Alignvest Student Housing REIT

2019 Annual Management Report

ALIGNVEST STUDENT HOUSING

2019 ANNUAL MANAGEMENT REPORT

2019 HIGHLIGHTS

Alignvest Student Housing REIT (the "REIT") launched in June 2018 to consolidate the fragmented Canadian purpose-built student accommodation ("PBSA") market.

The REIT acquired five properties in 2019, closing on new properties in Ottawa, Waterloo, Hamilton and Oshawa. With these properties, the REIT ended 2019 with over 3,300 beds that are valued at ~$400 million. During the second half of 2019, the management team successfully integrated all the REIT's properties into its operating platform.

The REIT distributed $6.00 per Unit in 2019. The Fair Market Value ("FMV") per Unit increased from $100.61 in December 31, 2018 to $109.54 on December 31, 2019; combined with the distributions, the REIT delivered a total return of ~15% to Unitholders in 2019.

SUBSEQUENT TO YEAR END HIGHLIGHTS

The REIT raised an additional $34.3 million of equity since year-end 2019 and has a current cash-balance over $50 million.

In February, the REIT and its operating subsidiary, Canadian Student Living Group ("CSL"), began to implement substantial operating changes to help combat the COVID-19 pandemic impact on its employees and tenants, as well as mitigate business risks. We are continuing to monitor and respond to the evolving situation.

The REIT remains in acquisition discussions with various property owners and secured ~$110 million of transactions for 2020; however, these have temporarily been paused pending the resolution of the COVID-10 pandemic.

The REIT announced the March 31, 2020 distribution at $1.50 per unit and FMV per Unit increased to $112.00.

MANAGEMENT LETTER TO UNITHOLDERS

First and foremost, we want to assure our Unitholders that the management and operations teams are very focused on the current COVID-19 situation – we are acting quickly and decisively to ensure the REIT's employees and tenants work, live and learn in a safe environment. The health, safety and well-being of our tenants and employees is the top priority of the REIT and CSL. Management has been taking all appropriate measures to make the buildings safe, ensuring that its plans and training protocols are put in-place, modifying the business operations to allow employees to work remotely and by staying in constant email/text communication with tenants regarding operating changes to ensure they are aware of the steps/procedures required to address their needs. In addition, management has been in constant dialog with the local universities and continues to monitor developments at the Public Health Agency of Canada very closely.

It is important that all of us remain vigilant in following the guidance of public health agencies to help stop the spread of COVID-19 in our communities.

We are pleased to report that 2019 was a very successful year for us. 2019 represented our first full year of operations and we continued to deliver on (a) our promise of acquiring high-quality PBSA assets at attractive capitalization rates that are 100 to 200 basis points higher than local multi-family residential buildings, and (b) our goal of professionalizing the operations of our assets to improve the property performance and lower the long-term risk profile of the business.

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We entered 2019 with strong momentum – in March 2019, we closed on the premier student housing property in the country (Laurier) and followed that purchase with the acquisition of four additional high-quality properties that were very well-known to us. In 2019, we successfully acquired over $260 million of new assets at a cap rate premium ranging from 155bps to 330bps relative to local multi-family residential, and the quality of the portfolio was improved with each asset purchased. We ended 2019 as the largest owner/operator of student housing at Canadian universities, with over $400 million of core assets. We plan to further grow our platform organically and with acquisitions over the near-term. Since we launched our business in 2018, we have found that the market has becomes increasingly aware of our business, our objectives and our quality reputation; as a result, the magnitude and quality of our acquisition opportunities have grown and far exceeded our initial expectations.

In addition to our successful acquisition program, our operational capabilities were greatly enhanced in 2019. We invested a substantial portion of time into building and perfecting our hybrid operating model and hired additional experienced team members to ensure that we were able to properly optimize and maximize the potential of our portfolio. We have been very successful in growing the portfolio's revenue base, managing expenses, growing NOI and lowering the risk profile of our portfolio.

We remain focused on our continued success in consolidating the PBSA market in Canada and are in active discussions with possible vendors of properties worth over $1 billion. We remain committed to our strategy of acquiring high-quality properties at attractive prices.

The REIT's Units have only been offered since June 2018, and we are pleased that we have been able to deliver an annualized return of ~12.4% and a total return of ~18.5% to our initial Unitholders (via an annualized distribution of $6.00 per Unit and capital appreciation, assuming cash distribution participation). We expect to continue to improve our cash flows from operations to deliver long-term aggregate annual returns of 15% to our Unitholders.

Thank you for your support and confidence in us. We look forward to continuing to successfully execute our long-term strategy.

Sanjil Shah
Managing Partner

Jonathan Turnbull
Managing Partner

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COVID-19 SITUATION UPDATE

Management has implemented measures to ensure the safety of team and tenants, including but not limited to:

- Launching a robust information sharing program to ensure tenants and employees are well informed about COVID-19 and the steps they can take to protect themselves;
- Following the REIT's Pandemic Protocol Plan that is part of its Emergency Operations manual;
- Adding additional cleaning to all common areas, including elevator buttons, door handles and call panels, exceeding the Public Health Ontario guidelines on cleaning and disinfection for public settings;
- Organizing multiple back-up options for on-site cleaning services, if necessary, for each property;
- Adding hand sanitizer stations throughout buildings;
- Closing all common areas and cancelling all community events;
- Eliminating non-essential maintenance work in common areas and in-suites;
- Moving to an online communication system between residents and office/maintenance staff;
- Requiring social distancing initiatives for both residents, employees and their interaction;
- Setting-up remote working capabilities for all employees;
- Developing a work-from-home program for employees to include a distance learning component;
- Using virtual tours to show properties to prospective tenants;
- Committing that all staff and third-party cleaners on-site will be symptom free;
- Developing property specific protocols for all employees that visit the properties; and
- Encouraging residents to continue to pay by Pre-Authorized Payment

The COVID-19 pandemic is affecting businesses and investments around the world; however, the REIT is invested in long-term, real, assets with attractive inflation protection mechanisms that focus on a sector (post-secondary education) that has proven to be recession resistant in the past and is expected to return to normal once this catastrophic event is finished. The timeline of this market volatility is unknown, but the REIT is well positioned with a cash balance in excess of $50 million and leadership in the sector, which will allow it to weather continued market volatility for a sustained period and emerge very strong.

