

DRI Healthcare Trust

Second Quarter 2024 Analyst and Investor Call

Event Date/Time: August 7, 2024 — 8:30 a.m. E.T.

Length: 72 minutes

"While Cision has used commercially reasonable efforts to produce this transcript, it does not represent or warrant that this transcript is error-free. Cision will not be responsible for any direct, indirect, incidental, special, consequential, loss of profits or other damages or liabilities which may arise out of or result from any use made of this transcript or any error contained therein."

« Bien que Cision ait fait des efforts commercialement raisonnables afin de produire cette transcription, la société ne peut affirmer ou garantir qu'elle ne contient aucune erreur. Cision ne peut être tenue responsable pour toute perte de profits ou autres dommages ou responsabilité causé par ou découlant directement, indirectement, accessoirement ou spécialement de toute erreur liée à l'utilisation de ce texte ou à toute erreur qu'il contiendrait. »

CORPORATE PARTICIPANTS

Gary Collins

DRI Healthcare Trust — Chairman, Chief Executive Officer

Navin Jacob

DRI Healthcare Trust — Chief Investment Officer

Sandy Kwan

DRI Healthcare Trust — Interim Chief Financial Officer

Ali Hedayat

DRI Healthcare Trust — Interim Chief Executive Officer

CONFERENCE CALL PARTICIPANTS

Douglas Miehm

RBC Capital Markets — Analyst

Ashwani Verma

UBS — Analyst

Leszek Sulewski

Truist Securities — Analyst

Rahul Sarugaser

Raymond James — Analyst

Scott Fletcher

CIC — Analyst

George Farmer

Scotiabank — Analyst

Zachary Evershed

National Bank — Analyst

David Martin

Bloom Burton — Analyst

Tania Armstrong-Whitworth
Canaccord Genuity — Analyst

PRESENTATION

Operator

Good morning, everyone. Welcome to DRI Healthcare Trust 2024 Second Quarter Earnings Call.

Listeners are reminded that certain statements made in this earnings call presentation, including responses to questions, may contain forward-looking statements within the meaning of the Safe Harbor provisions of Canadian provincial securities laws. Forward-looking statements involve risks and uncertainties and undue reliance should not be placed on such statements. Certain material factors or assumptions are implied in making forward-looking statements and actual results may differ materially from those expressed or implied in such statements.

For additional information about factors that may cause actual results to differ materially from expectations and about material factors or assumptions applied in making forward-looking statements, please consult the MD&A for this quarter, the Risk Factors section of the annual information form and DRI Healthcare Trust's other filings with Canadian securities regulators. DRI Healthcare Trust does not undertake to update any forward-looking statements. Such statements speak only as of the date made.

Today's presentation also references non-GAAP measures. Reconciliations of these measures to measure recognized under IFRS are included in our earnings press release available on our website and on SEDAR plus. Unless otherwise specified, all dollar amounts we discuss today are in U.S. dollars. I want to remind everyone that this conference call is being recorded today, Wednesday, August 7, 2024. The

Trust's quarterly results, press release and the slides of today's call will be available on the Investor page of Trust's website at drihealthcare.com.

I would now like to introduce Mr. Gary Collins, Chairman and Chief Executive Officer of DRI Healthcare Trust. Please go ahead, Mr. Collins.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

Thank you, Operator and good morning, everyone. Thank you for taking the time to join us today. With me today are Ali Hedayat, Board Trustee and Acting Chief Executive Officer of our Manager, DRI Capital which we refer to as DRI Healthcare, Navin Jacob, our Manager's Chief Investment Officer, and Sandy Kwan, Acting Chief Financial Officer of both the trust and our manager.

Last month, the trust announced it was alerted to irregularities relating to certain alleged consulting and other expenses charged to the trust and immediately launched an investigation conducted by a team of independent legal counsel and forensic accountants. As a result, a new leadership team has been appointed. Along with my role as Chairman of the Board of Trustees, I have also now taken on the position of CEO of the trust.

Ali Hedayat has assumed the role of acting CEO of DRI Healthcare, in addition to his responsibilities as a trustee of the trust and a member of DRI Healthcare's Investment Committee. Ali is focused on the day-to-day operations of our manager, including overseeing deal sourcing and execution, risk management, corporate finance and human resources. Sandy Kwan, former Vice President of Finance of DRI Healthcare has been appointed as acting CFO for both the trust and our manager. Both

Ali and Sandy have been instrumental in the trust performance over the past few years and we have the utmost confidence in their ability to steward the trust through this transitional time.

We also announced yesterday that Amit Kapur has been appointed as CFO of the trust effective September 16, 2024. We're confident this new management team, now entirely independent from the manager, will serve the interest of our unitholders. We're currently reviewing all aspects of our internal controls and governance processes, including with respect to remediation of the related material weaknesses identified, as well as our relationship with the manager. We have also restated our 2023 financial statements and related disclosure documents which were filed concurrently with our Q2 results.

With our new leadership structure and our team of committed and talented professionals, we're well positioned to continue on our pace of execution and we are enthusiastic about the opportunities available for the trust. The trust was active in the second quarter with our business performing well and our team continuing to execute on all aspects of our strategy. In June, we were pleased to close a transaction for a second royalty entitlement on Xenpozyme. We invested \$13.25 million on closing. And with potential milestone payments, the total deal value is up to \$45.75 million. The transaction increased our total deployment capital to \$894 million across 13 royalty transactions since going public. Navin will discuss the transaction in detail later in the call.

We also made significant unit purchases throughout the quarter under our normal course issuer bid. We take a dynamic approach to our capital deployment and we'll allocate such capital in a way we believe will provide the most accretive value for our unitholders. In the quarter, we purchased over

207,000 units for a cost of \$2.2 million. These were the first purchases under the NCIB since the second quarter of 2023. Subsequent to quarter end, under the automated unit repurchase plan, we continued making purchases that totaled 198,746 units for a total cost of \$1.7 million. Year-to-date, we have purchased 406,346 units for a total cost of \$3.9 million. In aggregate, the trust has acquired and canceled 3.2 million units totaling \$18.4 million under all current and previous NCIB plans. And finally, we declared a quarterly dividend of \$0.085 which is payable on October 18 to unitholders of record on September 30.

