revolving Credit Facility Expansion

On December 21, 2015 the REIT negotiated and drew down a temporary \$25,000 non-revolving expansion of the Revolving Credit Facility (the "**Non-Revolving Credit Facility Expansion**"). The Non-Revolving Credit Facility Expansion matures on March 31, 2016 with mandatory principal repayment, prior to maturity, from the net proceeds of certain investment property sales, debt or equity financings. Additional security for the Non-Revolving Credit Facility Expansion is provided by an assignment of certain investment property sales agreements and the net proceeds received from these sales. The Non-Revolving Credit Facility Expansion is subject to a leverage covenant which the REIT has met.

Proceeds received from the Non-Revolving Credit Facility Expansion were used to repay Brazil Term Loan relating to Hospital Caxias.

The balance outstanding on the Non-Revolving Credit Facility Expansion as at the date of this MD&A is \$8,800 as subsequent to the quarter ended December 31, 2015, the REIT repaid \$16,200 of the outstanding balance with net proceeds from property dispositions and mortgage refinancings. On March 10, 2016 the Non-Revolving Credit Facility Expansion was amended, with changes to the mandatory principal repayment provisions and maturity extended to June 30, 2016 (see **SUBSEQUENT EVENTS**).

Mortgage Refinancings

During the quarter the REIT continued to progress on its Canadian mortgage early refinancing program to extend mortgage terms and reduce interest costs, completing \$59,675 of mortgage refinancings for five of its assets in Canada with a weighted average fixed interest rate of approximately 2.99% and weighted average term to maturity of 5.6 years. This replaced existing mortgages with an aggregate balance of \$50,332 and a weighted average interest rate of 5.47% generating net proceeds, after early repayment fees and transaction costs, of \$7,032. As many of these refinancings took place late in the quarter they only reduced interest costs during the quarter by approximately \$50. However, they are expected to reduce annual interest costs by approximately \$967.

Brazil Term Loans

On October 23, 2015, the REIT entered into a contract to extend the Brazil Term Loans relating to the Rede D'Or Hospital Portfolio which were set to mature December 22, 2015, on terms similar to the current term loans. Two loans relating to the REIT's Hospitals Santa Luzia and Coração have been extended one year to December 21, 2016. On December 21, 2015, the interest rate swaps relating to the original term of the expiring term loans of Hospitals Santa Luzia and Coração were repaid totaling \$2,523 (R\$7,234). The balance outstanding relating to these two loans is \$56,058 (R\$160,213) as at December 31, 2015. In December 2015, the REIT entered into new interest rate

swaps to fix the interest rate on these loans to 10.30% plus an adjustment to the principal balance of the term loans for IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy).

On December 21, 2015, utilizing funds from the Revolving Credit Facility and associated Non-Revolving Credit Facility Expansion, the REIT repaid the C\$38,645 (R\$110,937) term loan relating to Hospital Caxias as well as the related expiring interest rate swap for C\$1,749 (R\$5,014).

On November 3, 2015, the REIT paid in full the outstanding balance of the term loan related to its HMB asset totaling \$42,681 (R\$125,000). The HMB term loan was set to mature on January 4, 2016 and bore an interest rate of 8.95%. The term loan was repaid with net proceeds from the NWH.DB.D Convertible Debentures which have a coupon rate of 5.50%, which closed on October 9, 2015. As a result of this repayment, the REIT expects to realize interest rate savings estimated at approximately \$1,473 per annum or approximately \$0.02 of AFFO per unit. The interest rate swap related to the term loan was repaid on December 21, 2015 for C\$1,964 (R\$5,695).

As noted in the third quarter the REIT received a conditional commitment from a Brazilian financial institution and expects to complete a long term financing in respect of its HMB asset. The financing is for an amount ranging from \$63,000 to \$72,000 (R\$180,000 to R\$205,000) with a term of 10 years and maximum interest rate of the NTN-B (an inflation (IPCA) linked bond) plus 200 basis points. The financing is subject to due diligence and regulatory approvals. The REIT expects to complete the long term financing before the end of the second quarter and the net proceeds are expected to be used to principally repay outstanding Brazilian debt.

Australasia Term Loans

During the quarter Vital Trust favourably repriced and extended its existing bank facilities on more competitive terms and added an additional \$101,000 (A\$100,000) Tranche D expiring October 30, 2020. With respect to the existing facility Tranche A: approximately \$126,000 (A\$125,000) and Tranche B: approximately \$101,000 (A\$100,000) both retained their existing expiry of March 31, 2019 but benefit from lower line and margin fees. Tranche C: approximately \$101,000 (A\$100,000) plus the New Zealand Dollar Facility, approximately \$19,000 (NZ\$20,000) where extended from March 31, 2017 to October 30, 2020 and benefit from lower line and margin fees.

Acquisition Facility

On November 27, 2015 the REIT amended its Acquisition Facility dividing it into two sub-facilities: 1) \$8,000 non-revolving facility, and 2) \$16,000 revolving facility. The Acquisition Facility matures January 1, 2017 and as at December 31, 2015 had an outstanding balance of \$24,000.

Deferred Consideration

In connection with the Rede D'Or Hospital Portfolio Acquisition on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complied with conditions related to certain title and zoning matters. On October 16, 2015, the REIT was notified that the conditions relating to the purchase and sale agreement of the REIT's Hospital Caxias D'Or, Brazil property were resolved and therefore the holdback related to this property is now payable on April 15, 2016. Accordingly the holdback shall be adjusted by the variation of CDI commencing October 16, 2015 until the payment date. The balance of the holdback as at December 31, 2015 was \$27,428 (R\$78,393).

SUBSEQUENT EVENTS

Acquisitions

On January 20, 2016 Vital Trust acquired two small parcels of land adjacent to its Sportsmed Private Hospital property in Adelaide, South Australia for \$5,243 (A\$5,200).

Sportsmed Private Hospital (“**Sportsmed**”) is a 49 bed private hospital and associated clinic acquired by Vital in 2012 and operated by Sportsmed SA Hospitals Pty Ltd (“**Sportsmed SA**”) providing orthopaedic surgery and ancillary healthcare services. It is located approximately four kilometres north-east of the Adelaide CBD, in South Australia.

One of the properties will see a redevelopment commence in early 2016 with Vital Trust undertaking the construction, over a 12 month construction timeframe, of a \$9,578 (A\$9,500) stand-alone medical consulting building adjacent to the main hospital. The second acquisition is also adjacent to the existing hospital property and currently comprises the administration and executive offices of Sportsmed SA, with medium term redevelopment potential to support clinical growth at Sportsmed.

Sportsmed SA will enter into 20 year lease terms and has also agreed to reset the existing hospital lease to 20 years (currently 17 years).

In February, 2016 the REIT entered into an agreement to acquire a two-property medical office complex in Berlin, Germany (the “**Mehrower Allee complex**”) for a gross purchase price of \$20,450 (€13,519) representing a going-in capitalization rate of approximately 6.8%. The Mehrower Allee complex comprises approximately 82,270 square feet of gross leaseable area, is approximately 97.3% leased and has a weighted-average lease term of approximately 4 years. The REIT expects to close the acquisition in the second quarter of 2016 and expects to finance the purchase through a new first mortgage of approximately \$16,940 (€11,200) from a German lending institution and through internal resources. The acquisition is subject to customary closing conditions.

On March 1, 2016, Vital Trust settled the acquisition of four residential aged care properties for approximately \$39,569 (A\$41,000), representing an initial yield of 8.0%. The four properties located in New South Wales and Western Australia comprise 275 beds and will be leased for 20 year on triple net leases with annual CPI reviews and periodic market reviews to the Hall & Prior Health and Aged Care Group, one of Australia’s leading private residential aged care operators.

Dispositions

Subsequent to the quarter the REIT sold eight of the thirteen properties it held for sale as at December 31, 2015. These properties were sold for \$49,350 generating proceeds of approximately \$14,000 net of debt associated with the properties and transaction costs. The REIT expects to sell the remaining properties, with one subject to a conditional sale agreement, over the next six to twelve months.

On January 25, 2016, the REIT entered into an agreement for the sale-leaseback of an investment property currently used as a parking garage located in Canada. The investment property will be sold for \$20,000 upon satisfaction of conditions under the agreement and then leased back for an initial lease term that expires the earlier of five years from closing date or commencement of demolition of the site by the purchaser. Once the purchaser completes development of the site, the agreement requires the REIT to buy-back a portion of the parking facility for a purchase price that is to be determined based on costs to construct, and requires the purchaser to sever and deliver to the REIT a specified amount of parking spaces.

Mortgage Financings

On February 29, 2016 the REIT refinanced the mortgage outstanding on its Wentworth-Limeridge Medical Centre property replacing the existing 5.37% mortgage, with a \$8,300 mortgage at 2.75% and a 5 year term, generating net proceeds to the REIT of approximately \$2,400.

The REIT is currently pursuing mortgage refinancing opportunities which are expected to close in the first quarter and produce gross proceeds of approximately \$71,800, net proceeds of approximately \$4,200 and carry a weighted average interest rate of approximately 3.15% (replacing existing mortgages with a weighted average interest rate of approximately 5.39%).

Amendments to the Revolving Credit Facility

On March 10, 2016 the REIT further increased the Revolving Credit Facility to provide for a maximum principal amount of \$80,000.

Amendments to the Non-Revolving Credit Facility Expansion

On March 10, 2016 the Non-Revolving Credit Facility Expansion was amended, with changes to the mandatory principal repayment provisions and maturity extended to June 30, 2016.

NCIB

Between January 1, 2016 and March 10, 2016 the REIT acquired 34,500 Trust Units for cancellation at a volume weighted average price per unit of \$8.19.

Other

On January 14, 2016, the REIT declared a distribution of \$0.06667 per Trust Unit to unitholders of record on January 29, 2016, payable February 16, 2016.

On February 16, 2016, the REIT declared a distribution of \$0.06667 per Trust Unit to unitholders of record on February 29, 2016, payable March 15, 2016.

On February 18, 2016, the Ontario Ministry of Finance published amendments to regulation 70/91 to the Land Transfer Act (Ontario) that may impact the transfers of partnership interests in prior fiscal years. The REIT is currently evaluating the impact of the amendments to its consolidated financial statements.

On March 10, 2016, the REIT declared a distribution of \$0.06667 per Trust Unit to unitholders of record on March 31, 2016, payable April 15, 2016.

ASSETS OF THE REIT

Summary

The following table summarizes the REIT's assets by region as at December 31, 2015:

	Canada	Brazil	Germany	Australasia ⁽¹⁾	Consolidated Total ⁽¹⁾
Number of Properties	70	5	19	28	122
Asset Mix	100% MOB	100% Hospital	100% MOB	12% MOB/88% Hospital	68% MOB/32% Hospital
Gross Leaseable Area ("GLA") (million sf)	4.5	1.0	0.8	1.8	8.0
Total Assets (Cdn\$ millions) ⁽²⁾	\$1,280	\$350	\$167	\$811	\$2,700
Occupancy	90.7%	100.0%	95.7%	99.5%	94.3%
WALE (Years)	4.6	21.2	5.0	17.4	9.6
Average Building Age (Years)	32	11	15	15	26
Weighted Average Implied Cap Rate	6.6%	9.2%	6.4%	7.6%	7.3%

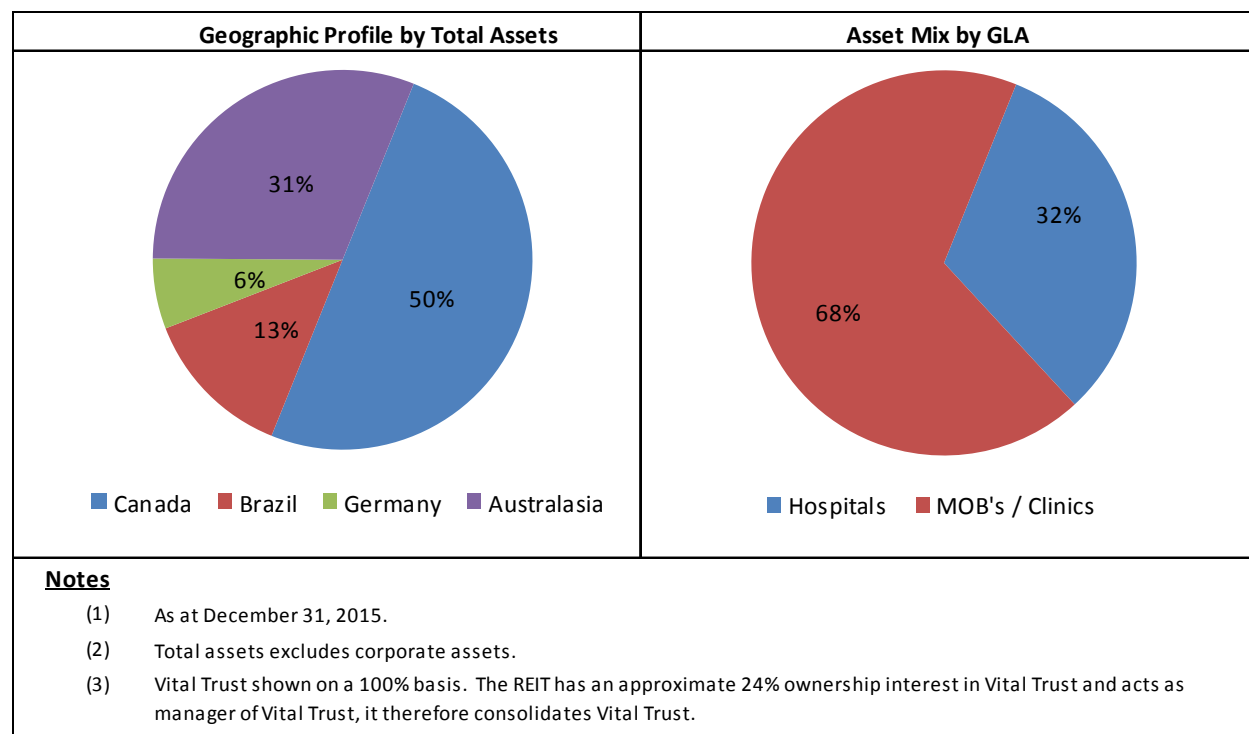
Notes

(1) Shown on a 100% basis. The REIT has an approximate 24% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.
(2) Consolidated Total includes corporate assets.

See **PART XI – PROPERTY TABLE** for additional property portfolio information.

Diversification of Assets

The REIT's assets are diversified geographically and by asset type as follows:



Geographic Diversification

The REIT aims to provide its investors with an exposure to a well-diversified portfolio of healthcare real estate located in the greater areas of cities such as: Auckland (New Zealand), Berlin (Germany), Calgary (Canada), Edmonton (Canada), Halifax (Canada), Melbourne (Australia), Montreal (Canada), Quebec City (Canada), Rio de Janeiro (Brazil), Sao Paulo (Brazil), Sydney (Australia) and Toronto (Canada).

Asset Mix

The REIT's asset mix can be broadly categorized into hospitals and medical office buildings / clinics. A brief summary of each asset type is below:

Hospitals:

The REIT's hospital portfolio is located in Australia, Brazil and New Zealand and represents a diversified portfolio of facilities providing healthcare services by best-in-class private hospital operators and philanthropic foundations.

All of the REIT's hospitals are leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any property operating cost risk.

Medical office buildings ("MOB"):

The REIT's MOB portfolio is located in Australia, Canada, Germany and New Zealand.

MOB's are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity based healthcare providers.

As at December 31, 2015 and including the REIT's interest in Vital Trust on a 100% basis, the REIT had interests in 22 hospitals and 100 medical office buildings or development sites.

Canada - Largest non-government owner and manager of medical office buildings and healthcare facilities

The REIT is Canada's largest non-government owner and manager of MOB's and healthcare facilities. The REIT owns, as at December 31, 2015, a portfolio of 70 properties, located primarily in major markets such as Toronto, Montreal and Calgary, with a GLA of 4.5 million square feet and approximately 1,335 tenants. The REIT portfolio has a well-diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants. The Canada region has a fully-integrated team of investment, development, asset management and portfolio operations professionals.

Brazil – Long term net leases to private hospital operators

The REIT owns a portfolio of five private hospitals varying in size, with the smallest comprising 96,875 square feet with 56 beds and the largest consisting of a 342,000 square foot full-service hospital with 350 beds. The assets are located in São Paulo, Brasilia and Rio de Janeiro. The hospitals are single tenant properties. Four hospitals are leased to Rede D'Or Sao Luiz (the "**Rede D'Or Hospital Portfolio**"), a privately owned Brazilian hospital operator with 26 hospitals across the country, and one hospital (the "**Sabará Children's Hospital**") is leased to Hospital Sabará (the "**Sabará Tenant**"), who uses the property to operate one of the region's largest private children's hospitals. All the leases are triple-net, indexed to inflation, ranging in term from 15 years (8.75 years remaining) to

25 years (23.0 years remaining) with a WALE of 21.2 years. The Brazil region is supported by two management professionals with significant experience in investment, development and asset management.

Germany – High quality MOB assets located in major markets

The REIT's German portfolio consists of 19 high quality MOB assets strategically located in the country's major markets, including Berlin, Frankfurt, Ingolstadt and Leipzig. As at December 31, 2015 the portfolio has a 95.7% occupancy rate and an approximate 5.0 year average lease term. The REIT also benefits from the strength of its fully-integrated investment, property management and asset management capabilities located in the market, which allow efficient operation and transaction sourcing in the country.

Australasia – Exposure to 24% of Vital Trust and 100% of Vital Manager

The REIT acts as manager and owns an approximate 24% strategic stake in Vital Trust. Vital Trust (NZX: VHP) is a New Zealand Stock Exchange (“**NZX**”) listed investment fund and is Australasia's largest healthcare real estate owner. As at December 31, 2015 Vital Trust owns 17 private hospitals, 7 MOB's and four development sites in Australia and New Zealand, with a 99.5% occupancy rate and an approximate 17.4 year average lease term. Through Vital Trust, the Australasia portfolio offers stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases. The Vital team is a fully integrated operation with offices in Australia and New Zealand comprised of leading investment, development, asset management and property operations professionals.

The REIT's investments in Australasia are held through its strategic shareholding by way of exposure to an equity interest in Vital Trust. Table 3 above highlights certain information about Vital Trust as at December 31, 2015, on a 100% basis; noting, however, that the REIT has exposure to an approximate 24% interest in Vital Trust.

On January 1, 2015, in connection with the Internalization Transaction (as defined under **RELATIONSHIP WITH NWVP**), NWI acquired all of the rights and obligations relating to the management of Vital Trust (the “**Vital Manager**”). As a result of the acquisition of the Vital Manager and its management rights, it was determined that NWI obtained control with respect to its investment in Vital Trust. The acquisition of control was treated as a step acquisition by NWI and effective January 1, 2015, NWI, and the REIT following its acquisition of NWI, accounts for the investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

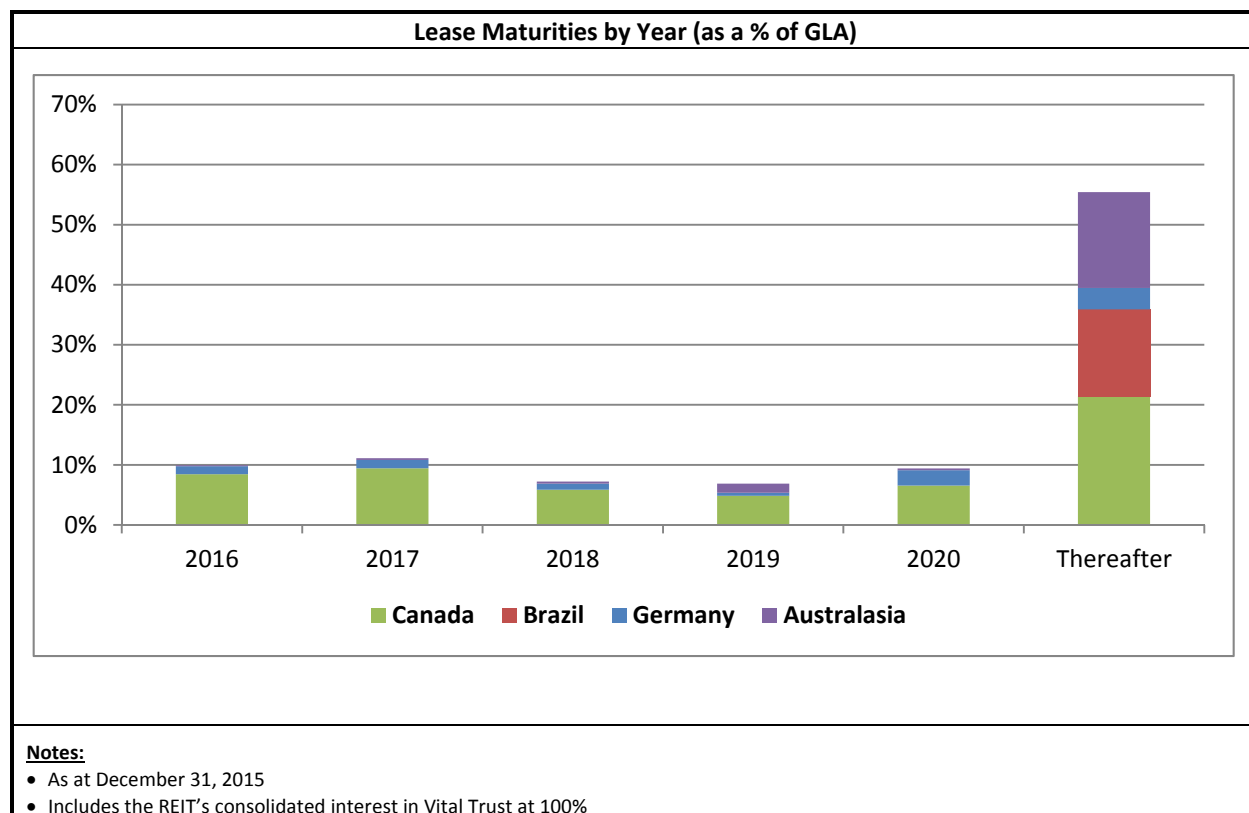
During the year ended December 31, 2015, in connection with the Internalization Transaction, the REIT acquired an additional 405,036 units of Vital Trust, which are held by the Vital Manager (defined herein). During the year ended December 31, 2015 Vital Manager acquired an additional 2,289,196 units of Vital Trust as settlement of the incentive fee (described hereafter). As at December 31, 2015, the REIT owned 84,354,098 units which represented a 24.44% interest in Vital Trust.

In exchange for its services, the Vital Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee. Management fees are calculated at 0.75% of the monthly average of the gross value of the assets of Vital Trust for the quarter ended on the last day of the month. Incentive fees are earned when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding years. The incentive fee is 10% of the amount of the increase with payment being received by way of subscribing for new units of Vital Trust. The management and incentive fees shall not exceed an amount equal to 1.75% per annum of the gross value of the trust. In addition, the Vital Manager earns management fees in its capacity as manager, with an Australian Financial Services License, of one of Vital Trust's Australian subsidiary trusts.

PORTFOLIO PROFILE

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 9.6 years as at December 31, 2015.



	2016	2017	2018	2019	2020	Thereafter	Total
Canada	8.4%	9.4%	5.8%	4.9%	6.5%	21.4%	56.4%
Brazil	0.0%	0.0%	0.0%	0.0%	0.0%	14.5%	14.5%
Germany	1.3%	1.4%	1.0%	0.5%	2.6%	3.6%	10.4%
Australasia	0.2%	0.3%	0.3%	1.5%	0.3%	16.1%	18.7%
Total	9.9%	11.1%	7.1%	6.9%	9.4%	55.6%	100.0%

The REIT's expiry profile benefits from its Brazil properties which are subject to long term leases. The five Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and December 31, 2038. The expiry profile also reflects the longer term nature of many of the hospital tenants within the Vital Trust portfolio which has a WALE of 17.4 years.

Leasing Activity

TABLE 3A - LEASING ACTIVITY					
	Three months ended September 30, 2015				
	Canada	Brazil	Germany	Australasia ⁽¹⁾	Total
Opening Occupancy	90.7%	100.0%	95.8%	99.3%	94.2%
Opening Balance ⁽²⁾	4,117,143	1,019,555	691,192	1,716,009	7,543,899
Disposition	(112,115)	-	-	-	(112,115)
Expiries	(201,591)	-	(13,340)	-	(214,931)
Renewal	165,317	-	11,343	-	176,660
Early Terminations	(11,077)	-	-	-	(11,077)
New Leasing	41,827	-	7,241	2,291	51,358
Month-to-Month	(6,855)	-	-	-	(6,855)
Remeasurements and other ⁽³⁾	910	-	26,738	36,220	63,869
Closing Balance	3,993,559	1,019,555	723,174	1,754,520	7,490,808
Closing Occupancy	90.7%	100.0%	95.7%	99.5%	94.3%
Notes					
(1)	Shown on a 100% basis. The REIT has an approximate 24% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.				
(2)	Opening Vital occupied GLA was adjusted from the previous quarters closing occupied GLA to reflect remeasurements related to development at Vital Trust's Hurstville property.				
(3)	Remeasurements and other reflects rentalization of Vital Trust's Belmont Private Hospital and Maitland Private Hospital developments.				

Canada

During the quarter the REIT completed 165,317 square feet of renewal leasing at an initial net rent of \$14.76 per square foot versus an expiring net rent per square foot of \$14.89, representing a -0.9% decrease. The decrease was mainly due to an 8,000 square foot basement space renewal. Excluding this renewal the renewal rates increased by 2.8% compared to the expiring rates. During the quarter the REIT also completed 41,827 square feet of new leasing at an initial net rent of \$10.17 per square foot.

As at December 31, 2015 the REIT had 158,545 square feet of committed leasing against future expiries and 54,132 square feet of committed leasing against vacant space at an initial net rent of \$16.40 and \$10.52 per square foot, respectively.

TABLE 3B - EXPIRING NET RENT (\$PSF)	
As at December 31, 2015	
	Canada
Month-to-Month	\$ 17.20
2016	14.61
2017	17.84
2018	16.36
2019	15.86
2020	16.37
2021+	18.52
Total Expires	\$ 17.15

Brazil

The REIT's Brazil properties are subject to long term leases and there was no leasing activity during the quarter.

Germany

During the quarter the REIT completed 11,343 square feet of renewal leasing and 7,241 square feet of new leasing. The 26,738 square feet of remeasurements reflect remeasurements at Hollis Centre and Polimedica Centre.

As at	
December 31, 2015	
	<u>Germany</u>
Month-to-Month	€ 9.45
2016	8.77
2017	9.92
2018	8.82
2019	9.27
2020	9.07
2021+	10.35
Total Expires	<u>€ 9.45</u>

Australasia

Vital Trust's properties are generally subject to long term leases, and as such there was no material leasing activity during the quarter.

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of revenue for the three months ended December 31, 2015:

	<u>Tenant</u>	<u>Country</u>	<u>%</u>	<u># of locations</u>
1	Healthe Care	Australia	11.6%	13
2	Rede D'Or Sao Luiz	Brazil	10.0%	4
3	Healthscope	Australia	2.9%	2
4	Epworth Foundation	Australia	2.5%	3
5	Bantrel Corportation	Canada	2.3%	1
6	CLSC/CSSS	Canada	1.8%	5
7	Mercy Ascot	New Zealand	1.4%	2
8	Shoppers Realty Inc.	Canada	1.2%	8
9	Sportsmed	Australia	1.1%	1
10	Lawtons Drugs	Canada	1.1%	5
			<u>36.0%</u>	<u>44</u>

INVESTMENT PROPERTIES

The fair value of investment properties as at December 31, 2015 was \$2,491,835 (December 31, 2014 - \$524,230) representing an implied weighted average capitalization rate of 7.3% (December 31, 2014 – 8.6%).

TABLE 4 - INVESTMENT PROPERTIES					
Expressed in thousands of Canadian dollars					
	Three months ended December 31				
	Canada	Brazil	Germany	Australasia	Total
Opening Balance	\$ 1,186,809	\$ 312,637	\$ 148,044	\$ 658,976	\$ 2,306,466
Acquisitions of investment properties	-	-	-	10,993	10,993
Addition to investment properties	11,316	-	1,001	17,139	29,456
Increase in straight-line rents	971	-	-	-	971
Amortization of deferred revenue	-	263	-	-	263
Fair value gain (loss)	(3,760)	20,148	8,705	47,758	72,851
Foreign currency translation	-	10,676	2,067	58,092	70,835
Closing Balance	\$ 1,195,336	\$ 343,724	\$ 159,817	\$ 792,958	\$ 2,491,835
Notes					
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly additions to investment properties include the acquisition of the REIT.					

TABLE 4A - INVESTMENT PROPERTIES					
Expressed in thousands of Canadian dollars					
	Year ended December 31				
	Canada	Brazil	Germany	Australasia	Total
Opening Balance	\$ -	\$ 386,251	\$ 137,979	\$ -	\$ 524,230
Acquisition of NorthWest REIT ⁽¹⁾	1,281,174	-	-	-	1,281,174
Acquisition of control of Vital Trust	-	-	-	563,212	563,212
Acquisitions of investment properties	-	-	1,052	11,295	12,347
Addition to investment properties	25,274	-	1,984	52,910	80,168
Increase in straight-line rents	1,763	-	-	-	1,763
Transfers from (to) assets held for sale	(103,036)	-	-	-	(103,036)
Reclassification of deferred revenue	-	(11,816)	-	-	(11,816)
Amortization of deferred revenue	-	1,134	-	-	1,134
Fair value gain (loss)	(9,839)	47,286	7,664	124,366	169,477
Foreign currency translation	-	(79,131)	11,138	41,175	(26,818)
Closing Balance	\$ 1,195,336	\$ 343,724	\$ 159,817	\$ 792,958	\$ 2,491,835
Notes					
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly additions to investment properties include the acquisition of the REIT.					

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly, additions to investment properties include \$Nil and \$1,281,174, during the three months and year ended December 31, 2015, respectively, representing the acquisition of NorthWest REIT.

On January 1, 2015, as a result of the acquisition of control of Vital Trust, the REIT began consolidating the investment properties of Vital Trust having a value of \$563,212.

See **LEASING COSTS AND CAPITAL EXPENDITURES** for additional information on additions to investment properties.

Canada

During the quarter, the REIT continued work on the Canadian family health team anchored medical office building developments at 85 The East Mall, Etobicoke (Toronto) and at the Barrie Primary Care Campus in Barrie, Ontario.

Construction continues to be on schedule with substantial completion and initial tenant occupancy scheduled for first half of 2016.

Expenditures on properties under development, for the three months and year ended December 31, 2015, of \$4,935 and \$10,218, respectively consisted primarily of expenditure incurred since closing of the Combination Transaction on these properties. Included in these costs is \$275 and \$599, respectively, of capitalized interest. Included in investment properties are properties under development with a fair value of \$39,620 as at December 31, 2015.

The REIT recognized net fair value losses of \$3,760 for the three months and year ended December 31, 2015, primarily as a result of market leasing assumption changes in the REIT's Alberta markets, partially offset by a valuation increase at the REIT's Parkwood property to reflect the value of the intensification opportunity at the site.

During the three months and year ended December 31, 2015 external valuations were performed on properties with an aggregate value of \$Nil and \$352,336, respectively. \$288,088 of these external valuations was reflected in the amounts recognized on the acquisition of NorthWest REIT in Table 4A.

Brazil

During the three months and year ended December 31, 2015 the REIT recognized fair value gains of \$20,148 and \$47,286, respectively, reflecting the actual and expected increases in rents for inflation, as contracted per the REIT's Brazil leases, increasing the portfolio's future net operating income, as well as, a 50 basis point compression in the discount rate used to value the portfolio.

A strengthening of the Brazilian Real relative to the Canadian dollar during the fourth quarter resulted in a foreign currency translation gain of \$10,676. The year to date foreign exchange loss is \$79,131 reflecting the net decrease in the Brazilian Real from December 31, 2014.

As at December 31, 2015 all of the REIT's Brazil properties were valued by external valuation professionals with recognized and relevant professional qualifications.

Germany

The REIT recognized fair value gains of \$8,705 and \$7,664, for the three months and year ended December 31, 2015, respectively. The gain is primarily driven by compression of the weighted average discount rate (0.5%) and weighted average terminal capitalize rate (0.7%).

Continued strengthening of the Euro relative to the Canadian dollar during the fourth quarter resulted in a foreign currency translation gain of \$2,067 and \$11,138 for the three months and year ended December 31, 2015, respectively.

During the second quarter the REIT completed the acquisition of development land together with a parking lot on the campus of the Vivantes Auguste-Viktoria Hospital (577 beds) in the Schöneberg district of Berlin, Germany for \$991 (€729) plus transaction costs. The parking lot has just over 50 spots let to a subsidiary of SANA, a leading German private hospital group that has a clinic adjacent to the hospital campus. There are a number of development opportunities for the vacant land which the REIT is currently evaluating.

During the three months ended December 31, 2015, all of the REIT's German investment properties were valued by internal valuation models.

Australasia

During the three months and year ended December 31, 2015 the REIT recognized a fair value gain of \$47,758 and \$124,366, respectively. The increase in the quarter reflects a 40 basis point decrease in the weighted average capitalization rate reflecting a broad improvement in capitalization rates in the Australasia's healthcare real estate sector. The year to date fair value increase reflects an approximate 140 basis point decrease in the weighted average capitalization rate of Vital Trust's portfolio. The core drivers of the decline in the weighted average capitalization rate were the impacts of value-add developments and hospital repositioning activity on Vital Trust's portfolio, rental growth, strong occupancy, long-term leases and a general firming of capitalization rates in Australasia's healthcare real estate sector. As at December 31, 2015 "desktop updates" were prepared by the REIT using market data provided by independent valuers and also based on independent valuation advice to update the external valuations performed on Vital Trust's portfolio in the second quarter of 2015.

On November 25, 2015, Vital Trust completed the acquisition of a 29,000 square foot property at 27 Hopkins Street, Merewether, Newcastle in NSW. 27 Hopkins Street is immediately adjacent to Vital Trust's Lingard Private Hospital property and comprises 16 leased residential units. Vital Trust expects that the strong performance at Lingard Private Hospital and forecast growth in demand will drive the development of the Hopkins Street site for medical and healthcare activities in the medium term. 27 Hopkins Street was acquired for of \$7,842 (NZ\$8,801) including transaction costs.

On December 4, 2015 Vital Trust settled the acquisition of 6 Lingard Street, Merewether, Newcastle in NSW, opposite Lingard Private Hospital for \$3,151 (NZ\$3,536). The hospital operator, Health Care, has undertaken a master-planning exercise to determine potential expansion options at Lingard Private Hospital. Until initial concept designs are prepared and finalized, Health Care has agreed to a commercial lease over the property for car parking purposes.

During the quarter Vital Trust continued or completed development activities at five of its properties, all located in Australia. Vital Trust incurred expenditures on properties under development, for the three months and year ended December 31, 2015 of \$17,127 and \$52,131, respectively.

During the third quarter Vital Trust completed the acquisition of a parcel of vacant land in Toronto, New South Wales, Australia for a gross purchase price of \$302 including transaction costs.

A strengthening of the New Zealand dollar relative to the Canadian dollar during the three months and year ended December 31, 2015 resulted in a foreign currency translation gain in those periods of \$58,082 and \$41,165, respectively.

