Notice to Reader

The attached Management's Discussion and Analysis for the year ended December 31, 2013 is being refiled to correct two typographical errors contained on pages 11 and 43 of the Management's Discussion and Analysis for the year ended December 31, 2013 originally filed on April 23, 2014.

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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, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
TABLE OF CONTENTS

CEO’s MESSAGE

NorthWest International Healthcare Properties REIT (“**NorthWest International REIT**” or the “**REIT**”) closed the fourth quarter of 2013 with yet another significant acquisition in Brazil, increasing its asset base by over $200 million, representing a 35% increase from the prior quarter. This acquisition, representing the REIT’s third acquisition in Brazil in just over one year delivers on the REIT’s commitment to continue to diversify its portfolio of international healthcare real estate, deliver stable operating performance and accretive growth opportunities.

Reflecting on 2013 results, we are excited to conclude another year of significant growth in our portfolio and its underlying profitability. During the year, the REIT added key properties in each of its core markets that are accretive in terms of both quality and return. We begin 2014 even better positioned to deliver on our key business objective of providing investors with stable, growing cash flow distributions through long-term healthcare real estate investments.

Key highlights from the REIT’s financial and operating results for the three and twelve months ended December 31, 2013 include:

- NOI of $4,855,484 in Q4’13, representing a 334% increase over the same period last year and a 13% increase quarter over quarter
- NOI for the fiscal year 2013 of $18,026,247
- AFFO / unit of $0.18 for fiscal year 2013 and AFFO / unit of $0.04 for Q4’13, in line with the prior quarter
- Annual AFFO to distribution payout ratio of approximately 90%, in line the REIT’s quarterly trends
- Leading portfolio occupancy at 96.0% (Canada = 91.3%; International = 99.2%), up 70 bps from prior quarter
- Weighted average lease term of 12.4 years (Canada = 4.8 years; International = 17.7 years), an increase of 3.1 years from the prior quarter.

In regard to the Brazil acquisition, the REIT closed the previously announced $206 million sale leaseback of a portfolio of leading Brazilian Hospitals from Rede D’Or Sao Luiz S.A. (the “**Rede D’Or Hospital Portfolio Acquisition**”). This is the second sale leaseback transaction with Rede D’Or, a leading private hospital operator in Brazil who just recently was upgraded to a rating of “A” on a national scale by Standard and Poor’s Rating Services. With the Rede D’Or Hospital Portfolio Acquisition, the REIT will have completed more than $500 million of acquisitions since its repositioning to focus on international healthcare real estate in October 2012.

During the fourth quarter the REIT also successfully executed a $19.7 million equity offering as well as closed a $24 million credit facility in support of its aggressive growth agenda.

On a regional basis, the REIT’s investments continued to deliver strong and stable operating results. In February 2014, Vital Healthcare Properties Trust (“**Vital Trust**”) reported its half-year results for the 6 month period ended December 31, 2013, delivering increased rental income and operating profit of 3.8% and 3.6%, respectively, relative to the same period in the prior year. Vital Trust’s operating results are underpinned by a superior portfolio occupancy of 99.4% and a notable increase in the weighted average lease term of 14.9 years from 12.1 years the prior year. The REIT continues to view its 24% investment in Vital Trust as strategic and reiterates its objective to increase its position to slightly less than 25% in the future.

In March 2014, NorthWest Healthcare Properties REIT (“**NWHP REIT**”) of which the REIT has a 26% interest, reported its annual audited fiscal 2013 results delivering stable and improving operating results. For fiscal 2013, NWHP REIT reported AFFO per unit of $0.85 which was $0.02 per unit higher than the previous year, driven by a 10.7% increase in net operating income year over year.

In 2014, the REIT continues with its aggressive growth pace with the February 2014 announcement of a pending acquisition of 16 medical office buildings in Germany. This approximate $100 million acquisition will add significant scale to the REIT’s German operations and will solidify the REIT as a leading healthcare landlord in the country. We expect to close this acquisition some time in the second quarter of 2014.

Lastly, I believe that NorthWest International REIT continues to deliver superior returns to its unitholders as witnessed by the REIT’s 37% increase in its distribution rate effective January 2014 and will continue to strive to provide unitholders with stable and growing distributions over an increasingly diverse and global portfolio.

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, 2013, 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 April 23, 2014 (the "**Annual Information Form**"). This MD&A is current as of April 23, 2014 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 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 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**");
- Net operating income ("**NOI**");
- Weighted average lease expiry ("**WALE**");
- Weighted average interest rate; and
- Occupancy levels.

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

FFO, AFFO and NOI 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, AFFO and NOI are supplemental measures of a Canadian real estate investment trust's performance and the REIT believes that FFO, AFFO and NOI are relevant measures of its ability to earn and distribute cash returns to Unitholders. The IFRS measurement most directly comparable to FFO, AFFO and NOI is comprehensive income.

"**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) acquisition costs expensed as a result of the purchase of a property being accounted for as a business combination; (vi) transaction costs incurred in the issuance of convertible debentures measured at fair value through profit and loss and expensed in finance costs; and (vii) deferred income tax expense, 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, amortization of deferred financing, and compensation expense related to deferred unit incentive plans, (ii) adjusting for differences, if any, resulting from recognizing property revenues on a straight line basis as opposed to contractual rental amounts, and (iii) deducting actual costs 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.

"**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.

FFO, AFFO and NOI should not be construed as alternatives to comprehensive income determined in accordance with IFRS as an indicator of the REIT's performance. The REIT's method of calculating FFO, AFFO and NOI may differ from other issuers' methods and accordingly may not be comparable to measures used by other issuers.

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, 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.

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, previously known as "GT Canada Medical Properties Real Estate Investment Trust", 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 Janaury 3, 2014 and February 3, 2014 (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 internationally;
- 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.

Reconfiguration of the REIT to focus on International Healthcare Real Estate

During 2012, NorthWest Value Partners Inc. ("**NWVP**") acquired a majority interest in the REIT and, through a series of transactions, the REIT disposed of its entire portfolio of Canadian medical office buildings (the "**Former Canadian MOB Portfolio**") with effect from October 1, 2012.

In a separate series of transactions, with effect from October 1, 2012, the REIT acquired a portfolio of international assets (the "**Initial International Assets**") from NWVP. In conjunction with the acquisition of the Initial International Assets, the REIT and its affiliates entered into a series of agreements with affiliates of NWVP, whereby such affiliates have agreed to act as Property Manager, Asset Manager and Developer for the REIT in respect of the REIT's investments.

On October 30, 2012, the REIT changed its name to "NorthWest International Healthcare Properties Real Estate Investment Trust", reflecting its new strategic direction.

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)	2.80%	1.90%	1.30%	2.66%
Inflation (1)	2.70%	5.91%	1.40%	1.20%
5 Yr. Government Bond Yield (2)	3.47%	12.90%	0.92%	1.96%
Health Care System	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Hybrid public and private healthcare systems	Publicly-funded healthcare system

Notes
(1) For the year ended December 31, 2013
(2) As at December 31, 2013

Sources: Trading Economics; Bloomberg

RELATIONSHIP WITH NWVP

Affiliates of NWVP serve as the REIT's asset manager, property manager and developer pursuant to certain management and partnership agreements that are filed with the Canadian securities regulatory authorities and available on SEDAR at www.sedar.com. 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. As at December 31, 2013, NWVP indirectly owned approximately 82% of the outstanding Trust Units (approximately 60% on a fully-diluted basis). Principals of NWVP serve as officers and trustees of the REIT.

2013 HIGHLIGHTS

Closing of Over-Allotment Option on December 2012 Equity Offering of Trust Units

On January 14, 2013, the REIT announced that pursuant to its December 20, 2012 equity offering of 12,500,000 Trust Units of the REIT, the underwriters exercised their overallotment option and completed their purchase of 850,900 additional Trust Units of the REIT at a price of $2.00 per Trust Unit for additional gross proceeds of $1,701,800.

Distribution Reinvestment Plan

On January 23, 2013, the REIT implemented a distribution reinvestment plan (the "**DRIP**"). Eligible Unitholders (which includes holders of Class B LP exchangeable units) that elect to participate in the DRIP will have their cash distributions used to purchase units of the REIT and will also receive a "bonus distribution" of units equal in value to 3% of each distribution. The REIT may initially issue up to 10,000,000 Trust Units under the DRIP. The REIT may increase the number of Trust Units available to be issued under the DRIP at any time in its discretion subject to (a) the approval of the REIT's board of trustees, (b) the approval of any stock exchange upon which the Trust Units trade, and (c) public disclosure of such increase.

Issuance of $22.6 million, 6.5% Convertible Debentures

On March 25, 2013, the REIT completed the issuance of $20,000,000 aggregate principal amount of unsecured convertible subordinated debentures (the "**Series MOB.DB Debentures**"). The Series MOB.DB Debentures bear interest at 6.50% per annum, payable semi-annually on September 30 and March 31 each year, and mature on March 31, 2018.

On April 3, 2013, the REIT issued an additional $2,600,000 of Series MOB.DB Debentures in connection with the exercise of the overallotment option related to the Series MOB.DB Debenture issuance.

Acquisition of Fulda

On March 31, 2013, the REIT completed the acquisition of Medicum Muensterfeld ("**Fulda**"), a newly constructed medical office complex located in Fulda, Germany for $19,513,141, subject to customary closing adjustments. The investment was partially funded by a new $11,875,500 five year mortgage at a fixed interest rate of 2.37% with a 40 year amortization period.

Acquisition of Investment in NWHP REIT

Pursuant to the exercise of a put right held by NWVP under the Put/Call Agreement (defined herein), the REIT indirectly acquired an approximate 26% interest in NWHP REIT from NWVP and affiliates. The interest acquired by the REIT consists of 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of NHP Holdings Limited Partnership ("**NHP LP**"), which are exchangeable for trust units of NWHP REIT.

The purchase price for the interest in NWHP REIT was $157,284,236 ($13.22/unit). In connection with the completion of the transactions contemplated by the Put/Call Agreement, NWVP settled $15,000,000 of obligations that had previously been owing to the REIT. As a result, the net consideration payable to NWVP was $142,284,236, which was financed by (a) the issuance of 36,637,245 Class B LP exchangeable units of NWI Healthcare Properties LP, a subsidiary of the Trust, at a deemed price of $1.87 per unit ($68,511,648) and (b) the assumption of estimated existing debt ($73,772,588).

Issuance of $17.5 million, 7.5% Convertible Debentures

On August 29, 2013, the REIT completed the issuance of $17,500,000 aggregate principal amount of unsecured convertible subordinated debentures (the "**Series MOB.DB.A Debentures**"). The Series MOB.DB.A Debentures bear interest at 7.50% per annum, payable semi-annually on September 30 and March 31 each year, and mature on September 30, 2018.

Increase in investment in Vital Trust to 24.11 %

During the year ended December 31, 2013, the REIT increased its investment in Vital Trust from 19.66% up to 24.11% through open market purchases as well as through participation in Vital Trust's Rights Offering (the "**Vital Rights Offering**") on August 23, 2013.

Public Offering of Trust Units

On December 18, 2013, the REIT completed an equity offering of 9,000,000 units of the REIT at a price of $2.00 per unit for gross proceeds of $18,000,000.