I will now turn the call over to Navin Jacob, our Chief Investment Officer of the manager, DRI Healthcare.

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Thank you, Gary. Our portfolio performed well in the quarter. This table shows the individual royalty receipts for the second quarter of 2024 compared to the same quarter in the previous year as well as the previous quarter. When we remove the impacts of the large onetime milestone payments from Orserdu and Vonjo which we received in the first quarter, total cash royalty receipts increased by 14% quarter-over-quarter. Excluding milestone, this quarter represents the highest total cash royalty receipts we have seen in a single quarter ever and is a 59% increase from the same period in the prior year.

This increase in year-over-year total cash royalty receipts was primarily driven by royalties on the sales of Orserdu, Vonjo and Empaveli as well as the expansion of the Omidria royalty. Xenpозyme royalties are only received in the second and fourth quarters. We received our first royalty in the second

half of 2023 and as such, there is no comparison for either prior period. We're happy with the early ramp of the drug which has been largely in line with our expectations. Sales were generally flat between third and fourth quarter of 2023 which is reflected in the royalties received in this quarter. However, we saw a return to growth in 2024 with year-to-date sales increasing 89% year-over-year. Omidria royalty receipts increased 32% from the prior quarter and 246% from the prior year before our second transaction on the asset which expanded our entitlement to remove the previous annual caps.

Overall, the asset is performing in line with our expectations and we anticipate that it will be a significant contributor to our portfolio through the end of the decade. Orserdu continues to benefit from its strong launch and it's performing better than our initial expectations. Vonjo royalties grew 51% from the prior year period, in part from the addition of the second Vonjo royalty. Vonjo sales in the second quarter grew 15% versus the prior year which is a little slower than expected. The slowdown is driven primarily by the combined effects of the momelotinib launch during a disruption in Sobi's marketing and sales efforts as they continued their integration of CTI.

With the CTI integration now complete, we anticipate Sobi to refocus on Vonjo growth and we look forward to a stronger second half of 2024. Importantly, there are several potential upside opportunities to Vonjo which are minimally priced into our deal price. Sobi has life cycle management plans for Vonjo, including potential international expansion and new indications. These opportunities would represent upside versus our expectations. Zejula royalty receipts grew by 26% year-over-year, sustained by increased patient demand and higher volumes, further enhanced by positive price impacts in the U.S., including impacts from the launch of the tablet formulation in the U.S. in Q3 2023.

Several top line data readouts are expected later this year, potentially leading to additional indications. Empaveli/Syfovre showed significant growth with a 917% increase in royalty receipts year-over-year. Recall, we only received a nominal amount of royalties in the previous quarter due to a timing difference on the payment of royalties. Empaveli is marketed in the European Union by Sobi under the brand name Aspaveli where it received approval in the first-line treatment of paroxysmal nocturnal hemoglobinuria or PNH during the second quarter. Sobi anticipates trial readouts for additional indications in the second half of the year.

Oracea royalty receipts grew by 50% year-over-year due to the success of new marketing strategies put in place by Galderma. Quarter-over-quarter receipts decreased 23%, mainly due to the buying patterns where the fourth quarter tends to see the largest volume. We are currently co-plaintiff this with Galderma, the marketer of Oracea in litigation relating to the generic entry.

After a lower court decision in favour of the defendants, the defendants launched a generic version of Oracea, at risk in the United States in April 2024. The plaintiffs have appealed the decision. While the court of appeals denied the plaintiff's request for an injunction pending appeal. It did grant a motion to expedite the appeal. Meanwhile, at least one other generic manufacturer of Oracea has launched its product at risk. The reduction in cash flows from Oracea are not anticipated to have any adverse impact on the 2024 guidance that we have provided. The royalty receipts declined 17% year-over-year and 15% from the previous quarter which is in line with our expectations.

Biogen noted that while there is bumpiness in certain markets, they remain encouraged by Spinraza's market share resilience. Xolair cash flows increased 8% year-over-year and decreased 32%

quarter-over-quarter which is in line with seasonal trends. Second quarter has historically been the lowest quarter for receipts of this asset. Xolair was approved in the United States for multiple food allergies in the first quarter and we expect to start seeing sales from that indication positively impact royalty receipts in the third quarter as we receive them on a 2-quarter lag.

On their second quarter call, Roche noted that there has been strong pickup of Xolair for the treatment of food allergies. There are already 15,000 patients being treated only four months after approval. Management further commented that it expects Xolair growth in the second half of the year to further accelerate to reach around 20% and for that momentum to be carried forward into 2025, with year-over-year growth in the teens. FluMist royalty that expired as of Q4 2023 combined with the expected contractual step-downs and expires in our royalties on Eylea, Rydapt, Zytiga, Stelara, Simponi and Ilaris partially offset the increases we have seen in our portfolio. As these assets near their expiries, we expect to see minor volatility, generic entry and subsequent market share erosion as we have recently seen with Eylea and Rydapt which occurs on a normal course as the drug reaches the end of its patent life.

We completed our second acquisition for a royalty on Xenpozyme in June. Xenpozyme is the first and only drug that treats noncentral nervous system manifestations of acid sphingomyelinase deficiency or ASMD, also known as Neimann-Pick disease in pediatric and adult patients. ASMD is a rare progressive and potentially life-threatening lysosomal storage disease. The estimated prevalence of ASMD is widely variable and is approximately 1,000 to 2,000 patients worldwide. The disease often leads to chronic fatigue, limited physical or social activity and difficulties in performing daily activities or work. Many patients die before or in early adulthood often from pneumonia, respiratory failure or liver failure.

Xenpozyme is a product that provides ASMD patients and their families with disease-modifying therapy where none previously existed. It is an intravenously infused recombinant human acid sphingomyelinase enzyme intended to directly replace ASM expression in patients with ASMD, thereby improving clinical manifestations of the disease. Investing in additional royalty streams on an existing asset in our portfolio is an efficient natural way of growing our business. Over the past 20-plus years, nearly one third of our deals have been follow-on deals either multiple deals with the same counterparty or multiple deals in the same drug with different counterparties. For the first royalty on Xenpozyme that we acquired in October 2022 referred to as Xenpozyme I, we paid \$30 million upfront plus up to \$26.5 million in potential performance-based milestones. That transaction entitled us to approximately 1% royalty on worldwide net sales.