Valuations

The fair values of the investment properties at December 31, 2015 and December 31, 2014 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals.

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

TABLE 4B - INVESTMENT PROPERTIES VALUATION ASSUMPTIONS				
Unaudited	As at December 31, 2015			
	Canada	Brazil	Germany	Australasia
Discount rate - range	6.0% - 8.8%	9.5%	5.8% - 6.8%	6.9% - 11.4%
Discount rate - weighted average	7.5%	9.5%	6.2%	8.3%
Terminal capitalization rate - range	5.8% - 8.0%	9.0%	6.3% - 7.5%	6.6% - 10.5%
Terminal capitalization rate - weighted average	6.9%	9.0%	6.7%	7.5%
Implied capitalization rate - range	5.3% - 9.5%	9.2%	5.2% - 7.5%	6.8% - 10.8%
Implied capitalization rate - weighted average	6.6%	9.2%	6.4%	7.6%
	As at December 31, 2014			
	Canada	Brazil	Germany	Australasia
Discount rate - range	6.0% - 9.8%	10.0%	6.5% - 7.0%	8.8% - 12.5%
Discount rate - weighted average	7.5%	10.0%	6.7%	10.4%
Terminal capitalization rate - range	5.8% - 8.8%	9.0%	6.9% - 8.4%	7.3% - 11.3%
Terminal capitalization rate - weighted average	6.9%	9.0%	7.4%	9.6%
Implied capitalization rate - range	5.3% - 9.4%	9.4%	5.7% - 7.4%	7.1% - 12.0%
Implied capitalization rate - weighted average	6.8%	9.4%	6.4%	9.0%

ASSETS HELD FOR SALE

Canada

During the quarter, the REIT completed the sale of its Pierrefonds Family Care Centre in Montreal, Quebec and its HealthPark and Sydney Medical Arts Building properties in Sydney, Nova Scotia. The sales generated gross proceeds of \$21,126 and net proceeds of \$8,744 after repayment of debt (\$11,244) and transaction costs.

As at December 31, 2015 the REIT classifies thirteen properties, with a total carrying value of \$78,194, as held for sale. Mortgages associated with these properties amount to \$52,674. The NOI for the three months ended December 31, 2015 was \$1,396. The properties held for sale have a GLA of 621,676 square feet, WALE of 4.8 years and Occupancy of 76.4% as at December 31, 2015.

Subsequent to the quarter the REIT sold eight of the thirteen properties it held for sale as at December 31, 2015. These properties were sold for \$49,350 generating proceeds of approximately \$14,000 net of debt associated with the properties and transaction costs. The REIT expects to sell the remaining properties, with one subject to a conditional sale agreement, over the next six to twelve months.

DEVELOPMENT ACTIVITY

The REIT develops new properties and reinvests capital in its existing properties, through expansions and refurbishments, as a way to create value for our tenants and unitholders. It is expected that development activity will become a more important component of the REIT's growth over time, to help our tenants meet the growing healthcare needs of the populations they serve. Meeting these needs is largely contingent upon completing the development projects in the manner contemplated. The most important factor affecting completion will be the successful execution of construction plans, while meeting the timing and costs goals of each project.

The REIT is undertaking the following development activities which are at various stages of execution ranging from planning to active development:

TABLE 4C - DEVELOPMENT ACTIVITY BY REGION

Expressed in thousands of Canadian dollars, except percentage amounts								
	Number of Projects	Estimated Completion Date	Estimated Project Costs	Estimated Costs to Complete	% Pre- leased	Anticipated Project Yield	Anticipated Stabilized NOI	Potential value accretion
Australia	2	Q1 2016 to Q3 2016	27,224	12,100	100%	8.5%	2,314	2,203
Brazil	2	Q4 2016 / Q4 2018	48,986	48,986	100%	10.5%	5,144	7,166
Canada	2	Q4 2016	51,593	19,799	74%	7.1%	3,647	4,508
	<u>6</u>		<u>127,803</u>	<u>80,885</u>			<u>11,105</u>	<u>13,877</u>

The reader is cautioned that the above information is forward-looking and actual results may vary materially. See **FORWARD-LOOKING INFORMATION ADVISORY**.

The Australian development activity pertains to Vital Trust's assets of Marian Clinic and South Eastern Private Hospital. The Australian development is expected to be funded through Vital Trust's existing resources.

During the period Vital Trust effectively completed two developments: Belmont Private Hospital in Queensland, Australia and Maitland Private Hospital in Newcastle, NSW, Australia and started receiving rent.

The Brazilian development activity relates to expansion planned for both the REIT's HMB and Coração hospitals and is expected to be funded through a combination of existing resources and property financing.

The Canadian development activity relates to the REIT's properties located at 85 The East Mall, Etobicoke, Ontario and at the Barrie Primary Care Campus in Barrie, Ontario, both acquired in January 2015.

Anticipated stabilized NOI is Management's estimate of the amount of annual NOI the development activity will generate upon substantial completion and the commencement of rent payments. Estimated total cost includes acquisition cost, estimated total construction and financing costs. The material assumption made in formulating the estimated total cost is that construction and financing costs remain stable for the remainder of the development period in each of the REIT's regions. Estimated project yield on cost is the estimated annual NOI as a percentage of the estimated total cost. Estimated cost to complete is the difference between the estimated total cost and the costs incurred to date.

LEASING COSTS AND CAPITAL EXPENDITURES

TABLE 5 - LEASING COSTS AND CAPITAL EXPENDITURES					
Expressed in thousands of Canadian dollars					
Three months ended December 31					
Unaudited	Canada⁽⁴⁾	Brazil	Germany	Australasia	Total
Additions to investment properties					
Leasing Costs ⁽¹⁾	\$ 863	\$ -	\$ 103	\$ -	\$ 966
Tenant improvements ⁽²⁾	2,892	-	414	-	3,306
Maintenance capital expenditures	1,033	-	484	2	1,519
Other capital expenditures	2,389	-	-	10	2,399
	<u>7,177</u>	<u>-</u>	<u>\$ 1,001</u>	<u>12</u>	<u>8,190</u>
Internal leasing costs expensed ⁽¹⁾	359	-	\$ 192	-	551
	<u>7,536</u>	<u>-</u>	<u>\$ 1,193</u>	<u>12</u>	<u>8,741</u>
Less:					
Recoverable maintenance capital expenditures	(1,033)	-	-	-	(1,033)
Other value enhancing and non-recurring capital expenditures	(2,179)	-	-	-	(2,179)
Leasing costs and non-recoverable maintenance capital expenditures	<u>\$ 4,324</u>	<u>\$ -</u>	<u>\$ 1,193</u>	<u>\$ 12</u>	<u>\$ 5,529</u>
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures ⁽³⁾	<u>\$ 2,252</u>	<u>\$ -</u>	<u>\$ 213</u>	<u>\$ 12</u>	<u>\$ 2,477</u>
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	<u>\$ 2,072</u>	<u>\$ -</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ 3,052</u>
Year ended December 31					
	Canada⁽⁴⁾	Brazil	Germany	Australasia	Total
Additions to investment properties					
Leasing Costs ⁽¹⁾	\$ 1,369	\$ -	\$ 210	\$ -	\$ 1,579
Tenant improvements ⁽²⁾	5,736	-	822	249	6,807
Maintenance capital expenditures	2,557	-	841	222	3,620
Other capital expenditures	6,189	-	111	308	6,608
	<u>15,851</u>	<u>-</u>	<u>1,984</u>	<u>779</u>	<u>18,614</u>
Internal leasing costs expensed ⁽¹⁾	936	-	192	-	1,128
	<u>16,787</u>	<u>-</u>	<u>2,176</u>	<u>779</u>	<u>19,742</u>
Less:					
Recoverable maintenance capital expenditures	(2,557)	-	-	-	(2,557)
Other value enhancing and non-recurring capital expenditures	(4,871)	-	(111)	-	(4,982)
Leasing costs and non-recoverable maintenance capital expenditures	<u>\$ 9,359</u>	<u>\$ -</u>	<u>\$ 2,065</u>	<u>\$ 779</u>	<u>\$ 12,203</u>
AFFO adjustment for leasing costs and non-recoverable maintenance capital expenditures ⁽³⁾	<u>\$ 5,668</u>	<u>\$ -</u>	<u>\$ 617</u>	<u>\$ 779</u>	<u>\$ 7,064</u>
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	<u>\$ 3,691</u>	<u>\$ -</u>	<u>\$ 1,448</u>	<u>\$ -</u>	<u>\$ 5,139</u>
Notes					
(1) The leasing costs exclude base salary and benefits of the internal leasing department which have been expensed.					
(2) Tenant improvements include tenant allowances and landlord's work.					
(3) In Canada and Germany, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Germany when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.					
(4) Leasing costs for the three months and year ended December 31, 2015 include \$796 of additions related to assets held for sale.					

Canada

On a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Further, in accordance with the REIT's strategy of extending average lease term whenever possible, especially for primary medical tenancies, often non-recurring leasing costs are involved.

Other capital expenditures include \$1,226 related to the refurbishment of the parking garage at Queensway Professional Centre in Mississauga.

Brazil

All of the REIT's hospitals in Brazil are leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any property operating cost risk. As a result the REIT does not incur any leasing or capital expenditures at the REIT's Brazil hospitals and therefore the REIT uses actual expenditures (if ever applicable) in determining AFFO.

Germany

On a quarterly basis leasing costs, tenant improvements and capital expenditures can fluctuate and as such, should not be regarded as stabilized. Additions to the German investment properties for the three months and year ended December 31, 2015 were \$1,193 and \$2,176, respectively.

Australasia

The majority of Vital Trust's assets represent hospitals leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures in which Vital Trust does not absorb any property operating cost risk. As a result, Vital Trust does not incur significant leasing or maintenance capital expenditures. For Vital Trust's MOB portfolio and certain hospital assets, leasing costs, tenant improvements and maintenance capital expenditures can be incurred. The REIT has elected to recognize actual leasing and maintenance capital expenditures incurred by Vital Trust in determining AFFO due to the significant proportion of Vital Trust's portfolio comprising of triple net leased hospitals.

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the consolidated statements of income and comprehensive income for the three months and year ended December 31, 2015 and December 31, 2014:

TABLE 6 - RESULTS FROM OPERATIONS						
Expressed in thousands of Canadian dollars						
	Three months ended December 31			Year ended December 31		
	2015 (Unaudited)	2014 (Unaudited)	Variance (Unaudited)	2015 (Audited)	2014 (Audited)	Variance (Audited)
Net Operating Income ⁽¹⁾						
Revenue from investment properties	\$ 63,927	\$ 11,595	\$ 52,332	\$ 198,960	\$ 44,084	\$ 154,876
Property operating costs	(19,677)	(1,068)	(18,609)	(52,999)	(2,654)	(50,345)
	44,250	10,527	33,723	145,961	41,430	104,531
Other income						
Share of profit (loss) from associates	-	1,605	(1,605)	2,153	2,027	126
Management fee participation	-	436	(436)	-	2,372	(2,372)
Interest income	169	539	(370)	912	1,813	(901)
	169	2,580	(2,411)	3,065	6,212	(3,147)
	44,419	13,107	31,312	149,026	47,642	101,384
Other expenses						
Mortgage and loan interest expense	(20,228)	(7,696)	(12,532)	(64,297)	(29,313)	(34,984)
General and administrative expenses	(7,010)	(2,417)	(4,593)	(25,121)	(7,831)	(17,290)
Transaction costs	(451)	-	(451)	(10,310)	-	(10,310)
Other Finance costs	(26,324)	9,531	(35,855)	(25,242)	(46,479)	21,237
Foreign exchange gain (loss)	(4,798)	(1,693)	(3,105)	(2,192)	(1,115)	(1,077)
Amortization of intangible asset	-	(390)	390	-	(1,561)	1,561
Income (Loss) before the undernoted items	(14,392)	10,442	(24,834)	21,864	(38,657)	60,521
Fair value adjustment of DUP Liability	(1,364)	49	(1,413)	514	13	501
Fair value adjustment of investment properties	73,675	15,663	58,012	170,301	26,814	143,487
Net loss on disposal of investment properties	(1,218)	-	(1,218)	(1,352)	(98)	(1,254)
Gain on business combination	-	-	-	69,023	-	69,023
Gain (Loss) on derivative financial instruments	2,968	(2,042)	5,010	(404)	(3,209)	2,805
Income (Loss) before taxes	59,669	24,112	35,557	259,946	(15,137)	275,083
Income tax expense	(15,685)	(2,948)	(12,737)	(42,521)	(11,541)	(30,980)
Net income (loss)	\$ 43,984	\$ 21,164	\$ 22,820	\$ 217,425	\$ (26,678)	\$ 244,103
Net income (loss) attributable to:						
Unitholders	\$ 4,185	\$ 21,164	\$ (16,979)	\$ 116,854	\$ (26,678)	\$ 143,532
Non-controlling interest	39,799	-	39,799	100,571	-	100,571
	\$ 43,984	\$ 21,164	\$ 22,820	\$ 217,425	\$ (26,678)	\$ 244,103
Notes						
(1) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"						

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.

See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of net income.

Revenue from investment properties

Revenue from investment properties for the three months ended December 31, 2015 was \$63,927 which is \$52,332 greater than the three months ended December 31, 2014. Of this increase, \$37,527 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction; \$15,995 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust. Prior to the acquisition of control NWI equity accounted for its investment in Vital Trust. The remaining decrease of \$1,190 is a result of foreign exchange due to the Brazilian Real depreciating against the Canadian dollar in the three months ended December 31, 2015 as compared to December 31, 2014; partially offset by foreign exchange due to the Euro appreciating against the Canadian dollar in the three months ended December 31, 2015 as compared to December 31, 2014.

Revenue from investment properties for the year ended December 31, 2015 was \$198,960 which is \$154,876 greater than the year ended December 31, 2014. Of this increase, \$94,448 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction; \$60,746 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust. The remaining decrease of \$318 is a result of the acquisitions of 13 medical office buildings acquired in June 2014 (the “**Core German MOB Portfolio**”) and Hohenschoenhausen which combined increased revenues for the year ended December 31, 2015 by \$182; offset by foreign exchange due to the Euro and Brazilian Real depreciating against the Canadian dollar in the year ended December 31, 2015 as compared to December 31, 2014, as well as reduced revenue due to the disposed property in February 2014 in Germany (Marktredwitz) of \$113.

See also **NET OPERATING INCOME**.

Property operating costs

In Canada, Germany and Australasia, property operating costs are comprised of amounts recoverable from tenants (including property taxes, maintenance, utilities and insurance) and non-recoverable expenses including certain property management costs.

The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property. The REIT incurs social taxes applied against the revenues earned from the Brazil properties as a result of the corporate structure of the entities holding the assets. In the second quarter of 2015 the REIT reclassified social taxes, previously recognized as property operating costs, to general and administrative expenses. The current quarter reflects this presentation and prior year comparable amounts have been restated to conform to the current presentation.

Property operating costs for the three months ended December 31, 2015 were \$19,677 as compared to \$1,068 for the three months ended December 31, 2014. Of the increase, \$16,952 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction; \$1,510 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust. The remaining increase of \$147 is a result of foreign exchange due to the Euro appreciating against the Canadian dollar in the three months ended December 31, 2015 as compared to December 31, 2014 and same property cost increases.

Property operating costs for the year ended December 31, 2015 were \$52,999 as compared to \$2,654 for the year ended December 31, 2014. Of the increase, \$42,067 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction; \$6,996 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust. The remaining increase of \$1,282 is a result of the acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which combined increased property operating costs for the year ended December 31, 2015 by \$1,487; partially offset by the operating cost savings from the February 2014 disposed property in Germany (Marktredwitz) of \$74 and

foreign exchange due to the Euro depreciating against the Canadian dollar in the year ended December 31, 2015 as compared to December 31, 2014.

See also **NET OPERATING INCOME**.

Share of profit (loss) of associates

Prior to the completion of the Combination Transaction on May 15, 2015, NWI accounted for its approximate 25% ownership of the REIT using the equity method. It also used the equity method, prior to the acquisition of control of Vital Trust on January 1, 2015, to account for the approximate 24% investment in Vital Trust. The share of profit (loss) of associates relates to the proportionate share of the underlying net income of NWI's associates.

The share of profit (loss) of associates, and distributions received, for the three months and year ended December 31, 2015 and December 31, 2014 is as follows:

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Share of profit (loss) of associates						
NorthWest REIT	\$ -	\$ 83	\$ (83)	\$ 2,153	\$ (5,681)	\$ 7,834
Vital Trust	-	1,522	(1,522)	-	7,708	(7,708)
Total	\$ -	\$ 1,605	\$ (1,605)	\$ 2,153	\$ 2,027	\$ 126
Distributions received						
NorthWest REIT	\$ -	\$ 2,380	\$ (2,380)	\$ 3,172	\$ 9,519	\$ (6,347)
Vital Trust	1,473	1,444	29	5,857	5,980	(123)
Total	\$ 1,473	\$ 3,824	\$ (2,351)	\$ 9,029	\$ 15,499	\$ (6,470)

Notwithstanding that the REIT consolidates the results of Vital Trust from January 1, 2015 the REIT continues to receive its proportionate share of cash distributions made by Vital Trust. Distributions of \$1,473 and \$5,857 were received from Vital Trust for the three months and year ended December 31, 2015 are not reflected in the consolidated financial statements of the REIT as they are eliminated on consolidation.

Management Fee Participation

In connection with the Internalization Transaction, the Management Fee Participation Agreement was cancelled effective January 1, 2015. As a result, the REIT did not earn the management fees under this agreement for the three months and year ended December 31, 2015. However, as part of the Internalization Transaction, the REIT acquired the Vital Manager. In exchange for its services, the Vital Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee from Vital Trust. Management fees are calculated at 0.75% of the monthly average of the gross value of the assets of Vital Trust for the quarter ended on the last day of the month. Incentive fees are earned when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding years. The incentive fee is 10% of the amount of the increase with payment being received by way of subscribing for new units of Vital Trust. The management and incentive fees shall not exceed an amount equal to 1.75% per annum of the gross value of the trust. In addition, the Vital Manager earns management fees in its capacity as manager, with an Australian Financial Services License, of one of Vital Trust's Australian subsidiary trusts.

For the three months and year ended December 31, 2015 the REIT accrued \$1,546 and \$6,357 respectively, related to the incentive fee from Vital Trust. As the REIT consolidates Vital Trust this incentive fee, and all management fees earned by the Vital Manager, do not appear on the consolidated income statement of the REIT as it is an inter-company transaction. However, the REIT's Unitholders receive the benefit of approximately 76% of the fees, representing the amount that is paid by the non-controlling interest of Vital Trust.

See **Part XII – Supplemental Disclosure** for additional disclosure related to the income earned by the Vital Manager.

Interest income

Interest income represents amounts earned on invested cash balances and related party balances (see **PART V – RELATED PARTY TRANSACTIONS**). For the three months and year ended December 31, 2015, the REIT recorded interest income of \$169 and \$912, respectively, which decreased from the comparable prior year period as related party receivables were settled on closing of the Combination Transaction.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three months and year ended December 31, 2015 and December 31, 2014 is as follows:

TABLE 6B - MORTGAGE AND LOAN INTEREST EXPENSE						
Expressed in thousands of Canadian dollars						
	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Canada						
Mortgages	\$ 10,494	\$ -	\$ (10,494)	\$ 22,652	\$ -	\$ (22,652)
Brazil						
Brazil Term Loans	2,057	2,922	865	13,063	12,592	(471)
Germany						
Mortgages	412	463	51	1,745	1,427	(318)
Australasia						
Term loans	3,159	-	(3,159)	11,527	-	(11,527)
Corporate						
NWH Margin Facilities	-	1,585	1,585	2,203	6,448	4,245
Vital Margin Facilities	704	820	116	2,995	3,284	289
Acquisition Facility	496	493	(3)	1,968	1,965	(3)
Revolving Credit Facility ⁽¹⁾	429	-	(429)	882	-	(882)
Other	21	4	(17)	104	50	(54)
Convertible Debentures						
NWH.DB	533	-	(533)	1,338	-	(1,338)
NWH.DB.A	370	370	-	1,468	1,468	-
NWH.DB.B	331	331	-	1,313	1,313	-
NWH.DB.C	708	708	-	2,809	766	(2,043)
NWH.DB.D	651	-	(651)	651	-	(651)
	4,243	4,311	68	15,731	15,294	(437)
less: capitalized interest general borrowings	(137)	-	137	(421)	-	421
	4,106	4,311	205	15,310	15,294	(16)
Total mortgage and loan interest expense	\$ 20,228	\$ 7,696	\$ (12,532)	\$ 64,297	\$ 29,313	\$ (34,984)
Notes						
(1) Includes interest from the Non-Revolving Credit Facility Expansion.						

The mortgage and loan interest expense for the three months ended December 31, 2015 was \$20,228, an increase of \$12,532 over the prior year period. Of the increase, \$10,494 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction; \$3,159 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust.

The mortgage and loan interest expense for the year ended December 31, 2015 was \$64,297, an increase of \$34,984 over the prior year period. Of the increase, \$22,652 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction; \$11,527 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust.

For additional information on the REIT's debt see **CAPITAL STRUCTURE – Debt**.

Canada

Mortgage interest expense in the current quarter and year to date reflects the consolidation of the NorthWest REIT's Canadian mortgage portfolio following closing of the Combination Transaction. The weighted average interest rate of the Canadian mortgage portfolio as at December 31, 2015 was 4.23%, a decrease from 4.45% in the previous quarter. The decrease is driven primarily by the REIT's early mortgage refinancing program to extend mortgage terms and reduce interest costs (see **CAPITAL STRUCTURE – Debt**).

Included in mortgage interest expense for the three months and year ended December 31, 2015 are debt repayment costs of \$2,666 representing prepayment penalties associated with the early mortgage repayments (three months and year ended December 31, 2014 - \$Nil).

Brazil

The decrease in interest expense for the three months ended December 31, 2015 over the prior year comparable period reflects the increase to the interest rate on the outstanding term loans on the Rede D'Or Hospital Portfolio (the "**Brazil Term Loans**") offset more by interest savings due to reductions in loans outstanding and foreign exchange movements. Interest rates increased in December 2014 from 6.87% to 7.30%, on April 1, 2015 from 7.30% to floating rates ranging from 12%-14.5%, and to 8.95% from June 9, 2015, and 10.3% from December 21, 2015. The interest expense savings during the quarter was driven by the repayment of the Brazil Term Loans associated with HMB and Hospital Caxias and the impact of foreign exchange due to the depreciation of the Brazilian Real from 2014 to 2015. The same factors influenced the full year results but the debt repayment during the quarter and foreign exchange movements only partially offset the interest rate increase over the comparable prior period.

Germany

The decrease in mortgage interest expense over the prior year quarter is primarily a result of the impact of the refinancing of mortgages secured against five of the REIT's properties located in Berlin and Fulda, Germany in August 2015 which decreased the weighted average interest rate of with respect to the five properties to 1.65% from 2.27% which offset the impact of foreign exchange due to the appreciation of the Euro from the fourth quarter 2014 to the fourth quarter 2015.

The increase in mortgage interest expense over the prior year to date comparable is primarily a result of the 2014 acquisitions of the Core German MOB Portfolio and Hohenschoenhausen, partially offset by the sale of the Marktredwitz property in February 2014, and repayment of the related mortgage, as well as, the impact of foreign exchange due to the depreciation of the Euro from 2014 to 2015, as well as, the impact of the refinancing of mortgages secured against five of the REIT's properties located in Berlin and Fulda, Germany in August 2015 which decreased the weighted average interest rate of with respect to the five properties to 1.65% from 2.27%.

Australasia

The term loans interest expense in the current quarter and year to date reflects the consolidation of Vital Trust from January 1, 2015. The weighted average interest rate of the Vital Trust term loans was 5.16% as at December 31, 2015, a decrease from 5.21% in the previous quarter as Vital Trust favourably repriced and extended its existing bank facilities on more competitive terms (see **CAPITAL STRUCTURE – Debt**).

Corporate

During the second quarter, immediately prior to completing the Combination Transaction, NWI's Canadian margin facilities (the "**NWH Margin Facilities**"), with an outstanding balance of \$68,143, were repaid. As a result the

interest expense associated with the NWH Margin Facilities decreased as compared to the prior year comparable periods.

The REIT has margin facilities secured by the units it owns of Vital Trust (the “**Vital Margin Facilities**”). Vital Margin Facilities bear interest at a rate that fluctuates with the one-month rate for New Zealand dollar bills of exchange (the “**BKBM**” rate). The weighted average interest rate of the Vital Margin Facilities was 6.08% as at December 31, 2015 as compared to 7.19% as at December 31, 2014, due to the decrease in New Zealand’s “Official Cash Rate” (the interest rate set by the New Zealand Reserve Bank representing the wholesale price of borrowing or lending money in New Zealand). For the quarter the REIT was negatively affected by foreign exchange due to the appreciation of the New Zealand dollar from the comparable prior quarter. However on a full year basis the REIT benefited from foreign exchange due to the depreciation of the New Zealand dollar from the comparable prior year.

NorthWest REIT’s Revolving Credit Facility (as defined under **CAPITAL STRUCTURE – Debt**) bears interest at a rate equal to the bank’s prime rate plus 1.00% or Bankers’ Acceptances plus 2.00%. Interest expense reflects interest on the Revolving Credit Facility since the closing of the Combination Transaction. In addition on December 21, 2015 the REIT negotiated and drew down \$25,000 on a temporary Non-Revolver Credit Facility Expansion of the Revolving Credit Facility.

Interest expense on the Convertible Debentures has increased over the comparable prior year periods following consolidation of NorthWest REIT’s NWH.DB Convertible Debentures following closing of the Combination Transaction. In addition NWI issued NWH.DB.C (formerly Series MOB.DB.B) Convertible Debentures on September 23, 2014 and the REIT on October 9, 2015, and on November 5, 2015 pursuant to the exercise of the over-allotment option, issued a combined \$53,000 principal amount of NWH.DB.D Convertible Debentures. The NWH.DB.D Convertible Debentures pay interest at 5.50% per annum.

For additional information on the REIT’s Convertible Debentures and associated interest rates see **CAPITAL STRUCTURE – Debt**.

General and administrative expenses (“G&A”)

General and administrative expenses for the three months ended December 31, 2015 were \$7,010 as compared to \$2,417 in the comparable period in 2014 (prior year G&A has been restated to reflect the reclassification of Brazil’s social taxes to G&A from property operating costs). The increase over the prior year period includes a \$1,361 net increase in G&A expenses as a result of the consolidation of Vital Trust and Vital Manager commencing January 1, 2015 and a \$547 increase in G&A expenses in Germany as a result of the Internalization Transaction. The remaining increase includes the incremental G&A as a result of combining NorthWest REIT G&A with NWI following completion of the Combination Transaction. G&A for the three months ended December 31, 2015 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS (“AFFO”) – DUP Compensation Expense**) of \$2,958 (three months ended December 31, 2014 - \$60).

General and administrative expenses for the year ended December 31, 2015 were \$25,121 as compared to \$7,831 in the comparable period in 2014 (prior years G&A has been restated to reflect the reclassification of Brazil’s social taxes to G&A from property operating costs). The increase over the prior year period includes a \$5,166 net increase in G&A expenses as a result of the consolidation of Vital Trust and Vital Manager commencing January 1, 2015 and a \$2,190 increase in G&A expenses in Germany as a result of the Internalization Transaction. The remaining increase includes the incremental G&A as a result of combining NorthWest REIT G&A with NWI following completion of the Combination Transaction. G&A for the year ended December 31, 2015 includes DUP Compensation Expense of \$10,800 (year ended December 31, 2014 - \$221).

Transaction costs

For the three months ended December 31, 2015 the REIT incurred transaction costs of \$451 (year ended

December 31, 2015 - \$10,310) which includes \$110 (year ended December 31, 2015 - \$907) related to the Internalization Transaction and \$242 (year ended December 31, 2015 - \$9,130) related to costs incurred by NWI related to the Combination Transaction. As both the Internalization and Combination Transactions are business combinations, the transaction costs incurred are expensed in the period incurred. Transaction costs also include the write-off of \$100 (year ended December 31, 2015 - \$273) of due diligence costs relating to acquisitions the REIT did not proceed with. For the three months and year ended December 31, 2014, there were no transaction costs incurred.

Other Finance costs

Other finance costs for the three months and year ended December 31, 2015 and 2014 consisted of the following:

	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Distributions on Exchangeable Units	\$ 3,825	\$ 5,070	\$ 1,245	\$ 16,986	\$ 20,219	\$ 3,233
Loss on revaluation of financial liabilities	5,442	5,005	(437)	13,705	16,804	3,099
Amortization of deferred financing costs	1,443	2,877	1,434	6,907	10,679	3,772
Amortization of marked to market adjustment	(3,292)	-	3,292	(6,219)	-	6,219
Fair value adjustment of Convertible Debentures	(2,024)	(5,176)	(3,152)	3,930	(2,253)	(6,183)
Convertible Debenture issuance costs	3,133	207	(2,926)	3,134	3,045	(89)
Fair value adjustment of Exchangeable Units	17,797	(17,514)	(35,311)	(13,201)	(2,015)	11,186
Total Finance Costs	\$ 26,324	\$ (9,531)	\$ (35,855)	\$ 25,242	\$ 46,479	\$ 21,237

Distributions on Exchangeable Units

Under IFRS, Exchangeable Units distributions are treated as a finance cost. The Exchangeable Units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. The decrease in distributions over the comparable three months and year ended December 31 reflects the reduction in distributions per unit from \$0.0881 per month (as adjusted for the Exchange Ratio) to \$0.0667 following closing of the Combination Transaction. This was partially offset by an additional 14,852 Exchangeable Units (as adjusted for the Exchange Ratio) issued on January 1, 2015 and 238,551 Exchangeable Units (as adjusted for the Exchange Ratio) issued on April 28, 2014. 7,551 Exchangeable Units (as adjusted for the Exchange Ratio) were also exchanged and cancelled on May 16, 2014 and 189,998 Exchangeable Units were exchanged and cancelled on December 1, 2015.

Loss on revaluation of financial liabilities

On maturity, the principal balance of both of the Brazil Term Loans and the holdbacks payable (included in deferred consideration), in respect of the HMB acquisition, settled in December 2014, and the three hospitals acquired from Rede D'Or Sao Luiz in December 2013 (the "**Rede D'Or Hospital Portfolio Acquisition**"), are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**IPCA**") or the Certificate of Interbank Deposit rate (the average one-day interbank deposit rate ("**CDI**")) from the date of inception of these liabilities to their respective maturities. The decrease over the comparable prior year periods reflects settlement of the HMB holdback, as well as, the Brazilian Real depreciating against the Canadian dollar since the comparable prior year period; partially offset by higher inflation rates in the current year. The annual inflation rate for December 31, 2015 was 9.49% as compared to 6.75% for December 31, 2014.

Amortization of deferred financing costs

Included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. The decrease in deferred financing costs relative to 2014 is primarily due to the refinancing of the Brazil

Term Loans in December 2014, resulting in lower financing fees as compared to the fees incurred in December 2013 when the loans were initially entered into, as well as the foreign exchange impact of the declining Brazilian Real relative to the Canadian dollar.

Fair value adjustment of Convertible Debentures

Under IFRS, the REIT has elected to measure Convertible Debentures at fair value. The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date. Table 6D summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last nine quarters:

	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13
Month-end closing price (Canadian \$)									
NWH.DB ⁽¹⁾	970.00	990.00	1,000.00	N/A	N/A	N/A	N/A	N/A	N/A
NWH.DB.A ⁽²⁾	1,010.00	1,005.00	1,000.00	960.10	900.10	945.60	905.10	950.00	855.00
NWH.DB.B ⁽²⁾	1,002.00	1,017.50	1,010.00	970.00	998.70	1,020.00	959.90	1,000.00	920.00
NWH.DB.C ⁽²⁾	1,000.00	1,000.00	1,000.00	969.90	880.00	975.00	N/A	N/A	N/A
NWH.DB.D	980.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Notes									
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. As a result the REIT's NWH.DB series of convertible debentures has been excluded from the above analysis for period prior to completion of the Combination Transaction.									
(2) Pursuant to the Combination Transaction NWI's convertible debentures previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT, ceased to trade on the TSX Venture Exchange at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015.									

An increase in the price of a convertible debenture results in a fair value loss to the REIT and a decrease in the price of a convertible debenture results in a fair value gain to the REIT.

Convertible Debenture issuance costs

Convertible Debenture issue costs during the three months and year ended December 31, 2015 represent the cost of issuing the NWH.DB.D Convertible Debentures during the quarter. Convertible Debenture issue costs for the three months and year ended December 31, 2014 reflect the costs associated with NWI issuing the Series NWH.DB.C (formerly Series MOB.DB.B) Convertible Debentures.

Exchangeable Units – Fair value adjustment

The Exchangeable Units, under IFRS, are measured at fair value. The fair value of the Exchangeable Units mirrors the trading price of the REIT Trust Units. An increase in the trading price of a REIT Trust Unit will result in a corresponding increase in the fair value of the Exchangeable Units liability and a fair value loss to the REIT. A decrease in the trading price of a REIT Trust Unit will result in a corresponding decrease in the fair value of the Exchangeable Units liability and a fair value gain to the REIT.

Table 6E summarizes the closing prices of the REIT Trust Units at each quarter end for the last nine quarters:

	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13
Month-end closing price (Canadian \$)	8.93	8.00	7.97	9.09	9.62	10.53	9.81	10.34	9.71
Notes									
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. As a result the closing price of NWI's units presented above, for periods prior to completion of the Combination Transaction, have been adjusted by the Exchange Ratio.									

Foreign exchange gain (loss)

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange gain (loss) for the periods relates primarily to the revaluation of the Vital Margin Facilities which are denominated in New Zealand dollars and held by a Canadian subsidiary of the REIT, and which is predominantly an unrealized exchange movement. The realized exchange gain (loss) for the periods relate primarily to settlement of outstanding intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

For the three months ended December 31, 2015, the REIT recorded a foreign exchange loss of \$4,798, which is made up of a realized exchange loss of \$122 and an unrealized exchange loss of \$4,676. The unrealized exchange loss during the three months ended December 31, 2015 is primarily due to exchange losses on the Vital Margin Facilities. During the three months ended December 31, 2015, the New Zealand dollar strengthened by approximately 11% relative to the Canadian dollar, thus increasing the liability of the Vital Margin Facilities. The realized exchange loss during the quarter is primarily due to settlement of Vital Trust distributions.

For the year ended December 31, 2015, the REIT recorded a foreign exchange loss of \$2,192 which is made up of a realized exchange gain of \$213 and an unrealized exchange loss of \$2,405. The unrealized exchange loss during the year ended December 31, 2015 is primarily due to foreign exchange losses on the Vital Margin Facilities. During the year ended December 31, 2015 the Zealand dollar strengthened by approximately 5% relative to the Canadian dollar, thus increasing the liability of the Vital Margin Facilities. The realized exchange gain during the year is primarily due to settlement of outstanding intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

For the three months ended December 31, 2014, the REIT recorded a foreign exchange loss of \$1,693, which is made up of a realized exchange loss of \$68 and an unrealized exchange loss of \$1,625. The unrealized foreign exchange loss for the three months ended December 31, 2014 is primarily a result of the revaluation of the Vital Margin Facilities. During the three months ended December 31, 2014, the New Zealand dollar strengthened by approximately 4% relative to the Canadian dollar, thus increasing the value of the New Zealand debt.

