DRI HEALTHCARE TRUST

MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2021

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BASIS OF PRESENTATION

The following Management's Discussion and Analysis ("**MD&A**") is intended to help the reader understand the results of operations and financial condition of DRI Healthcare Trust (the "**Trust**"). This MD&A is provided as a supplement to, and should be read in conjunction with, the audited consolidated financial statements (the "**consolidated financial statements**") of the Trust for the year ended December 31, 2021, including the accompanying notes to such financial statements. The consolidated financial statements of the Trust have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") and its interpretations adopted by the International Accounting Standards Board ("**IASB**").

The Trust had no operations prior to the completion of its initial public offering and concurrent private placement on February 19, 2021, as described on page 3 of this MD&A. Therefore, the discussions in this MD&A have been limited to the operations of the Trust from February 19, 2021 to December 31, 2021, unless otherwise noted.

We present our financial statements in United States dollars ("**U.S. dollars**"). In this MD&A, all dollar amounts are expressed in U.S. dollars unless otherwise indicated. Accordingly, all references to "**US$**", "**$**" or "**dollars**" are to U.S. dollars, and all references to "**C$**" are to Canadian dollars. Certain totals, subtotals and percentages throughout this MD&A may not reconcile due to rounding. Dollar amounts in the tables and elsewhere in this MD&A are presented in thousands of U.S. dollars unless otherwise noted.

The board of trustees has approved this disclosure.

This MD&A is dated as of March 7, 2022.

ADDITIONAL INFORMATION

Additional information relating to the Trust, including the Trust's annual information form, is available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

FORWARD-LOOKING INFORMATION

This MD&A contains forward-looking information within the meaning of applicable securities laws in Canada. Forward-looking information may relate to our future financial outlook and anticipated events or results and may include information regarding our financial position, business operations, business strategy, growth strategies, budgets, operations, financial results, taxes, distribution policy, plans and objectives.

In certain cases, forward-looking information includes statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as "expect", "continue", "anticipate", "intend", "aim", "plan", "believe", "budget", "estimate", "forecast", "foresee", "close to", "target" or negative versions thereof and similar expressions, and/or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, although not all forward-looking information contains these terms and phrases. Any statements that refer to expectations, intentions, projections or other characterizations of future events or circumstances contain forward-looking information. Statements containing forward-looking information are not historical facts but instead represent management's expectations, estimates and projections regarding future events or circumstances.

Forward-looking information involves known and unknown risks and uncertainties, many of which are beyond our control, that could cause actual results to differ materially from those that are disclosed in or implied by such forward-looking information. These risks and uncertainties include, but are not limited to, those described in greater detail under "Risk Factors" in the Trust's most recent annual information form, available under our profile on SEDAR at www.sedar.com.

Although we have attempted to identify important risk factors that could cause actual results to differ materially from those contained in the forward-looking information, there may be other risk factors not presently known to us or that we presently believe are not material that could also cause actual results or future events to differ materially from those expressed in such forward-looking information. There can be no assurance that such information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information, which speaks only as of the date stated. The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A, or as of the date they are otherwise stated, and are subject to change after such date. However, we disclaim any intention, obligation or undertaking to update or revise any forward-looking information whether as a result of new information, future events or otherwise, except as required under applicable securities laws in Canada.

REFERENCES AND DEFINED TERMS

All references in this MD&A to the "**Trust**", "**we**", "**us**" or "**our**" are to DRI Healthcare Trust, together with its consolidated subsidiaries.

In this MD&A, the terms "**royalties**", "**royalty assets**", "**royalty entitlements**", "**royalty agreements**" and "**royalty streams**" are used interchangeably to refer to either: (i) contractual arrangements that grant the buyer the right to receive royalties derived from the sale of pharmaceutical, biotechnology and other life science products pursuant to license agreements or other contractual arrangements (we refer to these as "**traditional**" royalty streams), or (ii) contractual arrangements that grant the buyer the right to receive a percentage of the top-line sales of pharmaceutical, biotechnology and other life science products directly from the marketer of the product (we refer to these as "**synthetic**" royalty streams). Unless the context otherwise requires, when we refer to terms such as "**our royalties**", "**our portfolio**", "**our royalty portfolio**", "**our interests in products**" and similar terms, we are referring to our contractual interests in royalties and royalty streams that are held by our subsidiaries. When we refer to "**products**", we are referring to the pharmaceutical, biotechnology or other life science products relating to our royalties. When we refer to the "**pharmaceutical industry**", we are referring generally to the pharmaceutical, biotechnology and other life science products industry.

USE OF NON-GAAP MEASURES

This MD&A contains a number of financial performance measures that have been calculated using methodologies which are not in accordance with IFRS ("**non-GAAP measures**"). These financial measures do not have a standardized meaning as prescribed by IFRS and therefore are unlikely to be comparable to similar measures presented by other companies. We believe that providing these financial measures, in addition to our IFRS results, gives investors additional information for understanding the critical components of our financial performance. Accordingly, these non-GAAP measures should not be considered in isolation or as a substitute for analysis of our financial information reported under IFRS. These non-GAAP measures are used to provide investors with a supplemental measure of our operating performance and thus highlight trends in our core business that may not otherwise be apparent when relying solely on IFRS measures. We also believe that securities analysts, investors and other interested parties frequently use non-GAAP measures in the evaluation of issuers. We rely on these measures in the day-to-day management of our business, assessment of investment opportunities and assessment of our liquidity and borrowing needs.

The Trust's uses, definition and calculation methodology, and the reconciliations of these non-GAAP financial measures and non-GAAP ratios to the most directly comparable measures calculated and presented in accordance with IFRS, if available, for each of the measures, are presented under *Financial Review: Non-GAAP Financial Measures* on page 15 of this MD&A. The Trust has presented the following non-GAAP financial measures and non-GAAP ratios in this MD&A:

- Total Cash Receipts;
- Total Cash Royalty Receipts;
- Adjusted EBITDA;
- Adjusted EBITDA Margin; and
- Adjusted Cash Earnings per Unit.

OVERVIEW OF THE TRUST

DRI Healthcare Trust was established as an unincorporated open-ended trust under the laws of the Province of Ontario pursuant to a declaration of trust on October 21, 2020. The Trust is a "mutual fund trust" as defined in the Income Tax Act (Canada), but not a "mutual fund" within the meaning of applicable Canadian securities legislation. Our head and registered office is located at 1 First Canadian Place, Suite 7250, 100 King Street West, Toronto, Ontario, M5X 1B1.

DRI Capital Inc. ("**DRI Capital**", "**our manager**" or the "**manager**") provides management and other services to us, and also provides the services of certain employees of DRI Capital who act as executive officers of the Trust, pursuant to the terms of a management agreement.

DRI Healthcare Trust's units are listed on the Toronto Stock Exchange in Canadian dollars under the symbol "**DHT.UN**" and in U.S. dollars under the symbol "**DHT.U**".

On February 19, 2021, the Trust completed its initial public offering and concurrent private placement of units. In connection with its initial public offering, the Trust issued 36,527,000 units at $10.00 per unit, for gross proceeds of approximately $365 million. Concurrent with the completion of the initial public offering, DRI Capital and other investors purchased an aggregate of 3,580,407 units pursuant to a private placement at a price of $9.70 per unit, for gross proceeds of approximately $35 million. The units issued pursuant to the concurrent private placement are subject to resale restrictions under applicable laws. The total units issued pursuant to the initial public offering and concurrent private placement were 40,017,407, for combined gross proceeds of $400 million. Transaction costs associated with the offerings totalled approximately $22 million and were recorded as a reduction in unitholders' capital.

BUSINESS AND STRATEGY OVERVIEW

Business Overview

Our business model is to provide unitholders with differentiated exposure to the fast-growing pharmaceutical and biotechnology industries through ownership and acquisition of royalties on pharmaceutical products with a focus on delivering attractive growth in cash receipts from royalty assets over the long term. We target royalties on products with the following characteristics:

- Medically necessary products that effectively treat chronic and critical illnesses;
- Products that benefit from strong intellectual property protection; and
- Products that are marketed by leading life sciences companies.

Since 1989, DRI Capital has been at the forefront of the pharmaceutical royalty sector. Our manager has developed a disciplined strategy and has built a dedicated team of seasoned and highly specialized professionals, many of whom have a scientific background and education, that is focused on the identification, evaluation and acquisition of quality pharmaceutical assets that has executed on the acquisition of 64 royalty streams on 40 products with over $2 billion in aggregate value.

As at December 31, 2021, our portfolio consisted of 17 royalty streams on 13 products that address chronic or critical therapeutic areas, such as oncology, rare diseases, ophthalmology, endocrinology, dermatology, autoimmune diseases and vaccines. Our portfolio includes royalties based on top-line sales of several blockbuster therapies, including Spinraza, Eylea and Xolair. Our products are marketed by leading global pharmaceutical companies, including AstraZeneca, Biogen, Galderma, Johnson & Johnson, Novartis, Regeneron and Roche. In addition, the Trust has provided a secured loan in connection with the commercialization of an oncology product.

Unique Growth Strategy

Our growth strategy is focused on providing unit-holders with top-line exposure to a portfolio of attractive therapeutics by executing royalty transactions on growth-oriented products, consistent with the core characteristics highlighted above. In order to execute this strategy, we target an underserved niche that optimizes the competitive advantages that have been developed over the 32-year history of our manager, the extensive experience and highly relevant expertise of our manager's personnel, unparalleled access to data and information through proprietary tools and knowledge, and its leadership and unparalleled reputation in the industry. Specifically, we seek to exploit the unique advantages attributable to our hard-to-replicate assets, including the market intelligence comprising our database of over 6,500 royalties on over 2,000 pharmaceutical products and deep relationships developed by our manager's personnel with a broad range of counterparties, including individual inventors and institutions with smaller entitlements, biotech firms seeking non-dilutive sources of financing and pharmaceutical companies seeking transactions below their reporting thresholds. Further, we target transactions that are out of the scope of other royalty buyers such as larger-cap public companies, institutional asset managers and pension funds, which, combined with our unique relationship-driven approach, give us the flexibility to structure bespoke, proprietary, "win-win" transactions on high-quality royalty streams tailored to the immediate and long-term objectives of royalty holders.