For the second transaction, Xenpozyme II, we paid \$13.25 million upfront plus the \$32.5 million in sales-based milestones. This transaction also entitles us to an approximately 1% royalty on worldwide net sales of Xenpozyme. After receiving \$6.3 million in receipts in any calendar year, the royalty rate steps down by 50% for the remainder of that calendar year. This decrease relates only to the Xenpozyme II acquisition as there is no sharing of economics on the Xenpozyme I transaction. Similar to the Xenpozyme I royalties, the Xenpozyme II royalties are collected semi-annually. Royalties from sales of the drug in Q1 and Q2 of a given calendar year are received in Q4 of that same year. And royalties from sales in Q3 and Q4 of a given calendar year are received in Q2 of the following year.

We expect both Xenpozyme I and Xenpozyme II to expire in the second quarter of 2036. Xenpozyme is a drug that has performed well since we acquired the initial royalty in October 2022. Sanofi is a global leader in enzyme replacement therapy and the sales ramp has been faster than we had

initially anticipated at the time of Xenpozyme I. With this acquisition, we have now surpassed the \$1 billion mark in committed capital since the IPO with \$894 million deployed plus up to \$138 million in potential milestone payments.

We continue to pursue our strategy with a robust pipeline comprised of \$3.2 billion of potential opportunities. This represents the aggregate value of potential opportunities under active evaluation by our investment team that meet or exceed our qualitative and quantitative investment criteria. While we have seen signs of early recovery for the biotech market through the first half of the year, both in number of IPOs and M&A transactions. We are noticing a distinct bifurcation occurring.

Cash flow positive companies with end market or strong late-stage assets and limited pipelines are able to attract capital, while cash-burning companies that require investments into R&D or manufacturing simply cannot attract the same attention in today's risk-off environment. For DRI Healthcare, we believe this represents a tremendous opportunity to continue funding biopharma companies to advance their scientific research and strategic aspirations.

Our deal pipeline remains robust, featuring counterparties and deals with return profile similar to those we have seen over the past 18 months. This allows us to be selective, executing only on what we believe to be the highest quality transactions. Our focus remains on acquiring royalties on products that have the potential to change and improve health outcomes and quality of life for patients. We intend to acquire therapies that benefit from strong marketers as well as solid and long-lasting intellectual property and/or regulatory protection. This aligns with our target of weighted average portfolio duration of over 10 years.

I will now turn the call over to Sandy Kwan, Acting CFO of the trust and the manager of DRI Healthcare.

Sandy Kwan — Interim Chief Financial Officer, DRI Healthcare Trust

Thank you, Navin. We posted strong financial results for the quarter. We recorded \$43 million in normalized total cash receipts, a 50% increase over the same quarter in 2023. We recorded \$41.6 million in total income, a 48% increase over the same quarter in 2023. And, we recorded \$32.9 million in adjusted EBITDA, a 31% increase over the same quarter in 2023. This translates to an Adjusted EBITDA margin of 77%. Finally, we delivered \$0.49 in basic adjusted cash earnings per unit and declared a cash distribution of \$0.085 per unit.

We continue to generate strong cash flow from our assets, as Navin outlined earlier. For the last 12 months ended June 30, 2024, our normalized total cash receipts were \$184 million, including total cash royalty receipts of \$182.1 million and cash interest and other income of \$1.9 million. Our operating expenses and management fees totaled \$18.2 million net of performance fees payable, resulting in an Adjusted EBITDA of \$155.8 million and an Adjusted EBITDA margin of 85%. We also generated adjusted cash earnings per unit of \$2.47. As at June 30, we had \$53.9 million of cash and cash equivalents and \$43.5 million of royalties receivable. Under our credit facility, we had \$260.8 million in available credit. We believe we are well capitalized to act on the attractive opportunities we are seeing in the market.

I will now turn the call over to Ali Hedayat, Acting CEO of our manager, DRI Healthcare.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

Thank you, Sandy. As acting CEO of DRI Healthcare and a member of the Board of Trustees of the trust, I want to reiterate my commitment to doing the right thing for the trust and its stakeholders. The recent events have been challenging but our strong portfolio of assets, skilled employee base and robust pipeline provided clear line of sight to continue to execute on our growth trajectory.

Our experienced team combined with investment systems and relationships built over a decades has led to strong execution in our forward life as a public company and has propelled us far past objectives that we set at the time of our IPO.

We revised guidance based on strong performance since the IPO in February 2021. In February 2024, we increased our deployment target for the second time in one year to over \$1.25 billion for the five years ending 2025. Today, we reiterate that target. Our cash flow profile has changed dramatically since the time of the IPO and we now anticipate high teens royalty income CAGR through 2025. In the long term, we expect mid-to-high single-digit royalty income CAGR through 2030. This guidance excludes the impact of any new transactions that we may complete.

Built into these growth numbers is our 2024 royalty income guidance. Excluding milestone income and income from any new transactions, we anticipate royalty income of between \$153 million and \$155 million. This compares to 2023 royalty income of \$117.5 million on a comparable basis after removing the impact of milestones. We have also extended the portfolio's duration to over 10 years, in line with our target for 2025. With the combination of cash on hand, organic cash flow and our expanded credit facilities, coupled with the increased flexibility from the preferred security refinancing,

we believe we have ample deployment capacity to reach our new targets without the need to raise any additional equity from public markets.

We have deployed \$894 million to date since the IPO and have \$355 million to deploy to reach our deployment target. We believe this goal is well within sight and that we have a clear road map to get there. Looking at the next quarter and beyond, we are focused on 4 key priorities. First, we are laser-focused on restoring and rebuilding the confidence of our unitholders by continuing to implement and address governance practices and internal controls in a thorough and deliberate manner.

To continue to grow the organization, we are committed to investing in our people and retaining them over the long term as well as to attracting new talent. Our team skill at sourcing and executing accretive transactions for our unitholders is vital to that success. Together with Navin, I believe that we will be able to continue to increase the breadth and depth of the talent on our investment team to propel our growth. We are also investing in technology to improve our throughput in sourcing and execution of deals.