For the year ended December 31, 2014, the REIT recorded a foreign exchange loss of \$1,115, which is made up of a realized exchange gain of \$388 and an unrealized exchange loss of \$1,503. The realized exchange gain for the year ended December 31, 2014 relates to foreign exchange gains realized on translation of Canadian dollars to Brazilian Real to settle outstanding intercompany loans between a Canadian subsidiary and a Brazilian subsidiary. The unrealized foreign exchange loss for the year ended December 31, 2014 is primarily a result of the revaluation of the indebtedness related to the Vital Margin Facilities. During the year ended December 31, 2014, the New Zealand dollar strengthened by approximately 3% relative to the Canadian dollar, thus increasing the value of the New Zealand debt.

See also **FOREIGN EXCHANGE AND CURRENCY MANAGEMENT**

Amortization of intangible asset

The REIT's intangible asset relates to the rights and obligations related to the management of Vital Trust. In conjunction with the Internalization Transaction, the REIT acquired the rights to 100% of the management fees paid by Vital Trust through its acquisition of the Vital Manager. The contract that governs the fee stream paid by Vital Trust does not expire and therefore, the intangible asset is not being amortized.

Prior to the Internalization Transaction the previously recorded intangible asset, relating to the Management Fee Participation Agreement, was being amortized on a straight line basis over its determined useful life of 10 years. For the three months and year ended December 31, 2014, the REIT had recorded \$390 and \$1,561 of amortization, respectively. In connection with the Internalization Transaction, the Management Fee Participation Agreement was cancelled effective January 1, 2015.

Fair value adjustment of DUP Liability

Under IFRS, the REIT's unit-based deferred unit compensation liability ("**DUP Liability**") is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units for deferred units exchangeable into REIT Trust Units, and the trading price of Vital Trust units for deferred units exchangeable into Vital Trust units.

The fair value adjustment on revaluation of the DUP Liability for the three months ended December 31, 2015 was a loss of \$1,364 (year ended December 31, 2015 – gain of \$514) as compared to a fair value gain of \$49 for the three months ended December 31, 2014 (year ended December 31, 2014 – gain of \$13).

Fair value adjustment of investment properties

For the three months ended December 31, 2015, the REIT recorded a fair value gain on investment properties of \$73,675 primarily related to a \$47,757 fair value gain on the Vital Trust portfolio and \$20,148 revaluation increase of the Brazil portfolio. For the year ended December 31, 2015, the REIT recorded a fair value gain on investment properties of \$170,301 primarily related to a \$124,365 revaluation of the Vital Trust portfolio and \$47,286 revaluation of the Brazil portfolio.

The revaluation of the Vital Trust portfolio during the year ended December 31, 2015 is primarily related to compression in discount rates and terminal capitalization rates.

The revaluation of the Brazil portfolio during the three months and year ended December 31, 2015 is related to the actual and estimated increases in rents for inflation, increasing the portfolio's net operating income, as well as, a 50 basis point compression in the discount rate used to value the portfolio.

For the three months ended December 31, 2014, the REIT recorded a fair value gain on investment properties of \$15,663 related to the revaluation of the German portfolio. For the year ended December 31, 2014, the REIT recorded a fair value gain of \$26,814 of which \$10,892 relates to the German portfolio and \$15,922 relates to the Brazil portfolio.

The revaluation of the Brazil portfolio during the year ended December 31, 2014 is related to the contractual increase in rents for inflation, increasing the portfolio's net operating income. Assumptions in respect of capitalization rates and discount rates remain unchanged from the prior quarter. The revaluation of the German portfolio during the year ended December 31, 2014 is related to a decrease in the weighted average discount rate of the portfolio from 8.2% to 6.7%; decrease in the weighted average terminal capitalization rate from 7.5% to 7.4%; and current contracted rents and signed future contracts reflecting increases in occupancy in the portfolio.

See also **INVESTMENT PROPERTIES**.

Net loss on disposal of investment properties

During the three months ended December 31, 2015, the REIT recognized a loss on sale of \$1,218 due to transaction costs associated with the sale of its Pierrefonds Family Care Centre in Montreal, Quebec and its HealthPark and Sydney Medical Arts Building properties in Sydney, Nova Scotia. For the year ended December 31, 2015 the REIT recognized a loss on sale of \$1,352, inclusive of the three properties sold during the quarter and the third quarter sale of its Alexander Medical Building in Peterborough, Ontario.

During the three months and year ended December 31, 2014, the REIT recognized a loss on sale of a leasehold interest in a property in Marktredwitz, Germany of \$Nil and \$98, respectively, due to transaction costs incurred on the sale.

Gain on business combination

During the three months and year ended December 31, 2015 the REIT recognized a gain on business combination of \$Nil and \$69,023, respectively, related to the Combination Transaction.

Gain/Loss on derivative financial instruments

Gain/Loss on derivative financial instruments for the three months and year ended December 31, 2015 and 2014 consisted of the following:

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Canada						
Interest rate swaps	\$ (54)	\$ -	\$ (54)	\$ (929)	\$ -	\$ (929)
Brazil						
Brazil Loans interest rate swaps	669	(1,762)	2,431	709	(1,762)	2,471
Germany						
Interest rate swaps	(44)	(256)	212	32	(1,201)	1,233
Australasia						
Interest rate swaps	2,783	-	2,783	229	-	229
Foreign exchange derivatives	-	-	-	(72)	-	(72)
Foreign exchange contracts	(397)	-	(397)	(373)	-	(373)
Corporate						
Vital Margin Facility interest rate swaps	11	(30)	41	-	(14)	14
Other	-	-	-	-	-	-
Warrant liability	-	6	(6)	-	(232)	232
Total mortgage and loan interest expense	<u>\$ 2,968</u>	<u>\$ (2,042)</u>	<u>\$ 5,010</u>	<u>\$ (404)</u>	<u>\$ (3,209)</u>	<u>\$ 2,805</u>

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended December 31, 2015 was \$15,685 (year ended December 31, 2015 - \$42,521).

The current taxes relate primarily to the income taxes payable by subsidiaries of the REIT in Brazil, as well as the Vital Manager and Vital Trust. For the three months ended December 31, 2015, the REIT recognized a current income tax charge of \$1,483 (year ended December 31, 2015 - \$2,684).

The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended December 31, 2015 related to the German and Brazil investment properties was \$9,514 (year ended December 31, 2015 - \$21,626). Vital Trust recorded a deferred tax liability for the three months ended December 31, 2015 of \$4,059 (year ended December 31, 2015 - \$17,630), which relates primarily to the increase in the carrying value of its investment properties. Vital Manager recorded a deferred tax liability for the three months ended December 31, 2015 of \$629 (year ended December 31, 2015 - \$581).

The current tax and deferred tax expense of the REIT for the three months ended December 31, 2014 was \$2,948 (year ended December 31, 2014 - \$11,541).

The current taxes relate primarily to the income taxes payable in Brazil. For the three months ended December 31, 2014, current tax income was \$178 (year ended December 31, 2014 - \$269 current tax charge).

The REIT recorded a deferred tax liability in Germany and Brazil arising primarily due to the difference between the carrying value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months

ended December 31, 2014 was \$3,126 (year ended December 31, 2014 - \$11,272).

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance. NOI is defined as income from properties after operating expenses have been deducted, computed in accordance with IFRS, but before deducting interest expense, finance costs, depreciation and amortization expense, general and administrative expenses, income taxes, leasehold improvement and leasing costs, and unrecoverable capital costs. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended December 31, 2015 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to October 1, 2014. Same property NOI for the year ended December 31, 2015 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2014.

The REIT's NOI for the three months and year ended December 31, 2015 is summarized below on a same property basis consolidated in Canadian dollars (Table 7) and then separately by region in source currency (Table 7A – Canada, Table 7B – Brazil, Table 7C - Germany and Table 7D - Australasia):

TABLE 7 - SAME PROPERTY NOI						
Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾						
Same property revenue from investment properties	\$ 10,396	\$ 11,595	\$ (1,199)	\$ 35,753	\$ 40,232	\$ (4,479)
Same property operating costs	\$ (1,209)	(1,064)	(145)	(1,356)	(1,477)	121
	\$ 9,187	10,531	(1,344)	34,397	38,755	(4,358)
NOI of the REIT ⁽²⁾	\$ 20,575	-	20,575	52,381	-	52,381
NOI of Vital Trust ⁽³⁾	\$ 14,916	-	14,916	55,507	-	55,507
Acquisitions	\$ 7	-	7	5,434	2,642	2,792
Dispositions	\$ (4)	(4)	-	(1)	33	(34)
Inter-company/elimination	\$ (431)	-	(431)	(1,757)	-	(1,757)
NOI⁽¹⁾	\$ 44,250	\$ 10,527	\$ 33,723	\$ 145,961	\$ 41,430	\$ 104,531
Notes						
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.						
(2) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.						
(3) Effective January 1, 2015, the REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.						

TABLE 7A - SAME PROPERTY NOI - CANADA

In thousands of CAD	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI ⁽¹⁾⁽³⁾⁽⁴⁾						
Same property revenue from investment properties	\$ 35,898	\$ 35,023	\$ 875	\$ 143,024	\$ 141,908	\$ 1,116
Same property operating costs	(16,249)	(15,804)	(445)	(65,310)	(65,240)	(70)
	19,649	19,219	430	77,714	76,668	1,046
Properties held for redevelopment	-	145	(145)	134	865	(731)
Acquisitions	508	-	508	1,961	-	1,961
Dispositions	418	737	(319)	2,061	3,254	(1,193)
NOI ⁽¹⁾	\$ 20,575	\$ 20,101	\$ 474	\$ 81,870	\$ 80,787	\$ 1,083
Reclass to share of profit (loss) of associates ⁽²⁾	-	(20,101)	20,101	(29,489)	(80,787)	51,298
NOI ^{(1) (2)}	\$ 20,575	\$ -	\$ 20,575	\$ 52,381	\$ -	\$ 52,381

Notes

(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

(2) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.

(3) Same property NOI is not directly comparable to the prior year periods due to acquisition adjustments associated with the Combination Transaction that impact the pattern of straight-line rent amortization. Same property NOI includes the straight-line rent income of \$337 and \$882 for the three months and year ended December 31, 2015, respectively (\$121 and \$482 for the three months and year ended December 31, 2014, respectively).

(4) Same Property NOI for Canada has been presented for information purposes only. On a consolidated basis, as NWI has been identified as the accounting acquirer of the REIT, all NOI generated by Canadian properties is treated as an acquisition.

TABLE 7B - SAME PROPERTY NOI - BRAZIL

In thousands of BRL and CAD	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI ⁽¹⁾ - in thousands of BRL						
Same property revenue from investment properties	R\$ 19,741	R\$ 18,680	R\$ 1,061	R\$ 78,810	R\$ 74,330	R\$ 4,480
Same property operating costs	-	-	-	-	-	-
	19,741	18,680	1,061	78,810	74,330	4,480
Acquisitions - in thousands of BRL	-	-	-	-	-	-
Dispositions - in thousands BRL	-	-	-	-	-	-
NOI ⁽¹⁾ - in thousands of BRL	R\$ 19,741	R\$ 18,680	R\$ 1,061	R\$ 78,810	R\$ 74,330	R\$ 4,480
FX Rate	0.3474	0.4461	(0.0987)	0.3884	0.4702	(0.0818)
NOI ⁽¹⁾ - in thousands of CAD	\$ 6,858	\$ 8,333	\$ (1,475)	\$ 30,611	\$ 34,949	\$ (4,338)

Notes

(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.

TABLE 7C - SAME PROPERTY NOI - GERMANY						
In thousands of Euro and CAD	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾ - in thousands of Euro						
Same property revenue from investment properties	€ 2,419	€ 2,299	€ 120	€ 3,624	€ 3,634	€ (10)
Same property operating costs	(827)	(750)	(77)	(955)	(1,016)	61
	1,592	1,549	43	2,669	2,618	51
Acquisitions - in thousands of Euro	6	-	6	3,826	1,816	2,010
Dispositions - in thousands of Euro	(2)	(3)	1	(1)	23	(24)
NOI⁽¹⁾ - in thousands of Euro	€ 1,596	€ 1,546	€ 50	€ 6,494	€ 4,457	€ 2,037
FX Rate	1.4624	1.4186	0.0438	1.4195	1.4540	(0.0345)
NOI⁽¹⁾ - in thousands of CAD	\$ 2,333	\$ 2,194	\$ 139	\$ 9,220	\$ 6,481	\$ 2,739
Notes						
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.						

TABLE 7D - SAME PROPERTY NOI - AUSTRALASIA						
In thousands of NZD and CAD	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Same property NOI⁽¹⁾⁽³⁾ - in thousands of NZD						
Same property revenue from investment properties	\$ 17,873	\$ 16,430	\$ 1,443	\$ 68,741	\$ 66,318	\$ 2,423
Same property operating costs	(1,750)	(1,866)	116	(8,031)	(7,903)	(128)
	16,123	14,564	1,559	60,710	58,415	2,295
Acquisitions - in thousands of NZD	618	526	92	1,464	532	932
Dispositions in thousands of NZD	-	52	(52)	1	276	(275)
NOI⁽¹⁾ - in thousands of NZD	16,741	\$ 15,142	\$ 1,599	\$ 62,175	\$ 59,223	\$ 2,952
FX Rate	0.8910	0.8886	0.0024	0.8928	0.9169	(0.0241)
NOI⁽¹⁾ - in thousands of CAD	\$ 14,916	\$ 13,455	\$ 1,461	\$ 55,507	\$ 54,302	\$ 1,205
Reclass to share of profit (loss) of associates ⁽²⁾	-	(13,455)	13,455	-	(54,302)	54,302
NOI⁽¹⁾ - in thousands of CAD	\$ 14,916	\$ -	\$ 14,916	\$ 55,507	\$ -	\$ 55,507
Notes						
(1) NOI is an additional IFRS measure presented on the condensed consolidated statement of income and comprehensive income. NOI is defined in this MD&A.						
(2) Effective January 1, 2015, the REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.						
(3) Same Property NOI for Australasia has been presented for information purposes only. On a consolidated basis, as the REIT has been identified as the accounting acquirer of the Vital Trust, all NOI generated by Australasian properties is treated as an acquisition.						

Revenue from investment properties

Canada

Same property revenue from investment properties for the three months ended December 31, 2015 is \$875 greater than actual results for the three months ended December 31, 2014 primarily due to \$986 increase in operating cost recoveries driven by an increase in operating costs and net rent improvements, an increase in straight-line rent of \$215 due to acquisition adjustments associated with the Combination Transaction that impact the pattern of straight-line rent amortization, parking revenue increase of \$64 and increased revenue generated by the REIT's managed clinic business (\$83); partially offset by a \$258 reduction in base rent primarily due to occupancy weakness in a few of the REITs properties in Quebec and Nova Scotia and a reduction of lease termination revenue of \$245.

Same property revenue from investment properties for the year ended December 31, 2015 is \$1,116 greater than actual results for the year ended December 31, 2014 primarily due to an increase in straight-line rent of \$400 associated with acquisition adjustments related to the Combination Transaction that impact the pattern of straight-line rent amortization, \$889 increase in operating cost recoveries driven by an increase in recoverable operating costs and net rent improvements, parking revenue increase of \$334, increase in other revenue of \$565 due to lease termination revenue and revenue generated by the REIT's managed clinic business offset by base rent decrease of \$1,072 including the loss of head lease revenue.

Brazil

In Brazil, same property revenues for the three months and year ended December 31, 2015 increased over the comparable prior year period as a result of inflationary adjustments which are implemented annually across the portfolio, in accordance with the REIT's leasing contracts. The rental increase in the fourth quarter of 2015 reflects the annual IPCA adjustments that went into effect earlier in the year. In the second quarter of 2015, the Sabará Tenant lease was adjusted by annual IPCA which increased by 7.7% reflecting the 12 month IPCA rate as at April 1, 2015. In the first quarter, the leases relating to the REIT's HMB and Rede D'Or Hospital Portfolio properties were adjusted for the annual inflation rate realized as at the date of the rental rate increases ranging between 6.41% and 7.7%.

Germany

Same property revenue from Germany's investment properties increased by €120 for the three months ended December 31, 2015 (year ended December 31, 2015 – decreased €10), against the prior year comparable periods. The higher same property revenue for the three months ended December 31, 2015 is primarily related to an increase in overall same property portfolio occupancy by approximately 0.5% as well as higher operating cost recovery income resulting from higher operating costs in the three months ended December 31, 2015. The relatively flat same property revenue for the year ended December 31, 2015 is largely related to lower occupancy at Adlershof 1 by approximately 5%, partially offset by inflationary rental increases to existing tenants by approximately 1% and higher operating cost recoveries.

Australasia

For the three months and year ended December 31, 2015, Vital Trust's same property revenue increased \$1,443 and \$2,423, respectively, over the prior year comparable period primarily due to same property rent increases and rentalization of the expansion at the Hurstville Private Hospital property, as well as, Belmont Private Hospital in Queensland, Australia and Maitland Private Hospital in Newcastle, NSW, Australia.

Property operating costs

Canada

Same property operating expenses for the three months ended December 31, 2015 increased by \$445 over the comparable prior year period primarily due to an increase in general repairs and maintenance costs, higher clinic operating costs associated with the REIT's managed clinic business and higher property taxes. Same property operating expenses for the year ended December 31, 2015 were broadly in line with the prior year period.

Brazil

The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property, excluding social taxes which represent a tax against revenues as a result of the REIT's corporate structure of the entities holding the Brazilian assets. In the second quarter the REIT reclassified social taxes to general and

administrative expenses. The current quarter reflects this presentation and prior year comparable amounts have been restated to conform to the current presentation.

Germany

Same property operating costs for the three months ended December 31, 2015 increased €77 (year ended December 31, 2015 – decreased €61), against the prior year comparable periods. The increase in property operating costs for the three months ended December 31, 2015 was primarily due to higher heating and electricity costs attributable to an increase in overall same property portfolio occupancy by approximately 0.5%. The decrease in property operating costs for the year ended December 31, 2015 was primarily due to bad debt recoveries made in the three months ended December 31, 2015.

Australasia

For the three months ended December 31, 2015, Vital Trust's same property operating costs were \$116 lower than the comparable prior year period due to the timing of recognizing certain operating costs. For the year ended December 31, 2015, Vital Trust's same property operating costs were \$128 lower than the comparable prior year period due to the timing of recognizing certain operating costs.

FUNDS FROM OPERATIONS ("FFO")

FFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates FFO based on certain adjustments to net income (computed in accordance with IFRS) as detailed below. Other adjustments may be made to FFO as determined by management at their discretion.

TABLE 8 - FUNDS FROM OPERATIONS						
Expressed in thousands of Canadian dollars, except per unit amounts						
	Three months ended December 31			Year ended December 31		
	2015 (Unaudited)	2014 (Unaudited)	Variance (Unaudited)	2015 (Unaudited)	2014 (Unaudited)	Variance (Unaudited)
Net income (loss) attributable to unitholders	\$ 4,185	\$ 21,164	\$ (16,979)	\$ 116,854	\$ (26,678)	\$ 143,532
<u>Add / (Deduct):</u>						
(i) Fair market value losses (gains)	(59,506)	(36,360)	(23,146)	(179,682)	(27,886)	(151,796)
Less: Non-controlling interests' share of fair market value losses (gains)	37,879	-	37,879	94,108	-	94,108
(ii) Finance cost - Exchangeable Unit distributions	3,825	5,070	(1,245)	16,986	20,219	(3,233)
(iii) Revaluation of financial liabilities	5,442	5,005	437	13,705	16,804	(3,099)
(iv) Unrealized foreign exchange loss (gain)	4,676	1,625	3,051	2,405	1,503	902
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	208	-	208	(12)	-	(12)
(v) Deferred taxes	14,202	3,126	11,076	39,837	11,272	28,565
Less: Non-controlling interests' share of deferred taxes	(3,065)	-	(3,065)	(13,375)	-	(13,375)
(vi) Non-recurring transaction costs	451	-	451	10,310	-	10,310
(vii) Convertible Debenture issuance costs	3,133	207	2,926	3,134	3,045	89
(viii) Net adjustments for equity accounted entities	-	3,380	(3,380)	2,221	16,537	(14,316)
(ix) Internal leasing costs	551	-	551	1,128	-	1,128
(x) Net loss on disposal of investment properties	1,218	-	1,218	1,352	98	1,254
(xi) Gain on business combination	-	-	-	(69,023)	-	(69,023)
Funds From Operations ("FFO")⁽¹⁾	\$ 13,199	\$ 3,217	\$ 9,982	\$ 39,948	\$ 14,914	\$ 25,034
FFO per Unit - Basic	\$ 0.18	\$ 0.09	\$ 0.09	\$ 0.68	\$ 0.45	\$ 0.23
FFO per Unit - fully diluted ⁽⁴⁾	\$ 0.18	\$ 0.09	\$ 0.09	\$ 0.67	\$ 0.45	\$ 0.22
Adjusted weighted average units outstanding:⁽²⁾⁽³⁾						
Basic	71,715,369	35,449,014	36,266,355	59,161,622	32,976,717	26,184,905
Diluted ⁽⁴⁾	76,404,966	35,500,984	40,903,982	60,677,545	33,027,028	27,650,517
Notes						
(1)	FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.					
(2)	Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.					
(3)	Under IFRS the REIT's Class B LP Units and Class D GP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units and Class D GP Units in basic and diluted units outstanding/weighted average units outstanding. There were 18,998,065 Class B LP Units outstanding as at December 31, 2015 and 18,942,211 Class B LP Units and 231,000 Class D GP Units outstanding as at December 31, 2014.					
(4)	Diluted units includes vested but unissued deferred trust units and the conversion of the REIT's Convertible Debentures that would have a dilutive effect upon conversion at the holders' contractual conversion price. Convertible Debentures are dilutive if the interest (net of tax and other changes in income or expense) per unit obtainable on conversion is less than the basic per unit measure.					

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly FFO for the periods prior to completion of the Combination Transaction reflect the results of NWI. The FFO for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.

See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of FFO.

Additional details on the adjustments to the REIT’s net income to arrive at FFO are below:

(i) **Fair market value gains/ losses**

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	\$ (2,024)	\$ (5,176)	\$ 3,152	\$ 3,930	\$ (2,253)	\$ 6,183
Fair value adjustment of Exchangeable Units	17,797	(17,514)	35,311	(13,201)	(2,015)	(11,186)
Fair value adjustment of investment properties	(73,675)	(15,663)	(58,012)	(170,301)	(26,814)	(143,487)
Loss (Gain) on derivative financial instruments	(2,968)	2,042	(5,010)	404	3,209	(2,805)
Fair value adjustment of DUP Liability	1,364	(49)	1,413	(514)	(13)	(501)
Total	\$ (59,506)	\$ (36,360)	\$ (23,146)	\$ (179,682)	\$ (27,886)	\$ (151,796)

Additional details are below:

(a) Convertible Debentures

Under IFRS the REIT’s Convertible Debentures are classified as financial liabilities measured at fair value through profit and loss and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with the REALpac White Paper on Funds From Operations dated April 2014 (“**REALpac Guidance**”) and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to the Convertible Debentures have been added back to the REIT’s net income.

(b) Exchangeable Units and DUP Liability

Under IFRS the REIT’s Exchangeable Units and DUP Liability are classified as financial liabilities and any related unrealized fair value changes in re-measuring the financial liability impact net income. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to Exchangeable Units and DUP Liability have been added back to the REIT’s net income.

(c) Investment properties

Under IFRS the REIT has elected to use the fair value model to account for its investment properties. Under the fair value model, investment properties are carried on the consolidated balance sheet at fair value. The properties are not depreciated and changes in the fair value of the investment properties are recognized in income in the period in which they occur. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to investment properties have been added back to the REIT’s net income.

(d) Derivative financial instruments

Under IFRS derivative financial instruments are measured at fair value and any related unrealized fair value changes in re-measuring the derivative financial instrument impact net income. Consistent with the REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, unrealized fair value changes related to derivative financial instruments have been added back to the REIT's net income.

(ii) Finance cost – Exchangeable Unit distributions

Under IFRS the REIT's Exchangeable Units are classified as financial liabilities and any related distributions on the Exchangeable Units are regarded as finance costs. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, distributions related to the Exchangeable Units have been added back to the REIT's net income.

(iii) Revaluation of financial liabilities

On maturity, the principal balance of both of the Brazil Term Loans and the holdbacks payable (included in deferred consideration), in respect of the HMB acquisition, settled in December 2014, and Rede D'Or Hospital Portfolio Acquisition, are adjusted by the inflation rate (IPCA or CDI) from the date of inception of these liabilities to their respective maturities. For the three months and year ended December 31, 2015, revaluation losses of \$5,442 and \$13,705, respectively, were recorded to account for the related inflation adjustments to the term loans and holdback payable (three months and year ended December 31, 2014, revaluation losses of \$5,005 and \$16,804, respectively). The accretion expense is treated as a fair value adjustment to the Brazil Term Loans and holdbacks payable related to the HMB acquisition and Rede D'Or Hospital Portfolio Acquisition, and therefore adjusted for when calculating FFO. Although this adjustment is not consistent with REALpac Guidance, the REIT believes the adjustment is consistent with industry practice.

(iv) Unrealized foreign exchange loss (gain)

Under IFRS, financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's unrealized foreign exchange movements for the periods relate primarily to the revaluation of the Vital Margin Facilities which are denominated in New Zealand dollars and held by a Canadian subsidiary of the REIT. Consistent with REALpac Guidance, the foreign exchange movements on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

(v) Deferred taxes

Under IFRS, the REIT has recorded deferred tax liabilities in Germany, Brazil and Vital Trust, arising primarily due to the difference between the book value and tax cost of its investment properties. Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, deferred taxes have been added back to its net income.

(vi) Non-recurring transaction costs

Under IFRS the REIT expensed non-recurring transaction costs related primarily to the Internalization Transaction and Combination Transactions which have been determined to be business combinations. In accordance with the REALpac Guidance, to allow for consistent treatment of transaction costs incurred whether a transaction is recorded as an asset acquisition or business combination, and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT,

transaction costs related to the REIT's Internalization Transaction and Combination Transaction have been added back to net income.

(vii) Convertible Debenture issuance costs

In accordance with IFRS, because the REIT measures its Convertible Debentures at fair value, the REIT expenses the costs related to the issuance of the Convertible Debentures. Although this adjustment is not consistent with REALpac Guidance, these non-recurring finance costs related to the issuance of the Convertible Debentures, have been added back to the REIT's net income which the REIT believes is consistent with industry practice.

(viii) Net adjustments for equity accounted entities

Under IFRS, prior to the completion of the REIT's Internalization Transaction and Combination Transaction, the REIT's investment in associates were accounted for using the equity method of accounting. As such, the REIT's share of its associate's post acquisition net income (loss) was recognized in its net income (loss), and its share of post-acquisition movements in other comprehensive income (loss) was recognized in other comprehensive income (loss). Consistent with REALpac Guidance and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its associate's post acquisition net income (loss) was added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the associates' FFO.

Additional details on these adjustments are provided in the table below:

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Vital Trust - FFO ⁽¹⁾⁽²⁾	\$ -	\$ 8,466	\$ (8,466)	\$ -	\$ 27,838	\$ (27,838)
average % of Vital Trust owned during the period	n/a	24%		n/a	24%	
Vital Trust Proportionate FFO	\$ -	\$ 2,028	\$ (2,028)	\$ -	\$ 6,686	\$ (6,686)
NorthWest REIT - FFO ⁽²⁾⁽³⁾	\$ -	\$ 11,585	\$ (11,585)	\$ 17,200	\$ 46,347	\$ (29,147)
average % of NorthWest REIT owned during the period	n/a	26%		25%	26%	
NorthWest REIT Proportionate FFO	\$ -	\$ 2,957	\$ (2,957)	\$ 4,374	\$ 11,878	\$ (7,504)
Funds From Operations from Associates ("FFO") ⁽²⁾	\$ -	\$ 4,985	\$ (4,985)	\$ 4,374	\$ 18,564	\$ (14,190)
Less: Share of profit (loss) of associates	-	1,605	(1,605)	2,153	2,027	126
Net adjustments for equity accounted entities	\$ -	\$ 3,380	\$ (3,380)	\$ 2,221	\$ 16,537	\$ (14,316)

Notes

(1) Represents the gross distributable income of Vital Trust calculated from their unaudited results for three months ended September 30, 2014, adding the gross distributable income as reported by Vital Trust for the year ended June 30, 2014 and deducting the gross distributable income reported for the six months ended December 31, 2013, converted to Canadian dollars using the average rate during the period. Effective January 1, 2015, as a result of the Internalization Transaction the REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust.

(2) FFO is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. FFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO as reported by other such issuers. FFO is defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(3) The Combination Transaction was completed on May 15, 2015. FFO for the three months and year ended December 31, 2015 represents NorthWest REIT's FFO for the period prior to May 15, 2015. FFO for the for the three and year ended December 31, 2014 represents the FFO as reported by NorthWest REIT.

(ix) Internal leasing costs

In accordance with IFRS, internal leasing costs that aren't incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance these costs that can be reasonably and directly attributed to signed leases, and that would otherwise be capitalized if incurred from external sources, are added back to net income in determining FFO.

(x) Net loss on disposal of investment properties

Consistent with REALpac Guidance the REIT has adjusted FFO for the net loss on disposal of investment properties.

(xi) Gain on business combination

Consistent with REALpac Guidance the REIT has adjusted FFO for the gain recognized on the Combination Transaction.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

AFFO is a supplemental non-IFRS industry wide financial measure of a REIT's operating performance. The REIT calculates AFFO as FFO, plus/minus certain adjustments as detailed below. Other adjustments may be made to AFFO as determined by management at their discretion.

	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Funds From Operations ("FFO")⁽¹⁾	\$ 13,199	\$ 3,217	\$ 9,982	\$ 39,948	\$ 14,914	\$ 25,034
Add / (Deduct):						
(i) Asset management fees paid in NWI trust units	-	876	(876)	-	3,319	(3,319)
(ii) Amortization of intangible asset	-	390	(390)	-	1,561	(1,561)
(iii) Instalment Note	-	-	-	-	215	(215)
(iv) Interest Rate Subsidy	-	684	(684)	669	2,713	(2,044)
(v) Amortization of marked to market adjustment	(3,292)	-	(3,292)	(6,219)	-	(6,219)
(vi) Amortization of deferred financing charges	1,443	2,877	(1,434)	6,907	10,679	(3,772)
Less: Non-controlling interests' share of amortization of deferred financing charges	(94)	-	(94)	(235)	-	(235)
(vii) Straight-line revenue	(348)	(52)	(296)	(488)	(84)	(404)
Less: non-controlling interests' share of straight-line revenue	(48)	-	(48)	(255)	-	(255)
(viii) Leasing costs and non-recoverable maintenance capital expenditures	(2,477)	(205)	(2,272)	(7,064)	(370)	(6,694)
Less: non-controlling interests' share of actual capex and leasing costs	9	-	9	591	-	591
(ix) DUP Compensation Expense	2,958	60	2,898	10,800	221	10,579
(x) Internalization Contribution	-	-	-	1,385	-	1,385
(xi) Debt repayment costs	2,666	-	-	2,666	-	2,666
Adjusted Funds From Operations ("AFFO")⁽¹⁾	\$ 14,016	\$ 7,847	\$ 6,169	\$ 48,705	\$ 33,168	\$ 15,537
AFFO per Unit - Basic	\$ 0.20	\$ 0.22	\$ (0.02)	\$ 0.82	\$ 1.01	\$ (0.19)
AFFO per Unit - fully diluted ⁽³⁾	\$ 0.19	\$ 0.22	\$ (0.03)	\$ 0.80	\$ 0.99	\$ (0.19)
Distributions per Unit - Basic	\$ 0.20	\$ 0.26	\$ (0.06)	\$ 0.69	\$ 0.79	\$ (0.10)
Adjusted weighted average units outstanding:⁽²⁾						
Basic	71,715,369	35,449,014	36,266,355	59,161,622	32,976,717	26,184,905
Diluted ⁽³⁾	79,239,473	37,017,448	42,222,025	63,512,052	37,044,775	26,467,277

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly AFFO for the periods prior to completion of the Combination Transaction reflect the results of NWI. The AFFO for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.

See **PART XII – SUPPLEMENTAL DISCLOSURE** for additional information on the components of AFFO.

Additional details on the adjustments to the REIT's net income to arrive at AFFO are below:

(i) Asset management fees paid in NWI trust units

Prior to the Internalization Transaction, as part of the REIT's external asset management arrangements, the Asset Manager (NWVP) had the option to receive its fees in NWI trust units. To account for the non-cash nature of the asset management fees paid in NWI trust units, the REIT has included an adjustment in AFFO.

(ii) Amortization of intangible asset

Prior to the Internalization Transaction the previously recorded intangible asset, relating to the Management Fee Participation Agreement, was being amortized on a straight line basis over its determined useful life of 10 years. For the three months and year ended December 31, 2014, the REIT had recorded \$390 and \$1,561 of amortization, respectively. As amortization is non-cash, the REIT has included an adjustment in AFFO.

In connection with the Internalization Transaction, the Management Fee Participation Agreement was cancelled effective January 1, 2015. The REIT's new intangible asset relates to the rights and obligations related to the management of Vital Trust. In conjunction with the Internalization Transaction, the REIT acquired the rights to 100% of the management fees paid by Vital Trust through its acquisition of the Vital Manager. The contract that governs the fee stream paid by Vital Trust does not expire and therefore, the intangible asset is not being amortized.

(iii) Instalment Note

As part of the NWI's acquisition of the Sabará Children's Hospital, NWVP agreed to provide an effective interest rate subsidy (the "**Instalment Note**") on the securitization facility related to the Sabará Children's Hospital (the "**Sabará Securitization Facility**") to reduce the in place interest rate of 9.25% plus IPCA to 8% to April 2014.

Under IFRS, the value of the Instalment Note has been recorded as a purchase price adjustment and a corresponding Instalment Note receivable. Payments received in relation to the Instalment Note decrease the REIT's Instalment Note receivable. To account for the economic impact of the reduced rate on the Sabará Securitization Facility, the REIT included an accrual of the amount to be received in respect of the Instalment Note in AFFO. During the year in connection with the Combination Transaction amounts outstanding on the Instalment Note were settled.

(iv) Interest Rate Subsidy

As part of NWI's original acquisition of the investment in the NorthWest REIT from NWVP, NWVP had committed, by means of a capital contribution, that the effective interest rate payable by NWI on the assumed NWH Margin Facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014 (the "**Interest Rate Subsidy**"). In 2014 and again in May 2015, NWVP and the NWI agreed to extend and amend the Interest Rate Subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the NWI on the assumed NWH Margin Facilities did not exceed 4.25% up to March 31, 2015. In connection with the Combination Transaction the NWH Margin Facilities related to the NWI's investment in the REIT were repaid in full and cancelled.