Our target is to complete between $650 million and $750 million in transactions during our first five years as a public company, which will allow us to generate sustainable annual growth in cash receipts. We expect to fund these acquisitions using our cash on hand, cash generated from our royalty assets and the use of leverage. In 2021, we completed two transactions for consideration of up to $1860 million.

We intend to fulfill our growth strategy primarily by pursuing traditional and synthetic pharmaceutical royalty transactions. Traditional royalty investing involves a purchaser, such as the Trust, acquiring an existing royalty that was granted to an inventor, academic institution or drug developer as part of a licensing agreement in which a pharmaceutical marketer obtains a license to use intellectual property or know-how to develop and commercialize a product. Synthetic royalty transactions involve the creation of a new royalty stream in which the purchaser, such as the Trust, contracts directly with a pharmaceutical marketer to receive a portion of top-line product sales. As biotechnology companies continue to conduct their own R&D to bring internally developed technologies to market, synthetic royalties have become an increasingly important tool for these companies to finance ongoing capital requirements through non-dilutive means. We will also selectively consider other opportunities to grow our asset base, including through the deployment of capital through lending arrangements and other instruments backed by pharmaceutical products and companies.

Our Assets

The Trust's assets currently comprise royalties on products that address therapeutic areas such as oncology, rare diseases, ophthalmology, dermatology and autoimmune diseases, and are marketed by leading global pharmaceutical companies, including AstraZeneca, Biogen, Galderma, Johnson & Johnson, Novartis, Regeneron and Roche. In addition, the Trust has provided a secured loan in connection with the commercialization of an oncology product.

We group our portfolio of royalty assets based on the expected expiry of the royalty rights in the underlying product's primary royalty-bearing geography. Our royalty assets include Core Products, for which royalty entitlements in primary geographies are expected to expire after December 31, 2021; Mature Products, for which royalty entitlements in primary geographies were expected to expire before December 31, 2021; and Other Products, for which royalty entitlements have substantially expired in accordance with their terms or are not individually material.

We receive royalty payments based on the sales of pharmaceutical products in particular geographies. In general, when sales of these products increase, the payments we receive through our royalties also increase. The sales of products in turn can be affected by a number of factors, including regulatory approvals that permit the sale of a product in the relevant market, the competitive landscape for the product, whether the product is recommended for use by health agencies or medical professional associations, and the extension of a product for additional indications, which we sometimes refer to as product extensions.

The table below provides an overview of the Trust's Core and Mature Products as at December 31, 2021, and outlines expected royalty expirations based on our manager's estimates of patent expiry dates in key geographies and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty-bearing sales may also affect these estimates as a result of caps or other structuring elements.

(in thousands of U.S. dollars, unless otherwise noted)

Royalty Asset	Therapeutic Area	Primary Marketer(s)	FDA Approval Date	Expected Royalty Expiry[(i)]
Core Products				
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	November 2011	Q1 2027
FluMist	Vaccine	AstraZeneca	June 2003	Q4 2023
Natpara	Endocrinology	Takeda	January 2015	Q4 2024
Oracea	Dermatology	Galderma Laboratories, Inc.	April 2006	Q1 2028
Rydapt	Oncology	Novartis	April 2017	Q1 2025
Spinraza	Rare Diseases	Biogen	December 2016	Q3 2031
Xolair	Respiratory	Roche, Novartis	June 2003	Q2 2032
Zytiga	Oncology	Johnson & Johnson	September 2011	Q2 2028
Mature Products				
Autoimmune Portfolio[(ii)]				
Ilaris	Autoimmune	Novartis	June 2009	Q1 2025
Simponi	Autoimmune	Johnson & Johnson, Merck, Mitsubishi Tanabe	April 2009	Q1 2025
Stelara	Autoimmune	Johnson & Johnson, Merck, Mitsubishi Tanabe	September 2009	Q2 2024

(i) Represents the quarter during which the final royalty payment is expected, and is based on our manager's estimates of patent expiry dates in key geographies and the contractual agreements of each royalty stream. These estimates may be impacted by regulatory, commercial or other product developments. Variance from the anticipated performance of royalty-bearing sales may also affect these estimates as a result of caps or other structuring.

(ii) The Autoimmune Portfolio consists of agreements to receive royalties on sales of Stelara, Simponi and Ilaris. The three royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.

Key Developments Related to Royalty Assets

Eylea I & II (Core Products)

In May 2021, Novartis announced that it had decided to terminate the study testing a more frequent application of brolucizumab or Beovu than currently approved by the United States Food and Drug Administration ("**FDA**") due to safety concerns. Beovu is used to treat neurovascular age-related macular degeneration, a condition that is also treated by Eylea. Novartis also terminated two additional studies to assess the efficacy and safety of Beovu in retinal vein occlusion.

Natpara (Core Products)

In September 2019, as a result of manufacturing and delivery-related difficulties, Takeda ceased product sales in the United States. In January 2020, Takeda announced that there would be a delay of more than one year in bringing Natpara back to the United States market.

On March 31, 2021, Takeda announced that although it had made progress on the issue of rubber particulates originating from the rubber septum of the Natpara cartridge that led to the recall in the United States, Takeda had not yet reached a resolution and did not expect a return to the United States market before March 31, 2022. On September 15, 2021, Takeda announced that it had submitted a Prior Approval Supplement to the FDA as part of its efforts to address the issue. The FDA acknowledged receipt of the Prior Approval Supplement submission and communicated the submission is associated with a six-month review timeline. We continue to monitor the developments related to Natpara and expect to reach the contractual cap on cumulative royalty receipts in the fourth quarter of 2024 compared to previous expectations to reach the contractual cap by the third quarter of 2024.

Spinraza (Core Products)

In March 2021, Roche announced that Evrysdi (risdiplam), an oral therapeutic for patients with spinal muscular atrophy, was granted approval in the European Union. Spinal muscular atrophy is a condition treated with Spinraza. Evrysdi was previously approved in the United States in August 2020.

In June 2021, Biogen released updates from its ongoing clinical trials for Spinraza. According to Biogen, results continued to demonstrate Spinraza's efficacy profile in presymptomatic infant patients and continued to show long-term benefits in adult patients. Additionally, Biogen reported that other trials investigating high-dose Spinraza consumption have supported the safety profile of a higher dose regimen.

Xolair (Core Products)

In April 2021, Roche and Novartis announced that the FDA had approved prefilled syringes of Xolair for self-injection in appropriate patients across all treatment indications approved in the United States, giving patients the flexibility to administer Xolair at home.

(in thousands of U.S. dollars, unless otherwise noted)

In December 2021, Amgen and AstraZeneca announced that the FDA has approved Tezspire (tezepelumab-ekko) for the add-on maintenance treatment of adult and pediatric patients aged 12 years and older with severe asthma. Xolair can also be used as a treatment for severe asthma.

Rilpivirine Portfolio (Mature Products)

In accordance with the terms of the royalty agreement of the Rilpivirine Portfolio, the entitlement to royalty receipts from the portfolio ended during the second quarter of 2021.

Pacritinib (Pending Transactions)

On February 28, 2022, the FDA approved VONJO (pacritinib) for the treatment of adult myelofibrosis patients with platelets below 50 x 10^9/L. Myelofibrosis is a bone marrow cancer that results in formation of fibrous scar tissue and can lead to thrombocytopenia and anemia, weakness, fatigue and enlarged spleen and liver. This approval triggered the purchase of the tiered royalty on VONJO for $60,000, as described on page 7 of this MD&A. The funding was completed on March 7, 2022.

Transactions Completed

Initial Public Offering and Private Placement

On February 19, 2021, the Trust completed its initial public offering and concurrent private placement of units, as described on page 3 of this MD&A.

Closing Transactions

Following the closing of the initial public offering, as described on page 3 of this MD&A, we completed the acquisition of an initial portfolio of royalty assets and certain other net assets held by certain private funds managed by DRI Capital, for approximately $293 million ("**Closing Transactions**"). The royalty assets consisted primarily of a portfolio of 18 royalties derived from the sale of 14 pharmaceutical products focused on eight therapeutic areas. As part of the transaction, the Trust assumed the outstanding securitization indebtedness associated with certain royalty assets.

The following table presents the allocation of the purchase price paid to acquire the net assets.

Assets		
Cash and cash equivalents	$	14,707
Royalties receivable		55,190
Funds held in trust[(i)]		128
Derivative assets[(i)]		219
Other current assets		196
Royalty assets		291,462
Restricted cash[(i)]		1,435
		363,337
Liabilities		
Accounts payable and accrued liabilities		(743)
Secured notes payable[(i)]		(69,924)
		(70,667)
Net acquired assets	$	292,670

(i) During 2021, the Trust fully repaid the secured notes, as described on page 22 of this MD&A. In connection with its secured notes, the Trust was required to maintain funds held in trust and restricted cash as well as interest rate and foreign exchange derivative contracts, which were released and settled subsequent to the repayment of the secured notes.

The acquired cash and cash equivalents include cash royalties received of $2,269 during the period from January 1, 2021 to the date of the acquisition. Royalties receivable includes royalty income of $13,833 accrued during the period from January 1, 2021 to the date of the acquisition and $1,079 of adjustments to reflect changes in the balance receivable based on actual receipts.

CTI Loan Receivable and Pacritinib Transaction

On August 25, 2021, the Trust entered into an agreement with CTI BioPharma Corp. ("**CTI**") to provide $50,000 in secured debt, the proceeds of which will be used by CTI to fund the commercialization of pacritinib. Pacritinib is used for the treatment of myelofibrosis patients with severe thrombocytopenia. The loan receivable bears interest at LIBOR plus 8.25%, subject to a LIBOR floor of 1.75% and matures on August 25, 2026. The Trust is also entitled to receive an exit fee of 2.00% on the principal balance repaid. Interest payments are due on the last business day of the quarter. The principal amount of the loan is due on maturity.