Acquisition of Rede D'Or Hospital Portfolio

On December 23, 2013, the REIT completed the acquisition of three private hospitals in Brazil (the "Rede D'Or Hospital Portfolio Acquisition") for a gross purchase price of $206,480,294. Concurrent with the REIT's acquisition of the Rede D'Or Hospital Portfolio, Rede D'Or entered into a fully net 25 year leaseback for each of the three properties with annual inflation adjustments. The acquisition was funded from cash, a new term loan from a Brazilian lending institution for $121,581,000 which matures in December 2014, and a new acquisition facility of $24,000,000 from a Canadian lending institution (the "Acquisition Facility") which matures in December 2016, and $37,650,690 of deferred consideration.

SUBSEQUENT EVENTS

Closing of Overallotment Option

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.

Sale of Marktredwitz Property

On February 17, 2014, the REIT sold its leasehold interest in a building in Marktredwitz, Germany for approximately $6,884,000. The REIT realized net proceeds of approximately $1,883,000 after the repayment of the mortgage relating to the property in the amount of approximately $4,913,000 and selling cost of approximately $88,000.

Refinancing of Vital SLA

On March 21, 2014, the Vital SLA was terminated 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, 2014.

Renewal of Margin Facilities

On February 19, 2014, two of the margin facilities related to the REIT's investment in NWHP REIT were renewed, which extended the maturity to September 1, 2014.

German Acquisitions

In February 2014, the REIT announced that it had entered into agreements to acquire 16 German medical office buildings in two separate transactions located in the major markets of Berlin, Ingolstadt and Leipzig. At approximately 500,000 square feet, the portfolio was 96.0% occupied with a weighted average lease expiry of 7.0 years at the time of the announcement. The purchase price of approximately $98,000,000 (€65,000,000) represents an approximate 8.0% stabilized cap rate and may be adjusted further based on incremental leasing of 1,613 square meters or 17,356 square feet. The REIT's investment is expected to be funded from new mortgage facilities aggregating approximately $64,000,000 (€43,000,000), existing resources and new financing yet to be determined. The mortgage facilities are expected to have a weighted average interest rate of approximately 3.0%, terms of approximately 5-10 years and a weighted average amortization period of approximately 30 years. The REIT currently expects to close the transaction in three stages during the second quarter of 2014, subject to customary closing conditions.

Incentive Fee

In April 2014, the independent trustees of the REIT determined that the Class C Amount for the 2013 financial year was $4,103,617. The NWVP affiliate elected to receive such Class C Amount in the form of Class D GP units from a general partner of NWI LP which is also an affiliate of NWVP, which will result 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.

ASSETS OF THE REIT

Summary

The following table highlights certain information about the REIT's assets as at December 31, 2013:

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%	10.8
Hospital e Maternedade Brasil	Dec 27 2012	1970 - 2007	342,000		100.0%	24.0
Hospital Santa Luzia	Dec 23 2013	2003	185,139	1	100.0%	25.0
Hospital Do Coracao	Dec 23 2013	2007	96,875		100.0%	25.0
Hospital Caxias	Dec 23 2013	2013	290,626		100.0%	25.0
			1,019,555	**2**	**100.0%**	**23.2**
Germany						
Adlershof 1	Nov 16 2012	2004	57,603	34	100.0%	2.0
Adlershof 2	Nov 16 2012	2010	48,539	15	96.5%	5.4
Berlin Neukölln	Nov 16 2012	2000	36,370	13	94.9%	2.0
Königs Wusterhausen 1	Nov 16 2012	2001	40,365	24	85.7%	2.4
Marktredwitz	Nov 16 2012	2008	47,215	12	96.7%	4.8
Fulda	Mar 31 2013	2008	99,515	38	100.0%	6.1
			329,607	**136**	**96.7%**	**4.2**
Australasia - Vital Interest [2]			**1,620,110**	**105**	**99.4%**	**14.9**
Canada - NWHP REIT Interest [3]			**4,695,333**	**1,556**	**91.3%**	**4.8**
Portfolio Totals / Weighted Averages			**7,664,605**	**1,799**	**94.4%**	**9.4**
Portfolio Totals / Weighted Averages - Proportionate Consolidation [4]			**2,946,002**		**96.0%**	**12.4**

Notes
(1) As at December 31, 2013. 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 26% 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, 2013, 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, 2013, Vital Trust owned a portfolio of 24 properties in New Zealand and Australia. Approximately 74% of Vital Trust's property portfolio is located in Australia with the remaining 26% 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 22, 2013 Vital Trust reported its audited results for the twelve months ended June 30, 2013. During the year ended June 30, 2013 Vital Trust increased its net property income (a similar measure to NOI) by 21% to NZ$57.9 million. The increase was primarily attributable to NZ$37.0 million of accretive acquisitions and NZ$41.7 million of accretive hospital redevelopments which have enhanced the quality of Vital Trust's portfolio and are averaging annual rental yields of approximately 10%. In addition, Vital Trust completed 107 rent reviews during the 12 months ended June 30, 2013 with an average 1.7% rental rate increase. Vital Trust's portfolio occupancy increased from 99.3% to 99.5% from June 30, 2012 to June 30, 2013, respectively.

On February 14, 2014 Vital Trust reported its unaudited interim consolidated financial statements for the 6 months ended December 31, 2013. For the six months ended December 31, 2013, Vital Trust delivered strong financial results as well as successfully executed on its operational plan. Vital Trust increased rental income by 3.8% to NZ$ 29.9 million in the first half of fiscal year 2014, and operating profit increased 3.6% to NZ$25.7 million during the same period. The positive operating results are underpinned by a portfolio occupancy of 99.4%, which remained consistent with the same period of the prior year, and a notable increase in the weighted average lease term of 14.9 years from 12.1 years the prior year, due to the releasing of a key New Zealand hospital asset. There was no change to Vital Trust's property holdings or tenant base during the six months ended December 31, 2013.

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 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 units or approximately 24.11% as at December 31, 2013.

At December 31, 2013, a significant portion of the REIT's interest in Vital Trust (67,547,578 units) was held primarily through a global master securities lending agreement (the "**Vital SLA**") as described in further detail below. See "Part IV – Capitalization and Liquidity".

During the twelve months ended December 31, 2013, the REIT obtained a margin facility that provides for a maximum loan of $13,126,500 (NZ$15,000,000). As at December 31, 2013, the REIT has drawn $8,153,119 (NZ$9,316,865) against the facility and has pledged 14,112,287 Vital Trust units as collateral.

Vital Management Fee Participation Agreement and Management Rights

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 have 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 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 has 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 current management arrangements currently in place between NWVP and Vital Trust.

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 (11 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 (24 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 (expiring December 31, 2038) 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 (expiring December 31, 2038) 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 (expiring December 31, 2038) 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 fully 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 96% 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 95% 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 86% 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.

Marktredwitz

Marktredwitz is a three storey, detached, purpose built medical office building completed in 2008. The building is 97% occupied and has a gross leasable area (including storage) of 47,215 square feet and 13 exterior covered parking stalls. The ground floor includes retail and conference centre space, the second storey is leased to a dialysis clinic and the third storey is leased to various medical tenants. Marktredwitz is a town in the district of Wunsiedel, in Bavaria, southeast Germany. On February 17, 2014, the REIT sold Marktredwitz for approximately $6,884,000 (see Subsequent Events).

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.

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, 2013, on a 100% basis; noting, however, that the REIT has exposure to an approximate 26% 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, 2013, NWHP REIT owned a portfolio of 78 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.

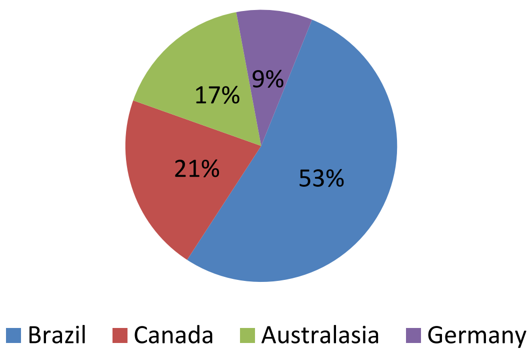
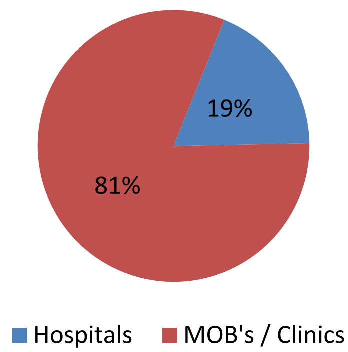
On March 5, 2014, NWHP REIT reported its annual audited results for the three and twelve months ended December 31, 2013. For the three months ended December 31, 2013, NWHP REIT reported AFFO per unit of $0.22 which was consistent with the previous quarter and an increase of $0.01 per unit over the prior year. For the year ended December 31, 2013, NWHP reported $81.5 million of net operating income, which represents a 10.7% increase over the prior year. The increase was primarily attributable to accretive acquisitions during the period as well as a 0.8% increase in same property net operating income. NWHP REIT's portfolio occupancy increased from 91.2% to 91.3% from December 31, 2012 to December 31, 2013, respectively.

The REIT's interest in NWHP REIT

On June 21, 2013, pursuant to the exercise of a put right held by NWVP under the Put/Call Agreement, the REIT indirectly acquired an approximate 26% interest in NWHP REIT from NWVP and affiliates. The interest acquired by the REIT consists of 4,345,900 units of NWHP REIT and 7,551,546 class B limited partnership units of 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	Asset Mix by Number of Properties
	

Notes:
- As at December 31, 2013
- Australasia statistics represent 100% of Vital Trust. The REIT has an exposure to an approximate 24% interest in Vital Trust.
- Canada statistics represent 100% of NWHP REIT. The REIT has an exposure to an approximate 26% interest in NWHP REIT.

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.

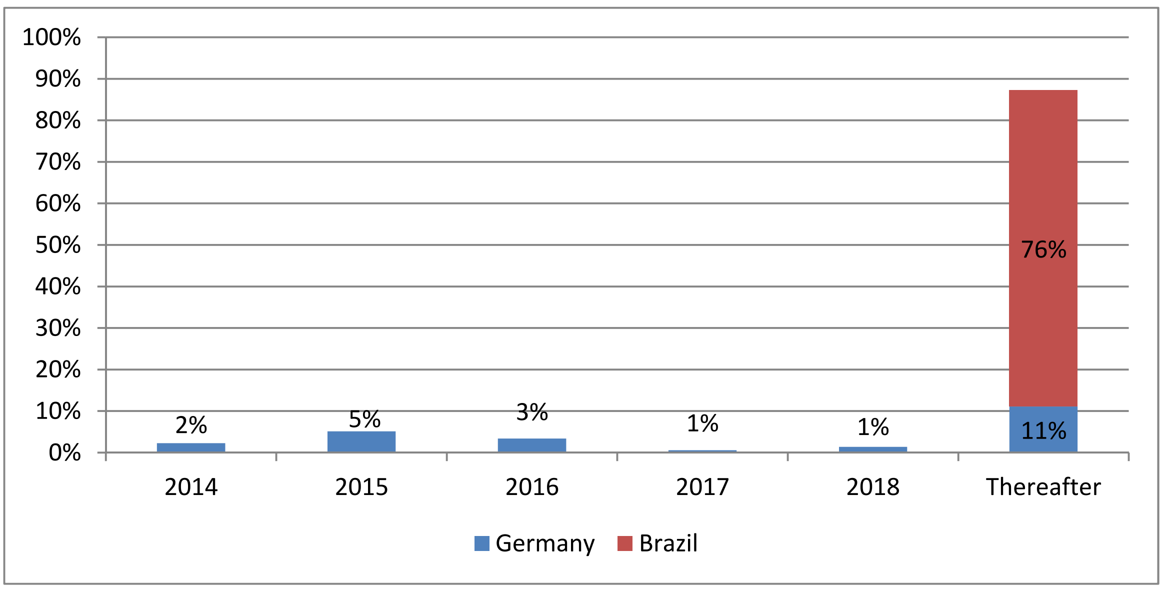
As at December 31, 2013 and including the REIT’s interest in Vital Trust and NWHP REIT on a 100% basis, the REIT has interests in 21 hospitals and 92 medical office buildings.