Under IFRS, the value of the Interest Rate Subsidy has been recorded as a capital contribution (direct charge to Unitholders' Equity) and a corresponding receivable from NWVP. Subsequent cash payments made by NWVP were recorded as a reduction of the receivable balance. To account for the economic impact of the reduced rate on the NWH Margin Facilities related to the investment in the REIT, NWI included an accrual of

the cash to be received in respect of the Interest Rate Subsidy in AFFO. As at December 31, 2015, \$669 remains to be collected from NWVP in respect of the Interest Rate Subsidy.

(v) Amortization marked to market adjustment

Under IFRS, the REIT has amortized the debt premium on mortgages assumed at fair value on acquisition. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(vi) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of deferred financing charges. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(vii) Straight-line revenue

Under IFRS rental revenue from operating leases is recognized over the lease term on a straight-line basis. The difference between rental revenue recognized and cash flows is recorded as straight-line rent receivable or payable. To account for the non-cash nature of these differences the REIT has included an adjustment in AFFO.

Also included in the straight-line revenue adjustments are amounts related to the Sabará Securitization Facility. At the time of securitization, deferred revenue was recognized at an amount equal to the present value of the proceeds received upon the securitization. Under IFRS, the REIT has recorded deferred revenue in respect of the Sabará Securitization Facility, which is amortized into income over the remaining term of the lease. The unamortized balance of the deferred revenue, \$9,257 (R\$26,458) as at December 31, 2015, is net against the value of investment properties. As at December 31, 2015, the fair value of the balance outstanding on the Sabará Securitization Facility is \$18,506 (R\$52,891).

To account for the actual revenue received and to eliminate any principal repayment components on the securitization, the REIT includes an adjustment in AFFO.

For the three months ended December 31, 2015 the REIT recorded revenue of \$446 related to the Sabará Securitization Facility (year ended December 31, 2015 - \$1,930), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$421 (year ended December 31, 2015 - \$2,010). As such, the REIT has decreased net income reported under IFRS in AFFO by \$24 for the three months ended December 31, 2015 (year ended December 31, 2015 - \$80 increase).

For the three months ended December 31, 2014 the REIT recorded revenue of \$583 related to the Sabará Securitization Facility (year ended December 31, 2014 - \$2,324), while the actual rent received, less interest on the Sabará Securitization Facility, totaled \$531 (year ended December 31, 2014 - \$2,240). As such, the REIT has reduced net income reported under IFRS in AFFO by \$52 for the three months ended December 31, 2014 (year ended December 31, 2014 - \$84).

(viii) Leasing costs and non-recoverable maintenance capital expenditures

In Canada and Germany, due to the nature of the portfolios, on a quarterly basis and during portfolio repositioning, leasing costs, tenant improvements and maintenance capital expenditures can fluctuate and as such, should not be regarded as stabilized. As a result the REIT uses a reserve of 6% of revenue from investment properties in Canada and Germany when determining AFFO. In Brazil and Australasia due to the long term, triple net nature of the leases in those regions the REIT uses actual leasing costs and non-recoverable maintenance capital expenditures when determining AFFO.

For additional information see **Leasing Costs and Capital Expenditures**.

(ix) DUP Compensation Expense

The REIT's unit-based deferred unit compensation expense is measured at the service commencement date, based on the fair market value of a REIT Trust Unit or Vital Trust unit, as applicable, and this value is amortized to income over the vesting period ("**DUP Compensation Expense**"). Unit-based compensation does not qualify as an equity award and is classified as a liability. As a result the DUP Liability is measured at fair-value every reporting period, based on the fair market value of a REIT Trust Unit or Vital Trust unit at the reporting date, and the change in fair value is also recognized in income.

The period over period change in value of the DUP Liability is added back to income when determining FFO in accordance with REALpac Guidance. However, as the DUP Compensation Expense may be equity settled, at the REIT's option, the REIT has added back DUP Compensation Expense to income when determining AFFO.

(x) Internalization Contribution

As a result of costs incurred by the REIT following completion of the Internalization Transaction, NWVP committed to make a capital contribution to NWI LP (the "**Internalization Contribution**"). For the three months and year ended December 31, 2015, the REIT recorded an Internalization Contribution of \$Nil and \$1,385, respectively. The Internalization Contribution is recorded on the consolidated statement of unitholders' equity. To account for the economic impact of the Internalization Contribution, the REIT included an adjustment to AFFO for the expected cash contribution to be received.

(xi) Debt repayment costs

During the quarter the REIT incurred \$2,666 of costs associated with the early repayment of mortgages. As the costs are non-recurring in nature the REIT has added them back to income when determining AFFO.

DISTRIBUTIONS

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly distributions for the periods prior to completion of the Combination Transaction reflect the distributions paid by NWI. The distributions for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT.

For the three months and year ended December 31, 2015, the REIT declared a total of \$14,345 and \$51,487 in distributions, respectively, including distributions on Exchangeable Units. These distributions reflect an annualized distribution rate of \$1.058 per unit per annum paid by NWI (\$0.22 per unit per annum adjusted by the Exchange Ratio), for the period prior to completion of the Combination Transaction and \$0.80 per unit per annum for the period following completion of the Combination Transaction.

For the three months and year ended December 31, 2014, the REIT declared a total of \$9,578 and \$35,290 in distributions, respectively, including distributions on Exchangeable Units. This reflects an annualized distribution rate of \$1.058 per unit per annum paid by NWI (\$0.22 per unit per annum adjusted by the Exchange Ratio).

Distributions paid per unit over the past twelve months are summarized below:

	Dec-15	Nov-15	Oct-15	Sep-15	Aug-15	Jul-15	Jun-15	May-15	(1)	Apr-15	Mar-15	Feb-15	Jan-15
NWI Distribution (\$)										0.0183	0.0183	0.0183	0.0183
Exchange Ratio										0.208	0.208	0.208	0.208
Monthly distribution (\$)	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667	0.0667		0.0881	0.0881	0.0881	0.0881
NWI unit price (\$)										1.81	1.89	2.01	2.00
Exchange Ratio										0.208	0.208	0.208	0.208
Month-end closing price (\$)	8.93	8.74	8.56	8.00	8.38	7.89	7.97	8.70		8.70	9.09	9.66	9.62
Date of Record	31-Dec-15	30-Nov-15	30-Oct-15	30-Sep-15	31-Aug-15	31-Jul-15	30-Jun-15	29-May-15		30-Apr-15	31-Mar-15	28-Feb-15	31-Jan-15
Date Paid	15-Jan-16	15-Dec-15	16-Nov-15	15-Oct-15	15-Sep-15	17-Aug-15	15-Jul-15	15-Jun-15		15-May-15	15-Apr-15	16-Mar-15	16-Feb-15
Notes													
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. As a result the monthly closing price of NWI's units and monthly distributions paid by NWI presented above, for periods prior to completion of the Combination Transaction, have been adjusted by the Exchange Ratio.													

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan (the "DRIP") have their distribution entitlement used to purchase Trust Units and also receive a "bonus distribution" of Trust Units equal in value to 3% of each distribution.

During the three months and year ended December 31, 2015, a total of 159,593 and 420,229 Trust Units, respectively, were issued under the DRIP (three months and year ended December 31, 2014, a total of 30,808 and 102,776 trust units, respectively, as adjusted for the Exchange Ratio).

As required by National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table outlines the differences between cash flow from operating activities and cash distributions, as well as the differences between net income and cash distributions, in accordance with the guidelines:

Expressed in thousands of Canadian dollars	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Net income (loss) attributable to unitholders	\$ 4,185	\$ 21,164	\$ 116,854	\$ (26,678)
Add: Finance cost - Exchangeable Unit distributions	3,825	5,070	16,986	20,219
Adjusted net income (loss)	\$ 8,010	\$ 26,234	\$ 133,840	\$ (6,459)
Cash flow from operating activities attributable to unitholders	\$ 13,562	\$ 1,481	\$ 28,163	\$ 9,079
Distributions paid and payable				
Trust Units	\$ 10,520	\$ 4,508	\$ 34,501	\$ 15,071
Exchangeable Units	3,825	5,070	16,986	20,219
	\$ 14,345	\$ 9,578	\$ 51,487	\$ 35,290
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	\$ (6,335)	\$ 16,656	\$ 82,353	\$ (41,749)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ (783)	\$ (8,097)	\$ (23,324)	\$ (26,211)

	Three months ended December 31		Year ended December 31	
	2015	2014	2015	2014
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	\$ (783)	\$ (8,097)	\$ (23,324)	\$ (26,211)
Add: Distribution income from equity accounted associates	-	3,824	3,172	15,499
Adjusted surplus (shortfall) of cash flow from operating activities attributable to unitholders over distributions paid and payable	<u>\$ (783)</u>	<u>\$ (4,273)</u>	<u>\$ (20,152)</u>	<u>\$ (10,712)</u>

Prior to the Combination Transaction and Internalization Transaction cash flow from operating activities attributable to unitholders excluded the distribution income from NorthWest REIT and Vital Trust which was classified as cash flow from investing activities under IFRS, and therefore was not considered in the surplus (shortfall) relative to the distributions paid. The distributions earned from its investment in associates are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of these equity investments. After considering the distribution income earned from the REIT's investments in associates, Table 11A therefore identifies that a remaining \$783 and \$20,152 of distributions paid and payable for the three months and year ended December 31, 2015, respectively (\$4,273 and \$10,712 for the three months and year ended December 31, 2014), were financed from other sources.

See section PART IV – CAPITALIZATION AND LIQUIDITY.

In assessing its distribution policy, the REIT considers not only cash flows from operating activities (attributable to unitholders) but also AFFO. Due to the timing of cash receipts relating to certain adjustments affecting AFFO and the fact that certain AFFO adjustments are non-cash, a portion of the 2015 and 2014 distributions were funded by financing activities and the deferral of payment of distributions owing on the Class B LP Units. The REIT believes that it will be able to sustain distributions in the near term as the REIT measures distributions in relation to the AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements.

Net income attributable to Unitholders for the period also reflects material non-cash items such as fair value adjustments to investment properties and financial instruments and deferred taxes, which do not impact cash flow and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

REIT's distributions during 2015 have been deemed a 100% return of capital for tax purposes. Since IPO, annually, approximately 94% to 100% of the REIT's distributions have been deemed a return of capital for tax purposes. As the REIT has a relatively short operating history since IPO, the real estate assets of the REIT have a relatively higher tax base. As such, the REIT will experience a lower taxable income due to tax deductions available to it. Over time, as the REIT grows, its taxable income is expected to grow, and a greater proportion of the REIT's distributions will be allocated to a return on capital (and less a return of capital) for tax purposes. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

The REIT believes that distributions can continue to be funded from a combination of cash flows from operations, the cash distributions received from Vital Trust and future financing activities. However, distributions paid may be in excess of cash available to the REIT from AFFO from time to time due to the timing of certain items affecting AFFO. The REIT may be required to use part of its debt capacity to fund such shortfalls through new financing. There can be no assurance that the REIT shall have sufficient debt capacity or the ability to raise new financing to meet its cash obligations, and as such the REIT may reduce distributions in order to accommodate such cash shortfalls.

The REIT's Board of Trustees has targeted payment of distributions at: (i) 80-95% of the REIT's AFFO; and (ii) an amount at least equal to the net income and net realized capital gains of the REIT as is necessary to ensure that the

REIT will not be liable for ordinary income taxes on such income. The amount of future distributions and the declaration and payment thereof is at the discretion of the Board of Trustees and will be based upon the REIT's financial position, results of operations, cash flow, capital requirements and restrictions under the REIT's debt obligations, as well as broader market and economic conditions, among other factors, and shall be in compliance with applicable Law.

Pursuant to National Policy 41-201 "Income Trusts and Other Indirect Offerings", the following table, Table 12, reconciles the REIT's cash flow from operations to AFFO:

TABLE 12 - RECONCILIATION OF CASH FLOW FROM OPERATIONS TO AFFO						
Expressed in thousands of Canadian dollars						
	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)
Cash flow from operating activities	\$ 20,200	\$ 1,481	\$ 18,719	\$ 46,590	\$ 9,079	\$ 37,511
Add (deduct):						
Non-cash interest expense	(3,970)	(1,293)	(2,677)	285	(664)	949
Non-cash current taxes	(744)	14	(758)	2,425	520	1,905
Changes in non-cash working capital balances	2,491	897	1,594	4,969	(1,612)	6,581
FFO of equity accounted entities	-	4,985	(4,985)	4,374	18,564	(14,190)
Internal leasing costs	551	-	551	1,128	-	1,128
Asset management fees to be paid in NWI trust units	-	876	(876)	-	3,319	(3,319)
Instalment note	-	-	-	-	215	(215)
Interest rate subsidy	-	684	(684)	669	2,713	(2,044)
Non-recurring transaction costs	451	-	451	10,010	-	10,010
Leasing costs and non-recoverable maintenance capital expenditures	(2,477)	(205)	(2,272)	(7,064)	(370)	(6,694)
Internalization contribution	-	-	-	1,385	-	1,385
Amortization of deferred revenue	263	340	(77)	1,160	1,368	(208)
Straight-line revenue	(348)	(52)	(296)	(488)	(84)	(404)
Redemption of units issued under the DUP	316	120	196	1,040	120	920
Amortization of furniture and office equipment	(76)	-	(76)	(275)	-	(275)
Convertible debenture issuance costs	-	-	-	1	-	1
Foreign exchange	(397)	-	(397)	(421)	-	(421)
Debt repayment costs	2,666	-	2,666	2,666	-	2,666
AFFO attributable to non-controlling interest	(4,910)	-	(4,910)	(19,749)	-	(19,749)
	(6,184)	6,366	(12,550)	2,115	24,089	(21,974)
AFFO	\$ 14,016	\$ 7,847	\$ 6,169	\$ 48,705	\$ 33,168	\$ 15,537

QUARTERLY PERFORMANCE

The following is a summary of results for each of the last eight quarterly periods.

TABLE 13 - QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars, except per unit amounts								
	Q4-15	Q3-15	Q2-15 ⁽⁸⁾	Q1-15	Q4-14	Q3-14	Q2-14	Q1-14
Summary of Financial information ⁽¹⁾								
Gross Book Value ("GBV") ⁽²⁾	\$ 2,700,009	\$ 2,521,248	\$ 2,539,814	\$ 1,369,932	\$ 846,271	\$ 863,769	\$ 821,504	\$ 793,358
Debt - Declaration of Trust ⁽³⁾	\$ 1,329,514	\$ 1,321,178	\$ 1,304,335	\$ 618,462	\$ 436,432	\$ 483,808	\$ 492,631	\$ 463,947
Debt to GBV - Declaration of Trust	49.2%	52.4%	51.4%	45.1%	51.6%	56.0%	60.0%	58.5%
Debt - Including Convertible Debentures ⁽³⁾	\$ 1,499,608	\$ 1,440,295	\$ 1,423,610	\$ 694,719	\$ 508,351	\$ 557,154	\$ 529,884	\$ 502,917
Debt to GBV - Incl. Convertible Debentures	55.5%	57.1%	56.1%	50.7%	60.1%	64.5%	64.5%	63.4%
Operating results ⁽⁴⁾								
Net income (loss)	\$ 43,984	\$ 6,502	\$ 152,902	\$ 2,893	\$ 21,165	\$ (11,923)	\$ (8,900)	\$ (27,020)
NOI ⁽⁴⁾	\$ 44,250	\$ 43,641	\$ 34,093	\$ 24,105	\$ 10,044	\$ 10,470	\$ 9,660	\$ 9,231
FFO ⁽⁴⁾⁽⁸⁾	\$ 13,199	\$ 15,526	\$ 9,091	\$ 2,259	\$ 3,217	\$ 3,879	\$ 4,069	\$ 3,583
AFFO ⁽⁴⁾⁽⁸⁾	\$ 14,016	\$ 14,428	\$ 11,684	\$ 8,702	\$ 7,847	\$ 8,621	\$ 8,552	\$ 7,983
Distributions ⁽⁵⁾	\$ 14,345	\$ 14,382	\$ 12,898	\$ 9,862	\$ 9,578	\$ 8,981	\$ 8,636	\$ 8,095
Per Unit amounts ⁽¹⁾⁽⁶⁾⁽⁷⁾								
FFO per unit - Basic	\$ 0.18	\$ 0.22	\$ 0.16	\$ 0.06	\$ 0.09	\$ 0.11	\$ 0.13	\$ 0.12
AFFO per unit - Basic	\$ 0.20	\$ 0.20	\$ 0.21	\$ 0.23	\$ 0.22	\$ 0.26	\$ 0.27	\$ 0.26
Distributions	\$ 0.20	\$ 0.20	\$ 0.22	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.26
Adjusted Weighted Average units outstanding ⁽⁶⁾⁽⁷⁾								
Basic	71,715,369	71,926,782	55,259,676	37,286,974	35,449,014	33,775,938	32,034,544	30,585,138
Notes								
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.								
(2) Gross Book Value is defined as total assets.								
(3) As defined in Non-IFRS measures used in this MD&A.								
(4) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. These terms are defined in this MD&A and reconciled to IFRS-based amounts reported in the consolidated financial statements of the REIT. NOI is an additional IFRS measure and NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers.								
(5) Represents distributions to Unitholders and Class B LP Units and Class D GP Units on an accrual basis. Distributions are payable as at the end of the period in which they are declared by the Board of Trustees, and are paid on or around the 15th day of the following month.								
(6) Outstanding units and weighted average unit amounts, and the associated per unit amounts, for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio.								
(7) Under IFRS the REIT's Class B LP Units and Class D GP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP Units and Class D GP Units in basic and diluted units outstanding/weighted average units outstanding.								
(8) Second quarter 2015 FFO has been restated to reflect a retrospective adjustment for the amortization of leasing costs and tenant improvements. As a result second quarter FFO was reduced by \$77. AFFO was unaffected.								

PART IV – CAPITALIZATION AND LIQUIDITY

CAPITAL STRUCTURE

The REIT, as is common in the real estate industry, considers its capitalization to consist of debt and equity capital. The REIT actively manages both its debt and equity capital with the objective of ensuring that the REIT can continue to grow and operate its business.

The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI and the outstanding units and weighted average unit amounts, and associated per unit amounts, for these periods, reflect the capital structure of NWI as adjusted for the Exchange Ratio.

The REIT monitors its debt regularly for compliance with debt covenants contained in its loan agreements. At the date of this MD&A, the REIT is in compliance with its loan covenants.

The following table shows the REIT's total capital as at December 31, 2015 and December 31, 2014:

TABLE 14 - CAPITAL STRUCTURE ⁽¹⁾		
Expressed in thousands of Canadian dollars	As at	As at
	December 31, 2015	December 31, 2014
	(Unaudited)	(Unaudited)
Mortgages and loans payable	\$ 1,243,762	\$ 395,152
Deferred consideration	34,073	41,280
Mortgages related to assets held for sale	51,679	-
Debt - Declaration of Trust ⁽²⁾	1,329,514	436,432
Convertible Debentures at Fair Value	170,094	71,920
Debt - Including Convertible Debentures ⁽²⁾	1,499,608	508,352
Mortgages and loans payable - marked to market	16,265	-
Mortgages related to assets held for sale - marked to market	995	-
Mortgages and loans payable - unamortized financing costs	(7,034)	(6,840)
Total Debt	1,509,834	501,512
DUP Liability	15,597	457
Class B LP Exchangeable Units	169,653	184,358
Unitholders' equity	515,478	99,968
Total Capitalization	\$ 2,210,562	\$ 786,295

Notes

(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results and capital structure reflect the results of NWI for the periods prior to completion of the Combination Transaction.

(2) As defined in Non-IFRS measures used in this MD&A.

Unitholders' Equity

The following table reconciles the movements in the units outstanding for the three months ended December 31, 2015:

TABLE 14A -UNITS OUTSTANDING	
	<u>(Unaudited)</u>
Units outstanding, September 30, 2015	52,559,736
Issuance of Trust Units under the DRIP	159,593
Issuance of Trust Units under the DUP	-
Dissenting NWI unitholders	(7,084)
Issuance of Trust Units pursuant to conversion of Exchangeable Units	189,998
Cancellation of Trust Units pursuant to NCIB	<u>(210,300)</u>
Trust Units outstanding, December 31, 2015	<u>52,691,943</u>

The following table reconciles the movements in the units outstanding for the three months ended September 30, 2015:

TABLE 14B -UNITS OUTSTANDING	
	<u>(Unaudited)</u>
Units outstanding, June 30, 2015	52,912,530
Issuance of Trust Units under the DRIP	153,946
Issuance of Trust Units under the DUP	105,060
Cancellation of Trust Units pursuant to NCIB	<u>(611,800)</u>
Trust Units outstanding, September 30, 2015	<u>52,559,736</u>

During the three months ended June 30, 2015 pursuant to the Combination Transaction the REIT, as legal acquirer, issued 17,907,902 Trust Units in exchange for 86,095,709 issued and outstanding NWI trust units, representing 0.208 Trust Units for each NWI trust unit outstanding, other than dissenting NWI unitholders. The REIT also redeemed and cancelled 4,345,900 Trust Units held by affiliates of NWI LP. The NWI trust units ceased to trade on the TSXV at the close of business on May 19, 2015.

As the Combination Transaction has been accounted for as a business combination, and NWI has been identified as the accounting acquirer of the REIT, the outstanding units and unitholder's equity for the period prior to the Combination Transaction, reflect the capital structure of NWI as adjusted for the Exchange Ratio. As a result, NWI was deemed to have issued 34,936,028 Trust Units for deemed consideration of \$302,197 to acquire the REIT.

The following table reconciles the movements in the units outstanding for the three months ended June 30, 2015, the period in which the Combination Transaction closed:

TABLE 14C - UNITS OUTSTANDING		
	REIT, legal acquirer	NWI, accounting acquirer
	(Unaudited)	(Unaudited)
Units outstanding, March 31, 2015	39,210,668	87,120,910
Issuance of units under distribution reinvestment plan	71,260	125,257
Dissenting NWI unitholders		(1,150,458)
Units redeemed and cancelled	<u>(4,345,900)</u>	
	34,936,028	86,095,709
Exchange Ratio		<u>0.208</u>
Units outstanding, May 15, 2015	34,936,028	17,907,902
Units issued on acquisition	17,907,902	34,936,028
Issuance of Trust Units under the DRIP	44,739	44,739
Issuance of Trust Units under the DUP	<u>23,861</u>	<u>23,861</u>
Trust Units outstanding, June 30, 2015	<u>52,912,530</u>	<u>52,912,530</u>

For the three months ended March 31, 2015 the number of units outstanding increased from 86,804,781 (18,055,394 Trust Units as adjusted for the Exchange Ratio) to 87,120,910 (18,121,149 Trust Units as adjusted for the Exchange Ratio). The increase in units was a result of (i) the issuance of 143,538 units (29,856 Trust Units as adjusted for the Exchange Ratio) for gross proceeds of \$291,836 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP and (ii) the issuance of 172,591 units (35,899 Trust Units as adjusted for the Exchange Ratio) under the REIT's DRIP at a cost of \$327,018.

As at December 31, 2015 there were 52,691,943 Trust Units issued and outstanding.

NCIB

On June 29, 2015 the REIT announced its intention to make a normal course issuer bid ("**NCIB**") for a portion of its Trust Units as appropriate opportunities arise from time to time. On July 13, 2015, the TSX approved the REIT's NCIB. The REIT intends to acquire up to a maximum of 4,762,579 of its Trust Units, or approximately 10% of its public float, for cancellation over the next 12 months. The number of Trust Units that can be purchased pursuant to the bid is subject to a current daily maximum of 18,054 Trust Units (which is equal to 25% of 72,218, being the average daily trading volume from January 1, 2015 through to June 30, 2015), subject to the REIT's ability to make one block purchase of Trust Units per calendar week that exceeds such limits. Any Trust Units purchased under the normal course issuer bid will be cancelled upon their purchase. The REIT intends to fund the purchases out of its available resources.

The REIT began to purchase Trust Units on July 16, 2015 and the bid will terminate 12 months from such date, or such earlier time as the REIT completes its purchases pursuant to the bid or provides notice of termination. The REIT believes that the repurchase by the REIT of a portion of outstanding Trust Units is an appropriate use of resources and is in the best interests of the REIT.

The REIT adopted an automatic securities purchase plan in connection with its NCIB that contained strict parameters regarding how its Trust Units may be repurchased during times when it would ordinarily not be permitted to purchase Trust Units due to regulatory restrictions or self-imposed blackout periods. The automatic securities purchase plan was effective from July 16, 2015 and had an initial term of three months, which expired on

October 16, 2015. The automatic securities purchase plan was reinstated, with an effective date of December 3, 2015, for a period ending February 15, 2016.

During the three months and year ended December 31, 2015, the REIT acquired 210,300 and 822,100 Trust Units for cancellation, respectively, at a volume weighted average price per unit of \$8.13 and \$8.03, and a total cost of \$1,714 and \$6,648, including commissions and costs (three months and year ended December 31, 2014 – Nil).

Class B LP Units

Under IFRS the REIT's Exchangeable Units are treated as a financial liability rather than equity. As the Exchangeable Units are convertible into Trust Units at the option of the holder, the REIT considers the Exchangeable Units equity for capital management purposes.

The following table reconciles the movements in Exchangeable Units outstanding for the three months ended December 31, 2015:

TABLE 14D -EXCHANGEABLE UNITS OUTSTANDING	
	<u>(Unaudited)</u>
Exchangeable Units outstanding, September 30, 2015	19,188,063
Conversion of Exchangeable Units to Trust Units	<u>(189,998)</u>
Exchangeable Units outstanding, December 31, 2015	<u><u>18,998,065</u></u>

There were no changes in Exchangeable Units during the three months ended September 30, 2015.

During the three months ended June 30, 2015, pursuant to the Combination Transaction, the REIT's 7,551,546 outstanding class B ("Class B Units") limited partnership units of NHP Holdings Limited Partnership ("NHP LP"), held by affiliates of NWI LP were converted to Class A units of NHP Holdings Limited Partnership eliminated on consolidation of NWI LP. The 7,551,546 Special Voting Units attached to the Class B limited partnership units of NHP Holdings Limited Partnership were redeemed and retracted.

The following table reconciles the movements in the Exchangeable Units outstanding for the three months ended June 30, 2015, the period in which the Combination Transaction closed:

TABLE 14E -EXCHANGEABLE UNITS OUTSTANDING		
	<u>REIT, legal acquirer</u>	<u>NWI, accounting acquirer</u>
	<u>0.00%</u>	<u>0.00%</u>
Class B Units or Exchangeable Units outstanding, March 31, 2015	7,551,546	92,250,303
Class B Units converted and eliminated on consolidation	<u>(7,551,546)</u>	<u>92,250,303</u>
Exchange Ratio	-	<u>0.208</u>
Exchangeable Units outstanding, May 15, 2015	-	19,188,063
Exchangeable Units of NWI LP consolidated	<u>19,188,063</u>	-
Exchangeable Units outstanding, June 30, 2015	<u><u>19,188,063</u></u>	<u><u>19,188,063</u></u>

Immediately prior to the closing of the Internalization Transaction, on January 28, 2015, the independent trustees of the REIT determined that the Class C Amount for the year ended December 31, 2014 was \$144,948. The incentive fee was settled through the issuance of Class D GP Units to an affiliate of NWVP, which resulted in the

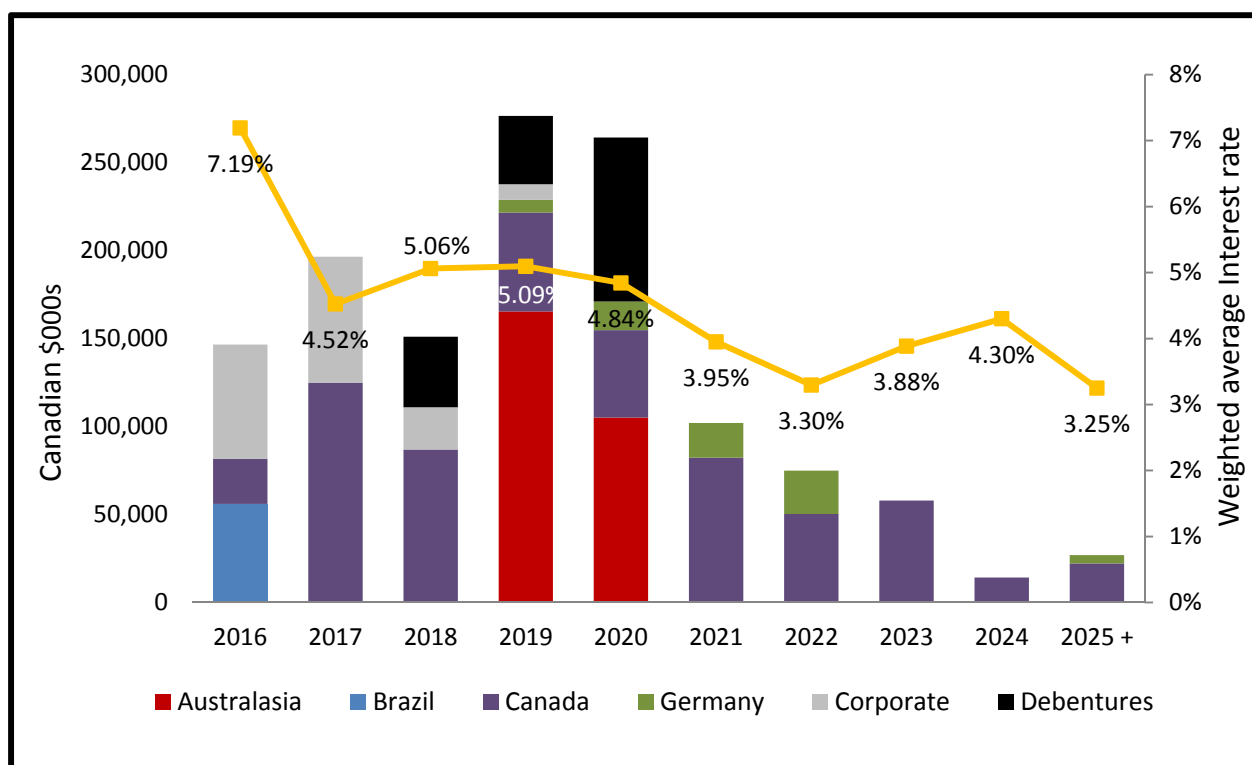
issuance of 71,403 Class D GP Units. Pursuant to the Internalization Transaction, the NWI LP Agreement was amended and restated on January 28, 2015 whereby the Class C Amount was eliminated. Further, all Class D GP Units outstanding at that time (245,852 units adjusted for the Exchange Ratio) were exchanged for Class B LP Units and the Class D GP Unit certificates were cancelled.

Debt

The following table summarizes the REIT's debt as at December 31, 2015 and December 31, 2014:

TABLE 15- DEBT						
Expressed in thousands of Canadian dollars (Unaudited)						
As at December 31, 2015						
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity
Canada						
Mortgages	4.23%	\$ 663,068	\$ 16,265	\$ (1,066)	\$ 678,267	May 2016 - January 2029
Brazil						
Brazil Term Loans	10.30%	\$ 56,058	-	(1,930)	\$ 54,128	December 2016
Germany						
Mortgages	1.96%	\$ 84,690	-	(1,857)	\$ 82,833	June 2019 - August 2025
Australasia						
Term loans	5.16%	\$ 270,607	-	(1,298)	\$ 269,309	March 2019 to October 2020
Corporate						
Vital Margin Facilities	6.08%	\$ 48,839	-	(122)	\$ 48,717	December 2016 - August 2018
Acquisition Facility	8.20%	\$ 24,000	-	(508)	\$ 23,492	January 2017
Revolving Credit Facility	3.12%	\$ 71,500	-	(224)	\$ 71,276	November 2017
Non-Revolving Credit Facility Expansion	3.70%	\$ 25,000	-	(29)	\$ 24,971	March 2016
	4.78%	\$ 169,339	-	(883)	\$ 168,456	
Total Mortgages and Loans Payable	4.63%	\$ 1,243,762	16,265	(7,034)	\$ 1,252,993	
Deferred Consideration (Brazil)	n/a	\$ 34,073	-	-	\$ 34,073	n/a
Total Debt excluding Convertible Debentures		\$ 1,277,835	16,265	(7,034)	\$ 1,287,066	
Convertible Debentures (Corporate)	6.17%	\$ 172,100	(2,006)	-	\$ 170,094	March 2018 - October 2020
Total Debt	4.82%	\$ 1,449,935	\$ 14,259	\$ (7,034)	\$ 1,457,160	
Mortgages related to assets held for sale	4.78%	\$ 51,679	\$ 995	-	\$ 52,674	May 2016 - April 2020
As at December 31, 2014						
	Weighted average interest rate ⁽¹⁾	Outstanding Balance	Marked to Market	Unamortized Financing Costs	Balance	Maturity
Brazil						
Brazil Term Loans	7.30%	\$ 180,099	-	\$ (3,790)	\$ 176,309	December 2015 - January 2016
Germany						
Mortgages	2.35%	76,624	-	(1,070)	75,554	November 2017 - June 2021
Corporate						
NWH Margin Facilities	8.86%	67,928	-	(836)	67,092	September 2015 - November 2015
Vital Margin Facilities	6.87%	46,501	-	(169)	46,332	December 2015 - August 2018
Acquisition Facility	8.20%	24,000	-	(975)	23,025	January 2017
	8.08%	138,429	-	(1,980)	136,449	
Total Mortgages and Loans Payable	6.61%	395,152	-	(6,840)	388,312	
Deferred Consideration (Brazil)	n/a	41,280	-	-	41,280	n/a
Total Debt excluding Convertible Debentures		436,432	-	(6,840)	429,592	
Convertible Debentures (Corporate)	7.09%	78,850	(6,930)	-	71,920	March 2018 - October 2019
Total Debt	6.69%	\$ 515,282	\$ (6,930)	\$ (6,840)	\$ 501,512	
Notes						
(1) Weighted average interest rate of Total Debt has been calculated excluding Deferred Consideration						

The following chart summarizes, as at December 31, 2015, the REIT's debt maturities:



Additional details on the REIT's mortgages and loans payables are set out below:

Canada – Mortgages

The following table summarizes, as at December 31, 2015, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its Canadian investment properties:

Expressed in thousands of Canadian dollars				
	<u>Scheduled principal payments</u>	<u>Debt maturing during the year</u>	<u>Total mortgages payable</u>	<u>Weighted average interest rates</u>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
As at December 31, 2015				
2016	\$ 15,791	\$ 25,523	\$ 41,314	5.53%
2017	15,238	124,973	140,211	5.33%
2018	14,862	86,970	101,832	3.33%
2019	12,540	56,192	68,732	3.58%
2020	11,485	49,564	61,049	4.25%
2021	8,282	82,299	90,581	4.29%
2022	6,458	50,264	56,722	4.08%
2023	3,516	57,931	61,447	3.88%
2024	2,085	14,225	16,310	4.30%
2025 and thereafter	2,697	22,173	24,870	3.49%
	<u>\$ 92,954</u>	<u>\$ 570,114</u>	<u>\$ 663,068</u>	<u>4.23%</u>
Marked to market premium			16,265	-0.83%
			679,333	<u>3.40%</u>
Unamortized financings costs			(1,066)	
Total			<u>\$ 678,267</u>	

During the quarter the REIT made progress on its Canadian mortgage early refinancing program to extend mortgage terms and reduce interest costs, completing \$59,675 of mortgage refinancings for five of its assets in Canada with a weighted average fixed interest rate of approximately 2.99% and weighted average term to maturity of 5.6 years. This replaced existing mortgages with an aggregate balance of \$50,332 and a weighted average interest rate of 5.47% generating net proceeds, after early repayment fees and transaction costs, of \$7,032.

