ALIGNVEST STUDENT HOUSING

DECEMBER 31, 2018 – MANAGEMENT REPORT

HIGHLIGHTS

ASH REIT launched in June 2018 and is focused on consolidating the fragmented Canadian Purpose-Built Student Accommodation ("PBSA") market. As of December 31, 2018, ASH acquired two of Canada's premier PBSA assets and lined up an attractive near-term acquisition pipeline.

ASH acquired 111 Cooper Street ("Cooper") in November 2018. The property is located 400 meters from the University of Ottawa ("uOttawa"), has high-end student-oriented amenities and had a 100-person waitlist in September 2018.

On December 31, 2018, the REIT announced and distributed $1.50 per Unit ($6.00 annualized distribution) and Fair Market Value ("FMV") per REIT Unit of $100.61 (an increase from $100.15).

SUBSEQUENT TO QUARTER END

On January 8, 2019, the REIT announced its acquisition of Ottawa's newest PBSA asset located at 265 Laurier Ave. East ("Laurier"). Laurier (branded as "The Annex") has a long-term management agreement with uOttawa and is part of the university's residence portfolio. The REIT is expected to close on Laurier in early March 2019.

The REIT remains in advanced discussions with various vendors; as a result, Management expects the REIT to be the largest owner/operator of PBSA servicing tier-1 universities in Canada within one year of its launch.

Management expects to raise additional capital over the next few months given the quality and scale of the REIT's acquisition pipeline.

MANAGEMENT OVERVIEW AND UPDATE

We remain excited about the quality of our recent transactions and the pace at which we were able to make investments on behalf of our Unitholders. To date, we have purchased (or are contracted to purchase) three of the highest-quality PBSA assets in the country, which will grow our assets to over $200 million by March 2019. We remain in advanced discussions on several additional high-quality, attractively priced, acquisitions, which we hope to announce in the near-term.

We have started to implement new operating initiatives at our properties and the early results are encouraging; the tenant experience is improving and rolling-out best practices in revenue generation and cost management is yielding immediate results.

We have purchased over 1,300 of the highest-quality PBSA beds in the country since our launch in June 2018. Based on the growth of our acquisition pipeline, we expect to end our first year well ahead of our pre-launch target. We continue to be focused on purchasing institutional-grade PBSA assets without compromising on quality and we expect the acquisition prices to remain at cap rates favourable to multi-family residential properties in each market.

We believe our investors will benefit from increasing the REIT's scale and we expect to raise capital in Q1/Q2 2019 as part of the REIT's continuous offering, given the attractiveness of our proprietary pipeline.

Sanjil Shah
Managing Partner

Jonathan Turnbull
Managing Partner

Q4 2018 REIT PERFORMANCE

On December 31, 2018, the REIT distributed $1.50 per REIT Unit ($6.00 annualized distribution) and the FMV per REIT Unit increased from $100.15 to $100.61.

Management believes the REIT's distribution, combined with the FMV per Unit increase, was an attractive result for Unitholders relative to (a) the underlying risk of the investment portfolio and (b) the public markets. Over the quarter, Unitholders earned an annualized 7.8% return on their Units, despite the REIT holding substantial amounts of cash for the period; over the same period, the S&P/TSX Composite Index was down ~11%.

This was the REIT's second quarter of operations and had not yet deployed all its invested capital (the acquisition of Cooper closed at the end of November 2018). Despite the REIT's sizeable cash balance during the quarter, the value of the REIT Units increased, which was primarily driven by the REIT's purchase of Cooper at a discount to Fair Market Value and the positive cash flows from 181 Lester Street ("Lester"). Management believes the closing of Laurier, and the accelerating near-term acquisition activity, will reduce the REIT's cash balance to eliminate the cash-drag on earnings, drive operating cash flows and long-term value per REIT Unit.

