DRI HEALTHCARE TRUST
MANAGEMENT'S DISCUSSION AND ANALYSIS FOR Q1 2021

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BASIS OF PRESENTATION

The following interim 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 unaudited interim consolidated financial statements (the "**consolidated financial statements**") of the Trust for the three months ended March 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**"), as issued 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 March 31, 2021, unless otherwise noted.

We present our financial statements in 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.

This MD&A is dated as of May 7, 2021.

ADDITIONAL INFORMATION

Additional information relating to the Trust is available on 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 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 the System for Electronic Document Analysis and Retrieval ("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 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 made. 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 to be made, and are subject to change after such date. However, we disclaim any intention or 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 licence 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-IFRS MEASURES

This MD&A contains a number of financial performance measures which have been calculated using methodologies which are not in accordance with IFRS ("non-IFRS 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, provides investors with additional information for the understanding of the critical components of our financial performance. Accordingly, these non-IFRS measures should not be considered in isolation nor as a substitute for analysis of our financial information reported under IFRS. These non-IFRS 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-IFRS measures in the evaluation of issuers. We also 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, calculation methodology and the reconciliations of these non-IFRS financial measures to the most directly comparable measures calculated and presented in accordance with IFRS, if available, for each of the measures is presented under the *Financial Review: Non-IFRS Financial Measures* heading, on page 8of this MD&A. The Trust has presented the following non-IFRS measures in this MD&A:

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

OVERVIEW OF THE TRUST

The Trust was established as an unincorporated open-ended trust under the laws of the Province of Ontario pursuant to a declaration of trust, as may be amended from time to time, 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.

On February 19, 2021, DRI Healthcare 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. Concurrently with the completion of the initial public offering, DRI Capital and other investors

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

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 totaled approximately $22 million and were recorded as a reduction in unitholders' capital.

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".

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.

Following closing of the initial public offering, 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. The royalty assets consisted primarily of a portfolio of 18 royalties derived from the sales of 14 different pharmaceutical products focused on eight therapeutic areas. As part of the transaction, we assumed the outstanding securitization indebtedness associated with certain royalty assets. We intend to use the remainder of the net proceeds raised from the initial public offering and concurrent private placement for funding future royalty acquisitions and for other general purposes.

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		128
Derivative assets		219
Other current assets		196
Royalty assets		291,462
Restricted cash		1,435
		363,337
Liabilities		
Accounts payable and accrued liabilities		(743)
Secured notes payable		(69,924)
		(70,667)
Net acquired assets	$	292,670

Cash and cash equivalents includes 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.

BUSINESS AND STRATEGY OVERVIEW

Since 2006, DRI Capital has been at the forefront of the pharmaceutical royalty sector. Our manager has developed a disciplined strategy and built a dedicated team of seasoned and highly specialized professionals focused on the identification, evaluation and acquisition of quality pharmaceutical assets that has executed on the acquisition of 61 royalty streams on 37 products with an aggregate value of over $2 billion We believe that our manager is one of the few entities that has the focus and depth of experience to successfully complete growth-oriented royalty transactions in the $25 million to $150 million size range.

Our business model is to provide unitholders with differentiated exposure to the pharmaceutical and biotechnology industries through ownership and acquisitions of royalties and is focused on delivering attractive growth in cash royalty receipts over the long term. Our existing portfolio consists of 18 royalty streams on 14 products that address medically necessary therapeutic areas, such as oncology, rare diseases, ophthalmology, endocrinology, HIV, autoimmune and vaccines. Our portfolio includes royalties based directly on top-line sales of several blockbuster therapies, including Spinraza, Eylea and

Xolair. Our products are marketed by leading, global pharmaceutical companies, including Johnson & Johnson, Gilead, Biogen, Regeneron, Novartis and AstraZeneca.

Our growth strategy is to leverage our manager's experience, expertise and well-established industry relationships to continue acquiring a diversified portfolio of royalties on attractive growth-oriented products with long term patent and/or regulatory protection. Our objective is to purchase between $650 million to $750 million of royalties over the next five years which will allow us to generate sustainable annual growth in cash royalty receipts. We expect to fund these acquisitions using the proceeds of our recent initial equity offering and through the reinvestment of cash flow generated from our royalty assets and the use of leverage.