Management remains focused to ensure that the REIT's properties and its business are offering a safe and healthy place to live and work. Management will continue to execute on its long-term plan of being the best provider of student housing in the country and will communicate regularly with Unitholders over the coming months.

2019 YEAR IN REVIEW

The REIT and its subsidiary, CSL, had a very busy 2019 with major events occurring in all facets of the business, including multiple acquisitions, advances in business operations and substantial increases in the capital base/balance sheet.

2019:

- February – launched a revised leasing protocol for 1Eleven in Ottawa for the upcoming school year to include longer-term leases with opt-out clauses, utility surcharges and in-suite cleaning services
- February – launched new in-house operating initiatives at 1Eleven in Ottawa
- March – closed on Laurier (265 Laurier Avenue East, Ottawa) for $92 million (503 beds with long-term residence agreement with the University of Ottawa (“uOttawa”))
- March – financed Laurier acquisition with cash on hand and a bridge loan
- March – announced FMV of $101.83 per unit (1.2% increase over three months) and $1.50 distribution
- April – closed on the Ontario Portfolio for $170 million; the portfolio included 955 beds at the two King Street Tower properties in Waterloo for $95 million; 449 beds at West Village Suites in Hamilton for $45 million; and, 588 beds at Village Suites Oshawa in Oshawa for $30 million
- April – financed the Ontario Portfolio acquisition with cash on hand and a $61.8 million first mortgage financing for King Street Towers and $47.8 million first mortgage financing for West Village Suites and Village Suites Oshawa
- April – on close of the Ontario Portfolio, the REIT/CSL became the largest owner/operator of student housing for Canadian universities
- April – King Street Towers, West Village Suites and MyRez secured 100% occupancy for the upcoming 2019/20 school year
- April – secured Starbucks as a tenant at Laurier, increasing commercial occupancy to 100%
- June – reached agreement with uOttawa to increase the bed count at Laurier to 518 beds and increased rental rates by 4% for the upcoming school year on 100% of the beds (as this property is not subject to rent control)
- June – announced FMV of $104.56 per unit (2.7% increase over three months) and $1.50 distribution
- July – successfully closed on CMHC financing for Laurier acquisition to replace bridge financing secured at the time of the purchase; the loan was the first student housing CMHC loan in many years and offered attractive 10-year fixed rate financing for the property at 2.62%
- July/August – successfully rolled-out LED-lighting upgrades at four properties; the total investment was ~$260,000 and is projected to save ~$140,000 thousand per annum
- August – hired Vice President of Operations and Director of Operations at CSL to help drive operating initiatives
- August – formally launched enhanced internet offering at three properties
- September – announced September occupancy of 100% at six of the seven properties (two more than the prior year) and an average rental rate increase across the portfolio of over 5% relative to 2018

- September – announced FMV of $107.10 per unit (2.4% increase over three months) and $1.50 distribution
- September/October – secured two new commercial tenants at West Village Suites to move commercial occupancy to 100% and extended an existing tenant an additional four years at a ~25% higher price per square foot
- October – commenced water-flow-management studies at all properties and initiated certain investment strategies to reduce utility expenses in the near-term
- October – installed new Butterfly security entry systems at all properties which increased building safety/security and ease of functionality for tenants
- November – secured new commercial tenant at 1Eleven to move to 100% occupancy in the new year
- December – commenced construction on new lobby at VSO to modernize aesthetics, improve tenant interaction with staff and lower ongoing operating costs
- December – announced FMV of $109.54 per unit (2.3% increase over three months) and $1.50 distribution

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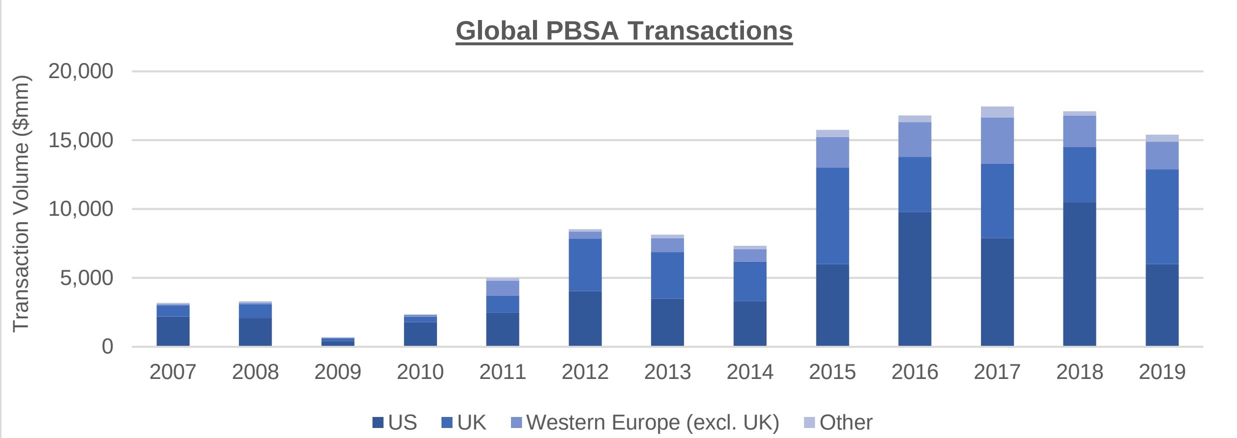
STUDENT HOUSING MARKET UPDATE

Global Review:

The student housing sector continued to advance/mature in 2019 as an asset class with global student population growth continuing at an estimated 4.2% (compared to ~1.1% global population growth). The sector has been operating in certain large OECD countries for over 15-years with the majority of purpose-built student accommodations (including university or college owned) located in the US (~2,600,000 beds) and UK (~660,000 beds).

M&A activity in the sector continued to be strong and kept pace with record prior year volumes. As before, most transactions occurred in the most developed student housing markets of the US and UK. Total volume for the year was estimated to be over US$15 billion – the fourth consecutive year with volumes exceeding $15 billion.