	Total Value	Per REIT Unit		
	31-Dec-18	30-Jun-18	30-Sep-18	31-Dec-18
Investments in Real Properties	$105,000,000			
Cash & Cash Equivalents	25,757,326			
Other Assets	513,157			
Debt Obligations	(62,631,213)			
Other Liabilities	(1,313,879)			
Subscriptions received in advance	(8,206,282)			
Accrued Performance Participation Allocation	(389,469)			
Total Fair Market Valuation (Pre-Distribution)	**$58,729,639**	**$100.00**	**$102.15**	**$102.61**
Less - Distribution to REIT Unit Holders	(858,514)		(1.50)	(1.50)
Less - Distribution to General Partner [(1)]	(286,171)		(0.50)	(0.50)
Ending Fair Market Value	**$57,584,954**	**$100.00**	**$100.15**	**$100.61**
REIT Units Outstanding	572,342			

(1) The Distribution to General Partner is an incentive allocation calculated as 25% of the total distributions. The General Partner receives no annual management or transaction fees.

CAPITALIZATION

As of December 31, 2018, the REIT held over $100 million in assets. Subsequent to the acquisition of Laurier, the REIT's assets will grow to over $200 million. The quick growth since launch has positioned the REIT well to consider multiple acquisitions in the near-term and capitalize on operating synergies.

The REIT expects to raise additional capital in Q1 and Q2 of 2019 as part of its continuous offering to increase the REIT's capacity to accelerate the pace of acquisitions.

PROPERTIES

As of December 31, 2018, the REIT owned two properties – 181 Lester Street in Waterloo, Ontario and 111 Cooper Street in Ottawa, Ontario. The REIT subsequently announced the purchase of 265 Laurier Avenue East in Ottawa, Ontario, which is expected to close at the beginning of March 2019.

Management is currently in the midst of multiple acquisition opportunities and expects the REIT to substantially increase its bed count by its one-year anniversary.

Property	Market	Targeted University	Units	Beds	Occupancy
181 Lester	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	91	455	100%
111 Cooper	Ottawa, ON	University of Ottawa	224	357	100%
265 Laurier	Ottawa, ON	University of Ottawa	159	503	100%
Total			474	1,315	100%

181 Lester Street (“Lester”)

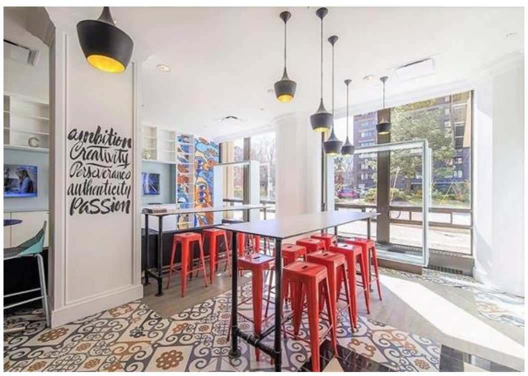
Property Name:	MyRez
Year Built:	2014
Property Manager:	Canadian Campus Communities
Proximity to Campus:	0.4km
Investment Date:	August 2018
Cost of Investment:	$45,500,000
Ownership:	100.0%
Property Website:	www.offcampusrez.com

Waterloo, Ontario is a very attractive student housing market due to the two large and growing universities (Wilfrid Laurier University and the University of Waterloo) located within one kilometer of each other, which has ~60,000 total students. Currently, both of the universities offer guaranteed housing to first year students, yet only have enough beds to accommodate 14% of their total students (~2,800 on-campus beds at Wilfrid Laurier and ~5,700 on-campus beds at the University of Waterloo). Student population growth of 25% since 2010 (including a 161% increase in international students), combined with limited ‘on-campus’ residences, resulted in substantial investment in new PBSA assets in the market over the past seven years.

Management believes the REIT has acquired the premier PBSA property in Waterloo – Lester is one of the largest buildings in the market and is located directly in-between the two universities. The property consists of 455 beds and is 100% occupied for the 2018/19 school year, realizing an average monthly rent (inclusive of utility surcharges) of over $740 per bed. As of February 15, 2019, Lester is ~75% pre-leased for the 2019/20 school year. The four-year-old building offers high-end amenities to its tenants such as in-suite laundry, a fitness studio, study lounges, games and social lounges, fully-furnished units, on-site parking and bike storage, controlled and secured access and on-site maintenance and management teams.