Next, we aim to continue to execute our prudent strategy against the backdrop of one of the largest pipelines we have seen in the Company's history. We are enthusiastic about the progress we have made since the IPO and we'll continue to successfully execute on the opportunities that are available to us. With the current market constraints on biotech financing and the high demand for new and innovative treatments, combined with our skills in sourcing and closing deals, we continue to see multiple opportunities to deploy capital and remain capitalized to do so.

Finally, we remain committed to being a critical partner in advancing innovation in the life science sector by providing funding to parties across the value train, creating win-win solutions for all.

With that, we will now take your questions.

Q & A

Operator

Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. Should you have a question, please press star, followed by the number one on your touchtone phone. You will hear a three tone prompt acknowledging your request. Should you wish to decline from the polling process, please press star, followed by the number two. If you are using a speaker phone, please lift your handset before pressing any keys. Again, should you have a question, please press star, followed by the number one. One moment, please, for your first question.

Our first question comes from the line of Douglas Miehm from RBC Capital Markets. Go ahead, please.

Douglas Miehm — Analyst, RBC Capital Markets

Yes. Good morning Gary, Ali and everyone else. First question just has to do with recent conversations that you've been having with your potential counterparties as you think about equity—or sorry, royalty monetization. And I just want to know if the tone of those conversations has changed in any way such that you may need to pay more for assets, or is it business as usual?

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

Hey Doug, it's Ali. How are you? Look, when we spoke immediately after these events, I think one of the things that I was worried about was certainly counterparty skepticism on our ability to consummate transactions, especially ones that potentially had back-end payments and the like. I really do not feel that. I think people have had a look at our balance sheet, understand where we are at, see the strong cash flows. I think that relative to our maybe initial worries but they have the events, things in our discussions have been much more normal than certainly I anticipated at the outset.

So, what I will say and Navin can feel free to chime in here as well is that our discussions are progressing pretty much exactly in the way that they were, prior to these events, we're seeing a very robust stream of late-stage transactions that we're working on and we're not getting any pushback in any form from the counterparties that we're in discussion with. So, deal engine is working really well and I think that's really a credit to Navin and his team there.

Douglas Miehm — Analyst, RBC Capital Markets

Okay. Perfect.

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Hi Doug. Yes, Doug, just I could add a couple of senses of colour which is that, look, we—the first thing we did after the news broke is, as you know, speaking to investors and analysts. The second thing we did immediately after that was calling all our past partners and existing partners and calling folks that we are potentially going to be doing deals with and explaining the news and being very open about it

and explaining the remediation processes that are going on to fix the situation. We were actually quite surprised to the upside and the positive reaction from our potential partners, future partners as well as our existing and past partners, all of who were very supportive of the organization. And, I think that's in part driven by the transparency that has been created by the Board and by Ali and the processes that are happening in place.

Lastly, I think there's also a lot of comfort in the cash flows that exist at the trust which, as you know, are very strong, as well as the support of the banks which we have discussed before and their support of the cash flow that we have and our ability to continue to do deals.

Douglas Miehm — Analyst, RBC Capital Markets

Okay. Perfect. As a follow-up, it's more of a personal question for Ali and Gary. I expect you're both busy with other items in your lives and taking on these two roles, is it too much? Are you going to be able to allocate the time that's necessary to completely ride the ship? And, given the potential for how much work this is going to be, would the Company be open to informal approaches? And I'll leave there. Thank you.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

Yes. So it's Gary. Very nice to meet you, Doug. I've committed myself to this. I have two other boards that I participate in, but they are not things that demand a huge amount of my time. I've committed myself to do this for the next two years. I'll be here whenever I need to be here and I'll be devoting sort of 100% of my time to it. There are clearly some technical things that need to happen

around internal controls but there's also cultural change that has to happen as well, and that's not something that happens overnight but it's something we've committed to do and I'll commit whatever time I need to do to make that happen.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

Doug, on my side, as you know, I've been pretty deeply involved with the business from a financial side for a number of years now. It's certainly a step-up in the scope and time commitment of my responsibilities but not sort of a black and white one, really more a significant incremental one. I'm highly focused on fixing the processes and the plumbing that has sort of led us to this point. And I think the one thing that is important in all of this to contextualize is that over the past couple of years, we've built a very robust organization.

Certainly, the deal team under Navin and our operations team over here in Toronto. And I think those continue to function in a really superb way and that certainly makes the path we have to tread in terms of normalizing the business a lot easier and a lot more manageable for Gary and I. So, we're both committed to getting this back to where it needs to be, but also both, I think, very thankful for the contributions from the team and the fact that they have continued to operate as normal and execute in a superb way.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

I'll just add that I've been really—and I've served on a number of boards over the years. I've been really pleased with the engagement of the trustees right from day one. They've all committed the vast

amounts of time to get this right. They work very well together and work very quickly. This isn't something we're going to wait around to change. We've been on it from the first day we heard about this. So it is more than just me or Ali, there's a whole team working at it.

Operator

Thank you. Our next question comes from the line of Ash Verma from UBS. Go ahead, please.

Ashwani Verma — Analyst, UBS

Hi, thanks a lot for taking my questions and for the updates. So, if you can please describe the deals that you have in the pipeline? And to what extent are your discussions on potential royalty deals are on a path right now due to the management transition, like when can we start to expect more deal consummation?

And then secondly, just a new management team here, Gary and Amit if you can kind of highlight your investment preferences if they are like strategically or financially in any way different versus what the trust has done historically. Would love to hear your thoughts on where you want to take the business. Thanks.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

I think we'll let Navin take the pipeline question, and Gary can answer your second one.

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Hi Ash. On the pipeline, we have not slowed at all with regards to our sourcing efforts and our diligence efforts. If anything, this has energized the team to ensure that we go and get the highest quality assets and research them and execute on them. I would say that as—and this is just the fact. I mean our pipeline is as big and as robust as it's ever been in the history of DRI. Quite frankly, it could be bigger if we wanted it to be, we have trimmed it a little bit just in order to focus on deals that we believe has—have the highest probability of closing from our perspective. And so, we're fully confident in our ability to continue to execute on deals. There's good engagement with partners. We are in mid stages with several parties. And let's just—we hope to announce something over the coming months.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

And it's Gary. Sorry, your—the audio was a bit garbled when you were speaking. Can you repeat the question that you asked me, please?