On November 2, 2015, the REIT also repaid the mortgage outstanding on its North York Medical Arts Building property in Toronto, Ontario with an outstanding balance of \$9,634, which was financed in part through a draw from the REIT's credit facility. The mortgage bore an interest rate of 5.19% and was due to mature in September 2016. The North York Medical Arts property has been pledged as security to the Revolving Credit Facility.

Brazil – Loans

TABLE 15B - BRAZIL TERM LOANS				
Expressed in thousands of Canadian dollars				
As at December 31, 2015	Scheduled principal payments (Unaudited)	Debt maturing during the year (Unaudited)	Total mortgages payable (Unaudited)	Weighted average interest rates (Unaudited)
2016	\$ -	\$ 56,058	\$ 56,058	10.30%
	\$ -	\$ 56,058	\$ 56,058	10.30%
Unamortized financings costs			(1,930)	
Total			\$ 54,128	

On October 23, 2015, the REIT entered into a contract to extend the Brazil Term Loans relating to the Rede D'Or Hospital Portfolio which were set to mature December 22, 2015, on terms similar to the current term loans. Two loans relating to the REIT's Hospitals Santa Luzia and Coração have been extended one year to December 21, 2016. On December 21, 2015, the interest rate swaps relating to the original term of the expiring term loans of Hospitals Santa Luzia and Coração were repaid totaling \$2,523 (R\$7,234). The balance outstanding relating to these two loans is \$56,058 (R\$160,213) as at December 31, 2015. In December 2015, the REIT entered into new interest rate swaps to fix the interest rate on these loans to 10.30% plus an adjustment to the principal balance of the term loans for IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). On December 21, 2015, utilizing funds from the Revolving Credit Facility and associated Non-Revolving Credit Facility Expansion, the REIT repaid the C\$38,645 (R\$110,937) term loan relating to Hospital Caxias as well as the related expiring interest rate swap for C\$1,749 (R\$5,014).

On November 3, 2015, the REIT paid in full the outstanding balance of the term loan related to its HMB asset totaling \$42,681 (R\$125,000). The HMB term loan was set to mature on January 4, 2016 and bore an interest rate of 8.95%. The term loan was repaid with net proceeds from the NWH.DB.D Convertible Debentures. The interest rate swap related to the term loan was repaid on December 21, 2015 for C\$1,964 (R\$5,695).

As noted in the third quarter the REIT received a conditional commitment from a Brazilian financial institution and expects to complete a long term financing in respect of its HMB asset. The financing is for an amount ranging from \$63,000 to \$72,000 (R\$180,000 to R\$205,000) with a term of 10 years and maximum interest rate of the NTN-B (an inflation (IPCA) linked bond) plus 200 basis points. The financing is subject to due diligence and regulatory approvals. The REIT expects to complete the long term financing before the end of the second quarter and the net proceeds are expected to be used to principally repay outstanding Brazilian debt.

Germany – Mortgages

The following table summarizes, as at December 31, 2015, scheduled principal payments, debt maturity amounts and weighted average interest rates of the REIT's mortgages secured by its German investment properties:

TABLE 15C - GERMAN MORTGAGES				
Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rates
As at December 31, 2015	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2016	\$ 2,326	\$ -	\$ 2,326	-
2017	2,100	-	2,100	-
2018	2,133	-	2,133	-
2019	1,973	7,264	9,237	2.23%
2020	1,634	16,291	17,925	1.42%
2021	1,083	19,762	20,845	2.55%
2022	406	24,677	25,083	1.70%
2023	119	-	119	-
2024	119	-	119	-
2025 and thereafter	59	4,744	4,803	2.11%
	\$ 11,952	\$ 72,738	\$ 84,690	1.96%
Unamortized financings costs			(1,857)	
Total			\$ 82,833	

All of the REIT's investment properties in Germany have been pledged as security against the German mortgages and loans.

Australasia – Term Loans

TABLE 15D - AUSTRALASIA TERM LOANS				
Expressed in thousands of Canadian dollars				
	Scheduled principal payments	Debt maturing during the year	Total mortgages payable	Weighted average interest rates
As at December 31, 2015	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
2016	\$ -	\$ -	\$ -	-
2017	-	-	-	-
2018	-	-	-	-
2019	-	165,431	165,431	5.16%
2020	-	105,176	105,176	5.16%
	\$ -	\$ 270,607	\$ 270,607	5.16%
Unamortized financings costs			(1,298)	
Total			\$ 269,309	

Vital Trust has a syndicated revolving multi-currency facility with ANZ Bank New Zealand Limited, Australia and New Zealand Banking Group Limited and Bank of New Zealand. During the quarter Vital Trust favourably repriced and extended its existing bank facilities on more competitive terms and added an additional \$101,000 (A\$100,000) Tranche D expiring October 30, 2020. With respect to the existing facility Tranche A: approximately \$126,000 (A\$125,000) and Tranche B: approximately \$101,000 (A\$100,000) both retained their existing expiry of March 31, 2019 but benefit from lower line and margin fees. Tranche C: approximately \$101,000 (A\$100,000) plus the New Zealand Dollar Facility, approximately \$19,000 (NZ\$20,000) were extended from March 31, 2017 to October 30, 2020 and benefit from lower line and margin fees.

Borrowings are secured by a security trust deed dated April 1, 2003 and as amended and restated on June 26, 2014. Pursuant to the deed, a security interest has been granted of first ranking mortgages over the respective investment properties by a general security deed over the assets and undertakings of Vital Trust.

The Vital Trust's policy is to convert a portion of its floating rate debt to fixed rates using interest rate swaps to maintain 70% to 100% of its borrowings in fixed rate instruments. Vital Trust has entered into interest rate swaps that mature over the next 10 years and have fixed interest rates ranging from 2.69% to 5.72% that fix interest on \$212,598 (NZ\$223,952) of the syndicated facility.

Corporate – NWH Margin Facilities

The NWH Margin Facilities, prior to completion of the Combination Transaction, consisted of various revolving margin facilities with two separate financial institutions and allowed NWI to borrow funds against the market value of the Trust Units of the REIT. As security for the NWH Margin Facilities NWI had pledged substantially all of the Trust Units of the REIT it had acquired.

NWH Margin Facilities in the amount of \$68,143 were repaid in full and cancelled on closing of the Combination Transaction with a portion of the proceeds coming from a \$50,000 blanket second mortgage financing secured by certain of the REIT's Canadian investment properties.

Interest on the NWH Margin Facilities was calculated daily and ranged from 4.25% to 10.75% per annum. As part of the original acquisition of the REIT's Trust Units by NWI, NWVP had committed, by means of a capital contribution (referenced in this MD&A as the Interest Rate Subsidy), that the effective interest rate payable by the NWI on the assumed NWH Margin Facilities would not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which had been recorded as a receivable from NWVP at the date of NWI acquisition of the investment in the REIT. Throughout 2014 and again in March 2015, NWVP and NWI had agreed to extend and amend the Interest Rate Subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by NWI on the assumed NWH Margin Facilities would not exceed 4.25% up to March 31, 2015.

Corporate – Vital Margin Facilities

The Vital Margin Facilities are secured by Vital Trust units owned by the REIT. These margin facilities bear interest at a rate that fluctuates with the one-month rate for New Zealand dollar bills of exchange (the "BKBM" rate) and require a minimum loan-to-fair market value of the Vital Trust units pledged of 50-57%. The margin facilities mature between December 31, 2016 and August 26, 2018. During the quarter the REIT renewed one of the Vital Margin Facilities, with a balance of \$39,994 (NZ\$42,130) set to mature December 31, 2015, for another one year period on same terms.

As at December 31, 2015, the principal balance outstanding on the Vital Margin Facilities is \$48,839 (NZ \$51,447) and the REIT has pledged 81,659,865 units of Vital Trust as security for the Vital Margin Facilities.

The REIT has entered into an interest rate swap with respect to one of the margin facilities secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately \$4,462 (NZ \$4,700) of the outstanding margin facility balance. The interest rate swap fixes the interest rate at 4.03% and terminates on March 29, 2016.

Corporate – Acquisition Facility

On December 19, 2013, in connection with the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only credit facility which has a principal of \$24,000 (the "**Acquisition Facility**"). The Acquisition Facility bears interest at the greater of 8.20% per annum or the Canadian prime rate plus 4.00% per annum, payable monthly. The Acquisition Facility is secured by a general security agreement (with the exclusion of certain specific assets) and matures on January 1, 2017.

On November 27, 2015 the REIT amended its Acquisition Facility dividing it into two sub-facilities: 1) \$8,000 non-revolving facility, and 2) \$16,000 revolving facility.

Corporate – Revolving Credit Facility

As at December 31, 2015, the REIT has \$75,000 revolving credit facility (inclusive of the Letter of Credit Facility but excluding the Non-Revolving Credit Facility Expansion), which facility bears interest at rates ranging from the bank's prime rate plus 0.85% to 1.00% (previously bank's prime plus 1.00%) or Bankers' Acceptances plus 1.85% to 2.00% (previously Banker's Acceptances plus 2.00%), with a term to November 2, 2017 (the "**Revolving Credit Facility**"). Included in the Revolving Credit Facility is a \$5,000 revolving letter of credit facility, the unutilized portion of which may be used for revolving credit facility borrowings. The REIT has an option to expand the Revolving Credit Facility to \$100,000 and to extend the facility for a further one year period, each subject to terms and conditions satisfactory to the lenders.

The Revolving Credit Facility is secured by a pool of first ranking mortgages on certain properties and the terms of a general security agreement. There was \$71,500 drawn against the Revolving Credit Facility as at December 31, 2015, excluding \$25,000 of advances under the Non-Revolving Credit Facility Expansion (as noted below).

Non-Revolving Credit Facility Expansion

December 21, 2015 the REIT negotiated and drew down a temporary \$25,000 non-revolving expansion of the Revolving Credit Facility (the "**Non-Revolving Credit Facility Expansion**"). The Non-Revolving Credit Facility Expansion matures on March 31, 2016 with mandatory principal repayment, prior to maturity, from the net proceeds of certain investment property sales, debt or equity financing. Additional security for the Non-Revolving Credit Facility Expansion is provided by an assignment of certain investment property sales agreements and the net proceeds received from these sales. The balance outstanding on the Non-Revolving Credit Facility Expansion was \$25,000 as at December 31, 2015. The Non-Revolving Credit Facility Expansion is subject to a leverage covenant which the REIT has met.

Proceeds received from the Non-Revolving Credit Facility Expansion were used to repay Brazil Term Loan relating to Hospital Caxias. Subsequent to the quarter ended December 31, 2015, the REIT repaid \$16,200 of the outstanding balance.

Convertible Debentures

The following table summarizes, as at December 31, 2015, the REIT's Convertible Debentures:

TABLE 15E - CONVERTIBLE DEBENTURES						
Expressed in thousands of Canadian dollars	Fair Value ⁽¹⁾	Face Value	Interest Rate	Conversion Price per Unit	Maturity Date	Interest Payment Dates
Series NWH.DB	39,043	40,250	5.25%	\$ 14.20	September 30, 2020	March 31, September 30
Series NWH.DB.A	22,826	22,600	6.50%	\$ 13.70	March 31, 2018	March 31, September 30
Series NWH.DB.B	17,535	17,500	7.50%	\$ 11.54	September 30, 2018	March 31, September 30
Series NWH.DB.C	38,750	38,750	7.25%	\$ 12.50	October 31, 2019	April 30, October 31
Series NWH.DB.D	51,940	53,000	5.50%	\$ 11.25	October 31, 2020	April 30, October 31
	<u>\$ 170,094</u>	<u>\$ 172,100</u>	<u>6.17%</u>			

Notes

(1) The fair value of the Convertible Debentures is based on the closing trading price of the REIT's Convertible Debentures as at the reporting date.

NWI's convertible debentures, previously trading under the symbols MOB.DB, MOB.DB.A and MOB.DB.B, were assumed by the REIT, ceased to trade on the TSXV at the close of business on May 19, 2015 and commenced trading on the TSX under the symbols NWH.DB.A, NWH.DB.B and NWH.DB.C, respectively, on May 20, 2015. The conversion provisions for each series of debentures were adjusted by the Exchange Ratio whereby the series

NWH.DB.A convertible debentures are convertible at a price of \$13.70 per unit being a ratio of 72.9927 per \$1,000 principal amount of debentures, the series NWH.DB.B convertible debentures are convertible at a price of \$11.54 per unit being a ratio of 86.6551 per \$1,000 principal amount of debentures, and the series NWH.DB.C convertible debentures are convertible at a price of \$12.50 per unit being a ratio of 80.0000 per \$1,000 principal amount of debentures.

On October 9, 2015, and on November 5, 2015 pursuant to the exercise of the over-allotment option, the REIT issued a combined \$53,000 principal amount of convertible unsecured subordinated debentures (the "**NWH.DB.D Convertible Debentures**"). The net proceeds of the offering were partially used to repay the balance owing on the term loan related to the REIT's HMB asset in Brazil, and for general trust purposes, thus improving its cost of debt and debt maturity profile without increasing its overall leverage.

The NWH.DB.D Convertible Debentures pay interest at 5.50% per annum, payable semi-annually on the last day of April 30 and October 31 commencing on April 30, 2016, and are convertible at the holder's option into units of the REIT at a conversion price of \$11.25 per unit. The debentures are not redeemable prior to October 31, 2018. From October 31, 2018 to October 31, 2019, the series NWH.DB.D Convertible Debentures may be redeemed in whole or in part from time to time at the REIT's option, at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the units on the Toronto Stock Exchange for the 20 consecutive trading days preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. From October 31, 2019 onward, the NWH.DB.D Convertible Debentures are redeemable at the option of the REIT, in whole or in part, at a redemption price equal to par plus accrued and unpaid interest.

The NWH.DB.D Convertible Debentures are listed and publicly traded on the TSX under the symbol NWH.DB.D.

Deferred Consideration

Deferred consideration relates to holdbacks payable and transaction costs not yet paid related to previously completed acquisitions.

In connection with the Rede D'Or Hospital Portfolio Acquisition on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complies with conditions related to certain title and zoning matters. On October 17, 2014, the purchase and sale agreement with respect to the Rede D'Or Hospital Portfolio Acquisition was amended to extend the payment date of the holdback related to Hospital Caxias D'Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) to the payment date the holdback will be adjusted by the variation of the CDI plus 7.34% annually. The amendment provides that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be nil between January 15, 2015 and the date the vendor conditions are resolved. On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved. As such, between January 15, 2015 and October 16, 2015, no inflation adjustment has been recognized in respect of the holdback. On October 16, 2015 the REIT was notified that the vendor conditions relating to the purchase and sale agreement of the REIT's Hospital Caxias D'Or property were resolved and that the holdback is now payable on April 15, 2016. As such the REIT has accrued the inflation adjustment for the period from October 16, 2015 to December 31, 2015. The balance of the holdback as at December 31, 2015 was \$27,428 (R\$78,388).

For the three months and year ended December 31, 2015, accretion expense of \$733 and \$970 (three months and year ended December 31, 2014 - \$1,221 and \$3,775) was recorded, respectively, to account for the related CDI adjustments on the holdbacks payable which has been recorded as finance costs in the consolidated statement of income (loss) and comprehensive income (loss).

On August 29, 2014, in connection with the acquisition of Hohenschoenhausen, the REIT held back a portion of the purchase price for potential working capital adjustments and information deficiencies. As at December 31, 2015,

the balance remaining to be paid is \$212. Settlement of the holdback, which was originally due no later than 1 year from closing, is currently being negotiated and is expected to be settled in the next 12 months.

DUP Liability

Under IFRS, the REIT's DUP Liability is measured at fair value each reporting period. The fair value of the DUP Liability mirrors the trading price of the REIT Trust Units. As at December 31, 2015 the DUP Liability is \$15,597 (December 31, 2014 - \$457).

RATIOS AND COVENANTS

Pursuant to the Declaration of Trust the REIT shall not incur or assume any indebtedness, as defined, if, after giving effect to the incurrence or assumption of such indebtedness, the total indebtedness of the REIT would be more than 65% of GBV.

The REIT's overall borrowing policy is to obtain secured mortgage financing on a primarily fixed rate basis, with a term to maturity that is appropriate having regard to the lease maturity profile for each property and which allows the REIT to (i) achieve and maintain staggered debt maturities to lessen exposure to interest rate fluctuations and re-financing risk in any particular period and (ii) fix the rates and extend loan terms as long as possible when borrowing conditions are favourable. The following summarizes the status of these key ratios as at and for the three months and year ended December 31, 2015:

TABLE 15F- RATIOS ⁽¹⁾						
Expressed in thousands of Canadian dollars						
	As at December 31, 2015	As at December 31, 2014				
	<u>(Unaudited)</u>	<u>(Unaudited)</u>				
Gross Book Value ⁽²⁾	\$ 2,700,009	\$ 846,271				
Debt - Declaration of Trust ⁽³⁾	\$ 1,329,514	\$ 436,432				
Debt to Gross Book Value - Declaration of Trust	49.2%	51.6%				
Debt - Including Convertible Debentures ⁽³⁾	\$ 1,499,608	\$ 508,352				
Debt to Gross Book Value - Including Convertible Debentures	55.5%	60.1%				
	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>	<u>(Unaudited)</u>
Income (Loss) before taxes	\$ 59,669	\$ 24,112	\$ 35,557	\$ 259,946	\$ (15,137)	\$ 275,083
Add (deduct):						
Mortgage and loan interest expense	20,228	7,696	12,532	64,297	29,313	34,984
Distributions on Exchangeable Units	3,825	5,070	(1,245)	16,986	20,219	(3,233)
Amortization of deferred financing costs	1,443	2,877	(1,434)	6,907	10,679	(3,772)
Amortization of marked to market adjustment	(3,292)	-	(3,292)	(6,219)	-	(6,219)
Amortization of intangible asset	-	390	(390)	-	1,561	(1,561)
EBITDA	\$ 81,873	\$ 40,145	\$ 41,728	\$ 341,917	\$ 46,635	\$ 295,282
Loss on revaluation of financial liabilities	5,442	5,005	437	13,705	16,804	(3,099)
Fair market value losses (gains)	(59,506)	(36,360)	(23,146)	(179,682)	(27,886)	(151,796)
DUP Compensation Expense	2,958	60	2,898	10,800	221	10,579
Foreign exchange loss (gain)	4,798	1,693	3,105	2,192	1,115	1,077
Net loss on disposal of investment properties	1,218	-	1,218	1,352	98	1,254
Convertible Debenture issuance costs	3,133	207	2,926	3,134	3,045	89
Gain on business combination	-	-	-	(69,023)	-	(69,023)
Transaction costs	451	-	451	10,310	-	10,310
Less: Share of (profit) loss of associates	-	(1,605)	1,605	(2,153)	(2,027)	(126)
Add: Distribution income from equity accounted associates	-	3,824	(3,824)	3,172	15,499	(12,327)
Adjusted EBITDA	\$ 40,367	\$ 12,969	\$ 27,398	\$ 135,724	\$ 53,504	\$ 82,220
Mortgage and loan interest expense	\$ 20,228	\$ 7,696	\$ (12,532)	\$ 64,297	\$ 29,313	\$ (34,984)
Less: Debt repayment costs	(2,666)	-	2,666	(2,666)	-	2,666
Adjusted mortgage and loan interest expense	\$ 17,562	\$ 7,696	\$ (9,866)	\$ 61,631	\$ 29,313	\$ (32,318)
Interest Coverage	2.30	1.69	0.61	2.20	1.83	0.37
Notes						
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. The REIT is the legal acquirer; however, NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results and capital structure reflect the results of NWI for the periods prior to completion of the Combination Transaction.						
(2) As defined in Non-IFRS measures used in this MD&A.						

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

Expressed in thousands of Canadian dollars	As at	
	December 31, 2015	December 31, 2014
	(Unaudited)	(Unaudited)
Cash	\$ 14,835	\$ 18,370
Restricted Cash	561	2,578
Total	\$ 15,396	\$ 20,948

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil Term Loans and, prior to the completion of the Combination Transaction, a margin facility related to the NWI's investment in the REIT.

The REIT also has a Revolving Credit Facility that may provide additional liquidity. The liquidity of the Vital Margin Facilities fluctuates based on the market price (as defined in the respective agreements) of the pledged units securing the facilities.

On the assumption that occupancy levels remain strong, and that the REIT will be able to obtain financing on reasonable terms, the REIT anticipates meeting all current and future obligations as they come due. Management expects to refinance maturing debt and finance future acquisitions from: (i) existing cash balances, and (ii) a mix of mortgage debt secured by investment properties, bridge facilities, operating facilities, issuance of equity and convertible/unsecured debentures. Cash flow generated from operating activities and distribution income received from the REIT's investment in Vital Trust are sources of liquidity to service debt (except maturing debt), sustain maintenance capital expenditures, leasing costs and unit distributions.

Contractual cash flows

Liquidity risk arises from the REIT's financial obligations and in the management of its assets, liabilities and capital structure. This risk is managed by regularly evaluating the liquid financial resources available to fund current and long-term obligations and to meet the REIT's capital commitments in a cost-effective manner. The REIT expects to be able to meet all of its obligations as they become due and have sufficient liquidity from the following sources: (i) cash flow from operating activities; (ii) distribution income received from its investment in Vital Trust; (iii) financing available through both conventional mortgage debt secured by income producing properties, as well as unsecured debt; (iv) the issuance of new equity and debt securities; and (v) to the extent necessary, the sale of assets.

The following table sets out the REIT's contractual cash flows as at December 31, 2015:

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flow	Year						
			2016	2017	2018	2019	2020	Thereafter	
Accounts payable and accrued liabilities	\$ 45,020	\$ 45,020	\$ 45,020	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Distributions payable	3,513	3,513	3,513	-	-	-	-	-	-
Income tax payable	7,373	7,373	7,373	-	-	-	-	-	-
Liabilities related to assets held for sale	52,674	52,674	52,674	-	-	-	-	-	-
Deferred consideration	34,073	34,073	34,073	-	-	-	-	-	-
Convertible debentures	170,094	213,909	8,439	10,619	49,985	46,588	98,278	-	-
Mortgages and loans payable	1,252,993	1,364,660	193,988	238,102	147,375	267,739	197,433	320,023	-
Total	\$ 1,565,740	\$ 1,721,222	\$ 345,080	\$ 248,721	\$ 197,360	\$ 314,327	\$ 295,711	\$ 320,023	\$ -

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount, or possibly none of operating cash flows or any cash distribution received from its investment in Vital Trust to finance other capital requirements, such as acquisitions, maturing debt principal and significant capital expenditures. Instead, the REIT intends to finance such initiatives through the issuance of additional equity or debt securities. From time to time, the REIT may also consider other financing initiatives, such as the refinancing of mortgages on existing properties and entering into additional credit facilities.

The REIT's current liabilities totaled \$283,048, exceeding current assets of \$111,240, resulting in a working capital deficiency of \$171,808 as at December 31, 2015.

Current liabilities include:

- \$52,674 of liabilities related to assets held for sale. The proceeds of the sale of these assets are expected to be more than sufficient to settle the associated liabilities.
- The REIT's Non-Revolving Credit Facility Expansion totaling \$25,000 which matures March 31, 2016. This liability is expected to be repaid from property dispositions and mortgage refinancing proceeds.
- Vital Margin Facilities totaling \$39,994 which matures December 31, 2016. The Vital Margin Facility has historically been renewed and is expected to continue to roll over each one year period. The nature of most margin loans is that they have terms no longer than one year and are renewed consistently each year. The REIT expects to renew its Vital Margin Facility for another one year term upon maturity with very few substantial changes to the terms as the loans remain in good standing and are fully secured by Vital Trust units which are highly liquid securities.
- Deferred consideration of \$27,428 associated with the Rede D'Or Hospital Portfolio Acquisition which is payable on April 15, 2016. The REIT expects to have sufficient funds to settle this amount from the long term refinancing of its HMB asset.

There are no assurances that the timing, amounts and/or terms of any refinancing, or other efforts will be on terms favourable or otherwise satisfactory to the REIT. If the terms of any such refinancing or other efforts are less favourable than the terms of the existing loans, then the financial condition of the REIT, as well as the REIT's ability to continue to meet required interest and principal payments, meet capital commitments, or to continue to make distributions at current levels, may be materially adversely affected.

Changes in Cash

The following table sets out the REIT's net change in cash:

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Cash provided by / (used in):						
Operating activities	\$ 20,200	\$ 1,481	\$ 18,719	\$ 46,590	\$ 9,079	\$ 37,511
Investing activities	(20,491)	2,753	(23,244)	(64,381)	(50,309)	(14,072)
Financing activities	1,815	(18,003)	19,818	13,896	58,554	(44,658)
Net increase / (decrease) in cash during the period	1,524	(13,769)	15,293	(3,895)	17,324	(21,219)
Effect of foreign currency translation	2,825	(666)	3,491	360	(1,590)	1,950
Net increase / (decrease) in cash during the period	\$ 4,349	\$ (14,435)	\$ 18,784	\$ (3,535)	\$ 15,734	\$ (19,269)
Notes						
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The financial results for the periods subsequent to the completion of the Combination Transaction reflect the consolidated results of the REIT and NWI.						

Operating activities

Cash provided by operating activities totaled \$20,200 for the three months ended December 31, 2015 as compared to cash flow provided by operating activities of \$1,481 for the three months ended December 31, 2014, an increase of \$18,719. Of this increase, \$7,358 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction. \$8,787 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust. This was partially offset by transaction costs of \$451 and incremental general and administrative expenses being incurred as a result of internalization of management, as well as, other working capital movements.

For the year ended December 31, 2015, cash provided by operating activities totaled \$46,590 as compared to cash flow provided by operating activities of \$9,079 for the year ended December 31, 2014, an increase of \$37,511. Of this increase, \$22,296 is attributable to the consolidation of the results of the REIT with NWI following completion of the Combination Transaction. \$24,313 is attributable to the acquisition of control of Vital Trust effective January 1, 2015, whereby the REIT now consolidates the results of Vital Trust. This was partially offset by transaction costs of \$10,310 and incremental general and administrative expenses being incurred as a result of internalization of management.

Investing activities

Cash used by investing activities totaled \$20,491 for the three months ended December 31, 2015, which is primarily due to \$10,992 related to acquisitions of investment properties and \$30,288 of additions to investment properties, partially offset by net proceeds on disposal of investment properties of \$19,941.

Cash provided by investing activities totaled \$2,753 for the three months ended December 31, 2014, which is a result of additions to investment properties of \$726, and an increase to restricted cash related to the Brazil Term Loans of \$345, offset by the cash distributions received from Vital Trust and NWHP REIT totaling \$3,824.

Cash used in investing activities totaled \$64,205 for the year ended December 31, 2015, which is primarily due to \$12,346 related to acquisitions of investment properties and \$81,001 of additions to investment properties partially offset by net proceeds on disposal of investment properties of \$20,175, distribution income from associates of \$3,172 and cash acquired on the Combination Transaction of \$3,217.

For the year ended December 31, 2014, cash used in investing activities totaled \$50,309 which is primarily a result of the cash consideration paid on the acquisition of the Core German MOB Portfolio on June 25, 2014 of \$53,734, cash consideration paid on the acquisition of Hohenschoenhausen on August 29, 2014 of \$17,030, additions to investment properties of \$984 and a net decrease to restricted cash of \$885. These outflows were partially offset by the cash distributions received from Vital Trust and NorthWest REIT totaling \$15,499 and the proceeds of \$6,825 on disposal of the Marktredwitz property in Germany.

Financing activities

Cash generated in financing activities totaled \$1,815 for the three months ended December 31, 2015 as compared to \$18,003 during the three months ended December 31, 2014.

During the three months ended December 31, 2015, the REIT received net proceeds on the issuance of NWH.DB.D Convertible Debentures of \$49,868, made net payments on mortgages and loans payable and credit facilities of \$25,758, paid financing fees of \$3,347, received net advances from related parties of \$511, paid distributions to REIT unitholders of \$13,050, paid distributions to non-controlling unitholders of Vital Trust of \$4,695 and acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$1,714.

During the three months ended December 31, 2014, the REIT obtained a new mortgage related to the acquisition of the Core German MOB Portfolio of \$1,419, raised net proceeds of \$31,526 through the issuance of Trust Units and the overallocation of the Series NWH.DB.C Debentures (formerly MOB.DB.B Debentures), made net repayments of mortgages and loans payable and credit facilities of \$14,317, paid deferred consideration of \$28,927, paid financing fees of \$1,465, received net advances from related parties of \$387, and paid distributions of \$6,626.

Cash generated in financing activities totaled \$13,896 for the year ended December 31, 2015 as compared to \$58,554 during the year ended December 31, 2014.

During the year ended December 31, 2015, the REIT received net proceeds on the issuance of NWH.DB.D Convertible Debentures of \$49,868, received net payments on mortgages and loans payable and credit facilities of \$21,595, paid financing fees of \$7,884, received net advances from related parties of \$32,694, paid distributions to REIT unitholders of \$58,284, paid distributions to non-controlling unitholders of Vital Trust of \$17,445 and acquired Trust Units for cancellation, pursuant to the REIT's NCIB, at a total cost of \$6,648.

During the year ended December 31, 2014, the REIT obtained new mortgages related to the acquisition of the Core German MOB Portfolio and Hohenschoenhausen of \$43,881, discharged the mortgage related to the disposal of the Marktredwitz property of \$4,887, raised net proceeds of \$92,306 through a combination of the issuance of Trust Units (net of costs), warrant exercise and NWH.DB.C Debentures (formerly Series MOB.DB.B Debentures), made net repayments of mortgages and loans payable and credit facilities of \$16,816, paid deferred consideration of \$32,780, paid financing fees of \$3,565, received net advances from related parties of \$1,669, and paid distributions of \$21,252.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months and year ended December 31, 2015, approximately 65% and 69%, respectively, of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last four quarters is presented below:

AFFO by Currency by Quarter ⁽²⁾		Trading Range ⁽¹⁾⁽³⁾																																																																																
<table border="1"> <caption>AFFO by Currency by Quarter Data</caption> <thead> <tr> <th>Quarter</th> <th>BRL</th> <th>NZD</th> <th>EUR</th> <th>CAD</th> </tr> </thead> <tbody> <tr> <td>Q4-14</td> <td>59%</td> <td>21%</td> <td>18%</td> <td>1%</td> </tr> <tr> <td>Q1-15</td> <td>58%</td> <td>14%</td> <td>14%</td> <td>13%</td> </tr> <tr> <td>Q2-15</td> <td>23%</td> <td>42%</td> <td>8%</td> <td>28%</td> </tr> <tr> <td>Q3-15</td> <td>24%</td> <td>25%</td> <td>9%</td> <td>41%</td> </tr> <tr> <td>Q4-15</td> <td>30%</td> <td>27%</td> <td>9%</td> <td>34%</td> </tr> </tbody> </table>		Quarter	BRL	NZD	EUR	CAD	Q4-14	59%	21%	18%	1%	Q1-15	58%	14%	14%	13%	Q2-15	23%	42%	8%	28%	Q3-15	24%	25%	9%	41%	Q4-15	30%	27%	9%	34%	<p>(Against CAD)</p> <table border="1"> <thead> <tr> <th></th> <th>BRL</th> <th>EUR</th> <th>NZD</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>0.3946</td> <td>1.5289</td> <td>0.9515</td> </tr> <tr> <td>Low</td> <td>0.3311</td> <td>1.4081</td> <td>0.8787</td> </tr> <tr> <td>Average</td> <td>0.3708</td> <td>1.4559</td> <td>0.8522</td> </tr> </tbody> </table> <p>Balance Sheet:</p> <table border="1"> <tbody> <tr> <td>December 31, 2015</td> <td>0.3499</td> <td>1.5126</td> <td>0.9493</td> </tr> <tr> <td>December 31, 2014</td> <td>0.4365</td> <td>1.4038</td> <td>0.9043</td> </tr> </tbody> </table> <p>Profit & Loss:</p> <table border="1"> <tbody> <tr> <td>Q4 2015 Average Rate</td> <td>0.3474</td> <td>1.4624</td> <td>0.8910</td> </tr> <tr> <td>Q3 2015 Average Rate</td> <td>0.3708</td> <td>1.4559</td> <td>0.8522</td> </tr> <tr> <td>Q2 2015 Average Rate</td> <td>0.4004</td> <td>1.3597</td> <td>0.8996</td> </tr> <tr> <td>2015 Average Rate</td> <td>0.3885</td> <td>1.4187</td> <td>0.8938</td> </tr> <tr> <td>Q4 2014 Average Rate</td> <td>0.4461</td> <td>1.4186</td> <td>0.8886</td> </tr> <tr> <td>2014 Average Rate</td> <td>0.4702</td> <td>1.4670</td> <td>0.9169</td> </tr> </tbody> </table>				BRL	EUR	NZD	High	0.3946	1.5289	0.9515	Low	0.3311	1.4081	0.8787	Average	0.3708	1.4559	0.8522	December 31, 2015	0.3499	1.5126	0.9493	December 31, 2014	0.4365	1.4038	0.9043	Q4 2015 Average Rate	0.3474	1.4624	0.8910	Q3 2015 Average Rate	0.3708	1.4559	0.8522	Q2 2015 Average Rate	0.4004	1.3597	0.8996	2015 Average Rate	0.3885	1.4187	0.8938	Q4 2014 Average Rate	0.4461	1.4186	0.8886	2014 Average Rate	0.4702	1.4670	0.9169
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<p>Notes</p> <p>(1) For the three months ended December 31, 2015.</p> <p>(2) Canadian Dollar AFFO represents the REIT's proportionate share of FFO from NorthWest REIT prior to the Combination Transaction, the consolidated AFFO of the REIT's Canadian operations after the Combination Transaction and interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses, net of subsidies.</p> <p>(3) Rates are presented against the Canadian Dollar.</p>																																																																																		

For the three months ended December 31, 2015, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future investments in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions, interest payments and other corporate expenses. A significant portion of the funds raised in Canadian dollars from the convertible debenture offering, or borrowed through the Revolving Credit Facility and Non-Revolving Credit Facility Expansion were converted into Brazilian Real to fund repayments of debt in Brazil.

For the three months ended December 31, 2015, Canadian dollar AFFO was \$4,754 while Canadian dollar distributions paid in cash to Unitholders totaled \$13,050. Deficiencies were funded from cash repatriated to Canada from Brazil, Germany and New Zealand and the existing working capital and borrowings.

As at December 31, 2015 the REIT held approximately \$6,578 of cash and receivables denominated in Canadian Dollars.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT has not executed any derivative foreign currency hedging arrangements in the past year; however, Vital Trust has in place a proactive currency management policy which aims to reduce volatility in the Australian dollar relative to the New Zealand dollar. Vital Trust's transaction hedging policy framework minimizes earnings volatility by means of coverage on forecasted Australian dollar profits. Vital Trust's translation hedging is managed both through natural hedges as Vital Trust has Australian based investment properties and Australian denominated borrowings and through rolling foreign exchange contracts.

