Northwest Healthcare Properties Real Estate Investment Trust

Management Discussion and Analysis

For the years ended
December 31, 2020 and 2019

March 11, 2021

FINANCIAL AND OPERATIONAL SUMMARY

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

FINANCIAL AND OPERATIONAL HIGHLIGHTS

Expressed in thousands of Canadian dollars, except per unit amounts (unaudited)		As at December 31, 2020	As at December 31, 2019
Operational Information [1]			
Number of Properties		188	175
Gross Leasable Area (sf)		15,498,485	14,488,966
Occupancy %		97.1 %	97.3 %
WALE (Years)		14.5	13.8
Summary of Financial Information			
Assets Under Management [3]		$ 7,847,121	$ 6,462,767
Gross Book Value [2]		$ 5,845,238	$ 5,535,304
Debt - Declaration of Trust [3]		$ 2,510,310	$ 2,354,897
Debt to Gross Book Value - Declaration of Trust		42.9 %	42.5 %
Debt - Including Convertible Debentures [3]		$ 2,803,131	$ 2,746,098
Debt to Gross Book Value - Including Convertible Debentures		48.0 %	49.6 %
Percentage of Mortgages and Loans Payable at Fixed Rates [9]		62.6 %	72.2 %
Weighted Average Interest Rate on Fixed Rate Mortgages and Loans Payable [9]		3.54 %	3.74 %
Adjusted Units Outstanding - period end [5]			
Basic		177,687,780	171,334,731
	For the three months ended December 31, 2020	**For the three months ended December 31, 2019**	**For the three months ended September 30, 2020**
Operating Results			
Revenue from investment properties	$ 92,845	$ 91,608	$ 95,086
Net Income / (Loss)	$ 200,249	$ 25,909	$ 26,556
NOI [6]	$ 71,007	$ 69,494	$ 72,239
Funds From Operations ("FFO") [6]	$ 40,252	$ 30,352	$ 39,779
Adjusted Funds From Operations ("AFFO") [6]	$ 38,539	$ 31,009	$ 39,953
Distributions [7]	$ 35,520	$ 31,474	$ 35,489
Interest Coverage [4]	3.04	2.57	2.90
Per Unit Amounts [5]			
FFO per unit - Basic [8]	$ 0.23	$ 0.20	$ 0.22
FFO per unit - diluted [8]	$ 0.22	$ 0.19	$ 0.22
AFFO per unit - Basic	$ 0.22	$ 0.20	$ 0.23
AFFO per unit - diluted [8]	$ 0.21	$ 0.20	$ 0.22
Distributions per unit	$ 0.20	$ 0.20	$ 0.20
AFFO Payout Ratio	92 %	99 %	89 %
AFFO Payout Ratio - fully diluted [8]	95 %	102 %	92 %
Adjusted Weighted Average Units Outstanding [5]			
Basic	177,563,647	153,331,021	177,438,398
Diluted - FFO [8]	201,349,114	183,328,305	201,292,040
Diluted - AFFO [8]	201,349,114	183,328,305	201,292,040

FINANCIAL AND OPERATIONAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust and joint venture ("JV") investments. The REIT has an exposure to an approximate 26% interest in Vital Trust and 30% of the JV investments.

(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) Under IFRS the REIT's Class B LP 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 in basic and diluted units outstanding/weighted average units outstanding, which is on a non-IFRS basis. There were 1,710,000 Class B LP Units outstanding as at December 31, 2020 (December 31, 2019 - 17,708,065 Class B LP Units).

(6) 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.

(7) Represents distributions to Unitholders and Class B LP 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.

(8) 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.

(9) The REIT classifies variable rate debt hedged with fixed rate swaps as fixed rate debt.

HIGHLIGHTS FOR THE QUARTER

European Joint Venture

In Q3 2020, the REIT entered into a joint venture agreement with a large sovereign wealth fund ("Institutional Investor") to pursue pan-European healthcare real estate opportunities ("European JV"). The new European JV has an 12 year term and initial gross commitment of $3.1 billion (€2.0 billion). The European JV is 70% owned by the Institutional Investor with the REIT owning the remaining 30% interest and acting as investment, property, development and asset manager for which it will be entitled to earn market based management fees, as well as a potential performance fee, subject to achieving certain return thresholds.

On October 31, 2020, the REIT expended the European JV by selling 100% share in five of its clinics and MOBs investment properties in the Netherlands with a value of $196.0 million (€126.3 million) (the "NL Seed Portfolio"). The sale generated net proceeds of approximately $64.5 million, which were deployed towards deleveraging and improving liquidity.

Vital Trust's Equity Raise

On October 13, 2020, Vital Trust completed an equity placement of 56,250,034 units at a price of $2.5 (NZ$2.8) per unit for gross proceeds of approximately $138.9 million (NZ$157.5 million). The REIT participated in the equity placement by buying 15,505,996 units of Vital Trust for a total of $38.4 million (NZ$43.6 million), increasing the REITs investment interest in Vital Trust to approximately 26.4%. The REIT partially funded its investment through $22.0 million (NZ$25.0 million) draw on corporate facilities and using cash on hand.

Strategic Investment in Australian Unity Healthcare Property Trust

On December 24, 2020, the REIT together with a capital partner, has entered into option agreements to acquire a strategic interest of approximately 16% of the units in Australian Unity Healthcare Property Trust ("AUHPT"), a $2.3 billion (A$2.4 billion) unlisted healthcare property trust comprising 62 high quality hospital, medical centres and other healthcare assets leased to leading Australian healthcare operators with a WALE of 15.9 years and 98% occupancy. The agreements are subject to customary Australian foreign investment approvals.

Financing Activity

During the quarter, the REIT amended and upfinanced Canadian mortgages totaling of $18.8 million maturing in in the upcoming year, bearing weighted average interest rate of 2.96% with new mortgages of $24.5 million, bearing weighted average interest rate of 2.87% with weighted average term to maturity extended by 5 years.

SUBSEQUENT EVENTS

Sale of Dutch Investment Properties to the European JV

During January and February 2021, the REIT sold four wholly owned Dutch Clinics to the European JV with a value of $44.8 million (€29.1 million). The sale generated net proceeds of approximately $13.4 million. The REIT used the proceeds to partially repay outstanding balances of corporate debt.

Australian Development land Acquisitions

On February 2, 2021, Vital Trust completed an acquisition of a strategic development site located in Australia for approximately $28.3 million (A$29.0 million).

European Investment Property Acquisitions

On February 18, 2021, the REIT completed an acquisition of a life sciences building located in the Netherlands for approximately $24.3 million (€15.8 million). The acquisition was funded using cash available on hand.

Completion of $215.3 million Offering of Trust Units

On February 22, 2021, the REIT completed a public offering of 17,020,000 units at a price of $12.65 per unit for gross proceeds of approximately $215.3 million, which included partial exercise of the over-allotment option granted to the underwriters, whereby an additional 1,200,000 units were issued at a price of $12.65 per unit. In connection with the public offering, the REIT also entered into agreement to sell 395,257 to 1,976,285 units to NWVP, on a private placement basis at the Offering Price for gross proceeds of approximately $5.0 million to $25.0 million.

The REIT intends to use the net proceeds from the Offering to repay outstanding balance of corporate debt and the remainder, if any, to fund future acquisitions, to repay additional revolving debt and for general trust purposes.

Financing Activity

On January 19, 2021, subsidiaries of the REIT amended the new New Zealand Dollar denominated bank loan facility and upsized it by $22.7 million (NZ$25.0 million) from to a total of $136.0 million (NZ$150.0 million) to $158.7 million (NZ$175.0 million) by securing additional 2,538,875 units of Vital Trust owned indirectly by the REIT. All other terms remained unchanged.

On March 1 2021, Vital Trust amended and refinanced its syndicated revolving multi-currency facility. Facility limits of $314.7 million (A$320.0 million) and $69.1 million (NZ$75.0 million) have been secured from new banks, over terms of 4 and 5 years, to refinance near term facility expiries, resulting in a $39.3 million (A$40.0 million) net increase in facility limits and weighted average facility term to maturity increasing from 1.3 to 2.9 years.

Other

On January 15, 2021, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on January 29, 2021, and paid on February 15, 2021. On February 12, 2021, the REIT announced a distribution of $0.06667 per REIT unit to unitholders of record on February 26, 2021, and paid on March 15, 2021.

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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**" 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, 2020, 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 using an aggregate of REIT Units and Class B LP Units (as defined hereafter), except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 30, 2020 (the "**Annual Information Form**") and the REIT's Management Information Circular dated November 17, 2020 (the "**Circular**"). This MD&A is current as of March 11, 2021 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:
    - ◦) NWH.DB.E;
    - ◦) NWH.DB.F;
    - ◦) NWH.DB.G.

- "**Class B LP Unit**" or "**Exchangeable Unit**" means a Class B limited partnership unit of NWI Healthcare Properties LP ("**NWI LP**"), exchangeable for Trust Units;
- "**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 duration and impact of the COVID-19 pandemic on the business, operations and financial condition of the REIT
- 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 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.

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:

- Net income (loss);
- Cash flows from operations;
- Funds from operations ("**FFO**");
- Adjusted funds from operations ("**AFFO**");
- Normalized AFFO;
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate;
- Occupancy levels;
- Assets Under Management ("**AUM**")
- Debt - Declaration of Trust;
- Debt - Including Convertible Debentures;
- Adjusted EBITDA;

- Net operating income ("**NOI**");
- Net Asset Value ("**NAV**") and Net Asset Value per unit ("**NAV/unit**");
- Adjusted Liabilities;
- Same Property NOI ("**SPNOI**"); and
- Adjusted Same Property NOI ("**Adjusted SPNOI**").

"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 International Financial Reporting Standards ("**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, while primarily earnings based measures, also provide 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; (xi) transaction costs; (xii) unrealized foreign exchange gains and losses; (xii) amortization of finance leases; (xiii) amortization on Right of Use ('ROU') assets, net of payments on leases where the REIT is a lessee; and includes (xiv) the cash flow benefit to the REIT of certain ANZ Manager fees which are eliminated on consolidation but benefit the REIT to the extent of the non-controlling interest, 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 by management as FFO, subject to certain adjustments, including: (i) amortization of fair value mark-to-market adjustments on mortgages acquired; (ii) amortization of transactional 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) debt repayment costs; and (vi) stabilized 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. Management's definition of AFFO is intended to reflect a stabilized business environment.

In February 2019, the Real Property Association of Canada ("**REALpac**") issued amendments to white papers with recommendations for calculations of FFO and AFFO. The REIT reviewed the REALpac white papers and determined its FFO and AFFO definitions are substantially aligned with the white paper guidelines with some exceptions, which are outlined below.

We have provided an analysis of FFO and AFFO under **PART III - RESULTS FROM OPERATIONS, FUNDS FROM OPERATIONS ("FFO")** and **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, transactions that have occurred subsequent to the reporting period, and adjusts for other items management believes were non-recurring or seasonal in nature and estimated based on management's judgment and expectations on a normalized level of activity in a stabilized operating environment. The REIT considers Normalized AFFO to be a meaningful measure because it provides, in management's view, an estimate of AFFO reflecting the annualized results of the REIT's stabilized operations at a point in time. 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. We have provided an analysis of Normalized AFFO under **NORMALIZED AFFO**.

The REIT's "**Weighted average interest rate**" includes secured debt with fixed interest rates, including variable rate debt hedged with fixed rate swaps, 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.

"**AUM**" is a non-IFRS financial measure that is key to evaluating trends in earnings. AUM is the main driver for investment property income and management fees. Growth in AUM is driven by the REIT's direct investments and investments managed on behalf of third-party investors. For reporting purposes, the REIT calculates AUM as the sum of fair value of investment properties and properties under development, loans receivables, finance lease assets, real estate related financial instruments, assets held for sale and the third-party share of investment in the aforementioned.

"**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 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 REIT's 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. It is a metric that can be used to determine the REIT's ability to satisfy its obligations, including servicing its debt; but it may be affected by non-recurring items.

"**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 investments, 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.

"**Net Asset Value**" or **("NAV")** is a non-IFRS measure, defined by the REIT as, total assets less total liabilities and less non-controlling interest, adjusted further to exclude the REIT's proportionate share of the following: goodwill, DUP Liability, deferred tax liability, accrued Ontario land transfer tax liability, derivative instruments (except financial instruments related to investment interest in real estate assets), Class B LP Unit liability and adjusted to reflect the fair value increase of the ANZ Manager intangible asset. "**NAV per Unit"** or sometimes presented as "**NAV/unit**" is an extension of NAV and defined as NAV divided by the number of units outstanding at the end of the period. The REIT considers NAV and NAV per Unit to be meaningful measures because it provides, in management's view, an estimate of the underlying value of the REIT's units. There is no standard industry-defined measure of NAV per Unit. As such, the REIT's method of calculating NAV per Unit will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers. We have provided an analysis of NAV under **PART IX - NET ASSET VALUE**.

"**Adjusted Liabilities**" is a non-IFRS measure, defined by the REIT as, total liabilities and non-controlling interest, excluding the REIT's proportionate share of DUP Liability, deferred tax liability, derivative instruments and Class B LP Unit liability. Adjusted Liabilities is deducted from total assets to calculate the REIT's non-IFRS measure, NAV per Unit, defined above. The REIT considers Adjusted Liabilities to be a meaningful measure because it provides, in management's view, an estimate of the REIT's liabilities that are expected to be settled in cash in the near term. Further, management views the Class B LP Unit liability to form part of the REIT's equity regardless of it being accounted for as a financial liability under IFRS. There is no standard industry-defined measure of Adjusted Liabilities. As such, the REIT's method of calculating Adjusted Liabilities will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers.

"**Same Property NOI"** is a non-IFRS measure, defined by the REIT as, NOI for investment properties that were owned for a full quarterly reporting period in both the current and comparative year, and excludes properties held for redevelopment. Management considers Same Property NOI to be a key operating metric used to evaluate same property performance. There is no standard industry-defined measure of Same Property NOI. As such, the REIT's method of calculating Same Property NOI will differ from other issuers' methods, and accordingly, will not be comparable to such amounts reported by other issuers.

"Adjusted Same Property NOI" is a non-IFRS measure, defined by the REIT as Same Property NOI, subject to certain adjustments including: (i) straight-line rental revenue recognition; (ii) amortization of operating leases; (iii) lease termination fees; and (iv) non-recurring transactions that are not expected to recur.

Explanation of additional IFRS measure used in this MD&A

"**NOI**" is an industry term in widespread use. 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, unrecoverable capital costs, and excluding fair value adjustment of investment properties.

We have provided an analysis of NOI under **PART III - RESULTS FROM OPERATIONS - NET OPERATING INCOME**.

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, including mortgages, credit facilities, and term 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.E, NWH.DB.F and NWH.DB.G.

The REIT's strategic objectives are to:

- provide sustainable and growing cash distributions through investment in healthcare real estate globally;
- build a diversified global portfolio of healthcare properties concentrated in Australia/New Zealand, Brazil, Canada and Europe;
- capitalize on growth opportunities both within its existing portfolio and through accretive acquisitions in its target markets; and
- grow the value of its assets and maximize the long-term value of its Trust Units through active and efficient management.

Declaration of Trust

The investment guidelines of the REIT are outlined in the REIT's Declaration of Trust, a copy of which is filed on SEDAR. Further information regarding the Declaration of Trust can also be located in the REIT's Annual Information Form under the heading "Declaration of Trust". Some of the main investment guidelines and operating policies in the Declaration of Trust include the following:

Investment Guidelines (condensed summary)

1. The REIT may only invest directly or indirectly in interests in income–producing real estate and assets ancillary thereto necessary for the operation of such real estate;
2. Provided that the REIT may invest up to 25% of the Gross Book Value of the REIT in investments which do not comply with one or more of the specific investment guidelines set forth in Declaration of Trust; and
3. The REIT shall not hold any investment or take any action that would result in the REIT not qualifying as a "mutual fund trust" or "unit trust" both within the meaning of the Tax Act or the Units not qualifying as qualified investments for Exempt Plans.

Operating Policies (condensed summary)

1. 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 Gross Book Value;
2. 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; and
3. No guaranteeing of third-party debt outside its existing structure and potential joint venture partner structures, except under certain specific conditions and meeting certain defined criteria.

At December 31, 2020, the REIT was in compliance with all investment guidelines and operating policies stipulated in the Declaration of Trust.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

In 2021, the REIT made a commitment to issue its inaugural Environmental, Social and Governance ("ESG") report. In support of this initiative, the REIT has established a 10-person steering committee consisting of members of its global management team and representatives from each of the REIT's functional areas. In addition, working groups of between five and seven members have been established for each of the environmental, social and governance categories.

The REIT intends to submit its ESG initiatives for independent review and validation. The REIT will consider participation in the GRESB (formerly Global Real Estate Sustainability Benchmark) Assessment and will look to build on the previous year's submission, on behalf of Vital Healthcare Trust ("Vital") (for which the REIT provides management services) to CDP (formerly Carbon Disclosure Project).

The global management team believes that ESG issues have played, and will continue to play, an important part in defining the REIT, given the REIT's singular focus on healthcare real estate and the impact that role can have in improving the provision of healthcare services as delivered by the REIT's operator and tenant partners. The REIT has consistently focused on partnering with healthcare providers to provide well-located, appropriately appointed and safe facilities in which to provide their services, all at an affordable cost. Since its inception the REIT has recognized that its efforts would impact not only its tenants, but also patients at the REIT's properties. As such, the REIT has been cognizant of the social impact its properties can have on the surrounding community as a whole. The REIT has also reinforced this commitment to healthcare by supporting a number of charitable causes focused on improving the health and well-being of the communities in which it operates.

In many of the REIT's high-traffic buildings housing essential medical service providers, the costs to tenants of utility and water usage as well as waste management are higher than it would traditionally be for a typical office tenant. As such, the REIT has strived to lessen the impacts of it properties on the environment through conservation strategies designed to reduce demand and reduce related costs. Similarly, the REIT has acted to reduce environmental harm through the use of lower-impact construction techniques and longer lasting materials, whether for the construction of an entire building or a specific tenant's suite.

As a publicly traded real estate investment trust since 2010, the REIT has long been attuned to the importance of good governance practices. This awareness is heightened due to the REIT's status as the manager and responsible entity for Vital while also being the fiduciary manager for two joint venture co-ownerships the REIT has with a sovereign wealth fund partner. These arrangements focus the REIT on a broad range of governance issues.

The REIT's Board of Trustees and management are committed to ESG, furthering what is already central to the REIT's role as part of the broader healthcare marketplace.

RELATIONSHIP WITH NWVP

As at December 31, 2020, NorthWest Value Partners Inc. and affiliates ("**NWVP**") indirectly owned approximately 15% (approximately 14% 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. Established in 1994, Toronto-based NWVP is one of Canada's leading privately-owned 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 the Chief Executive Officer and a trustee of the REIT.

PORTFOLIO PROFILE

Summary

The REIT provides investors with access to a portfolio of high quality healthcare real estate comprised of interests in a diversified portfolio of 188 income-producing properties and 15.5 million square feet of gross leasable area located throughout major markets in Canada, Brazil, Europe, Australia, and New Zealand.

Canada: The largest non-government owner/manager of medical office buildings ("MOBs") and healthcare related facilities comprised of high quality real estate with stable cash flow underpinned by tenancies supported by the Canadian publicly funded healthcare system.

Brazil: Institutional quality, core healthcare infrastructure assets located in strategic markets including São Paulo, Brasilia and Rio de Janiero delivering stable cash flow with long-term, triple-net, inflation-indexed leases, providing consistent organic growth.

Europe: The REIT's investment in Europe consists of:

i. 30% interest in a joint venture ("European JV") with a third party institutional partner that has initial seed investments in hospitals and rehabilitation clinics located in the major markets
ii. Direct interest in high quality MOBs, hospitals, medical clinics and life sciences assets located in the major markets including Berlin, and Frankfurt in Germany; Netherlands; and Greater London and Birmingham in the United Kingdom.

The assets are supported by fully integrated property management and asset management capabilities allowing for efficient operation and deal sourcing.

Australia/New Zealand: The REIT has exposure to a portfolio of hospitals, medical centers, life sciences assets and aged care facilities through :

i. an approximate 26% interest in New Zealand Stock Exchange ("NZX") listed Vital Healthcare Properties Trust ("Vital Trust") which is consolidated by the REIT for financial reporting purposes,
ii. 30% interest in a joint venture ("JV") with a third party institutional investor that is equity accounted for under IFRS (certain investments proportionately consolidated) and;
iii. Direct investment in two Australian investment properties

The Australasian portfolio generates stable and growing cash flows underpinned by tenancies of high quality hospital and healthcare operators with long-term, inflation-indexed leases.