Concurrently, the Trust entered into an agreement with CTI for a tiered royalty on sales of pacritinib upon the approval of the product by the FDA for $60,000. CTI may also be entitled to additional consideration of up to $25,000 in the event that pacritinib sales exceed certain thresholds within a predefined period of time.

On February 28, 2022, the FDA approved VONJO (pacritinib) for the treatment of adult myelofibrosis patients with platelets below 50 x 10^9/L. Myelofibrosis is a bone marrow cancer that results in formation of fibrous scar tissue and can lead to thrombocytopenia and anemia, weakness, fatigue and enlarged spleen and liver. This approval triggered the purchase of the tiered royalty on VONJO for $60,000. The funding was completed on March 7, 2022.

In accordance with the terms of the royalty agreement, the Trust will be entitled to receive royalties equal to 9.60% on the first $125,000 of annual net sales in the United States, 4.50% on annual net sales in the United States between $125,000 and $175,000, 0.50% on annual net sales in the United States between $175,000 and $400,000, and will have no entitlement to royalties on annual net sales in the United States exceeding $400,000. Royalties will be collected with a one quarter lag.

Oracea Transaction

On September 30, 2021, the Trust acquired royalties on Oracea for $50,500. As part of the transaction, the Trust acquired interests in two additional royalty assets which are not expected to make a material contribution to the Trust's royalty income.

Oracea (doxycycline) is a prescription therapy indicated for the treatment of inflammatory lesions (papules and pustules) of rosacea in adult patients. Marketed by Galderma Laboratories, Inc., a subsidiary of Galderma S.A., sales of Oracea commenced in 2006 upon its approval by the FDA. The royalty entitlement associated with Oracea is on the worldwide sales of Oracea and is expected to expire in the first quarter of 2028. Royalties related to Oracea are collected on a one quarter lag.

In accordance with the terms of the transaction, the Trust was entitled to the royalties from April 1, 2021 and beyond. The cash royalty receipts generated from April 1, 2021 to June 30, 2021 totalled $4,136 and were applied as a reduction in the total cash consideration transferred in the transaction. Transaction costs of $599 were capitalized as part of the royalty assets acquired.

Other Key Events

*Omnibus Equity Incentive Plan ("**Incentive Plan**")*

During 2021, the Trust granted Restricted Units ("**RUs**") totalling 457,112 units subject to vesting conditions, including 24,269 distribution equivalent units, as described on page 11 of this MD&A. During 2021, 15,343 units were issued on the vesting of RUs. The Trust recorded unit-based compensation expense of $473 for the year ended December 31, 2021, and unit-based compensation liability of $370 as at December 31, 2021 related to these awards.

Further details on the Trust's Incentive Plan are provided in note 2(o) to the consolidated financial statements.

*Normal Course Issuer Bid ("**NCIB**")*

On September 30, 2021, the Trust was granted approval by the Toronto Stock Exchange to acquire, from time to time, if considered advisable, up to 1,500,000 units of the Trust for cancellation pursuant to its NCIB between October 5, 2021 and October 4, 2022.

As at February 28, 2022, the Trust acquired and cancelled 400,000 units at an average price per unit of $5.22, totalling $2,089 under the program. The Trust's NCIB program is further discussed on page 24 of this MD&A.

Long-term Debt

On October 22, 2021, the Trust entered into a credit facility agreement comprised of (i) a $175,000 senior secured revolving acquisition credit facility ("**acquisition credit facility**") with an initial amount drawn used to repay the remaining balance of its existing secured notes and the remaining capacity to be used for financing future acquisitions and (ii) a $25,000 senior secured revolving working capital facility ("**working capital credit facility**") the proceeds from which are to be used for general business purposes or to finance future acquisitions.

The credit facility bears interest at LIBOR plus a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio. The unused portion of the revolving credit facility is subject to an interest charge of 0.40% to 0.50% based on the Trust's leverage ratio. Interest payments are due on a quarterly basis, and the borrowings mature on October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining the lender's approval.

Principal repayments totalling 3.75% of the aggregate amount of borrowings made under the acquisition credit facility are due on a quarterly basis. Principal repayments do not result in a corresponding decrease in the borrowing capacity under the facility. Principal repayments on the working capital credit facility are due on maturity.

As at December 31, 2021, the outstanding balance of the credit facility was $43,921 as discussed on page 22 of this MD&A. Subsequent to year end, on January 27, 2022, the Trust made a voluntary principal repayment of $30,526 and, on March 7, 2022, the Trust drew $60,000 from the acquisition credit facility to fund the purchase of the tiered royalty on pacritinib, as described on page 7 of this MD&A.

The Trust is subject to certain financial as well as customary non-financial covenants under the credit facility. Substantially all of the assets of the Trust are pledged as collateral under the credit facility. As at December 31, 2021, the Trust is in compliance with all covenant requirements under the credit facility.

Distributions

During 2021, the Trust declared distributions totalling $16,612, comprised of cash distributions of $15,206 and unit distributions of $1,406.

The Trust pays a quarterly distribution in accordance with its distribution policy. Distributions are discussed in further detail in note 10 to the consolidated financial statements.

(in thousands of U.S. dollars, unless otherwise noted)

FINANCIAL REVIEW: RESULTS OF OPERATIONS

The Trust was formed on October 21, 2020, as described on page 3 of this MD&A. As a result, this MD&A does not contain comparative information and the discussions that follow refer to the Trust's financial performance during the year ended December 31, 2021 only. The Trust commenced its operations on February 19, 2021, the date of the completion of its public and private offerings, and as such, results of its operations for the year ended December 31, 2021 primarily reflect operating results from February 19, 2021.

During the year ended December 31, 2021, the Trust generated total income of $81,765 (2020 – nil) and total expenses of $60,202 (2020 – nil). The following table presents the components of net earnings and other comprehensive earnings and is followed by a discussion on the nature of significant sources of income and categories of expenses.

		Year ended December 31, 2021
Income		
Royalty income	$	79,860
Interest income on loan receivable		1,897
Other interest income		8
Total income		81,765
Expenses		
Amortization of royalty assets		41,837
Management fees		6,275
Interest expense		2,236
Servicer fees		1,076
Deal investigation and research expenses		2,252
Unit-based compensation		473
Other operating expenses		5,414
Other items		718
Net gain on interest rate derivatives		(2)
Net gain on foreign exchange derivatives		(77)
Total expenses		60,202
Net earnings and other comprehensive earnings	**$**	**21,563**

Royalty income

Royalty income is comprised of income from our royalty assets, which represents the contractual right to receive, directly or indirectly, a royalty payment, license fee, or any other form of compensation or benefit arising from or contingent upon the use of any patent, trade secret or any other form of intellectual property or other right relating to pharmaceutical drugs, devices and/or delivery technologies. The Trust typically does not own the licensed intellectual property; however, it earns income based on rights to a royalty stream generally tied to the related underlying patent, calculated as a percentage of sales revenue generated by a third party at the time that the sales occur. Royalty income is recorded on an accrual basis when earned in accordance with our contractual rights. Management is required to make estimates of royalty income earned. Actual royalty receipts are reported and paid by our counterparties typically one or more quarters after they are earned. Royalty income for the year ended December 31, 2021 includes $30,148 related to estimated royalty entitlements, which will be received subsequent to December 31, 2021.

The Trust earns royalty income from the date on which it obtains control of the royalty assets.

(in thousands of U.S. dollars, unless otherwise noted)

The following table presents the Trust's royalty income by royalty asset grouping for the year ended December 31, 2021.

		Year ended December 31, 2021[(i)]
Core Products		
Eylea I	$	9,308
Eylea II		4,831
FluMist		3,158
Natpara		2,008
Oracea		1,373
Rydapt		9,576
Spinraza		16,359
Xolair		7,713
Zytiga		13,377
Total Core Products		67,703
Mature Products		
Autoimmune Portfolio[(ii),(iii)]		8,185
Rilpivirine Portfolio[(iv)]		2,899
Total Mature Products		11,084
Other Products[(v)]		1,073
Total Royalty Income	**$**	**79,860**

(i) Includes royalty income from royalty assets from the date on which the Trust obtained control over those royalty assets. For the assets acquired in the Closing Transactions, the Trust recorded royalty income from February 19, 2021 to December 31, 2021. For the assets acquired in the Oracea Transaction, the Trust recorded royalty income from September 30, 2021 to December 31, 2021.

(ii) The Autoimmune Portfolio consists of agreements to receive royalties on sales of Stelara, Simponi and Ilaris. The three royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.

(iii) During the year, the Trust recorded an other current liability of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $384 was used to reduce the obligation during the year. Royalty income earned from the Autoimmune Portfolio in future periods will be used to repay the remaining obligation of $334 for the past overpayments.

(iv) The Rilpivirine Portfolio consists of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca. In accordance with the terms of the royalty agreement of the Rilpivirine Portfolio, the entitlement to royalty receipts from the portfolio ended during the second quarter of 2021.

(v) Other Products includes royalty assets which are not individually material as well as royalty assets which are fully amortized or, where applicable, the entitlements to which have substantially expired.

Interest income

Interest income is primarily comprised of interest earned on the loan receivable from CTI, as described on page 7 of this MD&A. For the period from August 25, 2021, the date on which the loan receivable was advanced, to December 31, 2021, the Trust recorded interest income of $1,897 (2020 – nil), comprised of $1,791 related to interest charges, $35 related to the amortization of the commitment fee and $71 related to the accretion of the exit fee.

Amortization of royalty assets

Royalty assets are amortized over the estimated useful life of the assets, as described in note 2(c) to the consolidated financial statements. The Trust amortizes its royalty assets from the date on which it obtains control of those assets.