The REIT intends to implement its formal hedging policy, when necessary, practicable and economically feasible to do so, to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's current hedging arrangements include natural currency hedges through local-currency denominated debt,

inflation-indexed leases that provide protection against currency devaluation, and exposure to a diversified basket of currencies. Future hedging arrangements may include implementing specific foreign currency hedging derivatives. The REIT (with the exception of Vital Trust) does not currently have any specific foreign currency hedging derivatives in place.

PART V – RELATED PARTY TRANSACTIONS

- a) As at December 31, 2015, NWVP indirectly owned approximately 34% of the outstanding Trust Units (approximately 29% on a fully-diluted basis assuming conversion of the REIT's Convertible Debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP Units. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer (“CEO”) of the REIT, is the sole shareholder, sole director and President of NWVP. Bernard Crotty, a Trustee of the REIT, served as Senior Vice-President of NWVP up to December 31, 2014. Teresa Neto, Chief Financial Officer of the REIT, served as Chief Financial Officer of NWVP up to December 31, 2014.
- b) From the initiation of NWI until January 28, 2015, affiliates of NWVP served as the NWI's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. On January 28, 2015, the NWI internalized its external management arrangements, terminating the asset management, property management and development functions of NWI carried on by affiliates of NWVP. The Internalization Transaction also resulted in NWI acquiring from NWVP all of the rights and obligations relating to the management of Vital Trust.

Post the Internalization Transaction, the REIT entered into a Cost-Sharing Agreement with an affiliate of NWVP for certain general management and administration support services for a fee based on cost-sharing. The REIT also has entered into a monthly Sublease Agreement with an affiliate of NWVP for the REIT to lease its head office premises.

The following table summarizes the related party transactions with NWVP and its affiliates related to the former Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement as well as the Cost-Sharing and Sublease Agreements during the period:

Expressed in thousands of Canadian dollars	Three months ended December 31			Year ended December 31		
	2015	2014	Variance	2015	2014	Variance
	(Unaudited)	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)
Base asset management fees paid ⁽¹⁾	\$ -	\$ 876	\$ (876)	\$ -	\$ 3,319	\$ (3,319)
Property management fees paid	-	553	(553)	-	991	(991)
Vital Management Fee Participation earned	-	(436)	436	-	(2,372)	2,372
Interest revenue	-	(340)	340	(305)	(1,360)	1,055
Out-of-pocket costs paid	143	82	61	743	1,412	(669)
Cost-sharing and sublease amounts paid	\$ 23	\$ -	\$ 23	\$ 248	\$ -	\$ 248

Notes

(1) During the three months and year ended December 31, 2015 NWI issued Nil and 143,538 NWI trust units, respectively, to settle outstanding asset management fees owing to a subsidiary of NWVP (Nil and 29,856 Trust Units adjusted for the Exchange Ratio). During the three months and year ended December 31, 2014, the NWI issued 402,958 NWI trust units (83,815 Trust Units adjusted for the Exchange Ratio) and 1,526,212 NWI trust units (317,452 Trust Units adjusted for the Exchange Ratio), respectively, to settle outstanding asset management fees owing to a subsidiary of NWVP.

c) The following table summarizes the balance owing from NWVP and its subsidiaries:

TABLE 19B - RELATED PARTY BALANCE SHEET AMOUNTS					
Expressed in thousands of Canadian dollars	As at		As at		Variance
	December 31, 2015		December 31, 2014		
	(Unaudited)		(Unaudited)		
Amounts receivable					
Working capital and closing adjustment (i)	\$	-	\$	16,967	\$ (16,967)
Interest Rate Subsidy (ii)		669		4,155	(3,486)
Instalment Note (iii)		-		1,386	(1,386)
Promissory Note (iv)		-		-	-
Vital Management Fee Participation		-		4,702	(4,702)
Interest (i)		-		2,941	(2,941)
Internalization Contribution (v)		1,385		-	1,385
Other	\$	-	\$	57	\$ (57)
Amounts payable					
Class B Exchangeable Unit distributions	\$	1,267	\$	13,377	\$ (12,110)
Cost-sharing and sublease amounts	\$	318	\$	-	\$ 318

(i) Working capital and closing adjustment receivable - Initial International Assets

The working capital and closing adjustment receivable from a subsidiary of NWVP arises as a result of the differences in the values of the working capital and debt indirectly assumed on acquisition of the initial international assets by NWI as compared to the values assigned at the time of the signing of the agreement entered into in connection with the acquisition. The working capital and closing adjustment receivable was unsecured and was previously due on December 31, 2013, but was fully repaid during the second quarter of 2015. The working capital and closing adjustment receivable accrued an approximate economic return of 8% per annum when permissible. For the three months ended March 31, 2015, NWVP agreed to pay interest of \$305.

(ii) Interest Rate Subsidy

As part of NWI's acquisition of the investment in NorthWest REIT, NWVP had committed, by means of a capital contribution (referenced in this MD&A as the Interest Rate Subsidy), that the effective interest rate payable by the REIT on the assumed NWH Margin Facilities should not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. At the date of acquisition the present value of the Interest Rate Subsidy was \$1,874 and was recorded as a receivable from NWVP, and subsequent cash payments by NWVP will be recorded as a reduction of the receivable balance.

Throughout 2014 and again in March 2015, NWVP and NWI agreed to extend and amend the Interest Rate Subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to March 31, 2015. To reflect the extension of the Interest Rate Subsidy in 2014 and again in March 2015, the NWI recorded an additional receivable from NWVP of \$2,282 and \$669 respectively with the offset recorded directly to equity as a capital contribution. In connection with the Combination Transaction the NWH Margin Facilities related to the NWI's investment in NorthWest REIT were repaid in full and cancelled.

(iii) Instalment Note

In connection with the NWI's acquisition of the Initial International Assets, the REIT entered into the Instalment Note arrangement with an affiliate of NWVP to partially compensate NWI for assuming

obligations associated with the Sabará Securitization Facility. Pursuant to the Instalment Note, NWI earned from an affiliate of NWVP, two receipts – on April 2, 2013 (extended to April 2, 2014) and April 2, 2014 respectively. The Instalment Note was non-interest bearing. The receipt of the principal portion of the installment receipts would be recorded as a reduction of the Instalment Notes and is, therefore, not recorded as revenue. The Instalment Note was initially recorded at the present value of the future cash flows. The Instalment Note receipts were settled in full during the second quarter of 2015.

(iv) Promissory Note

The promissory note receivable arose on closing of the Internalization Transaction, which represented the difference between the agreed upon termination fee payable to NWVP less the deferred unit plan liability (vested and unvested deferred units) assumed by the NWI (the “**Promissory Note**”). The Promissory Note was non-interest bearing and was due on demand. The Promissory Note was settled in full during the second quarter of 2015.

(v) Internalization Contribution

As a result of costs incurred by NWI following completion of the Internalization Transaction, NWVP has committed to making an Internalization Contribution to NWI LP. For the three months and year ended December 31, 2015, the REIT recorded an Internalization Contribution of \$Nil and \$1,385, respectively. The Internalization Contribution is recorded in the consolidated statement of unitholders' equity.

Transactions with related parties disclosed above are recorded at the transaction amount, being the price agreed between the parties.

PART VI – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 2 of the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2015.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgements, estimates, and assumptions that affect the reported amounts recognized in the financial statements. These estimates have a direct effect on the measurement of transactions and balances recognized in the financial statements. Actual results could differ from estimates. The significant judgments and key estimates made by the REIT are outlined below:

Intangible asset

The intangible asset represents the REIT's rights and obligations under the contract between the Vital Manager and Vital Trust. The intangible asset has been measured at its fair value as at the effective date of the Internalization Transaction, January 1, 2015. When estimating the fair value of the intangible asset, the REIT made estimates and assumptions that have a significant effect on the reported value of the intangible asset. Estimates used in determining the fair value of the intangible asset include management fees, operating expenses, discount rates, capitalization rates, inflation rates, interest rates, taxation rates, foreign currency exchange rates and earnings multiples.

Incentive fee revenue

Revenues from performance-based incentive fees are recorded on the accrual basis based on the amount that would be due under the Vital Trust incentive fee formula at the end of the measurement period established by the

contract. The calculation includes management estimates of capitalization rates, foreign currency exchange rates, and timing of completion of development activities.

As the REIT consolidates Vital Trust the incentive fees do not appear on the consolidated income statement of the REIT as it is an inter-company transaction. However, the REIT's Unitholders receive the benefit of approximately 76% of the incentive fees, representing the amount that is paid by the non-controlling interest of Vital Trust.

Investment properties

Investment properties are re-measured to fair value at each reporting date, determined based either on internal valuation models incorporating available market evidence, or on valuations performed by third party appraisers. When estimating the fair value of investment properties, the REIT makes estimates and assumptions that have a significant effect on the reported value of investment properties. Estimates used in determining the fair value of the investment properties include capitalization rates, discount rates, inflation rates, vacancy rates, net operating income and capital expenditures.

Interests in associates

If it is determined that objective evidence exists that indicate that the REIT's interest in its associates has been impaired, the investment must be written down to its estimated fair value. Estimates used in determining the fair value of the associates include discount rates, inflation rates, net operating income and cash flows.

Derivative financial instruments

The measurement of the fair value of the REIT's derivative financial instruments is based on estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value.

Leases

The REIT makes judgments in determining whether leases in which the REIT is the lessor are operating or finance leases, and has determined that all of its leases are operating leases. The accounting treatment of leases as finance leases would have a significant effect on the measurement of transactions and balances in the consolidated financial statements.

Investment Acquisitions

When investments properties are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. A transaction is considered to be a business combination if the acquired investment meets the definition of a business in accordance with IFRS 3, "Business Combinations", being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return.

Business Combinations are measured at fair value on the date of acquisition based on the aggregate of the consideration transferred. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at fair value at the acquisition date and acquisition-related costs are recognized in the consolidated statement of income as incurred.

When acquisition of an investment does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of the acquisition is allocated to the assets and liabilities acquired based upon their relative fair values at the acquisition date, and no goodwill is recognized. Acquisition related costs are capitalized to the investment at the time the acquisition is completed.

All of the REIT's property acquisitions, with the exception of any interest in investment properties acquired as a result of the Internalization Transaction and Combination Transaction, have been accounted for as asset acquisitions.

Income Taxes

With the exception of subsidiaries that are subject to income taxes, deferred income taxes are not recognized in the consolidated financial statements on the basis that the REIT can deduct distributions paid such that its liability for income taxes is substantially reduced or eliminated for the year. In applying this accounting policy, the REIT has made the judgment that the REIT intends to continue to distribute its taxable income and continue to qualify as a real estate investment trust for the foreseeable future; however, should it no longer qualify it would not be able to flow through its taxable income to unitholders and the REIT would be subject to Canadian taxation on its non-portfolio earnings.

PART VII – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and the Convertible Debentures and in the activities of the REIT, including the following, which current and prospective Unitholders and current or prospective investors in Convertible Debentures should carefully consider.

RISKS RELATING TO REAL PROPERTY OWNERSHIP

Real Property Ownership and Tenant Risks

All real property investments are subject to elements of risk. By specializing in a particular type of real estate, the REIT is exposed to adverse effects on that segment of the real estate market and does not benefit from a diversification of its portfolio by property type. The value of real property and any improvements thereto depends on the credit and financial stability of tenants, and upon the vacancy rates of the properties. Cash flows will be adversely affected 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 in which the REIT has an interest becomes vacant and is not able to be leased on economically favourable lease terms, if at all. Upon the expiry of any lease, there can be no assurance that the lease will be renewed or the tenant replaced. The terms of any subsequent lease may be less favourable to the REIT than the existing lease. In the event of default by a tenant, delays or limitations in enforcing rights as lessor may be experienced and substantial costs in protecting the REIT's investment may be incurred. Furthermore, at any time, a tenant of any of the properties in which the REIT has an interest may seek the protection of bankruptcy, insolvency or similar laws that could result in the disclaimer and termination of such tenant's lease, any of which events could have an adverse effect on the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. Certain of the REIT's tenants, such as laboratories, may require licences to operate their business. To the extent these businesses are unable to obtain licences or maintain existing licences, the REIT's operations may be adversely impacted. The ability to rent unleased space in the properties in which the REIT will have an interest will be affected by many factors, including general economic conditions, local real estate markets, changing demographics, supply and demand for leased premises, competition from other available premises and various other factors, many of which are beyond the REIT's control.

Fixed Costs

The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property taxes, ground rent, 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 REIT 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. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space. The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Liquidity

Real property investments tend to be relatively illiquid, with the degree of liquidity generally fluctuating in relation to demand for and the perceived desirability of such investments. Such illiquidity may limit the REIT's ability to vary its portfolio promptly in response to changing economic or investment conditions. If the REIT were to be required to liquidate its real property investments, the proceeds to the REIT might be significantly less than the aggregate carrying value of its properties which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

Competition

The real estate business is competitive. Numerous other developers, managers and owners of office properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REIT's tenants could have a negative effect on the REIT's ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Competition for acquisitions of real property can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Current Economic Environment

Continued concerns about the uncertainty over whether the global economy will be adversely affected by inflation, deflation or stagflation, and the systemic impact of increased unemployment, volatile energy costs, geopolitical issues, the availability and cost of credit, and the mortgage market in certain regions have contributed to increased market volatility and weakened business and consumer confidence. Although the healthcare real estate industry is an asset class that is not typically impacted by recessions or economic slowdowns, this difficult operating environment could adversely affect the REIT's ability to generate revenues, thereby reducing its operating income and earnings. It could also have an adverse impact on the ability of the REIT to maintain occupancy rates in the REIT's properties, which could harm the REIT's financial condition. If these economic conditions worsen, the REIT's tenants and operators may be unable to meet their rental payments and other obligations due to the REIT, which could have a material adverse effect on the REIT.

Environmental Matters

Environmental legislation and regulations have become increasingly important in recent years. As an owner of interests in real property in Brazil, Germany, Australia, New Zealand and Canada, the REIT is subject to various federal, state and municipal laws relating to environmental matters in each jurisdiction. Such environmental laws impose actual and contingent liabilities on us to undertake remedial action on contaminated sites and in contaminated buildings.

Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the REIT's officers infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The REIT may be required to provide for additional reserves to sufficiently allocate toward the REIT's potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and the REIT's ability to make distributions on the Trust Units.

The REIT is not aware of any material non-compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT strives to set policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

The REIT intends to make the necessary capital and operating expenditures to comply with environmental laws and address any material environmental issues and such costs relating to environmental matters may have a material adverse effect on the REIT's properties, financial condition or results of operation and decrease the amount of cash available for distribution. However, environmental laws can change and the REIT may become subject to even more stringent environmental laws in the future, with increased enforcement of laws by the government. Compliance with more stringent environmental laws, which may be more rigorously enforced, the identification of currently unknown environmental issues or an increase in the costs required to address a currently known condition may have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders.

RISKS RELATING TO THE BUSINESS OF THE REIT

Financing and Interest Rate Risks

As at December 31, 2015 the REIT had outstanding indebtedness of \$1,457,160, including the Convertible Debentures, but excluding Class B LP Units. Although a portion of the cash flow generated by investment properties will be devoted to servicing such debt, there can be no assurance that the REIT will continue to generate sufficient cash flow from operations to meet required interest and principal payments. If the REIT is unable to meet interest or principal payments, it could be required to seek renegotiation of such payments or obtain additional equity, debt or other financing. The failure of the REIT to make or renegotiate interest or principal payments or obtain additional equity, debt or other financing could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

The REIT will be subject to the risks associated with debt financing, including the risk that the mortgages and banking facilities secured by the REIT's 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, which may reduce AFFO. In order to minimize this risk, the REIT will attempt to diversify the term structure of its debt so that in no one year a disproportionate amount of its debt matures. As at December 31, 2015, \$232,141 of the REIT's total indebtedness is at variable rates (excludes \$348,835 of variable rate loans that have been hedged to fixed interest rates with interest rate swaps). This will result in fluctuations in the REIT's cost of borrowing as interest rates change. To the extent that interest rates rise, the REIT's operating results and financial condition could be adversely affected and decrease the amount of cash available for distribution. In addition, the REIT has conduit loans outstanding as at December 31, 2015. Access to this type of financing has diminished, and there is a risk that the REIT may not be able to refinance such loans on similar terms. Based upon the REIT's current loan-to-value ratios and loan amortizations, the REIT expects to be able to refinance such conduit loans as they come due.

The Revolving Credit Facility contains covenants that require the REIT to maintain certain financial ratios on a consolidated basis. If the REIT does not maintain such ratios, the lenders have certain rights under the agreement

that may restrict the REIT from accessing the Revolving Credit Facility, which may limit the REIT's ability to make distributions .

Acquisitions

The REIT's business plan includes growth through identifying suitable acquisition opportunities, pursuing such opportunities, consummating acquisitions and effectively operating and leasing such properties. If the REIT is unable to manage its growth effectively, it could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders. There can be no assurance as to the pace of growth through property acquisitions or that the REIT will be able to acquire assets on an accretive basis, and as such there can be no assurance that distributions to Unitholders will increase in the future. Acquisitions and development agreements entered into with third parties may be subject to unknown, unexpected or undisclosed liabilities which could have a material adverse impact on the operations and financial results of the REIT. Representations and warranties given by such third parties to the REIT may not adequately protect against these liabilities and any recourse against third parties may be limited by the financial capacity of such third parties. Moreover, the acquired properties may not meet expectations of operational or financial performance due to unexpected costs associated with developing an acquired property, as well as the general investment risks inherent in any real estate investment.

Development

The REIT is and expects to be increasingly involved in the development of MOB properties or in the expansion of existing hospital assets. Developing land is subject to the risks usually attributable to construction projects, which include: (i) construction or other unforeseen delays; (ii) cost overruns; (iii) the failure of tenants to occupy and pay rent in accordance with existing lease agreements, some of which are conditional; (iv) the inability to achieve projected rental rates or anticipated pace of lease-ups; (v) general construction risks; and (vi) an increase in interest rates during the life of the development or redevelopment. Furthermore, property development is a relatively new line of business for the REIT. As a result, development risks associated with such projects may be greater due to the REIT's developing experience in this area.

Access to Capital

The real estate industry is highly capital intensive. The REIT will require access to capital to maintain its properties, as well as to fund its growth strategy and significant capital expenditures from time to time. Although the REIT's Revolving Credit Facility is available for acquisitions, there can be no assurances that the REIT will otherwise have access to sufficient capital or access to capital on terms favourable to the REIT for future property acquisitions, financing or refinancing of properties, funding operating expenses or other purposes. In addition, the REIT may not be able to borrow funds under the Revolving Credit Facility or other debt instruments due to the limitations on the incurrence of debt by the REIT set forth in the Declaration of Trust. Failure by the REIT to access required capital could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

General Insured and Uninsured Risks

The activities carried on by the REIT entail an inherent risk of liability. The REIT expects that from time to time it may be subject to lawsuits as a result of the nature of its activities. The REIT carries comprehensive general liability, fire, flood, extended coverage and rental loss insurance with customary policy specifications, limits and deductibles. The REIT will have insurance for earthquake risks, subject to certain policy limits, deductibles and self-insurance arrangements, and will continue to carry such insurance if it is economical to do so. There can be no assurance, however, that claims in excess of the insurance coverage or claims not covered by the insurance coverage will not arise or that the liability coverage will continue to be available on acceptable terms. A successful claim against the REIT not covered by, or in excess of, the REIT's insurance could have a material adverse effect on the REIT's activities, operating results and financial condition. Claims against the REIT, regardless of their merit or

eventual outcome, also may have a material adverse effect on their ability to attract tenants or expand their businesses, and will require management to devote time to matters unrelated to the activities of the REIT.

Investment Concentration

As a result of the REIT's investments consisting solely of interests in commercial real estate with a particular concentration on healthcare, it will be subject to risks inherent in investments in a single industry. Demand for commercial healthcare real estate could be adversely affected by weakness in the national, regional and local economies, changes in supply of, or demand for, similar or competing properties in a particular market. To the extent that any of these conditions occur, they are likely to affect market rents for space, which could cause a decrease in the REIT's rental revenue from its properties. Any such decrease could impair the REIT's ability to satisfy any debt service obligations and generate stable positive cash flow from its operations.

Joint Venture Investments

Although the REIT does not presently have any joint venture investments, it may in the future co-invest with third parties through joint ventures. In any such joint venture, the REIT may not be in a position to exercise sole decision-making authority regarding the properties owned through joint ventures. Investments in joint ventures may, under certain circumstances, involve risks not present when a third party is not involved, including the possibility that joint venture partners might become bankrupt or fail to fund their share of required capital contributions. Joint venture partners may have business interests or goals that are inconsistent with the REIT's business interests or goals and may be in a position to take actions contrary to the REIT's policies or objectives. Such investments also have the potential risk of impasse on strategic decisions, such as a sale, because neither the REIT nor the joint venture partner would have full control over the joint venture. Any disputes that may arise between the REIT and its joint venture partners could result in litigation or arbitration that could increase the REIT's expenses and distract its officers and/or Trustees from focusing their time and effort on the REIT's business. In addition, the REIT might in certain circumstances be liable for the actions of its joint venture partners.

Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated by various federal, provincial/regional and local regulatory bodies. As a result, the REIT's tenants will generally be subject to significant laws and regulations regarding licensing and reimbursement programs. Changes in these laws and regulations, including the imposition of caps on healthcare spending and claw-backs to doctor billings in certain regions, could negatively affect the ability of the REIT's tenants to make lease payments.

MOBs may be highly customized and may not be easily adaptable to alternative uses. Private hospitals are typically leased to a single tenant, sole hospital operator. The improvements necessary to conform a building to healthcare use may be costly and tenant specific. A new or replacement tenant may require different features in a property, depending on the tenant's particular operations. If the REIT or its tenants terminate the leases for these properties, the REIT may not be able to locate suitable replacement tenants to lease the properties for their specialized uses. Consequently, the REIT may be required to spend substantial amounts to adapt the properties to other uses. Any loss of revenues and/or additional capital expenditures occurring as a result may adversely affect the financial position of the REIT.

Land Leases

To the extent the properties in which the REIT has or will have an interest are located on leased land, the land leases may be subject to periodic rate resets which may fluctuate and may result in significant rental rate adjustments which would likely adversely impact the REIT's financial condition and results of operation and decrease the amount of cash available for distribution. Land leases may also be terminated or not renewed upon expiry.

Specific Lease Considerations

Some of the leases in the REIT's properties are leased on a base year or semi-gross basis or otherwise have caps on operating costs and/or tax recoveries. As a result, the REIT will bear the economic cost of increases in certain of the operating costs and/or property taxes in such cases to the extent it is not able to fully recover increases in operating costs and property taxes from these tenants which increases would likely adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution to Unitholders.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel including senior management. The loss of the services of any key personnel could have an adverse effect on the REIT and adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution. The REIT does not have key man insurance on any of its key employees.

Limit on Activities

In order to maintain its status as a "mutual fund trust" under the Tax Act, the REIT cannot carry on most active business activities and is limited in the types of investments it may make. The Declaration of Trust contains restrictions to this effect.

Occupancy by Tenants

Although certain, but not all, leases contain a provision requiring tenants to maintain continuous occupancy of leased premises, there can be no assurance that such tenants will continue to occupy such premises. Certain tenants have a right to terminate their leases upon payment of a penalty but others are not required to pay any penalty associated with an early termination. There can be no assurance that tenants will continue their activities and continue occupancy of the premises. Any cessation of occupancy by tenants may have an adverse effect on the REIT and could adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Forecasted Occupancy Rates and Revenues in Excess of Historical Occupancy Rates and Revenues

Historical occupancy rates and revenues are not necessarily an accurate prediction of the future occupancy rates for the REIT's properties or revenues to be derived there from. There can be no assurance that, upon the expiry or termination of the leases currently in effect, the average occupancy rates and revenues will be the same as, or higher than, historical occupancy rates and revenues.

Lease Renewals and Rental Increases

Expiries of leases for the REIT's properties, including those of significant tenants, will occur from time to time over the short and long-term. No assurance can be provided that the REIT will be able to renew any or all of the leases upon their expiration or that rental rate increases will occur or be achieved upon any such renewals. The failure to renew leases or achieve rental rate increases may adversely impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Location of Properties in Foreign Countries

A substantial portion of the REIT's assets are located in foreign countries, specifically Brazil, Germany and Australasia and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in those countries. These factors may differ from those affecting the real estate markets in other regions, including those in Canada. Although the REIT's international assets are dispersed across several foreign countries, a

number of the REIT's international assets could nevertheless experience any of the same conditions at the same time due to global correlations. If real estate conditions in these countries decline relative to real estate conditions in other regions, the REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies in Canada or that have different, or more, geographically diversified portfolios of properties.

Competition in Foreign Real Estate Markets

The real estate markets in Brazil, Germany, and Australasia are highly competitive and fragmented and the REIT and its equity investees compete for real property acquisitions with individuals, corporations, institutions and other entities which are seeking or may seek real property investments similar to those the REIT desires. An increase in the availability of investment funds or an increase in interest in real property investments may increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them. Numerous other developers, managers and owners of properties will compete with the REIT in seeking tenants. Some of the properties owned by the REIT's competitors are better located, better quality or less leveraged than the REIT's properties. Some of the REIT's competitors are better capitalized and stronger financially and hence better able to withstand an economic downturn. The existence of competition for tenants could have an adverse effect on the REIT's ability to lease space in its properties and on the rents charged or concessions granted, and could materially and adversely affect the REIT's cash flows, operating results and financial condition and the REIT's ability to make distributions on the Trust Units.

Exchange Rate Risks

Approximately 66% of the REIT's AFFO is generated in currencies other than Canadian dollars; however, the REIT pays distributions to Unitholders and interest on certain of its indebtedness in Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which is denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders.

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT intends to maintain a hedging policy to mitigate the impact of foreign currency fluctuations and to provide more certainty regarding the payment of distributions to Unitholders if the Canadian dollar increases in value compared to foreign currencies. The REIT's hedging policy includes natural currency hedges as well as selectively implementing specific foreign currency hedging transactions, if economically viable. However, to the extent that the REIT fails to adequately manage these risks, including if any such hedging arrangements do not effectively or completely hedge changes in foreign currency rates, the REIT's financial results, and the REIT's ability to pay distributions to Unitholders, may be negatively impacted.

Hedging transactions involve the risk that counterparties, which are generally financial institutions, may be unable to satisfy their obligations. If any counterparties default on their obligations under the hedging contracts or seek bankruptcy protection, it could have an adverse effect on the REIT's ability to fund planned activities and could result in a larger percentage of future revenue being subject to currency changes. The REIT's obligations under hedging arrangements may be secured by all or a portion of the REIT's assets or cash, the value of which generally must cover the fair value of the transactions outstanding under the facility by some multiple. If the REIT is unable to provide adequate security to support currency hedging arrangements, the REIT will remain exposed to foreign currency fluctuations.

Risks Relating to Operating in an Emerging Market

The Brazil region is considered by many to be an "emerging market" and therefore subject to potential risks. Risks associated with operating in emerging markets may include:

- political factors, including political instability and arbitrary or sudden changes to laws;

- legal and regulatory frameworks, which may increase the likelihood that laws will not be enforced and judgments will not be upheld;
- the movement and conversion of currency out of the foreign jurisdiction, which could hinder the payment of distributions to Canadian investors;
- inflation;
- corruption, bribery, civil unrest and economic uncertainty, which may negatively impact and disrupt business operations;
- factors that may affect title to its assets;
- potential expropriation or nationalization of assets; and
- access to assets.

The REIT believes its risks of operating in the Brazil market are minimized as a result of the following:

- The REIT's business activities in Brazil are limited to the ownership of five well established, reputable and institutional quality hospitals in the urban centres of São Paulo, Brasilia and Rio de Janeiro.
- Each of the REIT's Brazilian hospitals are leased to investment grade single tenants.
- Each of the Brazil leases are "net leases", which in effect transfers the operating risk of the property to the tenant. As a result, the REIT's business in Brazil is not operationally intensive.
- The REIT is represented on local corporate and real estate legal matters by two of Brazil's leading law firms. On non-legal matters, the REIT only engages with leading, global service providers that perform at the highest governance levels, and all banking is conducted through leading global banks.
- The REIT's Brazilian leases have terms that mitigate any title risk on its assets whereby should expropriation of the assets occur, the lessee remains liable for all payments under the lease. The REIT believes there is a limited risk of the REIT's Brazilian assets being subject to government expropriation and nationalization.

Further, the REIT considers the Brazilian healthcare industry to be economically and politically stable, and free of many of the risks associated with other industries and emerging market jurisdictions. According to Anahp (associacao nacional de hospitais privados), Brazil is the third largest global private healthcare market, behind the United States and China. Due to positive macroeconomic indicators, including the size of Brazil's economy with a population nearing 200 million, comparative unemployment rate relative to Canada, increasing consumer consumption and a growing middle class, management believes that the long-term outlook for the Brazilian healthcare market is optimistic.

Owning and operating investment properties in Brazil poses unique risks. For example, the REIT considers Brazilian inflation to be a key risk, but believes it has mitigated this risk by structuring the payments due under the Brazilian leases indexed to inflation, annually over the term of the leases. The REIT also believes that it is subject to risks involving currency fluctuations, which it attempts to mitigate through obtaining Brazilian domiciled debt on the assets. Further, Portuguese is the primary language in which business is conducted in Brazil, however the majority of the REIT's service providers (legal, audit and tax) are fluent in English. The REIT's local Brazilian consultants are fluent in Portuguese and English. Language risk is mitigated through requiring all material documentation to be translated into English. Further, all material correspondence with management and the Board of Trustees in Canada is provided in both English and Portuguese.

The REIT's Trustees retain effective control over the REIT's Brazilian operations through the REIT's corporate structure. The REIT's Brazilian assets are all owned by Brazilian domiciled entities, which in turn are all indirectly wholly-owned by NWI LP. The REIT's Brazilian subsidiaries are all corporate entities under Brazilian law, meaning they must conduct business at the highest governance levels and adhere to applicable regulatory requirements that include annual filings, disclosures and preparation of audited financial statements.

Because the REIT's Brazilian subsidiaries are wholly-owned, the REIT controls the operations of these entities. Among other things:

- The REIT can remove or replace any of the directors or officers of its Brazilian subsidiaries at any time pursuant to director or shareholder resolutions, as applicable.
- The REIT maintains complete control over the books and records of its Brazilian subsidiaries.
- The REIT can transfer funds from its Brazilian subsidiaries to Canada at any time, subject to compliance with applicable withholding tax laws and regulatory requirements of the central bank of Brazil.

The REIT also maintains stringent controls over cash and banking that mitigate risk on its Brazil operations. All payments follow normal accounts payable process, which includes adequate segregation of duties from approvals to payment and all wires and cheques are fully traceable.

The REIT's officers and Trustees believe that the REIT's Brazilian operational structure represents a proper discharge of their stewardship responsibilities. Management updates the REIT's Trustees on a regular basis on the regulatory, business and operating environment of the REIT's business in Brazil.

The REIT's CEO has extensive experience conducting business in Brazil as he has been operating in Brazil since 2011. During that time, the REIT's CEO has developed a deep familiarity with Brazil's real estate industry, regulatory environment, operating environment, financial markets, and culture and business practices. He has developed key relationships with the REIT's tenants and local advisors. The REIT's management team also relies on the expertise of reputable third party advisors with respect to legal, regulatory, tax and other matters in Brazil.

The REIT has adopted several formal procedures to address risks faced by the REIT, including certain risks related to Brazil. For example, the REIT has adopted a Code of Business Conduct and Ethics policy which requires all personnel to comply with applicable laws and explicitly prohibits improper payments to domestic and foreign officials. The REIT also requires all significant contracts to be translated into English by a reputable legal translator prior to execution. Lastly, as a matter of practice, all material Brazilian-based transactions are approved by the REIT's Trustees, with input from the REIT's management team and Brazilian personnel as appropriate.

Price Risk

The REIT is subject to fluctuations in the market price of its own securities as well as the market price of the units of Vital Trust. Price risk is the risk that changes in market prices for the REIT's securities may impact the REIT's ability to access capital, and that changes in the market prices of the units underlying the REIT's equity investments may impact the value of its investments. The market price for the Trust Units, the Convertible Debentures and the units of Vital Trust may be volatile and subject to wide fluctuations in response to numerous factors, many of which may be beyond the REIT's control including general market sentiment. The market price of the REIT's securities and investments may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. A decrease in the Trust Unit price impacts the cost of raising new capital. A decline in the market price of the units of Vital Trust may impact the value of the REIT's investments which may result in impairment losses.

Price risk also impacts the Vital Margin Facilities. A decline in the market price of the units of Vital Trust may result in loan to value ratios that exceed the minimum requirements of the Vital Margin Facilities, thus resulting in cash payments being made to reduce the loan amounts outstanding. These cash payments could adversely impact the REIT's liquidity position and its ability to make distributions on the Trust Units.

Vendor Indemnities and Prior Commercial Operations

When acquiring assets, the REIT endeavours to obtain certain representations and warranties with respect to the assets being acquired. Such representations and warranties, to the extent obtained, are subject to limitations, and

generally represent unsecured contractual rights. As a result, there can be no assurance that the REIT will be fully protected by such representations and warranties against all adverse circumstances that may arise or in the event of a breach of such representations and warranties or that the vendors of the assets will be in a position to indemnify the REIT for any such breach. The REIT may not be able to successfully enforce claims it may have against vendors of its assets. The REIT may also be subject to undisclosed liability to third parties as a result of the prior history of its assets and such liability may be material, which could negatively impact the REIT's financial condition and results of operations and decrease the amount of cash available for distribution.

Significant Dependency on Single Leases in Brazil

The leases for Sabará Childrens Hospital, and the Rede D'Or Hospital Portfolio (HMB, Hospital Santa Luzia, Hospital Coração and Hospital Caxias) are each with a single tenant, the operators of the facilities. Upon the expiry of the leases, there can be no assurance that they will be renewed or that the tenants will be replaced. If the tenants do not renew their leases, the REIT's cash flows, operating results, financial condition and its ability to make distributions on the Trust Units could be materially and adversely affected. The Sabará Childrens Hospital lease also contains a pre-emptive right in favour of the Sabará Tenant if the controlling interest or all of the shares of the REIT subsidiary that owns Sabará Childrens Hospital are sold during the term of the lease, offering the tenant the right to purchase the shares on the same terms. Rede D'Or has a right of first refusal on each of the four properties in the Rede D'Or Hospital Portfolio.

Significant Ownership by NWVP

NWVP currently indirectly owns approximately 34% of the issued and outstanding Trust Units (assuming the redemption of its Class B LP Units). Each Class B LP Unit is redeemable for a Trust Unit, and is attached to a Special Voting Unit of the REIT, providing for voting rights in the REIT.

For so long as NWVP maintains a 5% interest in the REIT, NWVP has (a) the right to appoint trustees to the board of the REIT (with such appointment rights varying based on the level of NWVP's ownership interest), and (b) pre-emptive rights to participate in future financings and other issuances of securities of the REIT in order to maintain its pro rata ownership interest in the REIT.

As a result of its ownership interest and contractual rights, NWVP can influence many matters affecting the REIT. NWVP's ownership interest also allows it to prevent certain fundamental transactions. NWVP's significant interest in the REIT may discourage transactions involving a change of control of the REIT, including transactions in which a holder of Trust Units might otherwise receive a premium over the then-current market price.