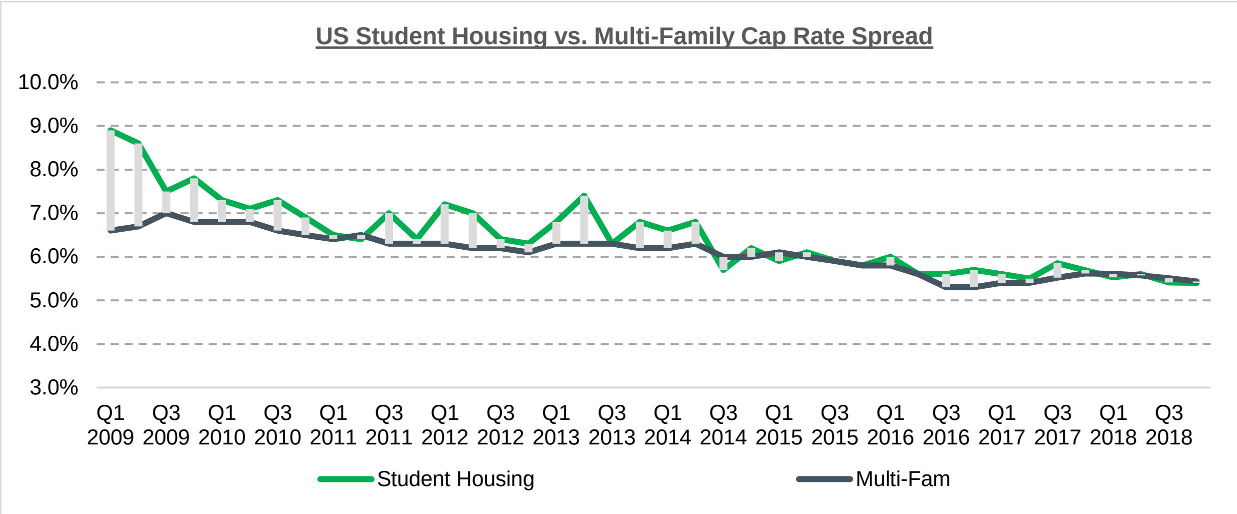


Savills 2019 & Management Estimates.

The 2019 investment activity in the sector included both small consolidation-type transactions as well as a few large mergers/acquisitions. As an example of large deals, the Canadian Pension Plan's UK assets (Liberty Village) was merged into/with the largest UK operator, Unite Group PLC, in a transaction announced in July at a value of £2.2 billion (US$2.8 billion) for approximately 24 thousand beds. In late 2019, Goldman Sachs and the Wellcome Trust indicated that it was contemplating an IPO or sale of their UK student housing company, IQ Student Accommodations. In February 2020, Blackstone announced the acquisition of IQ Student Accommodation in a cash transaction valued at £4.7 billion (US$6.1 billion) for 28 thousand beds in the UK.

The leading global investors in the sector continued to lead-the-charge in 2019 with major players such as Blackstone, Greystar, Harrison Street, Mapletree and Brookfield making additional bets in the sector. Many global leaders have continued to branch out from the US and UK markets with investors such as Brookfield, RoundHill/KKR and GIC making major investments in France, Spain and Germany, respectively.

Global valuations in markets such as the US and UK continued to be at/or near record levels with student housing cap rates being lower than multi-family cap rates in developed markets such as the US.



New bed construction in markets such as the US and UK continued to fill the growing demand from students. In 2019 approximately 45,000 new beds were built in the US (0.4% of college student population) with the majority being pedestrian beds and ~32,000 new beds were built in the UK (1.7% of university student population). Certain cities in the US and UK have experienced an over-supply of purpose-built student housing beds which has led to declining asset values in those markets; this recent experience has raised investor concerns about potential over-supply risk in the relatively young sector. As a reference, on average across the country, PBSA beds in the US and UK are ~22% and ~36% of the full-time student population, respectively. The PBSA market, on average, continues to perform well with top-line rental growth with those levels of builds. Recent over-supply concerns in markets such as Plymouth in the UK have been driven by substantially higher beds/student ratios and declining enrollment – 65% PBSA beds as percentage of current student population and five-year enrollment declines of 22%.

Given global market events, investors have rightly become more discerning when looking at the sector – focusing on high quality growing school markets, lower over-supply risk schools and high-quality pedestrian assets.

Canada:

The Canadian student housing market remains a young and fragmented market relative to its global peers. The underlying economics of the industry (the supply/demand environment) remain one of the most attractive in the world. Overall student population growth remained very attractive relative to its global peers. Canada's universities witnessed a 1.12% increase in enrollment for the 2019/20 school year and the international student component continued to grow at an attractive 13% rate. Canada's student population growth over the past five years exceeds the US and UK market combined. At the same time, the public post-secondary education system in Canada does not have the endowments seen in the private US market and therefore have been unable to afford building additional university-owned residences to keep pace with the growing student population. The government funding for universities in Canada has declined from 90% of annual operating revenues over 10 years ago to under 50% recently – forcing schools to (a) increase their reliance on foreign students who pay four times the amount domestic students pay for education and (b) limit any investment in non-education oriented/revenue generating capital projects (such as new residences).

The private PBSA market for Canada is approximately 40,000 beds across the entire country. Combined with the approximately 120,000 beds currently owned/managed by the universities implies purpose-built beds as a percentage of full-time students in Canada of 15%, which is well below the levels seen in other more developed OECD markets such as the US and UK. Canada does not have a heavier "local" element to their student population relative to those markets and therefore substantially more Canadian students are still living in traditional housing options, such as basement apartments or single-family homes. The demand for current PBSA beds is high and the market can absorb a substantial number of new private beds before it becomes similarly built-out to the US or UK markets.

The REIT was the largest buyer of PBSA properties in 2019, having closed on over $260 million of transactions, which equaled approximately 70% of the total market activity in 2019. The M&A/investment market was most active at the beginning of the year as the REIT was purchasing various assets but quieted down in the second half, as the REIT focused its efforts on integrating its newly acquired properties into its operating platform. The valuations in the sector have remained at cap rates that are 100-200bp higher than local multi-family apartment prices. The cap-rates paid by the REIT on the Class-A, core, asset purchases in 2019 ranged from a premium of 155bps to 330bps relative to local multi-family residential, which included assets in Hamilton, GTA (Oshawa), Ottawa and Waterloo – some of the most expensive (lowest cap-rate) markets for multi-family in Canada.

The level of new PBSA supply in Canada expected to open for the 2020/21 school year is low relative to the US or UK market given the scale of the Canadian market and its under-penetration to date. The management team believes there will be approximately 3,000 new beds that will open for the upcoming school year. This represents less than 0.3% of the current university population and only 15% of the expected number of new students, assuming a 1.5% growth in the upcoming school year. Canada does not have the same level of over-supply risks that have been witnessed in certain UK or US markets – at only 15% PBSA across the entire country, and the single largest PBSA market, Waterloo Ontario, at less than 40%, over-supply risk is not expected in the near-term.

