

Alignvest Student Housing Real Estate Investment Trust

Condensed Consolidated Financial Statements [Unaudited]
March 31, 2023

Condensed Consolidated Statement of Financial Position

In Canadian dollars
[Unaudited]

As at	Notes	March 31, 2023	December 31, 2022
		\$	\$
ASSETS			
Non-current assets			
Investment properties	3	832,900,000	738,900,000
Derivative asset	5(b)	3,802,064	5,011,360
		836,702,064	743,911,360
Current assets			
Cash and cash equivalents		47,554,191	25,700,743
Short-term investments	4	-	46,205,578
Derivative asset	5(b)	4,264,301	4,511,978
Prepaid expenses and other assets	3	1,521,676	3,130,989
Rent and other receivables		704,101	809,276
		54,044,269	80,358,564
Total assets		890,746,333	824,269,924
LIABILITIES			
Non-current liabilities			
Mortgages payable	5(a)	426,633,229	378,981,735
Accrued liabilities	11	37,871,067	36,720,582
		464,504,296	415,702,317
Current liabilities			
Mortgages payable	5(a)	18,152,863	11,944,571
Distributions payable	6,11	2,085,429	1,950,258
Residential tenant deposits		7,163,101	6,294,333
Accounts payable and accrued liabilities		5,520,660	5,215,609
		32,922,053	25,404,771
Total liabilities		497,426,349	441,107,088
Net assets attributable to other limited partners in CSL		29,564,757	29,520,503
Net assets attributable to Trust Unitholders	6	363,755,227	353,642,333
Total liabilities including net assets attributable to Trust Unitholders		890,746,333	824,269,924

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Income (Loss) and Comprehensive Income (Loss)

In Canadian dollars

[Unaudited]

For the three months ended March 31	Notes	2023	2022
		\$	\$
Revenue from investment properties		14,856,644	12,720,540
Property operating costs		(5,096,065)	(4,280,193)
Net operating income	7	9,760,579	8,440,347
Fair value adjustment on investment properties	3	1,896,436	(1,403,308)
Interest income	4	500,601	22,745
Other income		53,067	614
Financing costs	9	(3,800,501)	(3,400,601)
General and administrative expenses	8, 11	(1,577,651)	(3,162,557)
Distributions expense	6, 11	(6,033,472)	(5,015,654)
Increase (decrease) in net assets attributable to Trust Unitholders		799,059	(4,518,414)
Other comprehensive loss:			
Net unrealized (loss) gain on interest rate swap agreements	5(b)	(1,456,973)	4,283,875
Comprehensive loss		(657,914)	(234,539)
Increase (decrease) in net assets attributable to:			
Trust Unitholders		782,501	(4,056,285)
Other limited partners in CSL		16,558	(462,129)
		799,059	(4,518,414)
Comprehensive loss attributable to:			
Trust Unitholders		(564,794)	(140,764)
Other limited partners in CSL		(93,120)	(93,775)
		(657,914)	(234,539)

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Changes in Net Assets Attributable to Unitholders

In Canadian dollars

[Unaudited]

	Net assets attributable to Trust Unitholders	Net assets attributable to other limited partners in CSL	Total
	\$	\$	\$
Unitholders' net assets, January 1, 2023	353,642,333	29,520,503	383,162,836
Proceeds from units issued	10,828,117	-	10,828,117
Reinvestments of distributions by Unitholders	2,345,944	137,374	2,483,318
Redemption of Units	(2,496,373)	-	(2,496,373)
Increase in net assets attributable to Unitholders	782,501	16,558	799,059
Other comprehensive loss	(1,347,295)	(109,678)	(1,456,973)
Unitholders' net assets, March 31, 2023	363,755,227	29,564,757	393,319,984

	Net assets attributable to Trust Unitholders	Net assets attributable to other limited partners in CSL	Total
	\$	\$	\$
Unitholders' net assets, January 1, 2022	273,620,828	27,503,803	301,124,631
Proceeds from units issued	54,840,348	-	54,840,348
Reinvestments of distributions by Unitholders	9,292,218	532,619	9,824,837
Redemption of Units	(3,648,818)	-	(3,648,818)
Increase in net assets attributable to Unitholders	12,349,133	884,006	13,233,139
Other comprehensive income	7,188,624	600,075	7,788,699
Unitholders' net assets, December 31, 2022	353,642,333	29,520,503	383,162,836

See accompanying notes to the condensed consolidated financial statements.

