NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES

NORTHWEST INTERNATIONAL HEALTHCARE PROPERTIES REAL ESTATE INVESTMENT TRUST

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

For the three months and year ended

DECEMBER 31, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CEO's MESSAGE

In the fourth quarter of 2014 and in the initial months of 2015, NorthWest International Healthcare Properties REIT ("the "**REIT**") has undertaken a number of transformative initiatives that provide the foundation to forming Canada's only globally diversified, healthcare-focused REIT. The initial step saw the REIT completing its previously announced transaction to internalize management, which resulted in the REIT acquiring a global management platform supported by approximately 40 real estate professionals located in Canada, Brazil, Germany, Australia and New Zealand. In addition to simplifying and better aligning its management structure, the internal team provides the resources and experience to support the REIT's planned rapid growth internationally and in Canada.

Subsequent to the year end, the REIT announced in March 2015, a transformational transaction to combine with NorthWest Healthcare Properties REIT (NWHP REIT). The $2.0 billion combination will increase both the scale of the REIT and its exposure to NWHP REIT's large and stable portfolio of Canadian medical office buildings. We believe the combined entity will have enhanced flexibility and greater access to liquidity to pursue growth opportunities around the world, and to continue to deliver value to our combined unitholders.

Reflecting on the fourth quarter specifically, the REIT remained active in the capital markets, raising $30 million in new capital through a successful equity issuance. The REIT also successfully refinanced all 2014 maturing loans, executing on a key business priority. The REIT's fourth quarter delivered solid financial results posting incremental Net Operating Income ("**NOI**") versus the same quarter of 2013. The REIT's Adjusted Funds From Operations ("**AFFO**") was softer than previous quarters due to weakening foreign currency rates in the REIT's markets of Brazil and Germany, however on an annual basis, AFFO grew $0.03 per unit, a significant +17% relative to 2013.

Key highlights from the REIT's financial and operating results for the three and twelve months ended December 31, 2014 include:

- Growth in total assets to $846 million, up $90 million from the beginning of 2014;
- Recognition of a $16.0 million valuation gain in our German portfolio of 19 medical office building assets in Q4'14, driven by incremental NOI and contracting cap rates in the German market;
- NOI of $10.0 million in Q4'14, representing a 107% increase over the same quarter last year; NOI of $39.4 million for fiscal year 2014, an increase of 119% versus fiscal year 2013;
- AFFO per unit (basic) of $0.05 for Q4'14, and $0.21 per unit for fiscal year 2014, a 17% increase in AFFO per unit relative to fiscal year 2013;
- AFFO payout ratio of 105% for fiscal year 2014;
- Same property NOI growth of 2.9% for fiscal year 2014 driven by the indexation of the REIT's international property revenues in excess of foreign currency impacts;
- Leading portfolio occupancy at 96.0% on a proportionate share basis (Canada = 91.9%; International = 98.3%), consistent with the third quarter of 2014; (96.0% as at December 31, 2013; International 99.2%; and Canada 91.3%);
- Weighted average lease term to maturity of 11.4 years on a proportionate share basis (Canada = 4.5 years; International = 15.1 years), consistent with the third quarter of 2014; (12.4 years as at December 31, 2013; International 17.74 years; and Canada 4.8 years);
- In November 2014, the REIT closed an equity offering of 13,954,000 Trust Units for gross proceeds of $30 million; and
- In December 2014 and early January 2015, the REIT repaid $16.0 million (R$36.5 million) and successfully refinanced $172.4 million (R$395 million) of Brazil term loans.

As we look forward to the remainder of 2015, the REIT will focus on completing the transformative combination with NWHP REIT by the second quarter while at the same time continuing to pursue value-enhancing growth opportunities in Canada and globally. We look forward to continue building our healthcare portfolio and creating value for unitholders.

Sincerely,

(signed) Paul Dalla Lana
Chief Executive Officer

PART I - BASIS OF PRESENTATION

This Management's Discussion and Analysis of the results of operations and financial condition ("**MD&A**") of NorthWest International Healthcare Properties REIT ("**NorthWest International REIT**" or the "**REIT**") should be read in conjunction with the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2014, prepared in accordance with International Financial Reporting Standards ("**IFRS**"). All amounts are in Canadian dollars, except where otherwise stated.

This MD&A should also be read in conjunction with the Annual Information Form of the REIT dated March 10, 2015 (the "**Annual Information Form**"). This MD&A is current as of March 10, 2015 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.

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" or variations of such words and phrases or statements to the effect that certain actions, events or results "may", "will", "could", "would", "might", "occur", "be achieved" or "continue" and similar expressions identify forward-looking statements. Some of the specific forward-looking statements in this MD&A include, but are not limited to, statements with respect to the following:

- the intention of the REIT to pay stable and growing distributions;
- the ability of the REIT to execute its growth strategies;
- the ability of the REIT to refinance maturing debt obligations;
- the REIT's expectations regarding the internalization of management
- the REIT's expectations regarding the combination with NWHP REIT
- the expected tax treatment of the REIT's distributions to holders ("**Unitholders**") of trust units of the REIT ("**Trust Units**"); 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, the 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, and the current economic and political conditions in the countries the REIT operates remaining unchanged.

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.

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

NOTICE REGARDING INFORMATION CONCERNING OTHER PUBLIC ENTITIES

The information concerning NorthWest Healthcare Properties Real Estate Investment Trust ("**NWHP REIT**") and Vital Healthcare Property Trust ("**Vital Trust**") contained in this MD&A have been taken from, or are based upon, publicly available documents and records on file with the Canadian Securities Administrators and other regulatory bodies. Although the REIT has no knowledge that would indicate that any of such information is untrue or incomplete, the REIT was not involved in the preparation of any such publicly available documents and neither the REIT, nor any of its officers or directors, assumes any responsibility for the accuracy or completeness of such information or the failure by NWHP REIT or Vital Trust to disclose events which may have occurred or may affect the completeness or accuracy of such information but which are unknown to the REIT.

MARKET AND INDUSTRY DATA

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

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

PERFORMANCE MEASUREMENT

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

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

<u>Explanation of Non-GAAP measures used in this MD&A</u>

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

"**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; and (ix) strategic transaction costs, all after adjustments for equity accounted entities, joint ventures and non-controlling interests calculated to reflect FFO on the same basis as consolidated properties.

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

We have provided an analysis of FFO and AFFO under "Part III – Results of Operations".

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 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.

"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.

The REIT's "**weighted average interest rate**" in Table 5: Financial Highlights includes secured debt with fixed interest rates and excludes secured debt with floating interest rates. This calculation is a useful measure because it allows management to compare movements in interest rates period over period and to compare the average rate to the current market rates at that point in time.

"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.

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

Explanation of additional IFRS measure used in this MD&A

"**NOI**" is an industry term in widespread use. The REIT includes NOI as an additional IFRS measure in its consolidated statement of income and comprehensive income. NOI as calculated by the REIT may not be comparable to similar titled measures reported by other issuers. The REIT considers NOI a meaningful additional measure of operating performance of its property assets, prior to financing considerations. NOI is defined as income from properties after operating expenses have been deducted, 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.

We have provided an analysis of NOI under "Part III – Results of Operations"

KEY PERFORMANCE DRIVERS

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

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

PART II – BUSINESS OVERVIEW

BUSINESS OVERVIEW AND STRATEGIC DIRECTION

The REIT

The REIT is an unincorporated, open–ended real estate investment trust governed under the laws of the Province of Ontario pursuant to an amended and restated declaration of trust dated November 16, 2012, and further amended on January 3, 2014, February 3, 2014 and January 28, 2015 (the "**Declaration of Trust**"). The REIT's Trust Units trade on the TSX Venture Exchange ("**TSXV**") under the symbol "MOB.UN". The REIT's focus is to invest in healthcare real estate globally.

The REIT's objectives are to:

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

Strategic Direction

<u>Market Opportunity</u>

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

Over the past several years, some of Canada's largest pension funds and institutional investors have increasingly sought out investment opportunities outside of Canada in the real estate sector. These investors have increased the international component of their real estate investments for reasons that include diversification, the opportunity to enhance returns and the possibility of generating long-term, stable cash flows. Several of Canada's major pension funds reported having approximately half of their real estate assets outside of Canada, with a particular focus in Europe. Other significant markets for Canadian institutional buyers of foreign real estate include the United States, Asia, Australia, and South America. The REIT believes that it is providing a unique opportunity for Canadian retail and institutional investors to diversify their real estate investments, as large Canadian pension funds and other large Canadian institutional investors have done.

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

- Demographics: growing or aging population, increasing life expectancy, all key drivers in the need for healthcare;
- Economics: a balance of economic growth and stability, stabilized and/or increasing GDP per capita, and increasing healthcare spending as % of GDP or on an absolute basis; and

- Real estate and healthcare trends: fragmented healthcare real estate markets, healthcare operators focusing on "core business", demand for new infrastructure, and growing public and private healthcare services.

Target Markets

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

- **Australasia:** an established market with consolidation opportunities, inflation indexed triple net rents, exposure through an investment in Vital Trust;
- **Brazil:** a high-growth market with experienced hospital operators, exposure through long-term inflation indexed triple-net sale leaseback structure;
- **Germany:** a fragmented market with first mover advantage available, NOI growth through active management and scale, similar to NWHP REIT's experiences growing in Canada; and
- **Canada:** an established market with incremental growth opportunities, stability of a government backed tenant base, exposure through an investment in NWHP REIT.

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

TABLE 1 - KEY MARKET DATA

	Australasia	Brazil	Germany	Canada
Population	28.2 Million	198.2 Million	81.9 Million	35.6 Million
GDP Growth (1)	2.50%	-0.20%	1.60%	2.40%
Inflation (2)	1.70%	6.41%	0.20%	1.50%
5 Yr. Government Bond Yield (2)	2.33%	12.75%	0.02%	1.34%
Health Care System	Hybrid public and private healthcare	Hybrid public and private healthcare	Hybrid public and private healthcare	Publicly-funded healthcare system

Notes
(1) Annualized, as at December 31, 2014, except for Brazil which is as at September 30, 2014
(2) As at December 31, 2014

Sources: Trading Economics; Bloomberg; investing.com

Operating in an Emerging Market

In accordance with OSC Staff Notice 51-720 *Issuer Guide for Companies Operating in Emerging Markets* ("SN 51-720"), the Brazil region is considered an "emerging market" and therefore subject to potential risks. The REIT believes the risks of operating in the Brazil market are minimized as a result of the following:

- The REIT's business activities in Brazil are limited to the ownership of five well established, reputable and institutional quality hospitals in the urban centres of Sao Paulo, Brasilia and Rio de Janeiro.

- Each of the REIT's Brazilian hospitals are leased to investment grade single tenants.

- Each of the Brazil leases are "net leases", which in effect transfers the operating risk of the property to the tenant. As a result, the REIT's business in Brazil is not operationally intensive.

- The REIT is represented on local corporate and real estate legal matters by two of Brazil's leading law firms. On non-legal matters, the REIT only engages with leading, global service providers that perform at the highest governance levels; and all banking is conducted through leading global banks.

- The REIT's Brazilian leases have terms that mitigate any title risk on its assets whereby should expropriation of the assets occur, the lessee remains liable for all payments under the lease. The REIT believes there is a limited risk of the REIT's Brazilian assets being subject to government expropriation and nationalization.

Further, the REIT considers the Brazilian healthcare industry to be economically and politically stable, and free of many of the risks associated with other industries and emerging market jurisdictions. The Brazil healthcare market operates under a dual public and private system where approximately 23% of healthcare expenditures are made by the private healthcare insurance market, 30% of expenditures are made through private users and the remaining 47% of expenditures made by the public sector. Brazil is the third biggest private healthcare market, globally, behind the United States and China (source: *Anahp (associacao nacional de hospitals privados), 2010*). Due to positive macroeconomic indicators, including the size of Brazil's economy with a population nearing 200 million (seventh largest economy globally), low unemployment (~6.5% fourth quarter 2014, *source: IBGE*), rising wages, increasing consumer consumption and a growing middle class, the outlook for the Brazilian healthcare market is optimistic. Further, the increasing demand for private healthcare (since 2009, beneficiaries of private medical plans increased 17%) has resulted in the consolidation of private healthcare operators, resulting in larger, financially stable and technologically advanced, leading operators (source: *PwC "The Healthcare market in Brazil", 2013*).

In January 2015, the government in Brazil sanctioned measures authorizing foreign investments in national hospitals and clinics which will have a positive impact to the healthcare sector. Healthcare operators such as the REIT's key tenant in Brazil, Rede D'or, stand to benefit through increased capital availability to meet growth and operating needs.

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 having 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 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 (the "**Brazilian Subsidiaries**"), which in turn are all indirectly wholly-owned by NWI Healthcare Properties LP, the REIT's operating limited partnership. The 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 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 the Brazilian Subsidiaries at any time pursuant to director or shareholder resolutions, as applicable.
- The REIT maintains complete control over the books and records of the Brazilian Subsidiaries.
- The REIT can transfer funds from the 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 Chief Executive Officer (CEO) has extensive experience in conducting business in Brazil. The REIT's CEO has been conducting business 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. The REIT's CEO has developed the key relationships with the REIT's tenants and advisors locally. As noted above, the REIT's management team also relies heavily on the expertise of its reputable third party advisors with respect to legal, regulatory, tax and other matters in Brazil.

The REIT does not believe that geographical distance and cultural differences associated with operating in Brazil present significant operating risks to the REIT. However, it 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. And as noted above, the REIT 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.

RELATIONSHIP WITH NWVP

As at December 31, 2014, NorthWest Value Partners ("**NWVP**") indirectly owned approximately 65% (approximately 55% 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 and Class D GP exchangeable units of NWI LP. Affiliates of NWVP served as the REIT's asset manager, property manager and developer up to December 31, 2014, pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. Established in 1994, Toronto-based NWVP is one of Canada's leading privately owned healthcare real estate companies. The scope of its business includes real estate development, ownership and management, in Canada and internationally with a significant focus on the healthcare sector. Principals of NWVP serve as officers and trustees of the REIT. Subsequent to the year ended December 31, 2014, on January 28, 2015 the REIT announced that it had completed the transaction with NWVP to internalize the external management of the REIT with an effective date of January 1, 2015 ("the **Internalization Transaction**"). See "Subsequent Events".

2014 HIGHLIGHTS

Refinancing of Brazil Term Loans

In December 2014, the REIT entered into contracts to refinance the existing Brazil term loans for approximately $172,420,000 (R$395,000,000) for one year maturing between December 22, 2015 and January 2nd, 2016. The term loans are interest-only and bear a floating interest rate of CDI plus 0.75%. The REIT entered into swap arrangements that fix the interest rate to 7.3% annually plus an IPCA adjustment to the loan balance at the time the swaps mature, March 31, 2015 and April 1, 2015. The remaining balance of approximately $16,000,000 or R$36,500,000 (as at time of repayment) was repaid with existing cash and proceeds from the November 2014 equity offering. Further on November 19, 2014, the REIT entered into a term sheet with a Brazilian financial institution for long-term financing for a portion of its Brazilian portfolio consisting of a combination of three of four of the REIT's Brazilian properties: Hospital e Maternedade Brasil, Hospital do Coração do Brasil, Hospital Santa Luzia, and Hospital Caxias D´Or. The financing is for an amount of up to $170 million (R$370 million) with a term of 12 years and is subject to due diligence and regulatory approvals. The REIT expects to complete the long term-financing in the second quarter 2015 and net proceeds will be used to refinance the current term loans associated with the properties referenced above.

Extension of Interest Rate Subsidy

In May 2014, again in September 2014, and again in December 2014, in relation to the interest rate subsidy on the margin facilities assumed by the REIT pursuant to the acquisition of the investment in NWHP REIT, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to December 31, 2014.

Public Offering of 13.95 Million Trust Units

On November 25, 2014, the REIT closed an equity offering of 13,954,000 Trust Units. The Trust Units were issued at a price of $2.15 per Trust Unit, for gross proceeds of $30,001,100.

Addition to the REIT's Senior Management

On October 17, 2014, the REIT announced the appointment of Mr. Vincent Cozzi as Co-President and Chief Investment Officer of the REIT.

Issuance of $35 million, 7.25% Convertible Debentures

On September 23, 2014, the REIT completed the issuance of $35,000,000 principal amount of unsecured convertible subordinated debentures, along with the issuance of a further $3,750,000 principal amount pursuant to the exercise of the over-allotment option that closed October 3, 2014 (the "Series MOB.DB.B Debentures"). The Series MOB.DB.B Debentures bear interest at 7.25% per annum, payable semi-annually on April 30 and October 31 each year, and mature on October 31, 2019.

Renewal of Margin Facilities

On September 26, 2014, two of the margin facilities related to the REIT's investment in NWHP REIT were renewed, which extended the maturity to September 1, 2015.

On September 23, 2014, the third margin facility related to the REIT's investment in NWHP REIT was renewed, which extended the maturity to November 1, 2015.

On October 28, 2014 the REIT renewed one of the margin facilities with an outstanding balance of $36,745,458 related to the REIT's investment in Vital Trust, which was to mature on December 31, 2014. The renewal extends the maturity of this margin facility to December 31, 2015.

Acquisition of Hohenschoenhausen

On August 29, 2014, the REIT completed the acquisition of a medical office complex in Germany (known as "Hohenschoenhausen"), in the city of Berlin, for a gross purchase price of $17,517,325 including transaction costs of $1,382,067. The REIT's investment was funded from cash on hand including a portion of the proceeds from the issuance of equity pursuant to the exercise of warrants in September 2014, a holdback obligation and new mortgage financing from a German lending institution.

Exercise of Warrants

On September 2, 2014, the REIT received notice from the holder in respect of the early exercise of the entire balance of the 3,000,000 warrants outstanding. The warrants were exercised at a price of $2.15 for total cash proceeds to the REIT of $6,450,000.

Acquisition of the Core German MOB Portfolio

On June 25, 2014, the REIT completed the acquisition of a portfolio of 13 properties in Germany (the "Core German MOB Portfolio") for a gross purchase price of $54,950,235 including transaction costs of $3,546,164. The REIT's investment was funded from cash on hand including a portion of the net proceeds from the equity offering completed in May 2014, holdback and earnout obligations and new mortgage financing from a German lending institution of $30,395,233 (net of transaction costs of $891,567) with terms between 5 and 7 years, and a 26 year amortization period. To limit exposure to fluctuations in interest rates on the mortgages obtained for the Core German MOB Portfolio, the REIT also entered into interest rate swaps on the full mortgage balance to fix the interest rates between 2.23% and 2.58% over the terms of the loans.

The acquired portfolio comprises approximately 350,000 square feet with properties located in the cities of Berlin (1), Ingolstadt (1) and Leipzig (11) and had a weighted average occupancy rate of 95% and weighted average lease expiry of approximately 4.4 years at the time of purchase. The acquired portfolio has a diversified tenant base of over 100 tenancies consisting of a range of medical practitioners and related services.

Public Offering of 11.2 Million Trust Units

On May 21, 2014, the REIT closed an equity offering of 11,219,513 Trust Units. The Trust Units were issued at a price of $2.05 per Trust Unit, for gross proceeds of $23,000,002, which included the exercise of the over-allotment option in full.

Incentive Fee

In April 2014, the independent trustees of the REIT determined that the Class C Amount (defined herein) earned by an affiliate of NWVP for the 2013 financial year was $4,103,617 in accordance with the terms of the NWI LP partnership agreement. The NWVP affiliate elected to receive such Class C Amount in the form of Class D GP units of NWI LP, which resulted in the issuance of 1,891,068 Class D GP units. Each Class D GP unit is exchangeable for one Trust Unit and carries one Trust level voting right. On April 23, 2014 and on May 15, 2014, 744,187 and 36,301, respectively, for a total of 780,488 of the Class D GP units were exchanged into Trust Units.

Refinancing of Vital SLA

On March 21, 2014, the Vital Securities Lending Agreement ("Vital SLA") was terminated and settled by means of a new margin facility with Macquarie Bank Limited executed on February 28, 2014. The margin facility bears interest at a rate that fluctuates with the one-month rate for New Zealand dollar bills of exchange (the "**BKBM**" rate) and requires a minimum loan-to-fair market value of the Vital Trust units pledged of 50%. The margin facility matured on December 31, 2014, and was renewed during 2014 to extend the maturity to December 31, 2015.

Sale of Marktredwitz Property

On February 17, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for approximately $6,924,000. The REIT realized net proceeds of approximately $1,948,000 after the repayment of the mortgage relating to the property in the amount of approximately $4,887,000 and selling cost of approximately $9,000.

Closing of Over-Allotment Option on December 2013 Equity Offering of Trust Units

On January 14, 2014, the REIT announced that pursuant to the December 2013 equity offering, the underwriters partially exercised the overallotment option and 852,070 additional units of the REIT were issued at a price of $2.00 per unit for gross proceeds of $1,704,140.

SUBSEQUENT EVENTS

- On January 15, 2014, the REIT declared a distribution of $0.018333 per Trust Unit to unitholders of record on January 30, 2015, payable February 16, 2015. On February 18, 2015, the REIT declared a distribution of $0.018333 per Trust Unit to unitholders of record on February 27, 2015, payable March 16, 2015.

- In January 2015, the REIT issued an additional 145,538 Trust Units to settle outstanding asset management fees owing to a subsidiary of NWVP. As at March 10, 2015, NWVP has an economic interest of approximately 65% of the REIT.