The REIT acquired the property for $45.5 million in August 2018 and has recently started to introduce a dramatically improved internet service that will offer multiple higher-speed options at premium rates and a bi-weekly/monthly in-suite cleaning service for its tenants. In the fall term, parking occupancy was slightly hampered due to some capital improvements on the above-ground parking facility; however, it is almost fully-occupied for the winter term, which will have a strong positive impact on Net Operating Income (“NOI”) in 2019. The operations at Lester are on-track relative to the REIT’s expectations and turnover at the end of the 2018/19 school year is going to be less than the prior year. Lester recently announced new 2019/20 pricing, which includes an attractive 5% average increase in rent per bed for new tenants and a 1.8% increase on renewing tenants (prior to ancillary revenue increases from new services such as enhanced internet and cleaning).

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

Ottawa is a top-tier student housing market given the city’s current population of 60,000 university students (37,000 at University of Ottawa and 25,000 at Carleton University), it’s consistently higher-than-average enrollment growth and the lack of on and off-campus PBSA assets that service the universities. The two universities currently have ~8,500 residence beds available for their students, housing only 14% of their enrollment. Additionally, there are only ~2,000 off-campus PBSA beds in the market that service the two universities, which represents 3% of enrollment. Enrollment at the universities have increased 6% over the past five years, and in 2018, the number of applicants to the University of Ottawa grew by 15% year-over-year – the largest increase of all major Ontario-based universities by a factor of almost 2x – ultimately amplifying the already significant demand/supply imbalance.

Cooper is a 16-storey building that opened its doors to students on September 1, 2015 as the premier, off-campus, PBSA property in the Ottawa market. The property accommodates 357 students in 224 fully-furnished studios, doubles and 2-bedroom units and is 100% occupied for the 2018/19 school year, realizing over $1,000 per bed per month. Cooper is located approximately 400 meters from the center of the University of Ottawa campus and is approximately a 10-minute commute to Carleton University. The property offers an attractive set of high-end amenities to its tenants, including a unique modern lobby, study lounges, a high-end gym, a yoga studio, games and social lounges, on-site laundry facilities, on-site parking, secure bike storage, high-speed internet, security and controlled access, and on-site maintenance and management teams.

The REIT acquired Cooper for $55 million in November 2018 and has started to implement certain revenue enhancing and operational improvement strategies into the day-to-day management of the property. The REIT has reduced the headcount at the building, is in the process of shifting certain operating expenses from being outsourced to being executed internally in order to improve control and service while lowering operating costs and implementing a monthly in-suite cleaning service to enhance the student experience. The REIT has also begun to reduce its exposure to utility expenses by upgrading the thermostats, installing energy efficient shower heads and toilets and has engaged consultants to replace the older HVAC systems with new energy efficient systems that are expected to have an attractive return on investment. The building recently announced its new pricing for 2019/20, which includes rate increases of 3-7% for the various configurations.

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/

Laurier is a nine-storey PBSA asset that opened in September 2018 as the newest addition to the University of Ottawa's residence portfolio. The property is located approximately 300 meters from uOttawa and is arguably the premier PBSA property in the country. Laurier is highly-amenitized with a lobby fireplace lounge, a free membership to the on-site Anytime Fitness facility, a games room, quiet study spaces, high-speed Wi-Fi, a communal terrace with picnic tables, 24-hour on-site maintenance, controlled and secured access, interior bike parking and underground parking. The building has 503 beds in 159 fully-furnished studios, 2-bedroom, 3-bedroom, 4-bedroom and 5-bedroom units, all of which have full kitchens with stainless steel appliances, individual locking private bedrooms with en-suite bathrooms and in-suite laundry and is 100% occupied for the 2018/19 school year. Additionally, the property is equipped with ~16,000 square feet of commercial space with tenants that specifically target the student demographic.

The affiliation/partnership with uOttawa significantly de-risks the REIT's operations from a top-line, occupancy and expense management perspective. As a result of the underlying agreement, uOttawa leases the beds to its students, guaranteeing a high-level of occupancy at Laurier year-over-year. Furthermore, Laurier is not subject to the same terms under Ontario's Landlord and Tenant Act as a private owner with respect to rental rate increases and does not provide tenants the ability to extend their leases on a month-to-month basis. Additionally, uOttawa capitalizes on its economies of scale to receive attractively priced service contracts, which significantly enhances the properties NOI margin.