Condensed Consolidated Statement of Cash Flows

In Canadian dollars

[Unaudited]

For the three months ended March 31	Note	2023	2022
		\$	\$
OPERATING ACTIVITIES			
Increase (decrease) in net assets attributable to Trust Unitholders		799,059	(4,518,414)
Add (deduct) items not affecting cash:			
Fair value adjustment on investment properties		(1,896,436)	1,403,308
Interest income		(500,601)	(22,745)
Distributions expense		6,033,472	5,015,654
Financing costs		3,800,501	3,400,601
Interest received		244,826	20,134
Net change in non-cash operating assets and liabilities	10	3,764,885	2,362,366
Cash provided by operating activities		12,245,706	7,660,904
INVESTING ACTIVITIES			
Purchase of investment properties		(91,563,597)	-
Capital expenditures on investment properties		(539,967)	(1,403,308)
Purchase of short-term investments		-	(25,000,000)
Proceeds on sale of short-term investments		46,000,000	-
Interest received on short-term investments		461,353	-
Cash used in investing activities		(45,642,211)	(26,403,308)
FINANCING ACTIVITIES			
Net change in subscriptions received in advance		-	(40,000)
Proceeds from issuance of Units		10,828,117	17,495,544
Redemption of Units, net of fees		(2,473,691)	(558,405)
Distributions paid		(3,414,986)	(2,424,867)
Proceeds from mortgages		55,500,000	-
Financing fees paid on mortgages		(285,000)	-
Interest paid on mortgages		(3,412,170)	(3,272,668)
Principal repaid on mortgages		(1,492,317)	(1,258,406)
Cash provided by financing activities		55,249,953	9,941,198
Net increase (decrease) in cash and cash equivalents during the period		21,853,448	(8,801,206)
Cash and cash equivalents, beginning of period		25,700,743	32,833,475
Cash and cash equivalents, end of period		47,554,191	24,032,269

See accompanying notes to the condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

1. Trust Information

Alignvest Student Housing Real Estate Investment Trust (the "Trust") is an unincorporated open-ended investment trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated as of May 4, 2018 and amended and restated as of June 15, 2018, and which may be further amended, restated or supplemented from time to time ("Declaration of Trust").

The registered office of the Trust is located at 1027 Yonge Street, Suite 200, Toronto, Ontario, M4W 2K9.

The Trust invests in high-quality purpose-built student accommodation located in Canada. The Trust holds its investments in its income-producing properties through its ownership in its subsidiary, Canadian Student Living Group Limited Partnership ("CSL"). Alignvest Student Housing Inc. ("ASH Inc." or the "General Partner") acts as the general partner of CSL and manages the operations of CSL.

2. Basis of preparation

These condensed consolidated financial statements for the three months ended March 31, 2023 have been prepared in accordance with IAS 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB"). Accordingly, certain information and footnote disclosures normally included in annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the IASB have been omitted or condensed.

The condensed consolidated financial statements should be read in conjunction with the Trust's consolidated financial statements for the year ended December 31, 2022, which include information necessary or useful to understanding the Trust's business and financial statement presentation. In particular, the Trust's significant accounting policies are presented in the consolidated financial statements for the year ended December 31, 2022 and have been consistently applied in the preparation of these condensed consolidated financial statements.

These condensed consolidated financial statements are prepared on a going concern basis using the historical cost method, except for investment properties and certain financial instruments, which have been measured at fair value, as set out in the relevant accounting policies. Management has used the best information available as at March 31, 2023 in determining its estimates and the assumptions that affect the carrying amounts of assets and liabilities and earnings for the period, including estimates of capitalization rates and stabilized net operating income ("SNOI"), which ultimately impact the underlying valuation of the Trust's investment properties.

The Trust's functional and presentation currency is the Canadian dollar ("CAD").