- On January 28, 2015 the REIT closed a transaction with NWVP to internalize the external management of the REIT (the "Internalization Transaction") effective January 1, 2015. Pursuant to an internalization agreement dated January 7, 2015 (the "Internalization Agreement"), the REIT internalized the asset management, property management and development functions of the REIT previously carried on by affiliates of NWVP. The REIT also acquired from NWVP all of the rights and obligations relating to the management of Vital Trust. In consideration for the Internalization Transaction assets transferred to the REIT, NWVP received the total amount that would be paid under the previous external management arrangements between the REIT and NWVP and fees earned by Vital Healthcare Management Limited, as external manager of Vital Trust, for the 12 months ending December 31, 2014, adjusted for the full year effect of acquisitions and committed capital. This amount was estimated to be approximately $6,588,000 and will be adjusted following the issuance of the REIT's 2014 financial statements in accordance with the terms of the Internalization Agreement. In connection with the Internalization Transaction, the REIT issued deferred units to former employees of NWVP and its affiliates (other than Paul Dalla Lana) valued at approximately $8,068,612. Accordingly, NWVP issued to the REIT an offsetting non-interest bearing promissory note in the amount of $1,480,612, due on demand. The Internalization Transaction did not have a cash impact on the REIT.

- In connection with the Internalization Transaction, the REIT adopted a second amended and restated deferred unit plan (the "**Amended DUP**"). The Amended DUP provides for the issuance of up to 17,898,368 trust units (approximately 10% of the issued and outstanding voting units of the REIT at that time), which is an increase from the 2,021,909 trust units reserved for issuance under the REIT's previous deferred unit plan (the "**Previous DUP**") dated January 28, 2014. In connection with the Internalization Transaction, the REIT issued up to 3,989,735 deferred units to former employees of NWVP and its affiliates. Of these, 1,711,412 are fully vested and the balance of deferred units are subject to future vesting conditions. Following the Internalization Transaction, the REIT issued an additional 5,764,494 deferred units to new employees of the REIT as a future equity incentive (all of which are subject to certain vesting conditions) and 75,000 deferred units to the REIT's independent trustees in recognition of their efforts on behalf of the special committee that was formed for considering and negotiating the Internalization Transaction on behalf of the REIT. In accordance with the policies of the TSX Venture Exchange, the Amended DUP and the issuance of deferred units thereunder that exceed the number of deferred units authorized for issuance under the Previous DUP are to be considered, and if deemed advisable approved, by disinterested unitholders at the next unitholder meeting of the REIT. If the requisite unitholder approval is not obtained, the Amended DUP will terminate (the REIT will revert to the Previous DUP), and any deferred units granted under the Amended DUP which could not have been granted under the Previous DUP will be terminated.

- Immediately prior to the closing of the Internalization Transaction, on January 28, 2015, the independent trustees of the REIT determined that the estimated incentive fee amount, as required by the Internalization Agreement, (the "Class C Amount" as defined in the NWI LP Agreement) for the year ended December 31, 2014 was $144,948. The estimated incentive fee was settled through the issuance of Class D GP Units to an affiliate of NWVP, which resulted in the issuance of 71,403 Class D GP Units. Each Class D GP Unit was exchangeable for one Unit of the REIT and carried one REIT level voting right. Pursuant to the Internalization Transaction, the NWI LP Agreement was amended and restated on January 28, 2015 whereby the Class C Amount was eliminated. Further, all Class D GP units outstanding (1,181,983 units) were exchanged for Class B LP exchangeable units and the Class D GP unit certificates were cancelled.

- On March 10, 2015, the REIT announced that it has entered into an agreement with NWHP REIT to combine and form one single healthcare real estate investment trust. The combination will be effected by a plan of arrangement pursuant to which NWHP REIT will acquire all of the assets of the REIT. The unitholders of the REIT will receive 0.208 of a NWHP REIT trust unit for each REIT trust unit held, on a tax-deferred basis.

  The combination, which was approved by the REIT's Board of Trustees based on a recommendation by an independent committee of the Board of Trustees of the REIT, after consultation with the independent committee's financial and legal advisors. The transaction will be subject to the approval of at least 66 2/3% of the votes cast at special meetings of NWHP REIT and the REIT's voting unitholders, as well as the approval of a majority of the votes cast at the NWHP REIT special meeting, other than votes held by the REIT. The REIT holds an approximate 25.5% indirect interest in NWHP REIT. NWVP, which currently holds approximately 65% of the REIT's voting units, has entered into a customary voting and support agreement pursuant to which, among other things, it has agreed to vote its REIT voting units in favour of the transaction. The combination is also subject to other customary regulatory approvals for transactions of this nature, including approvals from the TSX-V and TSX, Competition Act (Canada) authorities, the Australia's Foreign Investment Review Board and New Zealand's Overseas Investment Office, as well as other conditions. The analysis of the impact of the transaction, including risks and uncertainties, has not been completed as at the date the MD&A. As such disclosures in this MD&A have not been updated to reflect the impact of this subsequent event.

ASSETS OF THE REIT

Summary

The following table highlights certain information about the REIT's assets as at December 31, 2014:

TABLE 2 - SUMMARY OF ASSETS

Property	Date Acquired	Year Built	Approximate Area (sf)	# of Tenants	Occupancy %	WALE [1]
Brazil						
Sabará Children's Hospital	Nov 16 2012	2010	104,915	1	100.0%	9.8
Hospital e Maternedade Brasil	Dec 27 2012	1970 - 2007	342,000		100.0%	23.0
Hospital Santa Luzia	Dec 23 2013	2003	185,139		100.0%	24.0
Hospital Do Coracao	Dec 23 2013	2007	96,875	1	100.0%	24.0
Hospital Caxias	Dec 23 2013	2013	290,626		100.0%	24.0
			1,019,555	**2**	**100.0%**	**22.2**
Germany						
Adlershof 1	Nov 16 2012	2004	57,603	35	99.9%	2.0
Adlershof 2	Nov 16 2012	2010	48,539	32	96.9%	5.7
Berlin Neukölln	Nov 16 2012	2000	36,370	16	100.0%	3.1
Königs Wusterhausen 1	Nov 16 2012	2001	40,365	23	90.9%	1.6
Fulda	Mar 31 2013	2010	99,515	33	100.0%	5.4
Polimedica Centre	Jun 25 2014	2007	101,020	32	95.8%	8.0
Hollis Centre	Jun 25 2014	1996	79,029	35	100.0%	3.9
Leipzig	Jun 25 2014	1975-1989	169,576	89	87.8%	4.1
Hohenschonhausen	Aug 30 2014	1996	57,695	37	94.6%	4.8
			689,712	**332**	**95.2%**	**4.6**
Australasia - Vital Interest [2]			**1,629,053**	**109**	**99.5%**	**15.2**
Canada - NWHP REIT Interest [3]			**4,503,375**	**1,460**	**91.9%**	**4.5**
Portfolio Totals / Weighted Averages			**7,841,695**	**1,903**	**94.8%**	**9.0**
Portfolio Totals / Weighted Averages - Proportionate Consolidation [4]			**3,247,145**		**96.0%**	**11.4**

Notes

(1) As at December 31, 2014. Weighted average lease expiry in years.
(2) Represents 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust.
(3) Represents 100% of NWHP REIT. The REIT has an exposure to an approximate 25% interest in NWHP REIT.
(4) Calculation is based on the REIT's proportionate interest in Vital Trust and NWHP REIT.

Australasia – Exposure to Vital Trust

The REIT's investments in Australasia are held through its strategic shareholding by way of exposure to an equity interest in Vital Trust. Table 2 above highlights certain information about Vital Trust as at December 31, 2014, on a 100% basis; noting, however, that the REIT has exposure to an approximate 24% interest in Vital Trust.

Overview of Vital Trust

Vital Trust is a New Zealand Stock Exchange (**"NZSX"**) listed investment fund that invests in high-quality health and medical-related properties in New Zealand and Australia. As at December 31, 2014, Vital Trust owned a portfolio of 25 properties in New Zealand and Australia. Approximately 75% of Vital Trust's property portfolio is located in Australia with the remaining 25% located in New Zealand. Across both regions, Vital Trust's portfolio is tenanted by hospital and healthcare operators who provide a wide range of medical and health services.

On August 14, 2014 Vital Trust reported its audited consolidated financial statements for the year ended June 30, 2014. For the year ended June 30, 2014, Vital Trust delivered strong and stable financial results as well as successfully executing on its operational plan. Vital Trust's rental income was consistent with fiscal 2013; however, rental income was negatively impacted by a strengthening New Zealand dollar of approximately NZ$6.5 million. Before the impact of currency translation, the increase in rental income is a result of the full year benefit of incremental acquisitions, completed development projects, and structured rental reviews. Gross distributable income for fiscal 2014 was NZ$34.9M, which is NZ$1.3M or 4% greater than fiscal 2013. The positive operating results are underpinned by a portfolio occupancy of 99.3%, which remained consistent with the prior year, and a notable increase in the weighted average lease term of 15.1 years from 11.8 years the prior year.

During Vital Trust's fiscal 2014, Vital Trust recorded a fair value gain related to the revaluation of their investment property portfolio of NZ$15.2M. The key drivers for the revaluation gains include structured annual rent growth, close to full occupancy of the portfolio at 99.3%, and the weighted average capitalization rate decreasing from 9.1% at June 30, 2013 to 8.9% at June 30, 2014. The increase in fair value of approximately NZ$15.2M was also the driver of Vital Trust accruing an incentive fee payable of NZ$0.5M to its external asset manager (a subsidiary of NWVP) for the first time in 3 years.

On February 25, 2015 Vital Trust reported its unaudited interim consolidated financial statements for the six months ended December 31, 2014. Vital achieved gross rental revenue of NZ$30.8 million, a growth of 3.0% versus the same period last year, driven by a combination of a part period contribution from the Marian Centre acquisition in Perth, Australia, development (or capital expansion) income and rental growth. Vital Trust's operating profit before interest and tax increased by NZ$1.0 million, or 4.0%, to NZ$26.7 million. Revenue growth was driven by a portfolio occupancy of 99.5%, up 0.1% relative to the same period last year, and an achievement in the average increase in rents of 2.1% for the interim period. Further, Vital Trust continued to deliver on asset management activities, commencing with A$40.8 million of brownfield developments at five hospitals which upon completion is forecast to yield approximately 9.0% per annum, divesting a non-core asset at Whangaparaoa, Auckland for NZ$4.2 million, and acquiring a strategic property to be part of the future expansion of the adjacent Epworth Eastern Hospital in Melbourne for A$3.5 million.

The REIT's interest in Vital Trust

On April 1, 2013, the REIT announced its intention to increase its interest in Vital Trust to slightly less than 25% through the acquisition of additional units of Vital Trust in the open market over the NZSX.

During the three months and year ended December 31, 2014, the REIT did not acquire additional units in Vital Trust. During the year ended December 31, 2013, the REIT acquired an additional 22,154,307 Vital Trust units through a combination of open market purchases and participation in the Vital Rights Offering, increasing its interest in Vital Trust to 81,659,866. As at December 31, 2014, the REIT owned 81,659,866 units which represented a 23.93% interest in Vital Trust (December 31, 2013 - 81,659,866 units which represented a 24.11% interest).

Vital Management Fee Participation Agreement and Management of Vital Trust

Pursuant to a management services agreement and management rights contract entered into in connection with the acquisition of the Initial International Assets, (a) affiliates of NWVP agreed to pay, in consideration for certain management services rendered, a subsidiary of the REIT, a management fee participation equal to the difference between all management fees paid by Vital Trust to NWVP or any of its wholly-owned subsidiaries, comprising the external manager of Vital Trust, and the amount that Vital Trust would have paid had it been wholly-owned and subject to the asset management fee arrangements of the REIT (the "**Management Fee Participation Agreement**"), and (b) the REIT is indirectly entitled to direct NWVP, subject to NWVP's fiduciary duties, with respect to any control or direction rights of NWVP pursuant to agreements entered into with Vital Trust (the "**Vital Management Rights**").The purpose of the Management Fee Participation Agreement is to provide the REIT with any incremental economic benefit that may be associated with the management arrangements currently in place between NWVP and Vital Trust. As a result of the Internalization Transaction, the REIT acquired the entities comprising the external manager of Vital Trust from NWVP, and as a result the Vital Management Rights were terminated effective January 1, 2015.

Brazil – Long term net leases to private hospital operators

Sabará Children's Hospital

The Sabará Children's Hospital, located in São Paulo, is a 104,915 square foot private hospital facility. The facility is leased for 15 years (9.8 years remaining) and operated by a single tenant, Hospital Sabará (the "**Sabará Tenant**"), who uses the property to operate one of the region's largest private children's hospitals.

*Hospital e Maternedade Brasil ("**HMB**")*

HMB, located in a Santo Andre – a suburb of Sao Paulo, is a 342,000 square feet full-service hospital with 305 beds. The facility is leased for 25 years (23 years remaining) and operated by a single tenant, Rede D'Or Sao Luiz, a privately owned Brazilian hospital operator with 26 hospitals across the country.

Hospital Santa Luzia

Hospital Santa Luzia is a 190 bed, 185,139 square feet, private hospital located in Brasilia's South Wing, one of its two primary healthcare nodes. The facility is leased for 25 years (24 years remaining) and is operated by a single tenant, Rede D'Or Sao Luiz.

Hospital do Coração do Brasil

Hospital do Coração do Brasil is a 56 bed, 98,875 square feet, specialized cardiovascular hospital located in Brasilia's South Wing, one of its two primary healthcare nodes. The facility is leased for 25 years (24 years remaining) and is operated by a single tenant, Rede D'Or Sao Luiz.

Hospital Caxias D´Or

Hospital Caxias D'Or is a 190 bed, 290,625 square feet, private hospital located in suburban Rio de Janeiro. The facility is leased for 25 years (24 years remaining) and is operated by a single tenant, Rede D'Or Sao Luiz.

Germany – Initial focus on medical office buildings

Adlershof 1

Adlershof 1 is a five-storey, purpose-built medical office building completed in 2004. The approximately 100% occupied building has a gross leasable area (including storage) of 57,603 square feet and offers 34 below grade parking stalls. A large atrium invites visitors to the ground floor where tenant signage identifying a wide range of medical/dental service providers and a pharmacy is located. Adlershof is a district in the Berlin borough of Treptow-Köpenik, an area commonly known as the "city of science, technology and media".

Adlershof 2

Adlershof 2 is a four-storey, purpose-built medical office building directly adjacent to Adlershof 1 which was completed in 2010. The 97% occupied building has a gross leasable area (including storage) of 48,539 square feet and offers 66 below grade parking stalls. A ground floor physiotherapy tenant includes a swimming pool as well as a private elevator and staircase to the second floor demise. A large atrium invites visitors to the ground floor where tenant signage reflecting a wide range of medical/dental service providers can be found.

Berlin Neukölln

Berlin Neukölln is a six-storey terraced building with prominent corner location completed in 2000. The 100% occupied building has a gross leasable area (including storage) of 36,370 square feet and underground parking for 10 vehicles. Tenants include a wide range of medical service providers including a ground floor pharmacy. The property is located in Neukölln, one of the 12 boroughs of Berlin in the southeastern part of the city.

Königs Wusterhausen 1

Königs Wusterhausen 1 comprises a three-storey (with additional attic space), detached, purpose built medical office building completed in 2001. The building is 91% occupied and has a gross leasable area (including storage) of 40,365 square feet. An underground garage park contains 66 stalls. Tenants include a range of medical service providers as well as municipal agencies and legal practices. The property is located in Königs Wusterhausen, a town in the Dahme-Spreewald district of the state of Brandenburg.

Fulda

Fulda is a newly constructed medical office complex located in Fulda, Germany, approximately 100km northeast of Frankfurt, Germany. At approximately 99,515 square feet, Fulda is 100% occupied with a diversified tenant base focused on healthcare related users and orthopedic services which benefit from the building's close proximity to the Klinikum Fulda – one of region's leading hospitals.

Polimedica Centre

Polimedica Centre is a three-storey, multi-tenanted, purpose built medical office building completed in 2007 located in a suburb of Berlin adjacent to significant commercial infrastructure. Polimedica Centre is 96% occupied and has a gross leasable area of approximately 101,020 square feet.

Hollis Centre

Hollis Centre is a three-storey, multi-tenanted, purpose built medical office building located in Ingolstadt and is adjacent to the local hospital and healthcare campus. Hollis Centre is 100% occupied and has a gross leasable area of approximately 79,029 square feet. Ingolstadt is approximately 80 kilometres north of Munich and is home to the headquarters of German automobile manufacturer Audi.

Leipzig Portfolio

A portfolio of 11 multi-tenanted, low-rise medical office buildings located in Leipzig, a city approximately 150km south of Berlin that houses large automobile manufacturing plants for both BMW and Porsche. The Leipzig portfolio comprises over 100 tenancies including a range of medical practitioners and pharmacies, totals approximately 169,576 square feet of gross leasable area, and is approximately 88% occupied.

Hohenschoenhausen

Hohenschoenhausen is a five-storey, multi-tenanted, medical office building located in the City of Berlin. Hohenschoenhausen is 95% occupied and has a gross leasable area of approximately 57,695 square feet.

Canada – Exposure to NWHP REIT

The REIT's investments in Canada are held through its strategic shareholding by way of exposure to an equity interest in NWHP REIT. Table 2 above highlights certain information about NWHP REIT as at December 31, 2014, on a 100% basis; noting, however, that the REIT has exposure to an approximate 25% interest in NWHP REIT.

Overview of NWHP REIT

NWHP REIT is a Toronto Stock Exchange (**"TSX"**) listed real estate investment trust and is Canada's largest non-government owner and manager of medical office buildings and healthcare facilities. As at December 31, 2014, NWHP REIT owned a portfolio of 75 properties located in seven provinces of Canada. The NWHP REIT portfolio has a well-diversified tenant profile, reflecting an attractive mix of healthcare-related tenants, including regional health authorities, primary care networks, family health teams, medical and diagnostic imaging clinics, medical practitioners, pharmacies and laboratories, as well as institutional and non-healthcare tenants.

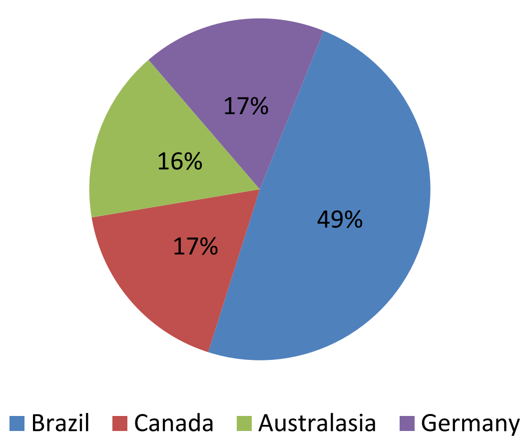
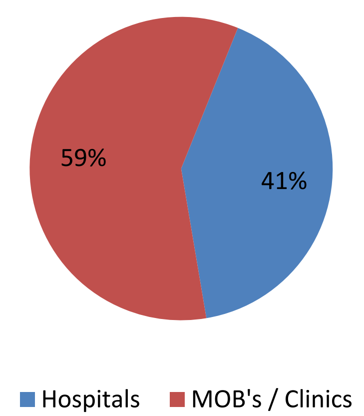
On March 9, 2015, NWHP REIT reported its audited consolidated financial results for the year ended December 31, 2014. For the three months and year ended December 31, 2014, NWHP REIT reported AFFO per unit of $0.21 and $0.83 respectively, which was consistent with the three months and year ended December 31, 2013. For the year ended December 31, 2014, NWHP reported $80.8 million of net operating income, which represents less than a 1% decrease over the prior year. The decrease was attributable to a slight decrease in same property NOI of less than 1% and the dispositions of three properties during year ended December 31, 2014. NWHP REIT's portfolio occupancy increased from 91.3% to 91.9% from December 31, 2013 to December 31, 2014.

The REIT's interest in NWHP REIT

As at December 31, 2014, the REIT indirectly owned an approximate 25% interest in NWHP REIT (December 31, 2013 – 26%). The interest acquired by the REIT consists of 4,345,900 units (December 31, 2013 - 4,345,900 units) of NWHP REIT and 7,551,546 class B limited partnership units (December 31, 2013 - 7,551,546) of NHP Holdings LP ("**NHP LP**"), which are exchangeable for trust units of NWHP REIT.

Diversification of Assets

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

Geographic Profile by Investment Value (1)(2)	**Asset Mix (3)**
	

Notes:
1. As at December 31, 2014
2. Based on investment value, defined as Investment Properties, Investment in Associates and Intangible Assets
3. Based on proportionate share of Total GLA, which includes NWI REIT's proportionate interest in Vital Trust (approximately 24%) and NWHP REIT (approximately 25%).