The Trust and our manager intend to pursue two main types of pharmaceutical royalty transactions, "**traditional**" royalties and "**synthetic**" royalties. 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 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.

OUR PORTFOLIO OF ROYALTY ASSETS

The Trust's portfolio is comprised of royalties on products that address therapeutic areas, such as oncology, rare diseases, ophthalmology and autoimmune diseases, and are marketed by leading, global biotechnology and pharmaceutical companies, including Johnson & Johnson, Biogen, Roche, Novartis and Regeneron.

In accordance with IFRS, royalty assets are assessed based on the terms of each royalty arrangement to determine whether they meet the definition of financial or intangible assets. As at March 31, 2021, the Trust's royalty assets were recognized as intangible assets. Acquired royalty assets are measured initially at the fair value of the consideration. The royalty assets are then amortized over their estimated useful lives on a straight-line basis. At the end of each reporting period, the Trust assesses, whether there is an indication that the royalty assets may be impaired. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss, if any, with a resulting adjustment to the carrying value of the asset.

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 are expected to expire before December 31, 2021, and **Legacy Products**, for which royalty entitlements have expired in accordance with their terms.

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, 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.

KEY DEVELOPMENTS RELATED TO ROYALTY ASSETS

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. Evrysdi was previously approved in the U.S. in August 2020.

Xolair (Core Products)

In April 2021, Roche and Novartis announced that the FDA approved Xolair prefilled syringe for self-injection in appropriate patients across all approved U.S. indications, giving patients the flexibility to administer Xolair from home.

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

Natpara (Core Products)

In September 2019, as a result of manufacturing and delivery related difficulties, Takeda ceased product sales in the U.S. In January 2020, Takeda announced that there will be a delay of more than one year to bring Natpara back to the U.S. market.

On March 31, 2021, Takeda announced that although they had made progress on the original issue that led to the U.S. recall, which was the issue of rubber particulates originating from the rubber septum of the Natpara cartridge, Takeda had not yet reached a resolution and did not expect a return to the U.S. market before March 31, 2022. We don't expect this delay to have a material impact on future cash flows related to Natpara. We now expect to reach the contractual cap in the fourth quarter of 2024 compared to previous expectations to reach the contractual cap by the third quarter of 2024.

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 for the three months ended March 31, 2021 only.

During the three months ended March 31, 2021, the Trust generated total income of $12,691 and total expenses of $9,500, which primarily represented income and expenses from February 19, 2021, the date on which Trust completed the asset acquisition transaction described on page 3 of this MD&A, to March 31, 2021. The following table presents the components of net earnings and other comprehensive earnings and is followed by a discussion on the nature of significant income sources and categories of expenses.

		Three months ended March 31, 2021
Income		
Royalty income	$	12,691
Total income		12,691
Expenses		
Amortization of royalty assets		6,793
Management fees		883
Interest expense		252
Servicer and other fees		178
Deal investigation and research costs		564
Other operating expenses		1,002
Net gain on interest rate derivatives		(4)
Net gain on foreign exchange derivatives		(168)
Total expenses		9,500
Net earnings and other comprehensive earnings	$	3,191

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, licence 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 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 based on estimates for financial reporting purposes which are updated once royalty receipts are reported and paid by our counterparties, typically one or more quarters after they are earned.

During the period from February 19, 2021, the date on which the Trust obtained control of the royalty assets, to March 31, 2021, the Trust recorded royalty income of $12,691. The following table provides details of royalty income earned by product.

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

		Three months ended March 31, 2021
Core Products		
Spinraza	$	2,100
Zytiga		1,733
Eylea I		1,190
Xolair		1,148
Rydapt		902
Eylea II		529
Natpara		272
Total Core Products		7,874
Mature Products		
Rilpivirine Portfolio[(i)]		2,354
Autoimmune Portfolio[(ii)]		2,283
Total Mature Products		4,637
Legacy Products		180
Total Royalty Income	$	12,691

(i) The Rilpivirine Portfolio consists of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca.

(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.

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. During the period from February 19, 2021, the date on which the Trust obtained control of the royalty assets, to March 31, 2021, the Trust recorded amortization of royalty assets of $6,793.