The condensed consolidated financial statements of the Trust for the three months ended March 31, 2023 were authorized for issue by management of the Trust on May 10, 2023.

a) Basis of consolidation

The condensed consolidated financial statements reflect the operations of the Trust as well as any entity controlled by the Trust ("subsidiary"). The Trust controls an entity when the Trust is exposed to or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The assets, liabilities, revenue and expenses of a subsidiary are included in the condensed consolidated financial statements from the date of acquisition or the date on which the Trust obtains control until the date that control ceases. Intercompany transactions, balances, unrealized gains and losses on transactions between the Trust and its subsidiary have been eliminated upon consolidation.

b) Comparative information

The consolidated financial statements provide comparative information in respect of the previous period. Certain comparative figures have been reclassified to conform to the financial presentation adopted for the current period.

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

c) Future changes in accounting policies

Amendments to IAS 1 and IFRS Practice Statement 2, Disclosure of Accounting Policies

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2, which aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "material" accounting policies and adding guidance on how entities apply that concept of materiality in making decisions about accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and did not have a material impact on the Trust's condensed consolidated financial statements.

Amendments to IAS 8, Definition of Accounting Estimates

In February 2021, the IASB issued amendments to IAS 8, which introduced a definition of "accounting estimates". The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. It also included clarification for how entities apply measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier adoption permitted. The amendments did not have a material impact on the Trust's condensed consolidated financial statements.

3. Investment properties

As at	March 31, 2023	December 31, 2022
	\$	\$
Balance, beginning of period	738,900,000	700,000,000
Acquisitions, including transaction costs	91,563,597	-
Capital expenditures on investment properties	539,967	6,855,459
Fair value adjustment on investment properties	1,896,436	32,044,541
Balance, end of period	832,900,000	738,900,000

Acquisitions

For the three months ended March 31, 2023, the Trust completed the following acquisition:

Acquisition date	Property	Location	Units	Beds	Purchase price (\$)
January 27, 2023	See-More	Halifax, Nova Scotia	141	491	90,000,000

As at December 31, 2022, CSL had acquisition deposits of \$2,000,000, which was included in prepaid expenses and other assets in the condensed consolidated statement of financial position.

There were no acquisitions completed by the Trust for the year ended December 31, 2022.

Valuation methodology and process

Investment properties are measured at fair value at each reporting date and changes in the fair value are included in net income. Fair value is supported by independent external valuations and detailed internal valuations using market-based assumptions. The following valuation techniques were considered in determining the fair value:

- Consideration of recent prices of similar properties within similar market areas; and
- The direct capitalization income method, which is based on the conversion of current and future normalized earnings potential directly into an expression of market value. The SNOI for the period is divided by an overall capitalization rate (inverse of an earnings multiplier) to arrive at the estimated fair value.

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

As the fair value of investment properties is determined with significant unobservable inputs, all investment properties are classified as Level 3 assets.

At each reporting date, the Trust assembles the property-specific data used in the valuation model based on the process set forth in the valuation framework, reviews the valuation framework to determine whether any changes or updates are required, inputs the capitalization rates, set-offs and normalization assumptions provided by the valuers, and delivers the completed valuation framework to the external appraisers for review. The external appraisers determine the capitalization rates that should be used in valuing the properties, provide charts of comparable sales and supporting relevant market information, determine the appropriate industry standard set-off amounts and normalization assumptions used in the calculation of SNOI, and supply a fair value report for the Trust to reflect in the condensed consolidated financial statements.

The external appraisers engaged are accredited independent real estate valuation experts with a recognized and relevant professional qualification and with recent experience in the locations and types of investment property being valued. The fair value of investment properties is determined by real estate valuation experts using recognized valuation techniques and the principles of IFRS 13, *Fair Value Measurement*.

Sensitivity analysis

The investment properties are valued using capitalization rates as provided by the external appraisers in the range of 3.89% to 5.52% (December 31, 2022 – 4.50% to 5.52%), resulting in an overall weighted average capitalization rate of 4.81% (December 31, 2022 – 4.92%).

The table below shows the sensitivity of the fair value of investment properties to changes in capitalization rates:

Capitalization rates	Increase (decrease) in capitalization rates	Fair value of investment properties (\$)	Change (\$)
4.31%	(0.50%)	929,559,915	96,659,915
4.56%	(0.25%)	878,579,361	45,679,361
4.81%		832,900,000	-
5.06%	0.25%	791,735,833	(41,164,167)
5.31%	0.50%	754,448,931	(78,451,069)

Additionally, a 1% increase or decrease in SNOI would result in an increase or decrease in the fair value of investment properties of \$8.3 million, respectively. A 1% increase in SNOI coupled with a 0.25% decrease in capitalization rates would result in an increase to the fair value of investment properties by \$54.5 million. A 1% decrease in SNOI coupled with a 0.25% increase in capitalization rates would result in a decrease to the fair value of investment properties of \$49.1 million.