Global Asset Manager:

The REIT's Global Asset Manager is a fully integrated operation comprised of leading investment, development, asset management and property operations professionals, with offices located in Canada, Brazil, Europe, Australia and New Zealand. The Global Asset Manager derives fees from $4.8 billion of third-party assets under management (December 31, 2019 - $3.3 billion), and is scaled to support the over $4.1 billion of further capital commitments.

Below summarizes the REIT's managed funds as at December 31, 2020:

FUNDS UNDER MANAGEMENT AND CAPITAL COMMITMENTS

Cdn$ Billions	Total Commitment	FV of Assets Under Management	Available Capacity	REIT Ownership	Term
Australian Core Hospital JV	3.6	2.2	1.5	30%	Perpetuity
Vital Trust	2.1	2.1	Open	26%	Perpetuity
European JV	3.1	0.5	2.6	30%	12 Years
Total	**8.8**	**4.8**	**4.1**		

The following table summarizes the REIT’s assets by region as at December 31, 2020:

SUMMARY OF ASSETS

	Canada	Brazil	Europe [4]	Vital Trust [1] (Australasia)	Australia[2] (Australasia)	Consolidated Total [3]
Number of Properties	58	8	54	45	23	188
Asset Mix	100% MOB	100% Hospital	57% MOB & 43% Hospitals & Healthcare Facilities	23% MOB & 77% Hospitals & Healthcare Facilities	26% MOB & 74% Hospitals & Healthcare Facilities	46% MOB & 54% Hospitals & Healthcare Facilities
Gross Leaseable Area ("GLA") (million sf)	3.7	1.9	4.3	2.7	3.0	15.5
Total Assets (Cdn$ millions)[2]	$1,214	$657	$1,261	$2,077	$421	$5,845
Occupancy	91.8%	100.0%	97.6%	98.7%	99.3%	97.1%
WALE (Years)	5.2	19.6	15.1	19.2	17.3	14.5
Average Building Age (Years)	32	15	26	16	28	25
Weighted Average Implied Cap Rate	6.6%	6.8%	5.1%	5.3%	5.2%	5.8%

Notes

(1) Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and consolidates its investment in Vital Trust.

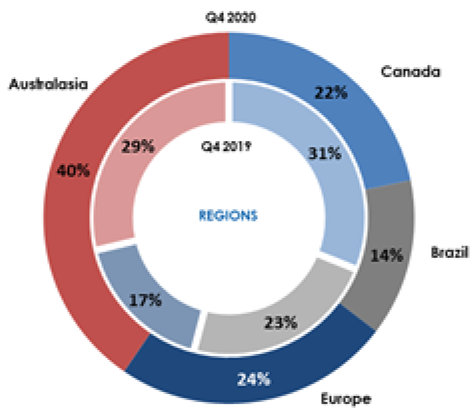
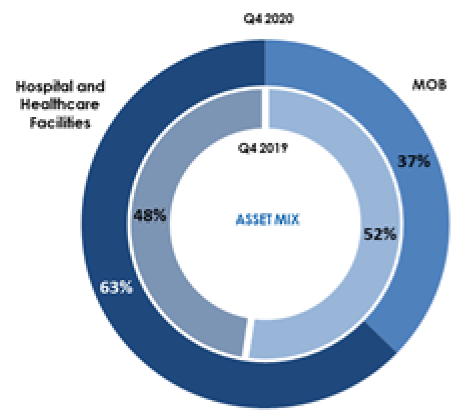
(2) shown at 100% ownership for assets held as part of Joint venture Agreements ("JV"). The REIT owns 30% interest in these JV portfolios.

(3) Consolidated Total includes corporate assets, and Global Manager.

(4) Shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"), including both German and Netherlands Seed Portfolios. The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

Diversification of Assets

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

Geographic Profile by NOI (Year-over-Year)	Asset Mix by NOI (Year-over-Year)
	

Notes

(1) Based on Q4 2020 and Q4 2019 actual NOI.

(2) Vital Trust shown on a proportionate basis. The REIT has an approximate 26% ownership interest in Vital Trust and consolidates its investment in Vital Trust.

(3) Australia REIT is shown at proportionate ownership. The REIT owns 30% interest in the JV.

Medical office buildings ("MOBs") are similar to commercial office buildings, are typically multi-tenant properties and are primarily leased to necessity based healthcare providers.

Hospital and other healthcare facilities are typically leased to a single tenant or hospital operator under long-term, inflation indexed, triple net lease structures in which the REIT does not absorb any material property operating cost or CAPEX risk.

Tenant Mix

The following table summarizes the REIT's 10 largest tenants by percentage of proportionate revenue for the three months ended December 31, 2020:

10 LARGEST TENANTS BY PERCENTAGE OF RENT

	Tenant	Region	%	# of locations
1	Rede D'Or	Brazil	9.6 %	7
2	Aspen Healthcare	Europe	6.9 %	4
3	Healthscope Limited	Australia	5.0 %	13
4	Healthe Care	Australia	3.3 %	19
5	BMI Healthcare	Europe	3.1 %	6
6	Epworth Foundation	Australia	1.6 %	7
7	CISSS / CIUSSS	Canada	1.4 %	5
8	Alberta Health Services	Canada	0.9 %	6
9	Hospital Sabara	Brazil	0.8 %	1
10	Median Kliniken	Europe	0.7 %	5
			33.3 %	73

Note:
(1) Vital Trust included on a proportionate ownership basis. The REIT has an approximate 26% interest in Vital Trust and consolidates its investment in Vital Trust.
(2) Australia is shown at proportionate ownership basis for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.
(3) Europe Median Kliniken is shown at proportionate ownership basis for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 33.57% interest in the JV.

Further information on the REIT's six largest tenants is below:

Rede D'Or is the largest private hospital operator in Brazil. The company operates 52 hospitals, with 32 under construction, and more than 40 specialized oncology outpatient clinics, comprising over 7,200 inpatient beds - an average of 153 beds per hospital. With more than 40 years of experience in the healthcare business, the company has solid business positions and operational scale in its strategically located key states: Rio de Janeiro, Sao Paulo, Pernambuco, Brasilia, Maranhao and Bahia. Since 2004, the company has grown substantially through a series of strategic partnerships and acquisitions. Since 2015, Rede D'Or has added Carlyle Group and GIC Group as investors. Rede D'or was valued at 112.5 billion reais ($22 billion) in an initial public offering priced on December 8 2020, placing it among Brazil's 10 biggest companies by market capitalization.

Aspen Healthcare is currently the REIT's second largest tenant in four directly held properties, accounting in total for 6.9% of the REIT's proportionate revenues. Aspen Healthcare, a wholly owned subsidiary of NMC Health, was formed in 1998 and is a leading private healthcare provider and the 7th largest acute care provider in the UK. NMC Health is currently operating under administration. With a portfolio of 8 healthcare facilities, Aspen Healthcare is able to offer a complete range of private healthcare and clinical services. The group treats and cares for around 305,800 patients each year.

Healthscope Limited ("HSO") is currently the REIT's third largest tenant in three directly held properties and occupying the HSO Portfolio, accounting in total for 5.0% of the REIT's proportionate revenues, consistent with the REIT's ownership level of 30%. HSO, formed in 1985, is a leading private healthcare provider in both Australia and New Zealand. With a portfolio of 43 private hospitals in Australia and 24 laboratories in New Zealand, comprising a market-leading international pathology operation, Healthscope has a presence in every Australian state and territory. Specializing in medical and surgical, mental health, rehabilitation and maternity services, its hospitals are concentrated in large metropolitan centres, constituting 30 acute, 7 mental health and 6 rehabilitation hospitals. In New Zealand, it is the largest provider of human pathology services to New Zealand's District Health Boards and provides veterinary and analytical pathology services though the Gribbles brand. In 2018, Healthscope divested its 39 pathology laboratories in Asia for $279 million, allowing the company to redirect its focus to its core hospital and pathology operations.

Healthe Care Australia is currently the REIT's fourth largest tenant accounting in total for 3.3% of the REIT's proportionate revenues, consistent with the REIT’s ownership level of approximately 25%. Healthe Care Australia was founded in 2005 and is the third largest private hospital operator in Australia and one of the country’s largest privately-owned healthcare organizations. Healthe Care Australia operates a network of 34 private healthcare facilities, comprising medical and surgical, rehabilitation and mental health hospitals and day surgeries throughout Queensland, New South Wales, Victoria, Tasmania, Western Australia and New Zealand. These include approximately 2,500 beds and 70 operating theatres. The company also provides a range of outpatient services including workplace rehabilitation and community nursing which offer patients flexibility and continuity of care beyond their hospital stay. Healthe Care is one of the largest private providers of mental health services, with more than 800 mental health beds. The company is a subsidiary of Luye Medical Group, a leading healthcare service provider headquartered in Singapore.

BMI Healthcare is the largest independent acute hospital operator in the UK measured by bed-count (~2,400) and 3rd largest measured by revenue, representing 15.8% share of the independent acute market. BMI operates 51 hospitals throughout the UK, and provides surgical, diagnostic and rehabilitative care on an in-patient and out-patient basis to self-payors, those with private medical insurance and those whose treatments are publicly funded by the National Health Service (“NHS”). BMI’s revenues are split roughly 50/50 between private (self-pay and PMI) and public funding (NHS). In December, 2019, Circle Health, a competing independent acute hospital provider, agreed to acquire BMI Healthcare. The transaction has been approved by the Competition Market Authority (“CMA”), subject to Circle Health divesting two of its UK hospital operations (Circle Bath and Circle Birmingham). This divestment and subsequent completion of the conditions precedent of the merger is anticipated to occur in Q2 2021.

Median Kliniken was created in 2015 through the merger of MEDIAN clinics with RHM clinics and nursing homes. Median Kliniken is the largest private operator of rehabilitation facilities in Germany with 18,500 beds in 120 rehabilitation clinics, acute hospitals, therapy centers, outpatient clinics and reintegration facilities. The company, based in Berlin, has expertise in all therapeutic measures and actively helps to shape the development of medical rehabilitation in Germany. The group's approximately 15,000 employees treat and care for around 230,000 patients each year.

INVESTMENT PROPERTIES

The estimated fair value of investment properties as at December 31, 2020 was $5.3 billion (December 31, 2019 - $4.9 billion) representing an implied weighted average capitalization rate of 5.8% (December 31, 2019 - 6.0%).

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars Unaudited	Three months ended December 31, 2020					
	Income Properties					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$1,177,717**	**$ 586,951**	**$1,065,195**	**$1,730,227**	**$ 150,564**	**$4,710,654**
Acquisitions of investment properties	—	—	—	84,671	—	84,671
Right of use asset additions	—	—	18	—	—	18
Disposition of investment properties	—	—	(816)	(8,177)	—	(8,993)
Addition to investment properties	4,534	—	2,676	1,312	274	8,796
Increase in straight-line rents	(44)	—	—	—	538	494
Transfers from (to) properties under development	18,000	9	—	7,844	9,072	34,925
Fair value gain (loss)	(11,062)	41,080	60,674	65,972	4,937	161,601
Foreign currency translation	—	20,186	4,308	61,704	4,839	91,037
Closing Balance	**$1,189,145**	**$ 648,226**	**$1,132,055**	**$1,943,553**	**$ 170,224**	**$5,083,203**
	Properties Under Development					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$ 28,816**	**$ —**	**$ 23,347**	**$ 103,941**	**$ 9,064**	**$ 165,168**
Acquisitions of investment properties	—	—	—	355	—	355
Right of use asset additions	—	—	—	—	—	—
Disposition of investment properties	—	—	—	(333)	—	(333)
Addition to investment properties	3,066	9	1,559	23,912	—	28,546
Increase in straight-line rents	140	—	—	—	—	140
Transfers from (to) income properties	(18,000)	(9)	—	(7,844)	(9,072)	(34,925)
Fair value gain (loss)	1,690	—	15,968	78	9	17,745
Foreign currency translation	—	—	(453)	2,616	1	2,164
Closing Balance	**$ 15,712**	**$ —**	**$ 40,421**	**$ 122,725**	**$ 2**	**$ 178,860**
	Total					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Opening Balance	**$1,206,533**	**$ 586,951**	**$1,088,542**	**$1,834,168**	**$ 159,628**	**$4,875,822**
Acquisitions of investment properties	—	—	—	85,026	—	85,026
Right of use asset additions	—	—	18	—	—	18
Disposition of investment properties	—	—	(816)	(8,510)	—	(9,326)
Addition to investment properties	7,600	9	4,235	25,224	274	37,342
Increase in straight-line rents	96	—	—	—	538	634
Fair value gain (loss)	(9,372)	41,080	76,642	66,050	4,946	179,346
Foreign currency translation	—	20,186	3,855	64,320	4,840	93,201
Closing Balance	**$1,204,857**	**$ 648,226**	**$1,172,476**	**$2,066,278**	**$ 170,226**	**$5,262,063**

INVESTMENT PROPERTIES

Expressed in thousands of Canadian dollars (unaudited)	Year ended December 31, 2020					
	Income Properties					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	**$1,170,491**	**$ 781,837**	**$ 772,909**	**$1,601,937**	**$ 464,121**	**$4,791,295**
Acquisitions of investment properties	—	—	710,607	138,520	—	849,127
Right of use asset	—	—	18	—	—	18
Disposition of investment properties	—	—	(474,081)	(90,578)	(326,744)	(891,403)
Addition to investment properties	17,270	—	9,074	31,337	1,900	59,581
Increase in straight-line rents	522	—	—		2,439	2,961
Transfers from (to) properties under development	18,000	6,766	—	62,766	9,072	96,604
Transfers from (to) assets held for sale	—	—	—	—	—	—
Fair value gain (loss)	(17,138)	50,258	52,863	73,031	2,206	161,220
Foreign currency translation	—	(190,635)	60,665	126,540	17,230	13,800
Closing Balance	**$1,189,145**	**$ 648,226**	**$1,132,055**	**$1,943,553**	**$ 170,224**	**$5,083,203**
	Properties Under Development					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	**$ 19,253**	**$ —**	**$ 12,342**	**$ 86,969**	**$ 18,252**	**$ 136,816**
Acquisitions of investment properties	—	—	8,876	7,292	—	16,168
Right of use asset	1,696	—	—	—	—	1,696
Disposition of investment properties	—	—	—	(333)	(6,927)	(7,260)
Addition to investment properties	10,933	6,766	2,683	85,382	1,912	107,676
Increase in straight-line rents	140	—	—	—	—	140
Transfers from (to) income properties	(18,000)	(6,766)	—	(62,766)	(9,072)	(96,604)
Fair value gain (loss)	1,690	—	15,500	702	(4,697)	13,195
Foreign currency translation	—	—	1,020	5,479	534	7,033
Closing Balance	**$ 15,712**	**$ —**	**$ 40,421**	**$ 122,725**	**$ 2**	**$ 178,860**
	Total					
	Canada	Brazil	Europe	Vital Trust	Australia	Total
Opening Balance	**$1,189,744**	**$ 781,837**	**$ 785,251**	**$1,688,906**	**$ 482,373**	**$4,928,111**
Acquisitions of investment properties	—	—	719,483	145,812	—	865,295
Right of use asset	1,696	—	18	—	—	1,714
Disposition of investment properties	—	—	(474,081)	(90,911)	(333,671)	(898,663)
Addition to investment properties	28,203	6,766	11,757	116,719	3,812	167,257
Increase in straight-line rents	662	—	—	—	2,439	3,101
Transfers from (to) assets held for sale	—	—	—	—	—	—
Fair value gain (loss)	(15,448)	50,258	68,363	73,733	(2,491)	174,415
Foreign currency translation	—	(190,635)	61,685	132,019	17,764	20,833
Closing Balance	**$1,204,857**	**$ 648,226**	**$1,172,476**	**$2,066,278**	**$ 170,226**	**$5,262,063**

Investment Properties on Proportionate Basis[1]	
Expressed in thousands of Canadian dollars	December 31, 2020
Total reported investment properties	5,262,063
Proportionate share of the JV investments[2]	707,655
NCI share of investment properties	(1,551,339)
Total investment properties at proportionate share	**4,418,379**

Notes:

(1) Investment Properties on a proportionate basis is a non-IFRS financial measure that presents the value of investment properties at the REIT's effective ownership interest.

(2) Proportionate share of jointly owned investments where the REIT's interest is equity accounted. The JV includes properties that are accounted both on a proportionate basis and using equity accounting method.

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

2020 Acquisitions

During the year ended December 31, 2020, the following investment property acquisitions were completed by the REIT including properties interest acquired in joint ventures with third-parties:

ACQUISITIONS			
Region	**Quarter**	**GLA**	**Acquisition Cost (in millions)** [1]
Europe	Q1	570,390	$ 242.7
Australasia [2]	Q1	234,712	$ 30.6
Europe	Q3	420,560	$ 476.6
Australasia	Q4	105,723	$ 85.0
Various		—	$ 3.3
Total		**1,331,385**	**$ 838.2**

(1) Acquisition costs includes purchase price of properties and related transaction costs.

(2) Represents 100% GLA related to properties owned through joint venture but managed by the REIT, whereas acquisition costs are shown at the REIT's 30% share of the gross value of the properties.

On March 23, 2020, the REIT completed the sale of three wholly-owned aged-care assets in Australia to Vital Trust for $50.7 million. On August 21, 2020, the REIT completed the sale of its remaining 50% in an investment property in Australia to Vital Trust for $6.9 million. These transactions have been reflected as an acquisition and disposition in Vital Trust and Australia, respectively, in the Investment Properties table above, with no net change on a consolidated basis.

2020 Dispositions

During the year ended December 31, 2020, the following dispositions of investment property were completed by the REIT including properties interests disposed of to joint ventures with third-parties:

DISPOSITIONS

Region	Quarter	Disposition Proceeds (in millions)		Property Specific Debt (in millions)	
Australasia [1] [2] [3]	Q1	$	104.4	$	—
	Q2	$	276.0	$	148.3
	Q4	$	90.0	$	—
Europe [1]	Q3	$	278.1	$	158.4
	Q4	$	196.0	$	97.0
Total		**$**	**944.5**	**$**	**403.7**

(1) Includes properties that were classified as assets held for sale in Europe and Vital Trust at September 30, 2020 and in Australia at December 31, 2019

(2) Excludes the sale of three wholly-owned aged-care assets in Australia to Vital Trust for $50.7 million in Q1 2020

(3) Excludes the sale of the REIT's remaining 50% in an investment property in Australia to Vital Trust for $6.9 million in Q3 2020

On June 30, 2020, the REIT completed the sale of 70% unit interest in its previously wholly-owned Australian REIT to an institutional investor for a sale price of approximately of $66.2 million (A$70.5 million), excluding transaction costs of $4.9 million which have been expensed. The REIT continues to own the remaining 30% of the Australian REIT units.

On September 30, 2020, the REIT completed the sale of 94.9% share in its previously wholly-owned German clinic portfolio which will be used to seed the European JV for a or a sale price of approximately of $75.6 million, excluding transaction costs of $2.3 million which have been expensed as transaction costs. The REIT will retain a 33.57% investment in the German clinic portfolio through 30% ownership in the European JV and the remaining 5.1% through a wholly owned subsidiary.

On October 31, 2020 , the REIT expended the European JV by selling 100% share in five investment properties consisting of clinics and MOBs in the Netherlands, with an value of $196.0 million (€126.3 million) (the “NL Seed Portfolio”). The sale generated net proceeds of approximately $64.5 million which were collected subsequently and are expects to be deployed in the near term to deleveraging and improving liquidity. (see **Highlights for the Quarter**).

Valuation of Investment Properties

The estimated fair values of the investment properties at December 31, 2020 were determined either on internal valuation models incorporating available market evidence or on valuations performed by independent third party appraisers. As at December 31, 2020, the weighted average capitalization rate decreased to 5.8% for the consolidated portfolio as compared to 6.0% as at December 31, 2019.

During the three months and year ended December 31, 2020, the REIT recorded a fair value gain on income producing property of $179.3 million and $174.4 million respectively. The fair value gains for the three months and year ended December 31, 2020, were mainly attributable to cap rate compression at Vital Trust, inflation indexation of rents and slight cap rate compression in Brazil and a revaluation of European properties driven primarily by changes to valuation parameters for the German MOB portfolio and adjustments to the Dutch portfolio heads of terms related to the sale to the European JV, which was partially offset by a decrease in Canada driven by changes to valuation parameters mostly in western Canada.

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 cost goals of each project.

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

MAJOR 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
Australasia	9	Q1 2021 - Q4 2023	343,861	211,677	97 %	6.1 %	20,815	47,121
Europe	2	Q4 2021 - Q1 2022	19,657	19,657	100 %	5.3 %	1,042	—
Brazil	2	Q1 2021 - Q4 2022	26,972	26,972	100 %	7.5 %	2,023	2,893
Canada	1	Q2 2022	23,700	19,500	52 %	7.1 %	1,683	1,769
	14		$ 414,190	$ 277,806	95 %	6.2 %	$ 25,563	$ 51,783

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. Value accretion is based on stabilized value upon completion less project costs.