Management fees

The Trust pays management fees on a quarterly basis to our manager, as described on page 14 of this MD&A. During the three months ended March 31, 2021, the Trust paid management fees of $883 which represents the prorated management fees from the date of the completion of the initial public offering and concurrent private placement, as described on page 3 of this MD&A, to March 31, 2021.

Interest expense

The Trust incurs interest expense related to its secured notes, as described on page 12 of this MD&A. The Trust recorded interest expense of $252 during the period from February 19, 2021, date of the assumption of the secured notes, as described on page 3 of this MD&A, to March 31, 2021.

Servicer and other fees

DRI Capital provides administrative services to the Trust for servicing the secured notes pursuant to a servicing agreement. Servicer and other fees of $400 are paid on a quarterly basis, totaling $1,600 annually. During the first quarter, the Trust recorded servicer fees of $178 for the period from February 19, 2021, the date of the assumption of the secured notes, as described on page 3 of this MD&A, to March 31, 2021.

Deal investigation and research costs

Deal investigation and research costs include the ongoing costs associated with the Trust's royalty assets acquisition and monitoring activities as well as costs related to unsuccessful acquisitions. During the three months ended March 31, 2021, the Trust recorded deal investigation and research expenses of $564.

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

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 the three months ended March 31, 2021, the Trust recorded operating expenses of $1,002.

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

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

		Three months ended March 31, 2021
Professional fees	$	501
Board of trustee fees		197
Other		304
Total other operating expenses	$	1,002

Net gain on derivative instruments

Net gain on derivative instruments represents the net unrealized changes in the fair value of the Trust's interest rate and foreign exchange derivative contracts. The Trust enters into interest rate cap contracts to mitigate its exposure to interest rate risk related to its secured notes, as described on page 12 of this MD&A. The Trust enters into foreign exchange option contracts to mitigate its exposure to volatility in non-U.S. dollar denominated cash flows from its royalty assets.

During the three months ended March 31, 2021, the Trust recorded a net gain of $4 related to interest rate derivative and $168 related to foreign exchange derivatives.

Weighted Average Number of Units

The Trust generated basic and fully diluted net comprehensive earnings per unit of $0.17, during the three months ended March 31, 2021. Weighted average number of units outstanding for the purpose of calculating earnings per unit were as follows.

	Three months ended March 31, 2021	December 31, 2020
Basic	18,271,153 units	1 unit
Diluted	18,271,153 units	1 unit

FINANCIAL REVIEW: NON-IFRS FINANCIAL MEASURES

The Trust reports certain non-IFRS financial measures, including Total Cash Royalty Receipts, Adjusted EBITDA, Adjusted EBITDA Margin and Adjusted Cash Earnings per Unit.

Total Cash Royalty Receipts

Total Cash Royalty Receipts refers to all cash royalty receipts rather than cash royalty receipts in respect of a particular product. Because of the lag between when we record royalty income and when we receive the corresponding cash payments, we believe Total Cash Royalty Receipts is a useful measure when evaluating our operations, as it represents actual cash received in respect of all royalty assets held during a period. We believe this is a useful measure of our operating performance because our business is reliant on our ability to generate consistent cash flows.

For the three months ended March 31, 2021 and 2020, we have presented Total Cash Royalty Receipts on a pro forma basis to assist with the assessment of the performance of our royalty assets during the current quarter.

The Trust has recorded cash royalties received for the period from February 19, 2021 (the date of our acquisition of the royalty assets) to March 31, 2021 in its consolidated financial statements. Cash royalties received prior to the acquisition and during the period from January 1, 2021 to February 18, 2021 were acquired by the Trust and recorded as an increase in cash and cash equivalents acquired, as discussed in note 5 of the consolidated financial statements.

Cash royalty receipts for the three months ended March 31, 2020 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 for the three-month period ended March 31, 2020.