Lease Maturities

As at December 31, 2013 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 9.4 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, 2013
- Excludes the REIT’s interest in Vital Trust and NWHP REIT

As illustrated above, an average of 2.4% of the GLA related to the REIT’s direct property holdings in Brazil and Germany is maturing each year, between 2014 and 2018. 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 14.9 years and 4.8 years, respectively. In respect of Vital Trust, on average 2.1% of its portfolio income is subject to lease expiry each year for the next four years. 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 13% of its GLA maturing each year between 2014 and 2018.

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, respectively.

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, 2013		**As at Dec. 31, 2012**
Operational Information (1)				
Number of Properties - 100% of associates		113		31
Gross Leasable Area (sf) - 100% of associates		7,664,605		1,873,571
Occupancy % - 100% of associates		94.4%		99.5%
Summary of Financial Information				
Gross Book Value (2)	$	756,258,230	$	349,554,285
Debt - Declaration of Trust (3)	$	437,642,389	$	148,144,630
Debt to Gross Book Value - Declaration of Trust		57.9%		42.4%
Debt - Including convertible debentures (3)	$	473,065,389	$	148,144,630
Debt to Gross Book Value - Including convertible debentures		62.6%		42.4%
Percentage of Mortgages and Loans Payable at Fixed Rates		59.1%		77.1%
Weighted-Average Interest Rate on Fixed Rate Mortgages and Loans		6.11%		5.50%
Adjusted Units Outstanding - period end (4)				
Basic		146,046,705		98,541,704
Diluted (7)		146,347,916		98,541,704
		For the three months ended Dec. 31, 2013		**For the twelve months ended Dec. 31, 2013**
Operating Results				
Net Income / (Loss)	$	(26,809,534)	$	21,077,009
NOI from Continuing Operations (5)	$	4,855,484	$	18,026,247
Funds From Operations ("FFO") (5)(6)	$	(815,635)	$	10,779,626
Adjusted Funds From Operations ("AFFO") (5)	$	5,639,399	$	21,224,235
Distributions (7)	$	5,590,562	$	19,501,964
Per Unit Amounts (4)				
FFO per unit - Basic (6)	$	(0.01)	$	0.09
FFO per unit - Adjusted fully diluted (8)	$	(0.01)	$	0.09
AFFO per unit - Basic	$	0.04	$	0.18
AFFO per unit - Adjusted fully diluted (8)	$	0.04	$	0.18
Distributions per unit	$	0.04	$	0.16
AFFO Payout Ratio		98%		90%
AFFO Payout Ratio - Adjusted fully diluted (8)		98%		90%
Adjusted Weighted Average Units Outstanding (4)				
Basic		138,120,778		119,519,921
Diluted (8)		138,228,362		119,616,222

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 26% 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 exchangeable units are treated as a financial liability rather than equity. As permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at December 31, 2013 and 55,944,444 Class B LP exchangeable units outstanding at December 31, 2012.

(5) NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, 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 NOI, 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) FFO and FFO per unit for both the three months and year ended December 31, 2013 includes the incentive fee expense of $4,103,617. For the three months ended December 31, 2013, excluding the incentive fee, FFO and FFO per unit would be $3,287,982 and $0.02 respectively. For the year ended December 31, 2013, excluding the incentive fee, FFO and FFO per unit would be $14,883,243 and $0.12 respectively

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

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

PART III – RESULTS FROM OPERATIONS

The following discussion of the REIT's results from operations for the three and twelve months ended December 31, 2013 will focus primarily on its continuing operations related to the REIT's directly-held international properties and equity income earned from its investments in associates.

NET INCOME

The following is a summary of selected financial information from the consolidated statements of operations for the three and twelve months ended December 31, 2013 and December 31, 2012.

TABLE 6 - RESULTS FROM OPERATIONS

	Three months ended		Twelve months ended	
	December 31, 2013 (Unaudited)	December 31, 2012 (Unaudited)	December 31, 2013 (Audited)	December 31, 2012 (Audited)
Net Operating Income [(1)]				
Revenue from investment properties	$ 5,543,955	$ 1,441,552	$ 20,177,010	$ 1,441,552
Property operating costs	(688,471)	(323,778)	(2,150,763)	(323,778)
	4,855,484	**1,117,774**	**18,026,247**	**1,117,774**
Other income				
Share of profit from associates	1,762,222	1,168,584	10,156,830	1,168,584
Management fee participation	468,970	452,718	1,749,053	452,718
Interest income	107,772	271,580	1,921,053	278,092
	2,338,964	**1,892,882**	**13,826,936**	**1,899,394**
	7,194,448	**3,010,656**	**31,853,183**	**3,017,168**
Other expenses				
Mortgage and loan interest expense	(4,599,524)	(738,072)	(12,100,309)	(738,072)
General and administrative expenses	(1,118,219)	(741,690)	(3,180,624)	(1,694,883)
Incentive fee	(4,103,617)	-	(4,103,617)	-
Transaction costs	-	(7,203,455)	(468,182)	(7,526,686)
Finance costs	(21,006,646)	(12,240,207)	(21,360,128)	(12,532,394)
Foreign exchange loss	(1,007,606)	(327,804)	(2,914,885)	(327,804)
Amortization of intangible asset	(390,319)	-	(1,561,275)	-
Income / (Loss) before the undernoted items	**(25,031,483)**	**(18,240,572)**	**(13,835,837)**	**(19,802,671)**
Other fair value gains / (losses)	(16,713)	-	(3,763)	58,274
Fair value adjustment of investment properties	(890,557)	(8,535,836)	24,119,615	(8,535,836)
Gain / (Loss) on derivative financial instruments	(99,546)	(13,597,507)	22,983,561	(13,597,507)
Income / (Loss) before taxes	**(26,038,299)**	**(40,373,915)**	**33,263,576**	**(41,877,740)**
Income tax expense	(771,235)	(180,788)	(12,186,567)	(180,788)
Net Income / (Loss) from continuing operations	**(26,809,534)**	**(40,554,703)**	**21,077,009**	**(42,058,528)**
Net income from discontinued operations	-	3,286,296	-	9,575,061
Net Income	**$ (26,809,534)**	**$ (37,268,407)**	**$ 21,077,009**	**$ (32,483,467)**

Notes

(1) NOI is not a measure recognized under IFRS and does not have standardized meanings prescribed by IFRS. NOI 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 NOI as reported by other such issuers. NOI is defined in this MD&A and reconciled to IFRS based amounts in the consolidated financial statements of the REIT.

Revenue from investment properties

Revenue from investment properties for the three months ended December 31, 2013 was $5,543,955 which is $4,102,403 greater than the three months ended December 31, 2012. This is a result of the four Brazilian property acquisitions (one on December 27, 2012 and three on December 23, 2013) and the one German property acquisition (March 31, 2013).

For the three months ended December 31, 2013 revenue from investment properties from the German and Brazilian properties was $1,586,303 and $3,957,652 respectively (for the year ended December 31, 2013 - $5,201,265 and $14,975,745, respectively). Revenue from Sabará Children's Hospital in Brazil of $560,663 for the three months ended December 31, 2013 ($2,256,933 for the year ended December 31, 2013) includes the amortization of deferred revenue in the amount of $351,731 (for the year ended December 31, 2013 - $1,412,087), which represents the securitized portion of rents recognized into income on a straight line basis. Effective April 1, 2013, the tenant at

Sabará Children's Hospital received their annual indexation adjustment notice which resulted in an increase to their annual rent by 6.31% from the prior year.

Revenue from HMB in Brazil was $2,953,512 for the three months ended December 31, 2013 ($12,275,333 for the year ended December 31, 2013). Revenue for the three months and year ended December 31, 2013 from the three additional Brazilian properties acquired December 23, 2013 was $443,477, representing revenue for the eight day period from the acquisition date to year end.

Revenue from investment properties for the year ended December 31, 2013 was $20,177,010 as compared to $1,441,552 for the year ended December 31, 2012. The increase in revenue by $18,735,458 from 2012 to 2013 is a result of the operations for 2012 only including results from the Brazilian and German properties from October 1 to December 31 as a result of the reconfiguration of the REIT to focus on international assets on September 30, 2012.

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.

Property operating costs for the three months ended December 31, 2013 were $688,471 as compared to $323,778 for the three months ended December 31, 2012. The increase is a result of the four Brazilian property acquisitions (one on December 27, 2012 and three on December 23, 2013) and the one German property acquisition (March 31, 2013).

For the three months ended December 31, 2013, property operating costs from the German and Brazilian properties were $544,017 and $144,454 respectively (for the year ended December 31, 2013 - $1,604,148 and $546,615, respectively).

Property operating costs for the year ended December 31, 2013 were $2,150,763 as compared to $323,778 for the year ended December 31, 2012. The increase in property operating costs of $1,826,985 from 2012 to 2013 is a result of the operations for 2012 only including results from the Brazilian and German properties from October 1 to December 31 as a result of the reconfiguration of the REIT to focus on international assets on September 30, 2012.

Share of profit of associates

The share of profit 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 26% ownership of NWHP REIT using the equity method. During the three months ended December 31, 2013, the REIT recorded equity income from Vital Trust of $1,567,590 and $194,632 of equity income from NWHP REIT. For the year ended December 31, 2013, the REIT recorded income from associates of $6,608,342 and $3,548,488 from Vital Trust and NWHP REIT respectively. For the three months and year ended December 31, 2012, the REIT recorded income from its investment in Vital Trust of $1,168,584.

During the three months ended December 31, 2013, the REIT received cash distributions of $1,406,670 from Vital Trust and $3,172,743 from NWHP REIT.

During the year ended December 31, 2013, the REIT received distributions of $4,777,839 from Vital Trust, of which $3,780,167 were received in cash and the remaining $997,672 was taken through the Vital Trust's Distribution Reinvestment Plan ("**DRP**"). During the year ended December 31, 2013, the distributions earned from NWHP REIT were $5,552,352. The distributions from NWHP REIT for the year ended December 31, 2013 represent only the 7 months of distributions earned since the acquisition of the interest in NWHP REIT on June 21, 2013.

During the three months and year ended December 31, 2012, the REIT earned distributions of $937,408 from Vital Trust which was elected to be taken under the DRP.

Management Fee Participation

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

During the three months and year ended December 31, 2013, the REIT earned $468,970 and $1,749,053 respectively, in respect of the Management Fee Participation Agreement. For the three months and year ended December 31, 2012, the REIT earned $452,718 in respect of the Management Fee Participation Agreement.

During the three months ended December 31, 2013, $342,867 ($1,349,669 for the year ended December 31, 2013) 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 $126,103 ($399,384 for the year ended December 31, 2013) of management fee participation revenue related to activity based fees from development and acquisition fees paid by Vital Trust. For the three months and year ended December 31, 2012, the management fee participation income earned was made up of $312,124 from the variance in base fees and $140,594 from activity based fees.

Interest income

Interest income represents amounts earned on cash balances, the promissory note receivable, the accretion on the instalment note receivable and the effective economic return earned on the working capital and closing adjustment receivable from NWVP and its subsidiaries (see “Related Party Transactions”). For the three months and year ended December 31, 2013, the REIT recorded interest income of $107,772 and $1,921,053 respectively. For the three months and year ended December 31, 2012, the REIT recorded interest income of $271,580 and $278,092 respectively.