Management fees

The Trust pays management fees on a quarterly basis to our manager, as described on page 26 of this MD&A. The Trust recorded management fees of $6,275 during the period from February 19, 2021, the effective date of the management agreement, to December 31, 2021 (2020 – nil).

Interest expense

During 2021, the Trust incurred interest expense related to its secured notes and credit facility.

In connection with the Closing Transactions, the Trust assumed the obligation for secured notes on February 19, 2021, as described on page 6 of this MD&A. On October 22, 2021, the Trust entered into a new credit facility agreement, as described on page 8 of this MD&A, the proceeds from which were used to fully repay the secured notes.

(in thousands of U.S. dollars, unless otherwise noted)

During 2021, the Trust recorded total interest expense of $2,236 (2020 – nil). Interest on the secured notes was $1,866, including debt repayment charges of $671. Interest expense on the credit facility was $370, which included interest on the net borrowings of $222, standby fees of $119 and amortization of deferred transaction costs of $29.

Servicer fees

Our manager provided administrative services to the Trust for servicing the secured notes pursuant to a servicing agreement. The servicing agreement was terminated on October 22, 2021, when the Trust fully repaid the secured notes, as described on page 8 of this MD&A. The Trust recorded servicer fees of $1,076 during the period from February 19, 2021, the date on which the Trust assumed the obligation for the secured notes, to October 22, 2021 (2020 – nil).

Deal investigation and research costs

Deal investigation and research expenses include the ongoing costs associated with the Trust's research and due diligence activities and other expenses necessary for the assessment of potential asset acquisition opportunities, including professional fees, research data, and data subscription expenses. The Trust recorded deal investigation and research expenses of $2,252 for the year ended December 31, 2021 (2020 – nil).

Directly attributable costs associated with successful acquisitions are capitalized as part of the cost of the royalty assets, in accordance with IFRS.

Unit-based compensation

The Trust provides unit-based compensation under its Incentive Plan, as described in note 2(o) to the consolidated financial statements.

For the year ended December 31, 2021, the unit-based compensation expense was $473 (2020 – nil) and was comprised of RU grants. As at December 31, 2021, the unit-based compensation liability was $370 (2020 - nil), comprised of a current portion of $233 (2020 - nil) and a long-term portion of $137 (2020 – nil), related to the outstanding awards. During 2021, 15,343 units were issued on the vesting of RUs totalling $103 (2020 – nil).

The table below provides the details of RU grants during the year ended December 31, 2021.

	December 31, 2021		
	Granted Units	Distribution Equivalent Units[v]	Total Units
Granted on September 10, 2021[i]	117,500 units	7,217 units	124,717 units
Granted on October 1, 2021[ii]	15,343 units	—	15,343 units
Granted on October 8, 2021[iii]	50,000 units	2,842 units	52,842 units
Granted on October 8, 2021[iv]	100,000 units	5,684 units	105,684 units
Granted on November 30, 2021[i]	150,000 units	8,526 units	158,526 units
Restricted Units Granted	432,843 units	24,269 units	457,112 units
Restricted Units Vested			(15,343) units
Restricted Units Issued and Outstanding			441,769 units
Restricted Units Vested and Exercisable			—

(i) Vesting equally over three years on each anniversary date.

(ii) Vested immediately.

(iii) Vesting equally on April 1, 2022, April 1, 2023 and April 1, 2024.

(iv) Vesting equally on February 19, 2022, February 19, 2023, and February 19, 2024.

(v) All RUs, PUs and DUs are credited with distribution equivalents in the form of additional RUs, PUs and DUs, respectively, on each distribution payment date in respect of which normal distributions are paid on the Trust's units. Such distribution equivalents are subject to the same vesting conditions as the instruments to which they relate.

No Options, Performance Units ("**PUs**") or Deferred Units ("**DUs**") were granted as at December 31, 2021. Subsequent to December 31, 2021, certain members of the board of trustees elected to be compensated fully or partially in DUs.

(in thousands of U.S. dollars, unless otherwise noted)

Other operating expenses

Other operating expenses include fees paid to the board of trustees, as well as other ongoing operating expenses, including consulting, legal and audit fees, required to operate our business. During 2021, the Trust recorded operating expenses of $5,414 (2020 – nil).

The Trust's other operating expenses by nature were as follows:

		Year ended December 31, 2021
Professional fees	$	2,409
Board fees		496
Other expenses		2,509
Total other operating expenses	$	5,414

Other items

During 2021 the Trust recorded an other current liability of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $384 was used to reduce the obligation during the year. Royalty income earned from the Autoimmune Portfolio in future periods will be used to repay the remaining obligation of $334.

Net loss (gain) on derivative instruments

In connection with its secured notes, the Trust maintained a series of interest rate cap and foreign exchange option contracts to manage its exposure to fluctuations in interest and foreign exchange rates. In October 2021, the secured notes were fully repaid, as described on page 8 of this MD&A, and the related interest rate cap and foreign exchange option contracts were settled.

For the year ended December 31, 2021, the Trust recorded a net gain on interest rate cap contracts of $2 (2020 – nil), and a net gain on foreign exchange option contracts of $77 (2020 – nil).

Weighted average number of units

For the year ended December 31, 2021, the Trust generated basic and fully diluted net comprehensive earnings per unit of $0.62. The weighted average number of units outstanding for the purpose of calculating earnings per unit were as follows:

	2021	2020
Basic	34,646,277 units	1 unit
Diluted	34,654,282 units	1 unit

(in thousands of U.S. dollars, unless otherwise noted)

Fourth Quarter Results

Net earnings and other comprehensive earnings for the fourth quarter of 2021 were $3,362. The summary of the results of operations during the fourth quarter of 2021 are as follows:

		Three months ended December 31, 2021
Income		
Royalty income	$	20,860
Interest income on loan receivable		1,353
Other interest income		1
Total income		22,214
Expenses		
Amortization of royalty assets		12,914
Management fees		2,112
Interest expense		1,125
Servicer fees		98
Deal investigation and research expenses		721
Unit-based compensation		448
Other operating expenses		1,378
Net gain on interest rate derivatives		(2)
Net loss on foreign exchange derivatives		58
Total expenses		18,852
Net earnings and other comprehensive earnings	$	3,362

During the fourth quarter of 2021, the Trust generated total income of $22,214. This consisted primarily of royalty income of $20,860, which included $1,373 related to Oracea, an acquisition completed on September 30, 2021, and interest income of $1,353 on the loan receivable. Royalty income for the three months ended December 31, 2021 includes $19,159 related to estimated royalty entitlement, which will be received subsequent to December 31, 2021.

During the fourth quarter, the Trust's expenses were $18,852, including $12,914 related to amortization of royalty assets over their expected useful lives; $2,112 related to management fees paid to our manager; $1,125 related to interest expense which included debt repayment charges of $671 related to the repayment of secured notes ahead of maturity, as described on page 8 of this MD&A; deal investigation and research expenses of $721 which include the ongoing costs associated with the Trust's research and due diligence activities for potential asset acquisitions; and other operating expenses of $1,378 which include general costs of operating our business including board, consulting, legal, and audit fees.

(in thousands of U.S. dollars, unless otherwise noted)

The following table presents the Trust's royalty income by royalty asset for the three months ended December 31, 2021.

		Three months ended December 31, 2021
Core Products		
Eylea I	$	1,846
Eylea II		1,515
FluMist		1,271
Natpara		679
Oracea		1,373
Rydapt		2,512
Spinraza		4,338
Xolair		1,700
Zytiga		2,974
Total Core Products		18,208
Mature Products		
Autoimmune Portfolio[(ii),(ii)]		2,025
Total Mature Products		2,025
Other Products[(iii)]		627
Total Royalty Income	**$**	**20,860**

(i) The Autoimmune Portfolio consists of agreements to receive royalties on sales of Stelara, Simponi and Ilaris. The three royalty assets include two royalty streams on each product, for a total of six royalty streams held directly and indirectly.

(ii) During the year, the Trust recorded an other current liability of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $190 was used to reduce the obligation during the quarter. Royalty income earned from the Autoimmune Portfolio in future periods will be used to repay the remaining obligation of $334 for the past overpayments.

(iii) Other Products includes royalty assets which are not individually material as well as royalty assets which are fully amortized or, where applicable, the entitlements to which have substantially expired.

Summary of quarterly results

The following table provides the Trust's quarterly results since the date of formation.

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Total income	$ 22,214	$ 23,409	$ 23,451	$ 12,691
Total expenses	(18,852)	(15,774)	(16,076)	(9,500)
Net earnings	$ 3,362	$ 7,635	$ 7,375	$ 3,191
Net earnings per unit – basic	$ 0.08	$ 0.19	$ 0.18	$ 0.17
Net earnings per unit – diluted	$ 0.08	$ 0.19	$ 0.18	$ 0.17

The quarterly weighted average number of units outstanding for the purpose of calculating earnings per unit were as follows:

	December 31, 2021	September 30, 2021	June 30, 2021	March 31, 2021
Basic	39,802,522 units	40,107,407 units	40,107,407 units	18,271,153 units
Diluted	39,810,526 units	40,107,407 units	40,107,407 units	18,271,153 units

FINANCIAL REVIEW: NON-GAAP FINANCIAL MEASURES

The Trust reports certain non-GAAP financial measures, including Total Cash Receipts, Total Cash Royalty Receipts and Adjusted EBITDA. The Trust also reports certain non-GAAP ratios, including Adjusted EBITDA Margin and Adjusted Cash Earnings per Unit. These measures and ratios are not standardized financial measures under IFRS and might not be comparable to similar financial measures disclosed by other issuers.

Total Cash Receipts and Total Cash Royalty Receipts

Total Cash Receipts refers to all cash royalty receipts from the Trust's portfolio of royalty assets and cash receipts for interest and principal payments collected from its loan receivable. Total Cash Royalty Receipts refers to cash royalty receipts from all products rather than cash royalty receipts in respect of a particular product and forms part of Total Cash Receipts. Because of the lag between when we record royalty income and receive the corresponding cash payments on our royalties, we believe Total Cash Receipts and Total Cash Royalty Receipts are useful measures when evaluating our operations, as they represent actual cash generated in respect of all royalty assets held during a period.