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

Product	Therapeutic Area	Marketer(s)	Pro Forma Cash Royalty Receipts for the three months ended March 31, 2021[i]	Pro Forma Cash Royalty Receipts for the three months ended March 31, 2020[ii]	% Change
Core Products					
Spinraza	Rare Diseases	Biogen	$ 5,308	$ 5,542	(4)%
Eylea I	Ophthalmology	Regeneron, Bayer, Santen	3,027	2,904	4%
Rydapt	Oncology	Novartis	2,601	2,709	(4)%
Xolair	Respiratory	Roche, Novartis	2,266	2,391	(5)%
FluMist	Vaccine	AstraZeneca	2,239	1,172	91%
Eylea II	Ophthalmology	Regeneron, Bayer, Santen	1,345	1,290	4%
Natpara	Endocrinology	Takeda	510	300	70%
Zytiga	Oncology	Johnson & Johnson	—	—	—%
Total Core Products			$ 17,296	$ 16,308	6%
Mature Products					
Rilpivirine Portfolio[iii]	HIV	Johnson & Johnson, Gilead, ViiV	$ 8,467	$ 8,078	5%
Autoimmune Portfolio[iv]	Autoimmune	Johnson & Johnson, Merck, Novartis	4,361	6,285	(31)%
Total Mature Products			$ 12,828	$ 14,363	(11)%
Legacy Products[v]			466	2,397	(81)%
Total Cash Royalty Receipts[vi]			$ 30,590	$ 33,068	(7)%

(i) Cash royalty receipts for the three months ended March 31, 2021, represent the cash that the Trust would have received had the assets been acquired as of January 1, 2021. The Trust was the beneficiary of such cash receipts and has recorded the increase in cash as a result of cash collections from January 1, 2021 to February 18, 2021 within cash and cash equivalents acquired as shown on page 3 of this MD&A.

(ii) Cash royalty receipts for the three months ended March 31, 2020, represent the cash that was received by the Trust's current subsidiaries prior to completion of the Trust's acquisition of those subsidiaries and is shown on a pro forma basis.

(iii) The Rilpivirine Portfolio consists of an agreement to receive royalties on sales of Complera, Edurant, Odefsey and Juluca.

(iv) 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 held directly and indirectly.

(v) Legacy Products represent royalty income from royalty assets that are fully amortized and, where applicable, the entitlements to which have generally expired.

(vi) Total Cash Royalty Receipts is a non-IFRS measure.

Total Cash Royalty Receipts decreased by 2,478 or 7% to $30,124 on a pro forma basis during the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

The change in Total Cash Royalty Receipts was driven by the following changes in cash royalty receipts from our royalty assets:

- An increase in Core Products of $988 or 6% which was primarily driven by the net impact of:
  - An increase in cash royalty receipts by $1,067 or 91% related to FluMist, primarily driven by increased vaccination programs in the U.S. and the European Union beyond typical levels during the ongoing COVID-19 pandemic.
  - An increase by $210 or 70% related to Natpara, primarily driven by higher sales outside of the U.S. No sales have been earned in the U.S. since the product was recalled in the U.S. in September 2019.
  - An increase by $123 or 4% in Eylea I and $55 or 4% in Eylea II primarily driven by stronger product demand in the second half of 2020 due to the normalization of treatments globally and the launch of prefilled syringe outside the U.S.
  - A decrease in cash royalty receipts by $234 or 4% related to Spinraza, primarily driven by lower product sales in the U.S. which were impacted by increased competition and dosing delays related to the global pandemic. This decline was partially offset by increased sales outside the U.S., driven by patient growth in emerging markets.
- A decrease in Mature Products of $1,535 or 11% which was primarily driven by the net impact of:
  - A decrease in cash royalty receipts by $1,924 or 31% related to the Autoimmune Portfolio, primarily driven by the expiration of royalty entitlement rights in major geographic areas and continued expiration in certain geographies for the products underlying the Autoimmune Portfolio.
  - An increase in cash royalty receipts by $389 or 5% related to the Rilpivirine Portfolio, primarily driven by higher sales of Juluca.

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

- A decrease in Legacy Products of $1,931 or 81% primarily due to the expiry of royalty entitlements in 2020.

The reconciliation of total cash royalty receipts to the most directly comparable measures calculated and presented in accordance with IFRS is presented below.