Ashwani Verma — Analyst, UBS

Yes. So what I was trying to get at is that are your investment preferences in any way different versus what the trust has historically?

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

No. The trust has got a great track record. I said to somebody the other day that if I had a crisis to manage, this is the one I would choose just because the underlying business is so solid. The team has been great and they continue to execute. So, while we're managing the governance issues and the

cultural change here, I'm very comfortable that the team will continue to execute as they have in the past very successfully.

Ashwani Verma — Analyst, UBS

Thank you.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

Thank you.

Operator

Thank you. Our next question comes from the line of Les Sulewski from Truist Securities. Go ahead, please.

Leszek Sulewski — Analyst, Truist Securities

Hi, good morning. Thank you for taking my questions guys. Just on the product portfolio now, what is driving Orserdu strength there? And then on the Oracea generic coming on board, any contractual agreements in case there's a potential monetary damages? And then, just take kind of a back seat here on the transition. Is there any certain know-how or rolodex of partners that now goes away with the departure of the previous CEO?

I believe, Gary, you did mention the potential cultural change or any sort of internal expectations that we can expect? I believe you do run a pretty slim team but maybe just kind of give us an overview of what you would expect moving forward? Thank you.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

So, I'll spend a second on Oracea and then I'll let Navin answer the questions on pipeline and Gary on some of the other points you raised. I think on Oracea, look, as we stated, we're co-defendants in the litigation there. I think when you look at the way that we're addressing the situation right now, there is a mechanical impact from the shortened duration of the asset in the actions that we took this quarter. But sort of the bigger picture question is the revision in our forecast. I think we don't have enough data right now to do a proper revision of the forecast yet in terms of the impact of the generic entry. I think over the next quarter or two, we'll have sufficient data to do that and we'll give you an update at that point when we have a bit more visibility.

I think addressing your question on the institutional knowledge for lack of a better word. Look, I don't want to underplay that in the sense that obviously, Behzad had a pretty extensive range of knowledge and 25 years of experience in this business. That's very important from, I think, an oversight perspective. But at the same time, I think the work that was done, as I mentioned before, to build a really robust and independent set of teams and processes in the organization over the past couple of years has been really significant. So, the investment team is—has been operating and sourcing those transactions independently of Behzad for pretty much the entire history of the company after the IPO.

I think they've done a great job in doing that. Certainly, I'll have to work a bit harder in some of the areas that I have a little bit less depth in, but I've also been involved with oversight of the investment team on the investment committee and working structuring and financial aspects of the transaction. So, I think there's a lot of continuity there. And we will certainly have to fill in some gaps but I think we have the right team in place to make sure that's a smooth transition.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

It's Gary here. Sorry, go ahead, Navin.

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Yes. I was just going to answer the question on Orserdu. If you get asked to what's driving the strength on Orserdu. Part of it is continued growth in the U.S. as penetration in the ESR-1 mutation market continues to happen. It's a very safe drug. So, the physicians feel very good about it. It's the only drug approved, obviously, for ESR-1 mutations but a significant amount of growth in the last quarter or two has been launch in Europe which occurred faster than we anticipated, particularly reimbursement over there has been—has come in at a speed that was much faster than we anticipated.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

Then as for the governance issues, I think if you look at the way the trustees have reacted to this right from the very first phone call that we got, we have tried to be open, collaborative, involving the whole team and tried to be as transparent as we can with the market, with you people, with our unitholders, with the banks. Behzad is a very powerful personality, no question. I want this team to

continue to be collaborative to work together, to be open, to be transparent. We have a lot of work left to do with beefing up internal controls, whistle-blower, making sure people are comfortable to raise issues that are difficult and that's something that takes a little while. But that's been my leadership style. I'm a firm believer in show me, don't tell me. So, we will be working very hard on those issues and I think you'll see the results in the next few quarters.

Leszek Sulewski — Analyst, Truist Securities

Great. Thank you for all that colour.

Operator

Thank you. Our next question comes from the line of Rahul Sarugaser from Raymond James. Go ahead, please.

Rahul Sarugaser — Analyst, Raymond James

Good morning Gary, Ali and Navin. Welcome, Amit and Sandy. Thanks so much for taking our questions. So, now that the accounting effectively has been cleaned up and as we look forward to the pipeline and lot of the questions have been around pipeline. In the last quarter, you talked about essentially 11 deals being in the near to midterm with sort of another 23 following for that. So, I was wondering if there was sort of maybe an update on those numbers just to give us a little more visibility.

Also, Navin, you've talked at length about the importance of synthetic royalties. Perhaps, you can also give us a sense for the appetite for synthetic royalties as you're seeing them.

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Hi, I could start on the synthetic royalties and apologies I didn't hear the first part of the question if that was regarding the pipeline, please, if you don't mind repeating that out.

Rahul Sarugaser — Analyst, Raymond James

I'll just repeat. Yes, so the question was in the last quarter, you folks had mentioned that there were 11 deals in the near term with a further 23 in the longer term. So, I was wondering if there was an update to those numbers?

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Yes. I mean, with regards to the actual number of deals in the pipeline, those fluctuate from literally month-to-month, if not week to week. I mean, what I can tell you is that the overall deal size is as large as it's ever been. And very frankly, it could be bigger; we have cut out deals or turned away deals just because we just didn't have the capacity to vet all of them. And well, I mean, we vetted them at a high level and they didn't necessarily meet our criteria relative to what we had. We were very excited about the pipeline we had. And so we've pushed some of those to later time points. So we get past these set of pipeline assets.

With regards to near-term deals, we have several that are mid-stage that can vary quickly over the next couple of weeks, hopefully, move to late-stage and with potential to the consummate over the next couple of months. Our midterm pipeline is as strong as it's ever been and our early stage pipeline is extremely strong. What I can say is that the last couple of weeks, there has been a mass acceleration in

inbound interest coming into us. That's a function of the equity capital markets for biotech not recovering as people had hoped.