In the consolidated financial statements, the Trust has recorded cash royalties received and royalty income from royalty assets from the date on which it obtained control of the royalty assets to December 31, 2021.

Total Cash Royalty Receipts presented for the three months and the year ended December 31, 2020 are related to the assets acquired in the Closing Transactions which were received prior to the Trust acquiring ownership of the royalty assets, and are presented on a pro forma basis for information purposes. This presentation aims to assist with the assessment of the performance of those royalty assets had the Trust held those assets during the defined periods. Pro forma cash royalty receipts during 2021 include the Trust's entitlement to cash royalty receipts for the period from January 1, 2020 to February 18, 2021 related to the assets acquired in the Closing Transactions, as described on page 6 of this MD&A. Pro forma cash royalty receipts for 2021 also include the Trust's entitlement to cash receipts generated for the period from April 1, 2021 to June 30, 2021 related to the assets acquired in the Oracea Transaction, which were used to reduce the total cash compensation paid in the transaction. Pro forma Total Cash Receipts for 2021 includes interest collected from the Trust's loan receivable, as described on page 7 of this MD&A.

(in thousands of U.S. dollars, unless otherwise noted)

Product	Cash receipts for the three months ended December 31, 2021	Pro forma cash receipts for the three months ended December 31, 2020[i]	% Change	Pro forma cash receipts for the year ended December 31, 2021[ii],[iii]	Pro forma cash receipts for the year ended December 31, 2020[i]	% Change
Royalty Assets						
Core Products						
Eylea I[iv]	$ 6,710	$ 5,410	24 %	$ 12,750	$ 10,837	18 %
Eylea II[iv]	2,972	2,404	24 %	5,656	4,815	18 %
FluMist	910	1,458	(38)%	3,179	2,630	21 %
Natpara	634	386	64 %	2,208	1,346	64 %
Oracea	2,303	—	n/a	6,014	—	n/a
Rydapt	2,527	2,132	19 %	11,297	8,684	30 %
Spinraza	4,382	5,064	(13)%	19,631	21,278	(8)%
Xolair	2,703	2,860	(5)%	8,744	9,561	(9)%
Zytiga	9,020	8,564	5 %	18,518	16,831	10 %
Total Core Products	32,161	28,278	14 %	87,997	75,982	16 %
Mature Products						
Autoimmune Portfolio[v],[vi]	1,786	3,688	(52)%	9,387	15,411	(39)%
Rilpivirine Portfolio[vii]	—	8,092	(100)%	14,368	31,978	(55)%
Total Mature Products	1,786	11,780	(85)%	23,755	47,389	(50)%
Other Products[viii]	540	416	30 %	2,101	3,609	(42)%
Total Cash Royalty Receipts[x]	**$ 34,487**	**$ 40,474**	**(15)%**	**$ 113,853**	**$ 126,980**	**(10)%**
Interest Receipts from Loan Receivable[ix]	1,791	—	n/a	1,791	—	n/a
Total Cash Receipts[x]	**$ 36,278**	**$ 40,474**	**(10)%**	**$ 115,644**	**$ 126,980**	**(9)%**

(i) Cash receipts for the three months and year ended December 31, 2020 are presented on a pro forma basis and represent the cash that was received by the Trust's current subsidiaries prior to completion of the Trust's acquisition of those subsidiaries.

(ii) Cash receipts for the year ended December 31, 2021 are presented on a pro forma basis and represent the cash that the Trust would have received had the assets acquired in the Closing Transactions, as described on page 6 of this MD&A, been acquired on January 1, 2021. Cash receipts also include cash royalties received from the Oracea Transaction from June 1, 2021 to September 30, 2021 as the Trust was entitled to those receipts, as described on page 7 of this MD&A.

(iii) The Trust was the beneficiary of royalty cash receipts from the assets acquired in the Closing Transactions from January 1, 2021 to February 18, 2021 and has recorded the increase of $2,269 in acquired cash and cash equivalents related to the royalty cash receipts within that period, as described on page 6 of this MD&A.

(iv) Cash receipts from Eylea I and II in the fourth quarter of 2021 and 2020 include late payments of $4,718 and $3,530 related to royalty receivables from the third quarter of 2021 and 2020, respectively.

(v) The Autoimmune Portfolio consists of an agreement to receive royalties on sales of Stelara, Simponi and Ilaris. The royalty assets include two royalty streams on each product, for a total of six royalty streams.

(vi) During the year, the Trust recorded an other current liability of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset. Royalties receivable of $190 and $384 for the three months and year ended December 31, 2021, respectively, were used to reduce an obligation. Royalty income earned in future periods related to the Autoimmune Portfolio will be used to repay the remaining obligation of $334 for the past overpayments.

(vii) The Rilpivirine Portfolio consists of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca. The Trust's entitlement to royalties ended during the second quarter of 2021 in accordance with the terms of the royalty agreement.

(viii) Other Products includes royalty income from certain other royalty assets as well as royalty assets which are fully amortized and, where applicable, the entitlements to which have generally expired.

(ix) Interest receipts related to the CTI loan receivable are collected on a quarterly basis in accordance with the loan agreement. Interest income for the period from August 25, 2021, the date on which the loan receivable was advanced, to December 31, 2021 was received during the fourth quarter.

(x) Total Cash Receipts and Total Cash Royalty Receipts are non-GAAP measures.

Quarter-to-Date Total Cash Receipts

Total Cash Receipts during the three months ended December 31, 2021 were $36,278, representing a decrease of $4,196 or 10% compared to the same period in 2020 on a pro forma basis. The Trust recorded royalty income and interest income on the loan receivable of $22,213 during the three months ended December 31, 2021 (2020 – nil).

Core Products increased by $3,883 or 14% during the quarter, primarily driven by higher cash receipts from Eylea I and II as a result of stronger market demand for the products during the quarter, and the inclusion of cash receipts from Oracea. The increase in Core Products was partially offset by a decrease in royalties from FluMist and Spinraza, primarily driven by lower sales in the United States for both products.

Mature Products decreased by $9,994 or 85% during the quarter, primarily driven by: (i) the expected expiry of royalty entitlements from the Rilpivirine Portfolio during the second quarter of 2021; and (ii) the expiry of royalty entitlement rights in major geographic areas and continued expiration in certain other geographies for the products underlying the Autoimmune Portfolio.

Other Products increased by $124 or 30% during the three months ended December 31, 2021 due to contributions from other royalty assets acquired in the Oracea Transaction, partially offset by contractual expirations of certain royalty streams.

Cash interest received from the loan receivable was $1,791 for the three months ended December 31, 2021, and represented interest income earned from the period from August 25, 2021, the date on which the Trust extended the loan to CTI, as described on page 7 of this MD&A, to December 31, 2021.

Year-to-Date Total Cash Receipts

Total Cash Receipts during the year ended December 31, 2021 were $115,644, representing a decrease of $11,336 or 9% compared to the same period in 2020. The Trust recorded royalty income and interest income on the loan receivable of $81,757 during the year ended December 31, 2021 (2020 – nil).

Core Products increased by $12,015 or 16% during the year ended December 31, 2021, primarily driven by: (i) higher cash receipts from Eylea I and II, Natpara, Rydapt and Zytiga as a result of stronger market demand for the products; (ii) an increase in cash collections from FluMist resulting from an increase in vaccination programs in the United States and the European Union beyond typical levels during the ongoing COVID-19 pandemic; and (iii) the inclusion of cash receipts from Oracea. The increase in Core Products was partially offset by a decrease in royalties from Spinraza driven by lower sales in the United States, and Xolair driven by royalty expiry in certain non-key geographies.

Mature Products decreased by $23,634 or 50% during the year ended December 31, 2021, primarily driven by: (i) the expected expiry of royalty entitlement from the Rilpivirine Portfolio during the second quarter of 2021; and (ii) the continued expiration in certain major and other geographies for the products underlying the Autoimmune Portfolio.

Other Products decreased by $1,508 or 42% during the year ended December 31, 2021 due to contractual expirations of royalty streams, partially offset by the contribution from royalty assets acquired in the Oracea Transaction.

Cash interest received from the loan receivable for the year ended December 31, 2021 was attributed to the same reason as above for the three months' increase.

(in thousands of U.S. dollars, unless otherwise noted)

The reconciliation of Total Cash Receipts and Total Cash Royalty Receipts to the most directly comparable measures calculated in accordance with IFRS is presented below.

		Pro forma three months ended December 31, 2021		Pro forma year ended December 31, 2021
Royalty income	$	20,860	$	79,860
[+] Royalties receivable, beginning of period		43,965		—
[-] Royalties receivable, end of period		(30,148)		(30,148)
[+] Acquired royalties receivable[(i)]		—		58,120
[+] Acquired cash royalties received[(i)]		—		6,405
[-] Non-cash royalty income[(i)]		(190)		(384)
[=] Total Cash Royalty Receipts	**$**	**34,487**	**$**	**113,853**
[+] Interest income on loan receivable		1,353		1,897
[+] Interest receivable, beginning of period		514		—
[-] Interest receivable, end of period		—		—
[-] Non-cash interest income on loan receivable[(iii)]		(76)		(106)
[=] Total Cash Receipts	**$**	**36,278**	**$**	**115,644**

(i) Acquired royalties receivable and acquired cash royalties received or used to reduce the net purchase price paid for the assets acquired by the Trust, as described on page 7 of this MD&A.

(ii) Royalty income for the three months and year ended December 31, 2021 of $190 and of $384, respectively, was used to reduce the obligation for excess royalty payment received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset, as described on page 12 of this MD&A.

(iii) For the three months and year ended December 31, 2021, non-cash interest income on loan receivable represents the amortization of commitment fee of $25 and $35, respectively, and exit fee of $51 and $71, respectively, earned from the loan receivable.