Geographic Diversification

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

Asset Mix

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

Hospitals:

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

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

Medical office buildings ("**MOB**"):

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

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

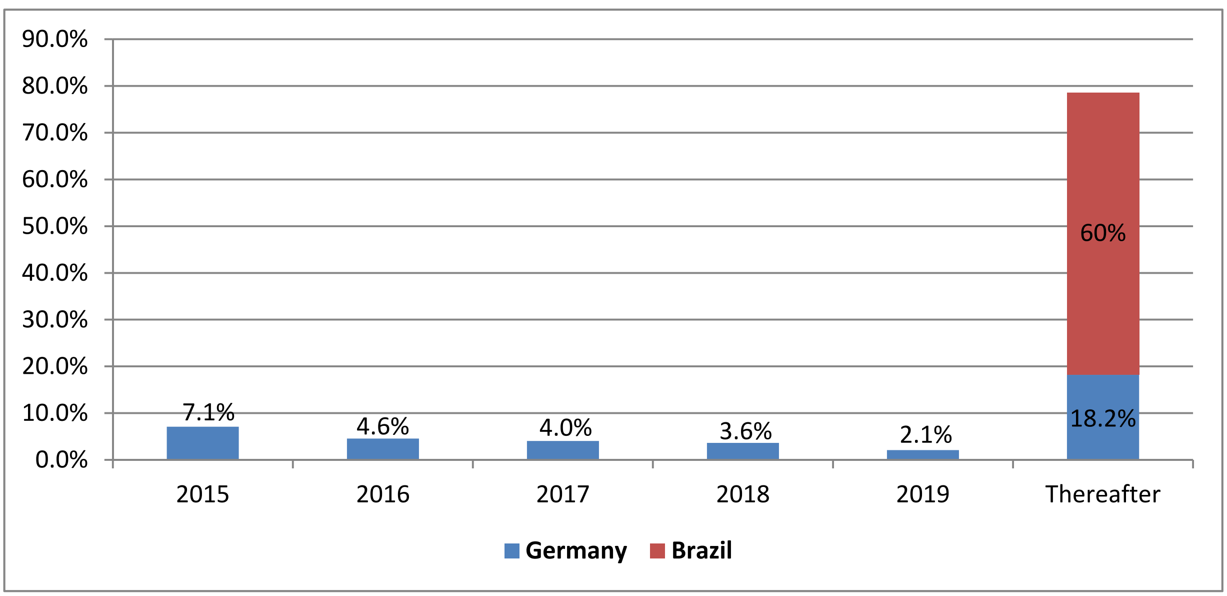
As at December 31, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT had interests in 22 hospitals and 100 medical office buildings.

Lease Maturities

As at December 31, 2014 and including the REIT's interest in Vital Trust and NWHP REIT on a 100% basis, the REIT's asset diversification is complemented by a long term maturity profile, with a weighted average lease expiry of 9.1 years.

A summary of lease expiries in respect of the REIT's direct property holdings in Brazil and Germany is presented below:

Lease Maturities by Year (as a % of GLA)



Notes:
- As at December 31, 2014
- Excludes the REIT's interest in Vital Trust and NWHP REIT

As illustrated above, an average of 4.3% of the GLA related to the REIT's direct property holdings in Brazil and Germany is maturing each year, between 2015 and 2019. In addition to the strong lease profile, the REIT's investment in Vital Trust and NWHP REIT are underpinned by weighted average lease expiries of 15.2 years and 4.5 years, respectively. NWHP REIT's maturity profile reflects the shorter term nature of MOB tenants as opposed to larger hospital tenants embedded within the Vital Trust portfolio. NWHP REIT's diverse tenant base is complemented by a balanced lease maturity profile, with an average of 12% of its GLA maturing each year between 2015 and 2019.

The REIT's longer term lease expiries primarily relate to its five hospital properties in Brazil, which are each occupied by single tenants that are leading hospital operators and have leases expiring on September 30, 2024 and December 31, 2038.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

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

TABLE 5 - FINANCIAL HIGHLIGHTS				
		As at Dec. 31, 2014		**As at Dec. 31, 2013**
Operational Information [1]				
Number of Properties - 100% of associates		122		113
Gross Leasable Area (sf) - 100% of associates		7,841,695		7,664,605
Occupancy % - 100% of associates		94.8%		94.4%
Summary of Financial Information				
Gross Book Value [2]	$	846,271,088	$	756,258,230
Debt - Declaration of Trust [3]	$	436,431,589	$	437,642,388
Debt to Gross Book Value - Declaration of Trust		51.6%		57.9%
Debt - Including convertible debentures [3]	$	508,351,099	$	473,065,388
Debt to Gross Book Value - Including convertible debentures		60.1%		62.6%
Percentage of Mortgages and Loans Payable at Fixed Rates		64.9%		59.1%
Weighted-Average Effective Interest Rate on Fixed Rate Mortgages and Loans Payable		5.82%		6.11%
Adjusted Units Outstanding - period end [4]				
Basic		178,983,681		146,046,705
Diluted [7]		179,355,950		146,347,916
		For the three months ended Dec. 31, 2014		**For the twelve months ended Dec. 31, 2014**
Operating Results				
Net Income / (Loss)	$	21,164,556	$	(26,677,731)
NOI	$	10,043,592	$	39,404,046
Funds From Operations ("FFO") [5]	$	3,217,163	$	14,913,677
Adjusted Funds From Operations ("AFFO") [5]	$	7,847,230	$	33,168,413
Distributions [6]	$	9,577,589	$	35,289,470
Per Unit Amounts [4]				
FFO per unit - Basic	$	0.02	$	0.09
FFO per unit - fully diluted [7]	$	0.02	$	0.09
AFFO per unit - Basic	$	0.05	$	0.21
AFFO per unit - fully diluted [7]	$	0.05	$	0.21
Distributions per unit	$	0.06	$	0.22
AFFO Payout Ratio		119%		105%
AFFO Payout Ratio - fully diluted [7]		120%		105%
Adjusted Weighted Average Units Outstanding [4]				
Basic		170,427,954		158,541,907
Diluted [7]		170,677,808		158,783,786

Notes follow on next page.

TABLE 5 - FINANCIAL HIGHLIGHTS CONT.

Notes

(1) Operational information includes 100% of Vital Trust and NWHP REIT. The REIT has an exposure to an approximate 24% interest in Vital Trust and approximate 25% interest in NWHP REIT.

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

(3) Indebtedness as defined in the Declaration of Trust includes the principal balance of mortgages, securities lending agreement, margin facilities, term loan, line of credit, and deferred consideration. The REIT's total debt also includes convertible debentures (at fair value).

(4) Under IFRS the REIT's Class B LP and Class D GP exchangeable 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 and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at December 31, 2014 and 91,068,320 Class B LP exchangeable units outstanding at December 31, 2013.

(5) 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.

(6) Represents distributions to Unitholders and Class B LP and Class D GP exchangeable unitholders 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.

(7) Diluted units include the conversion of the REIT's convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

PART III – RESULTS FROM OPERATIONS

NET INCOME

The following is a summary of selected financial information from the consolidated statements of income and comprehensive income for the three and nine months ended December 31, 2014 and December 31, 2013.

TABLE 6 - RESULTS FROM OPERATIONS

	Three months ended		Twelve months ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Net Operating Income [(1)]				
Revenue from investment properties	$ 11,594,928	$ 5,543,955	$ 44,083,729	$ 20,177,010
Property operating costs	(1,551,336)	(688,471)	(4,679,683)	(2,150,763)
	10,043,592	**4,855,484**	**39,404,046**	**18,026,247**
Other income				
Share of profit (loss) from associates	1,604,808	1,762,222	2,026,935	10,156,830
Management fee participation	435,894	468,970	2,371,610	1,749,053
Interest income	539,047	107,772	1,813,114	1,921,053
	2,579,749	**2,338,964**	**6,211,659**	**13,826,936**
	12,623,341	**7,194,448**	**45,615,705**	**31,853,183**
Other expenses				
Mortgage and loan interest expense	(7,695,878)	(4,599,524)	(29,312,954)	(12,100,309)
General and administrative expenses	(1,933,151)	(1,118,219)	(5,804,533)	(3,180,624)
Incentive fee	-	(4,103,617)	-	(4,103,617)
Transaction costs	-	-	-	(468,182)
Other Finance costs	9,532,191	(21,006,646)	(46,478,057)	(21,360,128)
Foreign exchange gain (loss)	(1,693,504)	(1,007,606)	(1,115,359)	(2,914,885)
Amortization of intangible asset	(390,319)	(390,319)	(1,561,275)	(1,561,275)
Income / (Loss) before the undernoted items	**10,442,680**	**(25,031,483)**	**(38,656,473)**	**(13,835,837)**
Fair value adjustment of DUP liability	48,646	(16,713)	13,132	(3,763)
Fair value adjustment of investment properties	15,663,390	(890,557)	26,814,224	24,119,615
Net loss on disposal of investment properties	-	-	(98,489)	-
Gain / (Loss) on derivative financial instruments	(2,041,632)	(99,546)	(3,209,002)	22,983,561
Income / (Loss) before taxes	**24,113,084**	**(26,038,299)**	**(15,136,608)**	**33,263,576**
Income tax expense	(2,948,528)	(771,235)	(11,541,123)	(12,186,567)
Net Income	**$ 21,164,556**	**$ (26,809,534)**	**$ (26,677,731)**	**$ 21,077,009**

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, 2014 was $11,594,928 which is $6,050,973 greater than the three months ended December 31, 2013. This is a result of the three Brazilian property acquisitions on December 23, 2013 which increased revenue by $4,710,983 and the acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased revenues for the three months ended December 31, 2014 by $1,624,511 and $406,128 respectively.

Revenue from investment properties for the year ended December 31, 2014 was $44,083,729 which is $23,906,719 greater than the year ended December 31, 2013. This is a result of the three Brazilian property acquisitions on December 23, 2013 that increased revenue by $19,863,009; the March 2013 acquisition of Fulda which increased revenues by $1,852,736; the 2014 acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased revenues for the year ended December 31, 2014 by $3,151,239 and $546,413 respectively; and partially offset by reduced revenue due to the disposed property in 2014 in Germany (Marktredwitz) of $104,522.

See also “Net Operating Income”.

Property operating costs

In Germany, 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. In Brazil, property operating costs are comprised of social taxes levied on revenues. The nature of the leases in Brazil is such that the tenant is responsible for all operating costs of the property, excluding social taxes.

Property operating costs for the three months ended December 31, 2014 were $1,551,336 as compared to $688,471 for the three months ended December 31, 2013. The increase is a result of the three Brazilian property acquisitions on December 23, 2013 that increased property operating costs by $276,932 and the acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased property operating costs for the three months ended December 31, 2014 by $525,080 and $135,757 respectively. In addition, property operating costs in Brazil were up by $66,463 for the existing Brazil portfolio as a result of an election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues, but is offset by a decrease to current income taxes.

Property operating costs for the year ended December 31, 2014 were $4,679,683 as compared to $2,150,763 for the year ended December 31, 2013. The increase is a result of the three Brazilian property acquisitions on December 23, 2013 that increased property operating costs by $1,167,757; the March 2013 acquisition of Fulda which increased property operating costs by $420,609; the acquisitions of the Core German MOB Portfolio and Hohenschoenhausen which increased property operating costs for the year ended December 31, 2014 by $969,031 and $169,783 respectively; and partially offset by the operating cost savings from the disposed property in Germany (Marktredwitz) of $67,107. In addition, property operating costs in Brazil were up by $321,051 for the existing Brazil portfolio as a result of the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues, but is offset by a decrease to current income taxes.

See also “Net Operating Income”.

Share of profit (loss) of associates

The share of profit (loss) of associates relates to the REIT’s investments in Vital Trust and NWHP REIT and represents its proportionate share of the underlying net income. The share of profit of associates related to the REIT’s investment in NWHP REIT (acquired on June 21, 2013), for the year ended December 31, 2013, only reflects results for the period from June 21 to December 31, 2013.

The REIT accounts for its approximate 24% ownership of Vital Trust and approximate 25% ownership of NWHP REIT using the equity method. During the three months ended December 31, 2014, the REIT recorded equity income from Vital Trust of $1,524,446 and $83,362 from NWHP REIT. For the three months ended December 31, 2013, the REIT recorded equity income from its investment in Vital Trust of $1,567,590 and $194,632 for its investment in NWHP REIT.

During the year ended December 31, 2014, the REIT recorded equity income from Vital Trust of $7,707,476 and $5,680,541 of equity loss from NWHP REIT. Included in the REIT’s equity income from Vital Trust for the year is the REIT’s share of current taxes of approximately $672,000, realized as a result of Vital Trust recognizing current taxes related to a $10,000,000 restructuring fee payment on a 30-year renewal of its Mercy Ascot lease. For the year ended December 31, 2013, the REIT recorded equity income from its investment in Vital Trust of $6,608,342 and $3,548,488 for its investment in NWHP REIT, which represented its share of income of NWHP REIT from the date of acquisition on June 21, 2013 to December 31, 2013.

During the three months ended December 31, 2014 the REIT received cash distributions of $1,433,929 from Vital Trust and $2,379,608 from NWHP REIT. During the three months ended December 31, 2013 the REIT received cash distributions of $1,406,670 from Vital Trust and $2,379,608 from NWHP REIT.

During the year ended December 31, 2014 the REIT received cash distributions of $5,980,119 from Vital Trust and $2,382,124 from NWHP REIT. During the year ended December 31, 2013, the REIT received distributions of

$4,777,839 from Vital Trust, of which $964,167 were received in cash and the remaining $3,780,167 were taken through the Vital Trust's Distribution Reinvestment Plan ("DRP"). During the year ended December 31, 2013, the distributions from NWHP REIT of $5,552,352 were received in cash. The distributions from NWHP REIT represent only 7 months of distributions for the year ended December 31, 2013 as a result of the REIT acquiring its investment in NWHP REIT on June 21, 2013.

Management Fee Participation

Pursuant to the Management Fee Participation Agreement with an affiliate of NWVP, the REIT received the difference between all management fees paid by Vital Trust and the amount that Vital Trust would have paid had it been subject to the same asset management fee arrangements as the REIT.

During the three months ended December 31, 2014, the REIT earned $435,894 in respect of the Management Fee Participation Agreement, which is $33,076 less than the three months ended December 31, 2013. The slight decrease in the management fee participation is a result of lower acquisition fees earned during the three months ended December 31, 2014.

During the year ended December 31, 2014, the REIT earned $2,371,610 in respect of the Management Fee Participation Agreement, which is $622,557 greater than the year ended December 31, 2013. The increase in the management fee participation is a result of an additional incentive fee payable by Vital Trust to its external manager for its fiscal year ended June 30, 2014 of $508,848, as well as increased acquisition fees.

During the three months ended December 31, 2014, $368,673 of the fees earned in respect of the Management Fee Participation Agreement related to the variance in base fees paid by the REIT and those paid by Vital Trust. The remaining $67,221 of management fee participation revenue related to activity based fees from development and acquisitions. For the three months ended December 31, 2013, the management fee participation income earned was made up of $342,867 from the variance in base fees and $126,103 from activity based fees.

During the year ended December 31, 2014, $1,487,401 of the fees earned in respect of the Management Fee Participation Agreement related to the variance in base fees paid by the REIT and those paid by Vital Trust. The remaining $884,209 of management fee participation revenue related to activity based fees from development and acquisitions as well as the incentive fees payable by Vital Trust. The incentive fee earned and recorded by Vital Trust's external manager for the year ended December 31, 2014, was $508,848. Incentive fees are only payable when there is an average annual increase in the gross value of the assets of Vital Trust over the relevant financial year and the two preceding financial years. For the year ended December 31, 2013, the management fee participation income earned was made up of $1,349,669 from the variance in base fees and $399,384 from activity based fees. For the year ended December 31, 2013, an incentive fee was not earned or accrued as the increase in gross asset values of Vital Trust had not been achieved.

Interest income

Interest income represents amounts earned on invested cash balances and related party balances (see "Related Party Transactions"). For the three months ended December 31, 2014, the REIT recorded interest income of $539,047, which is $431,772 greater than the three months ended December 31, 2013.

The increase in interest income from 2013 to 2014 is a result of higher interest earned on invested cash as well as higher interest earned on balances from related parties. During the three months ended December 31, 2014, interest income was comprised of interest earned from a subsidiary of NWVP of $340,000 which represents approximately 8% interest on the working capital and closing adjustment receivable and the remaining $199,047 was earned on invested cash balances. For the three months ended December 31, 2013, there was no interest earned on related party balances and interest earned on invested cash balances was $107,772.

For the year ended December 31, 2014, the REIT recorded interest income of $1,813,114, which is $107,939 less than the year ended December 31, 2013.The decrease in interest income from 2013 to 2014 is a result of lower interest earned on balances from related parties. During the year ended December 31, 2014, interest earned from a subsidiary of NWVP was $1,360,000 which represents approximately 8% interest on the working capital and closing adjustment receivable. For the year ended December 31, 2013 the REIT earned $1,110,000 of economic interest on the working capital and closing adjustment receivable as well as $562,192 of interest on a $15,000,000 note receivable, which was repaid at the end of June 2013.

The decrease in interest on related party balances is offset by an increase in the interest earned on cash balances invested in Brazil. For the year ended December 31, 2014, the REIT earned $453,114 on invested cash balances, as compared to only $186,424 for the year ended December 31, 2013. The additional interest income earned is result of the higher average cash balances during the year ended December 31, 2014 compared to the year ended December 31, 2013.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three months ended December 31, 2014 was $7,695,878, which is $3,096,354 greater than the mortgage and loan interest expense for the three months ended December 31, 2013. For the year ended December 31, 2014, mortgage and loan interest expense was $29,312,954, which was $17,212,645 greater than the mortgage and loan interest expense for the year ended December 31, 2013.

For the three months ended December 31, 2014, interest on the mortgages on the German properties was $463,464 (year ended December 31, 2014 - $1,442,334) as compared to $269,616 for the three months ended December 31, 2013 (year ended December 31, 2013 - $976,030). The increase is primarily a result of the 2014 acquisitions of the Core German MOB Portfolio and Hohenschoenhausen, partially offset by the sale of the Marktredwitz property in February 2014 and repayment of the related mortgage. As at December 31, 2014, the weighted average effective interest rate of the mortgages on the German properties was 2.35% (December 31, 2013 – 2.67%).

In Brazil, for the three months ended December 31, 2014, the REIT incurred interest expense of $2,922,357 (year ended December 31, 2014 - $12,592,283) as compared to $1,197,281 for the three months ended December 31, 2013 (year ended December 31, 2013 - $4,189,978) on the outstanding term loans on HMB and the three hospital portfolio acquired December 23, 2013 (the “Rede D’Or Hospital Portfolio”). The increase in interest expense from 2013 to 2014 relates to the interest on the Rede D’Or Hospital Portfolio.

Interest related to the REIT’s debt on its investment in Vital Trust for the three months ended December 31, 2014 was $819,695 (year ended December 31, 2014 - $3,315,492). For the three months ended December 31, 2013, interest on the debt related to the REIT’s investment in Vital Trust was $733,262 (year ended December 31, 2013 - $1,953,304). The primary increase in interest expense for the three months and year ended December 31, 2014 as compared to December 31, 2013 is a result of the REIT’ increasing its investment in Vital Trust from approximately 20% at the beginning of 2013 to approximately 24% at December 31, 2013 and accordingly increasing its borrowings under the Vital Trust margin loans. The additional increase in interest expense is a result of rising floating interest rates in New Zealand. The effective interest rate on the REIT’s debt related to Vital Trust at December 31, 2014 was 6.87% as compared to 6.28% at December 31, 2014.

Interest related to the REIT’s debt on its investment in NWHP REIT for the three months ended December 31, 2014 was $1,585,114 (year ended September 30, 2014 - $6,447,267). For the three months year ended December 31, 2013, interest on the debt related to the REIT’s debt on its investment in NWHP REIT was $1,628,146 and $3,332,483 respectively, as the REIT only acquired its investment in NWHP REIT on June 21, 2013. As part of the acquisition of the investment in NWHP REIT, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which has been recorded as a receivable from NWVP at the date of acquisition of the investment in NWHP REIT. Throughout 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to December 31, 2014.

For the three months ended December 31, 2014, the REIT recorded interest of $1,409,207 (year ended December 31, 2014 - $3,547,578) on the Series MOB.DB (issued March 25, 2013), Series MOB.DB.A Debentures (issued August 29, 2013, and Series MOB.DB.B Debentures (issued September 23, 2014) (each Series defined herein) which bear interest at 6.5% per annum, 7.5% per annum, and 7.25% per annum respectively. Interest on the debentures is payable semi-annually. For the year ended December 31, 2013, the REIT accrued interest of $701,126 (year ended December 31, 2013 - $1,578,421) on the Series MOB.DB Debentures and MOB.DB.A Debentures. Interest related to the REIT's acquisition facility for the three months ended December 31, 2014 was $493,044 (year ended December 31, 2014 - $1,968,000). Interest incurred on the acquisition facility for the three months and year ended December 31, 2013 was only $70,093 as the acquisition facility was obtained in December 2013.

General and administrative expenses

General and administrative expenses for the three months ended December 31, 2014 were $1,933,151 as compared to $1,118,219 in the comparable period in 2013. The increase of $841,932 primarily relates to the increase in asset management fees to the REIT's external manager (a subsidiary of NWVP) pursuant to the Asset Management Agreement, which increased by $289,017 as a result of the incremental acquisitions that occurred during the second half of 2013 and first half of 2014. The increase in general and administrative expenses is also attributable to incremental legal, tax, and other professional fees as a result of the growing international platform.

General and administrative expenses for the year ended December 31, 2014 were $5,804,533 as compared to $3,108,624 in the year ended December 31, 2013. The increase of $2,623,909 primarily relates to the increase in asset management fees to the REIT's external manager, which increased by $1,354,646 as a result of the incremental acquisitions that occurred during the second half of 2013 and first half of 2014. The increase in general and administrative expenses is also attributable to an adjustment of $500,000 received by the REIT during the year ended December 31, 2013 in respect of travel and other out of pocket costs of the Asset Manager that was not repeated in the same period of 2014. Lastly, in the year ended 2014, the REIT incurred IOF tax (a Brazilian financial transaction tax) of $312,888 related to transfers of cash to and from Brazil, which did not occur in 2013.