You saw a little bit of recovery in the first quarter. As we have talked about in the past, I wasn't sure if that was a true recovery or a bit of a debt cap balance and relief rally. I do not anticipate that to be a sustained rally and that's playing out now live in real time. As I said, in the last two weeks, there has been a significant increase in inbound interest, especially on the synthetic front. And so, we are continuing to have those kind of discussions, Rahul, we are in, as I said, mid-stages with several companies, a couple of them are for synthetic transactions which we continue to be very interested in.

Rahul Sarugaser — Analyst, Raymond James

Terrific. That's really helpful. And then so my follow-on question is, clearly, there's no issue with quantity. So, the question that's going to remain as you put up the next handful of transactions that you maintain the quality and high intrinsic IRR to those transactions. You talked a little bit about sort of Behzad's know-how. Maybe you can give us a little bit more colour in terms of how you're shoring up the internal capabilities such that you can really ensure that the quality of the transactions that you put up next are going to be of the same caliber as before?

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

If anything—sorry, go ahead, Ali.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

No, sorry, I'll comment on that from my vantage point and obviously, Navin, feel free to chime in. But, I think from my vantage point, the couple of areas to really think about in terms of diligence. One is the structuring and financial returns and forecasting aspects of the transaction. And there, we've continued to add to our team under Navin and I think we have a very robust process there and I think one that's proven itself out both prior to the IPO and certainly in a much stronger way after the IPO. And that remains intact and unchanged. I think in terms of my personal involvement with that prior to recent events, it's pretty much a continuation there.

I think the other area in diligence is really issues related to IP law and contract law and things of that nature. And there, we've continued to also add to the team and build a very robust legal team with lawyers that have that expertise operating out of our U.S. office and with some oversight from Toronto as well. Look, I think that's the area where I'm going to have to, frankly, to spend a lot of my time digging in and one area where the expertise of Behzad is from an oversight perspective, is maybe leaving a bit more of a gap relative to my capabilities but I think it's something that is built off a foundation of the function itself being excellent and continuity in the functions still being there.

So from my perspective, I'm really confident that the diligence of our transactions and the quality of our transactions coming out of that diligence process won't be meaningfully impacted. I know the areas that I have to work on personally to get my knowledge base improved, but it's being done in collaboration with a great team that's generating that knowledge.

Rahul Sarugaser — Analyst, Raymond James

That's perfect. Well, thank you so much for taking our questions. And wishing you the best of luck as you build from here.

Operator

Thank you. Our next question comes from the line of Scott Fletcher from CIBC. Go ahead, please.

Scott Fletcher — Analyst, CIC

Hi, good morning. Some helpful colour earlier in the call on the impact on counterparties. I'm wondering, in a similar vein, the conversions that you've had with investors and other stakeholders in the wake of this. What are some of the items they've—that have been brought up that they need to see to help sort of rebuild that trust you talked about earlier in the call, if there's anything we haven't discussed already on the call.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

I think from my vantage point, there's a couple of things. So one, I think that it's a big step to separate fully the governance of the trust from the manager. So, having Gary and Amit there as sort of guardians of the interests of the unitholders at the trust level is one big step.

The second step which is downstream from there is what is the process of thinking about the interaction of the manager with the trust. That's everything from issues like expense allocation to capital management and various other areas that I think need an overhaul in terms of process. So, if you will,

what's the kind of lines of communication and the process around that between the manager and the trust to make some of those decisions?

Then the third layer is critical and that's really the internal processes at the manager. So, we really have to do a big overhaul of a lot of our operational processes and frankly, also our culture to come in line with, I think, a standard that is much higher than the one that we had historically.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

Yes. I would just concur with that. I think having Amit and myself there, representing only the interest of the unitholders is critical. That relationship is not going to be confrontational but it is going to be—there's going to be an accountability structure there in the relationship. Ali and I need to continue to improve that and we will. The internal controls are something that we'll be grinding down very hard on in the next little while. So we have a better comfort level. And then going forward, obviously, the cultural changes in the organization that will be key to managing all of that.

Scott Fletcher — Analyst, CIC

Okay. Then a second question in the different vein. You were more active on the buyback this quarter, both before this news and after. Given where the unit price is now, should we expect sort of more continued allocation towards the buyback? Is there sort of a change in thinking between buyback and royalty acquisitions?

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

I think, look, that's a capital allocation decision for the trust. So I'll let Gary comment on it at a high level. I think in terms of getting into the weeds, it's always been a sliding issue for us between what we see as the embedded value of the portfolio and what we see as the value in our pipeline. I will say at this unit price, obviously, the embedded value of the portfolio is pretty attractive. I think one or two things to put through the lens there. One is, as Navin mentioned, the pipeline is incredibly robust and the quality of the deals is very, very good. So, I think my prior comment is more a function of the unit price than let's say, anything we're seeing in terms of the quality or returns on the deals that we're looking at.

Two, it's a reasonably obvious statement but buying a diversified portfolio of assets that we already know well and not having a lot of costs associated with that which is sort of embedded in a buyback is from one side, pretty attractive but the offset to that is that we need to continue to think about the portfolio as a whole and diversification and extension of duration and various other things. So, I think it's—there's a bucket of issues related to comparing the IRRs, there's a bucket of issues related to qualitative factors around those IRRs and then there's a bucket of issues related to the shape of the portfolio and the long-term health of our cash flows and we're weighing all of those in a balanced fashion.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

I would concur with that and just add our prime focus is the risk and return for the unitholders, both in the short term and the longer term and we evaluate that on an ongoing basis, and if it makes

more sense to deploy capital in an NCIB, given where we are, versus some of the deals that Navin has on his pipeline, then we'll make those decisions in real-time.

Scott Fletcher — Analyst, CIC

Okay. Thank you for the colour. I appreciate it.

Operator

Thank you. Our next question comes from the line of George Farmer from Scotiabank. Go ahead, please.

George Farmer — Analyst, Scotiabank

Hi, good morning. Thanks for taking my questions. One on guidance. I noticed that you have not revised your top line guidance of \$153 million to \$155 million. That would imply some negative growth quarter-over-quarter going into the back half of the year. Also kind of along those lines, just looking at some specific line items like Omidria, for example, can we expect kind of that consistent run rate. If so, like where might some royalties be slipping off? Maybe that would be in a ratio or in something else. Thanks.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

I'll let Navin respond on the Omidria issue. But just at a high level, look, I wouldn't read the guidance revision as anything negative. It's obviously been an extremely busy time for us and I think,

we've taken a relatively conservative stat to or cut on that. And frankly, it's not been the highest focus item for us this quarter. So, I wouldn't read anything negative into us not revising guidance.

