

## DECEMBER 31, 2020 – MANAGEMENT REPORT

*Note: All dollar references herein are in Canadian dollars.*

Alignvest Student Housing Real Estate Investment Trust (“ASH REIT”) is focused on consolidating the fragmented, institutional-grade, purpose-built student accommodation (“PBSA”) real estate sector across Canada.

### OBJECTIVES

- ✓ To maintain and grow a diversified investment portfolio of income-producing purpose-built student accommodation in Canada;
- ✓ To maximize unit value through active management of the portfolio;
- ✓ To leverage the strategic relationships within Alignvest Student Housing’s network to increase investment opportunities and manage risk; and
- ✓ To deliver attractive and tax-efficient quarterly distributions to investors, and long-term capital appreciation.

### Q4 2020 HIGHLIGHTS

- ✓ As at December 31 2020, ASH REIT announced a Fair Market Value (“FMV”) per REIT Unit of \$112.00 and a quarterly distribution of \$1.50 per REIT Unit (\$6.00 annualized distribution).
- ✓ Delivered annualized returns (to initial unitholders) of 10.8% and 11.7%, assuming cash and DRIP participation, respectively.
- ✓ Delivered total returns (to initial unitholders) of 27.0% and 29.1%, assuming cash and DRIP participation, respectively.
- ✓ Collected 98.0% of ASH REIT’s expected rental revenue throughout 2020 from its privately managed portfolio and 100% from its university managed property.
- ✓ Achieved 90.1% occupancy at ASH REIT’s privately managed properties and 50.8% at ASH REIT’s university managed property, resulting in overall portfolio occupancy of 84.1% at year-end.
- ✓ Successfully consolidated several third-party service contracts to reduce on-going operating expenses, including Fire Safety, Pest Control and HVAC.
- ✓ Upgraded internet infrastructure at the Annex – ASH REIT’s university managed property – to provide superior connectivity to better facilitate online classes.

- ✓ Installed self-serve markets at myREZ on Lester, King Street Towers, West Village Suites and 17Hundred, adding to the list of benefits that come with living at a Canadian Student Living property.
- ✓ Achieved 100% commercial occupancy and re-negotiated commercial leases at very attractive rental rates, where applicable, at myREZ on Lester, 1Eleven, West Village Suites and the Annex.
- ✓ Approved the build-out of King Street Tower's internet infrastructure, allowing ASH REIT to provide an all-inclusive amenity / utility package to its tenants.
- ✓ Approved a complete mechanical retrofit at 1Eleven to optimize energy efficiency and lower utility expenses.
- ✓ Successfully appealed 1Eleven's MPAC Assessment, resulting in a \$140,000 reduction in annual property taxes.

## Q1 2021 DEVELOPMENTS

- ✓ Effective January 1, 2021, the existing REIT Units were renamed "Class F Units" and a new class of Units, Class A Units, was introduced. Subscriptions, redemptions and distributions will now be completed on a monthly basis.
- ✓ As at January 31, 2021, ASH REIT announced a FMV of \$112.00 per Class A and Class F Unit and a monthly distribution of \$0.50 per Class A and Class F Unit.
- ✓ Trish MacPherson joined the management team on January 4, 2021 as Partner. Trish was formerly a senior executive at CAPREIT and is taking a leading role in all areas of ASH REIT's business, with an initial focus on operations and launching ASH REIT's ESG Strategy.
- ✓ Entered into agreement of purchase and sale to acquire two properties in Waterloo with approximately 800 beds.
- ✓ Entered into agreement to refinance three mortgages, resulting in a substantial decrease in interest rates, favourable payment terms and providing an equity takeout of up to \$28.3 million for use by ASH REIT to complete additional acquisitions.
- ✓ Initiated data collection for ESG reporting as part of the launch of ASH REIT's ESG Strategy.