The increase in interest income from 2012 to 2013 for the year ended December 31, 2013 is a result of: a) interest earned on the promissory note receivable of $562,192; b) $1,100,000 effective economic return earned on the working capital and closing adjustment receivable from NWVP and its subsidiaries; c) instalment note accretion of $72,436; and d) an increase in interest on cash balances invested of $186,424 primarily in Brazil.

The decrease in interest income for the three months ended December 31, 2013 as compared to the three months ended December 31, 2012 is due to the REIT not earning interest on related party balances during the three months ended December 31, 2013, whereas in 2012, the REIT earned 8% interest on the promissory note receivable in the amount of $269,589. In connection with the completion of the acquisition of the investment in NWHP REIT, NWVP settled the promissory note in full on June 21, 2013.

Mortgage and loan interest expense

Mortgage and loan interest expense for the three months and year ended December 31, 2013 was $4,599,524 and $12,100,309 respectively (for the three months and year ended December 31, 2012 – $738,072).

For the three months and year ended December 31, 2013 interest on the mortgages on the German properties was $269,616 and $976,030 respectively. For the three months and year ended December 31, 2012, interest on mortgages on the German properties was $224,083. The increase in interest expense in Germany for the three months ended December 31, 2012 to December 31, 2013 is a result of the acquisition of the Fulda property in March 2013. As at December 31, 2013, the weighted average effective interest rate of the mortgages on the German properties was 2.57% (December 31, 2012 – 2.67%).

In Brazil, the REIT incurred interest expense of $1,197,281 and $4,189,978 for the three months and year ended December 31, 2013 respectively on the outstanding term loans on HMB and Rede D'Or Hospital Portfolio. For the three months and year ended December 31, 2012, there was no interest incurred in Brazil due to the acquisition of HMB not occurring until December 27, 2012 and interest on the associated term loan not commencing until January 1, 2013.

Interest related to the REIT's debt on its investment in Vital Trust (the Vital SLA and margin facility) for the three months and year ended December 31, 2013 was $733,262 and $1,953,304 respectively. For the three months and year ended December 31, 2012, interest on the Vital SLA was $521,959. The increase in interest expense for the three months ended December 31, 2013 as compared to December 31, 2012 is a result of the REIT' increasing its investment in Vital Trust from 19.66% to 24.11% during 2013 and accordingly increasing its borrowings under the Vital SLA and entering into a new margin facility August 2013.

On June 21, 2013 as a result of the acquisition of the investment in NWHP REIT, the REIT assumed debt of $73,772,588 in the form of various margin facilities with two separate financial institutions. During the remainder of 2013, the REIT received further net advances from the respective margin facilities in the amount of $635,705 to bring the total outstanding borrowings to $74,408,293 as at December 31, 2013. Interest on the margin facilities is calculated daily and ranges from 4.25% to 10.75% per annum, with a weighted average interest rate of 8.19% as at December 31, 2013. Interest incurred for the three months and year ended December 31, 2013 on the margin facilities associated with the investment in NWHP REIT was $1,628,146 and $3,332,483 respectively. 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.

For the three months and year ended December 31, 2013, the REIT accrued interest of $701,126 and $1,578,421 on the Series MOB.DB and Series MOB.DB.A Debentures which bear interest at 6.5% per annum and 7.5% per annum respectively, payable semi-annually on September 30 and March 31 each year.

General and administrative expenses

General and administrative expenses for the three months ended December 31, 2013 were $1,118,219 versus $741,690 in the comparable period in 2012. The increase of $376,529 primarily relates to the increase in asset management fees to the REIT's external manager, which increased by $287,248 as a result of the incremental acquisitions that occurred during 2013.

For the year ended December 31, 2013 general and administrative expenses were $3,180,624, as compared to $1,694,883 for the year ended December 31, 2012. The increase of $1,485,741 primarily relates to increased asset management fees in the amount of $1,664,190 and higher legal and audit fees relating to the change in the nature and size of the business of the REIT from 2012 to 2013. General and administrative expenses were partially offset by an adjustment of $500,000 in respect of travel and other out of pocket costs from the Asset Manager.

Incentive fees

For both the three and twelve months ended December 31, 2013, pursuant to the NWI LP partnership agreement, the REIT recorded an incentive fee of $4,103,617 owing to a subsidiary of NWVP. The incentive fee is based on the increase in net asset value for the year ending December 31, 2013, in excess of specific hurdles, as defined in the partnership agreement. In 2012, there was no incentive accrued as the REIT did not meet the minimum return thresholds.

Transaction costs

For the three and twelve months ended December 31, 2013 the REIT incurred $nil and $468,182 respectively of transaction costs primary related to the closing of the REIT's acquisition of the Initial International Assets from NWVP.

Transaction costs incurred in the three and twelve months ended December 31, 2012 were as a result of professional fees related to the REIT's consideration of the proposed strategic transaction with NWVP.

Finance costs

Finance costs for the three and twelve months ended December 31, 2013 and 2012 consisted of the following:

TABLE 7 - FINANCE COSTS								
	Three months ended				Twelve months ended			
	December 31, 2013 (Unaudited)		December 31, 2012 (Unaudited)		December 31, 2013 (Audited)		December 31, 2012 (Audited)	
Distributions on Class B LP exchangeable units	$	3,642,918	$	2,167,388	$	12,169,416	$	2,181,325
Loss on revaluation of financial liabilities		2,407,190		-		6,072,523		-
Amortization of deferred financing costs		374,607		2,819		638,826		2,819
Fair value adjustment of convertible debentures		11,000		-		(4,677,000)		-
Convertible debenture issuance costs		-		-		3,566,115		-
Class B LP exchangeable units – Fair value adjustment		14,570,931		10,070,000		3,590,248		10,348,250
Total Finance Costs	**$**	**21,006,646**	**$**	**12,240,207**	**$**	**21,360,128**	**$**	**12,532,394**

Distributions on Class B LP exchangeable units

Under IFRS, the Class B LP exchangeable unit distributions are treated as a finance cost. Class B LP exchangeable units receive distributions on an equivalent per unit basis to the distributions declared on the Trust Units. During the three months and year ended December 31, 2013, the REIT declared distributions of $3,642,918 and $12,169,416 respectively on the Class B LP exchangeable units ($2,167,388 and $2,181,325 for the three months and year ended December 31, 2012).

Loss on revaluation of financial liabilities

On maturity, the principal balance of both the Brazilian term loan and holdback payable (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 and year ended December 31, 2013, accretion expense of $2,407,190 and $6,072,523 respectively was recorded to account for the related inflation adjustment to the term loan and holdback payable for the period.

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 and year ended December 31, 2013, amortization of deferred financing costs totaled $374,607 and $638,826 respectively. For the three months and year ended December 31, 2012, the REIT recorded amortization of deferred financing charges in the amount of $2,819. The increase in deferred financing costs relative to 2012 reflects the increased debt and refinancing activity of the REIT during the fiscal year 2013.

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 and Series MOB.DB.A Debentures mirrors the trading price of the REIT's listed Debentures. 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 year ended December 31, 2013 are costs related to the issuance of both the Series MOB.DB and Series MOB.DB.A Debentures which totaled $3,566,115.

Class B LP Exchangeable Units – Fair value adjustment

The Class B LP exchangeable units, under IFRS, are measured at fair value. The fair value of the Class B LP exchangeable units mirrors the trading price of the REIT's listed Trust Units. The trading price of the REIT's Trust Units decreased from $2.05 per unit at December 31, 2012 to $1.91 per unit at March 31, 2013, increased to $2.04 at June 30, 2013, decreased to $1.86 at September 30, 2013 and then increased to $2.02 at December 31, 2013.

On June 21, 2013, there were 36,637,245 Class B LP exchangeable units issued at a price of $1.87 per unit as consideration for the investment in NWHP REIT.

For the three months ended December 31, 2013 the value of the Class B LP exchangeable unit liability increased by $14,570,931, reflecting the increase in the trading price of the REIT's Trust Units during the period from $1.86 to $2.02. During the year ended December 31, 2013, the value of the Class B LP exchangeable unit liability increased by $69,271,896. This reflected the issuance of 36,637,245 Class B LP exchangeable units on June 21, 2013 for $1.87 per unit for total value of $68,511,648 which was partially offset by the conversion of 1,513,369 Class B LP exchangeable units at $1.87 per unit for a total value of $2,830,000. The value of the Class B LP exchangeable units was also increased during the year ended December 31, 2013 due to a net fair value loss of $3,590,248 as a result of the trading price of the units at December 31, 2013 being $2.02.

Foreign exchange loss

The REIT's financial assets and liabilities denominated in foreign currencies are revalued at the end of each period at the prevailing balance sheet rate. The REIT's foreign exchange loss for the period 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. During the three months and year ended December 31, 2013, the REIT recorded a foreign exchange loss of $1,007,606 and $2,914,885 respectively as a result of the New Zealand dollar strengthening relative to the Canadian dollar, thus increasing the value of the New Zealand debt. For the three months and year ended December 31, 2012, the REIT recorded a foreign exchange loss of $327,804. See "Foreign Exchange and Currency Management".

Amortization of intangible asset

In conjunction with the acquisition of the Initial 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 and $1,561,275 of amortization for the three months and year ended December 31, 2013.

Other fair value gains/losses

In 2013, other fair value gains and losses are comprised of gains related to the changes in the fair value of the unit-based compensation liability associated with deferred units issued under the REIT's long-term incentive plan. During 2012, the other fair value gains and losses also included fair value changes to the incentive unit options and warrants.

Total other fair value loss for the three months ended December 31, 2013 were $16,713 ($nil for the three months ended December 31, 2012). For the year ended December 31, 2013, the total fair value loss was $3,763 (fair value gain of $58,274 for the year ended December 31, 2012).

Fair value adjustment of investment properties

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.

Gain on derivative financial instruments

In conjunction with the acquisition of the Initial International Assets, the REIT entered into a Put/Call Agreement with NWVP with respect to securities of NWHP REIT owned by NWVP. At December 31, 2012 and March 31, 2013, the Put/Call Agreement was a derivative financial instrument in a net liability position on the statement of financial position. The Put/Call rights were initially measured at fair value based on the Black-Scholes option pricing model. Subsequent changes in the fair values were recognized through the consolidated statement of comprehensive income / (loss).

On June 21, 2013, the REIT's acquisition of the investment in NWHP REIT closed, and as a result, the derivative financial liability related to the Put/Call Agreement was settled. For the year ended December 31, 2013, this resulted in a gain of $23,083,107 related to the settlement of the derivative financial instrument. As at December 31, 2013, 602,554 Option Units under to the Put/Call Agreement remain outstanding. Should the remaining Option Units be exercised, the price of the units and consideration paid would be at market value.

During the three months ended December 31, 2013, the REIT obtained two additional derivative financial instruments:

- On December 17, 2013, pursuant to the terms of the margin facility secured by the Vital Trust units, the REIT entered into an interest rate swap to limit its exposure to fluctuations in the variable interest rate on approximately $4,113,000 (NZ $4,700,000) of the outstanding loan balance. For the three months ended December 31, 2013, the REIT recognized a fair value loss of $8,170 with respect to the revaluation of the interest rate swap.

- On December 19, 2013, pursuant to the Acquisition Facility obtained, the REIT issued the lender warrants to acquire 3,000,000 Trust Units at an exercise price of $2.15 per Trust Unit at any time until January 2, 2017. For the three months ended December 31, 2013, the REIT recognized a fair value loss of $91,376 with respect to the revaluation of the warrant liability.