4. Short-term investments

As at	March 31, 2023	December 31, 2022
	\$	\$
Cost	-	46,000,000
Accrued interest	-	205,578
	-	46,205,578

Short-term investments consist of guaranteed investment certificates issued by Canadian financial institutions with an original maturity of one year or less and redeemable on demand. As at March 31, 2023, the Trust fully redeemed its short-term investments. As at December 31, 2022, the Trust held short-term investments that were fully redeemable and earned interest at a weighted average rate of 4.41% annually.

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

For the three months ended March 31, 2023, the Trust earned interest income of \$255,775 (three months ended March 31, 2022 – \$2,611) from its short-term investments and \$244,826 (three months ended March 31, 2022 – \$20,134) from its cash balances.

5. Mortgages payable and derivative asset

a) Mortgages payable

As at	March 31, 2023	December 31, 2022
	\$	\$
Mortgages payable before deferred financing costs	446,972,893	392,970,325
Deferred financing costs	(2,186,801)	(2,044,019)
Mortgages payable	444,786,092	390,926,306
Current	18,152,863	11,944,571
Non-current	426,633,229	378,981,735
Mortgages payable	444,786,092	390,926,306
Range of interest rates	2.62% to 5.38%	2.62% to 4.03%
Weighted average interest rate	3.47%	3.20%
Weighted average term to maturity (years)	3.36	3.40
Mortgages mature between	2023 to 2029	2023 to 2029

The aggregate principal repayments and balances maturing on the mortgages payable as at March 31, 2023 and for the future years indicated are as follows:

Year of maturity/repayment	Principal Repayments	Balances Maturing	Total
	\$	\$	\$
2023	6,941,288	3,500,000	10,441,288
2024	10,308,711	48,063,350	58,372,061
2025	9,853,782	77,145,619	86,999,401
2026	4,866,123	166,662,805	171,528,928
2027	3,630,470	-	3,630,470
Thereafter	3,982,150	112,018,595	116,000,745
	39,582,524	407,390,369	446,972,893

During the three months ended March 31, 2023, the Trust completed new term mortgage borrowings of \$55,500,000 with an interest rate of 5.38%, maturing in 2028.

During the year ended December 31, 2022, the Trust repaid an existing loan upon maturity for \$7,668,755.

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

b) Derivative assets

As at	March 31, 2023	December 31, 2022
	\$	\$
Derivative assets		
Non-current	3,802,064	5,011,360
Current	4,264,301	4,511,978
	8,066,365	9,523,338

For the three months ended March 31, 2023, the net unrealized loss on interest rate swap agreements amounted to \$1,456,973 (three months ended March 31, 2022 – net unrealized gain of \$4,283,875) in the condensed consolidated statement of income (loss) and comprehensive income (loss).

c) Credit facility

On January 13, 2021, the Trust obtained a secured credit facility with a private lending institution for \$15,000,000 with an interest rate of 8% and a maturity date of April 1, 2023. As at March 31, 2023 and December 31, 2022, the credit facility remains undrawn.

6. Trust units

The Trust is authorized to issue an unlimited number of class A units (“Class A Units”) and class F units (“Class F Units”, collectively with the Class A Units, the “Units”). Each Unit entitles the holder to one vote at all meetings of Unitholders and pro rata participation in the distributions by the Trust, and in the event of a liquidation, dissolution or wind-up of the Trust, in the net assets of the Trust.

The Units of the Trust are issued at the fair market value (“Fair Market Value”) as determined by the Trustees. The Fair Market Value of the Class A Units and the Fair Market Value of the Class F Units is determined separately for each class of Units. The Fair Market Value of the Units may or may not be equal to the net asset value of the Units.