		Pro forma three months ended March 31, 2021
Royalty income	$	12,691
[+] Royalties receivable, beginning of period		—
[-] Royalties receivable, end of period		(39,560)
[+] Acquired royalties receivable (i)		55,190
[+] Acquired cash royalties received (i)		2,269
[=] Total Cash Royalty Receipts	$	30,590

(i) Acquired royalties receivable and acquired cash royalties received were part of the net assets acquired by the Trust, as described on page 3 of this MD&A.

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 measure calculated and presented in accordance with IFRS is presented below.

		Pro forma three months ended March 31, 2021
Net earnings and other comprehensive earnings	$	3,191
[+] Amortization of royalty assets		6,793
[+] Impairment of royalty assets		—
[-] Reversal of impairment of royalty assets		—
[+] Interest expense		252
EBITDA		10,236
[+] Royalties receivable, beginning of period		—
[-] Royalties receivable, end of period		(39,560)
[+] Acquired royalties receivable (i)		55,190
[+] Acquired cash royalties received (i)		2,269
[-] Net gain on interest rate derivatives		(4)
[-] Net gain on foreign exchange derivatives		(168)
[=] Adjusted EBITDA	$	27,963

(i) Acquired royalties receivable and acquired cash royalties received were part of the net assets acquired by the Trust, as described on page 3 of this MD&A.

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 March 31, 2021
Adjusted EBITDA	$	27,963
[÷] Total Cash Royalty Receipts	$	30,590
[=] Adjusted EBITDA Margin		91%

(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.

		March 31, 2021
Net earnings and other comprehensive earnings	$	3,191
[+] Amortization of royalty assets		6,793
[+] Impairment of royalty assets		—
[-] Reversal of impairment of royalty assets		—
[-] Net gain on interest rate derivatives		(4)
[-] Net gain on foreign exchange derivatives		(168)
	$	9,812
[÷] Weighted Average Number of Units		18,271,153
[=] Adjusted Cash Earnings per Unit	$	0.54

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 March 31, 2021 only.

As at March 31, 2021, the Trust had consolidated assets of $454,905 and consolidated liabilities of $74,275. 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 March 31, 2021
Assets		
Cash and cash equivalents	$	105,696
Royalties receivable		39,560
Funds held in trust		22,862
Derivative assets		391
Other current assets		289
Current assets		168,798
Royalty assets, net of accumulated amortization		284,669
Restricted cash		1,435
Other assets		3
Non-current assets		286,107
Total assets	$	454,905
Liabilities		
Accounts payable and accrued liabilities		3,681
Distributions payable to unitholders		670
Current portion of secured notes		32,990
Current liabilities		37,341
Long-term portion of secured notes		36,934
Total liabilities	$	74,275

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

Royalty assets

In February 2021, following completion of the Trust's initial public offering and concurrent private placement, the Trust purchased royalty assets for a total purchase price of $291,462, as described on page 3 of this MD&A.

As at March 31, 2021, the net book value of our royalty assets was $284,669, net of accumulated amortization of $6,793.

Funds held in trust

Cash receipts from certain royalty assets are initially deposited into an escrow account in the name of the indenture trustee for our secured notes. The funds are distributed to the Trust on a quarterly basis, as described in note 6 to the consolidated financial statements. As at March 31, 2021, $22,862 was recorded as funds held in trust.

Restricted cash

Pursuant to the terms of the indenture agreement in connection with the outstanding secured notes, as described in note 10 to the consolidated financial statements, the Trust is required to maintain certain deposits in the name of the indenture trustee as a reserve for payment of interest, as well as an amount on deposit to be utilized to make any required contingent payments for royalty or equity assets. Note 9 to the consolidated financial statements provides further details for the calculation of the required restricted cash amounts. As at March 31, 2021, the Trust had restricted cash of $1,435.

Distributions payable to unitholders

As at March 31, 2021, the Trust had distributions payable of $670 representing the distribution declared on March 23, 2021 to unitholders of record as at March 31, 2021 and payable on April 20, 2021. The Trust pays a quarterly distribution in accordance with its distribution policy, as described in note 11 to the consolidated financial statements.

Secured notes

In February 2021, in connection with the acquisition of royalty assets, as described on page 53 of this MD&A, the Trust assumed secured notes payable totaling $69,924.

As at March 31, 2021, the Trust's secured notes payable consisted of the following.