Income tax expense

The current tax expense of the REIT for the three months and year ended December 31, 2013 was $458,026 and $1,678,626 respectively. The current taxes primarily relate to the income taxes paid in Brazil. For the three months and year ended December 31, 2012, current taxes were $61,414. The increase in the current tax expense for the three months ended December 31, 2012 as compared to December 31, 2013 is a result of the acquisition of HMB in Brazil which occurred on December 27, 2012 which contributed to the majority of the current taxes paid in 2013.

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 and year ended December 31, 2013 was $313,208 and $10,507,941 respectively. For the three months and year ended December 31, 2012, the REIT recorded deferred tax expense of $119,374.

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, 2013 (Unaudited)	**December 31, 2012 (Unaudited)**	**December 31, 2013 (Unaudited)**	**December 31, 2012 (Unaudited)**
Net Income	$ (26,809,534)	$ (37,268,407)	$ 21,077,009	$ (32,483,467)
Add / (Deduct):				
(i) Fair market value gains (losses)	15,588,747	32,203,343	(48,186,165)	32,481,593
(ii) Finance cost - Class B LP exchangeable unit distributions	3,642,918	2,167,655	12,169,416	2,181,325
(iii) Revaluation of financial liabilities	2,407,190	-	6,072,523	
(iv) Foreign exchange loss	1,007,606	327,804	2,914,885	327,804
(v) Deferred taxes	313,208	119,373	10,507,940	119,373
(vi) Strategic transaction costs	-	7,203,455	468,182	7,526,686
(vii) Convertible debenture issuance costs	-	-	3,566,115	-
(viii) Net adjustments for equity accounted entities	3,034,230	159,214	2,189,721	159,214
(viiii) (Gains) / losses on dispositions	-	(3,275,731)	-	(3,275,731)
Funds From Operations ("FFO") (1) (3)	**$ (815,635)**	**$ 1,636,706**	**$ 10,779,626**	**$ 7,036,797**
FFO per Unit - Basic (3)	$ (0.01)	$ 0.02	$ 0.09	$ 0.20
FFO per Unit - Adjusted and fully diluted (4)	$ (0.01)	$ 0.02	$ 0.09	$ 0.20
Adjusted weighted average units outstanding: (2)				
Basic	138,120,778	87,400,400	119,519,921	35,328,067
Diluted (4)	138,228,362	87,400,400	119,616,222	35,328,067

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 exchangeable units are treated as a financial liability rather than equity. As permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at December 31, 2013 and 55,944,444 Class B LP exchangeable units outstanding at December 31, 2012.

(3) FFO and FFO per unit for both the three months and year ended December 31, 2013 includes the incentive fee expense of $4,103,617. For the three months ended December 31, 2013, excluding the incentive fee, FFO and FFO per unit would be $3,287,982 and $0.02 respectively. For the year ended December 31, 2013, excluding the incentive fee, FFO and FFO per unit would be $14,883,243 and $0.12 respectively

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

For the three and twelve months ended December 31, 2013 the REIT's FFO per unit reflects the operations of the international assets and excludes any results from the REIT's Former Canadian MOB Portfolio.

FFO per unit of $0.09 for the year ended December 31, 2013 includes the impact of the REIT's investment in NWHP REIT from acquisition on June 21, 2013. FFO and FFO per unit (basic) for both the three months and year ended December 31, 2013 includes the incentive fee expense of $4,103,617. For the year ended December 31, 2013, excluding the incentive fee, FFO and FFO per unit (basic) would be $14,883,243 and $0.12 respectively

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, 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, 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 certain derivative financial instruments with non-cash settlements are classified as assets or liabilities 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 November 2012 ("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

Under IFRS the REIT's Class B LP 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 Class B LP 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 – Class B LP exchangeable unit distributions

Under IFRS the REIT's Class B LP exchangeable units are classified as financial liabilities and any related distributions on the Class B LP 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 Class B LP 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 loan and holdback payable (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, 2013, accretion expense of $2,407,190 (for the year ended December 31, 2013 - $6,072,523) was recorded to account for the related inflation adjustment to the term loan and holdback payable for the period. The accretion expense is treated as a fair value adjustment to the term loan and holdback payable, and therefore adjusted for to arrive at FFO.

(iv) 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 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 expensed the costs related to the issuance of the convertible debentures. 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, these non-recurring finance costs, related to the issuance of the convertible debentures, have been added back to the REIT's net income.

(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 26% 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, 2013 (Unaudited)		**December 31, 2012 (Unaudited)**		**December 31, 2013 (Unaudited)**		**December 31, 2012 (Unaudited)**	
Vital Trust - FFO [(1)(2)]		7,254,980	$	6,753,801	$	29,480,251	$	6,753,801
average % of Vital Trust owned during the period		24%		20%		22%		20%
Vital Trust Proportionate FFO		**1,750,627**		**1,327,798**	**$**	**6,365,051**		**1,327,798**
NWHP REIT - FFO [(2)(3)]	$	11,854,000			$	23,271,558		
average % of NWHP REIT owned during the period		26%				26%		
NWHP REIT Proportionate FFO	**$**	**3,045,825**			**$**	**5,981,500**		
Funds From Operations from Associates ("FFO") [(2)]	**$**	**4,796,452**	**$**	**1,327,798**	**$**	**12,346,551**	**$**	**1,327,798**
Less: Share of income of associates		(1,762,222)		(1,168,584)		(10,156,830)		(1,168,584)
Net adjustments for equity accounted entities	**$**	**3,034,230**	**$**	**159,214**	**$**	**2,189,721**	**$**	**159,214**

Notes

(1) Represents the net distributable income of Vital Trust's calculated from their unaudited results for six months ended December 31, 2013, adding the net distributable income as reported by Vital Trust for the year ended June 30, 2013 and deducting the net distribuable income reported for the six months ended December 31, 2012, 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 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, 2013, the REIT has included $1,750,627 ($6,365,051 for the year ended December 31, 2013) of FFO related to its proportionate direct interest in Vital Trust.

For the three months ended December 31, 2013, the REIT has included $3,045,825 ($5,981,500 for the year ended December 31, 2013) of FFO related to its approximate 26% proportionate indirect interest in NWHP REIT. This FFO adjustment represents the proportionate FFO reported by NWHP REIT, from the date of acquisition on June 21 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, subject to 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, 2013 (Unaudited)	**December 31, 2012 (Unaudited)**	**December 31, 2013 (Unaudited)**	**December 31, 2012 (Unaudited)**
Funds From Operations ("FFO") [(1)]	$ (815,635)	$ 1,636,706	$ 10,779,626	$ 7,036,797
Add / (Deduct):				
(i) Asset management fees to be paid in units	587,386	-	1,964,328	-
(ii) Amortization of intangible asset	390,319	-	1,561,275	-
(iii) Instalment note	214,874	206,214	851,268	206,214
(iv) Interest rate subsidy	683,908	-	1,442,154	-
(v) Amortization of deferred financing charges	374,607	2,819	638,826	57,780
(vi) Securitized rent adjustment	(80,970)	(71,382)	(263,245)	(34,889)
(vii) Actual capex and leasing costs from continuing operation:	-	-	(34,907)	-
(viii) Amortization of leasing costs and tenant inducements	-	-	-	(15,959)
(ix) Unit-based compensation expense	181,293	184,998	181,293	1,062,864
(x) Incentive fee	4,103,617	-	4,103,617	-
Adjusted Funds From Operations ("AFFO") [(1)]	**$ 5,639,399**	**$ 1,959,355**	**$ 21,224,235**	**$ 8,312,807**
AFFO per Unit - Basic	$ 0.04	$ 0.02	$ 0.18	$ 0.24
AFFO per Unit - Adjusted and fully diluted [(3)]	$ 0.04	$ 0.02	$ 0.18	$ 0.24
Distributions per Unit - Basic	$ 0.04	$ 0.04	$ 0.16	$ 0.13
AFFO Payout Ratio - Basic	98%	178%	90%	55%
Adjusted weighted average units outstanding: [(2)]				
Basic	138,120,778	87,400,400	119,519,921	35,328,067
Diluted [(3)]	138,228,362	87,400,400	119,616,222	35,328,067

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 exchangeable units are treated as a financial liability rather than equity. As permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at December 31, 2013 and 55,944,444 Class B LP exchangeable units outstanding at December 31, 2012.

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

For the three months and year ended December 31, 2013 the REIT's AFFO per unit reflects the operations of the international assets and excludes any results from the REIT's Former Canadian MOB Portfolio.

AFFO per unit of $0.18 for the year ended December 31, 2013 includes the impact of the REIT's investment in NWHP REIT from acquisition on June 21, 2013.

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 the three months ended December 31, 2013 ($1,561,275 for the year ended December 31, 2013) 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 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.

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. 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.

(v) Amortization of deferred financing charges

Under IFRS, the REIT has recorded amortization of $374,607 for the three months ended December 31, 2013 ($638,826 for the year ended December 31, 2013) relating to amortization of deferred financing costs. As 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, 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 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.

(viii) Amortization of leasing costs and tenant inducements

For the three months and year ended December 31, 2013 the REIT did not amortize any leasing costs or tenant inducements.

(ix) Unit-based compensation expense

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.

(x) Incentive fee

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).

DISTRIBUTIONS

For the three months and twelve months ended December 31, 2013, the REIT paid a total of $5,373,186 and $18,580,525 in distributions respectively, reflecting an annualized distribution rate of $0.16 per unit per annum. Distributions to Unitholders over the last twelve months are summarized below:

TABLE 11 - MONTHLY DISTRIBUTIONS

	Dec-13	Nov-13	Oct-13	Sep-13	Aug-13	Jul-13	Jun-13	May-13	Apr-13	Mar-13	Feb-13	Jan-13
Monthly distribution ($)	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133	0.0133
Month-end closing price ($)	2.02	2.00	2.05	1.86	1.80	1.95	2.04	2.07	2.06	1.91	2.19	2.15
Date of Record	31-Dec-13	30-Nov-13	31-Oct-13	30-Sep-13	31-Aug-13	31-Jul-13	30-Jun-13	30-May-13	30-Apr-13	31-Mar-13	28-Feb-13	31-Jan-13
Date Paid	15-Jan-14	16-Dec-13	15-Nov-13	15-Oct-13	16-Sep-13	15-Aug-13	15-Jul-13	17-Jun-13	15-May-13	15-Apr-13	15-Mar-13	15-Feb-13

During the three and twelve months ended December 31, 2013, a total of 46,967 and 151,618 trust units were issued under the DRIP 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, 2013 (Unaudited)	December 31, 2012 (Unaudited)	December 31, 2013 (Audited)	December 31, 2012 (Audited)
Net income	$ (26,809,534)	$ (37,268,407)	$ 21,077,009	$ (32,483,467)
Cash flow from operating activities	$ (3,279,726)	$ (3,629,842)	$ (1,828,583)	$ (5,263,431)
Distributions paid and payable				
Trust Units	$ 1,947,648	$ 1,440,702	$ 7,332,551	$ 2,306,830
Class B LP Exchangeable Units	$ 3,642,918	$ 2,167,679	$ 12,169,416	$ 2,181,616
	$ 5,590,566	$ 3,608,381	$ 19,501,967	$ 4,488,446
Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (8,870,292)	$ (7,238,223)	$ (21,330,550)	$ (9,751,877)
Surplus (shortfall) of net income over distributions paid and payable	$ (32,400,100)	$ (40,876,788)	$ 1,575,042	$ (36,971,913)

TABLE 12A - ADJUSTMENT FOR DISTRIBUTION INCOME FROM ASSOCIATES

Surplus (shortfall) of cash flow from operating activities over distributions paid and payable	$ (8,870,292)	$ (7,238,223)	$ (21,330,550)	$ (9,751,877)
Add: Distribution income from associates	$ 3,786,278	$ -	$ 9,332,519	$ -
Adjusted surplus (shortfall) of cash flor from operating activities over distributions paid and payable	$ (5,084,014)	$ (7,238,223)	$ (11,998,031)	$ (9,751,877)

For the three months and year ended December 31, 2013, distributions paid and payable exceeded cash flow from operations by $8,870,292 and $21,330,550 respectively compared to $7,238,223 and $9,751,877 for the three months and year ended December 31, 2012 respectively. For the three months ended December 31, 2013 the REIT’s distributions paid and payable exceeded net income by $32,400,100 however for the year ended December 31, 2013, the REIT's net income exceeded distributions paid and payable by $11,998,031. For the three months ended December 31, 2012 the REIT's distributions paid and payable exceeded net income by $40,876,788 and $36,971,913 respectively.