The Class A Units have the same rights as the Class F Units with the exception that the Class A Units will be indirectly subject to a management fee equal to 1.00% per annum of the net asset value of the Class A LP units of CSL, plus applicable taxes, payable to the General Partner. The General Partner may pay a trailing commission out of its own funds of up to 1.00% per annum to certain registered dealers in connection with their clients’ holdings of Class A Units. Trailing commissions may be modified or discontinued by the General Partner at any time. No sales commission or trailing commissions will be payable by the General Partner in respect of Class F Units of the Trust.

Each unitholder has the right to require the Trust to redeem their Units on the Redemption Date on demand subject to certain conditions. Unitholders who surrender Units for redemption shall be entitled to receive the redemption price (“Redemption Price”) per Unit, as determined by the Trustees pursuant to the Declaration of Trust. The Trust will satisfy redemption requests in cash, subject to the limitation that the total amount payable by the Trust in respect of redemptions shall not exceed \$250,000 for each month, unless a higher amount is approved by the Trustees, but in no case may the total amount payable in cash in respect of Units tendered for redemption in a month exceed 50% of Unencumbered Cash (as defined in the Amended and Restated Declaration of Trust) and subject to certain redemption rights, as defined in the Offering Memorandum of the Trust. To the extent the total redemption proceeds payable exceed \$250,000, the balance of redemption proceeds payable can be satisfied by way of a distribution in the form of debt securities of the Trust.

The redemption of Units may be temporarily suspended by the Trust at the discretion of the Trustees for a period of no longer than 12 months if the number of Units tendered for redemption in a month would exceed 20% of the Fair Market Value of all of the issued and outstanding Units at such time, or the redemption of the Units would result in the Trust no longer qualifying as a “mutual fund trust” for the purposes of the Income Tax Act.

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

The Trust intends to make regular distributions of its available cash to Unitholders, payable monthly, at the discretion of the Trustees. In accordance with the Limited Partnership Agreement (“LPA”) of CSL, the distributions are determined based on the distributable income available at CSL, of which 75% is allocated to the limited partners of CSL and 25% is allocated to ASH Inc. as general partner of CSL (collectively, “Periodic Distributions”).

For the three months ended March 31, 2023, the Trust declared Periodic Distributions to Unitholders of the Trust of \$4,128,686 (three months ended March 31, 2022 – \$3,416,873). As at March 31, 2023, Periodic Distributions of \$1,393,606 were payable (December 31, 2022 – \$1,350,000) and were subsequently paid on April 14, 2023.

Distribution reinvestment and unit purchase plan

Under Article 14 of the Declaration of Trust, the Trustees may at their sole discretion establish a distribution reinvestment plan (the “DRIP”) at any time providing for the voluntary reinvestment of distributions by some or all of the Unitholders as the Trustees determine. The Trust permits Unitholders to receive distributions in the form of additional Units or cash. Unitholders may enroll in the DRIP, which will allow them to elect to receive all or a portion of their cash distributions in the form of additional Units at a 2.0% discount to the Fair Market Value of the Units. No commissions, service charges or brokerage fees are payable by participants in connection with the DRIP.

The Unitholders’ net assets and Units issued and outstanding for the periods ended March 31, 2023 and December 31, 2022 are as follows:

	March 31, 2023		December 31, 2022	
Class F Units	\$	#	\$	#
Unitholders' net assets, beginning of period	352,372,820	2,690,220	273,098,209	2,193,424
Units issued	10,800,617	87,728	54,227,107	448,886
Units issued under the DRIP	2,332,526	19,349	9,249,893	77,857
Units redeemed	(2,496,373)	(20,204)	(3,648,818)	(29,947)
Increase in net assets attributable to Unitholders	795,992	-	12,283,842	-
Other comprehensive income (loss)	(1,342,449)	-	7,162,587	-
Unitholders' net assets, end of period	362,463,133	2,777,093	352,372,820	2,690,220

	March 31, 2023		December 31, 2022	
Class A Units	\$	#	\$	#
Unitholders' net assets, beginning of period	1,269,513	9,780	522,619	4,239
Units issued	27,500	226	613,241	5,180
Units issued under the DRIP	13,418	114	42,325	361
Units redeemed	-	-	-	-
Increase (decrease) in net assets attributable to Unitholders	(13,491)	-	65,291	-
Other comprehensive income (loss)	(4,846)	-	26,037	-
Unitholders' net assets, end of period	1,292,094	10,120	1,269,513	9,780