NWVP may seek to sell some or all of its interest in the REIT in the future. No prediction can be made as to the effect, if any, that a future sale of Trust Units by NWVP will have on the market price of the Trust Units prevailing from time to time. However, the future sale of a substantial number of Trust Units by NWVP, or the perception that such sale could occur, could adversely affect prevailing market prices for the Trust Units.

Potential Conflicts of Interest

The REIT will be subject to various potential conflicts of interest because of the fact that its officers and Trustees are engaged in a wide range of business activities, including real estate property management, acquisition, development and ownership. In particular, Mr. Dalla Lana will face conflicts of interest because he is sole shareholder of NWVP, the chairman and trustee of the REIT and the Chief Executive Officer of the REIT. Mr. Bernard Crotty will face conflicts of interest because he is a trustee of the REIT and an appointee of NWVP.

In addition, the REIT may also become involved in other transactions which conflict with the interests of its Trustees and the officers who may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the REIT. In addition, from time to time, these persons may be

competing with the REIT for available investment opportunities. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters.

Limitations on Enforcement of Certain Civil Judgments by Canadian Investors

Many of the REIT's subsidiaries are organized in foreign jurisdictions and are governed by foreign law. A significant portion of the REIT's assets are currently located outside of Canada. As a result, it may be difficult or impossible for investors to effect service within Canada upon the REIT's subsidiaries or their respective directors and officers who are not residents of Canada 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.

RISKS RELATING TO THE STRUCTURE OF THE REIT

Under current law, a trust may lose its status under the Tax Act as a mutual fund trust if it can reasonably be considered that the trust was established or is maintained primarily for the benefit of Non-Residents, except in limited circumstances. The Declaration of Trust permits the trustees to further amend the Declaration of Trust to limit the ownership of a particular holder (together with persons with which it does not deal at arm's length) to 20%, if desirable for foreign tax purposes. The Trustees have various powers that can be used for the purpose of monitoring and controlling the applicable ownership limitations. The ownership limitation may negatively affect the REIT's ability to raise financing for future acquisitions or operations. In addition, the ownership limitation could negatively impact the liquidity of the Trust Units and the market price at which Trust Units can be sold.

Taxation of Mutual Fund Trusts

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA respecting mutual fund trusts will not be changed in a manner that adversely affects Unitholders. Should the REIT cease to qualify as a mutual fund trust under the Tax Act, there could be material and adverse tax consequences to the REIT and Unitholders.

REIT Exception

The REIT Exception is comprised of a number of technical tests and the determination as to whether the REIT qualifies for the REIT Exception in any particular taxation year can only be made with certainty at the end of that taxation year. The REIT expects to qualify for the REIT Exception in 2016 and subsequent taxation years. However, subsequent investments or activities undertaken by the REIT and/or fluctuations in asset values could result in the REIT failing to qualify for the REIT Exception. In addition, the REIT owns a minority interest in certain of its foreign subsidiaries. No assurances can be given that the REIT's subsidiaries will satisfy the tests contained in the REIT Exception. In these circumstances, the REIT may not satisfy the REIT Exception. NWI LP will not be subject to the SIFT Rules provided it is an "excluded subsidiary entity", which among other things, requires that only specified persons own units of NWI LP. No assurances can be given that NWI LP will be exempt from the SIFT Rules, which could have a material adverse effect on the REIT and Unitholders. The likely effect of the SIFT Rules on the market for Trust Units, and on the REIT's ability to finance future acquisitions through the issue of Trust Units or other securities, is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Trust Units, the amount of cash available for distributions and the after-tax return to investors.

FAPI

FAPI earned by Canadian foreign affiliates ("CFAs") of NWI LP must be included in computing the income of NWI LP for the fiscal year of NWI LP in which the taxation year of such CFA ends, subject to a deduction for grossed-up "foreign accrual tax" as computed in accordance with the Tax Act, and less certain amounts that are otherwise included in income. The deduction for grossed-up "foreign accrual tax" may not fully offset the FAPI realized by NWI LP, thereby increasing the allocation of income by NWI LP to the REIT and, therefore, the allocation of income

by the REIT to Unitholders. Recent amendments to tax legislation address certain foreign tax credit generator transactions (the “**Foreign Tax Credit Generator Rules**”). The Foreign Tax Credit Generator Rules may limit the REIT’s ability to deduct grossed-up “foreign accrual tax”. In addition, as FAPI generally must be computed in accordance with Part I of the Tax Act (in Canadian currency) as though the CFA were a resident of Canada (subject to the detailed rules contained in the Tax Act), income or transactions may be taxed differently under foreign tax rules as compared to the FAPI rules and, accordingly, may result in additional income being allocated to Unitholders, including as a result of fluctuations in foreign exchange rates.

Change of Tax Law

There can be no assurance that Canadian or foreign income tax laws, the judicial interpretation thereof, the terms of any income tax treaty applicable to the REIT or its affiliates or the administrative and assessing practices and policies of the CRA, the Department of Finance (Canada) and any other tax authority or tax policy agency will not be changed in a manner that adversely affects the REIT, its affiliates or Unitholders. Any such change could increase the amount of tax payable by the REIT or its affiliates or could otherwise adversely affect Unitholders by reducing the amount available to pay distributions or changing the tax treatment applicable to Unitholders in respect of such distributions.

Non-Residents of Canada

The Tax Act may impose additional withholding or other taxes on distributions made by the REIT to Unitholders who are Non-Residents. These taxes and any reduction thereof under a tax treaty between Canada and another country may change from time to time. The tax consequences under the Tax Act to Non-Residents may be more adverse than the consequences to other Unitholders. Non-Resident Unitholders should consult their own tax advisors.

Foreign Tax Credits and Deductions

Foreign taxes paid by NWI LP will be allocated pursuant to its limited partnership agreement. Each Unitholder’s share of the “business-income tax” and “non-business-income tax” paid in a foreign country for a year will be creditable against its Canadian federal income tax liability to the extent permitted by the detailed rules contained in the Tax Act. Although the foreign tax credit provisions are designed to avoid double taxation, the maximum credit is limited. Because of this, and because of timing differences in recognition of expenses and income and other factors, double taxation may arise.

Under the Foreign Tax Credit Generator Rules, the foreign “business income tax” or “non-business-income tax”, each as defined in the Tax Act, for any taxation year may be limited in certain circumstances. No assurances can be given that the Foreign Tax Credit Generator Rules will not apply to any Unitholder. If the Foreign Tax Credit Generator Rules apply, a Unitholder’s foreign tax credits will be limited.

No assurances can be given that the REIT or its subsidiaries will be entitled to a foreign tax credit or deduction in Canada in respect of foreign taxes paid by its subsidiaries.

General Taxation

Although the REIT and its subsidiaries have been structured with the objective of maximizing after-tax distributions, taxes (including corporate, withholding, land transfer, and other taxes) in the various jurisdictions in which the REIT invests will reduce the amount of cash available for distribution to the REIT by its subsidiaries and, therefore, reduce the amount of cash available for distribution by the REIT to Unitholders. No assurance can be given as to the future level of taxation suffered by the REIT or its subsidiaries. In addition, certain tax positions adopted by the REIT and its subsidiaries may be challenged by the CRA or another taxing authority. Any such challenge could materially increase taxes payable by the REIT and its subsidiaries, and thereby adversely affect the REIT’s financial position and cash available for distribution to Unitholders. In particular, the REIT is currently

evaluating the impact on the REIT and unitholders of the amendments to regulation 70/91 of the Land Transfer Tax Act (Ontario) released on February 18, 2016 which may impose land transfer tax on acquisitions of interests in partnerships that directly or indirectly own real property situated in Ontario (including previously completed transactions).

Accrued Gains

The REIT has indirectly acquired certain assets on a fully or partially tax-deferred basis, as determined by the transferor. Accordingly, the adjusted cost base of such assets may be less than their fair market value when they were acquired, such that subsidiaries of the REIT may realize the deferred gain on a future disposition of those assets.

RISKS RELATING TO THE TRUST UNITS

Cash Distributions are Not Guaranteed

There can be no assurance regarding the amount of income to be generated by the REIT's properties. The ability of the REIT to make cash distributions, and the actual amount distributed, will be entirely dependent on the operations and assets of the REIT, and will be subject to various factors including financial performance, obligations under applicable credit facilities, fluctuations in working capital, the sustainability of income derived from the tenant profile of the REIT's properties and capital expenditure requirements. The market value of the Trust Units will deteriorate if the REIT is unable to meet its distribution targets in the future, and that deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

Structural Subordination of Trust Units

In the event of bankruptcy, liquidation or reorganization of the REIT's subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to the REIT or holders of Trust Units. The Trust Units are effectively subordinated to the debt and other obligations of the REIT's subsidiaries. The REIT's subsidiaries generate all of the REIT's cash available for distribution and hold substantially all of the REIT's assets.

Potential Volatility of Trust Unit Prices

The market price for Trust Units may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the REIT's control, including the following: (i) actual or anticipated fluctuations in the REIT's quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to the REIT; (iv) addition or departure of the REIT's executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Trust Units; (vi) sales or perceived sales of additional Trust Units; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the REIT or its competitors; (viii) news reports relating to trends, concerns, competitive developments, regulatory changes and other related issues in the REIT's industry or target markets, and (ix) limited trading in the Trust Units.

Financial markets have, in recent years, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of issuers and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such issuers. Accordingly, the market price of the REIT's securities may decline even if the REIT's operating results, underlying asset values, or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of the REIT's environmental, governance and social

practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the REIT's securities by those institutions, which could adversely affect the trading price of the REIT's securities. There can be no assurance that an active trading market will exist or that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil exist for a protracted period of time, the REIT's operations could be adversely impacted and the trading price of the REIT's securities may be adversely affected.

Nature of Investment

A holder of a Trust Unit of the REIT does not hold a share of a body corporate. As holders of Trust Units of the REIT, the Unitholders will not have 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 based primarily on the Declaration of Trust. There is no statute governing the affairs of the REIT equivalent to the CBCA which sets out the rights and entitlements of shareholders of corporations in various circumstances. As well, the REIT may not be a recognized entity under certain existing insolvency legislation such as the *Bankruptcy and Insolvency Act* (Canada) and the *Companies Creditors' Arrangement Act* (Canada) and thus the treatment of Unitholders upon an insolvency is uncertain.

Availability of Cash Flow

AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments, and tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO and redemptions of Trust Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items. The REIT anticipates temporarily funding such items, if necessary, through the Revolving Credit Facility in expectation of refinancing long-term debt on its maturity.

Sustainability and Growth of Distributions

The REIT has stated that one of its objectives is to provide predictable and growing cash distributions per Trust Unit. The REIT has historically paid distributions in excess of the total of cash flows from operating activities and distributions earned from its strategic investment in Vital Trust, representing an economic return of capital to investors. The REIT may not achieve the objective of growing cash distributions or be able to sustain distributions at current levels without realizing increases in cash flow from operations or receiving increased distributions from Vital Trust. Such cash flow growth is dependent on the REIT's ability to execute on its business plan to drive accretive growth over time, as well as the ability of Vital Trust to grow future distributions, both of which cannot be assured.

Dilution

The number of Trust Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Trust Units or securities convertible or exchangeable into Trust Units from time to time subject to the rules of any applicable stock exchange on which the Trust Units are then listed. The REIT intends to complete acquisitions in the future that will be financed in part by issuance of additional Trust Units which will result in issuances of significant numbers of Trust Units at market price. Additionally, the REIT will issue securities under the REIT's deferred unit plan or additional units can be issued upon the conversion of the Convertible Debentures. The issuance of any additional Trust Units may have a dilutive effect on the interests of holders of Trust Units.

Restrictions on Redemptions

The entitlement of Unitholders to receive cash upon the redemption of their Trust Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Trust Units and all other Trust Units tendered for redemption in the same calendar month must not exceed \$50,000 (provided that such limitation may

be waived at the discretion of the Trustees); (ii) at the time such Trust Units are tendered for redemption, the outstanding Trust Units must be listed for trading on a stock exchange or traded or quoted on another market which the Trustees consider, in their sole discretion, provides fair market value prices for the Trust Units; (iii) the trading of Trust Units is not suspended or halted on any stock exchange on which the Trust Units are listed (or, if not listed on a stock exchange, on any market on which the Trust Units are quoted for trading) on the redemption date for more than five trading days during the 10 day trading period commencing immediately after the redemption date; and (iv) the redemption of the Trust Units must not result in the delisting of the Trust Units on the principal stock exchange on which the Trust Units are listed.

Unitholder Liability

The Declaration of Trust provides that no holders of Units shall be held to have any personal liability as such, and no resort shall be had to his, her or its private property (including, without limitation, any property consisting of or arising from a distribution of any kind or nature by the REIT) for satisfaction of any obligation or claim arising out of or in connection with any contract or obligation of the REIT or of the Trustees or any obligation which a Unitholder would otherwise have to indemnify a Trustee for any personal liability incurred by the Trustee as such, but rather the assets of the REIT only are intended to be liable and subject to levy or execution for such satisfaction. In addition, legislation has been enacted in the Province of Ontario and certain other provinces that is intended to provide holders of Units in those provinces with limited liability. However, there remains a risk, which is considered by the REIT to be remote in the circumstances, that a holder of Units could be held personally liable for the obligations of the REIT to the extent that claims are not satisfied out of the assets of the REIT. The affairs of the REIT are conducted in a manner to seek to minimize such risk wherever possible.

RISKS RELATED TO THE CONVERTIBLE DEBENTURES

Ability to Satisfy Payments of Interest and Principal on the Convertible Debentures

There is no guarantee that the REIT will have sufficient cash available to make interest and principal payments on the Convertible Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the Convertible Debentures will be dependent upon the financial health and creditworthiness of the REIT and the ability of the REIT to earn revenues.

Market for the Convertible Debentures

There can be no assurance that a secondary market for trading in the Convertible Debentures will develop or that any secondary market which does develop will continue. Also, there can be no assurance that any such secondary market will be active. To the extent that an active trading market for the Convertible Debentures does not develop, the liquidity and the trading prices for the Convertible Debentures may be adversely affected.

Absence of Covenant Protection

The Indentures do not restrict the REIT or any of its subsidiaries from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging their real or personal property or properties to secure any indebtedness or other financing. The Indentures do not contain any provisions specifically intended to protect holders of the Convertible Debentures in the event of a future leveraged transaction involving the REIT or any of its subsidiaries.

Redemption Prior to Maturity

The Convertible Debentures may be redeemed at the REIT's option, subject to certain conditions prior to the respective maturity date of each Convertible Debenture in whole or in part, at a redemption price equal to the principal amount thereof, together with any accrued and unpaid interest. Holders of Convertible Debentures

should assume that this redemption option will be exercised if the REIT is able to refinance at a lower interest rate or it is otherwise in the interest of the REIT to redeem the Convertible Debentures.

Conversion Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indentures, each Convertible Debenture will become convertible into securities, cash or property receivable by a Unitholder in such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Convertible Debentures.

Subordination of Convertible Debentures

The Convertible Debentures are unsecured obligations of the REIT and are subordinate in right of payment to all of the REIT's existing and future senior indebtedness. The Convertible Debentures will also be effectively subordinate to claims of the creditors of the REIT's subsidiaries relating to all indebtedness, liabilities and obligations of the REIT or its subsidiaries for the payment of which the REIT is responsible or liable, whether absolutely or contingently. This subordination may significantly reduce the possibilities for purchasers of obtaining payment of the amounts owed under the Convertible Debentures. In the event of the insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up of the REIT, the assets of the REIT would be made available to satisfy the obligations of the creditors of such Senior Indebtedness, whether those obligations are secured or unsecured, before being available to pay the REIT's obligations to holders of Convertible Debentures. Accordingly, all or a substantial portion of the REIT's assets could be unavailable to satisfy the claims of the Convertible Debentures.

Dilution Upon Redemption of Convertible Debentures

The REIT may determine to redeem any outstanding Convertible Debentures for Trust Units or to repay outstanding principal amounts thereunder at maturity of the Convertible Debentures by issuing additional Trust Units. The issuance of additional Trust Units may have a dilutive effect on the REIT's Unitholders and an adverse impact on the price of Trust Units.

Limitation in the REIT's Ability to Finance Purchase of Convertible Debentures

The REIT is required to make an offer to holders of the Convertible Debentures to purchase all or a portion of their Convertible Debentures for cash in the event of a Change of Control (as defined in the Indentures). The REIT cannot assure holders of Convertible Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Convertible Debentures in cash. The REIT's ability to purchase the Convertible Debentures in such an event may be limited by law, by the Indentures, by the terms of other present or future agreements relating to the REIT's credit facilities and other indebtedness and agreements that the REIT may enter into in the future which may replace, supplement or amend the REIT's future debt. The REIT's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the REIT of the Convertible Debentures without the consent of the lenders or other parties thereunder. If the REIT's obligation to offer to purchase the Convertible Debentures arises at a time when the REIT is prohibited from purchasing or redeeming the Convertible Debentures, the REIT could seek the consent of lenders to purchase the Convertible Debentures or could attempt to refinance the borrowings that contain this prohibition. If the REIT does not obtain consent or refinance these borrowings, the REIT could remain prohibited from purchasing the Convertible Debentures under its offer.

The REIT's failure to purchase the Convertible Debentures would constitute an event of default under the Indenture, which might constitute a default under the terms of the REIT's other indebtedness at that time.

Market Price of the Convertible Debentures

The market price of the Convertible Debentures is based on a number of factors, including: (a) the prevailing interest rates being paid by borrowers similar to the REIT; (b) the overall condition of the financial and credit markets; (c) prevailing interest rates and interest rate volatility; (d) the markets for similar securities; (e) the financial condition, results of operation and prospects of the REIT; (f) the publication of earnings estimates or other research reports and speculation in the press or investment community; (g) the market price and volatility of the Trust Units; (h) changes in the industry and competition affecting the REIT; and (i) general market and economic conditions.

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Convertible Debentures.

Volatility of Market Price of Trust Units and Convertible Debentures

The market price of the Trust Units and Convertible Debentures may be volatile. The volatility may affect the ability of holders of Convertible Debentures to sell the Convertible Debentures at a favourable price. Additionally, volatility in the market price of Trust Units may result in greater volatility in the market price of the Convertible Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Trust Units and Convertible Debentures may be due to the REIT's operating results failing to meet the expectations of securities analysts or investors in any quarter, downward revision in securities analysts' estimates, governmental regulatory action, adverse change in general market conditions or economic trends, acquisitions, dispositions or other material public announcements by the REIT or its competitors, along with a variety of additional factors. Fluctuations in trading prices may be unrelated or disproportionate to changes in operating performance. These broad market fluctuations may adversely affect the market prices of the Convertible Debentures and the Trust Units.

Restriction on Ownership of Convertible Debentures

Pursuant to the terms of the Declaration of Trust, the REIT must not be established or maintained primarily for the benefit of Non-Residents. As a result, the Indentures contain provisions limiting the ownership of Convertible Debentures by Non-Residents. These restrictions may limit or remove the rights of certain holders of Convertible Debentures, including Non-Residents. As a result, these restrictions may limit the demand for Convertible Debentures and thereby adversely affect the liquidity and market value of the Convertible Debentures.

PART VIII – CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The REIT's Chief Executive Officer and Chief Financial Officer have designed, or caused to be designed under their supervision, the REIT's disclosure controls and procedures (as defined by National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings, adopted by the Canadian Securities Administrators ("NI 52-109")) to provide reasonable assurance that: (i) material information relating to the REIT, including its consolidated subsidiaries, is made known to them by others within those entities, particularly during the period in which the filings are being prepared; and (ii) material information required to be disclosed in the filings or other reports filed or submitted by the REIT under securities legislation is recorded, processed, summarized and reported on a timely basis and within the time period specified by securities legislation.

As of December 31, 2015, an evaluation was carried out, under the supervision of the REIT's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the REIT's disclosure controls and procedures (as defined by NI 52-109). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of the REIT's disclosure controls and procedures were effective as at December 31, 2015.

Internal Controls Over Financial Reporting

The REIT's Chief Executive Officer and Chief Financial Officer have designed the REIT's internal control over financial reporting (as defined in NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. The Chief Executive Officer and Chief Financial Officer assessed, or caused an assessment under their direct supervision of, the design and operating effectiveness of the REIT's internal controls over financial reporting as at December 31, 2015, and based on that assessment determined that the REIT's internal controls over financial reporting were appropriately designed and were operating effectively in accordance with the Internal Control – Integrated Framework, 2013, published by the Committee of Sponsoring Organizations of the Treadway Commission.

Changes in Internal Controls Over Financial Reporting

There were no significant changes made in internal controls over financial reporting during the three months and year ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

Effective May 15, 2015, the REIT completed the Combination Transaction. As NWI has been identified as the accounting acquirer, the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI. The REIT has assessed the disclosure controls and procedures and internal controls over financial reporting used by NWI and integrated them with those of the REIT.

Inherent Limitation

Internal controls over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of their inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusions or improper management override. Because of such limitations, there is risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, this risk.

PART IX – OUTLOOK

During the year ended December 31, 2015, the REIT completed the Combination Transaction and as a result there have been material changes to the operating and economic environments in which the REIT operates.

During 2016, the REIT will, focus on lowering its cost of capital through debt refinancings and repayments, and new financing; continue to pursue new acquisitions and accretive development opportunities in the REIT's existing markets; and continue to execute on a focused investor relations outreach program.

Looking forward, the REIT remains committed to its key initiatives as outlined below:

1. Continue to enhance its management platform and operational performance where possible;
2. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
3. Continue to achieve maximum returns and drive unitholder value through optimal capital allocation within the REIT's global markets;
4. Optimize its capital structure;
5. Increase investor liquidity by raising new capital and broadening its investor base; and
6. Increase its profile through measured investor relations and communication strategies.

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PART XI – PROPERTY TABLE

As at December 31, 2015

PROPERTY TABLE								
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾	
Canada								
1	Continental Building	Kamloops, BC	Mar 25 2010	1989	59,908	14	77.6%	2.5
2	Glenmore Professional Centre	Calgary, AB	Dec 31 2010	2007	137,821	1	100.0%	1.6
3	Sunridge Professional Centre	Calgary, AB	Mar 25 2010	1985	132,207	32	98.4%	5.0
4	Riley Park Health Centre ⁽⁷⁾	Calgary, AB	Mar 25 2010	1956/92	72,808	9	100.0%	4.7
5	Rockyview Health Centre I	Calgary, AB	Mar 25 2010	1977/97/2013/14	68,755	28	87.1%	4.1
6	Foothills Professional Building	Calgary, AB	Mar 25 2010	1980/2013	58,521	21	98.4%	4.7
7	Sunpark Plaza	Calgary, AB	Dec 7 2011	2005	53,396	8	74.9%	2.9
8	Rockyview Health Centre II	Calgary, AB	Mar 25 2010	1975/2009	53,353	5	86.1%	7.0
9	Willow Brook Medical Centre	Airdrie, AB	Apr 10 2012	2010	34,680	5	100.0%	7.8
10	Hys Centre	Edmonton, AB	Feb 1 2011	1978/87/90	179,487	33	89.5%	3.9
11	Tawa Centre	Edmonton, AB	May 31 2011	1986	95,342	24	99.4%	4.5
12	Mira Health Centre	Edmonton, AB	Mar 25 2010	1992	67,527	16	94.7%	2.8
13	Gameau Professional Building	Edmonton, AB	Mar 25 2010	1980	58,545	17	88.3%	2.0
14	Queen Street Place	Spruce Grove, AB	Jul 7 2010	2007	69,423	16	100.0%	3.9
15	WRHA Downtown West Community	Winnipeg, MB	May 16 2013	1974/91/2009	43,750	3	100.0%	10.7
16	Hargrave Place	Winnipeg, MB	Jul 31 2013	1977/88/2011/12	70,947	2	99.0%	9.1
17	Dundas-Edward Centre	Toronto, ON	Jan 25 2011	1964/78/87/90	416,095	80	90.4%	5.0
18	Davisville Medical Dental Centre	Toronto, ON	Mar 25 2010	1964	95,778	83	96.5%	3.5
19	Fairview Health Centre	Toronto, ON	Mar 25 2010	1971	87,146	55	97.1%	3.2
20	North York Medical Arts Building	Toronto, ON	Mar 25 2010	1969	75,850	58	94.5%	4.1
21	The Stewart Building	Toronto, ON	Mar 25 2010	1892/1999	43,118	1	100.0%	3.3
22	Malvern Medical Arts	Toronto, ON	Apr 1 2011	1987	40,667	16	90.3%	3.8
23	Albany Medical Clinic	Toronto, ON	Sep 27 2012	2010	42,582	1	100.0%	14.3
24	One Medical Place	Toronto, ON	Mar 25 2010	1964	40,522	17	77.5%	6.2
25	Danforth Health Centre	Toronto, ON	Mar 25 2010	1991	29,491	7	90.3%	1.3
26	Bathurst Health Centre	Toronto, ON	Mar 25 2010	1984	29,150	17	91.3%	6.1
27	81 The East Mall ⁽⁶⁾	Toronto, ON	Jan 16 2015	1975	35,079	5	92.5%	7.4
28	Queensway Professional Centre	Mississauga, ON	Mar 25 2010	1977/80	169,940	62	93.6%	4.0
29	Trafalgar Professional Centre	Oakville, ON	Mar 25 2010	1985	66,391	29	92.8%	4.0
30	Dundas-Centre Medical	Whitby, ON	Oct 1 2012	1987	32,797	22	91.2%	3.5
31	Wentworth-Limeridge Medical Centre	Hamilton, ON	Mar 25 2010	1989	40,716	19	88.4%	4.1
32	Queenston Medical-Dental Centre	Hamilton, ON	Oct 1 2012	1992	18,355	14	93.4%	3.1
33	Oxford Health Centre	London, ON	Mar 25 2010	1994	39,184	18	71.0%	5.2
34	Springbank Medical Centre	London, ON	Mar 30 2012	2011	53,082	31	94.6%	2.8
35	St. Thomas Family Health Centre	St. Thomas, ON	Oct 1 2012	1986	17,980	14	100.0%	2.9
36	Canamera Medical Centre	Cambridge, ON	Sep 15 2011	2007	81,971	20	100.0%	2.2
37	Guelph Medical Place I	Guelph, ON	Oct 1 2012	1991/2008	35,154	13	97.7%	5.3
38	Guelph Medical Place II	Guelph, ON	Oct 1 2012	2011	24,066	10	89.9%	3.1
39	Chatham Professional Building	Chatham, ON	Mar 25 2010	1977/87	26,612	9	65.7%	4.3
40	Windsor Health Centre	Windsor, ON	Mar 25 2010	1970/71/88/89	176,812	63	65.2%	4.6
41	Shoppers Drug Mart	Windsor, ON	Mar 25 2010	1998/2011	20,870	1	100.0%	12.8
42	Collingwood Health Centre	Collingwood, ON	Mar 25 2010	1989/2013	26,320	16	89.4%	4.5
43	Orillia Professional Arts Building	Orillia, ON	Oct 1 2012	1982	21,312	10	64.7%	1.6
44	Owen Sound Medical Building	Owen Sound, ON	Feb 9 2015	2011	77,542	11	86.7%	7.7
45	Huron Medical Centre	Midland, ON	Oct 1 2012	1986	26,300	17	91.6%	6.2
46	Lindsay Medical Centre	Lindsay, ON	Oct 1 2012	1990	17,464	14	84.2%	3.7
47	Port Hope Medical Centre	Port Hope, ON	Oct 1 2012	1974/91	26,101	18	83.8%	2.9
48	Smyth Medical Centre	Ottawa, ON	Sep 10 2012	1983	18,400	14	91.0%	3.6
49	Four Corners Medical Arts Centre	Sudbury, ON	Mar 25 2010	1991	49,027	25	95.1%	5.1
50	Sudbury Medical Centre	Sudbury, ON	Oct 1 2012	1981/90	58,401	24	83.2%	4.3
51	CSSS Haut-Richelieu	Richelieu, QC	Sep 1 2010	2009	54,659	1	100.0%	8.1
52	Clinique Bois-De-Boulogne	Montreal, QC	Mar 25 2010	1976/89	95,974	29	79.7%	3.0
53	Le Carrefour Medical	Laval, QC	Mar 25 2010	1990	117,957	33	83.4%	2.9
54	Clinique CAMU	Longueuil, QC	Mar 25 2010	1988	25,887	5	70.8%	4.0
55	2924 Taschereau Boulevard	Longueuil, QC	Mar 25 2010	1988/2010	24,644	1	100.0%	4.8
56	CLSC Saint-Hubert	Saint Hubert, QC	Mar 25 2010	1991	46,639	2	100.0%	0.3
57	950 Montee des Pionniers	Lachenaie, QC	Mar 25 2010	2004	64,402	15	97.0%	5.9
58	Agence Lanaudiere	Joliette, QC	Dec 20 2012	1994/2008	53,771	1	100.0%	7.5
59	CSSS Grand Littoral	Levis, QC	Sep 1 2010	2008	64,563	2	100.0%	6.9
60	Polyclinique Val-Belair	Quebec City, QC	Jul 22 2011	2009	46,053	12	100.0%	5.8
61	CLSC Orleans	Quebec City, QC	Mar 25 2010	1989	20,419	1	100.0%	7.3
62	Centre Medicale de L'Hetriere	Quebec City, QC	Jan 19 2012	2007	36,502	7	94.5%	2.3
63	Fredericton Medical Centre	Fredericton, NB	Mar 25 2010	1985	70,569	40	87.3%	4.1
64	Moncton Medical Clinic	Moncton, NB	Jan 23 2012	1984	41,545	17	97.0%	2.7
65	Cobequid Centre	Lower Sackville, NS	Mar 25 2010	2006	30,009	1	100.0%	6.7
66	Halifax Professional Centre	Halifax, NS	Mar 25 2010	1969/74	115,499	80	91.6%	3.7
67	Gladstone Professional Centre	Halifax, NS	Mar 25 2010	1985	41,860	11	100.0%	2.7
68	Royal Bank Building	Dartmouth, NS	Mar 25 2010	1964/71	100,470	28	66.3%	5.3
69	New Glasgow Medical Centre	New Glasgow, NS	Dec 21 2011	2009	33,800	1	100.0%	8.9
					4,401,967	1,335	90.7%	4.6

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE								
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾	
Canada (con't.)								
Redevelopment Properties:								
70	490 Harwood Boulevard	Vaudreuil-Dorion, QC	Mar 25 2010	1985	24,457	n/a	n/a	n/a
	85 The East Mall ⁽⁶⁾	Toronto, ON	Jan 16 2015	1975	47,299	n/a	n/a	n/a
	Parkwood ⁽⁷⁾	Calgary, AB	Mar 25 2010	1956	20,271	n/a	n/a	n/a
					92,027	n/a	n/a	n/a
Development Land:								
	Barrie Primary Care Campus	Barrie, ON	Feb 9 2015	n/a	n/a	n/a	n/a	n/a
	St. Albert Land	St. Albert, AB	Feb 9 2015	n/a	n/a	n/a	n/a	n/a
					n/a	n/a	n/a	n/a
Brazil								
71	Sabará Children's Hospital	São Paulo	Nov 16 2012	2010	104,915	1	100.0%	8.8
Rede D'Or Hospital Portfolio:								
72	Hospital e Maternidade Brasil ("HMB")	São Paulo	Dec 27 2012	1970 - 2007	342,000	1	100.0%	22.0
73	Hospital Santa Luzia*	Brasília's South Wing	Dec 23 2013	2003	185,139	1	100.0%	23.0
74	Hospital Do Coracao*	Brasília's South Wing	Dec 23 2013	2007	96,875	1	100.0%	23.0
75	Hospital Caxias*	Rio de Janeiro	Dec 23 2013	2013	290,626	1	100.0%	23.0
	* - the "Rede D'Or Hospital Portfolio Acquisition"				1,019,555	5	100.0%	21.2
Germany								
76	Adlershof 1	Berlin	Nov 16 2012	2004	55,292	47	94.3%	6.0
77	Adlershof 2	Berlin	Nov 16 2012	2010	46,655	38	100.0%	5.2
78	Berlin Neukölln	Berlin	Nov 16 2012	2000	33,781	16	100.0%	3.4
79	Königs Wusterhausen 1	Königs Wusterhausen	Nov 16 2012	2001	35,689	24	92.4%	1.4
80	Fulda	Fulda	Mar 31 2013	2010	110,475	33	100.0%	4.5
81	Polimedica Centre**	Berlin	Jun 25 2014	2007	114,780	32	98.3%	8.8
82	Hollis Centre**	Ingolstadt	Jun 25 2014	1996	99,651	35	96.2%	4.0
83	Leipzig am Park**	Leipzig	Jun 25 2014	1977	19,048	10	93.9%	6.0
84	Leipzig Baestlein**	Leipzig	Jun 25 2014	1975	19,163	11	93.4%	6.7
85	Leipzig Gruenauer**	Leipzig	Jun 25 2014	1980	15,932	8	79.1%	5.6
86	Leipzig Karlsruher**	Leipzig	Jun 25 2014	1982	18,990	7	67.3%	2.0
87	Leipzig Lidicestrassen**	Leipzig	Jun 25 2014	1975	19,201	13	100.0%	4.5
88	Leipzig Pfaffensteinstrasse**	Leipzig	Jun 25 2014	1985	18,277	8	79.5%	3.6
89	Leipzig Plovdiner**	Leipzig	Jun 25 2014	1975	18,217	5	100.0%	5.4
90	Leipzig Schlehenweg**	Leipzig	Jun 25 2014	1989	18,537	11	100.0%	2.3
91	Leipzig Stuttgarter**	Leipzig	Jun 25 2014	1978	18,047	9	93.9%	3.4
92	Leipzig Tauchaer Strasse**	Leipzig	Jun 25 2014	1982	18,681	10	100.0%	5.3
93	Leipzig Yorkstrasse**	Leipzig	Jun 25 2014	1975	11,624	6	91.5%	5.5
94	Hohenschonhausen	Berlin	Aug 30 2014	1996	64,764	38	95.6%	3.9
	** - the "Core German MOB Portfolio"				756,804	361	95.7%	5.0
Development Land:								
	Vivantes Auguste-Viktoria Hospital land	Berlin	Apr 1 2015	n/a	n/a	n/a	n/a	n/a
Australia								
95	Allamanda Private Hospital	Southport, Queensland	Dec 22 2010	1979	318,773	1	100.0%	22.2
96	Belmont Private Hospital	Carina Heights, Queensland	Dec 22 2010	1973/2015	94,023	1	100.0%	20.1
97	Dubbo Private Hospital	Dubbo, New South Wales	Dec 22 2010	1994	55,972	1	100.0%	16.1
98	Epworth Eastern Hospital	Box Hill, Victoria	Mar 30 1999	2005	132,640	8	100.0%	9.3
99	Epworth Eastern Medical Centre	Box Hill, Victoria	Mar 30 1999	1986	33,237	26	100.0%	5.5
100	Lingard Private Hospital	Merewether, New South Wales	Dec 22 2010	1975/2015	99,566	1	100.0%	25.2
101	Marian Centre	Perth, Western Australia	Aug 12 2014	1965	24,337	1	100.0%	18.6
102	Mayo Private Hospital	Taree, New South Wales	Dec 16 2011	1997	62,700	1	100.0%	16.0
103	North West Private Hospital	Burnie, Tasmania	Dec 22 2010	1988	87,360	2	100.0%	16.1
104	Epworth Rehabilitation	Brighton, Victoria	Feb 01 1999	1971	35,489	1	100.0%	3.1
105	Gold Coast Surgery Centre	Southport, Queensland	Dec 22 2010	1999	29,495	7	91.8%	8.7
106	Hurstville Private Hospital	Sydney, New South Wales	Apr 30 2012	1894/2015	135,238	1	100.0%	26.3
107	Maitland Private Hospital	East Maitland, New South Wales	Dec 22 2010	2001/2015	126,863	2	100.0%	17.0
108	Palm Beach Currumbin Clinic	Currumbin, Queensland	Dec 22 2010	1980	53,443	1	100.0%	16.1
109	South Eastern Private Hospital	Noble Park, Victoria	Dec 22 2010	1970	59,148	1	100.0%	25.2
110	Sportsmed Private Hospital	Adelaide, South Australia	Dec 3 2012	1990/2008	56,607	2	100.0%	16.9
111	Toronto Private Hospital	Toronto, New South Wales	Dec 22 2010	1988	55,682	2	100.0%	27.0
					1,460,573	59	99.8%	18.9

PART XI – PROPERTY TABLE (CON'T.)