The Canadian PBSA market is under-developed in scale relative to the more mature markets and is under-developed from an operating professionalism standpoint, as well. The industry is new in Canada and the approach to date of the fragmented ownership base is to have third-party local property management teams oversee the day-to-day operations of the business with limited (or no) experience in managing a high-volume turnover student housing operation. As such, the typical current Class A property in Canada is under-performing relative to its global peers. The occupancy is at or near 100% because of the significant supply/demand imbalance; however, the properties could perform better if they were being managed as part of a larger, professional platform.

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REIT STRATEGY & BUSINESS UPDATE

The REIT's long-term objective remains consistent:

1. Build the premier student housing owner/operator platform in Canada – delivering a differentiated and high-quality product to the REIT's tenants;
2. Provide Unitholders with stable and growing cash distributions from investments in a diversified portfolio of PBSA assets across Canada; and
3. Maximize value through the ongoing management of its properties and through the future acquisition of PBSA, resulting in a greater than 15% aggregate annual return to unitholders with "core" properties

REIT Strategy

- **Acquire new, high-quality, Canadian purpose-built student accommodations near tier-1 universities to build a diversified portfolio of assets**
- **Improve the quality of its product offering to its tenants**
- **Build a strong and reputable brand in each market**
- **Realize local and national economies of scale to maximize cash flow from operations and minimize operating risks/volatility**
- **Maximize long-term value to Unitholders by growing NOI and de-risking the underlying business**

Management has remained focused on sourcing attractive acquisition targets during 2019. After closing on the seventh property in late April, management turned its attention towards integrating the quickly aggregated pool of assets into the operating platform. Although focus shifted from acquisitions to operations/integration, it did not stop management from remaining active on M&A discussions and improving (a) its knowledge of operating assets across the country and (b) its relationships with developers/owners. Although the REIT did not close on additional acquisitions in the second half of 2019, it advanced many discussions and positioned the REIT to proceed in early 2020 with a few highly accretive property acquisitions (assuming the current volatility in the markets subsides which will allow the REIT to raise attractively priced capital from the debt markets to finance the planned acquisitions).

Management remains in active discussions with owners of assets worth in excess of $1 billion. The near-term priority is on assets worth approximately $250 million, with over $100 million of those assets under contract. Management is starting to focus on the next wave of likely transactions on assets worth over $400 million.

Management shifted its M&A focus in late-2018/early-2019 towards integrating the properties and optimizing operations. The student housing industry requires detailed operational focus, as the sector experiences higher operating expenses than the multi-family sector from salaries and wages, marketing, maintenance, etc. The operating business component of student housing presents a great opportunity to realize higher income yields when professionally managed, helps bolster barriers to entry in the sector and creates a unique and sizeable synergy opportunity from consolidation; however, it generates additional work for the management team that is not experienced in the multi-family sector.

In 2019, the REIT established a hybrid operating model with the best-in-class property manager, Campus Living Centres ("CLC"). In addition, CSL hired a highly experienced operating management team that is working hand-in-hand with the team from CLC to ensure the properties are being managed/operated to their highest potential. The aggregation of property management into a single contract has allowed management to negotiate a substantial reduction in the cost of service; however, management is more excited about the re-alignment of interests and the long-term benefit of having partners act like owners. As part of negotiating the contract, CSL ensured that CLC was incentivized based on budgeted net operating income, rather than gross revenues, to further align the REIT and its Unitholders with the property managers. In addition to CLC's incentive, management has altered the bonus structure of its on-site staff, which is now linked to several levers including occupancy, expense management, net operating income, tenant experience, etc.

The REIT's long-term value-creation strategies include (a) optimizing property-level operations and (b) maximizing operating synergies that can be realized from the consolidation of the fragmented market. Management believes that it made great strides in 2019 by establishing the infrastructure needed to manage the properties to their greatest potential.

Management has been diligent in its effort to roll-out best-practices at all the buildings acquired by the REIT, which is improving net operating income and improving the perceived value-add and attractiveness of the properties with current and potential tenants. One of management's long-term goals is to 'de-risk' its portfolio – the best, organic, long-term way to do so is by creating a safe, fun and inclusive living environment that students demand. Since purchasing the portfolio, the REIT has invested in high-speed internet services, updated furniture, improved security and amenity spaces and other value enhancing services for its tenants. The aforementioned investments and diligent efforts to bring-in the best possible tenants has started to pay dividends for the REIT's Unitholders, as occupancy levels for the 2019/20 school year, as well as average revenue per bed per month, were well ahead of 2018/19 pace when the properties were operated by their prior owners.

As mentioned previously, newly acquired properties typically do not operate at their peak potential; many local builders/owners do not have CSL's experience in the PBSA market and are missing out on opportunities to enhance their product offering, while cutting costs.

Management has been focused on integrating the REIT's properties in the Waterloo market since acquiring the King Street Towers properties. The ability of management to capitalize on local synergies is one of the major pillars to its investment thesis and differentiates the REIT from other consolidation strategies. To date, management has been successful in reducing operating expenses by leveraging local operations across the platform and in de-risking the top-line growth of the buildings by managing the leasing functions in a centralized manner.

Management is pleased with the financial and operational milestones achieved across the portfolio, including property-level operations exceeding management's 2019 expectations and the 2019 results (under the REIT's ownership) showing tremendous growth relative to the operating performance in 2018 under prior ownership/management.

ASH REIT Property Performance – 2019 vs. 2018

	EGI Growth	NOI Growth	NOI Margin Growth
Portfolio*	5.5%	11.5%	+3.2%
Wholly Owned Assets for Full Year 2019:			
181 Lester	6.4%	12.0%	+3.2%
111 Cooper	3.3%	20.3%	+8.1%

**Portfolio excludes The Laurier, as the property came online in September 2018 and therefore does not have full year 2018 financials*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REVIEW

The REIT is seeking to be a leader in Environmental, Social and Governance ("ESG") practices in the Canadian Real Estate sector and is developing a policy that will emphasize this commitment.