(in thousands of U.S. dollars, unless otherwise noted)

Adjusted EBITDA

We believe Adjusted EBITDA provides meaningful information about our operating cash flows as it eliminates the effects of accruals and non-cash expenses recorded on the statement of income and comprehensive income. We refer to EBITDA when reconciling our net earnings and other comprehensive earnings to Adjusted EBITDA, but we do not use EBITDA as a measure of our performance.

The reconciliation of Adjusted EBITDA to its most directly comparable measures calculated in accordance with IFRS is presented below.

	Pro forma three months ended December 31, 2021	Pro forma year ended December 31, 2021
Net earnings and other comprehensive earnings	$ 3,362	$ 21,563
[+] Amortization of royalty assets	12,914	41,837
[-] Other interest income	(1)	(8)
[+] Interest expense	1,125	2,236
EBITDA	17,400	65,628
[+] Royalties receivable, beginning of period	43,965	—
[-] Royalties receivable, end of period	(30,148)	(30,148)
[+] Interest receivable, beginning of period	514	—
[-] Interest receivable, end of period	—	—
[+] Acquired royalties receivable[(i)]	—	58,120
[+] Acquired cash royalties received[(i)]	—	6,405
[+] Unit-based compensation	448	473
[+] Net gain on interest rate derivatives	(2)	(2)
[-] Net loss (gain) on foreign exchange derivatives	58	(77)
[+] Other items[(ii)]	—	718
[-] Non-cash royalty income[(iii)]	(190)	(384)
[-] Non-cash interest income on loan receivable[(iv)]	(76)	(106)
[=] Adjusted EBITDA	$ 31,969	$ 100,627

(i) Acquired royalties receivable and acquired cash royalties received or used to reduce the net purchase paid for the assets acquired by the Trust, as described on page 7 of this MD&A.

(ii) During the third quarter, the Trust recorded other current liabilities of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset, as described on page 12 of this MD&A.

(iii) Royalties receivable of $190 and $384 for the three months and year ended December 31, 2021, respectively, were used to reduce the obligation for excess royalty payment received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset, as described on page 12 of this MD&A.

(iv) For the three months and year ended December 31, 2021, non-cash interest income on loan receivable represents the amortization of commitment fee of $25 and $35, respectively, and exit fee of $51 and $71, respectively, earned from the CTI loan receivable.

Adjusted EBITDA Margin

We believe that Adjusted EBITDA Margin is a useful supplemental measure to demonstrate the operating efficiency of our business on a cash basis.

The calculation of Adjusted EBITDA Margin is presented below.

	Pro forma three months ended December 31, 2021	Pro forma year ended December 31, 2021
Adjusted EBITDA	$ 31,969	$ 100,627
[÷] Total Cash Receipts	$ 36,278	$ 115,644
[=] Adjusted EBITDA Margin	88 %	87 %

(in thousands of U.S. dollars, unless otherwise noted)

Adjusted Cash Earnings per Unit

We believe that Adjusted Cash Earnings per Unit provides meaningful information about our performance as it provides a measure of the cash generated by our assets on a per unit basis.

The calculation of Adjusted Cash Earnings per Unit is presented below.

		Three months ended December 31, 2021		Year ended December 31, 2021
Net earnings and other comprehensive earnings	$	3,362	$	21,563
[+] Amortization of royalty assets		12,914		41,837
[+] Unit-based compensation expense		448		473
[-] Net gain on interest rate derivatives		(2)		(2)
[-] Net loss (gain) on foreign exchange derivatives		58		(77)
[+] Other items[(i)]		—		718
[-] Non-cash royalty income[(ii)]		(190)		(384)
[-] Non-cash interest income on loan receivable[(iii)]		(76)		(106)
	$	16,514	$	64,022
[÷] Weighted average number of units – basic		39,802,522		34,646,277
[=] Adjusted cash earnings per unit – basic	$	0.41	$	1.85
[÷] Weighted average number of units – diluted		39,810,526		34,654,282
[=] Adjusted cash earnings per unit – diluted	$	0.41	$	1.85

(i) During the year, the Trust recorded an other current liability of $718 with a corresponding charge to other items to reflect the obligation for excess royalty payments received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset, as described on page 12 of this MD&A.

(ii) Royalties receivable of $190 and $384 for the three months and year ended December 31, 2021, respectively, were used to reduce an obligation for excess royalty payment received in connection with the Autoimmune Portfolio prior to the Trust's acquisition of the asset, as described on page 12 of this MD&A.

(iii) For the three months and year ended December 31, 2021, non-cash interest income on loan receivable represents the amortization of commitment fee of $25 and $35, respectively, and exit fee of $51 and $71, respectively, earned from the CTI loan receivable.

(in thousands of U.S. dollars, unless otherwise noted)

FINANCIAL REVIEW: FINANCIAL POSITION

The Trust was formed on October 21, 2020, as described on page 3 of this MD&A. As at December 31, 2020 and prior to the completion of the Trust's initial public offering and concurrent private placement, the Trust had nominal assets and liabilities. As a result, this MD&A does not contain comparative information and the discussions that follow refer to the Trust's financial condition as at December 31, 2021 only.

As at December 31, 2021, the Trust had consolidated assets of $436,695 and consolidated liabilities of $57,710. The following table presents the components of consolidated assets and liabilities and is followed by a discussion of significant categories of assets and liabilities.

		As at December 31, 2021
Assets		
Cash and cash equivalents	$	61,712
Royalties receivable		30,148
Other current assets		567
Current assets		92,427
Royalty assets, net of accumulated amortization		293,658
Loan receivable		49,606
Other non-current assets		1,004
Non-current assets		344,268
Total assets	$	436,695
Liabilities		
Accounts payable and accrued liabilities	$	1,557
Distributions payable to unitholders		11,528
Current portion of long-term debt		5,321
Current portion of unit-based compensation liability		233
Other current liabilities		334
Current liabilities		18,973
Long-term debt		38,600
Unit-based compensation liability		137
Total liabilities	$	57,710

Royalty assets

During 2021, the Trust acquired royalty assets totalling $334,896, as described starting on page 6 of this MD&A. Capitalized transaction costs related to the acquisitions totalled $599. As at December 31, 2021, the net book value of our royalty assets was $293,658, net of accumulated amortization of $41,837.

Loan receivable

On August 25, 2021, the Trust entered into an agreement with CTI to provide $50,000 in secured debt, as described on page 7 of this MD&A. As at December 31, 2021, the gross principal balance of the loan receivable was $50,000. A commitment fee of $500 was received by the Trust and recorded as a reduction in the gross principal amount receivable. As at December 31, 2021, the principal balance of the loan receivable was reduced by the unamortized balance of the commitment fee of $465 and included an accrued exit fee receivable of $71, for a net loan receivable of $49,606.

Distributions payable to unitholders

As at December 31, 2021, the Trust had distributions payable of $11,528 representing a quarterly cash distribution of $2,931 declared in November 2021 and a special cash distribution of $8,597 declared in December 2021 to unitholders of record as at December 31, 2021, which were paid on January 20, 2022.

(in thousands of U.S. dollars, unless otherwise noted)

The Trust pays a quarterly distribution in accordance with its distribution policy, as described in note 10 to the consolidated financial statements.

Long-term debt

In February 2021, in connection with the acquisition of royalty assets, as described on page 6 of this MD&A, the Trust assumed secured notes payable totalling $69,924, and was required to hold certain royalty cash receipts in trust and maintain restricted cash accounts as security for the secured notes. During 2021, the Trust made principal repayments on the secured notes totalling $69,924. On October 22, 2021, the Trust entered into a new credit facility agreement and fully repaid the existing secured notes, as described on page 8 of this MD&A. Accordingly, the Trust was no longer required to hold royalty cash receipts in trust or maintain restricted cash accounts.

The new credit facility comprised of (i) a $175,000 senior secured revolving acquisition credit facility with the initial amounts drawn used to repay the balance of the existing secured notes and the remaining capacity to be used for financing future acquisitions and (ii) a $25,000 senior secured revolving working capital facility, the proceeds from which are to be used for general business purposes or to finance future acquisitions.

The credit facility bears interest at LIBOR plus a margin which may vary from 2.00% to 2.50% based on the Trust's leverage ratio. The unused portion of the revolving credit facility is subject to an interest charge of 0.40% to 0.50% based on the Trust's leverage ratio. Interest payments are due on a quarterly basis, and the borrowings mature on October 22, 2024. The maturity date may be extended by one-year increments subject to obtaining the lender's approval.

Principal repayments totalling 3.75% of the aggregate amount of borrowings made under the acquisition credit facility are due on a quarterly basis. Principal repayments do not result in a corresponding decrease in the borrowing capacity under the facility. Principal repayments on the working capital credit facility are due on maturity.

As at December 31, 2021, the carrying amount of the Trust's long-term debt was as follows:

	As at December 31, 2021		
	Total Available Credit	Remaining Available Credit	Balance Outstanding
Acquisition credit facility	$ 175,000	$ 129,474	$ 45,526
Working capital credit facility	25,000	25,000	—
Deferred transaction costs, net of amortization	n/a	n/a	(1,605)
Total long-term debt	$ 200,000	$ 154,474	$ 43,921

Current portion of credit facility	$ 5,321
Long-term portion of credit facility	38,600
Total long-term debt	$ 43,921

The following table presents expected principal repayments to be made until the maturity of the loan:

	Total
Full year: 2022	$ 5,321
Full year: 2023	7,095
Full year: 2024	33,110
	$ 45,526

During 2021, the Trust made a principal repayment of $1,774 related to the credit facility. Subsequent to the year end on January 27, 2022, the Trust made a voluntary principal repayment of $30,526 and, on March 7, 2022, the Trust drew $60,000 from the acquisition credit facility to fund the purchase of the tiered royalty on pacritinib, as described on page 7 of this MD&A.