	Interest Rate	Stated Final Maturity		As at March 31, 2021
Series 2017—1 Class A—1	LIBOR+2.5%	April 15, 2027	$	6,131
Series 2017—1 Class A—2	3.60%	April 15, 2027		6,131
Series 2018—1 Class A—1	LIBOR+1.6%	October 15, 2031		27,101
Series 2018—1 Class A—2	4.27%	October 15, 2031		30,561
Secured notes			$	69,924
Current portion of secured notes			$	32,990
Long-term portion of secured notes				36,934
Secured notes			$	69,924

Principal payments on the secured notes are made quarterly following a prescribed formula. Cash receipts from certain royalty assets that secure the notes are initially deposited into an escrow account in the name of the indenture trustee. The escrow account is pledged as collateral for the secured notes. On a quarterly basis, the indenture trustee remits required principal payments and interest payments, as well as certain debt servicing costs, from the funds received in the escrow account. The balance remaining in the escrow account is paid to the Trust.

The notes have a final stated maturity date; however, the actual maturity will differ depending on the amount and timing of principal payments. The repayment schedule below is based on the expected repayment pattern for the notes based on the timing and amount of expected future cash royalty receipts. Actual repayments may vary depending on the timing and amount of actual receipts and the resulting impact on the payment provisions of the notes. The terms of the notes require accelerated payments in certain events and allow for voluntary prepayments under certain circumstances.

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

As at March 31, 2021, the expected principal repayments are presented in the following schedule. After the end of the first quarter, on April 15, 2021, the Trust made a principal repayment of $10,715.

	Series 2017—1 Class A—1	Series 2017—1 Class A—2	Series 2018—1 Class A—1	Series 2018—1 Class A—2	Total
Remainder of: 2021	$ 6,131	$ 6,131	$ 6,927	$ 7,811	$ 27,000
Full year: 2022	—	—	9,347	10,541	19,888
Full year: 2023	—	—	7,360	8,299	15,659
Full year: 2024	—	—	3,467	3,910	7,377
Full year: 2025	—	—	—	—	—
Full year: 2026	—	—	—	—	—
	$ 6,131	$ 6,131	$ 27,101	$ 30,561	$ 69,924

The secured notes are discussed in further detail in note 10 of the consolidated financial statements.

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 three months ended March 31, 2021 only.

The Trust generated the following cash flows during the three months ended March 31, 2021.

	Three months ended March 31, 2021
Cash and cash equivalents – December 31, 2020	$ —
Cash provided by operating activities	3,599
Cash provided by financing activities	380,060
Cash used in investing activities	(277,963)
Change in cash and cash equivalents	105,696
Cash and cash equivalents – March 31, 2021	$ 105,696

During the three months ended March 31, 2021, the Trust generated operating cash flows of $3,599 primarily related to cash royalties received.

During the first quarter of 2021, the Trust issued units for proceeds totaling $400,000 and paid unit issuance costs of $19,940 in connection with the completion of its initial public offering and concurrent private placement, as described on page 3 of this MD&A.

The Trust used cash flows of $277,963 in its investing activities during the three months ended March 31, 2021 related to the acquisition of royalty assets and certain other net assets, as described on page 3 of this MD&A.

UNITHOLDERS' CAPITAL

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 11 of the interim consolidated financial statements.

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 March 31, 2021.

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

	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	**n/a**	$	—
Issuance of units — private placement	3,580,407	$9.70		34,730
Issuance of units — public offering	36,527,000	$10.00		365,270
Issuance of units — transaction costs	n/a	n/a		(21,891)
Redemption of units	(1)	$10.00		—
Balance — March 31, 2021	40,107,407	**n/a**	$	378,109

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 11 of the consolidated financial statements.

As at March 31, 2021, no preferred units had been issued or were outstanding (December 31, 2020 – none).

LIQUIDITY AND CAPITAL RESOURCES

The Trust's capital consists of its unitholders' capital and secured notes. The Trust's objectives in managing capital are to:

- Build long-term value for its unitholders;
- Maintain optimal liquidity for pursuing new acquisitions, meeting its obligations and making distributions to unitholders;
- Achieve reasonable growth from acquisitions and control the risk and exposure associated with those acquisitions; 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) actual and potential debt financing, including the issuance of secured notes; (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. For the three months ended March 31, 2021, the Trust generated $3,599 of cash flows provided by operating activities. Additionally, the Trust has issued, and may in the future issue, notes secured by its royalties receivable, as described on page 12 of this MD&A.