The policy will incorporate many of the REIT's current commitments to ESG, including:

- Investing in new technologies and initiatives to increase sustainability and lower its carbon footprint across the real estate portfolio with a focus on reducing waste, energy and water usage;
- Creating a collaborative environment to achieve sustainability objectives with tenants;
- Creating a fun, safe, comfortable and inclusive student-oriented environment in all properties;
- Investing in technology and infrastructure to improve the quality of its tenant experience;
- Creating a collaborative, fun and rewarding work environment;
- Implementing and abiding by robust governance policies and practices; and
- Reviewing its ESG policy and goals regularly and seeking continuous improvement

Review of 2019 Initiatives:

Energy Savings: - Invested ~$260k in LED lighting retrofits in buildings - Installed digital/programmable thermostats in units at 111 Cooper - Commissioned energy efficiency survey at 111 Cooper - Initiated motion detection study at KST to determine patterns for units to manage long-term energy usage - Engaged an energy management company to work with the portfolio	**Water Consumption:** - Completed the installation of low-flow devices at 111 Cooper and launched study of additional properties - Engagement engineers to connect a dormant rainwater catchment system - Initiated install of water flow management devices at all properties
Waste Management: - Installed trash compactor in 111 Cooper	**Employee Life:** - Restructured bonus program to include more property employees and increased alignment with the REIT
Residence Life: - Increased residence life spending at each building - Invested $500k+ improving internet infrastructure and access - Started investing over $200k+ improving lobbies/lounges to increase social interaction and $500k+ on unit furniture	**Residence Security:** - Installed new Butterfly intercom systems at 6 of 7 properties that improve security of the buildings and convenience for tenants - Invested additional $50k on new security systems
Resident Satisfaction: - Achieved better than expected retention rates at 6 of 7 buildings in the portfolio	**Governance:** - Maintained high level of independence with Board of Trustees and increased public disclosure

2020 ESG Goals:

Management is seeking to continue its efforts made in 2019, including:

- Expanding the installation of LED lighting to the remaining assets;
- Introducing utility sharing initiatives with all tenants;
- Introducing automation to property energy usage in partnership with tenants;
- Commencing discussions with alternative power generation firms to consider inside the fence energy management solutions;
- Commencing discussion with and potentially install electric vehicle charging stations;
- Completing the installation of water flow management devices;
- Investing in water leak detection equipment;
- Engaging a water management solutions firm to develop building-specific reduction strategies including the expected replacement of older toilets in certain properties;
- Increasing community/resident-life budgeting for buildings and investing in improved social spaces;
- Investing in improved communications systems in buildings;
- Investing in new/improved furniture and amenities in buildings;
- Investing in new secure package retention system for buildings;
- Increasing/broadening discussions on mental health awareness and support initiatives;
- Investing in employee training and work/life flexibility; and
- Increasing investor disclosure / information transparency

Reducing Energy Emissions and Water Consumption:

The REIT will seek to continuously improve and maintain its buildings with a focus on reducing waste, energy and water consumption. Management has a near-term vision of making the REIT’s properties more sustainable and resilient to the impacts of climate change.

The REIT’s underlying business strategy is based on the acquisition of stabilized/operating PBSA properties and then professionalize management/operations of the properties. As such, the REIT is buying “someone else’s ESG policy” when it acquires properties and it is management’s responsibility to improve the efficiency of the property to meet the REIT’s standards. Some properties will be more in-line with the REIT’s long-term objectives than others. When management executes due diligence on new properties, it has an eye towards “what can be done” to improve the utility efficiencies of the acquired property – incorporating the costs and potential benefits in the underwriting of the property.

The REIT approaches every acquired property as a new opportunity to reduce future energy/water consumption. Management has been finding practical solutions for different properties that make the biggest impact on reducing its environmental footprint. Since most of the buildings offer some/all of the utilities as part of the rental package, Management’s effort to reduce usage is expected to have a positive impact on the bottom-line. Many of the efficiency projects management is pursuing are not only improving the sustainability of the property but also offering attractive returns on investment. The tenant base is unique relative to many of the REIT’s real-estate peers as the 18 to 24-year-old demographic is very focused on being stewards of the environment; as such, the REIT has partners in reducing its energy/water usage. Management believes that rolling out initiatives to reduce consumption is easier/different than with multi-family or office tenants and the incentive packages for adoption are less onerous (enhancing the REIT’s ROIs).

Social Initiatives:

As the largest owner/operator of student housing for university students in Canada, the REIT is committed to offering an attractive, safe, secure and community-inclusive living experience for its tenants. Management is also committed to creating an attractive and collaborative work environment for its employees.

The REIT believes that investing in buildings/operations to make them a place students 'want to live in' is not only improving the lives of its tenants but is also 'good for business' because it lowers the risk profile of the REIT's business (lower turnover risk). When management diligences a property, it is focused on the social environment for the tenants and will always seek to improve the tenant experience once it is able to integrate operational strategies into the property. Management has already started to implement new initiatives at various properties over the past 12 months to improve the tenant experience and expects to continue the roll-out of new investment/programs to help elevate the buildings into becoming the place students want to live (a happy tenant is a better tenant).

The REIT's long-term success is going to be driven by its employees and their ability to create/foster an attractive community environment that tenants want to be part of; therefore, management is committed to giving employees the support and opportunity they need to be successful. Management is committed to delivering competitive compensation for employees, along with considerable benefits, training and career advancement.

The REIT is committed to providing a supportive and inclusive work environment for all employees. The REIT's employees are encouraged to develop to their full potential and use their unique talents to maximize the efficiency of the entire team. The REIT recognizes the benefits which arise from employee diversity, including a strengthened corporate culture, improved employee retention and access to different perspectives and ideas. All decisions regarding recruitment, hiring, promotion, compensation, employee development and all other terms and conditions of employment are made without regard to race, nationality or ethnic origin, colour, religion, sex, age, sexual orientation, gender orientation, marital status, civil status, physical or mental disability or any other protected ground.

Strong Governance:

The REIT was established with a unique approach to governance relative to many private REITs or private equity companies. The REIT's founders believe that effective corporate governance is an important component to its long-term success and will help maximize Unitholder value.

The REIT was built as an institutional investment vehicle with multiple layers of governance and the senior role of independent committee and trustee members. The REIT believes that an independent chair to the Board of Trustees and the Investment Committee is important in providing oversight and holding Management accountable to the Board for the Trust's operations. The Board regularly holds in-camera sessions without Management following each Board meeting.