(in thousands of U.S. dollars, unless otherwise noted)

The Trust is subject to certain financial as well as customary non-financial covenants under the credit facility. Substantially all of the assets of the Trust are pledged as collateral under the credit facility. As at December 31, 2021, the Trust was in compliance with all covenant requirements under the credit facility.

FINANCIAL REVIEW: CASH FLOWS

The Trust was formed on October 21, 2020, as described on page 3 of this MD&A. As a result, the discussions that follow refer to the Trust's cash flows for the year ended December 31, 2021 only.

The Trust generated the following cash flows during the year ended December 31, 2021.

		Year ended December 31, 2021
Cash and cash equivalents – December 31, 2020	$	—
Cash provided by operating activities		91,864
Cash provided by financing activities		342,183
Cash used in investing activities		(372,335)
Change in cash and cash equivalents		61,712
Cash and cash equivalents – December 31, 2021[(i)]	$	61,712

(i) Subsequent to year end, the Trust further used cash to pay cash distributions of $11,528, make voluntary principal repayments of $30,526 towards the credit facility, and repurchase units for cancellation under the AUPP for $2,089.

During the year ended December 31, 2021, the Trust generated operating cash flows of $91,864 primarily related to cash royalties and interest received.

For the year ended December 31, 2021, the Trust issued units for proceeds totalling $400,000 and paid unit issuance costs of $21,997 in connection with the completion of its initial public offering and concurrent private placement, as described on page 3 of this MD&A. In addition, the Trust also repurchased 1,043,070 units for cancellation totalling $5,478, and the Trust made cash distributions to unitholders totalling $3,678. The Trust also fully repaid its outstanding secured notes totalling $69,924, and drew $47,300 from its credit facility, as described on page 22 of this MD&A.

The Trust used cash flows of $372,335 in its investing activities for the year ended December 31, 2021 primarily related to the acquisition of royalty assets and certain other net assets and the investment in loan receivable, as described on page 7 of this MD&A.

EQUITY

Authorized equity

The Trust's authorized equity capital consists of: (i) an unlimited number of units; and (ii) an unlimited number of preferred units, issuable in series. Issued and outstanding units may be subdivided or consolidated from time to time by the Trust without notice to, or the approval of, the unitholders.

Units

Each unit represents a proportionate undivided beneficial ownership interest in the Trust, which entitles the holder to one vote, participation in distributions made by the Trust on a pro rata basis and, in the event of the termination or winding-up of the Trust, in the pro rata share of its net assets remaining after the satisfaction of all its liabilities. Units are discussed in further detail in note 10 to the consolidated financial statements.

(in thousands of U.S. dollars, unless otherwise noted)

On February 19, 2021, DRI Healthcare Trust completed initial public and private offerings of its units, as described on page 3 of this MD&A. The following table outlines the change in the number of units outstanding from October 21, 2020 (the date of formation) to December 31, 2021.

	Units	Weighted Average Cost per Unit	Total Cost
Balance – October 21, 2020 (date of formation)	—	$ —	$ —
Issuance of units – date of formation	$ 1	$ 10.00	—
Balance – December 31, 2020	1		$ —
Issuance of units:			
Initial private offering	3,580,407	$ 9.70	$ 34,730
Initial public offering	36,527,000	$ 10.00	365,270
Vesting of restricted units	15,343	$ 6.70	103
Unit issuance costs	n/a	n/a	(21,997)
Repurchase and cancellation of units:			
NCIB	(1,043,070)	$ 5.25	(5,478)
Other	(1)	$ 10.00	—
Unit distributions to unitholders	271,515	$ 5.18	1,406
Consolidation of units	(271,515)	n/a	n/a
Balance – December 31, 2021[(i)]	39,079,680		$ 374,034

(i) During the period from January 1, 2022 to February 28, 2022, the Trust acquired and cancelled 400,000 units under the NCIB and issued 35,228 units upon vesting of restricted units under the Incentive Plan. As at February 28, 2022, the aggregate number of units outstanding was 38,714,908.

Settlement of restricted units

During 2021, the Trust issued 15,343 units on the vesting of restricted units which were granted on October 1, 2021, as described on page 11 of this MD&A.

Normal course issuer bid

As described on page 7 of this MD&A, on September 30, 2021, the Trust was granted approval by the Toronto Stock Exchange to acquire, from time to time, if considered advisable, up to 1,500,000 units of the Trust for cancellation between October 5, 2021 and October 4, 2022. As at December 31, 2021, the Trust had acquired and cancelled 1,043,070 units at an average unit price of $5.25, totalling $5,478.

On January 1, 2022, in connection with the NCIB, the Trust established an automatic unit repurchase plan ("**AUPP**"), whereby up to 450,000 units of the Trust may be repurchased at the discretion of the broker party to the AUPP during the period from January 1, 2022 to March 9, 2022, provided that the combined repurchases under the plan do not exceed C$3,500 ($2,754). The broker party to the AUPP is required to exercise commercially reasonable efforts and is subject to certain instructions and trading parameters predetermined by the Trust in the AUPP. During the period from January 1, 2022 to February 28, 2022, the Trust acquired 400,000 units at an average price of $5.22, totalling $2,089.

Distributions

The payment of any distributions by the Trust is at the sole discretion of our board of trustees, which may change our distribution policy at any time, and will be paid out of our distributable reserves. Our board of trustees takes into account general economic and business conditions, our strategic plans and prospects, our business and asset acquisition opportunities, our financial condition and operating results, working capital requirements and anticipated cash needs, contractual restrictions and obligations, legal, tax and regulatory restrictions, other constraints on the payment of distributions by us to our unitholders, and such other factors as our board of trustees may deem relevant. The payment of distributions is therefore not guaranteed. However, total annual distributions will not be less than the amount necessary to ensure the Trust will not be liable to pay income taxes under Part I of the Income Tax Act (Canada).

During 2021, the Trust declared total quarterly and a special annual cash distributions of $15,206, of which $11,528 was paid on January 20, 2022.

In addition, in December 2021, the board of trustees further declared a special unit distribution of $0.035979841 per unit to unitholders of record as at December 31, 2021, which was issued on December 31, 2021. Immediately following the special unit distribution, units of the Trust were consolidated such that each unitholder held, after the consolidation, the same number of units that were held by the unitholder immediately before the special unit distribution.

On March 7, 2022, the board of trustees declared a quarterly cash distribution of $0.075 per unit to unitholders of record as at March 31, 2022 and payable on April 20, 2022.

Distributions are further discussed in further detail in note 10 to the consolidated financial statements.

Preferred units

Preferred units rank on a parity with the preferred units of every other series and are entitled to preference over our units and any other of our units ranking junior to the preferred units with respect to payment of distributions. Preferred units are discussed in further detail in note 10 to the consolidated financial statements. As at December 31, 2021, no preferred units had been issued or were outstanding (2020 – nil).

LIQUIDITY AND CAPITAL RESOURCES

As at December 31, 2021, the Trust's capital was $419,560, and consisted of its unitholders' capital and long-term debt. The Trust's objectives in managing capital are to:

- Build long-term value for its unitholders;
- Maintain optimal liquidity for pursuing acquisitions, meeting its obligations and making distributions to unitholders;
- Achieve reasonable return on capital and control the risk and exposure associated with capital investments; and
- Maintain an optimal capital structure and reduce the cost of capital.

The Trust has access to a number of capital sources, including: (i) proceeds from the initial public offering and concurrent private placement; (ii) internally generated cash flow; (iii) debt financing; (iv) the issuance of Trust units to royalty sellers; and (v) future public equity issuances.

Our primary ongoing source of liquidity is cash provided by operating activities. The Trust generated $91,864 of cash flows from operating activities during the year ended December 31, 2021. Additionally, the Trust has issued, and may in the future issue, debt instruments. Details of the Trust's existing credit facility are provided on page 8 of this MD&A.

We believe our existing capital resources and cash provided by operating activities will continue to allow us to meet our operating and working capital requirements, and to meet externally imposed capital requirements and obligations, including the scheduled repayments of our credit facility for the foreseeable future. As at December 31, 2021, the Trust was in compliance with all externally imposed capital requirements.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

Pacritinib transaction

On August 25, 2021, the Trust entered into an agreement with CTI for a tiered royalty on sales of pacritinib upon the approval of the product by the FDA, for $60,000, as described on page 7 of this MD&A. CTI will be entitled to additional consideration of up to $25,000 in the event that pacritinib sales exceed certain thresholds within a predefined period of time.

On February 28, 2022, the FDA approved VONJO (pacritinib) for the treatment of adult myelofibrosis patients with platelets below 50 x 10^9/L. Myelofibrosis is a bone marrow cancer that results in formation of fibrous scar tissue and can lead to thrombocytopenia and anemia, weakness, fatigue and enlarged spleen and liver. This approval triggered the purchase of the tiered royalty on VONJO for $60,000. The funding was completed on March 7, 2022.

(in thousands of U.S. dollars, unless otherwise noted)

AUPP program

On January 1, 2022, as described on page 24 of this MD&A, the Trust established an AUPP program in connection with its NCIB, allowing for the repurchase of up to 450,000 units of the Trust from January 1, 2022 to March 9, 2022, and provided that the combined repurchases do not exceed C$3,500 ($2,754).The broker party to the AUPP is required to exercise commercially reasonable efforts and is subject to certain instructions and trading parameters predetermined by the Trust in the AUPP.

The Trust did not have any other off-balance sheet obligations or commitments, contingencies or guarantees at December 31, 2021.

RELATED-PARTY TRANSACTIONS

DRI Capital serves as manager for the Trust. Management fees and performance fees are payable by the Trust pursuant to the management agreement.

Management fees

Under the management agreement, the Trust is required to pay quarterly management fees to our manager or its affiliates equal to 6.50% of total cash receipts for such quarter and 0.25% of the fair value of security investments and related derivative financial instruments, as of the end of such quarter, as described in note 2(m) to the consolidated financial statements.