Cash flow from operating activities excludes the distribution income from associates and therefore is not considered in the surplus (shortfall) relative to the distributions paid. The distributions earned from its investment in associates are considered in the REIT's distribution policy as reflected in Table 12A above. Further, in assessing its distribution policy, the REIT considers certain items that provide an economic benefit to the REIT but that are not included in cash flows from operations, and where the timing of cash flows relating to the economic benefit may differ from the timing of distribution payments.

The surplus or shortfall in net income already includes a deduction for the distributions on the Class B LP exchangeable units which are considered finance costs under IFRS. 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.

QUARTERLY PERFORMANCE

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

TABLE 13 - QUARTERLY PERFORMANCE

	Q4-13	Q3-13	Q2-13	Q1-13	Q4-12	Q3-12	Q2-12	Q1-12
Summary of Financial information								
Gross Book Value ("GBV") (1)	$ 756,258,230	$ 560,867,595	$ 517,126,358	$ 380,465,080	$ 349,554,285	$ 88,473,236	$ 88,517,393	$ 75,705,892
Debt - Declaration of Trust ("DOT") (2)	$ 437,642,389	$ 238,475,203	$ 230,180,937	$ 162,905,626	$ 148,144,630	$ 48,163,959	$ 47,571,759	$ 42,689,621
Debt to GBV - DOT	57.9%	42.5%	44.5%	42.8%	42.4%	54.4%	53.7%	56.4%
Debt - Including convertible debentures (2)	$ 473,065,389	$ 273,887,203	$ 250,984,237	$ 181,401,901	$ 148,144,630	$ 48,163,959	$ 47,571,759	$ 42,689,621
Debt to GBV - Incl. convertible debentures	62.6%	48.8%	48.5%	47.7%	42.4%	54.4%	53.7%	56.4%
Operating results								
Net income / (loss)	$ (26,809,534)	$ 32,116,236	$ 4,168,473	$ 11,601,834	$ (37,268,407)	$ 956,704	$ 2,290,406	$ 1,537,830
NOI from Continuing Operations (3)	$ 4,855,484	$ 4,282,008	$ 4,545,692	$ 4,343,063	$ 1,117,774	$ -	$ -	$ -
NOI from Discontinued Operations (3)	$ -	$ -	$ -	$ -	$ -	$ 1,407,008	$ 1,453,069	$ 1,291,973
FFO (3)	$ (815,635)	$ 4,242,955	$ 3,656,092	$ 3,696,216	$ 1,636,707	$ 574,588	$ 759,959	$ (138,606)
AFFO (3)	$ 5,639,399	$ 6,064,083	$ 4,820,943	$ 4,699,810	$ 1,959,356	$ 450,657	$ 649,873	$ 55,717
Distributions (4)	$ 5,590,562	$ 5,463,249	$ 4,472,101	$ 3,976,052	$ 3,608,382	$ 323,546	$ 319,183	$ 237,469
Per Unit amounts								
FFO per unit - Basic	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02	$ 0.03	$ 0.04	$ (0.01)
FFO per unit - Adjusted and fully diluted (6)	$ (0.01)	$ 0.03	$ 0.04	$ 0.04	$ 0.02	$ 0.03	$ 0.04	$ (0.01)
AFFO per unit - Basic	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02	$ 0.02	$ 0.03	$ 0.00
AFFO per unit - Adjusted and fully diluted (6)	$ 0.04	$ 0.04	$ 0.05	$ 0.05	$ 0.02	$ 0.02	$ 0.03	$ 0.00
Distributions	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.04	$ 0.02	$ 0.02	$ 0.02
Adjusted Weighted Average units outstanding (5)								
Basic	138,120,778	136,566,427	103,506,425	99,271,825	87,400,400	20,219,095	18,647,389	15,520,847
Diluted (6)	138,228,362	136,661,749	103,598,923	99,364,324	87,400,400	20,219,095	18,647,389	15,520,847

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) NOI, FFO and AFFO are not measures recognized under IFRS and do not have standardized meanings prescribed by IFRS. NOI, 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 NOI, 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 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 exchangeable units are treated as a financial liability rather than equity. As permitted under IFRS the REIT has chosen to present an adjusted basic and diluted per unit measure that includes the Class B LP exchangeable units in basic and diluted units outstanding/weighted average units outstanding. There were 91,068,320 Class B LP exchangeable units outstanding as at December 31, 2013 and 55,944,444 Class B LP exchangeable units outstanding at December 31, 2012.

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

PART IV – CAPITALIZATION AND LIQUIDITY

INVESTMENT PROPERTIES

As at December 31, 2013 and December 31, 2012 the REIT's investment properties comprised of international healthcare real estate assets. The fair value of investment properties as at December 31, 2013 was $448,832,353 representing an implied weighted average capitalization rate of 8.75% (as at Dec. 31, 2012 – 8.86%).

TABLE 14 - INVESTMENT PROPERTIES

	As at Dec. 31, 2013 (Audited)	As at Dec. 31, 2012 (Audited)
Opening Balance	$ 205,502,477	$ 61,332,333
Acquisition of Initial International Assets	-	84,412,292
Acquisitions of investment properties	225,993,435	128,212,296
Addition to investment properties	50,852	-
Fair value gain / (loss)	24,119,615	(8,535,836)
Foreign currency translation	(6,834,026)	1,413,725
Discontinued operations	-	(61,332,333)
Closing Balance	**$ 448,832,353**	**$ 205,502,477**

On March 31, 2013 the REIT acquired the Fulda Property for $19,513,141, which included $842,216 of transaction costs. During the year months ended December 31, 2013, the value of investment properties decreased by $6,834,026 attributable to the weakening of the Brazilian Real offset partially by the strengthening of the Euro relative to the Canadian dollar. The fair value of investment properties increased by $24,119,615 as a result of: a fair value gain on the Brazilian portfolio ($30,731,548); 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).

The fair values of the investment properties at December 31, 2013 and December 31, 2012 were determined based on a combination of internal valuation models incorporating available market evidence and external appraisals. During year ended December 31, 2013, properties with an aggregate fair value of approximately $404,127,000 (during the year ended December 31, 2012 – $205,502,477) were valued by external valuation professionals with recognized and relevant professional qualification. 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.

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 all of its loan covenants.

The following table shows the REIT's total capital as at December 31, 2013 and December 31, 2012:

TABLE 15 - CAPITAL STRUCTURE		
	As at Dec. 31, 2013 (Audited)	**As at Dec. 31, 2012 (Audited)**
Mortgages and loans payable	$ 357,526,759	$ 116,497,806
Convertible debentures	35,423,000	-
Class B LP exchangeable units	183,958,006	114,686,110
Unit-based compensation liability	370,054	184,998
Unitholders equity	77,703,372	42,095,940
Total Capitalization	**$ 654,981,191**	**$ 273,464,854**

Equity

For the three months ended December 31, 2013 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.

For the three months ended December 31 30, 2013 the number of Trust Units outstanding increased from 45,523,172 to 54,978,385. The increase in Trust Units was a result of the issuance of (i) 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; (ii) the issuance of 408,246 Trust Units in December 2013 for gross proceeds of $803,250 which were used to settle the outstanding asset management fees payable to a subsidiary of NWVP; and (iii) 46,967 Trust Units under the REIT's DRIP at a cost of $91,304.

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.

Liabilities

The following table summarizes the mortgages and loans payable and convertible debentures by region as at December 31, 2013:

TABLE 16 - DEBT				
		As at December 31, 2013 (Audited)	Weighted average interest rate	Maturity
Brazil - Loans	$	173,793,462	6.87%	December 2014
Australasia - Vital SLA & Margin Loan		44,769,103	6.28%	February 2014 - August 2018
Germany - Loans & Mortgages		42,099,617	2.58%	June 2017 - March 2018
Canada - Margin and acquisition facilities		96,864,577	8.66%	January 2014 - January 2017
Total Mortgages and Loans Payable		**357,526,759**	**6.77%**	
Canada - Convertible debentures		35,423,000	6.95%	March - September 2018
Total Debt Excluding Deferred Consideration	**$**	**392,949,759**	**6.79%**	

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 has a principal of $121,581,000 (R$270,000,000) and bears interest at a fixed rate of 7.00%, payable monthly. The term loan related to the Rede D’Or Hospital Portfolio Acquisition is secured by the future rental income stream of the properties and matures 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 has a principal of $56,287,500 (R$125,000,000) and bears interest at a fixed rate of 6.60%, payable monthly. The term loan related to HMB is secured by the future rental income stream of the properties and matures December 23, 2014.

On maturity, the principal balance of the term loans will be 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, 2013, accretion expense of $4,137,363 was recorded to account for the related IPCA adjustment for the year (2012 - $nil).

Australasia – Vital SLA and Margin Facility:

On November 22, 2012, NWI LP, a subsidiary of the REIT, entered into the Vital SLA with a Canadian financial institution (the “**SLA Counterparty**”).

During the year ended December 31, 2013, the REIT increased its borrowings under the Vital SLA by approximately $7,451,200 (NZ$6,360,700) and extended the maturity of the Vital SLA to February 28, 2014 as it increased its investment in Vital Trust. As at December 31, 2013, the REIT has drawn approximately $36,845,100 (NZ$42,106,700) against the facility and has pledged 67,547,578 Vital Trust units as collateral. Subsequent to the year ended December 31, 2013, the Vital SLA was wound down and replaced by a new margin facility effective March 21, 2014. (see “Subsequent Events”).

The REIT pays interest on the Vital SLA Collateral it holds to the SLA Counterparty at a rate that fluctuates with the New Zealand dollar LIBOR rate. Interest on the Vital SLA for the three months and year ended December 31, 2013 was $637,058 and $1,852,603 respectively. As at December 31, 2013 the interest rate was 6.41%.

During the year ended December 31, 2013, in connection with its participation in the Vital Rights Offering, the REIT obtained a margin facility that provides for a maximum loan of $13,126,500 (NZ $15,000,000). The margin facility bears interest at the New Zealand benchmark rate plus 110 bps on the drawn balance as well a commitment fee of as 110 bps on the total facility and matures August 23, 2018. As of December 31, 2013, the REIT has drawn approximately $8,153,200 (NZ $9,316,900) against the facility and has pledged 14,122,287 Vital Trust units as collateral.

In December 2013, the REIT entered into an interest rate swap pursuant to the margin facility secured by the Vital Trust units to limit its exposure to fluctuations in the variable interest rate on approximately $4,113,000 (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.