Transaction costs

For the three months and year ended December 31, 2014 the REIT did not incur any strategic transaction costs. For the three months and year ended December 31, 2013, the REIT recognized strategic transactions costs of $nil and $468,182, respectively, related to the closing of the REIT's acquisition of the initial international portfolio from NWVP.

Other Finance costs

Other finance costs for the three months and year ended December 31, 2014 and 2013 consisted of the following:

TABLE 7 - OTHER FINANCE COSTS				
	Three months ended		Twelve months ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Distributions on Class B LP and Class D GP exchangeable units	$ 5,069,747	$ 3,642,918	$ 20,218,567	$ 12,169,416
Loss on revaluation of financial liabilities	5,004,798	2,407,190	16,803,642	6,072,523
Amortization of deferred financing costs	2,876,521	374,607	10,679,018	638,826
Fair value adjustment of convertible debentures	(5,176,050)	11,000	(2,253,490)	(4,677,000)
Convertible debenture issuance costs	206,784	-	3,044,841	3,566,115
Class B LP and Class D GP exchangeable units – Fair value adjustment	(17,513,991)	14,570,931	(2,014,521)	3,590,248
Total Finance Costs	**$ (9,532,191)**	**$ 21,006,646**	**$ 46,478,057**	**$ 21,360,128**

Distributions on Class B LP and Class D GP Exchangeable Units

Under IFRS, the Class B LP and Class D GP exchangeable unit (the "Exchangeable Units") distributions are treated as a finance cost. The Exchangeable Units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. During the three months ended December 31, 2014, the REIT declared distributions of $5,069,747 (year ended December 31, 2014 - $20,218,567) on the Exchangeable Units as compared to $3,642,918, for the three months ended December 31, 2014 (year ended December 31, 2013 - $12,169,416). The increase in distributions is a result of both the additional 36,637,245 Exchangeable Units issued in June 2013, as well as the increase to the annual distribution rate effective January 1, 2014 from $0.16/unit to $0.22/unit.

Loss on revaluation of financial liabilities

On maturity, the principal balance of both of the Brazilian term loans and the holdbacks payable in respect of HMB and Rede D'Or Hospital Portfolio acquisitions (included in deferred consideration) will be adjusted by the inflation rate (IPCA or CDI) from the date of inception of these liabilities to their respective maturities. For the three months ended December 31, 2014, a revaluation loss of $5,004,798 (year ended December 31, 2014 - $10,731,119) was recorded to account for the related inflation adjustment to the term loans and holdback payable for the period, which is an increase of $2,597,608 over the three months ended December 31, 2013 (increase of $10,731,119 over the year ended December 31, 2013). The increase is due to the additional term loans obtained as a result of the Rede D'Or Hospital Portfolio acquisition on December 23, 2013, which have an aggregate principal balance of approximately $124,000,000 (R$270,000,000).

On October 1, 2014, the holdback plus accrued CDI adjustments related to HMB was paid, totaling $27,081,980 (R$59,377,287).

The increase in the fair value adjustment of financial liabilities from 2013 to 2104 is also a result of the holdback related to the Rede D'Or Hospital Acquisition beginning to accrete inflationary adjustments in October 2014 as a result of an amendment to the original purchase and sale agreement. The amendment of the purchase and sale agreement extended the payment date of the holdback to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor and resulted in the holdback being adjusted by the variation of the CDI plus 7.34% annually effective from the date of amendment (October 17, 2014) to the payment date. The amendment provides that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be limited to CDI only between January 15, 2015 and the date the vendor conditions are resolved. The vendor did not complete the required conditions by January 15, 2015.

The annual inflation rate in Brazil for December 31, 2014 was 6.41% as compared to 5.91% at December 31, 2013.

Amortization of deferred financing costs

Included in Finance Costs is amortization of deferred financing costs incurred to arrange mortgage or debt financing. For the three months ended December 31, 2014, amortization of deferred financing costs totaled $2,876,521 (year ended December 31, 2014 - $10,679,018). For the three months ended December 31, 2013, the REIT recorded amortization of deferred financing charges in the amount of $274,607 (year ended December 31, 2013 - $638,826). The increase in deferred financing costs relative to 2013 reflects the increased debt and refinancing activity of the REIT during the last quarter of 2013 and into 2014, specifically the additional term loans obtained as a result of the Rede D'Or Hospital Portfolio acquisition, which have an aggregate principal balance of approximately $124,000,000 (R$270,000,000).

Fair value adjustment of convertible debentures

Under IFRS, the REIT has elected to measure convertible debentures at fair value. The fair value of the Series MOB.DB Debentures, Series MOB.DB.A Debentures, and Series MOB.DB.B Debentures is based on the trading price of the REIT's listed convertible debentures (the "Debentures"). Table 7A summarizes the closing prices of the REIT's listed Debentures at each quarter end for the last nine quarters:

TABLE 7A - CLOSING PRICE OF CONVERTIBLE DEBENTURES

	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Month-end closing price ($)									
MOB.DB	900.10	945.60	905.10	950.00	855.00	870.00	920.50	1,000.00	N/A
MOB.DB.A	998.70	1,020.00	959.90	1,000.00	920.00	900.00	N/A	N/A	N/A
MOB.DB.B	880.00	975.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A

For the three months ended December 31, 2014 the trading price of the Series MOB.DB, MOB.DB.A and MOB.DB.B Debentures decreased resulting in a fair value gain of $5,176,050.

For the year ended December 31, 2014 the trading price of the Series MOB.DB and MOB.DB.A Debentures increased, resulting in a fair value loss of $2,396,510, which was offset by the decrease in the trading price of the Series MOB.DB.B Debentures from issuance on September 23, 2014 to December, 2014, which resulted in a fair value gain of $4,650,000, and therefore resulting in a net fair value gain of $2,253,490.

From issuance on March 25, 2013 to December 31, 2013, the trading price of the Series MOB.DB Debentures decreased from $1,000 to $855 per debenture, while the trading price of the Series MOB.DB.A Debentures decreased from $1,000 on issuance on August 29, 2013 to $920 on December 31, 2013. For the year ended December 31, 2013, this reduction in the trading price of the Series MOB.DB and MOB.DB.A Debentures resulted in a fair value gain of $4,677,000. For the three months ended December 31, 2013, the fair value loss of $11,000 was recorded relating to the revaluation of the Series MOB.DB and MOB.DB.A debentures.

Convertible debenture issuance costs

Included in finance costs for the three months ended December 31, 2014 are costs related to the issuance of the Series MOB.DB.B Debentures which totaled $206,784 (for year ended December 31, 2014 - $3,044,841). Included in finance costs for the three months and year ended December 31, 2013 are costs related to the issuance of the Series MOB.DB Debentures issued on March 25, 2013 and Series MOB.DB.A Debentures issued on August 29, 2013, which totaled $nil and $3,566,115 for the three and twelve month period, respectively.

Class B LP and Class D GP Exchangeable Units – Fair value adjustment

The Class B LP and Class D GP exchangeable units (the "Exchangeable Units"), under IFRS, are measured at fair value. The fair value of the Exchangeable Units mirrors the trading price of the REIT's listed Trust Units. Table 7B summarizes the closing prices of the REIT's listed Trust Units at each quarter end for the last nine quarters:

TABLE 7B - CLOSING PRICE OF MOB.UN

	Dec-14	Sep-14	Jun-14	Mar-14	Dec-13	Sep-13	Jun-13	Mar-13	Dec-12
Month-end closing price ($)	2.00	2.19	2.04	2.15	2.02	1.86	2.04	1.91	1.87

For the three months ended December 31, 2014 the value of the Exchangeable Units liability decreased by $17,513,991, reflecting the decrease in the trading price of the REIT's Trust Units during the period from $2.19 to $2.00 per unit. During the three months ended December 31, 2013, the value of the Class B LP exchangeable unit liability increased by $14,570,931 which reflected a fair value loss as a result of the $0.16 per unit decrease in the trading price of the REIT's Trust Units during the period.

For the year ended December 31, 2014 the value of the Exchangeable Units liability decreased by $2,014,521, reflecting the increase in the trading price of the REIT's Trust Units during the period from $2.02 to $2.00 per unit. During the year ended December 31, 2013, the value of the Class B LP liability increased by $3,590,248 reflecting the increase in the trading price of the REIT's Trust units by $0.15 during the period.

Foreign exchange gain/loss

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. For the three months ended December 31, 2014, the REIT recorded a foreign exchange loss of $1,693,504, which is made up of a realized exchange loss of $68,568 and an unrealized exchange loss of $1,624,936. The unrealized foreign exchange loss for the three months ended December 31, 2014 is primarily a result of the revaluation of the indebtedness related to the REIT's investment in Vital Trust which is denominated in New Zealand dollars. During the three months ended December 31, 2014, the New Zealand dollar strengthened by approximately 4% relative to the Canadian dollar, thus increasing the value of the New Zealand debt.

For the year ended December 31, 2014, the REIT recorded a foreign exchange loss of $1,115,359, which is made up of a realized exchange gain of $387,580 and an unrealized exchange loss of $1,502,939. The realized exchange gain for the year ended December 31, 2014 relates to foreign exchange gains realized on translation of Canadian dollars to Brazilian Real to settle outstanding intercompany loans between a Canadian subsidiary and a Brazilian subsidiary.

The unrealized foreign exchange loss for the year ended December 31, 2014 is primarily a result of the revaluation of the indebtedness related to the REIT's investment in Vital Trust which is denominated in New Zealand dollars. During the year ended December 31, 2014, the New Zealand dollar strengthened by approximately 3% relative to the Canadian dollar, thus increasing the value of the New Zealand debt.

For the three months ended December 31, 2013, the REIT recorded a foreign exchange loss of $1,007,606 (year ended December 31, 2013 - $2,914,885). During 2013, the REIT's foreign exchange fluctuations relates primarily to the revaluation of the indebtedness related to the REIT's investment in Vital Trust which is denominated in New Zealand dollars, and which is predominantly an unrealized loss.

See also "Foreign Exchange and Currency Management".

Amortization of intangible asset

In conjunction with the acquisition of the initial portfolio of international assets, the REIT indirectly acquired rights under a Management Fee Participation Agreement. At the time of acquisition, the value ascribed to the agreement was $15,612,750. The intangible asset is being amortized on a straight line basis over its determined useful life of 10 years. The REIT has recorded $390,319 of amortization for the both the three months ended December 31, 2014 and 2013 (year ended December 31, 2014 $1,561,275 and December 31, 2013 - $1,561,275).

Fair value adjustment of DUP liability

The REIT's unit-based deferred unit compensation liability ("DUP liability"), under IFRS, is measured at fair value. The fair value of the DUP liability mirrors the trading price of the REIT's listed Trust Units.

The fair value adjustment on revaluation of the DUP liability for the three months ended December 31, 2014 was a gain of $48,646 (year ended December 31, 2014 –$13,132) as compared to a fair value loss of $16,713 for the three months ended December 31, 2014 (year ended December 31, 2013 –$3,763).

Fair value adjustment of investment properties

For the three months ended December 31, 2014, the REIT recorded a fair value gain on investment properties of $15,663,390 primarily related to the revaluation of the German portfolio. For the year ended December 31, 2014, the REIT recorded a fair value gain of $26,814,224 of which $10,891,923 relates to the German portfolio and $15,922,301 relates to the Brazil portfolio.

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

For the three months ended December 31, 2013, the REIT recorded a fair value loss of $890,557 related to its investment properties (a fair value gain for the year ended December 31, 2013 of $24,119,615). The net gain on investment properties for the year ended December 31, 2013 is primarily a result of the increase in fair value recorded for the REIT's Brazil portfolio by $30,731,548. The increase in the fair value of the Brazil portfolio is related to a decrease in discount rates based on expected investor returns related to hospital and healthcare related real estate properties, as well as the contractual increase in rents for inflation. During the year ended December 31, 2013, the fair value gain on the Brazil portfolio was partially offset by a fair value loss as a result of the write-off of transaction costs capitalized on acquisition of the Fulda Property ($873,683) and the Rede D'Or Hospital Portfolio Acquisition ($5,216,746); and a fair value loss on the revaluation of the REIT's German portfolio ($521,504) mostly related to a change in adjustments for land transfer tax in determining fair value. See also "Part IV-Capitalization and Liquidity – Investment Properties".

Net loss on disposal of investment properties

During the year ended December 31, 2014, the REIT recognized a loss on sale of its leasehold interest in a building in Marktredwitz, Germany of $ $98,489 due to transaction costs incurred on the sale.

Gain/Loss on derivative financial instruments

During the three months ended December 31, 2014, the REIT recorded a loss on derivative financial instruments of $2,041,632 (year ended December 31, 2014 - $3,209,002). The loss during the three months ended December 31, 2014 relates primarily to the REIT entering into interest rate swaps related to the Brazil portfolio refinancing in December, 2014. The loss during the year ended December 31, 2014 is primarily a result of the REIT entering into new interest rate swaps obtained related to the mortgages obtained for the Core German MOB portfolio (loss of $1,201,179) and interest rate swaps Brazil portfolio term loan refinancing (loss of $1,761,609).

During the three months ended December 31, 2013, the REIT recorded a loss of $99,546 related to the fair value adjustment of the warrant liability and interest rate swap related to the margin facility secured by the Vital Trust units. For the year ended December 31, 2013, the REIT recorded a gain of $23,083,107 related to the settlement of the financial liability related to the Put/Call Agreement, partially offset by the fair value loss attributed to the warrant liability and interest rate swap on the margin facility secured by the Vital Trust units.

Income tax expense

The combined current tax and deferred tax expense of the REIT for the three months ended December 31, 2014 was $2,948,528 (year ended December 31, 2014 - $11,541,123). The current taxes primarily relate to the income taxes payable in Brazil.

For the three months ended December 31, 2014, current tax income was incurred of $177,960 compared to current income tax expense of $61,414 for the three months ended December 31, 2013. The credit current income tax for the three months ended December 31, 2014 is a result of the reclassification by the REIT of IOF tax (a Brazilian financial transaction tax) from current tax to general and administrative expenses. For the year ended December 31, 2014, current taxes were $268,960 compared to $1,678,626 for the year ended December 31, 2013. The decrease in the current tax expense for the year ended December 31, 2014 as compared to December 31, 2013 is a result the election made by the REIT on January 1, 2014 to change the tax status of the Brazilian properties which results in an increase to taxes on revenues (included in property operating costs), but is offset by a decrease to current taxes.

The REIT records deferred tax liabilities in Germany and Brazil arising primarily due to the difference between the book value and tax cost of its investment properties. The deferred tax expense of the REIT for the three months ended December 31, 2014 was $3,126,489 (year ended December 31, 2014 - $11,272,163). For the three months ended December 31, 2013, the REIT recorded deferred tax expense of $313,208 (year ended December 31, 2013 - $10,507,941). The driver of the deferred tax expense during the three months and year ended December 31, 2014 and 2013 is the Brazil and German portfolio revaluations which increased the carrying values of the assets in Brazil and Germany but not the tax values.

NET OPERATING INCOME

NOI is an additional IFRS measure of the REIT's operating performance, defined as property and property related revenue less operating expenses, inclusive of property management recovery fees and amortization of straight line rent. The REIT uses NOI to assess its property operating performance on an unleveraged basis. Same property NOI for the three months ended December 31, 2014 represents income from investment properties held prior to October 1, 2013. Same property NOI for the year ended December 31, 2014 represents income from currently owned investment properties acquired prior to January 1, 2013.

The REIT's NOI for the three months and year ended December 31, 2014 is summarized below on a same property basis consolidated in Canadian dollars (Table 6A) and then separately by region in source currency (Table 6B - Germany and Table 6C- Brazil):

TABLE 6A - SAME PROPERTY NOI

	Three months ended			Twelve months ended		
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	Variance (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI [(1)]						
Same propety revenue from investment properties	$ 4,853,305	$ 4,930,241	$ (76,936)	$ 18,565,810	$ 17,865,381	$ 700,429
Same property operating costs	(609,640)	(622,561)	12,921	(1,885,396)	(1,656,667)	(228,729)
	4,243,665	**4,307,680**	**(64,015)**	**16,680,414**	**16,208,714**	**471,700**
Acquisitions	5,803,854	443,478	5,360,376	22,686,216	1,429,235	21,256,981
Dispositions	(3,927)	104,326	(108,253)	37,416	388,299	(350,883)
NOI [(1)]	**$ 10,043,592**	**$ 4,855,484**	**$ 5,188,108**	**$ 39,404,046**	**$ 18,026,247**	**$ 21,377,799**

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.

TABLE 6B - SAME PROPERTY NOI - GERMANY

	Three months ended			Twelve months ended		
in Euro	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	Variance (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI [(1)] - in Euro						
Same propety revenue from investment properties	€ 867,940	€ 999,574	€ (131,634)	€ 2,372,999	€ 2,435,063	€ (62,064)
Same property operating costs	(284,796)	(339,307)	54,511	€ (701,400)	(810,968)	109,568
	583,144	**660,267**	**(77,123)**	**1,671,599**	**1,624,095**	**47,504**
Acquisitions - in Euro	965,602	-	965,602	2,761,372	720,161	2,041,211
Dispositions - in Euro	(2,769)	76,218	(78,987)	24,114	283,678	(259,564)
NOI [(1)] - in Euro	**€ 1,545,977**	**€ 736,485**	**€ 809,492**	**€ 4,457,085**	**€ 2,627,934**	**€ 1,829,150**
FX Rate	**1.4186**	**1.4152**		**1.4540**	**1.3688**	
NOI [(1)] - in CAD	**$ 2,193,123**	**$ 1,042,284**	**$ 1,150,839**	**$ 6,480,494**	**$ 3,597,117**	**$ 2,883,377**

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.

TABLE 6C - SAME PROPERTY NOI - BRAZIL

	Three months ended			Twelve months ended		
in BRL	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	Variance (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	Variance (Unaudited)
Same property NOI [(1)] - in BRL						
Same propety revenue from investment properties	$ 8,119,360	$ 7,621,045	$ 498,315	$ 32,088,565	$ 30,338,761	$ 1,749,804
Same property operating costs	(460,948)	(311,961)	(148,987)	(1,823,981)	(1,141,158)	(682,823)
	7,658,412	**7,309,084**	**349,328**	**30,264,584**	**29,197,603**	**1,066,981**
Acquisitions - in BRL	9,939,591	925,841	9,013,750	39,758,364	925,841	38,832,523
Dispositions - in BRL	-	-	-	-	-	-
NOI [(1)] - in BRL	**$ 17,598,003**	**$ 8,234,925**	**€ 9,363,078**	**$ 70,022,948**	**$ 30,123,444**	**€ 39,899,504**
FX Rate	**0.4461**	**0.4631**		**0.4702**	**0.4790**	
NOI [(1)] - in CAD	**$ 7,850,469**	**$ 3,813,200**	**$ 4,037,269**	**$ 32,923,552**	**$ 14,429,130**	**$ 18,494,422**

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.

Revenue from investment properties

Germany

Table 6B summarizes the REIT's NOI from Germany in source currency (Euro). Same property revenue from Germany's investment properties was lower by €131,634 for the three months ended December 31, 2014, and lower by €62,064 for the year ended December 31, 2014, as compared to actual results for the three months and year ended

December 31, 2013. The lower same property revenue during the three months and year ended December 31, 2014 compared to the same period in 2013, is a result of catch up charges for indexation and annual service charge reconciliations made during the three months ended December 31, 2013, and is further explained by adjustments made across the portfolio during the three months ended December 31, 2014 to accrue the estimated result of the year end tenant reconciliation, which resulted in an accrual of net refunds to tenants as a result of overall lower operating costs, offset partially by inflationary rental adjustments across the portfolio as well as increased occupancy at the Berlin Neukölln and Königs Wusterhausen 1 properties which increased occupancy from 94.9% and 85.7%, respectively at December 31, 2013 to 100.0% and 90.9% respectively, at December 31, 2014.

Brazil

Table 6C summarizes the REIT's NOI from Brazil in source currency (Brazilian Real). In Brazil, same property revenues for the three months and year ended December 31, 2014 were R$8,119,360 and R$32,088,565 respectively, as compared to R$7,621,045 and R$30,338,761 for the three months and year ended December 31, 2013. The increase in same property revenue is a result of inflationary adjustments which are implemented annually across the portfolio, in accordance with the REIT's leasing contracts. The annual inflation rate for December 31, 2014 was 6.41% as compared to 5.91% at December 31, 2013.

Property operating costs

Germany

Same property operating costs for the three months and year ended December 31, 2014 for the German portfolio was €284,796 and €701,400 respectively, as compared to €339,307 and €810,968 for the three months and year ended December 31, 2013. For the three months and year ended December 31, the property operating costs in 2013 were higher than 2014 as a result of additional provisions made for bad debts and higher leasing and repairs and maintenance costs in 2013 as compared to 2014.

Brazil

In Brazil, same property operating costs for the three months and year ended December 31, 2014 were R$460,948 and R$1,823,891 respectively, as compared to R$311,961 and R$1,141,158 for the three months and year ended December 31, 2013. The increase in property operating costs on a same store basis is a result of the election made by the REIT on January 1, 2014 to change the tax status of the HMB property which resulted in an increase to the tax rate on revenues for this property from approximately 3.65% to 5.95%. While the change in tax regime results in slightly higher revenue tax, it results in the current income taxes payable being fully eliminated.