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

Australasia

The REIT currently has a total of seven active expansion projects in Australasia with completion dates ranging from the fourth quarter of 2021 to the fourth quarter of 2023. Projects include a mix of modernisation and expansion projects at acute surgical and mental health facilities to meet the growing demand for healthcare services. Expansion projects are with Vital Trust's existing tenants, Healthe Care, Acurity and Epworth and Australian JV tenant Healthscope. The developments are expected to be funded through existing resources. Expansion projects are over 97% leased at premium yields and expected to generate significant NAV growth on completion.

In addition to those projects included in the table above, Vital Trust has an active pipeline of potential expansions and developments that are expected to replace development completions over time.

Brazil
The Brazilian development activity relates to expansion planned for the REIT's Hospital e Maternidade Brasil ("**HMB**") and Hospital Sao Luiz Morumbi and is expected to be funded through a combination of existing resources and property financing.

Canada
During the quarter, the REIT completed one development project with total cost of $19.8 million in Canada. The development is located in the Edmonton suburb of St. Albert, Alberta, adjacent to the Sturgeon Community Hospital.

A second ongoing development is located in Pickering, Ontario and commenced in the fourth quarter of 2020. The development is financed with an at-market construction loan.

Europe
Europe currently has two Netherlands projects that are being developed in conjunction with a developer. The properties are 100% pre-leased and development overages, if any, will be the responsibility of the property developer.

LEASING COSTS AND CAPITAL EXPENDITURES

LEASING COSTS AND CAPITAL EXPENDITURES

Expressed in thousands of Canadian dollars	Three months ended December 31, 2020					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Additions to investment properties						
Leasing costs [(1)]	$ 328	$ —	$ —	$ 178	$ 3	$ 509
Tenant improvements [(2)]	1,384	—	309	743	63	2,499
Maintenance capital expenditures	1,044	—	171	447	203	1,865
Other capital expenditures	1,778	—	2,201	(56)	6	3,929
	4,534	—	2,681	1,312	275	8,802
Internal leasing costs expensed	395	—	102	—	—	497
	4,929	—	2,783	1,312	275	9,299
Less:						
Recoverable maintenance capital expenditures	(1,044)	—	13	—	—	(1,031)
Other value enhancing and non-recurring capital expenditures	(474)	—	(2,635)	(921)	(203)	(4,233)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 3,411**	**$ —**	**$ 161**	**$ 391**	**$ 72**	**$ 4,035**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [(3)]	**$ 1,896**	**$ —**	**$ 623**	**$ 391**	**$ 72**	**$ 2,982**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 1,515**	**$ —**	**$ (462)**	**$ —**	**$ —**	**$ 1,053**

	Year ended December 31, 2020					
	Canada	**Brazil**	**Europe**	**Vital Trust**	**Australia**	**Total**
Additions to investment properties						
Leasing costs [(1)]	$ 2,365	$ —	$ —	$ 26,862	$ 23	$ 29,250
Tenant improvements [(2)]	7,563	—	2,037	4,777	(104)	14,273
Maintenance capital expenditures	2,634	—	1,383	1,318	1,899	7,234
Other capital expenditures	4,709	—	3,384	(77)	8	8,024
	17,271	—	6,804	32,880	1,826	58,781
Internal leasing costs expensed	1,627	—	738	—	—	2,365
	18,898	—	7,542	32,880	1,826	61,146
Less:						
Recoverable maintenance capital expenditures	(2,634)	—	(104)	—	—	(2,738)
Other value enhancing and non-recurring capital expenditures	(3,282)	—	(5,535)	(31,639)	(842)	(41,298)
Leasing costs and non-recoverable maintenance capital expenditures	**$ 12,982**	**$ —**	**$ 1,903**	**$ 1,241**	**$ 984**	**$ 17,110**
AFFO adjustment for leasing costs and and non-recoverable maintenance capital expenditures [(3)]	**$ 7,487**	**$ —**	**$ 2,613**	**$ 1,241**	**$ 984**	**$ 12,325**
Leasing costs and non-recoverable maintenance capital expenditures in excess of AFFO adjustment	**$ 5,495**	**$ —**	**$ (710)**	**$ —**	**$ —**	**$ 4,785**

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 Europe, 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 MOBs in Canada and Europe 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.

The REIT's current leasing cost and capital expenditure reserves (the "**LC and CAPEX reserve**") are based on its views of stabilized, constant-occupancy leasing costs and maintenance capital expenditures. These views are underpinned by both the REIT's 10 plus years of experience as an owner and operator of healthcare real estate (including Canadian and Europe medical office buildings) as well as 5-year forecast expenditures, which incorporate a series of asset and space specific assumptions made by management supported by third party appraisers via valuation reports and engineers via building condition reports. The REIT's 6% LC and CAPEX reserves for Canadian and Europe medical office buildings are based on a 5 year forecast of leasing costs based on historic results, known leasing activity at constant occupancy levels and maintenance requirements as well as forecast market trends. Leases relating to the REIT's investments in Brazil and Australasia are typically structured on a long term (20+ year), triple net basis and as such leasing costs and maintenance capital expenditures are reported on an actual basis.

Canada

On a quarterly basis and during asset 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.

During the three months ended December 31, 2020 additions for the Canadian investment properties totaled $4.5 million. During the quarter leasing costs of $1.0 million included costs attributable to twelve transactions, of which four were lease renewals and expansions with an aggregate WALE of 11.3 years.

Included in other value enhancing and non-recurring capital expenditures for the quarter were one-time capital expenditures incurred at two recently acquired buildings and non-recurring costs to lease up never-before-occupied space at a developed building.

Brazil

All of the REIT's hospitals in Brazil are leased to single tenants, 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.

Europe

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 European investment properties for the three months ended December 31, 2020 were $2.7 million.

Included in the value enhancing and non-recurring capital expenditures for the quarter were primarily (i) tenant fitout in the Berlin portfolio for our MOB at Albert-Einstein-Str 2 and (ii) non-recurring capex in the Berlin and Luebeck portfolio for parking surface, elevator systems and fire safety systems.

Australasia

The majority of Australasian assets, including Vital Trust, represent hospitals leased to single tenant, hospital operators under long-term, inflation indexed, triple net lease structures. As a result, Australasian portfolio does not incur significant leasing or maintenance capital expenditures. For Australasian 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 in determining AFFO due to the significant proportion of Australasian portfolio comprised of triple net leased hospitals.

During the three months ended December 31, 2020, additions to the Australasian investment properties totaled $1.6 million were attributable to ACP work at various properties. Thames Street fit-out and work at Epworth Eastern Hospital buildings.

PART III – RESULTS FROM OPERATIONS

NET INCOME (LOSS)

The following is a summary of selected financial information from the consolidated statements of income (loss) and comprehensive income (loss) for the three months and year ended December 31, 2020 and 2019:

RESULTS FROM OPERATIONS

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Net Operating Income [1]						
Revenue from investment properties	$ 92,845	$ 91,608	$ 1,237	$ 373,818	$ 366,056	$ 7,762
Property operating costs	(21,838)	(22,114)	276	(88,024)	(87,226)	(798)
	71,007	**69,494**	**1,513**	**285,794**	**278,830**	**6,964**
Other income						
Share of profit (loss) from equity accounted investments	34,831	2,052	32,779	52,091	(16,950)	69,041
Management fees	4,241	1,283	2,958	11,666	11,303	363
Interest and other	302	1,320	(1,018)	1,947	6,443	(4,496)
	39,374	**4,655**	**34,719**	**65,704**	**796**	**64,908**
	110,381	**74,149**	**36,232**	**351,498**	**279,626**	**71,872**
Expenses and Other						
Mortgage and loan interest expense	(23,893)	(27,870)	3,977	(97,748)	(126,266)	28,518
General and administrative expenses	(7,516)	(8,978)	1,462	(29,439)	(34,076)	4,637
Transaction costs	(3,309)	(6,509)	3,200	(34,933)	(17,764)	(17,169)
Other finance costs	(14,943)	(13,644)	(1,299)	66,383	(101,838)	168,221
Foreign exchange gain (loss)	(6,872)	108	(6,980)	(20,508)	3,270	(23,778)
Income (loss) before the under noted items	**53,848**	**17,256**	**36,592**	**235,253**	**2,952**	**232,301**
Fair value adjustment of DUP Liability	(2,373)	(461)	(1,912)	(1,673)	(3,600)	1,927
Fair value adjustment of investment properties	179,346	72,715	106,631	174,415	212,765	(38,350)
Goodwill impairment loss	—	(37,289)	37,289	—	(37,289)	37,289
Gain (loss) on derivative financial instruments	6,956	14,870	(7,914)	(11,759)	(13,346)	1,587
Income (loss) before taxes	**237,777**	**67,091**	**170,686**	**396,236**	**161,482**	**234,754**
Income tax expense	(37,528)	(41,182)	3,654	(14,822)	(88,232)	73,410
Net income (loss)	**$ 200,249**	**$ 25,909**	**$ 174,340**	**$ 381,414**	**$ 73,250**	**$ 308,164**
Net income (loss) attributable to:						
Unitholders	$ 143,763	$ (12,058)	$ 155,821	$ 314,355	$ (1,871)	$ 316,226
Non-controlling interests	56,486	37,967	18,519	67,059	75,121	(8,062)
	$ 200,249	**$ 25,909**	**$ 174,340**	**$ 381,414**	**$ 73,250**	**$ 308,164**

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".

Revenue from investment properties

Revenue from investment properties for the three months ended December 31, 2020 was $92.8 million which is $1.2 million higher than the three months ended December 31, 2019. The increase is primarily due to a $3.5 million increase in revenues at Vital Trust as a result of acquisition and leasing activity, European acquisitions, including the acquisition of two hospital portfolios in the UK, contributing incremental revenue of $10.1 million, a $0.8 million resulting from strengthening of the Euro relative to the Canadian dollar, which partially offset by $4.1 million decrease in European revenue attributable to property dispositions to the European JV, decrease in Brazilian revenue of $2.8 million resulting from a weakening of the Brazilian Real relative to the Canadian dollar and a decrease in Australian revenues of $6.3 million attributable to property dispositions to third parties and to the Australian JV.

Revenue from investment properties for the year ended December 31, 2020 was $373.8 million as compared to $366.1 million for the year ended December 31, 2019. The increase of $7.8 million is primarily attributable to a $27.3 million increase in European rents related to acquisition activity, including the acquisition of two hospital portfolios in the UK; an increase in Canadian and Vital Trust revenues of $1.1 million and $5.8 million, respectively, primarily as a result of acquisition and leasing activity. These improvements were partially offset by a decrease in Brazilian revenues of $10.2 million as a result of the weakening of the Brazilian Real; and a decrease in Australian revenues of $16.2 million as a result of disposition activity.

See also **NET OPERATING INCOME**.

Property operating costs

In Canada, Europe 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.

Property operating costs for the three months ended December 31, 2020 were $21.8 million as compared to $22.1 million for the three months ended December 31, 2019. The $0.3 million decrease is primarily the result of decreases in operating costs related to Australasian portfolio due to the sale of 70% interest in Northwest Healthcare Properties Australia REIT ("AREIT"), and a decrease in European portfolio due to property dispositions to the European JV, partially offset by acquisitions and development completions.

Property operating costs for the year ended December 31, 2020 were $88.0 million as compared to $87.2 million for the year ended December 31, 2019. The $0.8 million increase, is primarily due to an increase in operating costs in Europe and Vital Trust due to acquisition completed during the period. The increase was partially offset by decreases in operating costs related to Australasian portfolio due to the sale of 70% of AREIT.

See also **NET OPERATING INCOME**.

Share of profit (loss) of equity accounted investments

SHARE OF PROFIT/LOSS IN EQUITY ACCOUNTED INVESTMENTS							
For the three months ended December 31,	**2020**			**2019**			
	Australia	**Europe**	**Total**	**Australia**	**Europe**	**Total**	**Variance**
Total revenues	**24,888**	**6,573**	**31,461**	19,233	—	19,233	**12,228**
Expenses							
Operating costs	**1,912**	**823**	**2,735**	854	—	854	**1,881**
Mortgage and loan interest expense	**3,833**	**1,068**	**4,901**	4,260	—	4,260	**641**
General and administrative expenses	**73**	**286**	**359**	(1,255)	—	(1,255)	**1,614**
Other	**146**	**—**	**146**	158	—	158	**(12)**
Fair value (gain) loss adjustments and transaction costs	**(92,048)**	**(3,540)**	**(95,588)**	8,376	—	8,376	**(103,964)**
Income tax expense	**—**	**1,663**	**1,663**	—	—	—	**1,663**
Net income (loss)	**$110,972**	**$ 6,273**	**$117,245**	6,840	—	6,840	**110,405**
Non-controlling interest	**$ 3,048**	**$ —**	**$ 3,048**	—	—	—	**3,048**
Net profit attributable to unitholders	**$107,924**	**$ 6,273**	**$114,197**	6,840	—	6,840	**107,357**
Weighted average share of profits (loss)	**30.0%**	**30.0% to 33.6%**		30.0 %	N/A		
REIT's share of income (loss)	**$ 32,377**	**$ 2,454**	**$ 34,831**	2,052	—	2,052	**32,779**

For the year ended December 31,	**2020**			**2019**			
	Australia	**Europe**	**Total**	**Australia**	**Europe**	**Total**	**Variance**
Total revenues	**85,616**	**6,573**	**92,189**	43,359	—	43,359	**48,830**
Expenses							
Operating costs	**6,147**	**823**	**6,970**	1,553	—	1,553	**5,417**
Mortgage and loan interest expense	**15,571**	**1,068**	**16,639**	11,292	—	11,292	**5,347**
General and administrative expenses	**362**	**286**	**648**	118	—	118	**530**
Other	**525**	**—**	**525**	282	—	282	**243**
Fair value (gain) loss adjustments and transaction costs	**(107,222)**	**(3,540)**	**(110,762)**	86,613	—	86,613	**(197,375)**
Income tax expense	**—**	**1,663**	**1,663**	—	—	—	**1,663**
Net income (loss)	**$170,233**	**$ 6,273**	**$176,506**	(56,499)	—	(56,499)	**233,005**
Non-controlling interest	**$ 4,776**	**$ —**	**$ 4,776**	—	—	—	**4,776**
Net profit attributable to unitholders	**$165,457**	**$ 6,273**	**$171,730**	(56,499)	—	(56,499)	**228,229**
Weighted average share of profits (loss)	**30.0%**	**30.0% to 33.6%**		30.0 %	N/A		
REIT's share of income (loss)	**$ 49,637**	**$ 2,454**	**$ 52,091**	(16,950)	—	(16,950)	**69,041**

Share of profit (loss) of associate for the three months and year ended December 31, 2020 represents the REIT's share of profit (loss) in the Australasian and European JVs with an institutional partner. The REIT's share of profit (loss) of associate increased by $32.8 million and $69.0 million for the three months and year ended December 31, 2020, respectively, compare to the respective periods in 2019. The increases were mainly attributable to the REIT's share of the revaluation of investment property for the HSO Portfolio related to rent indexation and changes in valuation parameters, partially offset by interest expense and operating costs incurred by the JVs.

Management Fees

In exchange for its services, the Global Asset Manager earns management fees, activity-based fees for acquisitions and development activity, as well as an incentive fee from Vital Trust and joint arrangements.

Vital Trust's current fee structure includes base management fees calculated on tiered basis as follows: 0.65% up to $1.0 billion of Vital's gross asset value ('GAV'); 0.55% from $1.0 billion to $2.0 billion of GAV; 0.45% from $2.0 billion to $3.0 billion of GAV; and 0.40% over $3.0 billion of GAV.

Incentive fee are calculated as 10% of the average annual increase in Vital Trust net tangible assets, as defined in Vital Trust's fee schedule, over the respective financial year and the two preceding financial years. The fee structure also includes various activity based fees, including an acquisition fee of 1.5% of purchase price and development fee 4% of committed spend.

With respect to investment and property management services rendered to joint arrangements, the REIT is entitled to various market-based fees.

The following table summarizes the management fees earned by Global Asset Manager for the three months and year ended December 31, 2020 and 2019:

GLOBAL MANAGER FEES

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Base fee	$ 6,416	$ 3,398	$ 3,018	$ 23,158	$ 15,662	$ 7,496
Incentive and performance fee	1,830	1,984	(154)	5,324	8,484	(3,160)
Trustee fees	221	186	35	828	746	82
Project and Acquisition fees	5,734	2,515	3,219	10,888	9,746	1,142
Total Management Fees	**$ 14,201**	**$ 8,083**	**$ 6,118**	**$ 40,198**	**$ 34,638**	**$ 5,560**
less: inter-company elimination (1)	(9,960)	(6,800)	(3,160)	(28,532)	(23,335)	(5,197)
Consolidated Management Fees (2)	**$ 4,241**	**$ 1,283**	**$ 2,958**	**$ 11,666**	**$ 11,303**	**$ 363**
add: fees charged to non-controlling interests	6,648	5,104	1,544	19,011	17,514	1,497
Proportionate Management Fees (3)	**$ 10,889**	**$ 6,387**	**$ 4,502**	**$ 30,677**	**$ 28,817**	**$ 1,860**

Notes

(1) Management fees charged to Vital Trust and the Australian REIT are eliminated on consolidation as an inter-company transaction.

(2) Represents the reported consolidated management fees.

(3) Represents the REIT's total management fees earned from third parties

Consolidated management fees for the three months and year ended December 31, 2020, increased by $3.0 million and $0.4 million, respectively. The increase for three months ended December 31, 2020 is mainly driven by activity based fees from the European JV and Vital Trust.

The increase in consolidated management fees for the year ended December 31, 2020, is partially driven by by base management fees from Vital Trust and the REIT's joint venture agreements, and acquisition fees relate to Vital Trust, the European JV and the sale of 70% of AREIT, offset partially by incentive fees from Vital Trust which are lower compared to the year ended December 31, 2019.

The Global Asset Manager fees to Vital Trust are eliminated on consolidation as inter-company transactions but the REIT receives the benefit of approximately 75% of the fees; representing the non-controlling interest ownership in Vital Trust. Management fees charged to the JV are eliminated to the extent of the REIT's 30% interest in the JV.

Interest and other

For the three months ended December 31, 2020 and 2019, the REIT recorded interest and other income of $0.3 million and $1.3 million, respectively. For the year ended December 31, 2020 and 2019, the REIT recorded interest and other income of $1.9 million and $6.4 million, respectively. The decrease during both the three month and year to date period relates to lower interest income earned in Australia related to a loan receivable, which was sold to the JV and converted into direct interest in the underlying property security during the fourth quarter of 2019 as well as lower cash balances and deposits in both Brazil and Australia.

Mortgage and loan interest expense

The mortgage and loan interest expense for the three months ended December 31, 2020 was $23.9 million, a decrease of $4.0 million over the prior year period. The mortgage and loan interest expense for the year ended December 31, 2020 was $97.7 million, a decrease of $28.5 million over the prior year period.

The composition of mortgage and loan interest expense for the three months and year ended December 31, 2020 and 2019 is as follows:

MORTGAGE AND LOAN INTEREST EXPENSE

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Canada						
Mortgages[1]	$ 3,558	$ 4,779	$ 1,221	$ 16,860	$ 19,222	$ 2,362
Brazil						
Brazil debt	1,922	2,706	784	8,550	13,123	4,573
Europe						
Mortgages	3,069	2,233	(836)	11,596	8,591	(3,005)
Australasia						
Term loans	6,645	9,733	3,088	33,210	43,603	10,393
Corporate						
Australasian Secured Financing	1,056	1,053	(3)	3,899	5,454	1,555
Corporate credit facilities	4,180	2,672	(1,508)	12,001	12,884	883
Convertible Debentures	3,776	5,053	1,277	15,278	21,934	6,656
	9,012	8,778	(234)	31,178	40,272	9,094
less: capitalized interest	(313)	(1,474)	(1,161)	(3,665)	(3,102)	563
add: prepayment penalties	—	1,115	1,115	19	4,557	4,538
Total mortgage and loan interest expense	**$ 23,893**	**$ 27,870**	**$ 3,977**	**$ 97,748**	**$ 126,266**	**$ 28,518**

Notes

(1) Includes interest from the non-revolving secured credit facility.

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

Canada

Mortgage interest expense for the three months and year ended December 31, 2020 has decreased $1.2 million and $2.4 million over the three months and year ended December 31, 2019, respectively. The decrease in mortgage interest expense over the comparable prior year period primarily reflects a lower average mortgage balance and a lower weighted average interest rate. The decrease in mortgage balance is attributable to the repayment of $51.0 million debt during fourth quarter of 2019. The weighted average interest rate of the Canadian mortgage portfolio as at December 31, 2020 decreased to 3.25% compared to 3.69% as at December 31, 2019.