## FUND FACTS

### ASH REIT DETAILS

<b>Fund Type</b>	Mutual Fund Trust
<b>Fundserv Code</b>	ASH 101 – Class A Unit ASH 100 – Class F Unit
<b>Fund Status</b>	Offering Memorandum
<b>Inception Date</b>	June 2018
<b>Registered Plan Status</b>	Eligible (RRSP, RRIF, TFSA)
<b>Investment Minimum</b>	\$25,000 (Accredited Investors)
<b>Minimum Subsequent Investment</b>	\$1,000
<b>Purchases / Redemptions / Valuations</b>	Monthly
<b>Periodic Distributions</b>	Monthly
<b>Management Fee (Indirectly at CSL)</b>	Class A Units – 1% per annum of net asset value of corresponding Class A Units of CSL, plus taxes  Class F Units – Nil
<b>Early Redemption Penalty</b>	Less than 1 Year: 5% 1 to 3 Years: 3% After 3 Years: 0%

### ASH REIT HIGHLIGHTS – December 31, 2020

<b>Property Value</b>	\$425 million
<b>Bed Count</b>	3,394
<b>Loan to Value</b>	55%
<b>Fair Market Value per Unit December 31, 2020 and January 31, 2021</b>	Class A Unit – \$112 Class F Unit – \$112
<b>Annual Distribution per Unit</b>	\$6.00
<b>Distribution Yield to Unitholders of Class F Unit (RoC)</b>	5.4%
<b>Targeted Long-Term Returns – Class F Unit</b>	~15% (Net of Fees)

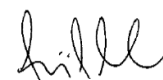
## MANAGEMENT OVERVIEW

Throughout Q4 2020, our focus continued to be on operations while maintaining the health and safety of our team and students residing at our properties. With the approval and roll out of vaccines, and the recent announcement by our federal government that the majority of Canadians should have access to vaccines by September 2021, the outlook for a rebound to relative normalcy is positive for our country, post-secondary institutions, and ASH REIT.

The impact of COVID-19 and the uncertainty that has accompanied the pandemic had previously caused a small decline in our FMV per REIT Unit; however, by December 31, 2020, the FMV had returned to \$112.00 per REIT Unit and remains consistent in January 2021. Student housing has proven its resiliency and is well-poised for a full recovery once post-secondary institutions resume in-person activities.

We continue to remain confident that ASH REIT will weather the remainder of the storm and that recovery is in our favour. As students return to campus, we believe that high-quality accommodations will be in demand. With this in mind, we are actively engaged in pursuing several acquisitions. We currently have under contract and are negotiating to acquire properties with ~1,300 beds in highly attractive student housing markets. We are targeting to raise \$50-60 million in Q1 2021 to fund these acquisitions. We are pleased to have already secured a lead investment of \$15 million from a wealth management firm that is already a strong supporter of ASH REIT. We would welcome additional investments from all of our existing investors.

While we are still in the midst of the “second wave” and strict lockdowns, we are looking forward to returning to normalcy later in 2021, putting the concerns of COVID-19 behind us, and resuming our focus on growing ASH REIT and delivering attractive returns to our investors. We would like to thank you for your continuing support during the uncertainty of 2020.



*Sanjil Shah*  
*Managing Partner*

## Q4 2020 REIT PERFORMANCE

On January 15, 2021, ASH REIT distributed \$1.50 per REIT Unit (\$6.00 annualized distribution) payable to Unitholders of record on December 31, 2020. As of December 31, 2020, a FMV of \$112 per REIT Unit was achieved.

Management believes ASH REIT's distributions to date, combined with the FMV per REIT Unit increase since inception, is an attractive result for Unitholders relative to (a) the underlying risk of the core property portfolio, (b) the public markets, and (c) the resiliency demonstrated through the COVID-19 pandemic. Since inception, Unitholders have realized a 29.1% total return on their Units (assuming DRIP participation), despite the REIT holding substantial amounts of cash. Over the same period, the S&P/TSX Composite Index returned 7.1%, and the S&P/TSX Capped REIT Index returned -5.5% (June 29, 2018 to December 31, 2020).

	<b>December 31, 2020</b>
Investments in Real Properties	\$425,040,000
Cash & Cash Equivalents	21,174,309
Other Assets	2,163,437
Debt Obligations	(232,976,063)
Other Liabilities and Performance	(16,130,486)
<b>Fair Market Value (Pre-Distribution)</b>	<b>\$199,271,197</b>
Less - Distribution to Unitholders	(2,621,981)
Less - Distribution to General Partner <sup>(1)</sup>	(873,994)
<b>Fair Market Value (Post-Distribution)</b>	<b>\$195,775,222</b>
Number of Units outstanding	1,747,979

	Per REIT Unit				
	30-Dec-19	31-Mar-20	30-Jun-20	30-Sep-20	31-Dec-20
	<b>\$111.54</b>	<b>\$114.00</b>	<b>\$114.00</b>	<b>\$112.63</b>	<b>\$114.00</b>
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)
	<b>\$109.54</b>	<b>\$112.00</b>	<b>\$112.00</b>	<b>\$110.63</b>	<b>\$112.00</b>

(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.