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 the Trustees in their discretion.

TABLE 8 - FUNDS FROM OPERATIONS

	Three months ended		Twelve months ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)
Net Income	$ 21,164,556	$ (26,809,534)	$ (26,677,731)	$ 21,077,009
Add / (Deduct):				
(i) Fair market value losses (gains)	(36,360,445)	15,588,747	(27,886,366)	(48,186,165)
(ii) Finance cost - Class B LP and Class D GP exchangeable unit distributions	5,069,747	3,642,918	20,218,568	12,169,416
(iii) Revaluation of financial liabilities	5,004,798	2,407,190	16,803,642	6,072,523
(iv) Unrealized foreign exchange loss (gain)	1,624,936	1,007,606	1,502,939	2,914,885
(v) Deferred taxes	3,126,489	313,208	11,272,163	10,507,940
(vi) Non-recurring transaction costs	-	-	-	468,182
(vii) Convertible debenture issuance costs	206,784	-	3,044,841	3,566,115
(viii) Net adjustments for equity accounted entities	3,380,298	3,034,230	16,537,133	2,189,721
(viiii) Net loss on disposal of investment properties	-	-	98,488	-
Funds From Operations ("FFO") (1)	**$ 3,217,163**	**$ (815,635)**	**$ 14,913,677**	**$ 10,779,626**
FFO per Unit - Basic	$ 0.02	$ (0.01)	$ 0.09	$ 0.09
FFO per Unit - fully diluted (3)	$ 0.02	$ (0.01)	$ 0.09	$ 0.09
Adjusted weighted average units outstanding: (2)				
Basic	170,427,954	138,120,778	158,541,907	119,519,921
Diluted (3)	170,677,808	138,228,362	158,783,786	119,616,222

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 and Class D GP exchangeable 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 and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at December 31, 2014 and 91,068,320 Class B LP exchangeable units outstanding at December 31, 2013.

(3) Diluted units include the conversion of the REIT's convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

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

(i) Fair market value gains/ losses

For the three months ended December 31, 2014 the net fair market value gain comprised of (a) $2,041,632 fair value loss on derivative financial instruments; (b) $17,562,637 fair value gain on the Exchangeable Units and unit based compensation liabilities; (c) $15,663,390 fair value gain on investment properties; and (d) $5,176,050 fair value gain on the convertible debentures.

For the three months ended December 31, 2013 fair market value gains comprised of (a) $99,546 fair value loss on derivative financial instruments; (b) $14,570,931 fair value loss on Class B LP exchangeable units and unit based compensation liabilities; (c) $890,557 fair value loss on investment properties; (d) $11,000 fair value loss on the convertible debentures; and (e) $16,650 fair value gain on the DUP liability.

For the year ended December 31, 2014 the net fair market value loss comprised of (a) $3,209,002 fair value loss on derivative financial instruments; (b) $2,027,653 fair value gain on the Exchangeable Units and unit based compensation liabilities; (c) $26,814,225 fair value gain on investment properties; and (d) $2,253,490 fair value gain on the convertible debentures.

For the year ended December 31, 2013 fair market value gains comprised of (a) $22,983,561 fair value gain on derivative financial instruments; (b) $3,590,248 fair value loss on Class B LP exchangeable units and unit based compensation liabilities; (c) $24,119,615 fair value gain on investment properties; (d) $4,677,000 fair value gain on the convertible debentures; and (e) $3,763 fair value loss on the DUP liability.

Additional details are below:

(a) 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 White Paper on Funds From Operations dated April 2014 ("REALpac guidance") and in order to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, fair value changes related to derivative financial instruments have been added back to the REIT's net income.

(b) Class B LP exchangeable units and unit based compensation liabilities

The REIT has extended this guidance to the Class D GP units of NWI LP which are also exchangeable units similar to the Class B LP exchangeable units (the "**Exchangeable Units**"). Under IFRS the REIT's Exchangeable Units and unit based compensation liabilities 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 unit based compensation liabilities have been added back to the REIT's net income.

(c) Investment properties

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

(d) 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 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.

(ii) Finance cost – Exchangeable Unit distributions

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

(iii) Revaluation of financial liabilities

On maturity, the principal balance of both the term loans and holdback payables (included in deferred consideration) will be adjusted by the inflation rate from the date of inception of these liabilities to their respective maturities. For the three months ended December 31, 2014 and 2013, revaluation losses of $5,004,798 and $2,407,190 respectively (for the year ended December 31, 2014 and 2013 - $16,803,642 and $6,072,523) was recorded to account for the related inflation adjustments to the term loans and holdback payable for the period. The accretion expense is treated as a fair value adjustment to the Brazilian term loans and holdbacks payable related to the acquisition of HMB and Rede D'or portfolio, and therefore adjusted for to arrive at FFO. Although this adjustment is not consistent with REALpac guidance, the REIT believes the adjustment is consistent with industry practice.

(iv) Unrealized foreign exchange losses

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 loss for the period relates primarily to the revaluation of the debt (related to the REIT's investment in Vital Trust) which is denominated in New Zealand dollars. Consistent with REALpac guidance, the foreign exchange loss on the indebtedness associated with the REIT's investment in Vital Trust has been added back to the REIT's net income, as it relates to borrowings that arise due to the REIT's interest in a foreign operation (Vital Trust).

(v) Deferred taxes

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

(vi) Strategic transaction costs

Under IFRS the REIT expensed non-recurring strategic transaction costs related to its reconfiguration to focus on international assets. The strategic and non-recurring nature of these costs is akin to those of a business combination. To allow for consistent treatment of transaction costs and to enhance the usefulness and comparability of FFO as a supplemental measure of the operating performance of the REIT, strategic transaction costs related to the REIT's reconfiguration have been added back to net income. Although this adjustment is not consistent with REALpac guidance, the REIT believes the adjustment is consistent with industry practice.

(vii) Convertible debenture issuance costs

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

(viii) Net adjustments for equity accounted entities

Under IFRS the REIT's investment in associates, which currently represents an approximate 24% direct interest in Vital Trust and an approximate 25% indirect interest in NWHP REIT, are accounted for using the equity method of accounting. As such, the REIT's share of its associates' post acquisition net income / (loss) is recognized in its net income / (loss), and its share of post-acquisition movements in other comprehensive income / (loss) is 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 associates' post acquisition net income / (loss) has been added/(deducted) to/(from) net income and FFO is presented after including the REIT's proportionate share of the associates' FFO.

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

TABLE 9 - NET ADJUSTMENTS FOR EQUITY ACCOUNTED ENTITIES	Three months ended		Twelve months ended	
	December 31, 2014 (Unaudited)	**December 31, 2013 (Unaudited)**	**December 31, 2014 (Unaudited)**	**December 31, 2013 (Unaudited)**
Vital Trust - FFO [(1)(2)]	8,466,225	$ 7,254,980	$ 27,838,357	$ 29,480,251
average % of Vital Trust owned during the period	24%	24%	24%	22%
Vital Trust Proportionate FFO	**2,028,225**	**1,750,627**	**$ 6,686,527**	**6,365,051**
NWHP REIT - FFO [(2)(3)]	$ 11,585,000	$ 11,854,000	$ 46,347,000	$ 23,271,558
average % of NWHP REIT owned during the period	26%	26%	26%	26%
NWHP REIT Proportionate FFO	**$ 2,956,881**	**3,045,825**	**$ 11,877,541**	**$ 5,981,500**
Funds From Operations from Associates ("FFO") [(2)]	**$ 4,985,106**	**$ 4,796,452**	**$ 18,564,068**	**$ 12,346,551**
Less: Share of profit (loss) of associates	(1,604,808)	(1,762,222)	(2,026,935)	(10,156,830)
Net adjustments for equity accounted entities	**$ 3,380,298**	**$ 3,034,230**	**$ 16,537,133**	**$ 2,189,721**

Notes

(1) Represents the net distributable income of Vital Trust's calculated from their unaudited results for six months ended December 31, 2014, adding the net distributable income as reported by Vital Trust for the year ended June 30, 2014 and deducting the net distribuable income reported for the six months ended December 31, 2013, coverted to Canadian dollars using the average rate during the period.

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

(3) Represents the FFO as reported by NWHP REIT for the three months and year ended December 31, 2014. For 2013, represents the FFO as reported by NWHP REIT for the six months ended December 31, 2013 and the FFO as reported by NWHP REIT for the three months ended June 30, 2013, prorated for the 10 day period from June 21 to June 30, 2013 to represent the income attributable to the period from acquisition by the REIT.

For the three months ended December 31, 2014, the REIT has included $2,028,225 of FFO related to its proportionate direct interest in Vital Trust, which is $277,598 more than the proportional FFO related to Vital Trust attributable to the REIT for the three months ended December 31, 2013. The increase is primarily due to incremental acquisitions and inflationary rent increases.

For the three months ended December 31, 2014, the REIT has included $2,956,881 of FFO related to its approximate 25% proportionate indirect interest in NWHP REIT, which is a slight decrease of $88,944 over the three months ended December 31, 2013. NWHP REIT’s FFO was negatively impacted by same property NOI performance, increased deferred unit plan compensation expense, debt repayment costs and the near term dilutive impact of property dispositions, partially offset by a net reduction in interest costs

For the year ended December 31, 2014, the REIT has included $6,686,527 of FFO related to its proportionate direct interest in Vital Trust, which is $321,476 greater than the proportional FFO related to Vital Trust attributable to the REIT for the year ended December 31, 2013. The increase is due to the REIT’s increase in its investment in Vital Trust from approximately 22% during the year ended December 31, 2013 as compared to approximately 24% during the year ended December 31, 2014, partially offset by the absolute decrease in FFO of Vital Trust for the year ended December 31, 2014 as compared to December 31, 2013 which is related to one off tax influences.

For the year ended December 31, 2014, the REIT has included $11,887,541 of FFO related to its approximate 25% proportionate indirect interest in NWHP REIT. The REIT acquired its investment in NWHP REIT on June 21, 2013; therefore the FFO adjustment of $5,981,500 for the year ended December 31, 2013 represents the proportionate FFO reported by NWHP REIT, prorated for the period from June 21, 2013 to December 31, 2013.

ADJUSTED FUNDS FROM OPERATIONS ("AFFO")

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

TABLE 10 - ADJUSTED FUNDS FROM OPERATIONS

	Three months ended		Twelve months ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)
Funds From Operations ("FFO") (1)	$ 3,217,163	$ (815,635)	$ 14,913,677	$ 10,779,626
Add / (Deduct):				
(i) Asset management fees to be paid in units	876,403	587,386	3,318,974	1,964,328
(ii) Amortization of intangible asset	390,319	390,319	1,561,276	1,561,275
(iii) Instalment note	-	214,874	214,562	851,268
(iv) Interest rate subsidy	683,908	683,908	2,713,332	1,442,154
(v) Amortization of deferred financing charges	2,876,521	374,607	10,679,018	638,826
(vi) Straight line revenue	(51,803)	(80,970)	(83,880)	(263,245)
(vii) Actual capex and leasing costs	(204,636)	-	(369,091)	(34,907)
(viii) Unit-based compensation expense	59,355	181,293	220,545	181,293
(ix) Incentive fee	-	4,103,617	-	4,103,617
Adjusted Funds From Operations ("AFFO") (1)	**$ 7,847,230**	**$ 5,639,399**	**$ 33,168,413**	**$ 21,224,235**
AFFO per Unit - Basic	0.05	0.04	0.21	0.18
AFFO per Unit - fully diluted (3)	0.05	0.04	0.21	0.18
Distributions per Unit - Basic	0.06	0.04	0.22	0.16
AFFO Payout Ratio - Basic	119%	98%	105%	90%
Adjusted weighted average units outstanding: (2)				
Basic	170,427,954	138,120,778	158,541,907	119,519,921
Diluted (3)	170,677,808	138,228,362	158,783,786	119,616,222

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 and Class D GP exchangeable 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 and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at December 31, 2014 and 91,068,320 Class B LP exchangeable units outstanding at December 31, 2013.

(3) Diluted units include the conversion of the REIT's convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

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

(i) Asset management fees to be paid in units

As part of the REIT's external asset management arrangements, the Asset Manager has the option to receive its fees in Trust Units. To account for the non-cash nature of the asset management fees paid in Trust Units, the REIT has included an adjustment in AFFO.

(ii) Amortization of intangible asset

Under IFRS, the REIT has recorded $390,319 for both the three months ended December 31, 2014 and 2013 (year ended December 31, 2014 and 2013 - $1,561,276) of amortization related to the Management Fee Participation Agreement and Vital Management Rights. As amortization is non-cash, the REIT has included an adjustment in AFFO.

(iii) Instalment note

As part of the REIT's acquisition of the Initial International Assets, NWVP agreed to provide an effective interest rate subsidy on the securitization facility related to the Sabara Children's Hospital to reduce the in place interest rate of 9.25% plus IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy) to 8% to April 2014.

Under IFRS, payments received in relation to the instalment note decrease the REIT's instalment note receivable. To date, no payments have been received in relation to the instalment note. To account for the economic impact of the reduced rate on the securitization facility related to the Sabara Children's Hospital, the REIT includes an accrual of the amount to be received in respect of the instalment note in AFFO.

(iv) Interest rate subsidy

As part of the acquisition of the investment in NWHP REIT, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. In 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to December 31, 2014.

Under IFRS, at the date of acquisition the present value of the interest rate subsidy was $1,873,898 and has been recorded as a receivable from NWVP. To reflect the extension of the interest rate subsidy in May 2014, the REIT recorded an additional receivable from NWVP of $913,772 with the offset recorded directly to equity as a capital contribution. To reflect the extension of the interest rate subsidy in September 2014 and December 2014, the REIT recorded an additional receivable from NWVP of $683,908 and $683,908 respectively with the offset recorded directly to equity as a capital contribution. Subsequent cash payments made by NWVP will be recorded as a reduction of the receivable balance. To account for the economic impact of the reduced rate on the margin facilities related to the investment in NWHP REIT, the REIT includes an accrual of the cash to be received in respect of the interest rate subsidy in AFFO. To date, no cash payments have been made by NWVP in respect of the capital contributions.

(v) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of deferred financing charges of $2,876,521 for the three months ended December 31, 2014 (year ended December 31, 2014 - $10,679,018) and $374,607 for the three months ended December 31, 2013 (year ended December 31, 2013 - $638,826) relating to amortization of deferred financing costs. As the amortization is a non-cash item, the REIT has included an adjustment in AFFO.

(vi) Securitized rent adjustment

Under IFRS, the REIT has recorded deferred revenue in respect of the securitization facility related to the Sabara Children's Hospital, which is amortized into income over the remaining term of the lease. To account for the actual revenue received and to eliminate any principal repayment components on the securitization, the REIT includes an adjustment in AFFO.

For the three months ended December 31, 2014 the REIT recorded revenue of $583,081 related to Sabara Children's Hospital (year ended December 31, 2014 - $2,323,679), while the actual rent received, less interest on the securitization, totaled $531,278 (year ended December 31, 2014 - $2,239,799). As such, the REIT has reduced net income reported under IFRS in AFFO by $51,803 for the three months ended December 31, 2014 (year ended December 31, 2014 - $83,880).

For the three months ended December 31, 2013 the REIT recorded revenue of $560,663 (year ended December 31, 2013- $2,256,933) related to Sabara Children's Hospital, while the actual rent received, less interest on the securitization, totaled $479,692 (for the year ended December 31, 2013 - $1,993,688). As such, the REIT has reduced net income reported under IFRS in AFFO by $80,970 for the three months ended December 31, 2013 ($263,245 for the year ended December 31, 2013).

(vii) Actual maintenance capital expenditures and leasing costs

For the three months ended December 31, 2014 the REIT incurred $204,636 (year ended December 31, 2014 - $369,091) of non-recoverable maintenance capital expenditures and leasing costs, primarily related to new leases and renewals signed throughout the Berlin portfolio. For the three months and year ended December 31, 2013 the REIT incurred $nil and $34,907 respectively of non-recoverable capital expenditures related to the parking garage at Königs Wusterhausen 1. The REIT has included this adjustment in AFFO as it represents the cost of maintaining the productive capacity of the current portfolio.

(viii) Unit-based compensation expense

For the three months and year ended December 31, 2014 the REIT incurred unit-based compensation expense of $59,355 and $220,545 respectively related to trustee compensation issued in deferred Trust Units. For the three months and year ended December 31, 2013 the REIT incurred unit-based compensation expense of $181,293 related to trustee compensation issued in deferred Trust Units. As the unit-based compensation is a non-cash item, the REIT has included an adjustment in AFFO.

(ix) Incentive fee

There was no incentive fee paid during the three months and year ended December 31, 2014. For both the three months and year ended December 31, 2013 the REIT accrued an incentive fee of $4,103,617 owing to a subsidiary of NWVP (see Part V - Related Party Transactions). To account for the non-cash nature of the incentive fee paid in Class D GP exchangeable units, the REIT has included an adjustment in AFFO.

DISTRIBUTIONS

For the three months and year ended December 31, 2014, the REIT declared a total of $9,577,589 and $35,289,464, respectively, in distributions, reflecting an annualized distribution rate of $0.22 per unit per annum. For the three months and year ended December 31, 2013, the REIT declared a total of $5,590,566 and $19,501,967, respectively, in distributions, reflecting an annualized distribution rate of $0.16 per unit per annum. Distributions paid over the last twelve months are summarized below:

TABLE 11 - MONTHLY DISTRIBUTIONS

	Dec-14	Nov-14	Oct-14	Sep-14	Aug-14	Jul-14	Jun-14	May-14	Apr-14	Mar-14	Feb-14	Jan-14
Monthly distribution ($)	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183	0.0183
Month-end closing price ($)	2.00	2.12	2.26	2.19	2.25	2.10	2.04	1.99	2.15	2.15	2.16	2.24
Date of Record	31-Dec-14	30-Nov-14	31-Oct-14	30-Sep-14	31-Aug-14	31-Jul-14	30-Jun-14	30-May-14	30-Apr-14	31-Mar-14	28-Feb-14	31-Jan-14
Date Paid	15-Jan-15	15-Dec-14	17-Nov-14	15-Oct-14	15-Sep-14	15-Aug-14	15-Jul-14	16-Jun-14	15-May-14	15-Apr-14	17-Mar-14	17-Feb-14

During the three months and year ended December 31, 2014, a total of 148,114 and 494,113 trust units were issued under the REIT's distribution reinvestment plan (the "DRIP") (three months and year ended December 31, 2013 – 46,967 and 151,618, respectively).

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

TABLE 12 - DIFFERENCES BETWEEN CASH FLOW FROM OPERATIONS/NET INCOME AND CASH DISTRIBUTIONS								
	Three months ended				**Twelve months ended**			
	December 31, 2014		**December 31, 2013**		**December 31, 2014**		**December 31, 2013**	
	(Unaudited)		**(Unaudited)**		**(Audited)**		**(Audited)**	
Net income	$	21,164,556	$	(26,809,534)	$	(26,677,731)	$	21,077,009
Cash flow from operating activities	$	1,481,314	$	(3,264,955)	$	9,079,107	$	1,737,533
Distributions paid and payable								
Trust Units	$	4,507,842	$	1,947,648	$	15,070,897	$	7,332,551
Class B LP and Class D GP Exchangeable Units	$	5,069,747	$	3,642,918	$	20,218,567	$	12,169,416
	$	9,577,589	$	5,590,566	$	35,289,464	$	19,501,967
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$	(8,096,275)	$	(8,855,521)	$	(26,210,357)	$	(17,764,434)
Surplus (shortfall) of net income over distributions paid and payable	$	11,586,967	$	(32,400,100)	$	(61,967,195)	$	1,575,042

TABLE 12A - ADJUSTMENT FOR DISTRIBUTION INCOME FROM ASSOCIATES								
	Three months ended				**Twelve months ended**			
	December 31, 2014		**December 31, 2013**		**December 31, 2014**		**December 31, 2013**	
	(Unaudited)		**(Unaudited)**		**(Audited)**		**(Audited)**	
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$	(8,096,275)	$	(8,855,521)	$	(26,210,357)	$	(17,764,434)
Add: Distribution income from associates	$	3,823,537	$	3,786,278	$	15,498,550	$	9,332,519
Adjusted surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$	(4,272,738)	$	(5,069,243)	$	(10,711,807)	$	(8,431,915)

For the three months ended December 31, 2014, distributions paid and payable exceeded cash flow from operations by $8,096,275 compared to $8,855,521 for the three months ended December 31, 2013. For the three months ended December 31, 2014 the REIT's net income exceeded distributions paid and payable by $11,586,967 compared to distributions paid and payable exceeding net income by $32,400,100 for the three months ended December 31, 2013.

For the year ended December 31, 2014, distributions paid and payable exceeded cash flow from operations by $26,210,357 compared to $17,764,434 for the year ended December 31, 2013. For the year ended December 31, 2014 the REIT's distributions paid and payable exceeded net income by $61,967,195. For the year ended December 31, 2013 the REIT's net income exceeded distributions paid and payable by $1,575,042.