Brazil

Mortgage interest expense for the three months and year ended December 31, 2020 decreased by $0.8 million and $4.6 million compare to prior periods, respectively. The decrease in interest expense over comparable prior year period is primarily due to a decrease in the weighted average interest rate of the Brazilian debt resulting from refinancing activity completed in Q3 2019. The decrease is further compounded by the weakening of the BRL relative to the Canadian dollar by approximately 25% as compared to the prior period.

Europe

Mortgage interest expense for the three months and year ended December 31, 2020 has increased by $0.8 million and $3.0 million compare to prior periods, respectively. The increase over the comparable prior year periods is due to interest on the mortgage associated with property acquisitions that occurred throughout 2019 and the first half of 2020. The increase is further compounded by the strengthening of the Euro by approximately 6.3% against the Canadian dollar over the prior period.

The weighted average interest rate of the German mortgages slightly decreased to 2.10% as at December 31, 2020, from 2.20% as at December 31, 2019.

Australasia

Mortgage interest expense for the three months and year ended December 31, 2020 has decreased by $3.1 million and $10.4 million over the three months and year ended December 31, 2019, respectively. The decrease over the comparable prior year periods is attributable to the repayment of term loans related to the sale of investment properties as well as a decrease in weighted average interest rates. The weighted average interest rate as at December 31, 2020 decreased to 3.46% compared to 3.95% as at December 31, 2019.

Corporate

The decrease in the interest expense for the year ended December 31, 2020 over the comparable prior year period is primarily due to refinancing and repayment of convertible debentures.

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

General and administrative expenses ("G&A")

G&A expenses for the three months ended December 31, 2020 were $7.5 million as compared to $9.0 million in the prior year quarter. G&A for the three months ended December 31, 2020 includes DUP Compensation Expense (as defined under ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense) of $1.1 million (three months ended December 31, 2019 - $2.0 million). G&A, excluding amounts associated with DUP Compensation Expenses, decreased by approximately $0.5 million over the prior year quarter.

G&A expenses for the year ended December 31, 2020 were $29.4 million as compared to $34.1 million for the year ended December 31, 2019. G&A for the year ended December 31, 2020 includes DUP Compensation Expense (as defined under **ADJUSTED FUNDS FROM OPERATIONS ("AFFO") - DUP Compensation Expense**) of $7.4 million (year ended December 31, 2019 - $8.4 million). G&A, excluding amounts associated with DUP Compensation Expenses, decreased $3.7 million over the prior year period.

DUP expense for the three months ended December 31, 2020 has decreased over the prior year period; which is primarily due of higher amortization expense related to DUPs granted during the three months ended December 31, 2019.

Transaction costs

For the three months and year ended December 31, 2020, the REIT incurred transaction costs of $3.3 million and $34.9 million, respectively, (three months and year ended December 31, 2019 - $6.5 million and $17.8 million respectively). For the three months and year ended December 31, 2020, transaction costs related to internal allocation and third party costs related to acquisition and disposition activities, investment opportunities and capital raising initiatives, including JV formation, being explored by the REIT. Included in transaction cost for year ended December 31, 2020 are CEO management services (See **RELATED PARTY TRANSACTIONS**) in relation to exploring investment opportunities, capital raising initiatives, and formation of new JVs.

Other Finance costs

Other finance costs for the three months and year ended December 31, 2020 and 2019 consisted of the following:

OTHER FINANCE COSTS

	Three months ended December 31,			Year ended December 31,		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Distributions on Exchangeable Units	$ 342	$ 3,542	$ 3,200	$ 3,501	$ 14,167	$ 10,666
Loss (gain) on revaluation of financial liabilities	2,264	563	(1,701)	5,585	4,541	(1,044)
Amortization of deferred financing costs	4,179	1,979	(2,200)	11,051	11,570	519
Amortization of marked to market adjustment	(106)	(296)	(190)	(866)	(1,316)	(450)
Fair value adjustment of Convertible Debentures	6,144	5,023	(1,121)	(2,330)	29,491	31,821
Fair value adjustment of Exchangeable Units	2,120	2,833	713	(83,324)	43,385	126,709
Total Finance Costs	**$ 14,943**	**$ 13,644**	**$ (1,299)**	**$ (66,383)**	**$ 101,838**	**$ 168,221**

Loss on revaluation of financial liabilities

The outstanding balances of the Brazilian term debt are adjusted by the inflation rate (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy ("**IPCA**").

For the three months and year ended December 31, 2020, accretion expense of $2.3 million and $5.6 million, respectively, (for the three months and year ended December 31, 2019 - expense of $0.6 million and $4.5 million, respectively). The increase in accretion expense for the three months and year ended December 31, 2020, is related to the increase in the annual inflation rates in Brazil. The annual inflation rate for December 31, 2020 was 4.52% as compared to 4.31% for December 31, 2019.

Amortization of deferred financing costs

For the three months and year ended December 31, 2020, the REIT recorded amortization of deferred financing fees of $4.2 million and $11.1 million, respectively (for the year ended December 31, 2019 - $2.0 million and $11.6 million, respectively). The increase in amortization during three months ended December 31, 2020 is primarily attributable to amortization on the UK debt which was assumed in August 2020. The decrease in amortization during the year ended December 31,2020, was primarily attributable to accelerated amortization of deferred financing fees in 2019 related to refinancing of Brazil CRI, which was partially offset by new debt assumed due to acquisition activity in Europe and accelerated amortization on debt which was refinanced as a result of the dispositions in Australia and Europe that occurred during 2020.

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. The following table summarizes the closing prices of the REIT's Convertible Debentures at each quarter end for the last six quarters:

CLOSING PRICE OF CONVERTIBLE DEBENTURES

	Dec-20	Sept-20	Jun-20	Mar-20	Dec-19
Month-end closing price (Canadian $)					
NWH.DB.E	1,025.00	1,019.90	1,010.00	975.60	1,043.30
NWH.DB.F	1,040.00	1,015.00	1,000.20	960.00	1,057.60
NWH.DB.G	1,060.00	1,030.00	1,002.50	950.00	1,059.80

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.

Foreign exchange gain (loss)

The REIT and its subsidiaries financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. For the three months and year ended December 31, 2020 , the REIT recorded a foreign exchange loss of $6.9 million and $20.5 million, respectively, which includes realized exchange loss of $1.3 million and a $0.8 million gain, respectively. The REIT's unrealized foreign exchange gain (loss) for three months ended December 31, 2020, relates primarily to revaluation of third-party debt and intercompany loans between subsidiaries of the REIT that are denominated in foreign currencies. For the year ended December 31, 2020, the REIT recorded a realized foreign exchange gain of $4.7 million, related to the settlement of certain intercompany loans between the REIT and its European subsidiaries as a result of the sale of the German clinics to the European JV.

See also **FOREIGN EXCHANGE AND CURRENCY MANAGEMENT.**

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 and year ended December 31, 2020 was a loss of $2.4 million and $1.7 million, respectively, as compared to a loss of $0.5 million and $3.6 million for the three months and year ended December 31, 2019, respectively. The change in the fair value adjustment related to the DUP liability over the comparable prior year periods reflects changes in the trading price of the REIT's Trust Units and Vital Trust's units during the period.

Fair value adjustment of investment properties

For the three months ended December 31, 2020, the REIT recorded a fair value gain on investment properties of $179.3 million consisting of a $9.4 million revaluation loss related to the Canadian portfolio, a $41.1 million revaluation gain in the Brazil portfolio, a $66.1 million increase in the Vital Trust investment properties, a $4.9 million revaluation increase in the Australian portfolio and a $76.6 million revaluation gain of the European portfolio. The revaluation loss in Canada is primarily driven by slight changes in valuation parameters mostly in western Canada. The revaluation of the Brazil portfolio during the three months ended December 31, 2020 relates to the estimated changes to prospective rents based on positive inflation rates which were positive during the period and slight improvement in valuation parameters. The revaluation gain on the European portfolio during the three months ended December 31, 2020 is primarily as a result of changes to valuation parameters for the German MOB portfolio and adjustments to the Dutch portfolio heads of terms related to the sale to the European JV. The increase at Vital Trust and in Australia relates to improvement in valuation parameters.

For the year ended December 31, 2020, the REIT recorded a fair value gain on investment properties of $174.4 million consisting of a $15.4 million revaluation loss related to the Canadian properties, a $50.3 million revaluation increase of the Brazil portfolio, a $68.4 million revaluation gain of the European portfolio, a $73.7 million increase in the Vital Trust investment properties and a $2.5 million revaluation increase in the Australian portfolio. The revaluation loss in Canada is primarily driven by slight changes in valuation parameters mostly in western Canada. The revaluation of the Brazil portfolio during the year ended December 31, 2020 is driven by rental growth resulting from the change in the IPCA index across all assets. The revaluation gain on the European portfolio during the year ended December 31, 2020 is driven primarily by changes to valuation parameters for the German MOB portfolio and adjustments to the Dutch portfolio heads of terms related to the sale to the European JV. The increase in the Vital Trust and in Australia reflects relates to improvement in valuation parameters.

For the year ended December 31, 2020 included in share of profit (loss) of associate is the REIT's share of the joint venture's revaluation gain of $110.8 million, driven primarily by changes in valuation parameters and rent growth resulting from the change in rent indexation for the HSO portfolio. See **Share of profit (loss) of equity accounted investments.**

See also **INVESTMENT PROPERTIES**.

Gain/Loss on derivative financial instruments

Gain/loss on derivative financial instruments for the three months and year ended December 31, 2020 and 2019 consisted of the following:

GAIN (LOSS) ON DERIVATIVE FINANCIAL INSTRUMENTS

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Canada						
Interest rate swaps	$ 205	$ 220	$ (15)	$ (1,276)	$ (598)	$ (678)
Europe						
Interest rate swaps	187	1,630	(1,443)	(1,357)	(2,095)	738
Australasia						
Interest rate swaps	7,117	12,401	(5,284)	(8,585)	(25,436)	16,851
Foreign exchange contracts	(553)	619	(1,172)	(541)	804	(1,345)
Gain (loss) on HSO derivative	—	—	—	—	13,979	(13,979)
Total gain (loss) on derivative financial instruments	**$ 6,956**	**$ 14,870**	**$ (7,914)**	**$ (11,759)**	**$ (13,346)**	**$ 1,587**

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended December 31, 2020 was $37.5 million.

For the three months ended December 31, 2020, the REIT recognized a current income tax expense of $8.2 million (for the three months ended December 31, 2019 - expense of $19.1 million). The current taxes during the quarter primarily relate to tax expense of $0.6 million recorded in the Global Asset Manager on management fees earned, $5.2 million at Vital Trust primarily related to normal course income taxes payable, $1.3 million in Europe primarily related to the UK portfolio and $1.1 million related to withholding tax in connection with distribution from Brazilian and Australian investments.

For the year ended December 31, 2020, the REIT recognized current income tax expense of $20.5 million (year ended December 31, 2019 - $23.5 million). The current taxes relate primarily to withholding tax of $3.1 million in Australia as a result of disposition activity during the year, $0.9 million Brazil related to withholding tax, $4.6 million in Europe related to the UK portfolio and capital gains from sale of 94.9% interest in its previously wholly-owned German clinic portfolio to seed the European JV, $8.7 million at Vital Trust primarily related to to normal course income taxes payable, and $3.2 million by Global Asset Manager on management fees earned.

The REIT records deferred tax liabilities in Europe, Brazil, Vital Trust and the Australia arising primarily due to the difference between the carrying value for accounting purposes and tax cost of its investment properties. The deferred tax expense for the three months ended December 31, 2020 of $29.4 million (for the three months ended December 31, 2019 - an expense of $22.1 million) was primarily comprised of the deferred tax expenses in Australia of $5.7 million, related to Europe of $5.1 million, related to Brazil of $14.0 million and $4.9 million related to Vital Trust, partially offset by deferred tax recovery from the Global Asset Manager of $0.3 million.

The deferred tax recovery for the year ended December 31, 2020 of $5.6 million (for the year ended December 31, 2019 - an expense of $64.8 million) was primarily comprised of the deferred tax recovery in Australia of $36.5 million as result of reversing previously recorded deferred tax liability on properties disposed of in the period, a deferred tax recovery of $0.8 million from the Global Asset Manager, partially offset by a deferred tax expense of $4.9 million in Europe, $2.5 million at Vital Trust and a deferred tax expense related to Brazil of $24.3 million.

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 and year ended December 31, 2020 represents income from currently owned investment properties, excluding properties held for redevelopment, acquired prior to January 1, 2019.

The REIT's same property NOI for the three months and year ended December 31, 2020 and 2019 is summarized in the tables below in Canadian dollars and in constant currency:

SAME PROPERTY NOI

In thousands of CAD	Three months ended December 31,			Year ended December 31,		
	2020	**2019**	**Var %**	**2020**	**2019**	**Var %**
Same property NOI [1]						
Canada	$ 16,477	$ 17,732	(7.1)%	$ 62,628	$ 66,656	(6.0)%
Brazil	10,359	13,152	(21.2)%	44,702	54,900	(18.6)%
Europe	5,468	4,311	26.8 %	19,442	18,046	7.7 %
Vital Trust - New Zealand	21,796	19,916	9.4 %	83,217	81,189	2.5 %
Australia	1,404	1,344	4.5 %	5,123	5,432	(5.7)%
Same property NOI [1]	**$ 55,504**	**$ 56,455**	**(1.7)%**	**$ 215,112**	**$ 226,223**	**(4.9)%**
Developments	1,549	689		5,641	2,930	
Acquisitions	12,675	1,088		33,909	6,404	
Dispositions	943	10,908		29,732	43,241	
Intercompany/Elimination	336	354		1,400	32	
NOI [1]	**$ 71,007**	**$ 69,494**	**2.2 %**	**$ 285,794**	**$ 278,830**	**2.5 %**

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

ADJUSTED SAME PROPERTY NOI

In thousands of CAD	Three months ended December 31,				Year ended December 31,			
	2020	**2019**	**Var $**	**Var %**	**2020**	**2019**	**Var $**	**Var %**
Same property NOI [1]	$ 55,504	$ 56,455	$ (951)	(1.7)%	$215,112	$226,223	$ (11,111)	(4.9)%
Adjustments								
Straight-line rental revenue recognition	537	(128)	665		827	(1,073)	1,900	
Amortization of operating leases	81	95	(14)		336	817	(481)	
Lease termination fees	(11)	(6)	(5)		(196)	(165)	(31)	
Other transactions	821	618	203		4,173	(824)	4,997	
Adjusted same property NOI [2]	**$ 56,932**	**$ 57,034**	**$ (102)**	**(0.2)%**	**$220,252**	**$224,978**	**$ (4,726)**	**(2.1)%**

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.
(2) Adjusted same property NOI is a non-IFRS measure defined in this MD&A.

CONSTANT CURRENCY ADJUSTED SAME PROPERTY NOI

In thousands of CAD, in constant currency	Three months ended December 31,			Year ended December 31,		
	2020	2019	Var %	2020	2019	Var %
Adjusted same property NOI [1]						
Canada	$ 17,665	$ 17,595	0.4 %	$ 66,766	$ 65,438	2.0 %
Brazil	10,359	9,906	4.6 %	44,689	42,735	4.6 %
Europe	5,373	5,261	2.1 %	18,971	18,749	1.2 %
Vital Trust - New Zealand	22,184	21,148	4.9 %	84,739	81,208	4.3 %
Australia	1,350	1,297	4.1 %	5,034	4,919	2.3 %
Constant currency Adjusted SPNOI [2]	**$ 56,931**	**$ 55,207**	**3.1 %**	**$ 220,199**	**$ 213,049**	**3.4 %**

Notes:
(1) These include adjustment for straight-line rental revenue recognition, lease termination fees and allowance for doubtful accounts.
(2) The constant currency adjusted same property NOI change is calculated by converting the comparative same property NOI at current FX rates.

Consolidated NW

The REIT's Adjusted Same Property NOI in constant currency for three months and year ended December 31, 2020 increased by 3.1% and 3.4% respectively over the comparable prior year period mainly due to inflationary adjustments on rents and rentalization of development activity reflecting a steady growth in our underlying lease rentals additionally supported by a long term wale of 14.5 years.

The REIT's Same Property NOI in constant currency for the three months and year ended December 31, 2020 increased by 1.7% and 0.4% respectively over the comparable prior year period mainly due to impact of COVID-19 related transient parking, cost and prior period recovery adjustments and straight-line rent adjustment as a result of retroactive rent reviews.

Canada

Adjusted same property NOI (adjustments include COVID-19 impact relating to lower transient parking) for the three months and year ended December 31, 2020 increased by 0.4% and 2.0% respectively over the comparable prior year period mainly driven by higher rental income.

Same Property NOI for the three months and year ended December 31, 2020 decreased by 7.1% and 6.0% respectively, over the comparable prior year period, primarily due to impact of COVID-19 on transient parking income.

Brazil

Adjusted Same Property and Same Property NOI for the three months ended December 31, 2020 in BRL increased by 4.6% (decreased by 21.2% in C$) over the comparable prior year period mainly due to inflationary adjustment on rents of approximately 3.5% and the remaining increase is primarily attributable to the rentalization of the expansion at HMB (see **Development Activity**).

Adjusted Same Property and Same Property NOI for the year ended December 31, 2020 in BRL increased by 4.6% (decreased by 18.6% in C$) over the comparable prior year period mainly due to inflationary adjustment on rents of approximately 3.6% and the rentalization of the expansion at HMB (see **Development Activity**).

Europe

Adjusted Same Property NOI for the three months and year ended December 31, 2020 in Euros, increased by 2.1% (increased by 8.6% in C$) and 1.2% (increased by 4.2% in C$) respectively over the comparable prior year period reflecting growth in rental revenue and indexation increases.

Same Property NOI for the three months and year ended December 31, 2020 in Euros decreased by 19.3% (increased by 26.8% in C$) and 4.7% (increased by 7.7% in C$) respectively over the comparable prior year period, reflecting growth in rental revenue and indexation increases and prior period recovery adjustments.

Vital Trust

Adjusted Same Property NOI for the three months and year ended December 31, 2020 in New Zealand dollars over the comparable prior year period increased by 4.9% (increased by 10.3% in C$) and 4.3% (increased by 3.9% in C$) respectively over the comparable prior year period driven by indexed rental increases and development rentalisation.

Same Property NOI for the three months and year ended December 31, 2020 in New Zealand dollars increased by 4.0% (increased by 9.4% in C$) and 2.8% (increased by 2.5% in C$) respectively over the comparable prior year period, driven by indexed rental increases, development rentalisation, favorable exchange movement Australia dollar to New Zealand dollar offset by Covid-19 rental abatement.

Australia

Adjusted Same Property NOI for the three months and year ended December 31, 2020 in Australian dollars over the comparable prior year period increased by 4.1% (increased by 9.9% in C$) and 2.3% (increased by 2.5% in C$) respectively mainly driven by indexed rental increases.

Same property NOI for the three months and year ended December 31, 2020 in Australia dollars decreased by 0.8% (increased by 4.5% in C$) and 5.8% (decreased by 5.7% in C$) respectively over the comparable prior year period, driven by straight-line rent adjustment as a result of a retroactive rent review in Q3 2019, and COVID-19 rental abatements.

LEASING

Lease Maturities

The REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 14.5 years as at December 31, 2020. Below is a table of the percentage of leases of expiring by year by region.

	2021	2022	2023	2024	2025	2026	2027	2028	Thereafter	**Total**
Canada	9.4%	12.7%	14.2%	8.9%	8.9%	8.8%	7.3%	5.6%	24.2%	**100.0%**
Brazil	—%	—%	—%	8.4%	—%	—%	—%	—%	91.6%	**100.0%**
Europe	4.8%	5.9%	3.5%	3.0%	4.3%	4.3%	1.6%	1.6%	71.0%	**100.0%**
Australasia	1.0%	0.6%	5.8%	1.7%	1.8%	6.0%	0.1%	1.9%	81.1%	**100.0%**
Total Portfolio	3.7%	4.6%	6.3%	4.5%	3.8%	5.4%	2.1%	2.4%	67.2%	**100.0%**

Notes:
- As at December 31, 2020.
- Australia is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.
- Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30%-33.57% interest in the JV.

The REIT's expiry profile benefits from its Australian and Brazilian properties which are subject to long term leases. The eight Brazil hospitals are each occupied by single tenants that are leading hospital operators, and have leases expiring between September 30, 2024 and November 14, 2043. 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 19.2 years and the Australian portfolio which has a WALE of 17.3 years.

The below table summarizes the REIT's WALE allocated by asset type as at December 31, 2020:

	Asset Mix		**WALE (in years)**		
	MOB	**Hospitals & Healthcare Facilities**	**MOB**	**Hospitals & Healthcare Facilities**	**Total**
Canada[1]	100 %	— %	5.2	—	**5.2**
Brazil	— %	100 %	—	19.6	**19.6**
Europe	57 %	43 %	15.9	11.2	**15.1**
Vital[1]	23 %	77 %	6.7	20.8	**19.2**
Australia[2]	26 %	74 %	12.6	18.5	**17.3**

Notes

1 Excluding development projects.

2 Australia REIT is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"), including both the Seed Portfolio and HSO Portfolio. The REIT owns 30% interest in the JV.