The REIT is committed to transparency with Unitholders and providing best-in-class disclosure to investors. Since inception, the REIT has continuously improved its disclosure and listened (and responded) to Unitholder requests for additional information. The REIT is seeking to become the private REIT market leader in information disclosure and access for Unitholders.

REIT PERFORMANCE

On December 31, 2019, the REIT distributed $1.50 per REIT Unit ($6.00 total distribution per unit in 2019) and the FMV per REIT Unit increased to $109.54.

Management believes the REIT's distributions to date, combined with the FMV per REIT Unit increase, is an attractive result for Unitholders relative to (a) the underlying risk of the core property portfolio and (b) the public markets. Since inception, Unitholders have realized an ~18.5% total return on their Units (assuming all cash distributions), despite the REIT holding substantial amounts of cash for the period prior to Q3 2019. Over the same period, the S&P/TSX Composite Index return was only 5.5% (June 29, 2018 to December 27, 2019).

The increase in the value of REIT Units during the year is primarily a result of improved operations on its properties - including school year lease-up for 2019/20, the execution of certain revenue generating strategies and expense reduction strategies across the portfolio. Management believes the REIT is well-positioned with its current capitalization, asset base and acquisition pipeline to grow its FMV per Unit consistently over the long-term.

	December 31, 2019
Investments in Real Properties	$398,342,204
Cash & Cash Equivalents	19,972,497
Other Assets	1,363,455
Debt Obligations	(231,250,402)
Other Liabilities and Performance	(12,859,585)
Fair Market Value (Pre-Distribution)	**$175,568,169**
Less - Distribution to Unit Holders	(2,267,096)
Less - Distribution to General Partner[1]	(755,699)
Fair Market Value (Post-Distribution)	**$172,545,374**
Number of Units outstanding	1,575,116

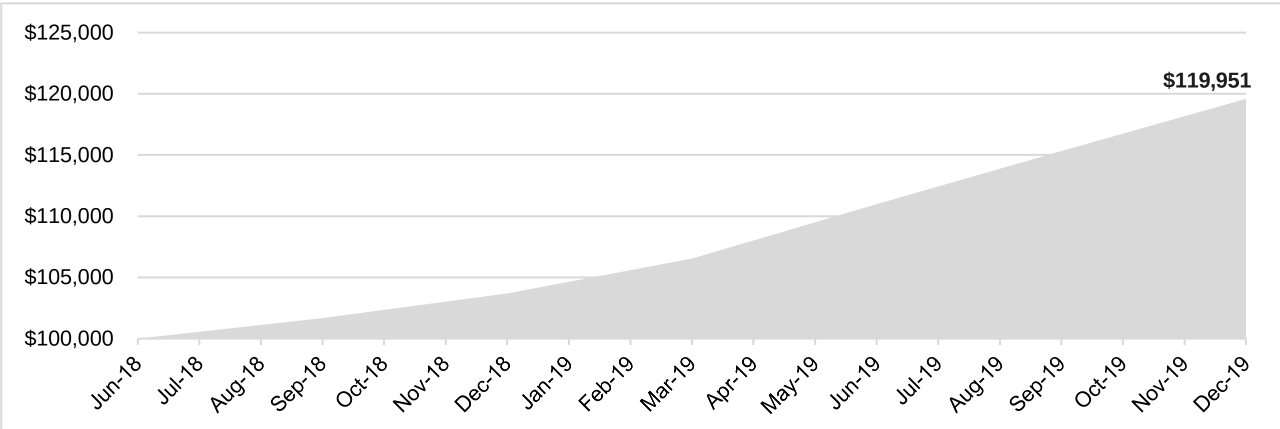
			Per REIT Unit		
	31-Dec-18	**31-Mar-19**	**30-Jun-19**	**30-Sep-19**	**31-Dec-19**
	$102.61	**$103.83**	**$106.56**	**$109.10**	**$111.54**
Distribution to REIT Unit Holders	(1.50)	(1.50)	(1.50)	(1.50)	(1.50)
Distribution to General Partner	(0.50)	(0.50)	(0.50)	(0.50)	(0.50)
	$100.61	**$101.83**	**$104.56**	**$107.10**	**$109.54**

(1) The Distribution to Alignvest Student Housing Inc. ("General Partner") is an incentive allocation calculated as 25% of the total distributions. The General Partner receives no annual management, transaction fees, financing fees, etc.

PERFORMANCE RESULTS

Growth of $100,000 Invested in the REIT

(Since Inception, June 2018, DRIP Participants)



FINANCIAL HIGHLIGHTS

The REIT has grown substantially since its launch in June 2018. The below table has been prepared to reflect the business at the end of 2019 and compare it to year-end 2018.

Portfolio Summary		
	December 31, 2018	**December 31, 2019**
Number of Buildings	2	7
Number of Beds	812	3,322
Number of Units	315	920
Average Beds / Unit	2.6	3.6
Portfolio Occupancy	100%	98%
Purchase Price of Assets	$100M	$363M
Total Property Value	$107M	$398M
Total Mortgage Debt ($MM)	$63M	$233M
Mortgage Debt / Asset Value	59%	59%
Weighted Average Interest Rate	4.1%	3.6%
Weighted Average Mortgage Maturity at Issuance	4-years	6-years
Fair Market Value per REIT Unit	$100.61	$109.54
Closing Market Capitalization	$58M	$172M
Unitholder Annualized Return / Annual Return (Cash Participants)	7.2%	12.4%