PROPERTY TABLE								
Property	Location	Date Acquired	Year Built ⁽¹⁾	Approximate GLA (sf)	# of Tenants	Occupancy %	WALE ⁽²⁾	
Australia (con't.)								
Redevelopment Properties:								
112	Melbourne Pathology Building	Noble Park, Victoria	Dec 22 2010	1970	n/a	n/a	n/a	n/a
Development Land:								
113	25 Nelson Road	Box Hill, Victoria	Nov 28 2014	n/a	n/a	n/a	n/a	n/a
114	142 Brighton Avenue	Toronto, New South Wales	Jul 22 2015	n/a	n/a	n/a	n/a	n/a
115	27 Hopkins Street	Merewether, New South Wales	Nov 25 2015	n/a	n/a	n/a	n/a	n/a
116	6 Lingard Street	Merewether, New South Wales	Dec 4 2015	n/a	n/a	n/a	n/a	n/a
New Zealand								
117	Apollo Health and Wellness Centre	Albany, Auckland	Sep 01 2008	2005	52,806	22	89.4%	4.3
118	Ascot Central	Greenlane, Auckland	May 1 2008	2008	51,835	19	99.9%	4.1
119	Ascot Central Car Park	Greenlane, Auckland	ground lease	1999	4,833	18	97.8%	15.0
120	Ascot Hospital	Greenlane, Auckland	Mar 25 1999	1999	122,496	20	99.7%	19.6
121	Kensington Hospital	Whangarei, Northland	Mar 12 2001	2001	25,371	1	100.0%	5.2
122	Napier Health Centre	Napier, Hawke's Bay	Dec 23 1999	1999	46,231	1	100.0%	4.0
					303,572	81	98.0%	10.6
Australasia Total - Vital Trust⁽³⁾					1,764,145	140	99.5%	17.4
Portfolio Totals / Weighted Averages ⁽⁵⁾					8,034,498	1,841	94.3%	9.6
Portfolio Totals / Weighted Averages - Proportionate Consolidation ⁽⁴⁾⁽⁵⁾					6,701,805		93.3%	8.1
Portfolio Statistics excluding Assets Held for Sale:								
Canada					3,780,291	1,097	93.1%	4.6
Portfolio Totals / Weighted Averages ⁽⁵⁾					7,412,822	1,603	95.9%	10.0
Portfolio Totals / Weighted Averages - Proportionate Consolidation ⁽⁴⁾⁽⁵⁾					6,080,129		95.1%	8.4
Notes								
(1) Year built/renovated or expanded, as applicable.								
(2) As at December 31, 2015. Weighted average lease expiry in years.								
(3) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust. The property count for Vital includes four properties representing development land.								
(4) Calculation is based on the REIT's proportionate interest in Vital Trust.								
(5) Weighted Average Occupancy and WALE excluding Redevelopment Properties								
(6) One of two buildings on a two building campus								
(7) One of two buildings on a two building campus								

PART XII – SUPPLEMENTAL DISCLOSURE

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Three months ended December 31, 2015										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾				Corporate ⁽⁶⁾	Consolidated	
				Vital Trust	Vital Manager	Elimination	Other	Total		
Net Operating Income ⁽¹⁾⁽²⁾										
Revenue from investment properties	\$ 37,527	\$ 6,858	\$ 3,547	\$ 16,475	\$ -	\$ (480)		\$ 15,995	\$ -	\$ 63,927
Property operating costs	(16,953)	-	(1,214)	(1,559)	-	49		(1,510)	-	(19,677)
	20,574	6,858	2,333	14,916	-	(431)	-	14,485	-	44,250
Other income										
Share of profit (loss) from associates	-	-	-	-	433	(433)		-	-	-
Management fees	-	-	-	-	3,138	(3,138)		-	-	-
Management fee participation	-	-	-	-	-	-		-	-	-
Interest income	2	146	-	14	2	-		16	5	169
	2	146	-	14	3,573	(3,571)	-	16	5	169
	20,576	7,004	2,333	14,930	3,573	(4,002)	-	14,501	5	44,419
Other expenses										
Mortgage and loan interest expense	(10,494)	(2,057)	(412)	(3,159)	(5)	-		(3,164)	(4,101)	(20,228)
General and administrative expenses	-	(670)	(630)	(3,231)	(1,355)	3,225		(1,361)	(4,349)	(7,010)
Transaction costs	-	-	(102)	-	-	-		-	(349)	(451)
Other Finance costs	3,161	(6,359)	(97)	(125)	-	-		(125)	(22,904)	(26,324)
Foreign exchange gain (loss)	-	6	(1)	276	(47)	-		229	(5,032)	(4,798)
Income / (Loss) before the undernoted items	13,243	(2,076)	1,091	8,691	2,166	(777)	-	10,080	(36,730)	(14,392)
Fair value adjustment of DUP liability	-	-	-	-	(50)	-		(50)	(1,314)	(1,364)
Fair value adjustment of investment properties	(2,936)	20,148	8,705	40,263	-	7,495		47,758	-	73,675
Net loss on disposal of investment properties	(1,218)	-	-	-	-	-		-	-	(1,218)
Gain on business combination	-	-	-	-	-	-		-	-	-
Gain / (Loss) on derivative financial instruments	(54)	669	(44)	2,386	-	-		2,386	11	2,968
Income / (Loss) before taxes	9,035	18,741	9,752	51,340	2,116	6,718	-	60,174	(38,033)	59,669
Income tax expense	-	(8,192)	(1,378)	(5,771)	(344)	-		(6,115)	-	(15,685)
Net income (loss)	\$ 9,035	\$ 10,549	\$ 8,374	\$ 45,569	\$ 1,772	\$ 6,718	\$ -	\$ 54,059	\$ (38,033)	\$ 43,984
Non-Controlling Interest										
	-	-	-	34,479	-	5,320		39,799	-	39,799
Income attributable to Unitholders	\$ 9,035	\$ 10,549	\$ 8,374	\$ 11,090	\$ 1,772	\$ 1,398	\$ -	\$ 14,260	\$ (38,033)	\$ 4,185
Add / (Deduct):										
Fair market value losses (gains)	2,990	(20,817)	(8,661)	(42,649)	50	(7,495)		(50,094)	17,076	(59,506)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	32,218	-	5,661		37,879	-	37,879
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-		-	3,825	3,825
Revaluation of financial liabilities	-	5,442	-	-	-	-		-	-	5,442
Unrealized foreign exchange loss (gain)	-	-	(4)	(276)	47	-		(229)	4,909	4,676
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	208	-	-		208	-	208
Deferred taxes	-	8,140	1,374	4,059	629	-		4,688	-	14,202
Less: Non-controlling interests' share of deferred taxes	-	-	-	(3,065)	-	-		(3,065)	-	(3,065)
Non-recurring transaction costs	-	-	102	-	-	-		-	349	451
Convertible Debenture issuance costs	-	-	-	-	-	-		-	3,133	3,133
Internal Leasing Costs	359	-	192	-	-	-		-	-	551
Net loss on disposal of investment properties	1,218	-	-	-	-	-		-	-	1,218
Funds From Operations ("FFO") ⁽¹⁾⁽³⁾	\$ 13,602	\$ 3,314	\$ 1,377	\$ 1,585	\$ 2,498	\$ (436)	\$ -	\$ 3,647	\$ (8,741)	\$ 13,199

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
Three months ended December 31, 2015										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾				Corporate ⁽⁶⁾	Consolidated	
				Vital Trust	Vital Manager	Elimination	Other	Total		
Funds From Operations ("FFO")⁽¹⁾⁽³⁾	\$ 13,602	\$ 3,314	\$ 1,377	\$ 1,585	\$ 2,498	\$ (436)	\$ -	\$ 3,647	\$ (8,741)	\$ 13,199
<u>Add / (Deduct):</u>										
Asset management fees to be paid in units	-	-	-	-	-	-	-	-	-	-
Amortization of intangible asset	-	-	-	-	-	-	-	-	-	-
Instalment note	-	-	-	-	-	-	-	-	-	-
Interest rate subsidy	-	-	-	-	-	-	-	-	-	-
Amortization of marked to market adjustment	(3,292)	-	-	-	-	-	-	-	-	(3,292)
Amortization of deferred financing charges	131	917	97	125	-	-	-	125	173	1,443
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(94)	-	-	-	(94)	-	(94)
Straight line revenue	(387)	(24)	-	63	-	-	-	63	-	(348)
Less: non-controlling interests' share of straight-line revenue	-	-	-	(48)	-	-	-	(48)	-	(48)
Leasing costs and non-recoverable maintenance capital expenditures	(2,252)	-	(213)	(12)	-	-	-	(12)	-	(2,477)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	9	-	-	-	9	-	9
DUP Compensation Expense	-	-	-	-	105	-	-	105	2,853	2,958
Internalization Contribution	-	-	-	-	-	-	-	-	-	-
Debt repayment costs	2,666	-	-	-	-	-	-	-	-	2,666
Adjusted Funds From Operations ("AFFO")⁽¹⁾⁽³⁾	\$ 10,468	\$ 4,207	\$ 1,261	\$ 1,628	\$ 2,603	\$ (436)	\$ -	\$ 3,795	\$ (5,715)	\$ 14,016

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
As at December 31, 2015										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾				Corporate ⁽⁶⁾	Consolidated	
				Vital Trust	Vital Manager	Elimination	Other			Total
Assets										
Investment properties	\$ 1,195,336	\$ 343,724	\$ 159,817	\$ 792,522	\$ -	\$ 436	\$ 792,958	\$ -	\$ 2,491,835	
Intangible Asset	-	-	-	-	-	-	-	46,757	46,757	
Goodwill	-	-	-	-	-	-	-	41,671	41,671	
Derivative financial instruments	-	-	-	8,506	-	-	8,506	-	8,506	
Assets held for sale	78,194	-	-	-	-	-	-	-	78,194	
Other assets	6,682	5,827	7,257	7,474	4,846	(3,279)	9,041	4,239	33,046	
	\$ 1,280,212	\$ 349,551	\$ 167,074	\$ 808,502	\$ 4,846	\$ (2,843)	\$ 810,505	\$ 92,667	\$ 2,700,009	
Liabilities										
Mortgages and loans payable	\$ 678,267	\$ 54,128	\$ 82,833	\$ 269,309	\$ -	\$ -	\$ 269,309	\$ 168,456	\$ 1,252,993	
Deferred Consideration	-	33,861	212	-	-	-	-	-	34,073	
Convertible Debentures	-	-	-	-	-	-	-	170,094	170,094	
Deferred Revenue	-	-	-	6,571	95	(6,666)	-	-	-	
Deferred tax liability	-	32,769	4,185	50,163	516	-	50,679	-	87,633	
Derivative financial instruments	2,792	863	1,184	13,572	-	-	13,572	14	18,425	
Liabilities related to assets held for sale	52,674	-	-	-	-	-	-	-	52,674	
Exchangeable Units	65,321	-	-	-	-	-	-	104,332	169,653	
Other liabilities	25,848	2,231	2,889	16,170	1,397	(27)	17,540	22,995	71,503	
	\$ 824,902	\$ 123,852	\$ 91,303	\$ 355,785	\$ 2,008	\$ (6,693)	\$ 351,100	\$ 465,891	\$ 1,857,048	
Net assets										
	\$ 455,310	\$ 225,699	\$ 75,771	\$ 452,717	\$ 2,838	\$ 3,850	\$ -	\$ 459,405	\$ (373,224)	\$ 842,961
Less: Non-controlling interest	-	-	-	(327,483)	-	-	(327,483)	-	(327,483)	
Unitholders' Equity	\$ 455,310	\$ 225,699	\$ 75,771	\$ 125,234	\$ 2,838	\$ 3,850	\$ -	\$ 131,922	\$ (373,224)	\$ 515,478
Notes										
(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.										
(2) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"										
(3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.										
(4) Includes NWI's share of profit(loss) in the REIT prior to completion of Combination Transaction. Includes the REIT's consolidated Canadian regional operations for period following completion of Combination Transaction.										
(5) Includes NWI's share of profit(loss) in Vital Trust for periods prior to consolidation of Vital Trust. On January 1, 2015 NWI acquired control of Vital Trust as a result of NWI's Internalization Transaction whereby NWI acquired the asset manager of Vital Trust ("Vital Manager"). Includes consolidated Australasian results of Vital Trust and Vital Manager for the period subsequent to acquisition of the Vital Manager.										
(6) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units and Class D GP Units, treated as finance costs. Includes general and administrative costs of NWI's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.										

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Three months ended December 31, 2014										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾			Corporate ⁽⁶⁾	Consolidated		
				Vital Trust	Vital Manager	Other	Total			
Net Operating Income ⁽¹⁾⁽²⁾										
Revenue from investment properties	\$ -	\$ 8,333	\$ 3,262	\$ -			\$ -			\$ 11,595
Property operating costs	-	-	(1,068)	-			-			(1,068)
	-	8,333	2,194	-	-	-	-	-	-	10,527
Other income										
Share of profit (loss) from associates	83			1,522			1,522			1,605
Management fees	-			-			-			-
Management fee participation	-			-		436	436			436
Interest income	-	70		-			-	469		539
	83	70	-	1,522	-	436	1,958	469		2,580
	83	8,403	2,194	1,522	-	436	1,958	469		13,107
Other expenses										
Mortgage and loan interest expense	-	(2,922)	(463)	-			-	(4,311)		(7,696)
General and administrative expenses	-	(868)	(83)	-			-	(1,466)		(2,417)
Transaction costs	-			-			-			-
Other Finance costs	-	(7,351)	(57)	-			-	16,939		9,531
Foreign exchange gain (loss)	-	(55)	-	-			-	(1,638)		(1,693)
Amortization of intangible asset	-			-			-	(390)		(390)
Income / (Loss) before the undernoted items	83	(2,793)	1,591	1,522	-	436	1,958	9,603		10,442
Fair value adjustment of DUP liability	-			-			-	49		49
Fair value adjustment of investment properties	-	-	15,663	-			-	-		15,663
Net loss on disposal of investment properties	-			-			-	-		-
Gain / (Loss) on derivative financial instruments	-	(1,762)	(269)	-			-	(11)		(2,042)
Income / (Loss) before taxes	83	(4,555)	16,985	1,522	-	436	1,958	9,641		24,112
Income tax expense	-	(389)	(2,701)	-			-	142		(2,948)
Net income (loss)	\$ 83	\$ (4,944)	\$ 14,284	\$ 1,522	\$ -	\$ 436	\$ 1,958	\$ 9,783	\$	\$ 21,164
Add / (Deduct):										
Fair market value losses (gains)	-	1,762	(15,394)	-			-	(22,728)		(36,360)
Less: Non-controlling interests' share of fair market value losses (gains)	-			-			-			-
Finance cost - Exchangeable Unit distributions	-			-			-	5,070		5,070
Revaluation of financial liabilities	-	5,005		-			-			5,005
Unrealized foreign exchange loss (gain)	-			-			-	1,625		1,625
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-			-			-			-
Deferred taxes	-	427	2,699	-			-			3,126
Less: Non-controlling interests' share of deferred taxes	-			-			-			-
Non-recurring transaction costs	-			-			-			-
Convertible Debenture issuance costs	-			-			-	207		207
Net adjustments for equity accounted entities	2,874			506			506			3,380
Internal Leasing Costs	-			-			-			-
Net loss on disposal of investment properties	-			-			-			-
Gain on business combination	-			-			-			-
Funds From Operations ("FFO") ⁽¹⁾⁽³⁾	\$ 2,957	\$ 2,250	\$ 1,589	\$ 2,028	\$ -	\$ 436	\$ 2,464	\$ (6,043)	\$	\$ 3,217

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
Three months ended December 31, 2014										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾			Corporate ⁽⁶⁾	Consolidated		
				Vital Trust	Vital Manager	Other	Total			
Funds From Operations ("FFO")⁽¹⁾⁽³⁾	\$ 2,957	\$ 2,250	\$ 1,589	\$ 2,028	\$ -	\$ 436	\$ 2,464	\$ (6,043)	\$	\$ 3,217
<u>Add / (Deduct):</u>										
Asset management fees to be paid in units	-	-	-	-	-	-	-	876	-	876
Amortization of intangible asset	-	-	-	-	-	-	-	390	-	390
Instalment note	-	-	-	-	-	-	-	-	-	-
Interest rate subsidy	-	-	-	-	-	-	-	684	-	684
Amortization of marked to market adjustment	-	-	-	-	-	-	-	-	-	-
Amortization of deferred financing charges	-	2,346	57	-	-	-	-	474	-	2,877
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	-	-	-	-	-	-	-
Debt repayment costs	-	-	-	-	-	-	-	-	-	-
Straight line revenue	-	(52)	-	-	-	-	-	-	-	(52)
Less: non-controlling interests' share of straight-line revenue	-	-	-	-	-	-	-	-	-	-
Leasing costs and non-recoverable maintenance capital expenditures	-	-	(205)	-	-	-	-	-	-	(205)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	-	-	-	-	-	-	-
DUP Compensation Expense	-	-	-	-	-	-	-	60	-	60
Incentive fee	-	-	-	-	-	-	-	-	-	-
Internalization Contribution	-	-	-	-	-	-	-	-	-	-
Adjusted Funds From Operations ("AFFO")⁽¹⁾⁽³⁾	\$ 2,957	\$ 4,544	\$ 1,441	\$ 2,028	\$ -	\$ 436	\$ 2,464	\$ (3,559)	\$	\$ 7,847

Notes

- (1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.
- (2) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"
- (3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.
- (4) Includes NWI's share of profit(loss) in the REIT prior to completion of Combination Transaction. Includes the REIT's consolidated Canadian regional operations for period following completion of Combination Transaction.
- (5) Includes NWI's share of profit(loss) in Vital Trust for periods prior to consolidation of Vital Trust. On January 1, 2015 NWI acquired control of Vital Trust as a result of NWI's Internalization Transaction whereby NWI acquired the asset manager of Vital Trust ("Vital Manager"). Includes consolidated Australasian results of Vital Trust and Vital Manager for the period subsequent to acquisition of the Vital Manager.
- (6) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units and Class D GP Units, treated as finance costs. Includes general and administrative costs of NWI's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Year ended December 31, 2015										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾				Corporate ⁽⁶⁾	Consolidated	
				Vital Trust	Vital Manager	Elimination	Other	Total		
Net Operating Income⁽¹⁾⁽²⁾										
Revenue from investment properties	\$ 94,448	\$ 30,611	\$ 13,155	\$ 62,683	\$ -	\$ (1,937)	\$ -	\$ 60,746	\$ -	\$ 198,960
Property operating costs	(42,068)	-	(3,935)	(7,176)	-	180	-	(6,996)	-	(52,999)
	52,380	30,611	9,220	55,507	-	(1,757)	-	53,750	-	145,961
Other income										
Share of profit (loss) from associates	2,153	-	-	-	666	(666)	-	-	-	2,153
Management fees	-	-	-	-	12,063	(12,063)	-	-	-	-
Management fee participation	-	-	-	-	-	-	-	-	-	-
Interest income	28	434	-	80	53	-	-	133	317	912
	2,181	434	-	80	12,782	(12,729)	-	133	317	3,065
	54,561	31,045	9,220	55,587	12,782	(14,486)	-	53,883	317	149,026
Other expenses										
Mortgage and loan interest expense	(22,652)	(13,063)	(1,745)	(11,527)	(18)	-	-	(11,545)	(15,292)	(64,297)
General and administrative expenses	-	(2,633)	(2,292)	(13,246)	(5,131)	13,211	-	(5,166)	(15,030)	(25,121)
Transaction costs	-	-	(301)	-	-	-	-	-	(10,009)	(10,310)
Other Finance costs	6,028	(18,436)	(261)	(310)	-	-	-	(310)	(12,263)	(25,242)
Foreign exchange gain (loss)	-	141	(2)	(12)	(31)	6	-	(37)	(2,294)	(2,192)
Amortization of intangible asset	-	-	-	-	-	-	-	-	-	-
Income / (Loss) before the undernoted items	37,937	(2,946)	4,619	30,492	7,602	(1,269)	-	36,825	(54,571)	21,864
Fair value adjustment of DUP liability	-	-	-	-	(71)	-	-	(71)	585	514
Fair value adjustment of investment properties	(9,015)	47,286	7,664	115,858	-	8,508	-	124,366	-	170,301
Net loss on disposal of investment properties	(1,352)	-	-	-	-	-	-	-	-	(1,352)
Gain on business combination	-	-	-	-	-	-	-	-	69,023	69,023
Gain / (Loss) on derivative financial instruments	(929)	709	32	(216)	-	-	(16)	(232)	16	(404)
Income / (Loss) before taxes	26,641	45,049	12,315	146,134	7,531	7,239	(16)	160,888	15,053	259,946
Income tax expense	-	(20,102)	(1,748)	(20,089)	(579)	-	-	(20,668)	(3)	(42,521)
Net income (loss)	\$ 26,641	\$ 24,947	\$ 10,567	\$ 126,045	\$ 6,952	\$ 7,239	\$ (16)	\$ 140,220	\$ 15,050	\$ 217,425
Non-Controlling Interest	-	-	-	95,420	-	5,151	-	100,571	-	100,571
Income attributable to Unitholders	\$ 26,641	\$ 24,947	\$ 10,567	\$ 30,625	\$ 6,952	\$ 2,088	\$ (16)	\$ 39,649	\$ 15,050	\$ 116,854
Add / (Deduct):										
Fair market value losses (gains)	9,944	(47,995)	(7,696)	(115,642)	71	(8,508)	16	(124,063)	(9,872)	(179,682)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	88,446	-	5,661	-	94,108	-	94,108
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	-	16,986	16,986
Revaluation of financial liabilities	-	13,705	-	-	-	-	-	-	-	13,705
Unrealized foreign exchange loss (gain)	-	-	(1)	12	31	(6)	-	37	2,369	2,405
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	(12)	-	-	-	(12)	-	(12)
Deferred taxes	-	19,889	1,737	17,630	581	-	-	18,211	-	39,837
Less: Non-controlling interests' share of deferred taxes	-	-	-	(13,375)	-	-	-	(13,375)	-	(13,375)
Non-recurring transaction costs	-	-	301	-	-	-	-	-	10,009	10,310
Convertible Debenture issuance costs	-	-	-	-	-	-	-	-	3,134	3,134
Net adjustments for equity accounted entities	2,221	-	-	-	-	-	-	-	-	2,221
Internal Leasing Costs	936	-	192	-	-	-	-	-	-	1,128
Net loss on disposal of investment properties	1,352	-	-	-	-	-	-	-	-	1,352
Gain on business combination	-	-	-	-	-	-	-	-	(69,023)	(69,023)
Funds From Operations ("FFO")⁽¹⁾⁽³⁾	\$ 41,094	\$ 10,546	\$ 5,100	\$ 7,685	\$ 7,635	\$ (765)	\$ -	\$ 14,555	\$ (31,347)	\$ 39,948

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)											
Unaudited											
Expressed in thousands of Canadian dollars											
Year ended December 31, 2015											
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾				Corporate ⁽⁶⁾	Consolidated		
				Vital Trust	Vital Manager	Elimination	Other	Total			
Funds From Operations ("FFO")⁽¹⁾⁽³⁾	\$ 41,094	\$ 10,546	\$ 5,100	\$ 7,685	\$ 7,635	\$ (765)	\$ -	\$ 14,555	\$ (31,347)	\$	\$ 39,948
<u>Add / (Deduct):</u>											
Asset management fees to be paid in units	-	-	-	-	-	-	-	-	-	-	-
Amortization of intangible asset	-	-	-	-	-	-	-	-	-	-	-
Instalment note	-	-	-	-	-	-	-	-	-	-	-
Interest rate subsidy	669	-	-	-	-	-	-	-	-	-	669
Amortization of marked to market adjustment	(6,219)	-	-	-	-	-	-	-	-	-	(6,219)
Amortization of deferred financing charges	191	4,731	261	310	-	-	-	310	1,414	-	6,907
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	(235)	-	-	-	(235)	-	-	(235)
Straight line revenue	(1,023)	80	-	211	-	244	-	455	-	-	(488)
Less: non-controlling interests' share of straight-line revenue	-	-	-	(255)	-	-	-	(255)	-	-	(255)
Leasing costs and non-recoverable maintenance capital expenditures	(5,668)	-	(617)	(779)	-	-	-	(779)	-	-	(7,064)
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	591	-	-	-	591	-	-	591
DUP Compensation Expense	-	-	-	-	409	-	-	409	10,391	-	10,800
Internalization Contribution	-	-	-	-	-	-	-	-	1,385	-	1,385
Debt repayment costs	2,666	-	-	-	-	-	-	-	-	-	2,666
Adjusted Funds From Operations ("AFFO")⁽¹⁾⁽³⁾	\$ 31,710	\$ 15,357	\$ 4,744	\$ 7,528	\$ 8,044	\$ (521)	\$ -	\$ 15,051	\$ (18,157)	\$	\$ 48,705

Notes

(1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.

(2) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"

(3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.

(4) Includes NWI's share of profit(loss) in the REIT prior to completion of Combination Transaction. Includes the REIT's consolidated Canadian regional operations for period following completion of Combination Transaction.

(5) Includes NWI's share of profit(loss) in Vital Trust for periods prior to consolidation of Vital Trust. On January 1, 2015 NWI acquired control of Vital Trust as a result of NWI's Internalization Transaction whereby NWI acquired the asset manager of Vital Trust ("Vital Manager"). Includes consolidated Australasian results of Vital Trust and Vital Manager for the period subsequent to acquisition of the Vital Manager.

(6) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units and Class D GP Units, treated as finance costs. Includes general and administrative costs of NWI's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE										
Unaudited										
Year ended December 31, 2014										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾				Corporate ⁽⁶⁾	Consolidated	
				Vital Trust	Vital Manager	Other	Total			
Net Operating Income⁽¹⁾⁽²⁾										
Revenue from investment properties	\$ -	\$ 34,949	\$ 9,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 44,084
Property operating costs	-	-	(2,654)	-	-	-	-	-	-	(2,654)
	-	34,949	6,481	-	-	-	-	-	-	41,430
Other income										
Share of profit (loss) from associates	(5,681)	-	-	7,708	-	-	7,708	-	-	2,027
Management fees	-	-	-	-	-	-	-	-	-	-
Management fee participation	-	-	-	-	-	2,372	2,372	-	-	2,372
Interest income	-	409	-	-	-	-	-	1,404	-	1,813
	(5,681)	409	-	7,708	-	2,372	10,080	1,404	-	6,212
	(5,681)	35,358	6,481	7,708	-	2,372	10,080	1,404	-	47,642
Other expenses										
Mortgage and loan interest expense	-	(12,592)	(1,442)	-	-	-	-	(15,279)	-	(29,313)
General and administrative expenses	-	(2,758)	(102)	-	-	-	-	(4,971)	-	(7,831)
Transaction costs	-	-	-	-	-	-	-	-	-	-
Other Finance costs	-	(25,518)	(165)	-	-	-	-	(20,796)	-	(46,479)
Foreign exchange gain (loss)	-	434	(1)	-	-	-	-	(1,548)	-	(1,115)
Amortization of intangible asset	-	-	-	-	-	-	-	(1,561)	-	(1,561)
Income / (Loss) before the undernoted items	(5,681)	(5,076)	4,771	7,708	-	2,372	10,080	(42,751)	-	(38,657)
Fair value adjustment of DUP liability	-	-	-	-	-	-	-	13	-	13
Fair value adjustment of investment properties	-	15,922	10,892	-	-	-	-	-	-	26,814
Net loss on disposal of investment properties	-	-	(98)	-	-	-	-	-	-	(98)
Gain / (Loss) on derivative financial instruments	-	(1,762)	(1,214)	-	-	16	16	(249)	-	(3,209)
Income / (Loss) before taxes	(5,681)	9,084	14,351	7,708	-	2,388	10,096	(42,987)	-	(15,137)
Income tax expense	-	(9,353)	(2,188)	-	-	-	-	-	-	(11,541)
Net income (loss)	\$ (5,681)	\$ (269)	\$ 12,163	\$ 7,708	\$ -	\$ 2,388	\$ 10,096	\$ (42,987)	\$ -	\$ (26,678)
Add / (Deduct):										
Fair market value losses (gains)	-	(14,160)	(9,678)	-	-	(16)	(16)	(4,032)	-	(27,886)
Less: Non-controlling interests' share of fair market value losses (gains)	-	-	-	-	-	-	-	-	-	-
Finance cost - Exchangeable Unit distributions	-	-	-	-	-	-	-	20,219	-	20,219
Revaluation of financial liabilities	-	16,804	-	-	-	-	-	-	-	16,804
Unrealized foreign exchange loss (gain)	-	-	-	-	-	-	-	1,503	-	1,503
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	-	-	-	-	-	-	-	-	-	-
Deferred taxes	-	9,090	2,182	-	-	-	-	-	-	11,272
Less: Non-controlling interests' share of deferred taxes	-	-	-	-	-	-	-	-	-	-
Non-recurring transaction costs	-	-	-	-	-	-	-	-	-	-
Convertible Debenture issuance costs	-	-	-	-	-	-	-	3,045	-	3,045
Net adjustments for equity accounted entities	17,559	-	-	(1,022)	-	-	(1,022)	-	-	16,537
Internal Leasing Costs	-	-	-	-	-	-	-	-	-	-
Net loss on disposal of investment properties	-	-	98	-	-	-	-	-	-	98
Gain on business combination	-	-	-	-	-	-	-	-	-	-
Funds From Operations ("FFO")⁽¹⁾⁽³⁾	\$ 11,878	\$ 11,465	\$ 4,765	\$ 6,686	\$ -	\$ 2,372	\$ 9,058	\$ (22,252)	\$ -	\$ 14,914

PART XII – SUPPLEMENTAL DISCLOSURE (CON'T.)

SUPPLEMENTAL DISCLOSURE (CON'T)										
Unaudited										
Year ended December 31, 2014										
Expressed in thousands of Canadian dollars										
	Canada ⁽⁴⁾	Brazil	Germany	Australia/New Zealand ⁽⁵⁾			Corporate ⁽⁶⁾	Consolidated		
				Vital Trust	Vital Manager	Other	Total			
Funds From Operations ("FFO")⁽¹⁾⁽³⁾	\$ 11,878	\$ 11,465	\$ 4,765	\$ 6,686	\$ -	\$ 2,372	\$ 9,058	\$ (22,252)	\$ 14,914	
Add / (Deduct):										
Asset management fees to be paid in units	-	-	-	-	-	-	-	3,319	3,319	
Amortization of intangible asset	-	-	-	-	-	-	-	1,561	1,561	
Instalment note	-	215	-	-	-	-	-	-	215	
Interest rate subsidy	-	-	-	-	-	-	-	2,713	2,713	
Amortization of marked to market adjustment	-	-	-	-	-	-	-	-	-	
Amortization of deferred financing charges	-	8,714	165	-	-	-	-	1,800	10,679	
Less: Non-controlling interests' share of amortization of deferred financing charges	-	-	-	-	-	-	-	-	-	
Straight line revenue	-	(84)	-	-	-	-	-	-	(84)	
Less: non-controlling interests' share of straight-line revenue	-	-	-	-	-	-	-	-	-	
Leasing costs and non-recoverable maintenance capital expenditures	-	-	(370)	-	-	-	-	-	(370)	
Less: non-controlling interests' share of actual capex and leasing costs	-	-	-	-	-	-	-	-	-	
DUP Compensation Expense	-	-	-	-	-	-	-	221	221	
Internalization Contribution	-	-	-	-	-	-	-	-	-	
Adjusted Funds From Operations ("AFFO")⁽¹⁾⁽³⁾	\$ 11,878	\$ 20,310	\$ 4,560	\$ 6,686	\$ -	\$ 2,372	\$ 9,058	\$ (12,638)	\$ 33,168	

Notes

- (1) The Combination Transaction was completed on May 15, 2015 and has been accounted for as a business combination. NWI has been identified as the accounting acquirer of the REIT. Accordingly the financial results for the periods prior to completion of the Combination Transaction reflect the results of NWI.
- (2) NOI is an additional IFRS measure presented on the consolidated statement of income and comprehensive income. NOI is defined in this MD&A and analyzed in greater detail in section "Net Operating Income"
- (3) FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. FFO and AFFO as computed by the REIT may differ from similar computations as reported by other real estate investment trusts and, accordingly, may not be comparable to FFO and AFFO as reported by other such issuers. FFO and AFFO are defined in this MD&A and reconciled to the consolidated financial statements of the REIT.
- (4) Includes NWI's share of profit(loss) in the REIT prior to completion of Combination Transaction. Includes the REIT's consolidated Canadian regional operations for period following completion of Combination Transaction.
- (5) Includes NWI's share of profit(loss) in Vital Trust for periods prior to consolidation of Vital Trust. On January 1, 2015 NWI acquired control of Vital Trust as a result of NWI's Internalization Transaction whereby NWI acquired the asset manager of Vital Trust ("Vital Manager"). Includes consolidated Australasian results of Vital Trust and Vital Manager for the period subsequent to acquisition of the Vital Manager.
- (6) Includes cost of corporate borrowings including the REIT's Secured Revolving Credit Facility, Convertible Debentures, NWH Margin Facilities, Vital Margin Facilities and distributions paid on Class B LP Units and Class D GP Units, treated as finance costs. Includes general and administrative costs of NWI's head office for period prior to completion of the Combination Transaction. Includes general and administrative costs of NWH's head office for the period subsequent to completion of the Combination Transaction.

CORPORATE INFORMATION

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Stock Exchange Listing

Toronto Stock Exchange (TSX)
Listing symbols:

REIT Trust Units - NWH.UN
5.25% convertible debentures - NWH.DB
6.50% convertible debentures - NWH.DB.A
7.50% convertible debentures - NWH.DB.B
7.25% convertible debentures - NWH.DB.C
5.50% convertible debentures - NWH.DB.D

Distribution Reinvestment Plan

Participants in the REIT's distribution reinvestment plan may elect to have all cash distributions of the REIT automatically reinvested in additional Trust Units at a price per Trust Unit calculated by reference to the weighted average of the trading price for the Trust Units on the TSX for the five trading days immediately preceding the relevant distribution date. Unitholders who so elect will receive a further distribution of Trust Units equal to 3% of each distribution that was reinvested by them. To enroll individuals should contact their broker.