Lease Indexation

As at December 31, 2020, over 73.1% of the REIT's rental income (94.7% of the International Portfolio) is subject to inflationary adjustments and market reviews. The below table summarizes the percentage of revenue by region which receives the benefit of regular inflationary adjustments:

Revenue Subject to Inflationary/Market Based Adjustments	
As at December 31, 2020	**% of Revenue** [1]
Canada	2.2%
Brazil	100.0%
Europe	93.7%
Vital	92.9%
Australia [2]	96.7%
International Total/Weighted Average	**94.7%**
Portfolio Total / Weighted Average	**73.1%**

Notes

(1) Includes revenue which is subject to inflationary adjustments and market reviews.

(2) Australia is shown at proportionate share ownership for assets held as part of Joint Venture Agreements ("JV"). The REIT owns 30% interest in the JV.

Leasing Activity

LEASING ACTIVITY

	Three months ended December 31, 2020					
in thousands of square feet	**Canada**	**Brazil**	**Europe** (4)	**Vital Trust** (1)	**Australia** (3)	**Total**
Opening Occupancy	92.4%	100.0%	97.4%	99.1%	99.3%	97.2%
Opening Balance	3,321	1,773	4,158	2,781	2,974	15,007
Acquisition	—	—	—	106	—	106
Disposition	—	—	—	(210)	—	(210)
Transfers to Properties under Development	28	—	—	—	—	28
Expiries and Early Terminations	(123)	—	(65)	(4)	(1)	(193)
Renewal	102	—	59	2	—	163
New Leasing	32	—	11	1	—	44
Other (2)	(13)	106	(3)	—	—	90
Closing Balance	3,347	1,879	4,160	2,676	2,973	15,035
Closing Occupancy	**91.8%**	**100.0%**	**97.6%**	**98.7%**	**99.3%**	**97.1%**

	Year ended December 31, 2020					
in thousands of square feet	**Canada**	**Brazil**	**Europe** (4)	**Vital Trust** (1)	**Australia** (2)	**Total**
Opening Occupancy	93.0%	100.0%	97.3%	99.6%	99.0%	97.3%
Opening Balance	3,338	1,723	3,419	2,576	3,013	14,069
Acquisition	—	—	910	329	249	1,488
Disposition	—	—	—	(210)	(399)	(609)
Transfers from/(to) Properties under Development	28	50	—	—	—	78
Expiries and Early Terminations	(396)	—	(335)	(363)	(46)	(1,140)
Renewal	257	—	297	340	42	936
New Leasing	108	—	39	4	6	157
Other (2)	12	106	(170)	—	108	56
Closing Balance	3,347	1,879	4,160	2,676	2,973	15,035
Closing Occupancy	**91.8%**	**100.0%**	**97.6%**	**98.7%**	**99.3%**	**97.1%**

Notes

(1) Shown on a 100% basis. The REIT has an approximate 25% interest in Vital Trust and acts as manager of Vital Trust, it therefore consolidates Vital Trust.

(2) Other includes Remeasurements and Month-to-Month leases.

(3) Shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"), including both the Seed Portfolio and HSO Portfolio. The REIT owns 30% interest in the JV.

(4) Europe is shown at 100% ownership for assets held as part of Joint Venture Agreements ("JV"), including both German and Netherlands Seed Portfolios. The REIT owns 33.57% and 30% interest, respectively in these JV portfolios.

Canada

During the quarter, the REIT completed 102 thousand square feet of renewal leasing representing a 95% renewal rate. The REIT completed the renewals at an initial net rent of $13.41 per square foot versus an expiring net rent per square foot of $12.75 per square foot, an increase of $0.66 per square foot or 5.2%.

Excluding a non-healthcare tenant renewal in Quebec region with a significant net rent increase, the initial net rent versus the expiring net rent would have been $12.59 per square foot and $12.58 per square foot respectively, essentially flat.

During the quarter, the REIT also completed 32 thousand square feet of new leasing at an initial net rent of $12.64 per square foot.

Year to date, the REIT completed 257 thousand square feet of renewal leasing representing a 73% renewal rate. The REIT completed the renewals at an initial net rent of $17.16 per square foot versus an expiring net rent per square foot of $17.20, a decrease of $0.04 per square foot or 0.2%. Excluding the non-healthcare renewal in Quebec mentioned above, the initial net rent versus the expiring net rent would have been $16.66 per square foot and $16.98 per square foot respectively, representing a 1.9% decrease. The decrease was mainly driven by the market conditions in the West region.

Year to date, the REIT completed 108 thousand square feet of new leasing at an initial net rent of $18.95 per square foot.

As at December 31, 2020, the REIT had 231 thousand square feet of committed leasing against future expiries at an initial net rent of $15.67 per square foot versus expiring net rent per square foot of $14.87, an increase of $0.80 per square foot or 5.4%. The REIT also had 20 thousand square feet of committed leasing against vacant space at an initial net rent of $17.08 per square foot.

Expiring net rent increased to $18.44 per square foot in the fourth quarter 2020, from $18.36 per square foot in the third quarter of 2020. This was primarily attributable to the higher net rent of a recently completed development property in the West region.

EXPIRING NET RENT ($PSF)

December 31, 2020

		Canada
Month-to-Month	$	16.16
2020	$	—
2021	$	15.34
2022	$	16.20
2023	$	15.24
2024	$	17.62
2025+	$	20.96
Total Expires	**$**	**18.44**

Brazil

The REIT's Brazil properties are subject to long term leases (portfolio WALE of 19.6 years). There was no leasing activity during the quarter.

Europe

During the quarter, the REIT completed 59 thousand square feet of renewal leasing representing an 91.4% renewal rate. These renewals were completed at an initial monthly net rent of €12.17 per square meter versus an expiring net rent per square meter of €12.09, an increase of 0.7%.

During the quarter, the REIT completed 11 thousand square feet of new leasing at an initial net rent of €12.50.

Year to date, the REIT has completed 297 thousand square feet of renewal leasing representing an 89.5% renewal rate. The REIT completed the renewals at an initial net rent of monthly €10.15 per square meter versus an expiring net rent per square meter of €9.95, a 2% increase.

Year to date the REIT also completed 39 thousand square feet of new leasing at an initial net rent of €13.29 per square meter.

EXPIRING NET RENT (€PSF)	
December 31, 2020	
	Europe
Month-to-Month	€ 6.25
2020	—
2021	12.61
2022	12.00
2023	8.27
2024	10.15
2025+	7.95
Total Expires	**€ 8.66**

Vital Trust

Vital Trust's properties are generally subject to long term leases.

During the quarter, Vital Trust completed 2 thousand square feet representing a 54.5% renewal rate. The renewals were a result of tenants exercising their renewal options and were completed at an initial net rent per square foot of NZ$35.82 versus expiring net rent of NZ$35.82.

During the quarter, Vital Trust also completed 1 thousand square feet of new leasing at an initial average net rent of NZ$50.25 per square foot.

During the twelve months ended December 31, 2020, Vital Trust completed 340 thousand square feet representing 95.8% renewal rate. These renewals were completed at an initial rent of NZ$10.06 versus an expiring rent of NZ$10.76 per square foot, a 6.5% decrease. Noting 319 thousand square feet related to a 25-year renewal secured with Australian Hospital Care at The Southport Private Hospital, whereby the carpark was relinquished by the tenant back to the landlord as part of this extension.

During the twelve months ended December 31, 2020, Vital Trust completed 4 thousand square feet of new leasing at an initial net rent of NZ$44.

Australia

The Australian portfolio is generally subject to long term leases, and as such there was no material leasing activity.

There were no leasing renewals during the quarter.

During the twelve months ended December 31, 2020, the REIT completed 42 thousand square feet of renewal representing an 92.5% renewal rate at an initial net rent of A$59.93 per square foot versus an existing rent per square foot of A$62.20, a 3.6% decrease.

During the quarter, the REIT completed 1 thousand square feet of new leasing at an initial net rent of A$47.45.

During the twelve months ended December 31, 2020, the REIT completed six thousand square feet of new leasing at an initial net rent of A$37.5.

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. REALpac has established a standardized definition of FFO in a White Paper dated February 2019 ("**REALpac Guidance**"). The REIT's FFO definition differs from the REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, convertible debenture issuance costs, all transaction costs, and other FFO adjustments discussed in (x) below in its calculation of FFO.

FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Net income (loss) attributable to unitholders	**$ 143,763**	**$ (12,058)**	**$ 155,821**	**$ 314,355**	**$ (1,871)**	**$ 316,226**
Add / (Deduct):						
(i) Fair market value losses (gains)	(175,665)	(79,268)	(96,397)	(246,637)	(122,943)	(123,694)
Less: Non-controlling interests' share of fair market value losses (gains)	53,766	33,964	19,802	46,955	56,245	(9,290)
(ii) Finance cost - Exchangeable Unit distributions	342	3,542	(3,200)	3,501	14,167	(10,666)
(iii) Revaluation of financial liabilities	2,264	563	1,701	5,585	4,541	1,044
(iv) Unrealized foreign exchange loss (gain)	5,621	(23)	5,644	21,311	(1,287)	22,598
Less: Non-controlling interests' share of unrealized foreign exchange loss (gain)	2,029	3,505	(1,476)	(104)	168	(272)
(v) Deferred taxes	29,372	22,118	7,254	(5,644)	64,778	(70,422)
Less: Non-controlling interests' share of deferred taxes	(3,599)	(5,523)	1,924	(1,809)	(4,944)	3,135
(vi) Transaction costs	11,141	21,294	(10,153)	47,921	32,549	15,372
Less: Non-controlling interests' share of transaction costs	(3,737)	(127)	(3,610)	(8,703)	(783)	(7,920)
(vii) Net adjustments for equity accounted investments	(27,898)	2,271	(30,169)	(32,134)	26,223	(58,357)
(viii) Internal leasing costs	497	474	23	2,364	1,898	466
(xi) Goodwill impairment loss	—	37,289	(37,289)	—	37,289	(37,289)
(ix) Net adjustment for lease amortization	(131)	(117)	(14)	(354)	(508)	154
(x) Other FFO adjustments	2,487	2,448	39	5,684	9,227	(3,543)
Funds From Operations ("FFO") (1)	**$ 40,252**	**$ 30,352**	**$ 9,900**	**$ 152,291**	**$ 114,749**	**$ 37,542**
FFO per Unit - Basic	$ 0.23	$ 0.20	$ 0.03	$ 0.86	$ 0.82	$ 0.04
FFO per Unit - fully diluted (3)	$ 0.22	$ 0.19	$ 0.03	$ 0.83	$ 0.79	$ 0.04
Adjusted weighted average units outstanding (2)						
Basic	177,563,647	153,331,021	24,232,626	177,207,485	140,177,331	37,030,154
Diluted (3)	201,349,114	183,328,305	18,020,809	200,831,556	170,044,456	30,787,100

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) Under IFRS the REIT's Class B LP 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 in basic and diluted units outstanding/weighted average units outstanding. There were 1,710,000 Class B LP Units outstanding as at December 31, 2020 and 17,708,065 outstanding as at December 31, 2019.

(3) 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.

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

(i) Fair market value losses (gains)

FAIR MARKET VALUE LOSSES (GAINS)						
Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Fair market value losses (gains)						
Fair value adjustment of Convertible Debentures	$ 6,144	$ 5,023	$ 1,121	$ (2,330)	$ 29,491	$ (31,821)
Fair value adjustment of Exchangeable Units	2,120	2,833	(713)	(83,324)	43,385	(126,709)
Fair value adjustment of investment properties	(179,346)	(72,715)	(106,631)	(174,415)	(212,765)	38,350
Loss (Gain) on derivative financial instruments	(6,956)	(14,870)	7,914	11,759	13,346	(1,587)
Fair value adjustment of DUP liability	2,373	461	1,912	1,673	3,600	(1,927)
Total	**$ (175,665)**	**$ (79,268)**	**$ (96,397)**	**$ (246,637)**	**$ (122,943)**	**$ (123,694)**

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 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 (loss).

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 (loss).

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 (loss).

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 (loss).

(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 (loss).

(iii) **Revaluation of financial liabilities**

Over the term of the loan, the Brazil Securitization Financings are adjusted by the inflation rate (IPCA) from the date of inception of these liabilities to their respective maturities. The accretion expense is treated as a fair value adjustment to the Brazil Securitization Financings 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 Australasian debt which are denominated in Australian and/or New Zealand dollars and held by a Canadian and/or New Zealand subsidiary of the REIT, and revaluation of short-term loans with subsidiaries of the REIT that are denominated in a different source currency than the functional currency of the subsidiary. Consistent with REALpac Guidance, the unrealized foreign exchange movements on the indebtedness and intercompany transactions have been added back to the REIT's net income.

(v) **Deferred taxes**

Under IFRS, the REIT has recorded deferred tax liabilities in Europe, Brazil, Australian 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 (loss).

(vi) **Transaction costs**

Under IFRS the REIT expenses transaction costs related to acquisitions which have been determined to be business combinations and business development costs. 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, costs related to the REIT's transactions have been added back to net income (loss). In addition to transaction costs related to business combinations, the REIT also adds back to net income (loss) internally allocated and third party transaction costs related to disposition activities, investment opportunities, establishment of joint arrangements, including those incurred with respect to building relationships with healthcare operators and institutional investors, and other capital raising initiatives being explored by the REIT, which are not contemplated in the REALpac Guidance.

The REIT has also included in transaction costs current tax expense (recoveries) related to transaction activity. During the three months ended December 31, 2020 , the REIT adjusted for tax expense of $4.7 million (year ended December 31, 2019 - nil) in connection with disposition activity (see **Highlights for the quarter**). For the year ended December 31, 2020, the REIT adjusted for tax expense of $4.2 million in connection with dispositions activity (see **Net Income**).

(vii) Net adjustments for equity accounted investments

Under IFRS the REIT's investment in joint ventures is accounted for using the equity method of accounting. As such, the REIT's share of 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 equity accounted investment's post-acquisition net income (loss) is added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the equity accounted investment's FFO.

Funds From Operations of Equity Accounted Investments

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Share of profit (loss) of Equity Accounted Investments	$ 34,831	$ 2,052	$ 32,779	$ 52,091	$ (16,950)	$ 69,041
Add/(Deduct):						
Fair market value losses (gains)	(28,473)	2,271	(30,744)	(32,709)	26,223	(58,932)
Deferred taxes	575	—	575	575	—	575
Net FFO Adjustment for Equity Accounted Investments	**$ (27,898)**	**$ 2,271**	**$ (30,169)**	**$ (32,134)**	**$ 26,223**	**$ (58,357)**
Proportionate share of Equity Accounted Investments FFO	**$ 6,933**	**$ 4,323**	**$ 2,610**	**$ 19,957**	**$ 9,273**	**$ 10,684**

(viii) Internal leasing costs

In accordance with IFRS, internal leasing costs that are not incremental are expensed. These amounts include the base salary and benefits of the internal leasing department. Consistent with REALpac Guidance, 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.

(ix) Amortization of finance leases

Consistent with REALpac Guidance, where the REIT is accounting for operating leases under IFRS 16, the REIT has adjusted FFO to reflect the principal payments that are amortized against the lease liability. For Right of Use ("ROU") assets that are being measured at cost and amortized, the amortization is added back as prescribed by the REALpac Guidance.

Australia has one long term lease receivable and one long term ground lease payable which have been recorded, in accordance with IFRS, as a finance lease payable and receivable respectively. An adjustment has been made to FFO to adjust for the net cash impact of the finance leases.

(x) Other FFO adjustments

For the year ended December 31, 2020, other FFO adjustments includes the impact of certain ANZ Manager fees that are capitalized by Vital Trust related primarily to acquisition, leasing and development activities. The adjustments reflect the cash flow benefit to the REIT of the capitalized fees funded by the non-controlling interest of Vital Trust.

The above adjustments are not contemplated in the REALpac Guidance for FFO.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

AFFO is a supplemental non-IFRS financial measure of a REIT's operating performance and is intended to reflect a stabilized business environment. 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.

In February 2019, REALpac issued an amended White Paper with recommendations for the calculation of AFFO. The REIT's AFFO definition differs from the recently-issued REALpac Guidance in that the REIT excludes the revaluation of financial liabilities, amortization of transactional deferred financing charges, debt mark-to-market adjustments, DUP compensation expense, and debt repayment costs in its AFFO calculations.

ADJUSTED FUNDS FROM OPERATIONS

Expressed in thousands of Canadian dollars, except per unit amounts	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
FFO [1]	$ **40,252**	$ **30,352**	$ **9,900**	$ **152,291**	$ **114,749**	$ **37,542**
Add / (Deduct):						
(i) Amortization of marked to market adjustment	(106)	(296)	190	(866)	(1,316)	450
(ii) Amortization of transactional deferred financing charges	364	852	(488)	4,125	7,434	(3,309)
Less: Non-controlling interests' share of amortization of transactional deferred financing charges	—	7	(7)	—	21	(21)
(iii) Straight-line revenue	354	16	338	198	(1,071)	1,269
Less: non-controlling interests' share of straight-line revenue	(449)	(47)	(402)	(1,145)	(576)	(569)
(iv) Leasing costs and non-recoverable maintenance capital expenditures	(2,982)	(2,029)	(953)	(12,325)	(13,237)	912
Less: non-controlling interests' share of actual capex and leasing costs	289	219	70	1,004	1,486	(482)
(v) DUP Compensation Expense	1,063	2,013	(950)	7,374	8,361	(987)
(vi) Debt repayment costs	—	1,115	(1,115)	19	4,557	(4,538)
(vii) Net adjustments for equity accounted investments	(246)	(1,193)	947	(406)	(2,704)	2,298
Adjusted Funds From Operations ("AFFO") [1]	$ **38,539**	$ **31,009**	$ **7,530**	$ **150,269**	$ **117,704**	$ **32,565**
AFFO per Unit - Basic	$ 0.22	$ 0.20	$ 0.02	$ 0.85	$ 0.84	$ 0.01
AFFO per Unit - fully diluted [3]	$ 0.21	$ 0.20	$ 0.01	$ 0.82	$ 0.81	$ 0.01
Distributions per Unit - Basic	$ 0.20	$ 0.20	$ —	$ 0.80	$ 0.80	$ —
Adjusted weighted average units outstanding: [2]						
Basic	177,563,647	153,331,021	24,232,626	177,207,485	140,177,331	37,030,154
Diluted [3]	201,349,114	183,328,305	18,020,809	200,831,556	170,044,456	30,787,100

Notes

(1) FFO and AFFO are not measures recognized under IFRS and does 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.

(2) Under IFRS the REIT's Class B LP 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 in basic and diluted units outstanding/weighted average units outstanding. There were 1,710,000 Class B LP Units outstanding as at December 31, 2020 and 17,708,065 outstanding as at December 31, 2019.

(3) 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.

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

(i) **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.

(ii) **Amortization of transactional deferred financing charges**

Under IFRS, the REIT has recorded amortization of deferred financing charges. The REIT believes the amortization of deferred financing charges to be a proxy for the financing fees incurred over the term of the related debt and thus does not make an adjustment to AFFO for amortization financing charges, except for the amortization of fees related to short-term transaction related financings and the write off of financing fees for which debt has been repaid in advance of its maturity, which the REIT adds back to AFFO to reflect a stabilized business environment.

(iii) **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. Consistent with the REALpac Guidance, to account for the non-cash nature of these differences the REIT has included an adjustment in AFFO.

(iv) **Leasing costs and non-recoverable maintenance capital expenditures**

In Canada and Europe, 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 the medical office properties in Canada and Europe 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.**

(v) **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 fair 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 settled units, at the REIT's option, the REIT has added back DUP Compensation Expense to income when determining AFFO.

(vi) **Debt repayment costs**

For the year ended December 31, 2020, the REIT incurred debt repayment costs of related to the refinancing of a corporate facility.

(vii) **Net adjustments for equity accounted investments**

Under IFRS the REIT's investments in associate are 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). In order to enhance the usefulness and comparability of AFFO as a supplemental measure of the operating performance of the REIT, the REIT's share of its equity accounted investment's post acquisition net income (loss) is added/(deducted) to/(from) net income and AFFO is presented after including the REIT's proportionate share of the equity accounted investment's AFFO.

Adjusted Funds From Operations of Equity Accounted Investments

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	2019	Variance	2020	2019	Variance
Proportionate share of Equity Accounted Investments FFO	**$ 6,933**	**$ 4,323**	**$ 2,610**	**$ 19,957**	**$ 9,273**	**$ 10,684**
Add / (Deduct):						
Amortization of deferred financing charges	8	—	8	11	—	11
Straight-line revenue	(104)	(1,193)	1,089	(262)	(2,705)	2,443
Leasing costs and non-recoverable maintenance capital expenditures	(150)	—	(150)	(155)	—	(155)
Net AFFO adjustment	**$ (246)**	**$ (1,193)**	**$ 947**	**$ (406)**	**$ (2,705)**	**$ 2,299**
Proportionate share of Equity Accounted Investments AFFO	**$ 6,687**	**$ 3,130**	**$ 3,557**	**$ 19,551**	**$ 6,568**	**$ 12,983**

NORMALIZED AFFO

In the schedule below we present the REIT's reported AFFO as well as the REIT's Normalized AFFO (both defined 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, transactions that have occurred subsequent to the 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.