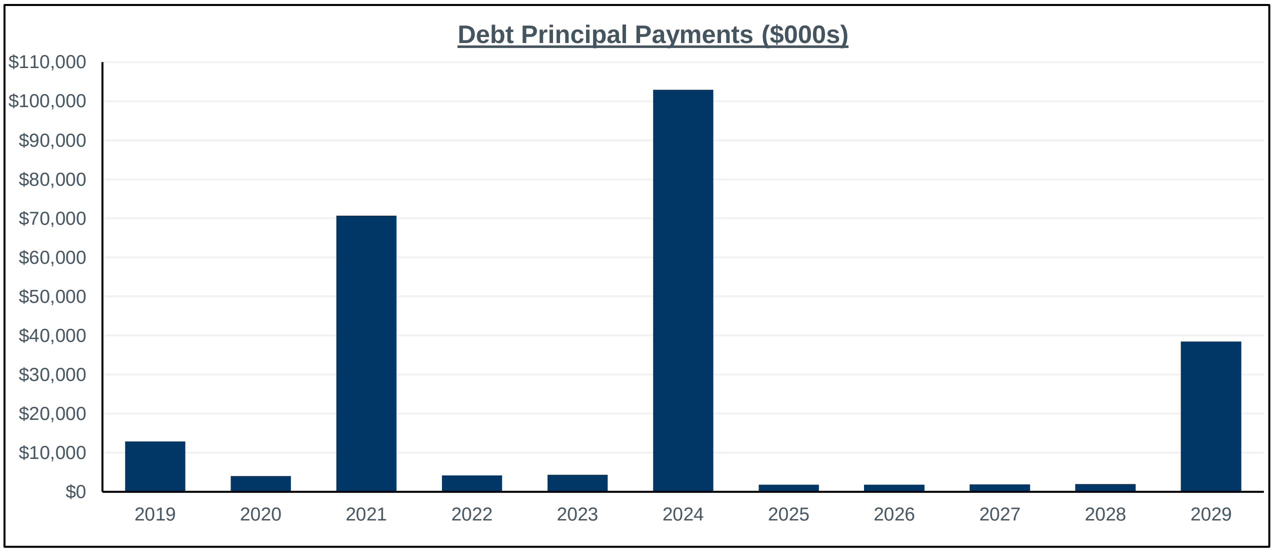
ALIGNVEST STUDENT HOUSING

CAPITAL STRUCTURE

Management is focused on securing attractively priced fixed-rate first mortgage debt at each of the REIT's properties and maintaining long-term leverage for the REIT at 65% loan-to-value. The portfolio of debt that management has been able to secure to finance the acquisitions of the REIT's properties is attractive and management has successfully introduced CMHC supported debt in the portfolio after they had been out-of-the market for years.

The REIT's debt portfolio offers attractive all-in fixed-rate cost of debt, operating flexibility and an attractive array of maturities across the portfolio.

REIT Portfolio						
($MM)	**Purchase Price**	**Outstanding Debt Balance (as of December 31, 2019)**	**LTPP**	**Appraised Value**	**LTV**	**Interest Rate**
181 Lester Street	$45.5	$26.4	58.0%	$53.0	49.8%	3.95%
111 Cooper Street	$55.0	$35.1	63.8%	$61.0	57.5%	4.18%
265 Laurier Avenue East	$92.0	$62.4[1]	67.8%	$102.7	60.8%	3.01%
333 & 339 King Street	$95.0	$61.8	65.1%	$100.6	61.4%	3.63%
1686 Main Street W & 1700 Simcoe Street N	$75.0	$47.3	63.1%	$89.4	52.9%	3.79%
Total	**$362.5**	**$233.0**	**64.3%**	**$406.7[2]**	**57.3%**	**3.62%**



[1] Weighted average first mortgage with CMHC first lien at 2.62% and a second lien at 5.75%.

[2] The Appraised Value is the year-end full valuation conducted by Cushman & Wakefield and is reflected in the ASH REIT/ CSL 2019 Audited Financials.

Management has regular advanced discussions with various lenders to understand the current market environment for new mortgage financings, debt refinancing and acquisition facilities. The environment has changed dramatically in the past few weeks given the COVID-19 pandemic – the willingness of traditional lenders to commit new capital into the sector today has been impacted; however, Management expects that the new issue market will recover once the pandemic-driven market volatility subsides and premier borrowers, such as CSL, will be positioned well to continue raising attractive mortgage financing for acquisitions.

The REIT is very well positioned from a capital structure standpoint to withstand the current COVID-19 driven market volatility. The REIT has no debt coming due in the near-term, total leverage is below 60% LTV and the proforma cash balance as of April 2, 2020 is greater than $50 million, which provides the REIT with substantial flexibility.

Cash Balance				
	Dec 31, 2019	Jan 31, 2020	Feb 29, 2020	Mar 31, 2020
Cash-on-Hand	$19.9M	$30.9M	$45.1M	$55.5M

M & A ENVIRONMENT

Management remains committed to acquiring additional high-quality PBSA properties at attractive prices over the next few years. The REIT's market leadership position and strength of relationships in the market has positioned it well relative to its peers and potential new market entrants. Management believes that valuations in the sector will increase over time, as the sector matures, and investors become more comfortable with the operational dynamics of the business. As such, management is moving relatively quickly in its efforts to consolidate the sector over the next few years.

Management is targeting properties that share similar characteristics to the current portfolio. The properties are all sizeable institutional-grade PBSA assets targeting students at high-quality/tier-1 universities in markets across the country that management believes are attractive for student housing.

Management is pleased with the progress made on sourcing acquisition opportunities, as well as closing the transactions it believes are the most attractive. Management remains in active discussions with owners of high-quality assets worth in excess of $1 billion at attractive valuations. The REIT's near-term priority is to focus on assets worth approximately $250 million, with over $100 million of those assets under contract prior to the escalation of the COVID-19 outbreak. The recent disruption in the markets by COVID-19 have clearly had an impact on the near-term M&A environment. The full extent of that impact is not yet understood since Canada is in the early stages of the market disruption. Management believes that the REIT's leadership position in the market and its attractive balance sheet/cash position will help us lead the M&A market back after the market has stabilized. In the interim, management continues to monitor the market.

ALIGNVEST
STUDENT HOUSING

PROPERTIES

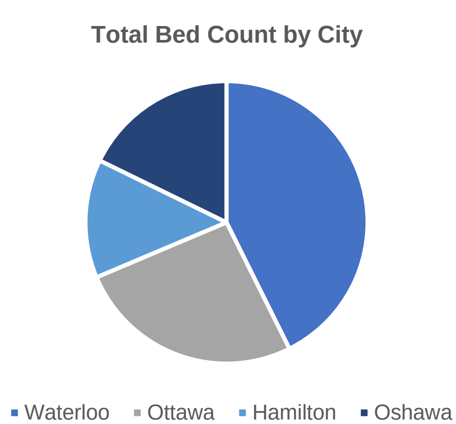
The REIT acquired five properties in 2019 to grow the portfolio to seven Class-A, Core, properties with 3,322 total beds.