The REIT expects to close the Laurier purchase in early March 2019.

M&A ENVIRONMENT

Management is pleased with the progress made on sourcing opportunities as well as closing the transactions it believes are the most attractive. Management's ongoing discussions with potential PBSA vendors/developers have exceeded expectations with respect to the quality of assets available, as well as the scale of the roll-up opportunity. Management remains in ongoing discussions with owners of high-quality assets valued at over $500 million and valuation discussions remain at cap rates 100-200bp higher than local multi-family residential properties in each market. Based on the growth of our acquisition pipeline, and lack of competition, we expect to end our first year well ahead of our pre-launch target.

In addition to the acquisition/consolidation strategy, Management has developed relationships with high-quality local and national developers to fuel the REIT's acquisition pipeline with attractive, brand-new product, starting as early as the 2019/20 school year.

FINANCING ENVIRONMENT

The REIT has recently entered the market to finance its purchases of Cooper and Laurier. The response by traditional lenders has been extremely positive and multiple financing proposal were received for each asset.

The recent decline in Government of Canada 5-year treasury bond rates from ~2.4% at the end of the last quarter to the current ~1.9% rate has had a positive impact on available terms in the fixed-rate financing market. Management continues to believe that traditional lenders' understanding and appetite for the sector is improving. Additionally, Management is having advanced discussions with Canada Mortgage and Housing Corporation ("CMHC") to discuss their student housing strategy in order to work with CMHC on select financings in the future, which Management expects to substantially lower the REIT's cost of debt.

Management continues to have advanced discussions with various lenders to provide acquisition facilities as a possible strategy to increase the REIT's consolidation flexibility and speed to close.

REIT ACQUISITION STRATEGY

Management's over-arching strategy remains the same – the REIT will seek to consolidate the fragmented and emerging PBSA industry in high-quality university markets across the country.

Targeted Markets

Management has not shifted from its initial views of targeting markets/beds that support 'tier-1' universities across the country. Management has become more knowledgeable over the past year from in-depth due diligence of various markets and has expanded near-term target markets to include cities outside of Southwestern Ontario; however, Southwestern Ontario remains a priority given the quality and quantity of available assets and tier-1 universities and provides the REIT with the ability to manage the assets as a cluster in order to realize local economies of scale to lower risk and enhance NOI growth.

In addition, as evidenced by the REIT's most recent acquisitions, Eastern Ontario and further east in Canada, particularly Ottawa and Montreal, have emerged as incredibly attractive markets because of the universities' higher-than-average enrollment growth, combined with limited on-campus and off-campus competition. Management has been able to develop strong relationships with university leadership teams in these regions and expects to be active in these market in the near-term.

Targeted Assets

Management has begun to classify targeted PBSA assets into various categories to differentiate the risk/return profiles of different properties. Management currently positions properties as (a) nomination or university affiliation/partnership, (b) core, (c) value-add, (d) repositioning and (e) development. Nomination or university affiliation/partnership deals include support from the local university to fill the beds in a building; for example, Laurier is considered a nomination deal due to the underlying management agreement/affiliation with the University of Ottawa.

When Management started seeking properties to acquire, it focused exclusively on 'core' properties (high quality, stabilized, near-100% occupancy, assets in tier-1 markets). Management continues to focus the lion's share of its time and effort on acquiring core properties; however, it also appreciates certain unique opportunities that are becoming available that can either enhance returns or de-risk the portfolio. Management believes some additional upcoming acquisitions will include value-add and/or nomination type assets, which it believes will offer additional asset diversification at an attractive risk/reward balance to the REIT.

Development Opportunities

Management has been engaged in many discussions with high-quality local and national developers about working together on projects in targeted markets. Although early in the life cycle of the REIT, Management feels it is important to start thinking about working with developers to ensure the REIT has a robust pipeline of acquisitions in the future after it has substantially consolidated the fragmented 'already built' market across the country.

CONFERENCE CALL DETAILS

Management will host a conference call to discuss the REIT's Q4 2018 operating performance and the REIT's longer-term strategy on February 22, 2019 at 1:00PM EST. Please register for the call using the following hyperlink.

https://attendee.gotowebinar.com/register/4320882082376063756

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