Interest on the margin facility for the three months and year ended December 31, 2013 was $96,204 and $100,702 respectively. As at December 31, 2013 the effective interest rate on the outstanding balance was 5.68%.

Germany – Loans & Mortgages:

Upon acquisition of Fulda, the REIT obtained new mortgage financing of $11,804,379 (net of transaction costs of $71,121) with a five year term, a fixed interest rate of 2.37% per annum and a 40 year amortization period.

As at December 31, 2013, loans and mortgages related to the REIT's investment properties in Germany comprised of (i) $37,240,036 fixed rate mortgages maturing in November 2017 with an effective interest rate of 2.46% per annum; and (ii) $4,756,437 of floating rate loans maturing March 2018 with an effective interest rate of 3.50% 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.

On November 8, 2013, the REIT repaid one margin facility with an outstanding balance of $8,516,491 and entered into a new margin facility with a limit of $15,000,000 and term of one year, bearing interest at prime plus 1.25% or the Banker's Acceptance rate plus 2.25% and a commitment fee on any unused portion of 0.5625%. As at December 31, 2013, the current balance outstanding on this facility was $9,415,491.

The margin facilities mature between January 15, 2014 and November 8, 2014. The margin facilities maturing on January 15, 2014 were extended to September 1, 2014 (see "Subsequent Events").

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. In addition, the lender was granted warrants to acquire 3,000,000 Trust Units. Each whole warrant entitles 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. The credit facility is secured by a general security agreement (with the exclusion of certain specific assets) and matures on January 1, 2017.

LIQUIDITY AND CASH RESOURCES

Cash resources and Liquidity

TABLE 17 - CASH AND LIQUIDITY	As at Dec. 31, 2013 (Audited)	As at Dec. 31, 2012 (Audited)
Cash	$ 2,635,859	$ 3,142,536
Restricted Cash	1,778,685	607,375
Total	**$ 4,414,544**	**$ 3,749,911**

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 finance future acquisitions from: (i) existing cash balances and (ii) a mix of mortgage debt secured by investment properties, bridge facilities, operating facilities, issuance of equity and convertible/unsecured debentures. Cash flow generated from operating activities and related party receivables 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) financing availability through both conventional mortgage debt secured by income producing properties as well as unsecured debt; and (iii) to the extent possible, the issuance of new equity and debt securities.

The following table sets out the REIT's contractual cash flows as at December 31, 2013:

TABLE 18 - CONTRACTUAL CASH FLOWS	Carrying amount	Contractual cash flow	2014	2015	2016	2017	2018	Thereafter
Accounts payable and accrued liabilities	$ 8,596,690	$ 8,596,690	$ 8,596,690	$ -	$ -	$ -	$ -	$ -
Distributions payable	733,082	733,082	733,082	-	-	-	-	-
Income tax payable	552,098	552,098	552,098	-	-	-	-	-
Deferred consideration	70,115,165	70,115,165	70,115,165	-	-	-	-	-
Convertible debentures	35,423,000	47,900,625	2,086,125	2,781,500	2,781,500	2,781,500	37,470,000	-
Mortgages and loans payable	357,526,759	383,246,076	307,467,775	2,107,103	2,093,333	59,774,486	217,648	11,585,731
Total	**$ 472,946,794**	**$ 511,143,736**	**$ 389,550,935**	**$ 4,888,603**	**$ 4,874,833**	**$ 62,555,986**	**$ 37,687,648**	**$ 11,585,731**

The REIT currently intends to distribute a high percentage of its AFFO to Unitholders. As such, the REIT will not retain a material amount of operating cash flow to finance other capital requirements, such as acquisitions 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.

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, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Unaudited)	(Unaudited)	(Audited)	(Audited)
Cash provided by / (used in):				
Operating activities				
Continuing operations	$ (3,279,726)	$ (3,434,340)	$ (1,828,583)	$ (8,001,641)
Discontinued operations	-	(195,502)	-	2,738,210
Net cash from operating activities	**(3,279,726)**	**(3,629,842)**	**(1,828,583)**	**(5,263,431)**
Investing activities				
Continuing operations	(167,027,707)	(36,162,628)	(203,668,924)	(36,162,628)
Discontinued operations	-	9,200,000	-	3,096,969
Net cash from investment activities	**(167,027,707)**	**(26,962,628)**	**(203,668,924)**	**(33,065,659)**
Financing activities				
Continuing operations	169,357,799	34,000,259	206,604,757	37,346,236
Discontinued operations	-		-	3,033,030
Net cash from financing activities	**169,357,799**	**34,000,259**	**206,604,757**	**40,379,266**
Net increase / (decrease) in cash during the period	**(949,634)**	**3,407,789**	**1,107,250**	**2,050,176**
Net increase (decrease) in cash from:				
Continuing operations	(949,634)	(5,596,709)	1,107,250	(6,818,033)
Discontinuing operations	-	9,004,498	-	8,868,209
Effect of foreign currency translation	(100,313)	(332)	(442,617)	(332)
Net increase / (decrease) in cash during the period	**$ (1,049,947)**	**$ 3,407,457**	**$ 664,633**	**$ 2,049,844**

Details on the cash used as part of continuing operations are below:

Operating activities

Cash used in operating activities totaled $3,279,726 and $3,434,340 for the three months ended December 31, 2013 and 2012 respectively. For the year ended December 31, 2013 cash used in operating activities was $1,828,583 as compared to $5,263,431 for the year ended December 31, 2012. Operating cash flow from continuing operations increased in the 2013 as compared to the prior period as a result of the cash flow generated from the international assets which did not exist during in 2012.

Investing activities

Cash used in investing activities totaled $167,027,707 for the three months ended December 31, 2013, reflecting cash outflows related to the Rede D'Or Portfolio Acquisition partially offset by the cash distributions received from Vital Trust and NWHP REIT. For the three months ended December 31, 2012, cash used in investing activities totaled $36,162,628 which primarily related to the cash outflow for the acquisition of HMB partially offset by the cash proceeds received from the sale of the Former Canadian MOB portfolio.

Cash used in investing activities totaled $203,668,924 for the year ended December 31, 2013, reflecting the acquisition of the Rede D'Or Portfolio, Fulda and additional units of Vital Trust, offset partially by the cash distributions received from Vital Trust and NWHP REIT. For the year ended December 31, 2012, cash used in investing activities totaled $33,065,659 which primarily related to the cash outflow for the acquisition of HMB partially offset by the cash proceeds received from the sale of the Former Canadian MOB portfolio.

Financing activities

Cash generated from financing activities totaled $169,357,799 for the three months ended December 31, 2013 as compared to $34,000,259 during the three months ended December 31, 2012.

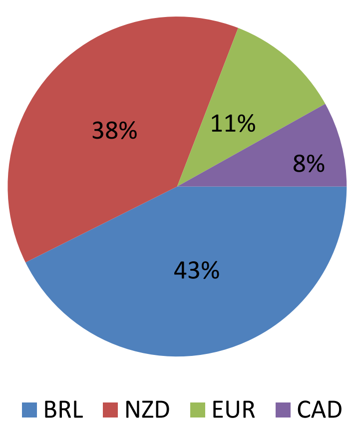
During the three months ended December 31, 2013 the REIT raised $18,000,000 ($15,328,931 net of fees) of cash through the issuance of Trust Units, received net advances (after financing fees) from mortgages, loans payable, and credit facilities of $149,840,346 (primarily related to the Rede D'Or Portfolio Acquisition), received net repayments from related parties of $9,817,664, and paid distributions of $5,373,186. For the REIT's continuing operations, during the comparable period in 2012, the REIT received net advances (after financing fees) from mortgages, loans payable, and credit facilities of $17,988,024, received net repayments from related parties of $18,414,486, and paid distributions of $2,402,251.

Cash generated from financing activities totaled $206,604,757 for the year ended December 31, 2013 as compared to $40,379,266 during the year ended December 31, 2012. 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 as compared to only $26,898,523 in the year ended December 31, 2012. During the year ended December 31, 2013, the REIT 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. During the year ended December 31, 2012, the REIT also made net repayments to mortgages, loans payable and credit facilities of $4,716,795, received net repayments from related parties of $18,414,486, and paid distributions of $3,249,978.

FOREIGN EXCHANGE AND CURRENCY MANAGEMENT

For the year ended December 31, 2013, approximately 92% (for the three months ended December 31, 2013 – 92%) 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 for the year ended December 31, 2013 is presented below:

AFFO by Currency [1] [2]



Trading Range [1] [3]

(Against CAD)	**BRL**	**EUR**	**NZD**
High	0.5273	1.4724	0.8834
Low	0.4296	1.2859	0.8017
Average	0.4790	1.3688	0.8449
Balance Sheet:			
December 31, 2012	0.4859	1.3118	0.8223
December 31, 2013	0.4503	1.4655	0.8751
Profit & Loss:			
2013 Average Rate	0.4790	1.3688	0.8449
2012 Average Rate	0.4815	1.2862	0.8164

Notes:
1. For the year ended December 31, 2013
2. Includes Canadian Dollar AFFO of $1,717,093 related to the REIT's proportionate share of AFFO from NWHP REIT and interest income less certain general and administrative expenses
3. Rates are presented against the Canadian Dollar

For the year ended December 31, 2013, 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 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 raised in Canadian dollars from the equity and convertible debenture offerings were converted into foreign currencies to fund acquisitions in foreign jurisdictions.

For the year ended December 31, 2013, AFFO generated in Canadian dollars totaled $1,717,093 (three months ended Dec 31, 2013 - $465,267), while Canadian dollar distributions paid to Unitholders totaled $18,580,522 (for the three months ended December 31, 2013 - $5,373,183). Any deficiencies were funded from the proceeds of the equity and convertible debenture offerings.

As at December 31, 2013 the REIT held approximately $26,147,000 million of cash and receivables denominated in Canadian Dollars (December 31, 2012 - $46,163,000 million).

The REIT monitors its foreign exchange exposure and its hedging strategy on an ongoing basis. Since the repatriation of cash from the REIT's international regions to Canada has been minimal due to investing commitments in those regions, the REIT has not executed any formal hedging arrangements in the past year. The REIT intends to implement its hedging policy, when necessary and practicable, 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 arrangements could include natural currency hedges as well as 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, 2013, NWVP indirectly owned approximately 82% of the outstanding Trust Units (approximately 60% on a fully-diluted basis). 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 President of the REIT, serves as Senior Vice-President of NWVP. Teresa Neto, Chief Financial Officer of the REIT, serves as Chief Financial Officer of NWVP.

b) On November 16, 2012 with an effective date of October 1, 2012 the REIT acquired the Initial International Assets from NWVP and affiliates. In conjunction with the acquisition of the Initial International Assets, the REIT entered into a put/call agreement (the "Put/Call Agreement"). Pursuant to the Put/Call Agreement, the REIT has granted NWVP the right (the "**Put Right**") to sell to the REIT any or all of up to 12,500,000 NWHP trust units and/or securities exchangeable trust units ("**Option Units**") held by NWVP to the REIT. NWVP has granted the REIT the right (the "**Call Right**") to acquire any or all of the Option Units. The Put/Call Agreement specifies the price at which the Option Units may be purchased/sold and the put/call rights expire on November 16, 2014. On June 21, 2013, the REIT acquired 11,897,446 Option Units under the Put/Call Agreement.