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

7. Revenue and property operating costs

The components of revenue and property operating costs from investment properties for the three months ended March 31, 2023 and 2022 are as follows:

Three months ended March 31	2023	2022
	\$	\$
Revenue from investment properties		
Rental income	10,201,824	8,638,885
Commercial income	406,018	375,826
Common area maintenance	3,015,957	2,767,813
Utility income	677,558	528,920
Parking income	190,031	155,429
Miscellaneous income	365,256	253,667
	14,856,644	12,720,540
Property operating costs		
Management and general operating expenses	(1,534,644)	(1,404,888)
Maintenance and utilities expenses	(2,015,254)	(1,760,044)
Property taxes	(1,546,167)	(1,115,261)
	(5,096,065)	(4,280,193)
Net operating income	9,760,579	8,440,347

8. General and administrative expenses

The components of general and administrative expenses are as follows:

Three months ended March 31	2023	2022
	\$	\$
Professional fees (Note 11)	227,503	101,353
Change in General Partner's Liquidity Distribution (Note 11)	1,150,485	2,960,017
Salaries and benefits	119,829	64,483
Office expenses	26,235	4,673
Fund administration fees	40,475	32,031
Other	13,124	-
	1,577,651	3,162,557

Notes to the Condensed Consolidated Financial Statements

For the three months ended March 31, 2023 and 2022

In Canadian dollars, except units, per unit amounts and where otherwise noted

[Unaudited]

9. Financing costs

The components of financing costs are as follows:

Three months ended March 31	2023	2022
	\$	\$
Interest on mortgages payable	4,779,643	2,961,573
Net realized (gain) loss on interest rate swaps	(1,121,360)	292,036
Amortization of deferred financing costs	142,218	146,992
	3,800,501	3,400,601

10. Supplemental cash flow information

The net change in non-cash operating assets and liabilities is as follows:

Three months ended March 31	2023	2022
	\$	\$
Prepaid expenses and other assets	1,324,313	(748,858)
Rent and other receivables	105,175	55,490
Accounts payable and accrued liabilities	1,466,629	2,429,242
Residential tenant deposits	868,768	626,492
	3,764,885	2,362,366

11. Related party disclosures

The condensed consolidated interim financial statements of the Trust include the financial statements of the parent and the subsidiary. The Trust's investment is listed in the following table as at March 31, 2023 and December 31, 2022:

Subsidiary	Country of incorporation	% interest	
		March 31, 2023	December 31, 2022
Canadian Student Living Group Limited Partnership	Canada	92.48%	92.30%

As at March 31, 2023, investment funds managed and/or advised by Alignvest Management Corporation ("AMC"), a related party of the Trust, held 304,719 Class F Units (December 31, 2022 – 304,471) of the Trust. AMC is the majority shareholder of ASH Inc. As at March 31, 2023, ASH Inc. held 223 Class A Units (December 31, 2022 – 223) of the Trust.

In accordance with the LPA of CSL, upon each redemption of LP units of CSL, the Trust will make a distribution to the General Partner, an amount equal to 25% of the amount obtained by taking: (i) the fair market value used to calculate the redemption price payable by CSL to the Limited Partner plus the Redemption Distribution minus (ii) the Net Capital of the Redeemed LP units, defined as the capital invested for the LP units subject to redemption minus the amount of Periodic Distributions previously paid in respect of such redeemed LP units (a "Special GP Distribution"), such that the value above the Net Capital of the Redeemed LP units held by the Trust is effectively split 25%/75% between ASH Inc. and the Trust, respectively. For the three months ended March 31, 2023, ASH Inc. was entitled to receive \$76,267 (three months ended March 31, 2022 – \$16,527) in Special GP Distributions, which is included in distributions expense in the condensed consolidated statement of income (loss) and comprehensive income (loss).