Performance fees

Our manager is entitled to performance fees determined on a portfolio-by-portfolio basis pursuant to the terms of a management agreement, as described in note 2(n) to the consolidated financial statements. The Trust did not record any performance fees for the year ended December 31, 2021.

Servicer fees

Our manager provided administrative services to the Trust for servicing the secured notes, for which it receives a fee of $400 per quarter. On October 22, 2021, the secured notes were fully repaid and the Trust entered into a new credit facility, as described on page 22 of this MD&A. Accordingly, the servicing agreement in connection with the secured notes was terminated.

During the year ended December 31, 2021, the Trust recorded the following transactions and balances with DRI Capital.

		For the year ended December 31, 2021	As at December 31, 2021
Management fee expense	$	6,275	—
Servicer fee expense	$	1,076	—
Accounts payable and accrued liabilities		—	$ 2

Except pursuant to the management agreement, the Trust did not enter into any related-party transactions for the period from October 21, 2020, being the date of formation of the Trust, to December 31, 2020.

Key management compensation

During the year ended December 31, 2021, the Trust issued compensation to certain officers of the Trust in the form of 20,000 RUs which vest equally over three years, and 2,584 units which were issued on the vesting of RUs during the year. During the year ended December 31, 2021, the Trust recorded unit-based compensation expense of $37 related to the issuance of RUs and the accretion of the related distribution equivalent units (2020 – nil).

CHANGES IN ACCOUNTING POLICIES

The Trust's accounting policies are discussed in detail in note 2 to the consolidated financial statements. There were no changes to the accounting policies in the current period.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, equity and the related note disclosures. Judgments, estimates and assumptions are reviewed on an ongoing basis and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results could differ from those estimates and such differences could be material to the consolidated financial statements. The estimates and underlying assumptions are reviewed by management on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the accounting policies subject to judgments and key sources of estimation uncertainty that the Trust believes could have the most significant impact on the amounts recognized in the consolidated financial statements.

Royalty income

In determining royalty income earned, judgments are made with respect to the performance of the underlying products, and commercial factors based on historical and expected performance, knowledge of each royalty asset and regular correspondence with royalty payers. Estimated royalty income is recognized on the basis of the Trust's contractual entitlement to each royalty asset, which incorporates an element of uncertainty.

The estimated income recognized may differ from actual cash received in respect of each accounting period and adjustments may therefore be required throughout the financial period when the actual income earned is known.

Useful life of royalty assets

Royalty revenue recognized and the amortization charges related to royalty assets are based on the estimated economic useful lives of those royalty assets. In estimating a royalty's useful life for terms that are not contractually fixed, the Trust considers a number for factors, including the strength of existing patent protection, expected entry of generic or biosimilar products or other competitive products, geographical exclusivity periods and potential patent term extensions tied to the underlying product.

The estimated useful life of the royalty assets may differ from the actual useful life of the royalty assets, which may have an impact on the carrying value of royalty assets recognized in the consolidated financial position and the amortization expense recognized in net comprehensive earnings (loss).

Impairment of royalty assets

The Trust reviews royalty assets for impairment at each reporting date to determine if there is any indication that an asset may be impaired. If an indication of impairment exists, the recoverable amount of the potentially impaired asset is determined. This requires the Trust to use a valuation technique to determine the extent of the impairment, if any. The Trust applies a discounted cash flow model based on forecasted royalties that gives consideration to a range of factors, including, but not limited to, the nature of the investment, market conditions, current and projected royalty cash flows, and similar transactions subsequent to the acquisition of the investment. As a result, the forecasted cash flows used in the valuation of the royalty assets could differ from actual results.

Acquisitions

In business combinations and asset acquisitions, substantially all identifiable assets, liabilities and contingent liabilities acquired are recorded at their respective fair values on the date of acquisition. Financial instruments that are not publicly traded instruments are valued by an independent valuation expert using appropriate valuation techniques that are generally based on discounting future expected cash flows using appropriate discount rates.

RISK FACTORS

Certain financial and non-financial risks may adversely impact our business, financial performance, financial condition, cash flows and the trading price of our units. Other risks and uncertainties that we do not currently consider to be material, or of which we are not currently aware, may also become important factors that affect our future business, financial condition, results of operations, cash flows and the trading price of our units.

Our annual information form provides a comprehensive list of risks identified by management under "*Risk Factors".* In addition to those risks, management has identified financial risks described below.

Credit risk

Credit risk is the risk that a counterparty to a financial instrument will cause a financial loss for the Trust by failing to discharge an obligation.

The Trust has determined that it is exposed to credit risk primarily related to the counterparties of its royalty assets as well as its loan receivable.

The counterparties to the Trust's royalty agreements are comprised primarily of marketers of the underlying products in the pharmaceutical and life science industries. As at December 31, 2021, royalties receivable from the five largest royalties receivable counterparties represented 81% of total royalties receivable. The Trust monitors its exposure to counterparties of its royalty assets on a regular basis.

The counterparty to the Company's loan receivable is CTI, a publicly traded biopharmaceutical company focused on the acquisition, development and commercialization of novel targeted therapies for blood-related cancers that offer a unique benefit to patients and their healthcare provider, as described on page 7 of this MD&A. According to the terms of the credit facility, CTI is required to maintain minimum liquidity of at least $10,000 for the duration of the loan and is subject to certain non-financial covenants customary in lending arrangements. As at December 31, 2021, the gross principal balance of the loan receivable was $50,000.

Cash and cash equivalents and royalty assets are subject to credit risk. Cash and cash equivalents are held with reputable financial institutions which have high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in meeting its obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The Trust manages its cash and capital to ensure that it can meet its obligations in the normal course of operations. The Trust generally settles its accounts payable obligations within 90 days. The Trust also maintains enough liquidity to ensure it can meet the mandatory payment requirements of its credit facility.

Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Trust's functional currency is the U.S. dollar; however, the Trust is exposed to changes in foreign exchange on certain underlying revenue streams supporting the royalty income. An appreciation or depreciation of 5% in the currencies to which the Trust has exposure against the U.S. dollar would not have a material impact on the Trust's net earnings (loss) as at December 31, 2021.

Interest rate risk

Interest rate risk is the risk that the Trust will encounter financial loss arising from increases in interest rates. The Trust is exposed to changes in interest rates related to its loan receivable, as described on page 7 of this MD&A. The interest on the loan receivable is subject to a LIBOR floor, which substantially mitigates the Trust's exposure to fluctuating interest rates.

The Trust is also exposed to changes in interest rates on its credit facility, as described on page 8 of this MD&A. As the interest rate on the credit facility is dependent on the Trust's leverage ratio, the Trust maintains a stable leverage ratio to mitigate fluctuations in the interest rate charged.

The Trust continuously monitors its exposure to fluctuating interest rates. An increase or decrease of 0.5% in interest rates would not have a material impact on the Trust's net earnings (loss) as at December 31, 2021.

(in thousands of U.S. dollars, unless otherwise noted)

Additional risks

The Trust is monitoring the impact of the current global COVID-19 pandemic as it could potentially affect our financial position, financial performance and cash flows. While the financial impact of the pandemic cannot be reasonably estimated at this time, the Trust does not anticipate that these events will have a material adverse impact on our long-term operations.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

The Chief Executive Officer and the Chief Financial Officer of the Trust have designed or caused to be designed under their supervision disclosure controls and procedures to provide reasonable assurance that information required to be disclosed by the Trust is recorded, processed, summarized and reported within the time periods specified under the relevant securities legislation. The Chief Executive Officer and the Chief Financial Officer of the Trust have also designed or caused to be designed under their supervision internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes, in accordance with IFRS.

Limitation on scope of design

The Chief Executive Officer and the Chief Financial Officer have limited the scope of our design of the Trust's disclosure controls and procedures and internal control over financial reporting to exclude controls, policies and procedures related to the net assets acquired in February 2021, as described on page 7 of this MD&A, in accordance with National Instrument 52-109, *Certification of Disclosure in Issuers' Annual and Interim Filings*. The net assets acquired represent the businesses that we acquired not more than 365 days before the end of the related reporting period. The results of the acquired assets are included in our consolidated financial statements for the year ended December 31, 2021 as presented below.

		Year ended December 31, 2021
Total income	$	81,764
Total expenses		(55,474)
Net earnings and other comprehensive earnings	$	26,290

		As at December 31, 2021
Current assets	$	89,327
Non-current assets		344,267
Total assets	$	433,594
Current liabilities	$	6,389
Non-current liabilities		38,600
Total liabilities	$	44,989

SUBSEQUENT EVENTS

Long-term debt

On January 27, 2022, the Trust made a voluntary principal repayment of its credit facility of $30,526, as described on page 22 of this MD&A. On March 7, 2022, the Trust drew $60,000 from the acquisition credit facility to fund the purchase of the tiered royalty on pacritinib, as described on page 7 of this MD&A.

AUPP program

In connection with its NCIB program, the Trust established an AUPP on January 1, 2022 allowing for repurchase of up to 450,000 units, as described on page 24 of this MD&A. The broker party to the AUPP is required to exercise commercially reasonable efforts and is subject to certain instructions and trading parameters predetermined by the Trust in the AUPP. During the period from January 1, 2022 to February 28, 2022, the Trust repurchased 400,000 units, totalling $2,089.

Pacritinib transaction

On February 28, 2022, the FDA approved VONJO (pacritinib) for the treatment of adult myelofibrosis patients with platelets below 50 x 10^9/L. Myelofibrosis is a bone marrow cancer that results in formation of fibrous scar tissue and can lead to thrombocytopenia and anemia, weakness, fatigue and enlarged spleen and liver. This approval triggered the purchase of the tiered royalty on VONJO for $60,000, as described on page 7 of this MD&A. The funding was completed on March 7, 2022.

2022 first quarter distribution declared

On March 7, 2022, the board of trustees declared a quarterly distribution of $0.075 per unit to unitholders of record as at March 31, 2022 and payable on April 20, 2022.