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

On Omidria, the product is strong. I mean, look, on any of our products, it's difficult to look one quarter versus another. And because as you know very well, in biopharma, there is either seasonal buying patterns or seasonal demand trends that vary from product to product. And so, quarter-to-quarter, growth trends should be viewed with a little bit of skepticism. I tend to look at year-over-year growth and how that is progressing over several quarters. And from that perspective, all of our products are looking in line in a couple of cases slightly better than we anticipated. Omidria looks in line with how we've been forecasting it and we feel good about the product.

George Farmer — Analyst, Scotiabank

Great. And then also, just as you think about deal flow going forward and with prior management, the management changes in place. I know Navin, you bring a lot of expertise with handicapping clinical trial success of unapproved drugs. I mean, is that something that you guys may start consider about potentially purchasing royalties of unapproved drugs and taking on some more risk?

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

I don't think you'll see us be as aggressive as some of our competitors. I think we are open to doing that in a very thoughtful and risk-managed way. I think that's a comment that we have made pretty consistently. One thing that we're very focused on is really not letting these issues derail, what I

think, the long-term strategic growth plans of the business are. And I think to the extent that our intention was to broaden the type of structures that we look at, be more innovative in the types of financings that we do and the types of instruments that we use and things of that nature. It's not our intent to step back from any of that. We're full speed ahead in terms of growing and expanding the business. But we're going to do it in a very thoughtful and risk-managed way. I don't know, Navin, if you have anything to add there?

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

No. I mean look, as far as handicapping trials and taking risk on trials, we were doing that before all this happened. As you know, with Empaveli, we took risk on that asset with regards to Syfovre's approval because PNH wasn't going to get us to the cap. So, we have built in some valuation for Syfovre which we had fully vetted with TZIELD (phon). We had a lot of that value that we had described to the upfront with regards to the unapproved indication in the newly diagnosed population. The Trial read out exactly as we anticipated with the top line with the primary endpoint being positive, the secondary endpoint being a little bit wishy-washy and that's exactly how we had thought.

Numerically, the outcomes of those endpoints were almost bang on with our analysis. And so this is not something that's new to us. If we do something, as Ali said, it would be in a very specific thoughtful way, that is risk mitigated, that is not that is no—that does not add significant risk to the trust but also at the same time, provide a significant upside opportunity for unitholders.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

And, look, as Navin mentioned, we have a good record in that, right? When you look at the CTI deal which is another one that was preapproval with the loan upfront and then the royalty on the back end, that's another example where we effectively structured the transaction that allowed us to protect our downside but capture the benefit of the upside. So we're focused on continuing to innovate there.

George Farmer — Analyst, Scotiabank

Great. Thanks very much.

Operator

Thank you. Our next question comes from the line of Zachary Evershed from National Bank. Go ahead, please.

Zachary Evershed — Analyst, National Bank

Thank you. Good morning, everyone. Thanks for taking my questions. Can you tell us more about the terminated binding bid process with the counterparty who opted for other financing and capital markets? I know you mentioned some bifurcation but maybe we can dive a little deeper on that.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

Sorry, Zach. Which terminated a bid are you referring to?

Zachary Evershed — Analyst, National Bank

There's one highlighted in the MD&A for higher deal costs.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

Got it. Okay. Look, in general, we're sort of not going to comment on confidential processes that we didn't consummate for obvious reasons. I think that was a transaction that we got very close to the finish line on. The counterparty did a broader company level, so not specific to that drug. Broader sort of capital markets transaction at the company or corporate level, it was a big diversified business. So, what I would highlight there is that it wasn't a small or mid-cap biotech but a business that sort of has the capacity to access the capital markets in a broader way opted to do that instead of doing something at the drug level.

Zachary Evershed — Analyst, National Bank

That's good colour. Thanks. Then is there any concern that the former CEO could form a competing enterprise?

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

No, that's really not going to happen. As you know, the business remains owned by the Khosrowshahi family at the manager level and it's really profoundly unlikely that something like that could occur given both the restrictions on him, obviously, the market credibility issues and the ownership structure of the manager.

Zachary Evershed — Analyst, National Bank

Fair enough. Thanks. I appreciate it. I'll now turn it over.

Operator

Thank you. Our next question comes from the line of David Martin from Bloom Burton. Go ahead, please.

David Martin — Analyst, Bloom Burton

Hi, good morning. You mentioned that Vonjo you expect the second half to be better for it. You mentioned Sobi completing the integration of CTI. Is there anything else happening that gives you confidence for the second half? Is Sobi's marketing message changed, changing? Or, have there been changes in guidelines for myelofibrosis treatment?

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Yes. No, look, there have been guideline changes at the end of last year that were positive for Vonjo. We—I think the messaging around the benefits that pacritinib provide in the not just severe thrombocytopenic population but also in anemia—anemic population is still fully under—and is not fully appreciated by physicians, especially in the community setting, so we anticipate Sobi to start increasing the messaging around outcomes, the severe outcomes associated with severe thrombocytopenia to patients. The fact that Vonjo is the only asset that works in that setting, I think we'll start resonating with physicians because the data is pretty clear that those patients have a much worse outcome than patients with anemia.

In fact, Vonjo does actually work in patients with anemia. So, there is a pretty strong message there but obviously, you had a strong competitor in GSK pushing momelotinib at the same—launching

momelotinib at the same time as the CTI integration was happening. So, that combined effect is what would cause a slowdown. But now that, that integration is over, I think the story is pretty clear and CTI is—or Sobi has, rather, has acknowledged that and has a very clear message from our perspective.

David Martin — Analyst, Bloom Burton

Got it. You mentioned the change in internal processes and culture at the manager, right? Will it change? Will it affect the way opportunities are sourced and assessed?

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

No. I think what we're really talking about here is, from one side, a cultural change in terms of people feeling like they have the ability to question decisions and dig into various things that they may view as being correctly done. But I think a much broader set of process changes as well. So, as you saw in the MD&A, there were a number of issues with the way that we were handling invoicing, allocation of expenses, controls around vendors, controls around check processing and things like that. I think a lot of the manager level of investigation that we are going to do is going to be process-driven and focused on those issues and rectifying them.