## PROPERTIES

ASH REIT's current portfolio consists of eight properties with 3,394 beds in five tier-1 university markets across Canada.

ASH REIT has recently entered into an agreement of purchase and sale to acquire two properties in Waterloo and is negotiating to acquire another new asset in an attractive market. Combined, these properties are valued at over \$215 million and will add approximately 1,300 beds to ASH REIT's portfolio. Management expects to close these transactions at the end of Q1 and in Q2, respectively.

Property	Market	Targeted University	Units	Beds	Acquired
181 Lester St.	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	91	455	Aug 2018
111 Cooper St.	Ottawa, ON	University of Ottawa & Carleton University	224	357	Nov 2018
265 Laurier Ave.	Ottawa, ON	University of Ottawa	159	518	Mar 2019
333 King St.	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	126	536	Apr 2019
339 King St.	Waterloo, ON	University of Waterloo & Wilfrid Laurier University	80	419	Apr 2019
1686 Main St.	Hamilton, ON	McMaster University	107	449	Apr 2019
1700 Simcoe St.	Oshawa, ON	University of Ontario Institute of Technology & Durham College	133	588	Apr 2019
11024 82 Ave.	Edmonton, AB	University of Alberta	37	72	Aug 2020
<b>Total</b>			<b>957</b>	<b>3,394</b>	

## LEASING & COLLECTIONS UPDATE

ASH REIT is encouraged by the dialogue Management is having with post-secondary institutions about their plans to resume in-person teaching and activities for the 2021/22 academic year. As campuses re-open, it is expected that on-campus housing will need to “de-densify” by reducing the supply of beds to maintain social distancing requirements, resulting in an increased need for off-campus student housing. Management is having preliminary discussions with universities to supply beds to students who traditionally would have lived in on-campus residences. In addition, the potential for a higher-than-average number of students entering campuses, which includes new cohort entries and deferred attendance from 2020/21 year, is expected to result in significant market demand for high-quality accommodations and return ASH REIT to pre-pandemic occupancy across the portfolio. Since the onset of COVID-19, Management has been encouraged by the REIT’s maintenance of occupancy and students’ desire to reside in university cities with their peers, regardless of their university’s teaching approach (online, hybrid, in-person). There is a significant portion of residents currently occupying their units, which bodes well for the REIT’s on-going collection rate and the annual leasing cycle.

Management does note, however, that there is more caution among students in specific markets that would historically experience heavy pre-leasing traffic now for May and September occupancy. Because institutions have yet to announce September 2021 plans, the urgency to commit to living accommodations is lagging compared to prior years. Although this is concerning and may result in lower occupancy and potentially increased rental concessions from May to September at some of our properties, we are confident that once teaching plans are announced, leasing velocity will potentially exceed previous years.

Fundamentally, Management does not believe that COVID-19 will result in a systemic long-term impairment to the Canadian student housing market. Enrollment at most tier-1 universities continues to increase year-over-year, suggesting that demand for student beds will continue to grow. Importantly, Management believes that demand for new, on and off-campus, purpose-built student accommodation will increase relative to dormitory-style residences and converted multi-tenant single-family homes in a world that is increasingly focused on hygiene and social distancing. This bodes well for ASH REIT’s current portfolio.

### **Rent Collection Summary**

ASH REIT’s rent collection remained strong during the quarter and in-line with internal benchmarks.

ASH REIT collected 98.0% of its rent from its privately managed portfolio and 100% of its rent from its university managed asset throughout 2020.

### **Leasing Summary**

As at December 31, 2020, ASH REIT’s privately managed properties are at 90.1% occupancy and the REIT’s university managed property is at 50.8%, resulting in overall portfolio occupancy of 84.1%.

Management is not concerned with its current occupancy at its university managed property. We expect that the property will immediately achieve 100% occupancy once the University of Ottawa announces its plan to resume in-person classes.

## CONFERENCE CALL DETAILS

Management will host a conference call to discuss the REIT's Q4 2020 operating performance and the REIT's longer-term strategy on Thursday, February 4, 2021 at 2 PM EST. Please register for the call using the following hyperlink:

[Q4 2020 Conference Call](#)

## STANDARD DISCLOSURE

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