The below 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 on Brazil leases, increased management fees expected to be earned by the ANZ Manager, interest savings resulting from debt optimization both during and subsequent to quarter end, and items relating to expected amounts for normalized revenues and general and administrative expenses. 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**.

Expressed in thousands of Canadian dollars, except per unit amounts	Q4 2020	Q4 2020 Per Unit	Q4 2020 Annualized	Annualized Per Unit
AFFO as reported	**$ 38,539**	**$ 0.22**	**$ 154,156**	
Normalization adjustments:				
(1) Acquisition and disposition activities			23,283	
(2) Accrued FX and indexation related to Brazil and HSO leases			1,011	
(3) Interest expenses on completed financing activities during the quarter			(34)	
(4) Potential debt optimization post quarter			20,514	
(5) Non-recurring fees and transactions			(12,624)	
(6) On-going developments			3,133	
Normalized AFFO on an annualized basis			**$ 189,692**	**$ 0.92**
Weighted average units outstanding during the current three month reporting period (000s)				177,564
(7) Normalization adjustment				29,534
Normalized Units Outstanding (000s)				207,098

Details of adjustments from AFFO to Normalized AFFO are as follows:

(1) To reflect the impact of the REIT's net investment activity completed during and post quarter as disclosed in **HIGHLIGHTS FOR THE QUARTER**, **SUBSEQUENT EVENTS** and **INVESTMENT PROPERTIES,** and investments activity for which close was still pending at reporting date.

(2) To reflect the estimated impact of an increse in inflation (IPCA) indexation on current net rents of Brazilian leases based on the actual YTD IPCA of 4.5% and Q4 2020 average exchange rates and the impact of contractual rent growth from HSO. Also adjusted are any impacts related to movements in foreign exchange rate subsequent to the period reported.

(3) To reflect the impact of the REIT's net financing activity completed during and post quarter as disclosed in **HIGHLIGHTS FOR THE QUARTER**, **SUBSEQUENT EVENTS** and **CAPITALIZATION AND LIQUIDITY** as summarized below:

Expressed in thousands of Canadian dollars	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings (Expense)	Annualized interest savings (expense)
Adjustments to reflect full quarter activity:						
Draws on corporate credit facility	25,000	2.00 %	—	—	(9)	(34)
Total	**$ 25,000**	**2.00 %**	**$ —**	**$ —**	**$ (9)**	**(34)**

(4) To reflect the estimated impact of debt optimization that occurred post-quarter and potential future debt optimization as summarized below:

Debt Optimization

Expressed in thousands of Canadian dollars	Value	Interest Rate %	Normalized interest expense	Reported interest expense	Quarterly interest savings	Annualized interest savings
Adjustments to reflect potential debt optimization post quarter:						
Repayment of high cost debt	(385,936)	5.32 %	—	5,129	5,129	20,514
Total	**$(385,936)**		**$ —**	**$ 5,129**	**$ 5,129**	**$ 20,514**

(5) To eliminate the annualized impact of non-recurring items during the quarter such as investing activities including the sale of the German clinics portfolio to the European JV.

(6) To reflect the estimated impact of the completion of Canadian and Australian development activity as discussed under **DEVELOPMENT ACTIVITY.**

(7) To adjust unit count to period end number of units outstanding.

DISTRIBUTIONS

For the three months and year ended December 31, 2020, the REIT declared a total of $35.5 million and $142.1 million, respectively, in distributions, including distributions on Exchangeable Units (three months and year ended December 31, 2019 - $31.5 million and $120.0 million, respectively).These distributions reflect an annualized distribution rate of $0.80 per unit per annum (three months and year ended December 31, 2019 - $0.80 per unit per annum).

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.

On November 12, 2020, the REIT announced the reinstatement of the DRIP, which had previously been suspended on March 24, 2020.

During the three months and year ended December 31, 2020, a total of 123,535 and 646,360 trust units were issued under the DRIP (year ended December 31, 2019, a total of 287,866 and 995,102 Trust Units).

For the three months and year ended December 31, 2020 the REIT's DRIP participation rate was 14.5% and 13.9%, respectively (three months and year ended December 31, 2019 - 12.9% and 11.6%, respectively).

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

DIFFERENCES BETWEEN CASH FLOW FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS

Expressed in thousands of Canadian dollars	Three months ended December 31, 2020	Three months ended December 31, 2019	Year ended December 31, 2020	Year ended December 31, 2019
Net income (loss) attributable to unitholders	$ 143,763	$ (12,058)	$ 314,355	$ (1,871)
Add: Finance cost - Exchangeable Unit distributions	342	3,542	3,501	14,167
Adjusted net income (loss)	$ 144,105	$ (8,516)	$ 317,856	$ 12,296
Cash flows from operating activities attributable to unitholders	$ 33,480	$ 29,724	$ 154,194	$ 128,395
Distributions paid and payable				
Trust Units	$ 35,178	$ 27,932	$ 138,561	$ 105,851
Exchangeable Units	342	3,542	3,501	14,167
	$ 35,520	$ 31,474	$ 142,062	$ 120,018
Surplus (shortfall) of adjusted net income (loss) attributable to unitholders over distributions paid and payable	$ 108,585	$ (39,990)	$ 175,794	$ (107,722)
Surplus (shortfall) of cash flows from operating activities attributable to unitholders over distributions paid and payable	$ (2,040)	$ (1,750)	$ 12,132	$ 8,377

During the year ended December 31, 2020, the REIT's cash flows from operating activities attributable to unitholders were sufficient to pay distributions as the REIT had a surplus over distributions paid and payable of $12.1 million.

During the three months ended December 31, 2020, there was a shortfall in cash flows from operating activities attributable to unitholders over distributions paid and payable of $2.0 million. The shortfall is mainly as result of timing differences in interest accruals and payments for the convertible debentures which are reported under cash flow from operating activities in the financial statements. Cash flow from operating activities attributable to unitholders also excludes the distribution income from the REIT's investments in its JVs. The distributions earned from its JV investments are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of the equity invested. Remaining shortfall were financed by DRIP. As demonstrated in the table below, cash flows from operating activities, adjusted for the aforementioned were sufficient to fund distributions paid and payable to unitholders for three months and year ended December 31, 2020.

ADJUSTED CASH SURPLUS (SHORTAGE) FROM OPERATING ACTIVITES TO DISTRIBUTIONS				
Expressed in thousands of Canadian dollars	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Surplus (shortfall) of cash flows from operating activities attributable to unitholders over distributions paid and payable	$ (2,040)	$ (1,750)	$ 12,132	$ 8,377
Add: Value of Trust Units issued pursuant to the DRIP	1,502	3,347	7,122	11,207
Add: Distribution income from equity accounted associates	3,447	3,753	11,212	8,006
Distributions paid and payable	$ 2,909	$ 5,350	$ 30,466	$ 27,590

During the three months and year ended December 31, 2020, there was $1.5 million and $7.1 million ,respectively, in value of Trust Units issued under the DRIP (three months and year ended December 31, 2019, there was $3.3 million and $11.2 million, respectively). While reducing the cash required to settle the REIT's distributions, the Trust Units issued, pursuant to the DRIP, may in future result in additional cash distributions, should the holders of these Trust Units opt out of the DRIP.

See section **PART IV - CAPITALIZATION AND LIQUIDITY**.

For the three months and year ended December 31, 2020, the REIT had a surplus between adjusted net income and distributions paid to unitholders of $108.6 million and $175.8 million, respectively. Adjusted net income attributable to unitholders for the period reflects material non-cash items such as fair value adjustments to investment properties, financial instruments and deferred taxes, which do not impact cash flows 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.

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 2020 distributions were funded by financing activities. The REIT believes that it is able to sustain distributions in the near term as the REIT measures distributions in relation to AFFO and the REIT believes it will be able to obtain new financing to meet its cash flow requirements due to the timing of cash receipts relating to certain adjustments affecting AFFO.

REIT's distributions during 2020 were deemed a 40% return of capital and 60% other income for tax purposes. The composition for tax purposes may change over time thus affecting the after-tax return to a Unitholder. 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 JVs, future financing activities or asset sales. However, the REIT has at times paid cash distributions which exceed cash flows from operating activities and distribution income earned from its strategic investments in Vital Trust and the JVs. Distributions paid at times to unitholders have therefore been an economic return of capital. At times the REIT may be required to use additional debt capacity to finance its distributions, which would represent a further economic return of capital, or alternatively reduce distributions. The REIT's distribution policy is based on the REIT's AFFO. AFFO has exceeded actual cash flows from operations available to the REIT from time to time because of the recognition of certain items in AFFO that provide an economic benefit to the REIT but the timing of the realization of the cash flow associated with such economic benefit differs, such as the recognition of the REIT's proportionate share of Vital Trust's AFFO which is less than cash distributions received, and the exclusion of certain cash items in AFFO that affects cash flows from operations but to which management does not consider part of AFFO, such as debt repayment costs and the amortization of financing fees, as well as other items such as tenant allowances, leasing costs and capital expenditures in excess of stipulated reserves identified by the REIT in its calculation of AFFO. The REIT may be required to use part of its debt capacity, issue new equity or to reduce distributions in order to accommodate such items in the future. The REIT anticipates temporarily funding such items, if necessary, through new financing or asset sales, which the REIT has a demonstrated history of executing.

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, reconciles the REIT's cash flow from operations to AFFO:

RECONCILIATION OF CASH FLOWS FROM OPERATIONS TO AFFO

Expressed in thousands of Canadian dollars	Three months ended December 31,			Year ended December 31,		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Cash flows from operating activities	**$ 42,686**	**$ 48,554**	**$ (5,868)**	**$ 188,767**	**$ 128,612**	**$ 60,155**
Add (deduct):						
Non-cash interest expense	6,241	4,542	1,699	4,443	(1,196)	5,639
Non-cash current taxes	(180)	(1,627)	1,447	6,157	7,210	(1,053)
Changes in non-cash working capital balances	(5,410)	(19,632)	14,222	(29,122)	(5,219)	(23,903)
AFFO of equity accounted entities	(28,144)	1,078	(29,222)	(32,540)	23,518	(56,058)
Other FFO adjustments	2,487	2,448	39	5,684	9,227	(3,543)
Internal leasing costs	497	474	23	2,364	1,898	466
Amortization of recurring financing charges	(3,815)	(1,127)	(2,688)	(6,926)	(4,136)	(2,790)
Leasing costs and non-recoverable maintenance capital expenditures	(2,982)	(2,029)	(953)	(12,325)	(13,237)	912
Amortization of lease liabilities	(131)	(117)	(14)	(354)	(508)	154
Interest income and other	302	1,320	(1,018)	1,947	6,443	(4,496)
Straight-line revenue	354	16	338	198	(1,071)	1,269
Redemption of units issued under the DUP	348	292	56	2,215	4,092	(1,877)
Amortization of furniture and office equipment	(382)	(363)	(19)	(1,579)	(1,982)	403
Foreign exchange	24	(18)	42	91	(50)	141
Debt repayment costs	—	1,115	(1,115)	19	4,557	(4,538)
Share of profit (loss) from equity accounted investments	34,831	2,052	32,779	52,091	(16,950)	69,041
AFFO attributable to non-controlling interest	(8,187)	(5,969)	(2,218)	(30,861)	(23,504)	(7,357)
	$ (4,147)	$ (17,545)	$ 13,398	$ (38,498)	$ (10,908)	$ (27,590)
AFFO	**$ 38,539**	**$ 31,009**	**$ 7,530**	**$ 150,269**	**$ 117,704**	**$ 32,565**

QUARTERLY PERFORMANCE

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

QUARTERLY PERFORMANCE								
Expressed in thousands of Canadian dollars except per unit amounts	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	Q2-19	Q1-19
Summary of Financial Information								
Assets Under Management [1]	$7,847,120	$7,360,861	$6,831,914	$6,627,729	$6,462,767	$6,181,766	$6,229,156	$5,142,828
Gross Book Value ("GBV") [2]	$5,845,238	$5,666,577	$5,328,095	$5,444,457	$5,535,304	$5,201,319	$5,170,776	$5,142,828
Debt - Declaration of Trust [1]	$2,510,310	$2,695,247	$2,361,284	$2,428,409	$2,354,897	$2,360,477	$2,353,433	$2,378,676
Debt to GBV - Declaration of Trust	42.9 %	47.6 %	44.3 %	44.6 %	42.5 %	45.4 %	45.5 %	46.3 %
Debt - Including Convertible Debentures [2]	$2,803,131	$2,981,925	$2,642,592	$2,697,349	$2,746,098	$2,747,403	$2,778,369	$2,801,459
Debt to GBV - Incl. Convertible Debentures	48.0 %	52.6 %	49.6 %	49.5 %	49.6 %	52.8 %	53.7 %	54.5 %
Operating Results								
Revenue from investment properties	$ 92,845	$ 95,086	$ 90,293	$ 95,594	$ 91,608	$ 91,106	$ 91,409	$ 91,933
Net income (loss)	$ 200,249	$ 26,556	$ 38,549	$ 116,060	$ 25,909	$ 17,673	$ 83,696	$ (54,028)
NOI [4]	$ 71,007	$ 72,239	$ 69,902	$ 72,646	$ 69,494	$ 69,787	$ 70,457	$ 69,092
FFO [4]	$ 40,252	$ 39,779	$ 33,910	$ 38,351	$ 30,352	$ 26,494	$ 31,147	$ 26,756
AFFO [4]	$ 38,539	$ 39,953	$ 35,568	$ 36,210	$ 31,009	$ 31,286	$ 30,360	$ 25,045
Distributions [5]	$ 35,520	$ 35,489	$ 35,489	$ 35,564	$ 31,474	$ 30,025	$ 27,045	$ 26,099
Per Unit Amounts [6]								
FFO per unit - Basic	$ 0.23	$ 0.22	$ 0.19	$ 0.22	$ 0.20	$ 0.18	$ 0.23	$ 0.21
AFFO per unit - Basic	$ 0.22	$ 0.23	$ 0.20	$ 0.21	$ 0.20	$ 0.22	$ 0.22	$ 0.20
Distributions	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20	$ 0.20
Adjusted Weighted Average Units Outstanding [5]								
Basic	177,563,647	177,438,398	177,421,006	176,400,438	153,331,021	145,301,905	135,178,069	126,547,692

Notes

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

(2) Gross Book Value is defined as total assets.

(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 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) Under IFRS the REIT's Class B LP 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 in basic and diluted units outstanding/weighted average units outstanding.

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 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, 2020 and December 31, 2019:

CAPITAL STRUCTURE

Expressed in thousands of Canadian dollars	As at December 31, 2020	As at December 31, 2019
Mortgages and loans payable	$ 2,510,310	$ 2,354,897
Mortgages related to assets held for sale	—	—
Debt - Declaration of Trust [1]	**2,510,310**	**2,354,897**
Convertible Debentures at Fair Value	292,821	391,201
Debt - Including Convertible Debentures [1]	**2,803,131**	**2,746,098**
Mortgages and loans payable - marked to market	1,135	2,000
Mortgages and loans payable - unamortized financing costs	(16,032)	(15,506)
Total Debt	2,788,234	2,732,592
DUP Liability	24,277	19,656
Class B LP Exchangeable Units	21,546	211,257
Unitholders' equity	1,638,419	1,319,307
Total Capitalization	**$ 4,472,476**	**$ 4,282,812**

Notes

(1) 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 year ended December 31, 2020:

UNITS OUTSTANDING	
Trust Units outstanding, December 31, 2019	**153,626,666**
Issuance of Trust Units pursuant to equity offering	2,049,180
Issuance of Trust Units under the DRIP	383,495
Issuance of Trust Units under the DUP	48,004
Issuance of Trust Units pursuant to conversion of Convertible Debentures	4,244,780
Issuance of Trust Units pursuant to conversion of Exchangeable Units	15,998,065
Cancellation of Trust Units pursuant to NCIB	(195,000)
Trust Units outstanding, March 31, 2020	**176,155,190**
Issuance of Trust Units under the DRIP	139,330
Issuance of Trust Units under the DUP	38,911
Cancellation of Trust Units pursuant to NCIB	(605,207)
Trust Units outstanding, June 30, 2020	**175,728,224**
Issuance of Trust Units under the DUP	2,661
Trust Units outstanding, September 30, 2020	**175,730,885**
Issuance of Trust Units under the DRIP	123,535
Issuance of Trust Units under the DUP	123,360
Trust Units outstanding, December 31, 2020	**175,977,780**

On January 31, 2020, the REIT completed a private placement of 2,049,180 Trust Units to NWVP for gross proceeds of approximately $25.0 million.

On March 24, 2020 the TSX approved the REIT's application to proceed with a normal course issuer bid ("NCIB") for a portion of its Trust Units from time to time. Trust Units representing up to 10% of the REIT's public float may be purchased for cancellation under the NCIB, subject to certain maximum daily amounts, over the next 12 months.

During the period from March 31, 2020 to April 6, 2020 the REIT purchased 800,207 Trust Units pursuant to its NCIB for cancellation at a weighted average price per unit of $8.99, for a total cost of $7.2 million (including commissions).

Class B Exchangeable 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.

On March 23, 2020, 15,998,065 Exchangeable Units held by NWVP were converted to Trust Units. As at December 31, 2020 there were 1,710,000 Exchangeable Units outstanding (December 31, 2019 - 17,708,065).

Debt

DEBT

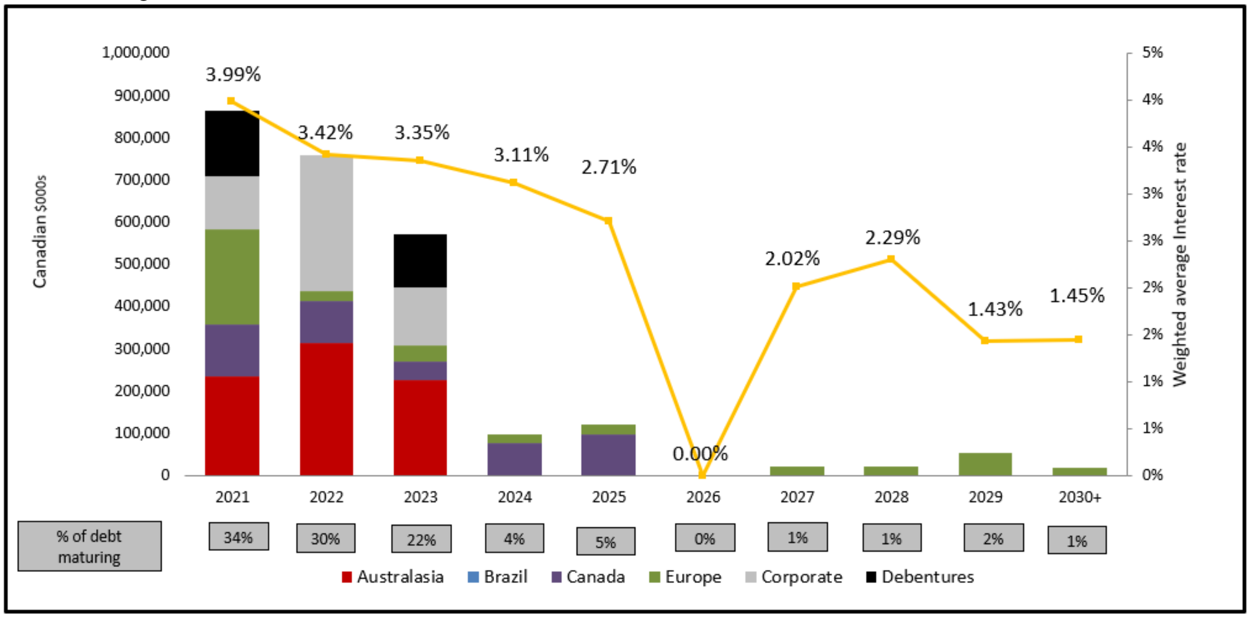
Expressed in thousands of Canadian dollars

	As at December 31, 2020					
	Weighted Average Interest Rate (1)	**Outstanding Balance**	**Marked to Market**	**Unamortized Financing Costs**	**Balance**	**Maturity**
Canada mortgages	3.25 %	$ 485,296	$ 1,135	$ (1,215)	$ 485,216	April 2021 - January 2029
Brazil debt (2)	4.52 %	175,622	—	(5,219)	170,403	November 2027 - June 2031
Europe mortgages	2.41 %	473,888	—	(6,222)	467,666	January 2021 - June 2030
Australasia term loans	3.40 %	776,798	—	(875)	775,923	March 2021 - October 2023
Corporate debt	3.60 %	586,319	—	(2,501)	583,818	February 2021 - November 2022
	3.31 %	**$ 2,497,923**	**$ 1,135**	**$ (16,032)**	**$ 2,483,026**	
Finance Lease		12,387	—	—	12,387	
Total Mortgages and Loans Payable	**3.29 %**	**$ 2,510,310**	**$ 1,135**	**$ (16,032)**	**$ 2,495,413**	
Deferred consideration	n/a	—	—	—	—	n/a
Total Debt excluding Convertible Debentures	**3.29 %**	**$ 2,510,310**	**$ 1,135**	**$ (16,032)**	**$ 2,495,413**	
Convertible Debentures (Corporate)	5.36 %	280,250	12,571	—	292,821	July 2021 - December 2023
Total Debt	**3.50 %**	**$ 2,790,560**	**$ 13,706**	**$ (16,032)**	**$ 2,788,234**	

(1) Weighted average interest rate of total debt has been calculated excluding deferred consideration.