Then I think on top of that, there's another set of issues which have to do with, all right, how do you push those costs to the trust, how does the trust approve or not approve those things. What are the basis around those, what's the documentation around those. So, it's a lot of process-driven changes. I don't think those in any way will impact our sourcing or execution of deals. They will be very focused on

the allocation of the various expenses that we run up in the diligence of the deals and how those get allocated.

David Martin — Analyst, Bloom Burton

Okay. Thanks for clarifying that. Then one final one, if I may. You mentioned you're not going to be necessarily leaning more towards pre-commercial assets. But with this bifurcation of financing window, cash flow positive companies getting money but cash burning companies not, doesn't that naturally push you towards more pre-commercial assets?

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

Look, I think we will—sorry, go ahead, Navin.

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Yes. No, look, there is pre-commercial—there's post-Phase III pre-commercial and pre-Phase III pre-commercial, right? Those are very different risk profiles associated with them. As you know well, if you have two Phase III trials that are successful, that are very strong and have low—clear safety and clear efficacy benefits and a strong p-value and a good—and limited competition, that's a highly derisked asset even if it is preapproval, right? And it's a very different proposition than an Alzheimer's asset that's in Phase II.

So, this notion of preapproval is too broad of a distinction, right? An Alzheimer's asset in Phase 2, obviously, has a very different profile than an immunology asset post Phase III. Right, that—the

risk/reward for unitholders on that post Phase III immunology asset, could be highly attractive for unitholders, right? So it really—we have to be—we can't be so broad brushed in our description of preapproval, I think. So there are instances where if we see something attractive, where we think there is limited risk and a great opportunity for returns for unitholders, that's something we have to assess seriously. But, as always, it's something we can structure around to ensure that the trust's risk profile is managed.

Then with regards to your question on the cash flow positive versus cash flow negative, there are plenty—there are several companies, many companies out there that have approved assets but have deep pipelines and therefore, are not actually cash flow positive or barely cash flow positive and will remain like that for several years and they're having significant issues raising the amount of capital required to fund their deep pipelines through the equity markets, and so they're turning to royalty players to help fund those activities. So, it's not just for preapproval assets that we could have an opportunity to participate with these companies. There are also approved assets as well.

David Martin — Analyst, Bloom Burton

Okay, thanks. Thanks for explaining that.

Operator

Thank you. Our next question comes from the line of Tania Armstrong-Whitworth from Canaccord Genuity. Go ahead, please.

Tania Armstrong-Whitworth — Analyst, Canaccord Genuity

Thanks, gentlemen. Just a couple for me. First, have you received any expressions of interest from parties potentially looking to acquire the DRI platform just given the unit price decline, and considering that the Khosrowshahi family might not have as vested of an interest in the business?

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

No, we've not received any expressions of interest. I will say we've been reached out to by a number of bankers who would like to be hired. But our focus really is on building the company. I think the best value for unitholders is us to continue to execute and continue to expand in the growth of the company. If somebody chooses to make an offer, we increase the value of that offer by having a great company. So, that's our focus and we'll see where it goes. The trustees obviously have a fiducial responsibility to evaluate any approaches but we've not had any.

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

And Tania, as you can see the Khosrowshahi family has obviously been shocked by this and I think has done the right thing by stepping up and fully reimbursing all the misappropriated expenses and other items that were misallocated. So they're showing a great deal of commitment to stabilizing the business and putting capital out of pocket to do so.

Tania Armstrong-Whitworth — Analyst, Canaccord Genuity

Okay. Secondly, do you foresee there being any change to the management fee now that the executive leadership team has been internalized?

Ali Hedayat — Interim Chief Executive Officer, DRI Healthcare Trust

Let me turn that over to Gary, but I'll just give you a bit of context on the management fee part of this question which is, look, I think one way to look at the management fee if you want to sort of normalize it for an asset manager is to take the run rate of what that 6.5%, let's say, take our midpoint of guidance would be and put it over the book value of the assets. And when you do that, you will see that it's not a particularly aggressive fee and a private equity context, it's one and change percent, and I think that's pretty standard for the type of business that we operate.

I mean, obviously, when you have factors like milestones and the like which are accretive to unitholder returns, they also cause some outsized volatility in the management fee. But just on a run rate basis, taking the fee and putting it over our book value of assets will give you a pretty clear sense that it's not something that's sort of out of market standard.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

Sorry, were you asking about the management team or the management fee? I didn't hear...

Tania Armstrong-Whitworth — Analyst, Canaccord Genuity

The management fee, just wondering if there will be any change just because now the trust is bearing that added cost of having an internalized management team?

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

Yes. I mean, we're going to have lots of discussions with the manager over the next little while as we sort through the governance issues. We're not out there hunting for something but we'll obviously having robust conversations about this relationship going forward and that may end up being part of it but it's not something we're out there hunting for.

Tania Armstrong-Whitworth — Analyst, Canaccord Genuity

Okay, perfect. One last one, if I may, for Navin. Given your focus on longer duration asset, are you able to comment on what percent of that near-term pipeline is kind of over 10-year duration opportunities?

Navin Jacob — Chief Investment Officer, DRI Healthcare Trust

Tania, I haven't—that's a good question. I haven't cut our pipeline in that way, but I can tell you that many of the medium-term assets we're looking at, most of them are over 10 years.

Tania Armstrong-Whitworth — Analyst, Canaccord Genuity

Okay. Excellent. I'll leave it there. Thank you, gentlemen.

Operator

There are no further questions at this time. I'd now like to turn the call back over to Mr. Gary Collins for any final closing comments.

Gary Collins — Chairman, Chief Executive Officer, DRI Healthcare Trust

I just want to thank you all for taking time to be with us this morning and I look forward to discussing Q3 with—in November and I'm sure we'll be speaking to number of you one-on-one over the next while as well. So, thank you for your continued interest in DRI Healthcare Trust.

Operator

Thank you, sir. Ladies and gentlemen, this concludes your conference call for today. We thank you for participating and ask that you please disconnect your lines. Have a lovely day.