   Pursuant to the terms of the Put/Call Agreement, the REIT indirectly acquired these Option Units at a price of $13.22 per unit, for total gross consideration of approximately $157,300,000 including approximately $73,800,000 of third party debt that was indirectly assumed by the REIT. In connection with the completion of the transactions contemplated by the Put/Call Agreement, NWVP repaid $15,000,000 of obligations that had previously been owing to the REIT. As a result, the net consideration payable to NWVP was approximately $68,500,000, which NWVP elected to receive in the form of Class B LP Units, each of which is exchangeable for one Unit of the REIT and carries REIT level voting rights. Pursuant to the terms of the Put/Call Agreement, the Class B LP Units were valued at a price of $1.87 per unit, which resulted in the issuance of approximately 36,600,000 Class B LP Units to NWVP.

   Paul Dalla Lana, Robert Baron and Bernard Crotty, all Trustee of the REIT, also serve as trustees of NWHP REIT.

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

   The Asset Manager is 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, excluding the

REIT's indirect interest in NWHP REIT for a period of two years from June 28, 2013, 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), Units or securities of the REIT or its subsidiaries that may be convertible into 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 is 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 has 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 had it been wholly-owned and subject the REIT's Asset Management Agreement described above (the "**Management Fee Participation Agreement**"). NWVP's management arrangements with Vital Trust currently provide 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 serves as general partner of NWI LP, and in such capacity is 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 Amoun**t". The Class C Amount is 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%. Should there be a substantial change to the REIT's operating policies (including but not limited to: (i) leverage, (ii) payout ratio, and (iii) corporate structure) ("Operating Policies"), the Class C Amount shall be adjusted to provide for an amount equal to what the Class C Amount would have been had the REIT's Operating Policies remained consistent with the prior year.

For purposes of the Class C Amount, "Gross All In Return" means the annual increase in 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".

In April 2014, the independent trustees of the REIT determined that the Class C Amount for the 2013 Performance Period was $4,103,617. The NWVP affiliate elected to receive such Class C Amount in the form of Class D GP Units, which will result in the issuance of 1,891,068 Class D GP Units. Each Class D GP Unit is exchangeable for one Unit of the REIT and carries one REIT level voting right.

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, 2013 and 2012:

	Three months ended December 31, 2013	Three months ended December 31, 2012	Twelve months ended December 31, 2013	Twelve months ended December 31, 2012
Base asset management fees [1]	$ 587,386	$ 300,139	$ 1,964,328	$ 300,139
Incentive fee [2]	4,103,617	-	4,103,617	-
Property management fees	62,702	29,027	177,048	29,027
Management fee participation	(468,970)	(452,718)	(1,749,053)	(452,718)
Reimbursement of out-of-pocket costs - completed transactions	157,599	3,189,259	660,595	3,189,259
Reimbursement of out-of-pocket costs - in-progress transactions	278,030	618,820	607,902	618,820
	$ 4,720,364	$ 3,684,527	$ 5,764,438	$ 3,684,527

(1) During the year ended December 31, 2013, the REIT issued 865,238 units to settle outstanding asset management fees owing to a subsidiary of NWVP (2012 – nil).
(2) As at December 31, 2013 the incentive fee payable remains outstanding and is included in accounts payable and accrued liabilities. The incentive fee shall be 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.

d) The Asset Manager has agreed to an adjustment of $500,000 for travel and other out of pocket costs for the year ended December 31, 2013 ($nil for the three months ended December 31, 2013) and it is included as a reduction in general and administrative costs.

e) On November 16, 2012, with an effective date of October 1, 2012, the REIT sold the Existing Portfolio to NWHP REIT. As part of the post-closing adjustment, the REIT has made an accrual of an amount owing NWHP REIT of $488,167 for estimated post-closing working capital related items. During the year ended December 31, 2013, the REIT made an advance to NWHP REIT of $150,000 to reduce the working capital balance owing. As at December 31, 2013, the remaining amount of $338,167 is included in accounts payable and accrued liabilities.

f) The following table summarizes the balance owing from/(to) NWVP and its subsidiaries:

	As at Dec. 31, 2013 (Audited)	As at Dec. 31, 2012 (Audited)
Working capital and closing adjustment receivable (i)	$ 18,236,652	$ 27,300,011
Promissory note receivable (ii)	-	15,000,000
Interest rate subsidy (iii)	1,873,898	-
Instalment note receivable (iv)	1,369,191	1,296,755
Vital Management Fee Participation	2,296,860	456,009
Interest (ii)	2,431,781	269,589
Other	45,655	(1,799,621)
Total	**$ 26,254,037**	**$ 42,522,743**

(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, 2013, repayments of the working capital and closing adjustment receivable were received in the amount of $9,063,359. On January 2, 2014, subsequent to year end, a further repayment of $1,270,000 was received. The working capital and closing adjustment receivable is unsecured 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 year ended December 31, 2013,NWVP has agreed to pay interest of $1,100,000 (for the three months ended December 31, 2013 – nil).

(ii) Promissory note receivable

The promissory note receivable arose from the sale of the Existing Portfolio and was due from an affiliate of NWVP. In connection with the completion of the acquisition of the investment in NWHP REIT, NWVP settled the promissory note in full on June 21, 2013. The promissory note was unsecured, repayable on demand at any time and bore interest at a rate of 8% per annum, payable quarterly in arrears.

Interest earned on the promissory note for the year ended December 31, 2013 from an affiliate of NWVP was $562,192 (for the three months ended December 31, 2013 – nil). During both the three months and year ended December 31, 2013, interest earned on the promissory note was $269,589.

(iii) 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 has been recorded as a receivable from NWVP, and subsequent cash payments by NWVP will be recorded as a reduction of the receivable balance.

(iv) 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 and will earn 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 remains outstanding as of the date of these audited consolidated financial statements. 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.

g) Key Management Compensation

Compensation for the REIT's key management personnel was as follows:

Year Ended December 31,		**2012**	**2013**
Compensation expense	**$**	**334,401**	$ 56,250
Unit-based payments		**165,945**	184,988
	$	**500,346**	$ 241,248

Key management personnel of the REIT include the Trustees and the Chief Executive Officer, President and Chief Financial Officer. Compensation expense of $334,401 (2012 - $56,250) relating to the Chief Executive Officer, President and the Chief Financial Officer are provided by a subsidiary of NWVP under the REIT's asset management arrangements.

h) Transactions with related parties disclosed above 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. Certain of these risks are described below. For a full list and explanation of relevant risks and uncertainties, please refer to the REIT's filings with securities regulators, including the Annual Information Form, which are available on SEDAR.

RISK FACTORS RELATED TO THE REAL ESTATE INDUSTRY

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.

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.

RISK FACTORS RELATED TO THE BUSINESS OF THE REIT

GROWTH STRATEGY

The REIT's strategy will involve 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.

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 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

EXCHANGE RATE RISKS

Substantially all of the REIT's investments and operations will be conducted in currencies other than Canadian dollars; however, the REIT pays distributions to Unitholders 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 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 could include natural currency hedges as well as implementing specific foreign currency hedging transactions. 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, the value of which generally must cover the fair value of the transactions outstanding under the facility by some multiple.

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 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.

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 of the Asset Manager, including the Chief Executive Officer, President, Chief Financial 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. In addition, the management and governance of the REIT will depend on the services of NWVP and its affiliates.

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.

SIGNIFICANT DEPENDENCY ON SINGLE LEASES IN BRAZIL

The leases for Sabará, HMB Property, and the Rede D'Or Hospital Portfolio properties 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, our cash flows, operating results, financial condition and our ability to make distributions on the Trust Units could be materially and adversely affected.

VITAL MANAGEMENT RIGHTS

The Vital Management Rights entitle the REIT to indirectly receive 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 Asset Management Agreement. Further, the REIT shall be entitled to direct NWVP, subject to NWVP's fiduciary duties, with respect to any control or direction rights of NWVP set forth in any management agreements between NWVP and Vital Trust. The value paid by the REIT to NWVP for the Vital Management Rights is premised on the assumption that NWVP will continue to manage Vital Trust and that the fees payable by Vital Trust under its asset management agreements will continue to be higher than those it would have paid under the Asset Management Agreement. While management believes that the Vital Management Rights will be accretive to the REIT's AFFO, there can be no assurances in this regard.

THE PUT/CALL AGREEMENT

The prices of the Option Units and securities of the REIT to be issued in consideration therefor pursuant to the Put/Call Agreement are fixed until May 15, 2013. Accordingly, it is possible that (a) the value of an Option Unit will be less than the put price on the date the put right is exercised, and (b) the value of a Unit or Class B LP Unit will be higher than the price to be attributed to such securities in the Put/Call Agreement on the date the put right or call right, as applicable, is exercised. Following this 180 day period, the prices of the Option Units and Units/Class B LP Units to be issued in consideration therefor will fluctuate, meaning that the actual dilution under the Put/Call Agreement is unknown at this time. The nature of the Put/Call Agreement is such that the REIT may be required to purchase securities of NWHP REIT in the future, regardless of its liquidity or working capital position at such time. The Put/Call Agreement also means that the REIT may be subject to the related risks and uncertainties of owning such securities, including risks relating to NWHP REIT's business and any unitholders rights plan of NWHP REIT.

SIGNIFICANT OWNERSHIP BY NWVP

NWVP currently indirectly owns approximately 80% 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 a trustee, officer and/or beneficial shareholder of NWVP and NWHP REIT.

In addition, the REIT may also become involved in other transactions which conflict with the interests of its Trustees and the officers who may from time to time deal with persons, firms, institutions or corporations with which the REIT may be dealing, or which may be seeking investments similar to those desired by it. The interests of these persons could conflict with those of the REIT. In addition, from time to time, these persons may be competing with the REIT for available investment opportunities. The Declaration of Trust contains conflict of interest provisions requiring the Trustees to disclose their interests in certain contracts and transactions and to refrain from voting on those matters.

DEPENDENCE ON NWVP

The REIT is dependent upon NWVP and its affiliates for various aspects of the REIT's business, including asset management, property management and development. Should affiliates of NWVP terminate any of the Asset Management Agreement, Property Management Agreement or Development Agreement, the REIT may be required to engage external service providers. The REIT may be unable to engage such providers on acceptable terms, in which case the REIT's operations and cash available for distribution may be adversely affected. In addition, the REIT is only entitled to the Vital Management Rights for so long as NWVP or any of its wholly-owned subsidiaries act as asset manager under the management agreement with Vital Trust.

RISKTS 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. AFFO may exceed actual cash available to the REIT from time to time because of items such as principal repayments and capital expenditures in excess of stipulated reserves indentified by the REIT in its calculation of AFFO and redemptions of Units, if any. The REIT may be required to use part of its debt capacity or to reduce distributions in order to accommodate such items.

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

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

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, the Asset Management Agreement and the NWI LP Agreement. 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

THE REIT MAY NOT BE ABLE 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.

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.

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.

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 2 of the REIT's consolidated financial statements for the year ended December 31, 2013.

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's Unit prices.

Interests in associates

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

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 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 tax, deferred income taxes are not recognized in the 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 and twelve months ended December 31, 2013, there have not been any material changes to the operating or economic environments in which the REIT operates.

Through the first half of 2014, the REIT will focus on closing the German MOB Portfolio and will continue to pursue new acquisitions in the REIT's existing markets.

Looking forward, the REIT remains committed to its key 2014 initiatives as outlined below:

1. Continue to enhance our platform and its operational performance where possible;
2. Expand the portfolio and augment its quality through reinvestment in existing assets and acquiring new assets in each of our core markets;
3. Increase investor liquidity by raising new capital and broadening our investor base; and,
4. Increase our profile through measured investor relations and communication strategies.