(2) The Brazil debt fully amortizes over a ten year period.

The following chart summarizes, as at December 31, 2020, the REIT's debt maturities:



Additional details on the maturities of the REIT's mortgages and loans payables are detailed below:

DEBT MATURITIES

Expressed in thousands of Canadian dollars	Canada		Brazil		Europe		Australasia		Corporate	
	Total debt payable	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**	**Total debt payable**	**WAIR**
2021	$ 136,026	2.98 %	$ 15,885	— %	$ 230,201	2.97 %	$ 235,742	3.62 %	$ 125,000	5.94 %
2022	110,649	3.41 %	16,636	— %	28,316	1.77 %	314,839	3.48 %	323,469	3.49 %
2023	52,316	4.16 %	17,457	— %	42,698	2.74 %	226,217	3.11 %	137,850	1.70 %
2024	83,759	3.45 %	18,216	— %	24,362	1.80 %	—	— %	—	— %
2025	100,775	2.87 %	19,107	— %	26,993	2.02 %	—	— %	—	— %
2026	541	— %	20,059	— %	3,553	— %	—	— %	—	— %
2027	572	— %	18,945	— %	22,981	2.02 %	—	— %	—	— %
2028	606	— %	13,437	— %	22,173	2.29 %	—	— %	—	— %
2029	52	— %	13,948	— %	54,297	1.43 %	—	— %	—	— %
2030 and thereafter	—	— %	21,932	— %	18,314	1.45 %	—	— %	—	— %
	$ 485,296	3.25 %	$ 175,622	4.52 %	$ 473,888	2.10 %	$ 776,798	3.46 %	$ 586,319	2.72 %
Marked to market premium	1,135	(1.15)%	—	—	—	—	—	—	—	—
	$ 486,431	2.10 %	$ 175,622	4.52 %	$ 473,888	2.10 %	$ 776,798	3.46 %	$ 586,319	2.72 %
Unamortized financings costs	(1,215)		(5,219)		(6,222)		(875)		(2,501)	
Total	$ 485,216		$ 170,403		$ 467,666		$ 775,923		$ 583,818	

The table below summarizes the movements in the REIT's mortgages and loans during the three months and year ended December 31, 2020:

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total [(1)]
Opening balance, October 1, 2020	**$ 482,236**	**$ 166,151**	**$ 464,563**	**$ 874,062**	**$ 580,890**	**$ 2,567,902**
Principal amortization	(3,804)	—	(2,029)	—	—	(5,833)
Repayments	(18,776)	(3,718)	—	(228,121)	(250,967)	(501,582)
Refinancing	24,500	—	—	—	—	24,500
Advances	1,297	—	—	106,265	248,397	355,959
Additional financing fees incurred	(279)	—	150	(27)	(1,064)	(1,220)
Amortization of finance fees	148	253	2,875	144	759	4,179
Amortization of mark-to-market	(106)	—	—	—	—	(106)
Inflation adjustment	—	2,264	—	—	—	2,264
Foreign exchange adjustment	—	5,453	2,107	23,600	5,803	36,963
Ending balance, December 31, 2020	**$ 485,216**	**$ 170,403**	**$ 467,666**	**$ 775,923**	**$ 583,818**	**$ 2,483,026**

DEBT CONTINUITY

	Canada Mortgages	Brazil Debt	Europe Mortgages	Australasia Term Loans	Corporate Debt	Total [(1)]
Opening balance, January 1, 2020	**$ 484,813**	**$ 236,705**	**$ 424,336**	**$ 936,346**	**$ 247,869**	**$ 2,330,069**
Principal amortization	(15,174)	—	(10,715)	—	—	(25,889)
Repayments	(92,825)	(15,749)	(255,778)	(478,591)	(572,444)	(1,415,387)
Refinancing	105,442	—	6,647	—	—	112,089
Advances	4,140	—	260,874	253,780	902,735	1,421,529
Additional financing fees incurred	(882)	—	(8,592)	(456)	(2,998)	(12,928)
Amortization of finance fees	568	1,122	5,038	2,131	2,192	11,051
Amortization of mark-to-market	(866)	—	—	—	—	(866)
Inflation adjustment	—	5,585	—	—	—	5,585
Foreign exchange adjustment	—	(57,260)	45,856	62,713	6,464	57,773
Ending balance, December 31, 2020	**$ 485,216**	**$ 170,403**	**$ 467,666**	**$ 775,923**	**$ 583,818**	**$ 2,483,026**

(1) Total debt excluding finance lease

During the three months ended December 31, 2020, the REIT disposed $97.4 million Dutch mortgages previously classified as Held for sale as part of the sale of 6 properties in the Netherlands to the European JV (see **Highlights for the Quarter**). Lastly, the REIT amended and upfinanced the terms of $18.8 million of Canadian mortgages maturing in in the upcoming year, bearing weighted average interest rate of 2.96% with new mortgages of $24.5 million, bearing weighted average interest rate of 2.87% with weighted average term to maturity extended by 5 years (see **Highlights for the Quarter**).

Finance Lease Payable

The lease of land on which one of Australian investment properties is built is accounted for as a finance lease. The remaining term of the lease at December 31, 2020 was 67 years. There is no purchase option.

Convertible Debentures

The following table summarizes, as at December 31, 2020, the REIT's Convertible Debentures:

CONVERTIBLE DEBENTURES

Expressed in thousands of Canadian dollars	Fair Value (1)	Face Value	Interest Rate	Conversion Price per Unit	Maturity Date	Interest Payment Dates
As at December 31, 2020						
Series NWH.DB.E	76,601	74,733	5.25 %	$ 12.75	**July 31, 2021**	**January 31, July 31**
Series NWH.DB.F	83,720	80,500	5.25 %	$ 12.80	**December 31, 2021**	**June 30, December 31**
Series NWH.DB.G	132,500	125,000	5.50 %	$ 13.35	**December 31, 2023**	**June 30, December 31**
	$ 292,821	**$ 280,233**	**5.36 %**			

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.

On January 17, 2020, the REIT fully repaid $40.3 million of the principal balance outstanding on the NWH.DB 5.25% convertible debenture. Of the $52.1 million outstanding on the NWH.DB.D 5.5% convertible debenture series, $47.7 million was converted by the debenture holders into 4,238,308 trust units. On January 17, 2020, the REIT fully repaid the remaining principal balance outstanding on the 5.5% convertible debenture series of $4.4 million.

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, 2020 the DUP Liability is $24.3 million (December 31, 2019 - $19.7 million) representing 2,845,489 deferred units of which 1,882,999 are vested but not exercised (December 31, 2019 -2,910,365 deferred units of which 1,706,779 are vested but not exercised).

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 year ended December 31, 2020 and 2019:

RATIOS [1]

As at	**December 31, 2020**	**December 31, 2019**
Gross book value [1]	$5,845,238	$5,535,304
Debt - declaration of trust [1]	$2,510,310	$2,354,897
Debt to Gross Book Value - Declaration of Trust	**42.9 %**	**42.5 %**
Debt - including convertible debentures [1]	$2,803,131	$2,746,098
Debt to Gross Book Value - Including Convertible Debentures	**48.0 %**	**49.6 %**

	Three months ended December 31,			**Year ended December 31,**		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Income (Loss) before taxes	$ 237,777	$ 67,091	$ 170,686	$ 396,236	$ 161,482	$ 234,754
Add (deduct):						
Mortgage and loan interest expense	23,893	27,870	(3,977)	97,748	126,266	(28,518)
Distributions on Exchangeable Units	342	3,542	(3,200)	3,501	14,167	(10,666)
Amortization of deferred financing costs	4,179	1,979	2,200	11,051	11,570	(519)
Amortization of marked to market adjustment	(106)	(296)	190	(866)	(1,316)	450
EBITDA	$ 266,085	$ 100,186	$ 165,899	$ 507,670	$ 312,169	$ 195,501
Loss on revaluation of financial liabilities	2,264	563	1,701	5,585	4,541	1,044
Fair market value losses (gains)	(175,665)	(79,268)	(96,397)	(246,637)	(122,943)	(123,694)
DUP compensation expense	1,063	2,013	(950)	7,374	8,361	(987)
Foreign exchange loss (gain)	6,872	(108)	6,980	20,508	(3,270)	23,778
Transaction costs	3,309	6,509	(3,200)	34,933	17,764	17,169
Less: share of (profit) loss of equity accounted investments	(34,831)	(2,052)	(32,779)	(52,091)	16,950	(69,041)
Add: distribution income from equity accounted investments	3,447	3,753	(306)	11,212	8,006	3,206
Adjusted EBITDA	$ 72,544	$ 68,885	$ 3,659	$ 288,554	$ 278,867	$ 9,687
Mortgage and loan interest expense	$ 23,893	$ 27,870	$ 3,977	$ 97,748	$ 126,266	$ 28,518
Less: debt repayment costs	—	(1,115)	(1,115)	(19)	(4,557)	(4,538)
Adjusted mortgage and loan interest expense	$ 23,893	$ 26,755	$ 2,862	$ 97,729	$ 121,709	$ 23,980
Interest coverage	**3.04**	**2.57**	**0.47**	**2.95**	**2.29**	**0.66**

Notes

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

LIQUIDITY AND CASH RESOURCES

Cash Resources and Liquidity

CASH AND LIQUIDITY		
Expressed in thousands of Canadian dollars		
	As at December 31, 2020	As at December 31, 2019
Cash and cash equivalents	$ 144,106	$ 192,150
Restricted Cash	41	53
Total	**$ 144,147**	**$ 192,203**

The REIT also has Credit Facilities that provide for additional liquidity. As at December 31, 2020, the drawn balance on the Credit Facilities was $369.5 million of the $425.0 million available to be drawn. On May 13, 2020 the REIT expanded its Credit Facilities to add an additional tranche with availability of $82.0 million, maturing in one year, subject to renewal options at lenders' discretion. ("Tranche B"). The Tranche B is secured by the six recently acquired UK hospital properties, and draws are permitted in Canadian dollars, at a floating interest rate of prime plus 1.75% or BA Plus 2.75%. On August 18, 2020, the REIT added an additional tranche with availability of $125.0 million ("Tranche C"). Tranche C matures on February 2021 and bears interest at a variable interest rate commencing at the lower of BA+450 bps and Prime+350 bps. Subsequent to reporting period, the REIT fully repaid the outstanding on Tranche C facility and partially repaid unsecured corporate facility of $50.0 million with a weighted average interest rate of 7.52% using proceeds from trust unit offering (see **Subsequent Events**).

The liquidity of the Australasian secured financing fluctuates based on the market price (as defined in the agreement) of the pledged units securing the facilities and is currently fully drawn.

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, acquisition facilities, operating facilities, issuance of equity and convertible/unsecured debentures, and select asset sales. 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, 2020:

CONTRACTUAL CASH FLOWS

Expressed in thousands of Canadian dollars	Carrying amount	Contractual cash flow	2021	2022	2023	2024	2025	Thereafter
Accounts payable and accrued liabilities	$ 92,340	$ 107,563	$ 107,563	$ —	$ —	$ —	$ —	$ —
Distributions payable	11,732	11,732	11,732	—	—	—	—	—
Income tax payable	21,216	21,216	21,216	—	—	—	—	—
Convertible debentures	292,821	304,415	165,665	6,875	131,875	—	—	—
Finance lease payable	12,387	12,387	1,581	1,514	1,427	1,008	615	6,242
Mortgages and loans payable	2,483,026	2,600,304	753,673	817,871	496,714	141,791	159,192	231,063
Total	**$2,913,522**	**$ 3,057,617**	**$1,061,430**	**$826,260**	**$ 630,016**	**$142,799**	**$159,807**	**$ 237,305**

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 distributions received from its investments 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 $1.0 billion, exceeding current assets of $189.1 million, resulting in a working capital deficiency of $840.9 million as at December 31, 2020.

Current liabilities include:

1. Vital Trust term debt with an outstanding balance of $235.7 million at a weighted average rate of 3.62%, maturing March 31, 2021. The REIT currently expects these term debt facilities will be refinanced on or before maturity. subsequent to the reporting period, Vital Trust refinanced two term debt facilities (see **Subsequent Events**).

2. A term loan totaling $222.7 million bearing an interest rate at 3.25% related to the UK portfolio acquisition. The REIT currently expects to either repay or refinance the term loan on or before its maturity, through net proceeds generated from asset vend-ins into JVs or long term asset level financings.

3. Convertible debenture series NWH.DB.E and NWH.DB.F with fair value of $76.6 million and $83.7 million matures on July 31, 2021 and December 31, 2021, respectively. The REIT expects full conversion of both series of convertible debentures, or the REIT will repay the convertible debenture through refinancing or capital markets transactions.

4. Canadian dollar denominated revolving facility with a balance of $125.0 million, maturing February 2021. The REIT had repaid the full balance outstanding subsequent to the reporting period using proceeds from equity offering (see **Subsequent Events**).

5. $122.1 million of Canadian mortgage maturities. The REIT currently expects these mortgages will be refinanced on or before maturity.

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 and cash equivalents:

NET CHANGE IN CASH [1]

Expressed in thousands of Canadian dollars	Three months ended December 31, 2020			Year ended December 31, 2020		
	2020	**2019**	**Variance**	**2020**	**2019**	**Variance**
Cash provided by / (used in):						
Operating activities	$ 42,686	$ 48,554	$ (5,868)	$ 188,767	$ 128,612	$ 60,155
Investing activities	105,580	(108,983)	214,563	(628,533)	(356,845)	(271,688)
Financing activities	(70,079)	166,861	(236,940)	397,607	386,200	11,407
Net increase / (decrease) in cash during the period	**78,187**	**106,432**	**(28,245)**	**(42,159)**	**157,967**	**(200,126)**
Effect of foreign currency translation	1,070	(199)	1,269	(5,885)	(11,625)	5,740
Net increase / (decrease) in cash during the period	**$ 79,257**	**$ 106,233**	**$ (26,976)**	**$ (48,044)**	**$ 146,342**	**$ (194,386)**

Operating activities

Cash generated by operating activities totaled $42.7 million for the three months ended December 31, 2020 as compared to cash generated by operating activities of $48.6 million for the three months ended December 31, 2019, a decrease of $5.9 million. This decrease is primarily related to a negative working capital movement of $14.2 million, partially offset by a $2.5 million decrease in cash taxes paid, a decrease in mortgage and loan interest paid of $2.3 million and an increase of $3.0 million in management fees.

Cash generated by operating activities totaled $188.8 million for the year ended December 31, 2020 as compared to $128.6 million for the year ended December 31, 2019, a increase of $60.2 million. This increase is primarily related to a $23.9 million positive working capital movement, a $22.9 million decrease in mortgage and loan interest paid, $7.0 million improvement in NOI and a decrease to taxes paid and redemption of units issued under deferred unit plan of $2.2 million and $1.9 million, respectively.

Investing activities

Cash generated investing activities totaled $105.6 million for the three months ended December 31, 2020, which is primarily related to disposition activity in New Zealand of $90.9 million, $140.1 million related to disposition activity in Europe which consists $75.6 million from disposition of the German clinics portfolio which were a receivable in September 2020, and $64.5 million from the sale of the NL Seed Portfolio to the European JV (see **Highlights for the Quarter**), partially offset by $85.0 million used for the acquisition of investment property located in New Zealand and additions to investment properties of $37.3 million.

Cash used by investing activities totaled $628.5 million for the year ended December 31, 2020, which is attributable to $807.6 million of acquisition activity, $167.3 million of additions to investment properties, investments in joint ventures of $10.3 million, $34.9 million of transaction costs and taxes paid of $13.1 million related to disposition activities, partially offset by cash provided of $194.4 million from dispositions of investment properties, $204.0 million proceeds relates to the sale of 70% of AREIT units and the sale of the German clinics portfolio and the NL Seed Portfolio to the European JV net of $5.8 million cash transferred as part of the dispositions.

Financing activities

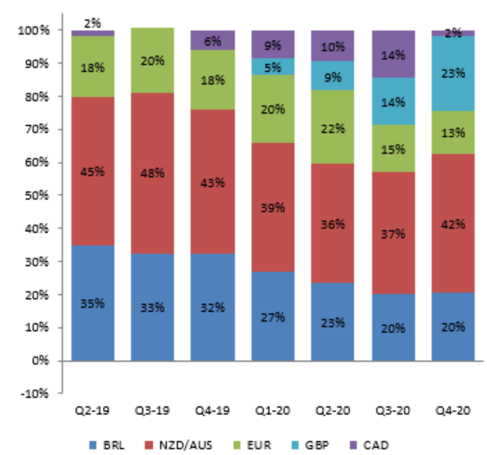
During the three months ended December 31, 2020, cash used by financing activities totaled $70.1 million. The REIT received net proceeds from the issuance of Vital Trust units of $97.3 million, offset by net mortgages, loans payable and credit facilities of $126.4 million, financing fees of $1.2 million, distributions paid to REIT unitholders of $34.0 million and distributions paid to non-controlling unitholders of $5.7 million.

For the year ended December 31, 2020, financing activities generated cash of $397.6 million as compared to $386.2 million during the year ended December 31, 2019. The REIT received net proceeds from the issuance of Vital Trust units of $121.8 million, and net mortgages, loans payable and credit facilities proceeds of $496.0 million, partially offset by cash used for repayment of convertible debentures of $44.6 million, repurchase of units under normal course issuer bid of $7.2 million, payment of financing fees of $12.9 million, Class B exchangeable unit distributions paid of $3.5, payment of distributions to REIT unitholders of $129.9 million and payment of distributions to non-controlling unitholders of $22.1 million.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended December 31, 2020, approximately 98% of the REIT's AFFO, including Corporate costs such as certain general and administrative expenses, interest expenses and interest income that were denominated in Canadian dollars, was conducted in currencies other than Canadian dollars while its distributions to Unitholders were denominated only in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last five quarters is presented below:

AFFO by Currency by Quarter (1)



Trading Range

(Against CAD)	BRL	EUR	GBP	NZD	AUD
Three months ended December 31, 2020:					
High	0.2528	1.5727	1.7444	0.9190	0.9820
Low	0.2296	1.5381	1.6873	0.8656	0.9273
Average	0.2414	1.5538	1.7213	0.8941	0.9526
Balance Sheet:					
December 31, 2020	0.2452	1.5625	1.7390	0.9190	0.9820
December 31, 2019	0.3235	1.4597	N/A	0.8765	0.9128
Profit & Loss:					
Q4 2020 Average Rate	0.2414	1.5538	1.7213	0.8941	0.9526
Q3 2020 Average Rate	0.2478	1.5570	1.7205	0.8815	0.9522
Q2 2020 Average Rate	0.2577	1.5255	1.7193	0.8556	0.9096
Q1 2020 Average Rate	0.3022	1.4800	1.7177	0.8511	0.8820
Q4 2019 Average Rate	0.3205	1.4612	N/A	0.8501	0.9022

Notes

(1) Canadian Dollar AFFO represents the Canadian region AFFO and Corporate interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses.

For the three months ended December 31, 2020, 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.

For the three months ended December 31, 2020, Canadian dollar AFFO was $0.6 million while Canadian dollar distributions paid in cash to unitholders totaled $35.5 million. Deficiencies were funded from cash repatriated to Canada from Brazil, Europe, Australia, and New Zealand as well as the draws on Corporate credit facilities in the normal course of operations.

As at December 31, 2020, the REIT held approximately $107.7 million 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, and Vital Trust suspended their foreign exchange hedging policy in May 2019.

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 does not currently have any specific foreign currency hedging derivatives in place.

Among the REIT's global currencies, compared to December 31, 2019, the BRL was down relative to the Canadian dollar by 24.2%, while the Euro, AUD and NZD were up 7.0%, 7.6% and 4.8%, respectively.