Cash flow from operating activities excludes the distribution income from associates which is classified as cash flows from investing activities under IFRS, and therefore is not considered in the surplus (shortfall) relative to the distributions paid. The distributions earned from its investment in associates are considered by management to be an integral part of the REIT's cash flow from operations due to the strategic nature of these equity investments. After considering the distribution income earned from the REIT's investments in associates, Table 12A therefore identifies that a remaining $4,272,378 and $10,711,807 of distributions paid and payable for the three months and year ended December 31, 2014, respectively ($5,069,243 and $8,431,915 for the three months and year ended December 31, 2013), were financed from other sources. The remaining distributions paid and payable not funded by cash flow from operations or from distribution income earned from associates, were funded through the deferral of the payment of distributions owing on the Class B LP Units of $5,008,667 and $13,356,444 for the three months and year ended December 31, 2014, respectively ($nil and $nil for the three months and year ended December 31, 2013). See section "2014 Highlights" and section "Part IV – Capitalization and Liquidity".

In assessing its distribution policy, the REIT considers not only cash flows from operating activities 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 2014 distributions are funded by the deferral of payment of distributions owing on the Class B LP Units and financing activities. The REIT believes that it will be able to sustain distributions in the near term as the REIT measures distributions in relation to the AFFO and the REIT believes it may continue to defer the payment of distributions on the Class B LP Units, as required, and that it will be able to obtain new financing to meet its cash flow requirements.

The shortfall in net income is due to the fact that net income already includes a deduction for the distributions on the Class B LP exchangeable units which are considered finance costs under IFRS, and where the same Class B LP distributions are included in distributions paid and payable. Net income for the period also reflects material non-cash items such as fair value adjustments to investment properties and financial instruments and deferred taxes, which do not impact cash flow and are not considered in the REIT's distribution policy. In establishing distribution payments, the REIT does not take fluctuations in working capital into consideration.

In the fiscal years 2013 and 2014, 100% of the REIT's distributions were deemed a return of capital for tax purposes. As the REIT has a relatively short operating history (being October 1, 2012, the effective date of the vend-in of the initial international assets), the real estate assets of the REIT have a relatively higher tax base. As such, the REIT will experience a lower taxable income due to tax deductions available to it. Over time, as the REIT grows, its taxable income is expected to grow, and a greater proportion of the REIT's distributions will be allocated to a return on capital (and less a return of capital) for tax purposes. The REIT has chosen to make distributions partly representing an economic return on capital for tax purposes as its distribution policy is based on AFFO earned rather than the expected tax attributes of the distributions.

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

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

TABLE 12B - RECONCILIATION OF CASH FLOW FROM OPERATIONS TO AFFO

	Three months ended		Twelve months ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)
Cash flow from operating activities	$ 1,481,314	$ (3,264,955)	$ 9,079,107	$ 1,737,533
Add (deduct):				
Non-cash interest expense	(1,293,164)	(994,099)	(663,938)	(2,022,876)
Non-cash current taxes	263,558	(75,865)	769,635	(527,128)
Changes in non-cash working capital balances	896,634	(685,802)	(1,612,652)	(1,446,735)
FFO of equity accounted entities	4,985,106	4,796,452	18,564,068	12,346,551
Asset management fees to be paid in units	876,403	587,386	3,318,974	1,964,328
Incentive fee to be paid in units	-	4,103,617	-	4,103,617
Instalment note	-	214,874	214,562	851,268
Interest rate subsidy	683,908	683,908	2,713,332	1,442,154
Strategic transaction costs	-	-	-	468,182
Actual capex and leasing costs	(204,636)	-	(369,091)	(34,907)
Amortization of deferred revenue	339,787	323,136	1,368,171	2,460,557
Straight line revenue	(51,803)	(80,970)	(83,880)	(263,245)
Redemption of units issued under deferred unit plan	(120,003)	-	(120,003)	-
Foreign exchange	(9,875)	31,717	(9,872)	144,936
	6,365,915	8,904,354	24,089,306	19,486,702
AFFO	$ 7,847,230	$ 5,639,399	$ 33,168,413	$ 21,224,235

QUARTERLY PERFORMANCE

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

TABLE 13 - QUARTERLY PERFORMANCE

	Q4-14	Q3-14	Q2-14	Q1-14	Q4-13	Q3-13	Q2-13	Q1-13
Summary of Financial information								
Gross Book Value ("GBV") (1)	$ 846,271,088	$ 863,768,660	$ 821,503,979	$ 793,358,386	$ 756,258,230	$ 560,867,595	$ 517,126,358	$ 380,465,080
Debt - Declaration of Trust ("DOT") (2)	$ 436,431,589	$ 483,808,250	$ 492,630,516	$ 463,946,840	$ 437,642,389	$ 238,475,203	$ 230,180,937	$ 162,905,626
Debt to GBV - DOT	51.6%	56.0%	60.0%	58.5%	57.9%	42.5%	44.5%	42.8%
Debt - Including convertible debentures (2)	$ 508,351,099	$ 557,153,810	$ 529,884,026	$ 502,916,810	$ 473,065,389	$ 273,887,203	$ 250,984,237	$ 181,401,901
Debt to GBV - Incl. convertible debentures	60.1%	64.5%	64.5%	63.4%	62.6%	48.8%	48.5%	47.7%
Operating results								
Net income / (loss)	$ 21,164,556	$ (11,922,697)	$ (8,899,911)	$ (27,019,676)	$ (26,809,534)	$ 32,116,236	$ 4,168,473	$ 11,601,834
NOI	$ 10,043,592	$ 10,470,000	$ 9,659,644	$ 9,230,811	$ 4,855,484	$ 4,282,008	$ 4,545,692	$ 4,343,063
FFO (3)	$ 3,217,163	$ 3,878,945	$ 4,069,349	$ 3,583,153	$ (815,635)	$ 4,242,955	$ 3,656,092	$ 3,696,216
AFFO (3)	$ 7,847,230	$ 8,620,918	$ 8,552,032	$ 7,983,166	$ 5,639,399	$ 6,064,083	$ 4,820,943	$ 4,699,810
Distributions (4)	$ 9,577,589	$ 8,981,352	$ 8,635,814	$ 8,094,715	$ 5,590,562	$ 5,463,249	$ 4,472,101	$ 3,976,052
Per Unit amounts								
FFO per unit - Basic	$ 0.02	$ 0.02	$ 0.03	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04
FFO per unit - fully diluted (6)	$ 0.02	$ 0.02	$ 0.03	$ 0.02	$ (0.01)	$ 0.03	$ 0.04	$ 0.04
AFFO per unit - Basic	$ 0.05	$ 0.05	$ 0.06	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05
AFFO per unit - fully diluted (6)	$ 0.05	$ 0.05	$ 0.06	$ 0.05	$ 0.04	$ 0.04	$ 0.05	$ 0.05
Distributions	$ 0.06	$ 0.06	$ 0.06	$ 0.06	$ 0.04	$ 0.04	$ 0.04	$ 0.04
Adjusted Weighted Average units outstanding (5)								
Basic	170,427,954	162,384,317	154,012,230	147,043,933	138,120,778	136,566,427	103,506,425	99,271,825
Diluted (6)	170,677,808	162,612,832	154,218,763	147,249,723	138,228,362	136,661,749	103,598,923	99,364,324

Notes

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

(2) Indebtedness as defined in the Declaration of Trust includes the principal balance of mortgages, securities lending agreement, margin facilities, term loan, line of credit, and deferred consideration. The REIT's total debt also includes convertible debentures (at fair value).

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

(4) Represents distributions to Unitholders and Class B LP and Class D GP exchangeable unitholders on an accrual basis. Distributions are payable as at the end of the period in which they are declared and are paid on or around the 15th day of the following month.

(5) Under IFRS the REIT's Class B LP and Class D GP exchangeable 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 and Class D GP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP and 1,110,580 Class D GP exchangeable units outstanding as at December 31, 2014 and 91,068,320 Class B LP exchangeable units outstanding at December 31, 2013.

(6) Diluted units include the conversion of the REIT's convertible debentures if the closing price of the Trust Unit is greater than conversion price or exercise price as at the end of the reporting period. Otherwise the convertible debentures are considered anti-dilutive.

PART IV – CAPITALIZATION AND LIQUIDITY

INVESTMENT PROPERTIES

The fair value of investment properties as at December 31, 2014 was $524,230,496 representing an implied weighted average capitalization rate of 8.57% (as at December 31, 2013 – 8.75%).

TABLE 14 - INVESTMENT PROPERTIES

	As at Dec. 31, 2014 (Audited)	As at Dec. 31, 2013 (Audited)
Opening Balance, January 1	$ 448,832,353	$ 205,502,477
Acquisitions of investment properties	72,467,560	225,993,435
Disposition of investment properties	(6,923,586)	-
Addition to investment properties	983,948	50,852
Fair value gain	26,814,224	24,119,615
Foreign currency translation	(17,944,003)	(6,834,026)
Closing Balance	**$ 524,230,496**	**$ 448,832,353**

During the year ended December 31, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for $6,923,586; completed the acquisition of a portfolio of the Core German MOB Portfolio for a gross purchase price of $54,950,235, including transaction costs of $3,546,164; and completed the acquisition of Hohenschoenhausen for gross purchase price of $16,135,258, including transaction costs of $1,382,067. From January 1, 2014 to December 31, 2014, the value of the REIT's investment properties decreased by $17,944,003 as a result of foreign exchange movements caused by the weakening Brazilian Real and Euro relative to the Canadian dollar. The value of investment properties increased as a result of fair value adjustments on the revaluation of the Brazil portfolio of $16,016,114 and German portfolio of $11,545,935 and increased due to additions to investment properties totaling $983,948 mainly related to capitalized leasing costs and tenant improvements.

The fair values of the investment properties at December 31, 2014 and December 31, 2013 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals. During the year ended December 31, 2014, the full portfolio of the REIT's investment properties were valued by external valuation professionals with recognized and relevant professional qualifications (year ended December 31, 2013 - $404,127,000). Estimates and assumptions used in determining the fair value of the investment properties include discount rates, terminal capitalization rates, inflation rates, vacancy rates, and property level net operating income. See note 6 of the REIT's audited consolidated financial statements for the year ended December 31, 2014 for additional details.

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, 2014 and December 31, 2013:

TABLE 15 - CAPITAL STRUCTURE

	As at Dec. 31, 2014 (Audited)	As at Dec. 31, 2013 (Audited)
Mortgages and loans payable	$ 388,311,734	$ 357,526,759
Deferred consideration	41,280,380	70,115,165
Convertible debentures	71,919,510	35,423,000
Deferred revenue	12,869,015	14,636,638
Class B LP and Class D GP exchangeable units	184,357,800	183,958,006
Unit-based compensation liability	457,463	370,054
Unitholders' equity	99,968,971	77,703,372
Total Capitalization	**$ 799,164,873**	**$ 739,732,994**

Equity

For the year ended December 31, 2014 the number of Trust Units outstanding increased from 54,978,385 to 86,804,781. The increase in Trust Units was a result of (i) the issuance of 852,070 Trust Units on January 14, 2014 for gross proceeds of $1,704,140 before transaction costs of $85,769; (ii) the issuance of 11,219,513 Trust Units on May 21, 2014 for gross proceeds of $23,000,002 before transaction costs of $1,880,142; (iii) the issuance of 13,954,000 Trust Units on November 25, 2014 for gross proceeds of $30,001,100 before transaction costs of $2,018,169; (iv) the issuance of 1,526,212 Trust Units for gross proceeds of $3,287,922 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; (v) the conversion of 780,488 Class D GP exchangeable units to Trust Units with a value of $1,689,303; (vi) the issuance of 494,113 Trust Units under the REIT's DRIP at a cost of $1,011,107; and (viii) the issuance of 3,000,000 Trust Units on September 2, 2014 for gross proceeds of $6,450,000 before transaction costs of $570,786 relating to the exercise of warrants.

For the year ended December 31, 2013 the number of Trust Units outstanding increased from 42,597,260 to 54,978,385. The increase in Trust Units was a result of (i) the issuance of 850,900 Trust Units on January 14, 2013 for gross proceeds of $1,701,800 before transaction costs of $304,310; (ii) 1,513,396 Class B LP exchangeable units being converted into 1,513,369 Trust Units at a cost of $2,830,000 on March 11, 2013 by NWVP; (iii) the issuance of 865,238 Trust Units in June 2013 and December 2013 for gross proceeds of $1,703,545 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; (iv) the issuance of 9,000,000 Trust Units on December 18, 2013 for gross proceeds of $18,000,000 before transaction costs of $1,770,774 and (v) the issuance of 151,618 Trust Units under the REIT's DRIP at a cost of $288,010.

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

For the three months year ended December 31, 2014 there was no change to the number of Class B LP exchangeable units outstanding.

For the year ended December 31, 2013 the number of Class B LP exchangeable units outstanding increased by 35,123,876, as a result of the issuance of 36,637,245 Class B LP exchangeable units as consideration for the acquisition of the investment in NWHP REIT on June 21, 2013, which was offset by the conversion of 1,513,369 Class B LP exchangeable units into Trust Units at a cost of $2,830,000 on March 11, 2013 by NWVP.

In April 2014, the independent trustees of the REIT determined that the Class C Amount, earned by an affiliate of NWVP, for the 2013 financial year was $4,103,617 in accordance with the terms of the NWI LP partnership agreement. The NWVP affiliate elected to receive such incentive amount in the form of Class D GP units from a general partner of NWI LP which is also an affiliate of NWVP, which resulted in the issuance of 1,891,068 Class D GP units. Each Class D GP unit is exchangeable for one Trust Unit and carries one Trust level voting right. On April 23, 2014 and on May 15, 2014, 744,187 and 36,301, respectively, for a total of 780,488 of the Class D GP units were exchanged into Trust Units.

Subsequent to the year ended December 31, 2014 and immediately prior to the closing of the Internalization Transaction, on January 28, 2015, the independent trustees of the REIT determined that the Class C Amount for the year ended December 31, 2014 was $144,948. The incentive fee was settled through the issuance of Class D GP Units to an affiliate of NWVP, which resulted in the issuance of 71,403 Class D GP Units. Pursuant to the Internalization Transaction, the NWI LP Agreement was amended and restated on January 28, 2015 whereby the Class C Amount was eliminated. Further, all Class D GP units outstanding at that time (1,181,983 units) were exchanged for Class B LP exchangeable units and the Class D GP unit certificates were cancelled. See "Subsequent Events".

Liabilities

The following table summarizes the mortgages and loans payable and convertible debentures by region as at December 31, 2014:

TABLE 16 - DEBT

	As at December 31, 2014 (Audited)	Weighted average interest rate	Maturity
Brazil - Loans	$ 176,308,977	7.30%	December 2015 - January 2016
Australasia - Margin Loans	46,333,904	6.87%	December 2015 - August 2018
Germany -Mortgages	75,553,610	2.35%	November 2017 - June 2021
Canada - Margin and acquisition facilities	90,115,243	7.37%	September 2015 - January 2017
Total Mortgages and Loans Payable	**388,311,734**	**6.30%**	
Canada - Convertible debentures	71,919,510	7.10%	March 2018 - October 2019
Total Debt Excluding Deferred Consideration	**$ 460,231,244**	**6.43%**	

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

Brazil – Loans:

On December 20, 2013, in connection the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only term loan from a Brazilian lending institution which had a principal of approximately $124,000,000 (R$270,000,000) and bore interest at a fixed rate of 7.00%, payable monthly. The term loan related to the Rede D'Or Hospital Portfolio Acquisition was secured by the future rental income stream of the properties and matured December 22, 2014.

During the year ended December 31, 2012, in connection with its acquisition of HMB, the REIT obtained an interest-only term loan from a Brazilian lending institution which had an original principal of $57,000,000 (R$125,000,000) and bore interest at a fixed rate of 6.60%, payable monthly. The term loan related to HMB was secured by the future rental income stream of the properties and matured January 2nd, 2015.

In December 2014, the REIT entered into contracts to refinance the existing Brazil term loans for approximately

$172,000,000 (R$395,000,000) for one year maturing between December 22, 2015 and January 2, 2016. The term loans are interest-only and bear a floating interest rate of CDI plus 0.75%. The REIT entered into swap arrangements that fix the interest rate to 7.30% annually plus an IPCA adjustment to the loan balance at the time the swaps mature, March 31, 2015 and April 1, 2015. The remaining balances on the original term loans of $16,000,000 (R$36,500,000) were repaid on December 20, 2014 and January 2nd, 2015 with cash on hand and a portion of the net proceeds from the November 2014 equity offering.

On November 19, 2014, the REIT entered into a term sheet with a Brazilian financial institution for long-term financing for a portion of its Brazilian portfolio consisting of a combination of three of four of the REIT's Brazilian properties: Hospital e Maternedade Brasil, Hospital do Coração do Brasil, Hospital Santa Luzia, and Hospital Caxias D´Or. The financing is for an amount of up to $170 million (R$370 million) with a term of 12 years and is subject to due diligence and regulatory approvals. The REIT expects to complete the long term-financing in the second quarter 2015 and net proceeds will be used to refinance the current term loans associated with the properties referenced above.

On maturity, the principal balance of the term loans were adjusted by IPCA (the consumer price inflation measure used by the Central Bank of Brazil for guiding monetary policy). For the year ended December 31, 2014, accretion expense of $13,028,170 was recorded to account for the related IPCA adjustment for the year (2013 $4,137,363).

Australasia – Vital SLA and Margin Facility:

On March 21, 2014, the Vital SLA was terminated and settled by means of a new margin facility with Macquarie Bank Limited executed on February 28, 2014. The margin facility bears interest at a rate that fluctuates with the one-month rate for New Zealand dollar bills of exchange (the "BKBM" rate) and requires a minimum loan-to-fair market value of the Vital Trust units pledged of 50%. The margin facility matures on December 31, 2015.

As at December 31, 2014, the REIT has pledged 81,659,865 units of Vital Trust as security for the margin facilities.

As at December 31, 2014, the principal balance outstanding on the margin facilities with respect to the REIT's investment in Vital Trust was $46,502,316 (NZ $51,422,351).

The REIT has entered into an interest rate swap with respect to one of the margin facilities secured by the Vital Trust units to limit its exposure to fluctuations in the interest rates on approximately $4,250,000 (NZ $4,700,000) of the outstanding loan balance. The interest rate swap fixes the interest rate at 4.03% and terminates on March 29, 2016.

Germany – Loans & Mortgages:

In August 2014, in connection with the acquisition of Hohenschoenhausen, the REIT obtained new mortgage financing of $11,175,840 (net of transaction costs of $81,373) with a term of 3.5 years, a fixed interest rate of 1.65%, and a 40 year amortization period.

In June and November 2014, in connection with the acquisition of the Core German MOB Portfolio, the REIT obtained new mortgage financing of $31,801,066 (net of transaction costs of $904,334) with terms between 5 and 7 years, variable interest rates, and a 26 year amortization period. To limit exposure to fluctuations in interest rates on the mortgages obtained for the Core German MOB Portfolio, the REIT also entered into interest rate swaps on the full mortgage balance to fix the interest rates between 2.13% and 2.58% over the term of the loan.

In connection with the disposition of one of the Marktredwitz investment property, the REIT repaid $4,886,613 of mortgage debt associated with the investment property.

As at December 31 2014, loans and mortgages related to the REIT's investment properties in Germany comprised of $76,623,732 (€54,583,083) fixed rate mortgages maturing between November 2017 and June 2021 with an effective interest rate of 2.35% per annum.

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

Canadian Margin and Credit Facilities

The debt assumed on acquisition of the interest in NWHP REIT consists of various revolving margin facilities with two separate financial institutions. The margin facilities allow the REIT to borrow funds against the market value of the units of NWHP REIT. The REIT has pledged substantially all of the units it acquired of NWHP REIT as security for the margin facilities.

Interest on the margin facilities is calculated daily and ranges from 4.25% to 10.75% per annum. As part of the acquisition, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014, which has been recorded as a receivable from NWVP at the date of acquisition of the investment in NWHP REIT. Throughout 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to December 31, 2014.

As at December 31, 2014, the REIT has pledged 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP Holdings LP as security for the margin facilities. As at December 31, 2014, the principal balance outstanding on the margin facilities, expiring between September 1, 2015 and November 1, 2015, with respect to the REIT's investment in NWHP REIT was $67,927,409.

On December 19, 2013, in connection with the Rede D'Or Hospital Portfolio Acquisition, the REIT obtained an interest-only credit facility which has a principal of $24,000,000. The credit facility bears interest at the greater of 8.20% per annum or the Canadian prime rate plus 4.00% per annum, payable monthly. The credit facility is secured by a general security agreement (with the exclusion of certain specific assets) and matures on January 1, 2017. In addition, the lender was granted warrants to acquire 3,000,000 Trust Units. Each whole warrant entitled the holder to acquire one Trust Unit of the REIT at an exercise price of $2.15 per Trust Unit at any time until January 2, 2017. On September 2, 2014, the REIT received notice from the holder in respect of the early exercise of the 3,000,000 warrants. The warrants were exercised at a price of $2.15 for total cash proceeds to the REIT of $6,450,000. Costs associated with the exercise of the warrants totaled $570,786 which has been charged directly to equity.

Deferred Consideration

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

In connection with the acquisition of Hospital e Maternedade Brasil ("HMB") on December 27, 2012 and the Rede D'Or Hospital Acquisition on December 23, 2013, the REIT held back a portion of the purchase price until the vendor complies with conditions related to certain title and zoning matters.