In connection with the Trust's secured notes, cash royalty receipts from royalty assets which serve as security for the secured notes are held in trust until payments are made to satisfy the obligations of the secured notes, as described on page 12 of this MD&A. The Trust is also required to maintain a predefined amount of cash in reserve pursuant to the terms of the secured notes, which has been classified as restricted on the statement of financial position.

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 secured notes as described on page 12 of this MD&A, for the foreseeable future.

OFF-BALANCE SHEET OBLIGATIONS AND COMMITMENTS

The Trust did not have any off-balance sheet obligations or commitments, contingencies or guarantees at March 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 royalty 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 1(n) to the consolidated financial statements.

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

Performance fees

DRI Capital is entitled to performance fees determined on a portfolio-by-portfolio basis pursuant to the terms of a management agreement, as described in note 1(o) to the consolidated financial statements.

Servicer and other fees

The manager also provides administrative services to the Trust for servicing the secured notes, for which it receives a fee of $400 per quarter.

During the three months ended March 31, 2021, the Trust recorded the following transactions and balances with DRI Capital.

	For the three months ended March 31, 2021	As at March 31, 2021
Management fee expense	$ 883	—
Servicer fee expense	$ 178	—
Accounts payable and accrued liabilities	—	$ 864

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.

CHANGES IN ACCOUNTING POLICIES

The Trust's accounting policies are discussed in detail in note 2 of the consolidated financial statements.

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 amounts receivable for each royalty asset based on the Trust's contractual entitlement, 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 received 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 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 intangible assets for impairment at each reporting date if there is any indication that an asset may be impaired. This requires the Trust to use a valuation technique to determine if impairment exists. 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 estimated cash flows the intangible assets are expected to generate 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, which are not publicly traded instruments, are valued by an independent valuation expert using appropriate valuation techniques which 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 presently consider to be material, or of which we are not presently 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 the management under "*Risk Factors".* In addition to those risks, management has identified the following financial risks.

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

The Trust has determined that it is exposed to credit risk related to the counterparties of its royalty assets. These counterparties are in the pharmaceutical and life sciences industries. As at March 31, 2021, royalty assets and royalties receivable from the five largest royalties receivable counterparties represented 91% of total royalties receivable. The Trust monitors its exposure to its counterparties of its royalty assets on a regular basis.

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 secured notes, the repayment schedule for which is presented in Note 10 to the consolidated financial statements.

Foreign exchange risk

Currency 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. To mitigate its exposure to currency fluctuations in royalty income, the Trust has entered into foreign exchange derivatives, as described in Note 7 to the consolidated financial statements. An appreciation or depreciation of 5% in the currencies to which the Trust has exposure to against the U.S. dollar would not have a material impact on the Trust's net earnings (loss), as at March 31, 2021.

Interest rate risk

The Trust is exposed to changes in interest rates on its secured notes payable, as described in Note 10 to the consolidated financial statements. The Trust has mitigated its exposure to fluctuating interest rates by entering into interest rate cap transactions, as described in Note 7 to the consolidated financial statements. An increase or decrease of 0.5% in the interest rates would not have a material impact on the Trust's net earnings (loss), as at March 31, 2021.

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

Additional risks

The Trust is monitoring the impact of the current global outbreak of COVID-19 as this event could potentially affect our financial position, financial performance and cash flows. While the financial impact of the outbreak cannot be reasonably estimated at this time, the Trust does not anticipate that these events will have a material adverse impact on its 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 are in the process of designing or causing 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 are also in the process of designing or causing 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 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 3 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 business 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 three months ended March 31, 2021 and are presented below.

		Three months ended March 31, 2021
Income	$	12,691
Expenses		(8,504)
Net earnings	$	4,187

		As at March 31, 2021
Current assets	$	163,286
Non-current assets		286,107
Total assets	$	449,393
Current liabilities		34,215
Non-current liabilities		36,934
Total liabilities	$	71,149