Notes to the Condensed Consolidated Financial Statements

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[Unaudited]

Upon the occurrence of a liquidity event, ASH Inc. is entitled to receive a share of the increase in net asset value of CSL subject to its limited partners having earned a 7% annualized preferred return on their investment in CSL ("General Partner's Liquidity Distribution"). The General Partner's Liquidity Distribution is equal to the General Partner's hypothetical share of the profits, distributed based on the order of priority described in the LPA. As at March 31, 2023, the General Partner's Liquidity Distribution of \$37,871,067 (December 31, 2022 – \$36,720,582) has been accrued and recorded as accrued liabilities (non-current). The change in General Partner's Liquidity Distribution for the three months ended March 31, 2023 of \$1,150,485 (three months ended March 31, 2022 – \$2,960,017) is included in general and administrative expenses in the condensed consolidated statement of income (loss) and comprehensive income (loss). The General Partner's Liquidity Distribution is measured at amortized cost.

For the three months ended March 31, 2023, the Trust declared Periodic Distributions to ASH Inc. of \$1,489,302 (three months ended March 31, 2022 – \$1,249,783). As at March 31, 2023, Periodic Distributions of \$502,290 were payable (December 31, 2022 – \$487,565) and were subsequently paid on April 14, 2023.

For the three months ended March 31, 2023, the General Partner earned \$3,398 (three months ended March 31, 2022 – \$1,919) in management fees related to Class A Units of the Trust, which is included in professional fees as part of general and administrative expenses in the condensed consolidated statement of income (loss) and comprehensive income (loss). The General Partner may pay a trailing commission out of its own funds of up to 1.00% per annum to certain registered dealers in connection with their clients' holdings of Class A Units.

12. Management of capital

The Trust defines capital that it manages as the aggregate of its net assets attributable to Unitholders and mortgages payable. The Trust's primary objective when managing capital is to ensure that the Trust has adequate operating funds to support the business operations, fund acquisitions of new investment properties and capital expenditure and maximize unitholder value.

The total capital managed by the Trust is as follows:

As at	March 31, 2023	December 31, 2022
	\$	\$
Mortgages payable	444,786,092	390,926,306
Net assets attributable to Unitholders	363,755,227	353,642,333
	808,541,319	744,568,639

The Trust will target to have total indebtedness of no more than 65% as a percentage of gross book value, with the ability to increase to 70% for short periods of time. As at March 31, 2023, the Trust had total indebtedness to gross book value of 54% (December 31, 2022 – 53%). The Trust is required to maintain certain financial covenants related to its mortgages payable liability in accordance with its loan agreements, which include debt service coverage ratios. For the three months ended March 31, 2023 and the year ended December 31, 2022, the Trust was in compliance with all of its loan covenants and obligations under its loan agreements.

13. Financial instruments and risk management

Fair values of financial instruments

The fair values of the Trust's financial instruments were determined as follows:

- The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities, distributions payable and residential tenant deposits approximate their fair values based on the short-term maturity of these financial instruments. Accrued liabilities (non-current) are measured at fair value through profit or loss based on value of net assets of CSL as described in Note 11.

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[Unaudited]

- Investment properties are measured at fair value based on the valuation methodology described in Note 3.
- The fair value of mortgages payable has been determined by discounting the cash flows of these financial obligations using discount rates reflective of current market conditions for instruments with similar terms and risks (Level 2). Based on these assumptions, the fair value as at March 31, 2023 of the mortgage payable has been estimated at \$430,297,393 (December 31, 2022 – \$375,274,386) compared with the carrying value before deferred financing costs of \$446,972,893 (December 31, 2022 – \$392,970,325). The fair value of mortgages payable varies from the carrying value due to fluctuations in interest rates since their issue.
- The fair values of the interest rate swaps reported in derivative asset on the condensed consolidated statement of financial position represent estimates at a specific point in time using financial models, based on interest rates that reflect current market conditions, the credit quality of the counterparties and interest rate curves.

The fair value hierarchy of financial instruments measured or disclosed at fair value in the condensed consolidated statement of financial position is as follows:

March 31, 2023	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
Investment properties	-	-	832,900,000
Derivative asset	-	8,066,365	-
Financial liabilities			
Mortgages payable	-	(430,297,393)	-
Net assets (liabilities) measured or disclosed at fair value	-	(422,231,028)	832,900,000

December 31, 2022	Level 1	Level 2	Level 3
	\$	\$	\$
Financial assets			
Investment properties	-	-	738,900,000
Derivative asset	-	9,523,338	-
Financial liabilities			
Mortgages payable	-	(375,274,386)	-
Net assets (liabilities) measured or disclosed at fair value	-	(365,751,048)	738,900,000

For the three months ended March 31, 2023 and year ended December 31, 2022, there were no transfers of assets or liabilities between levels.