On maturity, the holdback payable related to the acquisition of HMB was adjusted by the accumulated variation of the CDI (Brazil's equivalent of a prime rate) from the date of acquisition to December 30, 2012 and accumulated variation of the CDI +2.5% from December 31, 2012 until the payment date. During the year ended December 31, 2013, payment of the holdback with respect to the acquisition of HMB was extended to the later of June 30, 2014 or 90 days after the completion of certain conditions by the vendor. In June 2014, the REIT was notified by the vendor that all of the conditions had been fulfilled, resulting in the holdback being payable on September 1, 2014. In August 2014, the purchase and sale agreement was further amended resulting in the holdback being payable on October 1, 2014. On October 1, 2014, the holdback plus accrued CDI adjustments related to HMB was paid, totaling $27,081,980 (R$59,377,287).

On October 17, 2014, the purchase and sale agreement with respect to the Rede D'Or Hospital Acquisition on December 23, 2013 was amended to extend the payment date of the holdback related to Hospital Caxias D´Or to the later of December 15, 2015 or 180 days after the completion of certain conditions by the vendor. Effective from the date of amendment (October 17, 2014) to the payment date the holdback will be adjusted by the variation of the CDI plus 7.34% annually. The amendment provides that should the vendor not complete the required conditions to resolve the title matters by January 15, 2015, the amount of the inflation adjustment to the holdback shall be nil between January 15, 2015 and the date the vendor conditions are resolved. On January 15, 2015, the REIT was notified that the required conditions related to the Hospital Caxias D'Or holdback were not resolved.

On August 29, 2014, in connection with the acquisition of Hohenschoenhausen, the REIT held back a portion of the purchase price for potential working capital adjustments and information deficiencies. As at December 31, 2014, the balance remaining to be paid is $196,632. Settlement of the holdback is due no later than 1 year from closing.

Deferred Revenue

At the same time the lease with Hospital Sabará was signed, the owner of Sabará securitized a portion of the rents receivable in return for a lump sum payment of approximately R$40.4 million (the "Brazil Securitization"). As a result of the Brazil Securitization, the REIT is only entitled to receive 20.25% of the total rent payment owing during the remainder of the term of the lease. The Brazil Securitization in effect serves as an amortizing loan, with the 78.75% of total annual rent not being retained by the REIT serving as a mixed payment of "principal and interest" on the amount of the original advance. The Brazil Securitization bears an interest rate of IPCA + 9.25%.

The Brazil Securitization runs through the term of the lease, with all obligations under the Brazil Securitization to be repaid on September 30, 2024. However, under the terms of the Brazil Securitization, the REIT has the ability to exercise an early redemption feature on April 2, 2014 (the "Early Redemption Date") to buy-back the Brazil Securitization at the unamortized face value of the Brazil Securitization, adjusted for accrued IPCA + 9.25% to the date of redemption. At this time, the REIT has no plans to exercise the redemption feature on the Brazilian Securitization.

At the time of securitization, deferred revenue was recognized at an amount equal to the present value of the proceeds received upon the securitization. The deferred revenue is amortized into revenue from investment properties on a straight-line basis over the term of the lease. As at December 31, 2014, the balance outstanding on the Brazil Securitization instrument was R$51.2 million (C$22.3 million).

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

TABLE 17 - CASH AND LIQUIDITY

	As at Dec. 31, 2014 (Audited)	As at Dec. 31, 2013 (Audited)
Cash	$ 18,370,275	$ 2,635,859
Restricted Cash	2,577,674	1,778,685
Total	**$ 20,947,949**	**$ 4,414,544**

Restricted cash represents cash held in the REIT's designated bank accounts pledged as collateral for the Brazil term loans and a margin facility related to the REIT's investment in NWHP REIT.

The REIT also has margin facilities that provide additional liquidity. The liquidity of the margin facilities fluctuates based on the market price (as defined in the respective agreements) of the pledged units securing the facilities.

On the assumption that occupancy levels remain strong, the price of NWHP REIT and Vital Trust units do not decrease materially, 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, (ii) related party receivables, and (iii) a mix of mortgage debt secured by investment properties, bridge facilities, operating facilities, issuance of equity and convertible/unsecured debentures. Cash flow generated from operating activities and distribution income received from investments in associates 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 investments in associates; (iii) financing available through both conventional mortgage debt secured by income producing properties, margin facilities (to the degree available), as well as unsecured debt; (iv) the issuance of new equity and debt securities; (v) the receipt of related party receivables; and (vi) to the extent necessary, the sale of assets.

The following table sets out the REIT's contractual cash flows as at December 31, 2014:

TABLE 18 - CONTRACTUAL CASH FLOWS

	Carrying amount	Contractual cash flow	2015	2016	2017	2018	2019	Thereafter
Accounts payable and accrued liabilities	$ 21,810,080	$ 21,810,080	$ 21,810,080	$ -	$ -	$ -	$ -	$ -
Distributions payable	1,591,392	1,591,392	1,591,392	-	-	-	-	-
Income tax payable	63,852	63,852	63,852	-	-	-	-	-
Deferred consideration	41,280,380	41,280,380	41,280,380	-	-	-	-	-
Convertible debentures	71,919,510	94,887,103	4,120,093	5,590,875	5,590,875	42,675,885	36,909,375	-
Mortgages and loans payable	388,311,734	421,347,893	249,257,290	59,705,169	71,255,594	11,052,823	8,966,273	21,110,744
Total	**$ 524,976,948**	**$ 580,980,700**	**$ 318,123,087**	**$ 65,296,044**	**$ 76,846,469**	**$ 53,728,708**	**$ 45,875,648**	**$ 21,110,744**

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 distribution income earned from its investments in associates 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 of additional credit facilities.

As at December 31, 2014, the REIT's current liabilities totaled $298,381,913, exceeding current assets of $53,620,304, resulting in a working capital deficiency of $244,761,609.

The current liabilities are represented in part by Brazil term loans totaling $125,563,343, that mature in December 2015. The REIT is actively in negotiations to refinance the Brazil term loans with long-term financing and expects to refinance the loans prior to the loan maturity dates.

Also forming part of the current liabilities are the REIT's three margin facilities in Canada and one margin facility in New Zealand totaling $106,003,392 with maturities occurring from September 1, 2015 to December 31, 2015. The nature of most margin loans are that they have terms no longer than one year and are renewed consistently each year. Three of the margin loans maturing in 2015 have been in effect since 2010 and 2011, and have renewed consistently each year henceforth. The fourth margin loan has been in effect since February 2014, renewed in October 2014, and is expected to continue to roll over each one year period. The REIT expects to renew its margin facilities for another one year term upon maturity with very few substantial changes to the terms as the loans remain in good standing and are fully secured by highly liquid securities, that being the REIT's investments in either NWHP REIT and Vital Trust.

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:

TABLE 19 - NET CHANGE IN CASH	Three months ended		Twelve months ended	
	December 31, 2014 (Unaudited)	December 31, 2013 (Unaudited)	December 31, 2014 (Audited)	December 31, 2013 (Audited)
Cash provided by / (used in):				
Operating activities	$ 1,481,314	$ (3,264,955)	$ 9,079,107	$ 1,737,533
Investing activities	2,752,414	(168,597,855)	(50,309,152)	(205,447,609)
Financing activities	(18,001,414)	169,357,799	58,554,852	203,038,642
Net increase / (decrease) in cash during the period	**(13,767,686)**	**(2,505,011)**	**17,324,807**	**(671,434)**
Effect of foreign currency translation	(667,526)	(323,620)	(1,590,391)	(442,617)
Net increase / (decrease) in cash during the period	**$ (14,435,212)**	**$ (2,828,631)**	**$ 15,734,416**	**$ (1,114,051)**

Operating activities

Cash provided by operating activities totaled $1,481,314 for the three months ended December 31, 2014 as compared to cash flow used in operating activities of $3,264,955 for the three months ended December 31, 2013. Operating cash flow increased for the three months ended December 31, 2014 as compared to the prior period as a result of the net additional operating cash flow related to incremental acquisitions late in the fourth quarter of 2013 and throughout 2014, partially offset by additional asset management fees related to the incremental acquisitions and borrowing costs on the REIT's incremental debt such as the Brazil term loans (obtained December 2013), the acquisition facility (obtained in December 2103); Series MOB.DB.A Debentures (issued in August 2013) and Series MOB.DB.B Debentures (issued in September 2014).

For the year ended December 31, 2014, cash provided by operating activities totaled $9,079,107 as compared to cash flow provided by operating activities of $1,737,533 for the year ended December 31, 2013. Operating cash flow increased for the year ended December 31, 2014 as compared to the prior period as a result of the net additional operating cash flow related to incremental acquisitions late in the fourth quarter of 2013 and throughout 2014, partially offset by additional asset management fees related to the incremental acquisitions and borrowing costs on the REIT's incremental debt such as the Brazil term loans (obtained December 2013), the acquisition facility (obtained in December 2103); Series MOB.DB.A Debentures (issued in August 2013) and Series MOB.DB.B Debentures (issued in September 2014); and margin loans on the REIT's investment in NWHP REIT (obtained June 21, 2013).

Investing activities

Cash provided by investing activities totaled $2,752,414 for the three months ended December 31, 2014, which is a result of additions to investment properties of $725,689, and an increase to restricted cash related to the Brazil Term Loans of $345,434, offset by the cash distributions received from Vital Trust and NWHP REIT totaling $3,823,537.

Cash used in investing activities totaled $168,597,855 for the three months ended December 31, 2013, reflecting the cash outflows related to the Rede D'Or Portfolio Acquisition and the increase to restricted cash partially offset by the cash distributions received from Vital Trust and NWHP REIT.

For the year ended December 31, 2014, cash used in investing activities totaled $50,309,152, which is a result of the cash consideration paid on the acquisition of the Core German MOB Portfolio on June 25, 2014 of $53,733,619, cash consideration paid on the acquisition of Hohenschoenhausen on August 29, 2014 of $17,030,173, additions to investment properties of $983,948 and a net decrease to restricted cash of $885,060. These outflows were partially offset by the cash distributions received from Vital Trust and NWHP REIT totaling $15,498,551 and the proceeds of $6,825,097 on disposal of the Marktredwitz property in Germany.

Cash used in investing activities totaled $205,477,609 for the year ended December 31, 2013, reflecting the acquisition of the Rede D'Or Portfolio, Fulda and additional units of Vital Trust, and the increase to restricted cash, offset partially by the cash distributions received from Vital Trust and NWHP REIT.

Financing activities

Cash used in financing activities totaled $18,001,414 for the three months ended December 31, 2014 as compared to cash generated by financing activities of $169,357,799 during the three months ended December 31, 2013.

During the three months ended December 31, 2014, the REIT obtained a new mortgage related to the acquisition of the Core German MOB Portfolio of $1,418,600, raised net proceeds of $31,526,147 through the issuance of Trust Units and the overallotment of the Series MOB.DB.B Debentures, made net repayments of mortgages and loans payable and credit facilities of $14,316,791, paid deferred consideration of $28,926,066, paid financing fees of $1,464,845, received net advances from related parties of $387,359, and paid distributions of $6,625,818.

During the three months ended December 31, 2013 the REIT raised $18,000,000 ($15,328,931 net of fees) of cash through the issuance of Trust Units, received net advances (after financing fees) from mortgages, loans payable, and credit facilities of $149,840,346 (primarily related to the Rede D'Or Portfolio Acquisition), received net repayments from related parties of $9,817,664, and paid distributions of $5,373,186.

Cash generated by financing activities totaled $58,554,852 for the year ended December 31, 2014 as compared to cash generated by financing activities of $203,038,642 during the year ended December 31, 2013.

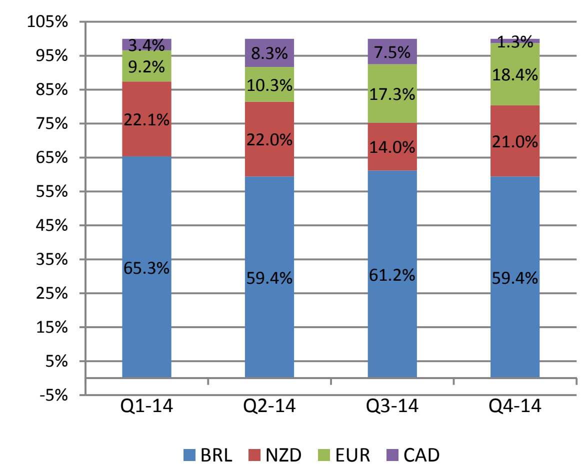
During the year ended December 31, 2014, the REIT obtained new mortgages related to the acquisition of the Core German MOB Portfolio and Hohenschoenhausen of $43,881,240, discharged the mortgage related to the disposal of the Marktredwitz property of $4,886,613, raised net proceeds of $92,305,535 through a combination of the issuance of Trust Units (net of costs), warrant exercise and Series MOB.DB.B Debentures, made net repayments of mortgages and loans payable and credit facilities of $16,816,280, paid deferred consideration of $32,780,038, paid financing fees of $3,565,120, received net advances from related parties of $1,668,676, and paid distributions of $21,252,548.

During the year ended December 31, 2013 the REIT raised $57,726,716 of cash through issuing a combination of Trust Units and Series MOB.DB and MOB.DB.A Debentures, received net advances (after financing fees) from mortgages, loans payable and credit facilities of $165,323,102 to fund the acquisitions of the Rede D'Or Portfolio and Fulda, paid $3,031,364 of deferred consideration related to the acquisition of HMB, received net repayments of $5,166,828 from related parties, and paid distributions of $18,580,525.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the three months ended December 31, 2014, approximately 100% of the REIT's AFFO was conducted in currencies other than Canadian dollars, while its distributions to Unitholders, certain general and administrative expenses, interest expenses and interest income were denominated in Canadian dollars. A summary of the REIT's currency exposure by quarter for the last four quarters is presented below:

AFFO by Currency by Quarter [2]



Trading Range [1] [3]

(Against CAD)	**BRL**	**EUR**	**NZD**
High	0.4692	1.4534	0.9100
Low	0.4256	1.3927	0.8720
Average	0.4461	1.4186	0.8886
Balance Sheet:			
December 31, 2013	0.4503	1.4655	0.8751
December 31, 2014	0.4365	1.4038	0.9030
Profit & Loss:			
Q4 2014 Average Rate	0.4461	1.4186	0.8886
2014 Average Rate	0.4702	1.4670	0.9169
Q4 2013 Average Rate	0.5059	1.3319	0.8418
2013 Average Rate	0.4790	1.3688	0.8449

Notes:

1. For the three months ended December 31, 2014
2. Canadian Dollar AFFO represents the REIT's proportionate share of FFO from NWHP REIT and interest income less interest expense paid on Canadian-denominated debt and certain general and administrative expenses.
3. Rates are presented against the Canadian Dollar

For the three months ended December 31, 2014, a portion of the AFFO generated in foreign currencies was retained in those foreign currencies to provide funds for operations, future acquisitions in those foreign jurisdictions and to minimize currency conversion costs, while a portion has been repatriated back to Canada to fund distributions and acquisitions in other regions. A significant portion of the funds previously raised in Canadian dollars from the equity and convertible debenture offerings were converted into foreign currencies to fund acquisitions or repayments of debt and deferred consideration in foreign jurisdictions.

For the three months ended December 31, 2014, Canadian dollar AFFO was $100,086 (three months ended December 31, 2013 – $465,267 while Canadian dollar distributions paid in cash to Unitholders totaled $4,507,842 (distributions declared of $9,577,589 less $5,069,747 withheld on the Class B LP Units), (for the three months December 31, 2013 - $5,373,183). Any deficiencies were funded from cash repatriated to Canada from Brazil, Germany and New Zealand, the existing working capital and receivables from related parties, and the proceeds from the May 2014 and November 2014 equity offerings and September issuance of Series MOB.DB.B Debentures.

As at December 31, 2014 the REIT held approximately $31,956,642 of cash and receivables denominated in Canadian Dollars (December 31, 2013 - $26,147,000).

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. The REIT has not executed any formal foreign currency hedging arrangements in the past year. 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 includes 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 transactions. The REIT does not currently have any specific foreign currency hedging transactions in place.

PART V – RELATED PARTY TRANSACTIONS

a) As at December 31, 2014, NWVP indirectly owned approximately 65% (approximately 55% on a fully-diluted basis assuming conversion of the REIT's convertible debentures and redemption of its deferred units) of the REIT through a combination of Trust Units of the REIT and Class B LP and Class D GP exchangeable units of NWI LP. Paul Dalla Lana, Chairman of the Board of Trustees and Chief Executive Officer of the REIT, is the sole shareholder, sole director and President of NWVP. Bernard Crotty, a Trustee and Co-President of the REIT, serves as Senior Vice-President of NWVP. Teresa Neto, Chief Financial Officer of the REIT, served as Chief Financial Officer of NWVP up to December 31, 2014. Paul Dalla Lana, Robert Baron and Bernard Crotty, all Trustees of the REIT, also serve as trustees of NWHP REIT.

b) The REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates agreed to act as Property Manager, Asset Manager and Development Manager for the REIT.

The Asset Manager was entitled to receive a base annual management fee calculated and payable on a monthly basis, equal to 0.50% of the sum of (a) the historical purchase price of the REIT's assets, and (b) the cost of any capital expenditures incurred by the REIT or its affiliates in respect of the assets subject to the Asset Management Agreement. The foregoing amounts are payable, at the option of the Asset Manager, in either cash, deferred units (which would vest immediately), Trust Units or securities of the REIT or its subsidiaries that may be convertible into Trust Units.

Pursuant to the Asset Management Agreement, the REIT must reimburse the Asset Manager for all reasonable and necessary actual out-of-pocket costs and expenses paid by the Asset Manager in connection with the performance of the services under the Asset Management Agreement, including, but without limitation, the costs and expenses incurred by the Asset Manager for travel, lodging and reasonable and necessary costs for experts and consultants reasonably required by the Asset Manager and approved by the REIT.

Pursuant to the Property Management Agreement, the Property Manager was entitled to receive a market-based management fee for each property as appropriate for the specific properties and specific markets the properties are located in, which fee may include compensation for building operations, property administration, leasing, construction management and any other reasonable property management service that is required in the context of managing the properties.

The REIT also entered into an agreement whereby an affiliate of NWVP agreed to pay the REIT, in consideration for certain management services rendered, a fee equal to the difference between all management fees paid by Vital Trust to NWVP (or any of its wholly-owned subsidiaries) and the amount that Vital Trust would have paid should it have been wholly-owned and subject to the REIT's Asset Management Agreement described above (the "Management Fee Participation Agreement"). NWVP's management arrangements with Vital Trust provided for a base management fee of 0.75% (as opposed to the 0.50% payable under the Asset Management Agreement), as well as an opportunity to earn certain transaction fees and an incentive fee.

An affiliate of NWVP served as general partner of NWI LP, and in such capacity was entitled to an annual incentive fee payment based on Gross All In Returns (being distributions plus the growth of the REIT's net asset value), referred to as the "Class C Amount". The Class C Amount was equal to (a) 15% of Gross All In Return in excess of 8%, and (b) 20% of Gross All In Return in excess of 12%.

For purposes of the Class C Amount, "Gross All In Return" means the annual increase in the REIT's net asset value of the REIT over the relevant year. The increase shall be measured between the first and last days of each year. Should there be a distribution of capital, such distribution shall be added back for the purposes of this calculation. Should there be any issuances of capital during the year, such amounts shall be excluded for the purposes of this calculation. The REIT's net asset value (for purpose of determining excess Gross All In Return) shall be subject to a three year trailing "high water mark".

On April 30, 2014, the REIT announced that it had entered into an agreement with NWVP with respect to the internalization of its external management arrangements (the "Internalization Transaction").

Subsequent to the year ended December 31, 2014, on January 28, 2015 the REIT announced that it had completed the Internalization Transaction with NWVP with an effective date of January 1, 2015. The Internalization Transaction resulted in the REIT terminating the asset management, property management and development functions of the REIT currently carried on by affiliates of NWVP. See “Subsequent Events”.

The following table summarizes the related party transactions with NWVP and its subsidiaries related to the Asset Management Agreement, Property Management Agreement, Development Agreement and Management Fee Participation Agreement during the three and twelve months ended December 31, 2014 and 2013:

	Three months ended December 31,		Twelve months ended December 31,	
	2014	2013	2014	2013
Base asset management fees [1]	$ 876,403	587,386	$ 3,318,974	$ 1,964,328
Incentive fee [2]	-	4,103,617	-	4,103,617
Property management fees	552,511	62,703	990,921	177,048
Management fee participation	(435,894)	(468,970)	(2,371,610)	(1,749,053)
Reimbursement of out-of-pocket costs	81,993	435,629	1,412,340	1,268,497
	$ 1,075,013	$ 4,720,365	$ 3,350,625	$ 5,764,437

(1) During the three months and year ended December 31, 2014, the REIT issued 402,958 and 1,526,212 units respectively to settle outstanding asset management fees owing to a subsidiary of NWVP (three months ended December 31, 2013 – 408,246 and year ended September 30, 2013 – 865,238).

(2) As at December 31, 2013 the incentive fee payable remained outstanding and was included in accounts payable and accrued liabilities. The incentive fee was settled through the issuance of 1,891,068 Class D GP units of a general partner of NWI LP which is also a subsidiary of NVWP Inc. Each Class D GP unit is exchangeable for one Trust Unit and carries one REIT level voting right.

c) Included in accounts payable and accrued liabilities is an amount totaling $338,167 owing from NWHP REIT and a subsidiary of NWVP related to the transactions that transpired in 2012 related to the sale of the existing portfolio to NWHP REIT.