PART V – RELATED PARTY TRANSACTIONS

a) On January 31, 2020, the REIT completed a private placement of 2,049,180 Trust Units to NWVP for gross proceeds of approximately $25.0 million. On March 23, 2020, 15,998,065 Exchangeable Units held by NWVP were converted to Trust Units.

As at December 31, 2020, NWVP indirectly owned approximately 15.3% (approximately 13.5% 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 exchangeable units of NWI LP. 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.

b) As at December 31, 2020, the REIT had a net liability owing to NWVP of $0.7 million that is included in accounts payable and accrued liabilities. At December 31, 2019, the REIT had a net asset receivable of $2.7 million included in other assets, which was settled and repaid during the year ended December 31, 2020.

During the year ended December 31, 2020, the REIT entered into transactions with NWVP, and made three separate non-interest bearing payments to NWVP totaling $14.4 million in respect of management services provided by NWVP and obligations transferred from the REIT to NWVP, as described below. Upon finalization and approval of the CEO's compensation, $3.1 million was repaid by NWVP.

The net amounts paid to NWVP during the year ended December 31, 2020 of $12.0 million (including HST) relates to REIT expenses and obligations that were incurred or have been assumed by NWVP, including: (i) CEO management services related to strategic investment initiatives of $8.0 million, including $1.2 million related to management services and a $6.8 million bonus that have been expensed as transaction costs, (ii) the assumption of $1.3 million of REIT obligations by NWVP related to investment and strategic personnel have been expensed as transaction costs, (iii) reimbursement for NWVP personnel seconded to the REIT totaling $0.3 million, and (iv) expense reimbursements of $1.1 million, which have been recorded as general and administrative expenses and transaction costs.

During the year ended December 31, 2019, the REIT paid to NWVP $1.0 million of out-of-pocket costs which were recorded as general and administrative expenses and transaction costs.

c) At December 31, 2020, included in accounts payable and accrued liabilities are Class B exchangeable unit distributions payable owing to NWVP and affiliates in the amount of $0.1 million (December 31, 2019 - $1.2 million), which were settled subsequent to year end.

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, 2020.

The preparation of financial statements in conformity with IFRS requires the REIT to make judgments, 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:

Critical accounting estimates

Intangible asset

Intangible asset represents the REIT's rights and obligations under the contract between the ANZ Manager, a group of wholly-owned subsidiaries of the REIT, and Vital Trust. The Vital Trust intangible asset has been measured at its fair value as at the date it was acquired, January 1, 2015. When estimating the fair value of the intangible assets, 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.

The contract that governs the fee stream paid Vital Trust does not expire and therefore, the contract is deemed an indefinite-life intangible asset.

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. Significant assumptions and number of methods are used in determining the fair value of the investment properties include capitalization rates, terminal capitalization rates, discount rates, and future cash flows that incorporate inflation rates, vacancy rates, property level capital expenditures and net operating income.

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.

Critical Judgments in Applying Accounting Policies

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 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" ("IFRS 3"), being an integrated set of activities and assets that are capable of being managed for the purpose of providing a return. The REIT elected to use a concentration test that results in an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations are measured at fair value on the date of acquisition, being the date at which the acquirer obtains control over the acquiree. 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 profit or loss 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 have been accounted for as asset acquisitions.

Consolidation of Vital Trust

The REIT accounts for its investment in Vital Trust as a subsidiary and consolidates the financial position and results of Vital Trust. The REIT's interest in Vital Trust, as at December 31, 2020, is 25.9%. The REIT assessed it has control over Vital Trust based on the definition of control and certain criteria provided for in IFRS 10-Consolidated Financial Statements. The REIT has assessed it has control over Vital Trust based on the following key observations: i) the REIT controls the external manager of Vital Trust through the 100% indirect ownership of ANZ Manager. The ownership of the VHML results in the REIT directing all activities of Vital Trust; ii) the REIT has the right to appoint a majority of directors of the board of Vital Healthcare Management Limited, which acts as the board of directors of Vital Trust; and iii) the 74.0% non-controlling interest of Vital Trust is widely held with no known investor holding more than a 5% interest in Vital Trust, other than the REIT.

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.

We make significant judgments in interpreting tax rules and regulations when we calculate income tax expense. The calculation of current and deferred income taxes requires management to make certain judgments regarding the tax rules in jurisdictions where the REIT performs activities. The REIT is subject to tax audits from various tax authorities on an ongoing basis and from time to time, tax authorities may disagree with the positions and conclusions taken by the REIT in its tax filings or legislation could be amended or interpretations of current legislation could change, any of which events could lead to reassessments. There are a number of uncertainties involved in such matters and as a result, there is a possibility that the ultimate resolution of these matters may result in a material adverse effect, individually or in aggregate, on the REIT's operations or financial condition or performance in future periods. Management regularly assesses its position on the adequacy of such accruals or provisions and will make any necessary adjustments.

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 which current and prospective Unitholders and current or prospective investors in Convertible Debentures should carefully consider. The REIT's Annual Information Form, which can be found on SEDAR at www.sedar.com., contains a detailed summary, under "Risk Factors", of the risk factors pertaining to the REIT and its business. In addition, the REIT has identified a new risk factor related to the outbreak of the novel strain of coronavirus, specifically identified as "COVID-19", which is further discussed below.

RISKS RELATING TO REAL PROPERTY OWNERSHIP

COVID-19

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization.This resulted in governments worldwide enacting emergency measures to combat the spread of the virus. These measures, which included the implementation of travel restrictions, self-imposed quarantine periods, temporary closures or restrictions of non-essential businesses, limitations on public gatherings, and social distancing guidelines, caused material disruption to businesses globally resulting in an economic slowdown. The duration and long-term impact of COVID-19 on the REIT's business and operations is unknown at this time. As such, it is not possible to reliably estimate the length and severity of COVID-19-related impacts on the financial results and operations of the REIT.

While management currently believes that the outbreak will not have a long-term impact on the REIT's financial position, we cannot currently estimate the duration of the COVID-19 pandemic and the severity of any related impacts, which may be material. The overall severity and duration of COVID-19-related adverse impacts on our business will depend on future developments which cannot currently be predicted, including directives of government and public health authorities, the speed at which our tenants can return to operating their businesses in a profitable manner and the ability to staff our operations and facilities. Even after the COVID-19 outbreak has subsided, we may continue to experience material adverse impacts to our businesses as a result of its global economic impact, including any related recession. Certain aspects of the REIT's business and operations that could be adversely impacted by the COVID-19 pandemic include, among others, rental income, occupancy, tenant improvements, future demand for space and market rents, which all ultimately impact the underlying valuation of investment property.

As the REIT's highest priority is the health and safety of its employees and tenants, by mid-March, globally the REIT implemented work from home measures, increased sanitation and health and safety measures at its properties that remained open and implemented special protocols at its office buildings for tenants operating an essential service. The REIT continues to work with its stakeholders (including employees and tenants) to address responsibly this global pandemic. The REIT continues to monitor the situation, to assess further possible implications to its business, and tenants, and to take actions in an effort to mitigate adverse consequences. The REIT cannot at this time predict the long-term impact of the COVID-19 pandemic, but it could have a sustained material adverse effect on our business, financial position and/or results of operations.

Public Health Crises

A local, regional, national or international pandemic, epidemic or outbreak of a contagious disease, including the COVID-19 coronavirus, could result in a general or acute decline in economic activity in the regions the REIT holds assets, a decrease in the willingness of the general population to travel, staff shortages, mobility restrictions, supply shortages, increased government regulation, and the quarantine or contamination of one or more of the REIT's assets. Contagion in a REIT building, office or market in which the REIT operates could negatively impact the REIT's business, results of operations or reputation.

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, the Netherlands, 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 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.

Climate Change Risk

The REIT is exposed to climate change risk from natural disasters, changes in weather patterns and severe weather, such as floods and wild fires, that may result in physical damage to, or a decrease in demand for, the REIT's investment properties. Such damage may result in loss of NOI from an investment property becoming non-operational, increase in costs to recover or repair a property, and increase in insurance costs to insure the property. As a result, the consequences of climate-change related natural disasters and severe weather patterns could have a material adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders.

In addition, climate change has continued to attract the focus of governments, the scientific community and the general public as an important threat, given the emission of greenhouse gases and other activities continue to negatively impact the planet. The REIT faces the risk that its properties will be subject to government initiatives aimed at countering climate change, such as reduction of greenhouse gas emissions, which could impose constraints on its operational flexibility. To the extent any such initiative would require the REIT to ensure its tenants compliance and/or constrain their activities in any way, this could have an undesirable effect on the REIT's ability to successfully pursue its leasing strategy.

Terrorism

Possible terrorist attacks in the markets where the REIT's properties are located may result in declining economic activity, which could reduce the demand for space at the REIT's properties and reduce the value of the REIT's properties. Additionally, terrorist activities could directly affect the value of the REIT's properties through damage, destruction or loss. The REIT's insurance may not cover some losses due to terrorism or such insurance may not be obtainable at commercially reasonable rates. Terrorism may have a material and adverse effect on the REIT's business, cash flows, financial condition, results of operations and ability to make distributions to Unitholders.

Litigation at the Property Level

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

General Litigation Risks

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

Property Development, Redevelopment and Renovations

Property development, redevelopment or major renovation work are subject to a number of risks, including: (i) the potential that the REIT may fail to recover expenses already incurred if it abandons redevelopment opportunities after commencing to explore them; (ii) the potential that the REIT may expend funds on and devote management time to projects which it does not complete; (iii) construction or redevelopment costs of a project may exceed original estimates, possibly making the project less profitable than originally estimated, or unprofitable; (iv) the time required to complete the construction or redevelopment of a project or to lease up the completed project may be greater than originally anticipated, thereby adversely affecting the REIT's cash flow and liquidity; (v) the cost and timely completion of construction (including risks beyond the REIT's control, such as weather, labour conditions or material shortages); (vi) contractor and subcontractor disputes, strikes, labour disputes or supply disruptions; (vii) the failure to achieve expected occupancy and/or rent levels within the projected time frame, if at all; (viii) delays with respect to obtaining, or the inability to obtain, necessary zoning, occupancy, land use and other governmental permits, and changes in zoning and land use laws; (ix) occupancy rates and rents of a completed project may not be sufficient to make the project profitable; (x) the REIT's ability to dispose of properties redeveloped with the intent to sell could be impacted by the ability of prospective buyers to obtain financing given the current state of the credit markets; and (xi) the availability and pricing of financing to fund the REIT's development activities on favourable terms or at all.

The above risks could result in substantial unanticipated delays or expenses and, under certain circumstances, could prevent the initiation of redevelopment activities or the completion of redevelopment activities once undertaken. In addition, redevelopment projects entail risks that investments may not perform in accordance with expectations and can carry an increased risk of litigation (and its attendant risks) with contractors, subcontractors, suppliers, partners and others. Any of these risks could have an adverse effect on the REIT's financial condition, results of operations, cash flow, per Unit trading price of the Units, distributions to Unitholders and ability to satisfy the REIT's principal and interest obligations. Also, it is anticipated that the REIT would be required to execute a guarantee in connection with construction financing for development which would subject the REIT to recourse for construction completion risks and repayment of the construction indebtedness.

RISKS RELATING TO THE BUSINESS OF THE REIT

Financing and Interest Rate Risks

As at December 31, 2020 the REIT had outstanding indebtedness of $2.8 million, 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, 2020, $0.9 million of the REIT's total indebtedness is at variable rates (excludes $0.6 million 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.

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.

Increasing interest rates could position the REIT to be less competitive in pursuing new acquisitions on a basis that is accretive to AFFO per Unit on the basis that (a) increasing interest rates and associated costs could lead to increases in capitalization rates, which could result in a decrease in the REIT's net asset value and therefore put upward pressure on the REIT's debt to gross book value ratio, thereby requiring the REIT to offset this by employing lower leverage levels on new acquisitions, or curtail its acquisition activities if it is unable to find accretive acquisitions; and (b) increasing interest rates outpacing rental rate growth (which may be an issue where rents are inflation adjusted) could lead to margin pressure, and when combined with increasing capitalization rates, may negatively impact the REIT's Unit price, thereby increasing its cost of equity.

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

The REIT currently has a number of joint venture investments, and 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 Fee-Bearing Asset Management Business

Competition from other asset managers for raising public and private capital is intense, with competition based on a variety of factors, including investment performance, the quality of service provided to investors, the quality and availability of investment products, marketing efforts, investor liquidity and willingness to invest, and reputation. Poor investment performance could hamper the Global Manager's ability to compete for these sources of capital or force the Global Manager to reduce management fees. The REIT's investors and potential investors continually assess investment performance and the REIT's ability to raise capital for existing and future investments depends on its relative and absolute performance. If poor investment returns or changes in investment mandates prevent the REIT from raising further capital from existing partners, it may need to identify and attract new investors in order to maintain or increase the size of the Global Manager's operations, and there are no assurances that the REIT will be able to find new investors. Further, as competition and disintermediation in the asset management industry increases, the REIT may face pressure to reduce or modify asset management fees, including base management fees and/or incentive fees, or modify other terms governing the Global Manager's current asset management fee structure, in order to attract and retain investors. If the REIT is unable to successfully raise, retain, and deploy third-party capital into investments, the Global Manager may be unable to collect management fees, incentive fees or activity-based fees, which would materially reduce the REIT's revenue and cash flows and adversely affect the financial condition of the REIT.

If any of the REIT's managed investments perform poorly or experience prolonged periods of volatility, or if the REIT is unable to deploy capital effectively, the REIT's fee-based revenue would decline. Moreover, the REIT could experience losses on its capital invested in managed entities. Accordingly, the REIT's expected returns on these investments may be less than has been assumed in forecasting the financial position of the REIT.

Risks Related to the Healthcare Industry

The healthcare industry is heavily regulated by various federal, 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. Healthcare providers in many countries have been affected significantly by recent changes in healthcare laws and regulations, particularly those pertaining to government reimbursement programs. The purpose of much of the recent statutory and regulatory activity has been to limit or reduce healthcare costs, particularly costs paid under such programs. Many of the recent changes to these programs have resulted in significant reductions in payments to healthcare providers and/or claw-backs to billings in certain regions. The efforts to reduce the costs of government reimbursement programs are likely to continue, which 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 Australia / New Zealand, Brazil, Germany and the Netherlands 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 Australia / New Zealand, Brazil, Germany, the UK and the Netherlands 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 98% 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. At this time, the REIT does not have any formal foreign currency hedging arrangements. To the extent that the REIT fails to adequately manage foreign exchange 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.

Breach of Privacy or Information Security Systems

The protection of tenant, employee, and company data is critically important to the REIT. The REIT's business requires it, including some of its vendors, to use and store personally identifiable and other sensitive information of its tenants and employees. The collection and use of personally identifiable information is governed by federal and provincial laws and regulations. Privacy and information security laws continue to evolve and may be inconsistent from one jurisdiction to another. Compliance with all such laws and regulations may increase the REIT's operating costs and adversely impact the REIT's ability to market the REIT's properties and services.

The security measures put in place by the REIT, and such vendors, cannot provide absolute security, and the REIT and its vendors' information technology infrastructure may be vulnerable to criminal cyber-attacks or data security incidents, including, ransom of data, such as, without limitation, tenant and/or employee information, due to employee error, malfeasance, or other vulnerabilities. Any such incident could compromise the REIT's or such vendors' networks, and the information stored by the REIT or such vendors could be accessed, misused, publicly disclosed, corrupted, lost, or stolen, resulting in fraud, including wire fraud related to REIT assets, or other harm. Moreover, if a data security incident or breach affects the REIT's systems or such vendors' systems or results in the unauthorized release of personally identifiable information, the REIT's reputation and brand could be materially damaged and the REIT may be exposed to a risk of loss or litigation and possible liability, including, without limitation, loss related to the fact that agreements with such vendors, or such vendors' financial condition, may not allow the REIT to recover all costs related to a cyber breach for which they alone or they and the REIT should be jointly responsible for, which could result in a material adverse effect on the REIT's business, results of operations, and financial condition.

Privacy and information security risks have generally increased in recent years because of the proliferation of new technologies, such as ransomware, and the increased sophistication and activities of perpetrators of cyber-attacks. In the future, the REIT may expend additional resources to continue to enhance the REIT's information security measures and/or to investigate and remediate any information security vulnerabilities. Despite these steps, there can be no assurance that the REIT will not suffer a data security incident in the future, that unauthorized parties will not gain access to sensitive data stored on the REIT's systems, or that any such incident will be discovered in a timely manner. Further, the techniques used by criminals to obtain unauthorized access to sensitive data, such as phishing and other forms of human engineering, are increasing in sophistication and are often novel or change frequently; accordingly, the REIT may be unable to anticipate these techniques or implement adequate preventative measures.

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

Expanding Social Media Vehicles

The use of social media could cause the REIT to suffer brand damage or information leakage. Negative posts or comments about the REIT or its properties on any social networking website could damage the REIT's reputation. In addition, employees or others might disclose non-public sensitive information relating to the REIT's business through external media channels. The continuing evolution of social media will present the REIT with new challenges and risks.

Risks Relating to Operating in an Emerging Market

The Brazil region is considered by some 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.

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 Vital Trust Units. 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 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 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 Australasian Secured Financing. 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 Australasian Secured Financing, 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 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 Tenant Leases in Brazil and Australia / New Zealand

The leases for Sabará, and the seven Rede D'Or properties (Hospital e Maternidade Brasil, Hospital Santa Luzia, Hospital Coração, Hospital Caxias D'Or, Hospital Ifor, Hospital Santa Helena and Hospital São Luiz Morumbi) and many of the Vital Trust, and the Australia REIT properties are 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 Units could be materially and adversely affected. The Sabará 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 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 seven Rede D'Or properties.

Significant Ownership by NWVP

NWVP currently indirectly owns approximately 15.3% 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 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 Units by NWVP will have on the market price of the Units prevailing from time to time. However, the future sale of a substantial number of Units by NWVP, or the perception that such sale could occur, could adversely affect prevailing market prices for the 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.

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 Units and the market price at which 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 2021 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 Units, and on the REIT's ability to finance future acquisitions through the issue of Units or other securities, is unclear. If the SIFT Rules apply to the REIT, they may adversely affect the marketability of the Units, the amount of cash available for distributions and the after-tax return to investors.

Foreign Accrual Property Income ("FAPI")

FAPI earned by controlled 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. The Canadian tax legislation was amended to 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.

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 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 Units. The 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 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 Units; (vi) sales or perceived sales of additional 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 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 Unit of the REIT does not hold a share of a body corporate. As holders of 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 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 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 Units the REIT is authorized to issue is unlimited. The REIT may, in its sole discretion, issue additional Units or securities convertible or exchangeable into Units from time to time subject to the rules of any applicable stock exchange on which the Units are then listed. The REIT intends to complete acquisitions in the future that will be financed in part by issuance of additional Units which will result in issuances of significant numbers of 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 Units may have a dilutive effect on the interests of holders of Units.

Restrictions on Redemptions

The entitlement of Unitholders to receive cash upon the redemption of their Units is subject to the following limitations: (i) the total amount payable by the REIT in respect of such Units and all other 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 Units are tendered for redemption, the outstanding 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 Units; (iii) the trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the 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 Units must not result in the delisting of the Units on the principal stock exchange on which the 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 Indenture does 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 Indenture does 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 Indenture, 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 Units or to repay outstanding principal amounts thereunder at maturity of the Convertible Debentures by issuing additional Units. The issuance of additional Units may have a dilutive effect on the REIT's Unitholders and an adverse impact on the price of 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 Indenture). 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 Indenture, 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 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 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 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 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 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 Indenture contains 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 fillings 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, 2020, 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, 2020.

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, 2020, 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, 2020 that have materially affected, or are reasonably likely to materially affect, the REIT's internal controls over financial reporting.

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 – NET ASSET VALUE

Expressed in thousands of Canadian dollars, except per unit amounts		Q4 2020
Total Assets		**$ 5,845,238**
less Total Liabilities		(3,309,570)
less Non-controlling interest		(897,249)
Unitholders' equity		**1,638,419**
Add/(deduct):		
Goodwill		(41,671)
Deferred unit plan liability		24,277
Deferred tax liability	287,820	
less NCI	(69,060)	218,760
Financial instruments - net	61,864	
less NCI	(40,809)	21,055
Exchangeable Units		21,546
ANZ Manager valuation adjustment		476,318
Other		1
Net Asset Value ("NAV")		**$ 2,358,705**
Adjusted Units Outstanding (000s)- period end [1]		177,688
NAV per Unit		**$ 13.27**

Notes

(1) Under IFRS the REIT's Class B LP Units are treated as a financial liability rather than equity. The REIT has chosen to present an adjusted basic per unit measure that includes the Class B LP Units in basic units outstanding/weighted average units outstanding.

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.E
5.25% convertible debentures - NWH.DB.F
5.50% convertible debentures - NWH.DB.G

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.

On November 12, 2020, the REIT announced the reinstatement of the DRIP, which had previously been suspended on March 24, 2020.

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