Property	Market	Targeted University	Units	Beds	Occupancy	Close
181 Lester St.	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	91	455	100%	Aug 2018
111 Cooper St.	Ottawa, ON	University of Ottawa	224	357	100%	Nov 2018
265 Laurier Ave.	Ottawa, ON	University of Ottawa	159	518	100%	Mar 2019
333 King St.	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	126	536	100%	Apr 2019
339 King St.	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	80	419	100%	Apr 2019
1686 Main St.	Hamilton, ON	McMaster University	107	449	100%	Apr 2019
1700 Simcoe St.	Oshawa, ON	University of Ontario Institute of Technology & Durham College	133	588	90%	Apr 2019
Total			**920**	**3,322**	**98%**	

Diversified Portfolio:

The REIT started to acquire PBSA in June 2018 and, as expected, has taken a controlled approach to diversifying its bed count across multiple markets. The long-term objective of management is for the REIT to own a portfolio of PBSA assets across Canada with exposure to multiple tier-1 university markets.

Management is not surprised by the present concentrated "Ontario exposure", as over 40% of all Canadian university students are based in Ontario and most of the developed/operating student housing are in the province. Management is in discussions with various developers and owners of assets outside of Ontario and anticipates moving forward with some opportunities outside of Ontario in the next year.



181 Lester Street ("Lester")

Property Name:	MyRez
Year Built:	2014
Property Manager:	Canadian Campus Communities
Proximity to Campus:	0.4km
Investment Date:	August 2018
Cost of Investment:	$45,500,000
Ownership:	100.0%
Property Website:	www.offcampusrez.com

Management invested in a substantial upgrade to 181 Lester's internet service offering in 2019, which was very well received by the tenants. Prior to the purchase of the well-located property, the consistent complaint by the previous tenants was the 'spotty internet service' provided in the units and common spaces. The upgrade improved tenants' access, download (and upload) speeds to 1Gbps and also provided lower latency and tenant's very own private network capability (which is unique in the Waterloo market for PBSA). 181 Lester is already 98% leased-up for the upcoming 2020/21 school year.

111 Cooper Street ("Cooper")

Property Name:	1Eleven
Year Built:	2014/15
Property Manager:	Campus Living Centers
Proximity to Campus:	0.4km
Investment Date:	November 2018
Cost of Investment:	$55,000,000
Ownership:	100.0%
Property Website:	www.1eleven.ca

Management invested in a substantial upgrade to 111 Cooper's internet service offering in 2019, which has been very well received by the tenants. The previous offer to tenants was a general shared Wi-Fi network which often became over-crowded given the number of potential users and offered a typical 'shared network' level of security. The upgraded network (similar to typical protocol) offers substantially higher speeds, lower latency, wired connectivity, and virtual private network capabilities that drastically improves the network security for tenants. In addition, 1Eleven has changed its lease structures to lower the risk profile, optimized property-level employee head-count, introduced in-suite cleaning services and a utility surcharge and is 30% ahead of last year's lease-up pace.

265 Laurier Avenue (“Laurier”)

Property Name:	The Annex
Year Built:	2018
Property Manager:	University of Ottawa
Proximity to Campus:	0.3km
Investment Date:	March 2019
Ownership:	100.0%
Property Website:	www.uottawa.ca/housing/

2019 was the first full year of operations for Laurier, the newest residence for the University of Ottawa. The University and the REIT agreed to increase the average rent per bed for the 2019/20 school year by 4% (applies to all beds, since university residences in Ontario are not subject to rent control) and management increased the number of available beds from 503 to 518 by doubling-up beds in larger rooms to accommodate the huge demand for residences at the University of Ottawa. University enrollment and demand for residence beds for the upcoming school year will support the continued success of the property.

333 King Street North (“King I”)

Property Name:	King Street Tower I
Year Built:	2011
Property Manager:	Campus Living Centers
Proximity to Campus:	0.4km
Investment Date:	April 2019
Ownership:	100.0%
Property Website:	www.kingstreettowers.ca

339 King Street North (“King II”)

Property Name:	King Street Tower Ii
Year Built:	2013
Property Manager:	Campus Living Centers
Proximity to Campus:	0.4km
Investment Date:	April 2019
Ownership:	100.0%
Property Website:	www.kingstreettowers.ca

King Street Towers were acquired in April 2019 and had already leased-up 100% of their beds for the 2019/20 school year when the properties were acquired. Management’s focus with the two properties in 2019 centered on integrating operations with 181 Lester, which is only 600 meters west of the two adjacent properties. CSL was successful integrating the three buildings into a single management platform with shared property oversight, shared leasing and best-practices roll-out on various service contracts to maximize operating leverage across the Waterloo market. King Street Towers are already 100% leased-up for the upcoming 2020/21 school year.

1686 Main Street West (“Main”)

Property Name:	West Village Suites
Year Built:	2008
Property Manager:	Campus Living Centers
Proximity to Campus:	0.9km
Investment Date:	April 2019
Ownership:	100.0%
Property Website:	www.westvillagesuites.ca

West Village Suites (“WVS”) was acquired mid-way in the year and had already leased-up 100% of their beds for the 2019/20 school year when the property was acquired. Management’s focus in 2019 was to lease-up the vacant commercial space in the property (increased commercial occupancy from 79% to 100% during the 8 months of ownership) and to launch various property specific initiatives that will start to make a difference to the operations in 2020, such as: new LED lighting; increased parking configuration efficiencies; water flow management devices; rainwater catchment system activation; introduction of mandatory furniture packages (paid) for new leases and improved safety/security for tenants. WVS is already 97% leased-up for the upcoming 2020/21 school year and has a substantial potential tenant waitlist to backfill the remaining 3%.

1700 Simcoe Street North (“Simcoe”)

Property Name:	Village Suites Oshawa
Year Built:	2010
Property Manager:	Campus Living Centers
Proximity to Campus:	0.6km
Investment Date:	April 2019
Ownership:	100.0%
Property Website:	www.villagesuitesoshawa.ca

Village Suites Oshawa (“VSO”) was acquired in April after the school year had been effectively completed with a forward lease-up for the upcoming 2019/20 school year of only 66%. Management was quick to focus on filing beds for September and rolling out new furniture in the units to enhance the offering relative to local market competition. Occupancy in September was 90% (despite turning away approximately 100 potential tenants for bad credit or other reasons) and the average rent per bed was almost 9% higher than the previous year. Management is in the middle of much-needed face-lift to VSO’s common areas to aid in the lease-up velocity for the upcoming school years.

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