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

	As at Dec. 31, 2014 (Unaudited)	As at Dec. 31, 2013 (Audited)
Working capital and closing adjustment receivable (i)	$ 16,966,652	$ 18,236,652
Interest rate subsidy (ii)	4,155,487	1,873,898
Instalment note receivable (iii)	1,385,555	1,369,191
Vital Management Fee Participation	4,702,285	2,296,860
Interest (i)	2,940,957	2,431,781
Other	56,908	45,665
Total	**$ 30,207,844**	**$ 26,254,047**

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

The working capital and closing adjustment receivable from a subsidiary of NWVP arises as a result of the differences in the values of the working capital and debt indirectly assumed on acquisition of the Initial International Assets as compared to the values assigned at the time of the signing of the agreement entered into in connection with the acquisition. During the year ended December 31, 2014, repayments of the working capital and closing adjustment receivable were received in the amount of $1,270,000 (December 31, 2013 - $9,063,359). The working capital and closing adjustment receivable is unsecured and was previously due on December 31, 2013, however, as it remains unpaid, it is now due on demand. The working capital and closing adjustment receivable accrues an approximate economic return of 8% per annum when permissible. For the three months and year ended December 31, 2014, NWVP has agreed to pay interest of $340,000 and $1,360,000 respectively (for the three months and year ended December 31, 2013 – $nil and $1,100,000 respectively).

(ii) Interest rate subsidy

As part of the acquisition of the investment in NWHP REIT, NWVP has committed, by means of a capital contribution, that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed (a) 4.25% for the balance of 2013, and (b) 6.00% for the first three months of 2014. At the date of acquisition the present value of the interest rate subsidy was $1,873,898 and was recorded as a receivable from NWVP, and subsequent cash payments by NWVP will be recorded as a reduction of the receivable balance.

Throughout 2014, NWVP and the REIT agreed to extend and amend the interest rate subsidy, with an effective date of January 1, 2014, such that the effective interest rate payable by the REIT on the assumed margin facilities shall not exceed 4.25% up to December 31, 2014. To reflect the extension of the interest rate subsidy in 2014, the REIT recorded an additional receivable from NWVP of $2,281,589 with the offset recorded directly to equity as a capital contribution.

(iii) Instalment note receivable

In connection with the REIT's acquisition of the Initial International Assets, the REIT entered into an arrangement with an affiliate of NWVP to partially compensate the REIT for assuming obligations associated with the Sabará Children's Hospital in Brazil (the "Instalment Note"). Pursuant to the Instalment Note, the REIT earned from an affiliate of NWVP, two instalment note receipts – on April 2, 2013 (extended to April 2, 2014) and April 2, 2014 respectively. The Instalment Note receipts remain outstanding as of the date of this MD&A. The Instalment Note is non-interest bearing. The receipt of the principal portion of the installment receipts will be recorded as a reduction of the Instalment Notes and is, therefore, not recorded as revenue. The Instalment Note was initially recorded at the present value of the future cash flows.

e) At December 31, 2014, included in accounts payable and accrued liabilities are Class B LP exchangeable unit distributions payable owing to NWVP and affiliates in the amount of $13,376,804.

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

PART VI – RISKS AND UNCERTAINTIES

There are certain risks inherent in an investment in the Trust Units and in the activities of the REIT which current and prospective Unitholders should carefully consider. The REIT faces a variety of significant and diverse risks, many of which are inherent in the business conducted by the REIT. The REIT's annual information form dated March 10, 2015 (the "AIF") and the REIT's regulatory filings with securities regulators (available on SEDAR at www.sedar.com), contain a detailed summary of risk factors pertaining to the REIT and its business.

RISKS RELATING TO PROPERTY OWNERSHIP AND TENANT RISKS

Real Property Ownership and Tenant Risks

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

Fixed Costs

The failure to rent unleased space on a timely basis or at all would likely have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Certain significant expenditures, including property taxes, ground rent, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real property regardless of whether a property is producing any income. If the REIT is unable to meet mortgage payments on any property, losses could be sustained as a result of the mortgagee's exercise of its rights of foreclosure or sale. Costs may also be incurred in making improvements or repairs to property required by a new tenant and income may be lost as a result of any prolonged delay in attracting suitable tenants to the vacant space. The timing and amount of capital expenditures by the REIT will indirectly affect the amount of cash available for distribution to Unitholders. Distributions may be reduced, or even eliminated, at times when the REIT deems it necessary to make significant capital or other expenditures.

Liquidity

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

Competition

The real estate business is competitive. Numerous other developers, managers and owners of office properties will compete with the REIT in seeking tenants. Some of the properties located in the same markets as the REIT's properties are newer, better located, less levered or have stronger tenant profiles than the REIT's properties. Some property owners with properties located in the same markets as the REIT's properties may be better capitalized and may be stronger financially and hence better able to withstand an economic downturn. The existence of developers, managers and owners in such markets and competition for the REIT's tenants could have a negative effect on the

REIT's ability to lease space in its properties in such markets and on the rents charged or concessions granted, which could have an adverse effect on the REIT's financial condition and results of operation and decrease the amount of cash available for distribution to Unitholders. Competition for acquisitions of real property can be intense and some competitors may have the ability or inclination to acquire properties at a higher price or on terms less favourable than those that the REIT may be prepared to accept. An increase in the availability of investment funds, an increase in interest in real property investments or a decrease in interest rates may tend to increase competition for real property investments, thereby increasing purchase prices and reducing the yield on them.

Current Economic Environment

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

Environmental Matters

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

Laws and regulations, as may be amended over time, may also impose liability for the release of certain materials into the air or water from a property, including asbestos, and such release could form the basis for liability to third persons for personal injury or other damages. In addition, if the REIT's officers infringe or have infringed environmental protection laws, the REIT could be exposed to civil or criminal damages. The REIT may be required to provide for additional reserves to sufficiently allocate toward the REIT's potential obligations to remove and dispose of any hazardous and toxic substances. Any such event could have a material and adverse effect on the REIT's cash flows, financial condition and results of operations and the REIT's ability to make distributions on the Units.
The REIT is not aware of any material non–compliance with environmental laws at any of its properties, and is not aware of any pending or threatened investigations or actions by environmental regulatory authorities in connection with any of its properties. The REIT strives to set policies and procedures to assess, manage and monitor environmental conditions at its properties to manage exposure to liability.

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

RISKS RELATING TO THE BUSINESS OF THE REIT

Growth Strategy

The REIT's strategy involves expansion through acquisitions and co-development projects. These activities require the REIT and NWVP to identify acquisition or development candidates or investment opportunities that meet its criteria and are compatible with its growth strategy. The REIT may not be successful in identifying commercial real estate properties that meet its acquisition or development criteria or in completing acquisitions, co-developments, or investments on satisfactory terms. Failure to identify or complete acquisitions or co-developments will slow the REIT's growth. The REIT could also face significant competition for acquisitions and development opportunities. Some of the REIT's competitors have greater financial resources than the REIT and, accordingly, have a greater ability to borrow funds to acquire and develop properties. These competitors may also be willing and/or able to accept more risk than the REIT can prudently manage, including risks with respect to the geographic concentration of investments and the payment of higher prices. This competition for investments may reduce the number of suitable investment opportunities available to the REIT and may increase acquisition costs in certain areas where the REIT's facilities are located or in areas targeted for growth and, as a result, may adversely affect the REIT's operating results. Even if the REIT were successful in identifying suitable acquisitions or co-development projects, newly acquired properties may be subject to subsequently discovered material defects or other undisclosed issues, causing the acquired properties to fail to perform as expected and management of the REIT may underestimate the costs associated with the integration of the acquired properties.

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. There can be no assurances that the REIT will 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. 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.

Financing and Interest Rate Risks

The REIT has incurred (and intends to continue to incur) indebtedness in connection with the acquisition or expansion of properties and securities. The REIT may incur unsecured debt or mortgage debt secured by some or all of its real estate properties or assets. The REIT's debt may harm its financial position and operating results by: requiring the REIT to use a substantial portion of its cash flow from operations to pay principal and interest, which will reduce the amount of cash available for other purposes; limiting the REIT's ability to borrow more money for operating or capital needs or to finance acquisitions in the future; and making the REIT more vulnerable to economic and industry downturns and reducing its flexibility in responding to changing business and economic conditions.

In addition to the risks discussed above and those normally associated with debt financing, including the risk that the

REIT's cash flow will be insufficient to meet required payments of principal and interest, the REIT will also be subject to the risk that it may not be able to refinance existing indebtedness on its properties or unsecured debt and that the terms of any refinancing it could obtain may not be as favourable as the terms of its existing indebtedness. If the REIT is not successful in refinancing debt when it becomes due, it may be forced to dispose of properties or securities on disadvantageous terms, which might adversely affect its ability to service other debt and to meet its other obligations. The REIT intends to finance future acquisitions in part with debt borrowings, which could bear interest at fixed or variable rates. The interest expense on any variable rate indebtedness will increase when interest rates increase. Further, when fixed-rate loans are refinanced, if market interest rates have increased since the time the loan was first initiated, interest expense will increase. Interest rates are currently low relative to historical levels and may increase significantly in the future. To the extent that the REIT utilizes variable rate debt, such debt 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 financial condition and results of operations could be adversely affected and decrease the amount of cash available for distribution. An increase in interest expense could adversely affect the REIT's results of operations.

Risks Related to the Healthcare Industry

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

MOBs may be highly customized and may not be easily adaptable to alternative uses. 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.

Reliance on Key Personnel

The management and governance of the REIT depends on the services of certain key personnel including the Chief Executive Officer, Co-President, Chief Financial Officer, Co-President and Chief Investment Officer and the Trustees. 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.

Risks Related to the Internalization Transaction

As a result of the Internalization Transaction, the REIT assumed responsibility for all of the costs associated with the asset management, property management and development functions of the REIT, along with all of the rights and obligations relating to the management of Vital Trust.

The success of the Internalization will depend in large part on the ability of management of the REIT to integrate former NWVP personnel into the REIT. Going forward, the REIT will depend on the diligence, experience and skill of former NWVP personnel that joined the REIT and future success of the REIT will depend on the continued service of these individuals. The REIT may be unable to retain former employees of NWVP to the same extent that NWVP has been able to do so in the past. Such individuals may depart because of issues relating to the uncertainty or difficulty associated with the integration, including potential differences in corporate cultures and management philosophies. Further, the REIT cannot predict the impact that any employee departures will have on its ability to achieve its objectives. The departure of a significant number of such individuals for any reason following the Internalization Transaction, or the failure to appoint qualified or effective successors in the event of such departures, could have a material adverse effect on the REIT's ability to achieve its objectives and the market price or value of the REIT's securities.

In addition, the overall integration of the operations, procedures, systems and technologies of NWVP will present risks and challenges to the REIT, including possible unanticipated operational problems, expenses and liabilities, as well as potential disruption of the REIT's ongoing business, higher than expected integration costs and an overall post-closing integration process that takes longer than originally expected. The management internalization will require the dedication of substantial management effort, time and resources, and any delays in the process could divert management's focus, as well as financial and other resources, from other strategic opportunities of the REIT.

The management internalization involves risks, including the failure of the internalization process to realize the benefits the REIT expects. If the management internalization fails to realize the benefits that the REIT expects, it could materially and adversely affect the REIT's business plan and could have a material adverse effect on the REIT and its financial results and the market price or value of the REIT's securities.

Location of Properties in Foreign Countries

A substantial portion of the REIT's assets are located in foreign countries, specifically Brazil, Germany and Australasia and, as a result, are impacted by economic and other factors specifically affecting the real estate markets in those countries. These factors may differ from those affecting the real estate markets in other regions, including those in Canada. Although the REIT's international assets are dispersed across several foreign countries, a number of the REIT's international assets could nevertheless experience any of the same conditions at the same time due to global correlations. If real estate conditions in these countries decline relative to real estate conditions in other regions, the REIT's cash flows, operating results and financial condition may be more adversely affected than those of companies in Canada or that have different, or more, geographically diversified portfolios of properties.

Competition in Foreign Real Estate Markets

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

Exchange Rate Risks

Approximately 82% of the REIT's investments and operations are conducted in currencies other than Canadian dollars; however, the REIT pays distributions to Unitholders and interest on certain of its indebtedness in Canadian dollars. As a result, fluctuations in such foreign currencies against the Canadian dollar could have a material adverse effect on the REIT's financial results, which is denominated and reported in Canadian dollars, and on the REIT's ability to pay cash distributions to Unitholders.

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

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

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 and the units of NWHP REIT. 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 REIT's Units, the REIT's convertible debentures, and the units of NWHP REIT and 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 REIT's Unit price impacts the cost of raising new capital. A decline in the market price of the units of NWHP REIT and Vital Trust may impact the value of the REIT's investments which may result in impairment losses.

Price risk also impacts the REIT's margin facilities. A decline in the market price of the units of Vital Trust or NWHP REIT may result in loan to value ratios that exceed the minimum requirements of the Vital Margin Facilities and the NWHP REIT Margin Facilities, respectively, 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.

Significant Dependency on Single Leases in Brazil

The leases for Sabará, and the four Rede D'Or properties (HMB Property, Hospital Santa Luzia, Hospital Coração and Hospital Caxias D'Or) are each with a single tenant, the operators of the facilities. Upon the expiry of the leases, there can be no assurance that they will be renewed or that the tenants will be replaced. If the tenants do not renew their leases, the REIT's cash flows, operating results, financial condition and its ability to make distributions on the 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.

Significant Ownership by NWVP

NWVP currently indirectly owns approximately 65% of the issued and outstanding Units (assuming the exchange of its Class B LP Units). Pursuant to the Exchange Agreement, each Class B LP Unit 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 will have the ability to exercise certain influence with respect to the affairs of the REIT and significantly affect the outcome of Unitholder votes (including with respect to the appointment of Trustees), and may have the ability to prevent certain fundamental transactions. NWVP also has certain pre-emptive rights to participate in future financings and other issuances of securities of the REIT or NWI LP in order to allow NWVP to restore its percentage ownership interest to what it was immediately following the closing of the Initial International Asset Acquisition in November 2012. As a result, NWVP will have the ability to influence many matters affecting the REIT which could lead to potential conflicts of interest. See "Risk Factors – Potential Conflicts of Interest". Accordingly, the Units may be less liquid and worth less than they would if NWVP did not have the ability to influence or determine matters affecting the REIT. Additionally, NWVP's significant effective interest may discourage transactions involving a change of control of the REIT, including transactions in which an investor as a holder of the Units might otherwise receive a premium for its Units over the then-current market price. Pursuant to the Exchange Agreement, each Class B LP Unit will be exchangeable at the option of the holder for one Unit of the REIT (subject to customary anti-dilution adjustments). If NWVP exchanges Class B LP Units for Units and sells Units in the public market, the market price of the Units could fall. The perception among the public that these sales will occur could also produce such effect.

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 NWHP REIT and director of Vital Healthcare Management Limited, the manager of Vital Trust. Mr. Bernard Crotty will face conflicts of interest because he is a trustee of NWHP REIT and also a director of Vital Healthcare Management Limited.

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.

RISKS RELATING TO THE UNITS

Return on Investment is Not Guaranteed

The Units are equity securities of the REIT and are not traditional fixed income securities. A fundamental characteristic that distinguishes the Units from traditional fixed income securities is that the REIT does not have a fixed obligation to make payments to holders of Units and does not promise to return the initial purchase price of a Unit on a certain date in the future. The REIT has the ability to reduce or suspend distributions if circumstances warrant. 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 its subsidiaries, and will be subject to various factors including financial performance, obligations under applicable debt agreements, fluctuations in working capital, foreign exchange rates and capital expenditure requirements. There can be no assurance regarding the amount of income to be generated by the REIT’s properties. 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, unlike interest payments or an interest-bearing debt security, the REIT’s cash distributions are composed of different types of payments (portions of which may be fully or partially taxable or may constitute non-taxable returns of capital). The composition for tax purposes of those distributions may change over time, thus affecting the after-tax returns to holders of Units. Therefore, the rate of return over a defined period for a holder of Units may not be comparable to the rate of return on a fixed income security that provides a “return on capital” over the same period. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

Potential Volatility of 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.

Availability of Cash Flow

The REIT has historically paid cash distributions which exceed cash from operating activities and distribution income earned from its strategic investments in Vital Trust and NWHP REIT. Distributions paid historically to unitholders have therefore been an economic return of capital. If management is not able to increase operating cash flows over time, the REIT may be required to use additional debt capacity to finance its distributions, which would represent a further economic return of capital, or to 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 provided an economic benefit to the REIT and the timing of cash receipts relating to those items, such as the interest rate subsidies realized on certain loans or interest income earned on related party receivables, 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.

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 investments in Vital Trust and NWHP REIT, 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 and NWHIP REIT. 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 and NWHP REIT 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 Deferred Unit Plan or additional units can be issued upon the conversion of the REIT's Debentures. The issuance of any additional Units may have a dilutive effect on the interests of holders of Units.

Tax-Related Risk Factors

The REIT currently qualifies as a "mutual fund trust" and a "real estate investment trust" for income tax purposes. The REIT expects to distribute all of the REIT's taxable income to unitholders and, therefore, generally will not be subject to tax on such amounts. In order to maintain the REIT's status as a mutual fund trust and a real estate investment trust, the REIT is required to comply with specific restrictions regarding its activities, its investments and its revenue. If the REIT were to cease to qualify as a mutual fund trust or a real estate investment trust for income tax purposes, the consequences could be material and adverse.

Please refer to the "Risks Relating to the Structure of the REIT" contained in the Annual Information Form.

RISKS RELATED TO THE DEBENTURES

Ability to Satisfy Payments of Interest and Principal on the Debentures

There is no guarantee that the REIT will have sufficient cash available to make interest and principal payments on the Debentures on a timely basis or at all. The likelihood that purchasers will receive the payments owing to them in connection with the 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 Debentures

There can be no assurance that a secondary market for trading in the 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 Debentures does not develop, the liquidity and the trading prices for the 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 Debentures in the event of a future leveraged transaction involving the REIT or any of its subsidiaries.

Redemption Prior to Maturity

The Debentures may be redeemed at the REIT's option, subject to certain conditions prior to the respective maturity date of each 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 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 Debentures.

Conversion Following Certain Transactions

In the event of certain transactions, pursuant to the terms of the Indenture, each 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 Debentures.

Subordination of Debentures

The 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 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 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 Debentures. Accordingly, all or a substantial portion of the REIT's assets could be unavailable to satisfy the claims of the Debentures.

Credit Rating

The REIT does not have a credit rating and has no current plans to apply for a credit rating.

Dilution Upon Redemption of Debentures

The REIT may determine to redeem any outstanding Debentures for Units or to repay outstanding principal amounts thereunder at maturity of the 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 REITs Ability to Finance Purchase of Debentures

The REIT is required to make an offer to holders of the Debentures to purchase all or a portion of their Debentures for cash in the event of a Change of Control (as defined in the Indenture). The REIT cannot assure holders of 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 Debentures in cash. The REIT's ability to purchase the 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 Debentures without the consent of the lenders or other parties thereunder. If the REIT's obligation to offer to purchase the Debentures arises at a time when the REIT is prohibited from purchasing or redeeming the Debentures, the REIT could seek the consent of lenders to purchase the 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 Debentures under its offer.

The REIT's failure to purchase the 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 Debentures

The market price of the 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 Debentures.

Volatility of Market Price of Units and Debentures

The market price of the Units and Debentures may be volatile. The volatility may affect the ability of holders of Debentures to sell the Debentures at a favourable price. Additionally, volatility in the market price of Units may result in greater volatility in the market price of the Debentures than would be expected for nonconvertible debt securities. Market price fluctuations in the Units and 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 Debentures and the Units.

PART VII – CRITICAL ACCOUNTING POLICIES AND ESTIMATES

A summary of significant accounting policies is described in note 3 of the REIT's audited consolidated financial statements and accompanying notes for the year ended December 31, 2014.

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:

Investment properties

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

Unit-based compensation liabilities

The measurement of the unit-based compensation liabilities require the REIT to make estimates and assumptions that affect the reported amount of the liabilities and the corresponding gain or loss on changes in fair value. Estimates and assumptions used in determining the fair value of these liabilities include the expected life of the instruments and the volatility of the Trust Unit's price.

Interests in associates

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

Derivative financial instrument

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

Leases

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

Property acquisitions

When investment properties are acquired, the REIT is required to apply judgment as to whether or not the transaction should be accounted for as an asset acquisition or business combination. This assessment impacts the accounting treatment of transaction costs, the allocation of the costs associated with the acquisition and whether or not goodwill is recognized. All of the REIT's property acquisitions have been accounted for as asset acquisitions.

Income Tax

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

PART VIII – OUTLOOK

During the three months and year ended December 31, 2014, there have not been any material changes to the operating or economic environments in which the REIT operates.

Through first half of 2015, the REIT will focus on the integration of the new management platform acquired in the Internalization Transaction, continue to pursue new acquisitions and accretive development opportunities in the REIT's existing markets, and continue to execute on a focused investor relations outreach program.

Looking forward, the REIT remains committed to its key 2015 initiatives as outlined below:

1. Complete the merger with NWHP REIT to form Canada's only global healthcare REIT;
2. Continue to enhance our management platform and its operational performance where possible;
3. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
4. Increase investor liquidity by raising new capital and broadening our investor base; and,
5. Increase our profile through measured investor relations and communication strategies.