Risk management

The Trust is exposed to financial risks arising from its financial assets and liabilities, such as market risk related to interest rate risk, credit risk and liquidity risk. These risks and the actions taken to manage them, are as follows:

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[Unaudited]

Market risk

Market risk is the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in the market prices and comprises the following risk factors:

Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Trust is exposed to interest rate risk as a result of its mortgages payable not being refinanced on terms as favourable as those of the existing indebtedness. The Trust manages and mitigates its interest rate risk through management's strategy to structure the majority of its mortgages at fixed rates with maturities staggered over a number of years.

From time to time, the Trust may enter into floating-for-fixed interest rate swaps as part of its strategy for managing its exposure to interest rate risk on debt with floating interest rates. The Trust's fixed mortgage debt, which matures in the next 12 months, amounts to \$8,500,370. Assuming these mortgages are refinanced at similar terms, except at a 100bps increase in interest rates, financing costs would increase by \$85,000 per year.

The Trust is also exposed to interest rate risk from its short-term investments, which are fixed for the duration of the term, which is less than one year. The Trust aims to hold these investments for a short duration for cash management purposes.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Trust is exposed to credit risk on all financial assets and its exposure is generally limited to the carrying value of the financial asset. The Trust is exposed to credit risk from the possibility that tenants may experience financial difficulty and be unable to fulfil their lease term commitments. The Trust mitigates the risk of credit loss with respect to residential tenants by obtaining a lease guarantor and security deposits from each residential tenant and diversification of its existing portfolio of investment properties. The Trust monitors its collection process on a monthly basis and ensures that a stringent policy is adopted to provide for all past due amounts. When a receivable balance is considered uncollectible, it is written off and recognized in net income. Subsequent recoveries of amounts previously written off are credited against property operating costs in the condensed consolidated statement of income (loss) and comprehensive income (loss). Despite the COVID-19 pandemic, the Trust has not experienced a significant increase in bad debts expense and collections have remained strong across the investment properties.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulties in meeting its financial liability obligations. The Trust's principal liquidity needs arise from working capital, debt servicing and repayment obligations, and distributions to Unitholders, and possible property acquisition funding requirements. Management prepares cash flow forecasts on an ongoing basis to manage new capital issuances, cash flows from operations with the liquidity needs arising from operations, mortgage commitments, distributions to Unitholders and its acquisition pipeline.

The Trust is exposed to liquidity risk related to its debt financing, including the risk that mortgages will not be able to be refinanced on terms and conditions favourable to the Trust. The features and quality of the underlying assets being financed and the debt market parameters existing at the time will affect the success of debt refinancing. Management manages the Trust's cash resources based on financial forecasts and anticipated cash flows and minimizes its exposure to liquidity risk by maintaining appropriate levels of leverage on its investment properties, by efficient use of resources, by monitoring the ongoing timing of liquidity events and by aiming to stagger the maturities of its debt.

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[Unaudited]

The table below summarizes the maturity profile of the Trust's financial liabilities based on contractual undiscounted receipts and payments:

As at March 31, 2023	Within 1 year	1 to 5 years	After 5 years	No fixed maturity	Total
	\$	\$	\$	\$	\$
Mortgages payable	18,152,863	311,939,817	116,880,213	-	446,972,893
Accounts payable and accrued liabilities	5,520,660	-	-	37,871,067	43,391,727
Distributions payable	2,085,429	-	-	-	2,085,429
Residential tenant deposits	7,163,101	-	-	-	7,163,101
	32,922,053	311,939,817	116,880,213	37,871,067	499,613,150

As at December 31, 2022	Within 1 year	1 to 5 years	After 5 years	No fixed maturity	Total
	\$	\$	\$	\$	\$
Mortgages payable	11,944,571	318,148,109	62,877,645	-	392,970,325
Accounts payable and accrued liabilities	5,215,609	-	-	36,720,582	41,936,191
Distributions payable	1,950,258	-	-	-	1,950,258
Residential tenant deposits	6,294,333	-	-	-	6,294,333
	25,404,771	318,148,109	62,877,645	36,720,582	443,151,107